The Hongkong and Shanghai Hotels, Limited

Stock Code: 00045

Annual Report 2023

In this year's annual report, we continue to adopt the principles of integrated reporting, which is to bring together material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organisation demonstrates stewardship and how it creates and sustains value.

The objective of our approach is to provide a connected view of the different aspects of our financial as well as our environmental, social and governance performance by publishing this annual report, and a separate Corporate Responsibility and Sustainability Report to demonstrate our sustainability vision, strategy and achievements in detail. Alongside our company website, the two reports enable our stakeholders to have a more informed assessment of our company.

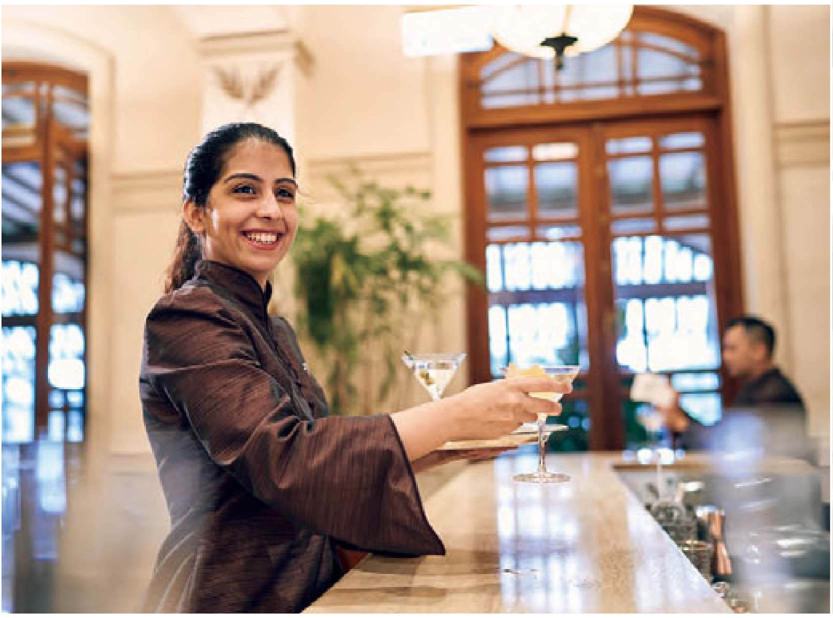
As we aspire to go beyond compliance and continue to enhance our integrated reporting approach and disclosure, your feedback is welcome. Please share your views with us by post or email.



CONTENTS

Accomplishments and Results 2023

Creating Stakeholder Value



Governance

Financial and Sustainability Data Statements

Additional Information

Accomplishments and Results 2023

Company at a Glance

Number of Rooms | Ownership

HOTELS

THE PENINSULA HONG KONG
Established: 1928 **300** | 100%

THE PENINSULA SHANGHAI
Established: 2009 **235** | 50%

THE PENINSULA BEIJING
Acquired: 1989 **230** | 76.6%

THE PENINSULA TOKYO
Established: 2007 **314** | 100%

THE PENINSULA BANGKOK
Established: 1998 **370** | 100%

THE PENINSULA MANILA
Acquired: 1976 **351** | 77.4%

THE PENINSULA NEW YORK
Acquired: 1988 **233** | 100%

THE PENINSULA CHICAGO
Established: 2001 **339** | 100%

THE PENINSULA BEVERLY HILLS
Established: 1991 **195** | 20%

THE PENINSULA LONDON
Established: 2023 **190** | 100%

THE PENINSULA PARIS
Established: 2014 **200** | 20%

THE PENINSULA ISTANBUL
Established: 2023 **177** | 50%

GFA (sq. ft.) | Ownership

THE PENINSULA ARCADES

THE PENINSULA HONG KONG
77,654 | 100%

THE PENINSULA SHANGHAI
90,005 | 50%

THE PENINSULA BEIJING
96,216 | 76.6%

Company at a Glance

GFA (sq. ft.) | Ownership

COMMERCIAL PROPERTIES

THE PENINSULA OFFICE TOWER HONG KONG
Established: 1994 **79,651** | 100%

THE REPULSE BAY HONG KONG (residential and arcade)
Established: 1976 & 1989 **1,058,455** | 100%

THE PEAK TOWER HONG KONG (retail)
Established: 1996 **116,768** | 100%

21 AVENUE KLÉBER PARIS, FRANCE (office and retail)
Acquired: 2013 **44,218** | 100%

ST. JOHN'S BUILDING HONG KONG (office)
Established: 1983 **71,400** | 100%

THE LANDMARK HO CHI MINH CITY, VIETNAM (office and residential)
Established: 1994 **176,808** | 70%

Ownership

CLUBS AND SERVICES

**THE PEAK TRAM
HONG KONG**
Established: 1888 **100%**

**QUAIL LODGE & GOLF CLUB
CARMEL, USA**
Acquired: 1997 **100%**

**PENINSULA CLUBS AND
CONSULTANCY SERVICES**
Established: 1977 **100%**

PENINSULA MERCHANDISING
Established: 2003 **100%**

TAI PAN LAUNDRY HONG KONG
Established: 1980 **100%**

2023 Highlights

17 Jan – The Peninsula launched a new global brand campaign, ***Peninsula Perspectives,*** which honours the diverse individual histories of the employees who contribute to our hotels' highly personal guest experience.

14 Feb – **The Peninsula Istanbul** opened on 14 February 2023.

13 Feb - The Peninsula announced the launch of a global fundraising initiative, **"Hope for Türkiye"**, across our hotels for the victims of the Kahramanmaras earthquakes in Türkiye.

2023 Highlights

7 Jul – **GALLADA and Topside Bar**, led by award-winning Chef Fatih Tutak, opened at The Peninsula Istanbul, bringing a new Turk-Asian dining and drinking experience to Istanbul.

3 Jul – **MyHSH Hub**, the new employee portal of The Hongkong and Shanghai Hotels, was launched at Head Office. It serves as a virtual extension of the workplace, facilitating daily work and fostering connections and engagement across our operations.

6 Sep - **The Peninsula Boutique and Café** opened its doors in Shanghai Xintiandi, marking its first flagship in the Chinese mainland.

21 Aug – **The Hongkong and Shanghai Hotels** (HSH) finalised a three-year HK$800 million sustainability-linked revolving credit facility with DBS Bank to facilitate HSH's general corporate purposes, including the refinancing of its existing indebtedness.

2023 Highlights

12 Sep – **The Peninsula London** opened with fine dining restaurants including The Lobby, Canton Blue, Little Blue, and The Peninsula Boutique & Café.

26 Sep - **The HSH Annual Report 2022** won The Grand Award of "The Best of Hong Kong SAR" in the 37th ARC Awards Competition 2023, the second consecutive year we have achieved this award.

4 Oct – **Brooklands**, The Peninsula London's rooftop restaurant led by Chef Director Claude Bosi, opened.

2023 Highlights

18 Dec – **Gaddi's at The Peninsula Hong Kong**, our Michelin-starred French restaurant, celebrated its 70th anniversary with a Gala Dinner.

95th Anniversary of The Peninsula Hong Kong

25th Anniversary of The Peninsula Bangkok

20th Anniversary of The Quail, A Motorsports Gathering

Financial Highlights

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

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

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

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

* Being EBITDA minus depreciation and amortisation

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

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

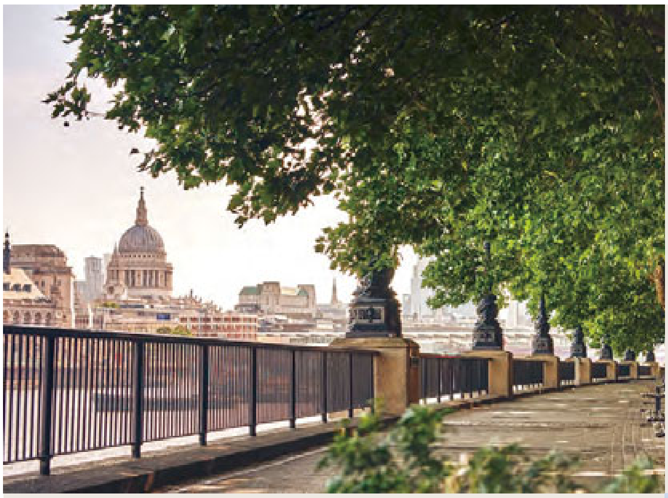
\# Adjusted net assets attributable to shareholders and adjusted net assets per share are calculated by adjusting the group's hotels and golf courses to fair market value based on the valuation conducted by independent property valuers, net of tax

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

pp Denotes percentage points

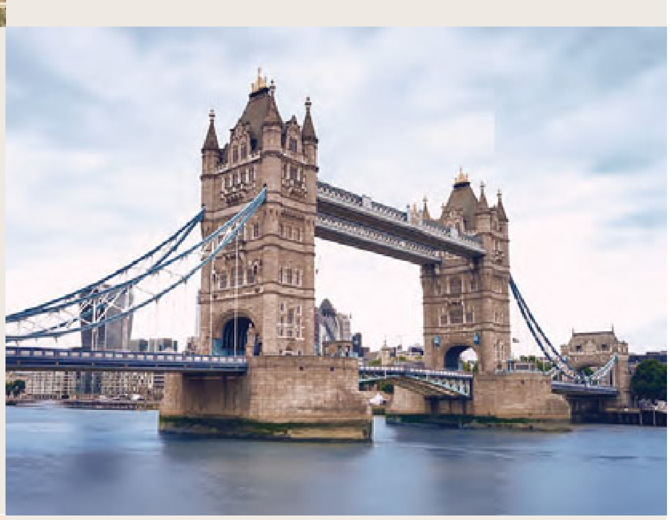
Non-Financial Highlights

As our business activity gradually resumes to pre-pandemic levels, our energy, carbon and water intensity figures also continue to normalise. Therefore, some performance metrics are showing unfavourable trends compared to last year, though our energy and carbon intensity continue to show improvement compared to our baseline in 2010, which indicates positive progress over time. Please bear this in mind when reading the CRS statistics in this year's annual report. We will continue to closely monitor our sustainability performance, implement group and property-level initiatives, and contribute to our long-term sustainability goals guided by our *Sustainable Luxury Vision 2030*. Our CRS performance is discussed in more detail in the CRS Report, and explanations for significant data changes are included in the footnotes below. Percentage change below refers to year-on-year movement.



- **10 of The Peninsula Hotels** are on track to achieve **EarthCheck Certification**[1]
- **The Peninsula London** and **The Peninsula Istanbul** were designed to achieve **BREEAM Excellent Level**[2]
- Our group **carbon and energy intensity** has **reduced by 41%** and **20%** respectively, compared to our 2010 baseline[3], contributing to global low-carbon transition efforts

- **Water intensity** (hotels) **decreased 5.7%** to 1,315 litres per guest night
- **Water intensity** (commercial properties) **increased 13.1%** to 1,088 litres per m^2
- **Diverted 53.5%** of our waste from landfill and incineration[4]
- **Injury rate** increased 7.2% to **3.8 injury cases** per 100 employees
- **Lost day rate** decreased by 16.8% to **41.3 lost days** per 100 employees



- **Total turnover rate** continued to improve post-pandemic, **now at 21.9%**
- **Total community contribution** at **HK$9.7 million** and **more than 10,100 volunteering hours**
- **HK$37.9 million** raised through **"Hope for Türkiye"**[5]
- Continued to increase our **sustainability-linked** and **green loans**, totalling **HK$13.1 billion**

1 An international sustainability certification that recognises hotels with robust environmental management processes and commitment to continuous operational improvements on sustainability.

2 BREEAM stands for Building Research Establishment Environmental Assessment Method, a leading standard on sustainable buildings that serves as a practical guide on the integration of sustainability considerations in development projects.

3 Achieved through the implementation of energy efficiency projects and transition to lower carbon energy alternatives.

4 Achieved through reducing and recycling effort in all our operations, and pilot projects that embrace the concept of "circularity"

5 Fundraising campaign initiated by The Peninsula Hotels to support those affected by the devastating earthquake that occurred in Türkiye in February 2023.

Financial Review Summary

❶ Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

The group's EBITDA* and combined EBITDA*, including the group's effective share of EBITDA of associates and joint ventures, amounted to HK$1,390 million and HK$1,469 million respectively (2022: HK$518 million and HK$597 million respectively).

The breakdown of EBITDA* by business segment and by geographical segment is set out on pages 103 to 104 of the Financial Review

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

❷ Revenue

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

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

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

Details of the operating performances of the group's individual operations are set out on pages 53 to 94 of the Operational Review.

Consolidated Statement of Financial Position at 1.1.2023

	HK$m
Net assets	
Fixed assets	47,130
Properties under development for sale	5,169
Other long-term investments	2,287
Deferred tax assets	148
Derivative financial instruments	349
Cash at banks and in hand	585
Other current assets	913
	56,581
Bank borrowings	(15,192)
Deferred tax liabilities	(657)
Other liabilities	(1,820)
Lease liabilities	(2,792)
	36,120
Capital and reserves	
Share capital	5,837
Retained profits	30,332
Hedging, exchange and other reserves	(153)
	36,016
Non-controlling interests	104
	36,120

Consolidated Statement of Cash Flows for the year ended 31.12.2023

		HK$m
❶ EBITDA before before pre-opening, project and other non-recurring expenses		1,390
Pre-opening, project and other non-recurring expenses		(292)
EBITDA		1,098
Changes in working capital in connection with The Peninsula Residences London sold		1,999
Changes in other working capital		338
Tax payment		(28)
Capital expenditure on operating assets		(314)
Capital expenditure on new projects, investments and Peak Tram upgrade		(2,299)
Net increase in bank borrowings		354
Net financing charges and dividends paid		(714)
Lease rental paid		(148)
Receipt from associates		10
Net deposit of interest-bearing bank deposits with maturity of more than three months		(146)
Net cash inflow for the year		150
Cash at banks and in hand	585	
Less: Bank deposits maturing more than 3 months	(15)	
Cash and cash equivalents at 1.1.2023		570
Effect of changes in exchange rates		–
Cash and cash equivalents at 31.12.2023*		720
*Representing:		
Cash at banks and in hand		881
Bank deposits maturing more than 3 months		(161)
		720

Consolidated Statement of profit or loss for the year ended 31.12.2023

	HK$m
❷ Revenue	8,112
Operating costs before depreciation and amortisation	(6,722)
EBITDA before pre-opening, project and other non-recurring expenses	1,390
Pre-opening, project and other non-recurring expenses	(292)
EBITDA	1,098
Depreciation and amortisation	(520)
Operating profit	578
Net financing charges	(293)
Profit after net financing charges	285
❸ Share of result of joint ventures	(166)
❹ Share of results of associates	(18)
❺ Increase in fair value of investment properties	186
Taxation	(139)
Non-controlling interests	(2)
Profit attributable to shareholders	146

Consolidated Retained Profits for the year ended 31.12.2023

	HK$m
Retained profits at 1.1.2023	30,332
Profit attributable to shareholders for the year	146
Retained profits at 31.12.2023	30,478

Consolidated Statement of Financial Position at 31.12.2023

	HK$m
Net assets	
Fixed assets	48,832
Properties held/under development for sale	4,382
Other long-term investments	2,436
Deferred tax assets	151
Derivative financial instruments	220
Cash at banks and in hand	881
Other current assets	967
	57,869
Bank borrowings	(15,914)
Deferred tax liabilities	(658)
Other liabilities	(2,185)
Lease liabilities	(2,733)
	36,379
Capital and reserves	
Share capital	5,837
Retained profits	30,478
Hedging, exchange and other reserves	(36)
	36,279
Non-controlling interests	100
	36,379

Underlying profit attributable to shareholders for the year ended 31.12.2023

	HK$m
Profit attributable to shareholders	146
Non-operating and non-recurring items	(180)
Pre-opening, project and other non-recurring expenses	292
Share of PIT's pre-opening expenses	19
❻ Underlying profit	277

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

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

The group's share of net loss of PSW and PIT amounted to HK$166 million (2022: HK$54 million).

❹ Share of results of associates

The group has a 20% interest in each of The Peninsula Beverly Hills and The Peninsula Paris. The group's share of net loss of these hotels amounted to HK$18 million (2022: HK$11 million).

❺ Increase in fair value of investment properties

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

❻ Underlying profit

To provide additional insight into the performance of its business operations, the group presents underlying profit by excluding non-operating items such as any change in fair value of investment properties, and pre-opening, project and other non-recurring expenses. Details of the reconciliation from reported profit to underlying profit are set out on page 98 of the Financial Review.

Ten Year Operating Statistics

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
a) THE PENINSULA HOTELS (Note 1 & 2)										
Hong Kong										
Occupancy rate	**43%**	22%	35%	23%	50%	70%	75%	72%	73%	75%
Average room rate (HK$)	**6,309**	3,819	3,204	3,153	5,401	5,845	4,875	4,843	4,760	5,144
RevPAR (HK$)	**2,691**	827	1,106	727	2,706	4,082	3,659	3,473	3,477	3,870
Other Asia (excluding Hong Kong) (Note 3)										
Occupancy rate	**55%**	37%	28%	35%	72%	73%	68%	67%	70%	65%
Average room rate (HK$)	**3,432**	2,361	2,933	2,889	2,851	2,694	2,661	2,599	2,265	2,146
RevPAR (HK$)	**1,901**	864	831	1,008	2,059	1,966	1,802	1,753	1,581	1,390
United States of America and Europe										
Occupancy rate	**54%**	57%	48%	34%	72%	72%	70%	71%	68%	74%
Average room rate (HK$)	**8,524**	7,880	6,484	5,456	5,892	5,997	5,861	5,625	5,807	5,471
RevPAR (HK$)	**4,635**	4,490	3,098	1,843	4,243	4,333	4,130	3,993	3,962	4,059
b) RESIDENTIAL (Note 1, 2, 4 & 5)										
Occupancy rate	**82%**	78%	80%	89%	96%	95%	94%	91%	93%	85%
Average monthly yield per square foot (HK$)	**46**	46	48	50	50	49	49	49	49	49
c) SHOPPING ARCADES (Note 1, 2, 4 & 6)										
Occupancy rate	**89%**	92%	91%	84%	86%	87%	89%	93%	95%	97%
Average monthly yield per square foot (HK$)	**139**	134	141	160	192	194	195	199	214	212
d) OFFICES (Note 1, 2, 4 & 5)										
Occupancy rate	**87%**	93%	96%	96%	98%	99%	95%	100%	99%	97%
Average monthly yield per square foot (HK$)	**64**	64	65	68	64	63	58	56	55	54
e) PEAK TRAM										
Annual patronage ('000)	**5,966**	867	609	1,001	3,159	6,050	6,179	6,259	6,359	6,325
Average fare (HK$)	**37**	29	22	20	24	23	20	19	19	19
f) FULL TIME HEADCOUNT (as at 31 December)										
Hotels	**6,515**	5,344	4,806	4,570	6,063	6,186	6,147	6,135	6,201	6,308
Commercial Properties	**334**	327	323	338	356	358	359	360	363	362
Clubs and Services	**846**	768	737	760	1,079	1,088	1,052	993	1,318	1,317
Total headcount	**7,695**	6,439	5,866	5,668	7,498	7,632	7,558	7,488	7,882	7,987

Notes:
1. Occupancy rates, average room rates, RevPAR and average monthly yield per square foot are weighted averages in each grouping.
2. Occupancy rates for hotels are calculated based on the number of rooms sold divided by the number of rooms available whereas occupancy rates for residential properties, shopping arcades and offices are calculated based on net occupied area divided by net available area.
3. The saleable inventory in The Peninsula Beijing was reduced from the start of 2015 to Aug 2017 for renovation, impacting Occupancy Rate and RevPAR.
4. Average monthly yield per square foot is calculated based on average monthly rent divided by the average number of square feet rented out.
5. The operating statistics for residential and offices do not include information for operations that are not consolidated or whose results are not material in the group context: being The Landmark, Vietnam; The Peninsula Residences, Shanghai; 21 avenue Kléber, Paris; and 1-5 Grosvenor Place, London (demolished in 2017).
6. The group's most significant shopping arcades are located in The Peninsula hotels in Hong Kong, Shanghai, Beijing, New York, as well as The Repulse Bay Complex and The Peak Tower.

Ten Year Financial Summary

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Consolidated Statement of Profit or Loss (HK$m)										
Combined revenue	**8,703**	4,610	3,885	2,947	6,378	6,753	6,313	6,150	6,257	6,297
Revenue	**8,112**	4,198	3,461	2,710	5,874	6,214	5,782	5,631	5,741	5,838
EBITDA	**1,098**	399	394	(61)	1,390	1,680	1,555	1,420	1,572	1,672
Operating profit/(loss)	**578**	(53)	(105)	(614)	801	1,079	988	894	1,061	1,154
Profit/(loss) attributable to shareholders	**146**	(488)	(120)	(1,940)	494	1,216	1,128	647	994	1,143
Earnings/(loss) per share (HK$)	**0.09**	(0.30)	(0.07)	(1.18)	0.30	0.76	0.71	0.42	0.65	0.76
Underlying profit/(loss)	**277**	(205)	(255)	(814)	480	738	774	618	710	977
Dividends	**132**	–	–	–	212	338	318	297	308	349
Dividends per share (HK cents)	**8**	–	–	–	13	21	20	19	20	23
Dividend cover (times)	**2.1x**	–	–	–	2.3x	2.2x	2.4x	2.1x	2.3x	2.8x
Cash interest cover (times)	**1.3x**	0.8x	1.6x	–1.2x	10.4x	12.8x	11.9x	13.8x	21.2x	25.5x
Weighted average interest rate	**4.4%**	2.2%	1.5%	1.9%	2.2%	2.3%	2.2%	2.1%	2.2%	2.3%
Consolidated Statement of Financial Position (HK$m)										
Total assets	**57,869**	56,581	55,685	53,679	53,061	51,724	51,254	48,499	46,934	44,335
Total liabilities	**(21,490)**	(20,461)	(18,820)	(16,527)	(13,332)	(12,524)	(12,801)	(12,143)	(10,454)	(8,357)
Non-controlling interests	**(100)**	(104)	(103)	(308)	(675)	(536)	(527)	(215)	(233)	(250)
Audited net assets attributable to shareholders	**36,279**	36,016	36,762	36,844	39,054	38,664	37,926	36,141	36,247	35,728
Adjusted net assets attributable to shareholders	**41,091**	40,341	40,871	40,607	42,808	42,411	41,476	39,493	39,447	39,323
Audited net assets per share (HK$)	**22.00**	21.84	22.29	22.34	23.90	23.97	23.86	23.06	23.49	23.56
Adjusted net assets per share (HK$)	**24.92**	24.46	24.79	24.63	26.20	26.29	26.10	25.20	25.57	25.93
Net external borrowings	**(15,033)**	(14,607)	(12,900)	(10,662)	(6,827)	(5,917)	(5,521)	(4,911)	(3,273)	(3,004)
Funds from operations to net external debt	**7%**	3%	3%	–1%	20%	28%	28%	29%	48%	56%
Net external debt to equity attributable to shareholders	**41%**	41%	35%	29%	17%	15%	15%	14%	9%	8%
Net external debt to total assets	**26%**	26%	23%	20%	13%	11%	11%	10%	7%	7%
Consolidated Statement of Cash Flows (HK$m)										
Net cash generated from operating activities before taxation	**3,435**	488	388	(258)	1,017	1,564	1,502	1,444	1,576	1,733
Capital expenditure on existing assets	**(382)**	(361)	(334)	(399)	(564)	(426)	(601)	(1,000)	(476)	(370)
Capital expenditure on new projects and investments	**(2,231)**	(2,464)	(2,254)	(1,771)	(1,330)	(1,208)	(1,097)	(1,580)	(916)	(39)
Share Information (HK$)										
Highest share price	**8.93**	9.26	8.50	8.91	12.08	13.48	17.12	9.49	12.20	12.60
Lowest share price	**5.65**	6.05	6.67	5.62	7.35	10.00	8.27	7.15	8.00	10.08
Year end closing share price	**5.84**	8.12	6.83	6.90	8.35	11.10	11.60	8.60	8.64	11.50

The bases of calculation of the following items are disclosed in the Financial Highlights on page 18

1 Underlying profit/(loss)
2 Cash interest cover
3 adjusted net assets per share
4 Funds from operations to net external debt

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

Letter from the Chairman

The Hon. Sir Michael Kadoorie
Chairman

> "It is with this spirit of overcoming adversity, particularly during the past few years, that we have achieved a significant milestone for the first time in our company's history: the opening of two new Peninsula hotels in the same year."

Dear Shareholders,

Our company's heritage dates back to 1866 and over the decades we have often had to overcome great difficulties to achieve success. As a long-term investor, we have always looked ahead with optimism and confidence. As a result, we have emerged as one of the leading hotel companies in the world, dedicated to serving our guests with the highest standards of luxury and warm hospitality.

It is with this spirit of overcoming adversity, particularly during the past few years, that we have achieved a significant milestone for the first time in our company's history: the opening of two new Peninsula hotels in the same year. As is our usual practice, both of these hotels have been developed and are operated by us; The Peninsula London is owned by the company and The Peninsula Istanbul is owned in partnership with Doğuş and Bilgili. The Peninsula Istanbul soft opened in February 2023 and The Peninsula London held its soft opening in September 2023. The Kadoorie family has strong historical ties in both London and Istanbul and I am delighted to be able to pay tribute to their ancestral roots with these magnificent properties. Both hotels have already achieved several awards, accolades and pleasing reviews from guests in their debut year, and I believe they will stand the test of time as landmark hotels in their respective cities. You can read more about these properties on pages 118-137 of this report.

Across our portfolio, 2023 was a satisfactory year in terms of business performance, with some of our hotel properties in Asia and Europe achieving record high rates. Regrettably, the performance of The Peninsula Hong Kong has yet to return to pre-Covid levels due to the slow recovery of international leisure visitors to the city, particularly from our traditionally strong long-haul markets of US and Europe. However, the Peak Tram, which is one of Hong Kong's top tourist attractions, had a very strong year with record patronage and revenue, with the majority of visitors coming from the Chinese mainland.

On the commercial property side, residential leasing has stabilised compared to the previous year. We are reviewing options to enhance the retail arcades at The Repulse Bay and the Peak Tower, and we remain optimistic for the long-term attractiveness and value of these assets.

Although business has now mostly recovered after the pandemic, we remain conscious of the need for continued vigilance towards managing other significant risks and threats to our business. Our current priorities in terms of managing risks are labour shortages in the hospitality industry, inflation and energy costs, and managing ongoing geopolitical uncertainties. Cybersecurity threats and climate change risks remain a concern for our business. Our Board members and Group Risk Committee meet regularly to discuss our approach to these and other operational risks.

Environmental, social and governance (ESG) criteria are more important than ever, with climate change and sea level rises of particular concern in some of the countries where we operate. With this in mind, we continue to be committed to delivering on our sustainability strategy, *Sustainable Luxury Vision 2030*, which is described together with our group's social and environmental performance in our Corporate Responsibility and Sustainability Report.

Enhancing shareholder value remains a key objective and we strive to achieve this by continually improving our existing assets. We are currently undergoing a significant renovation of The Peninsula New York with upgrades to the Lobby, rooftop bar and public areas.

This was also a year of succession planning for the future and during the year, we announced a number of significant changes to the composition of our Board. We were pleased to welcome Mr Diego González Morales, my son-in-law, who joined the Board as a Non-Executive Director in March 2023, following Mr William Mocatta's retirement from the Board after 37 years with the group. I am also delighted to announce the promotion and appointment of Ms Christobelle Liao, Executive Director and Chief Corporate

Letter from the Chairman

and Governance Officer in August 2023, following her 21 years of service to the company. Mr Keith Robertson joined the Board as the new Chief Financial Officer in January 2024, succeeding Mr Christopher Ip who resigned in March 2023. We also announced the retirement of Mr Peter Borer, our Executive Director and Chief Operating Officer, in July 2024. He will be redesignated as a Non-Executive Director and will become a Senior Advisor to the Chairman. Mr Gareth Roberts, who has been with the group since 2002, will be Mr Borer's successor and has assumed the role of Deputy Chief Operating Officer since 1 January 2024. Later in the year, Mr Clement Kwok will also be retiring from his role as Managing Director and Chief Executive Officer of the company on 31 October 2024 and a successor will be announced in due course. Mr Kwok will continue to serve as an Executive Director and an Advisor to the new CEO until the 2025 Annual General Meeting. Finally, after serving our Board for 18 years, Mr John Leigh will retire from his position as Non-Executive Director on 8 May 2024, at the close of the 2024 Annual General Meeting.

I would like to express my gratitude for Mr Mocatta and Mr Leigh's dedication and commitment to our company over the years and we welcome our new Board members and look forward to the fresh perspectives and ideas they will bring.

I would especially like to convey my gratitude and appreciation for the deep commitment of Clement Kwok who has been our CEO for 22 years and Peter Borer who has served the group for 42 years. Their passion and leadership over the years has been remarkable and they have worked well together as a team, delicately balancing the operational requirements of a global luxury brand with careful financial stewardship of the Company. In the past 20 years, they have led the building and development of the new Peninsula hotels in Tokyo, Shanghai, Paris, London and Istanbul. They have overseen major renovations in our hotels in Hong Kong, Chicago, Beijing and Manila and also the renovations of the Peak Tower and the Peak Tram. Our company's portfolio of luxury properties and our brand reputation have grown considerably during this time. Their retirements in the coming year will represent a significant transition for our Company but I am confident that our future management leadership will be able to continue their good work. I would like to thank Clement and Peter very much for their enormous contribution to the Company and wish them well in their retirements.

I would like to sincerely thank each and every one of our shareholders for your ongoing trust and support, and wish you all a prosperous year ahead.

The Hon. Sir Michael Kadoorie,
19 March 2024

CEO Statement and Strategic Review

Clement Kwok
Chief Executive Officer

CEO Statement and Strategic Review

1. The Year in Review

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

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

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

Our non-hotel properties and other businesses recorded improvements year-on-year. The occupancy levels in our residential leasing business at The Repulse Bay have recovered significantly, although we are hoping the rental rates will improve further with more expatriates returning to live in Hong Kong. The new Peak Tram has reported a strong business recovery and has been well received by patrons as one of Hong Kong's most popular tourism attractions.

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

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

2. Our culture, vision and development strategy

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

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

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

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

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

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

CEO Statement and Strategic Review

3. Business overview

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

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

The Peninsula London opened in September 2023 and is in a high-profile location at the gateway to Belgravia, overlooking Hyde Park Corner, the Wellington Arch, Green Park and the gardens of Buckingham Palace. It features 190 rooms and 24 luxury Peninsula-branded residential apartments for sale. It has been designed to embody the finest British craftsmanship and artistry combined with our renowned Peninsula service.

The Peninsula Istanbul opened in February 2023 and occupies a quartet of graceful waterfront buildings in the historic Karaköy district, near landmarks such as the Galata Tower, The Hagia Sophia Mosque, and The Blue Mosque. Many of the hotel's 177 lavish guest rooms and suites offer sweeping Bosphorus views, and direct access to the property's magnificent gardens, expansive outdoor pool, private boat dock, and luxury boutiques. You can read more details about our new properties on pages 118-137 of this report.

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

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

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

CEO Statement and Strategic Review

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

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

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

CEO Statement and Strategic Review

4. Projects Update

The Peninsula London

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

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

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

The Peninsula Istanbul

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

The Peninsula New York

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

The Peninsula Yangon

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

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

5. Financial results and financial planning

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

As a result of our continuous investment into and enhancement of our property assets, the company's revalued net asset value per share has more than doubled in the last two decades to HK$24.92 per share in 2023. To reflect the underlying operating results of the group's existing operations without the abovementioned exceptional factors, a reconciliation of the group's underlying profit is presented on page 98 of this Financial Review.

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

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

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

CEO Statement and Strategic Review

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

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

6. Driving business

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

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

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

CEO Statement and Strategic Review

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

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

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

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

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

CEO Statement and Strategic Review

7. Managing risk

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

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

8. Our people

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

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

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

CEO Statement and Strategic Review

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

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

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

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

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

CEO Statement and Strategic Review

9. Sustainable luxury

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

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

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

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

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

CEO Statement and Strategic Review

10. Outlook

The outlook for our various businesses is generally favourable, particularly in Greater China. In Hong Kong, the long-haul market for leisure travellers remains weak and geopolitical tensions remain a concern in terms of welcoming leisure visitors from the US to Greater China. We are confident that the new Peak Tram is an attractive experience for visitors and we are seeing greater numbers of visitors from around the Asian region visiting the Peak. Although residential occupancy is still recovering, we are seeing demand returning for the residential apartments at the Repulse Bay from both the local and the expatriate markets.

In the hotels division, we are cautiously optimistic. We expect to see continued growth in Japan and Paris, while Beijing and Shanghai have a strong outlook with good business expected from the domestic market. Rates remain high in the US and the outlook is stable.

The new Peninsula London and Peninsula Istanbul hotels are truly spectacular and have significantly enhanced our brand presence in Europe. They have already achieved several industry awards and accolades and (see pages 145-146) are receiving very positive reviews from guests as well as extensive media coverage.

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

In terms of business strategy, we are a company that focuses on the very long term, and we believe that if we focus on our people, this will be reflected in the excellent service that we offer our guests. We are doing what we can to support and retain our people, as well as recruit new talent. Our unique company culture is one of our greatest assets.

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

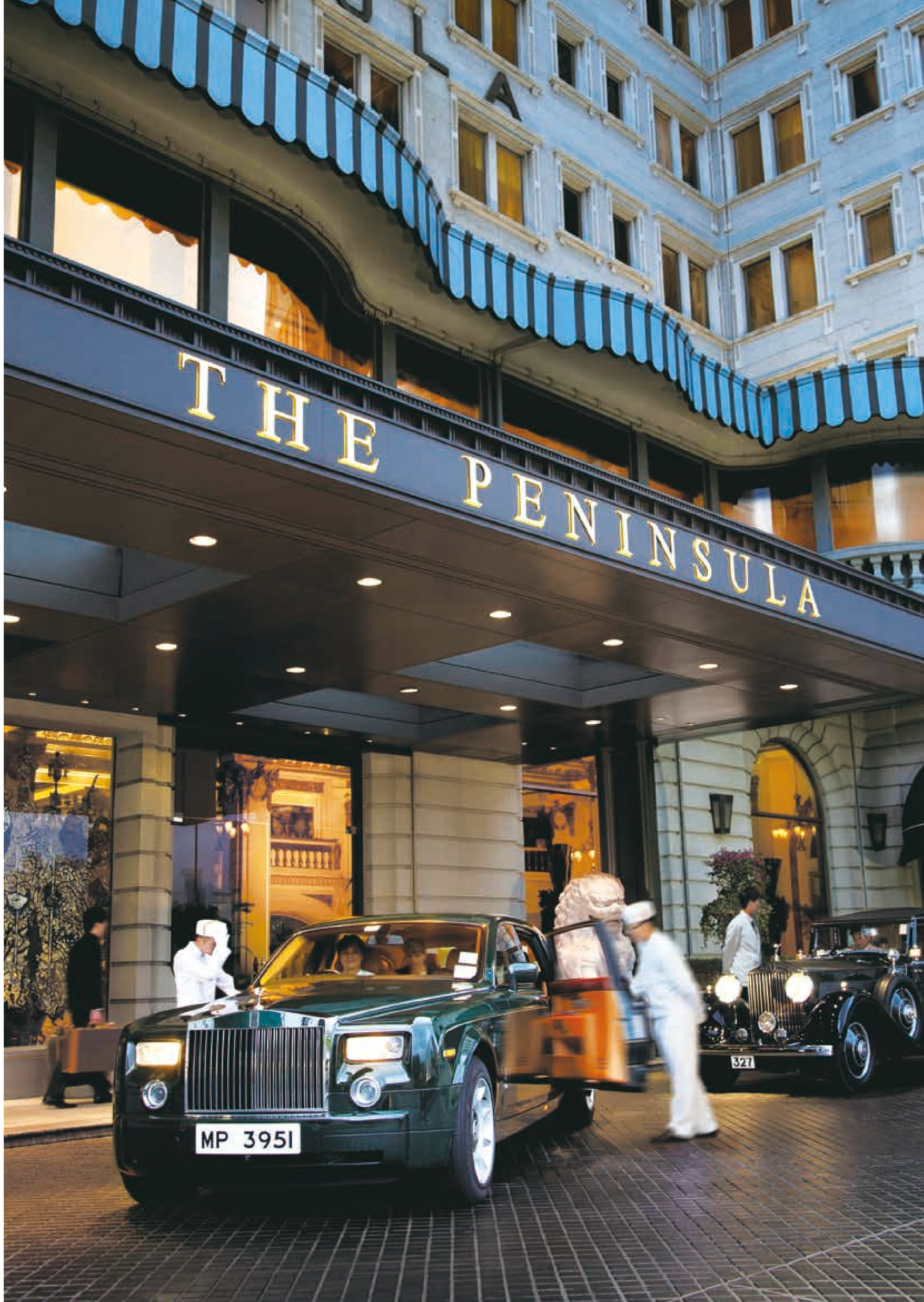
On a personal level, in October 2024, I will retire as CEO after 22 years and will stay as an Executive Director and Advisor to the new CEO until May 2025. During my tenure, we have seen the Peninsula hotel portfolio grow from seven to 12. I have led the company through the developments of The Peninsula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

CEO Statement and Strategic Review

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

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

Clement Kwok
19 March 2024



Operational Review

Business Performance

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

Hotels Division

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

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

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

Operational Review

The Peninsula Hong Kong

Revenue HK$1,039m
+51%

Occupancy
+21pp

Average Room Rate
+65%

RevPAR
+226%

The Peninsula Hong Kong

In 2023, **The Peninsula Hong Kong** experienced a strong recovery in terms of revenue, occupancy and average rates, compared to the previous year when the property was still negatively affected by quarantine restrictions. With the reopening of the borders with mainland China in March, business performance picked up, although the long-haul markets from US and Europe are recovering more slowly than expected. We hope to see this market picking up in 2024 and are working with our travel agency partners as well as our local airline Cathay Pacific to promote Hong Kong as a destination.

Operational Review

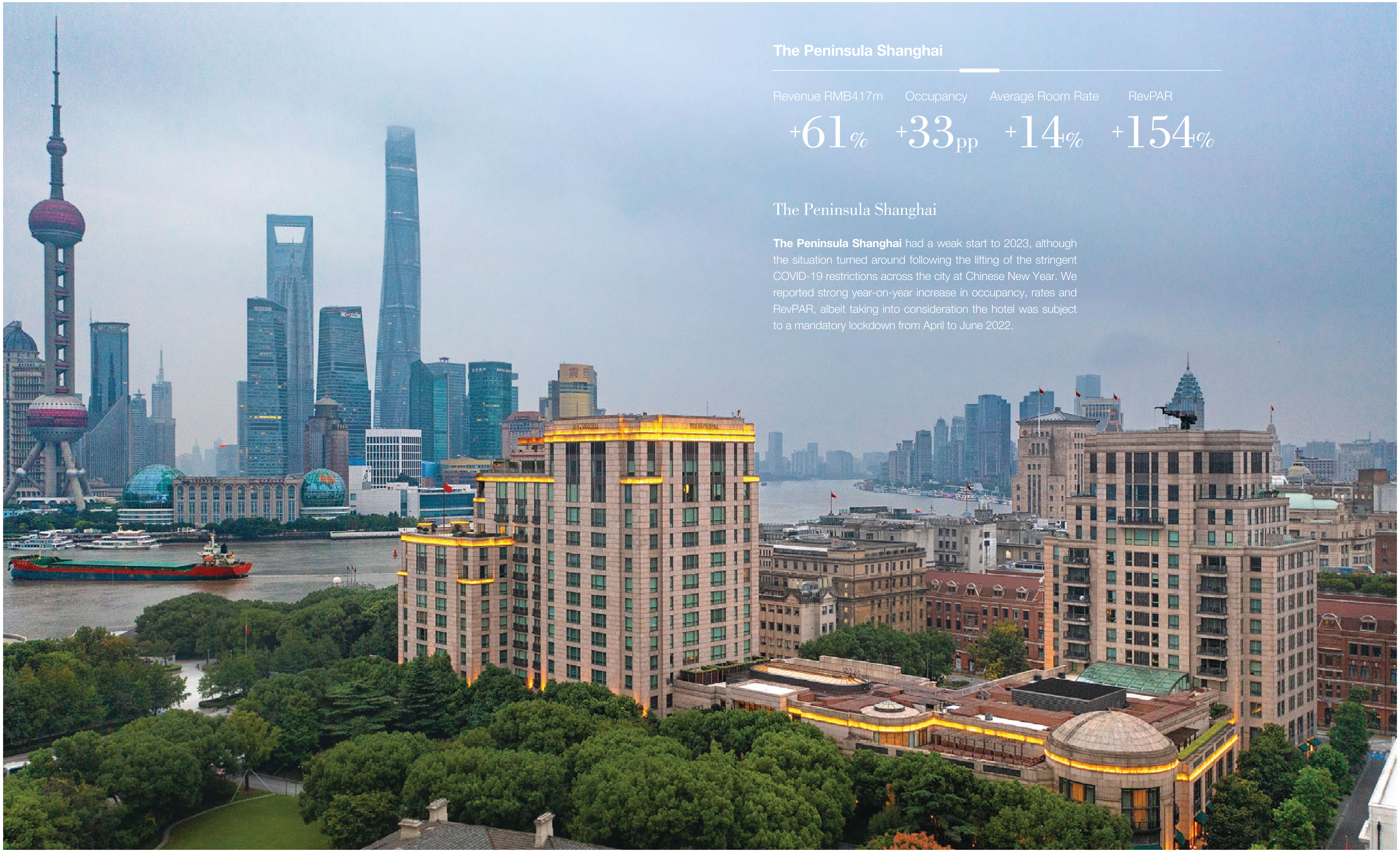
Food and beverage revenue was stable, with all outlets performing well. In March 2023 we announced a collaborative venture with Hong Kong's iconic Star Ferry, offering afternoon tea and sunset cocktail cruises, as well as a collaboration for wedding packages, which were very well received by guests and we extended this collaboration throughout the year. To drive F&B revenue, we once again partnered with *Le French May* to host exclusive concerts and dinners In December, we celebrated the 70th anniversary of our French fine dining restaurant *Gaddi's* with a Gala Dinner. Our Festive campaign "The Peninsula Express" and collaboration with Chanel to decorate the Lobby was highly popular and attracted queues of guests in December.

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

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

We continued to support the local community and charities by partnering with Impact HK to support the homeless and needy in Hong Kong. We also collaborated with Make-A-Wish Foundation.

Operational Review



The Peninsula Shanghai

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

The Peninsula Shanghai

The Peninsula Shanghai had a weak start to 2023, although the situation turned around following the lifting of the stringent COVID-19 restrictions across the city at Chinese New Year. We reported strong year-on-year increase in occupancy, rates and RevPAR, albeit taking into consideration the hotel was subject to a mandatory lockdown from April to June 2022.

Operational Review

The majority of guests remain from the domestic market but overseas business travel is coming back slowly, particularly at the C-suite level and in the luxury brand sector. We welcomed high level overseas delegations in summer 2023, with Russia and the Middle Eastern markets being particularly strong. Business from the diplomatic sector was robust. Food and beverage revenue was stable and wedding and events started to come back.

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

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

The group owns a 50% interest in The Peninsula Shanghai Complex which comprises a hotel, a shopping arcade and a residential tower of 39 apartments. As at 31 December 2023, a total of 32 apartment units have been sold.

Operational Review

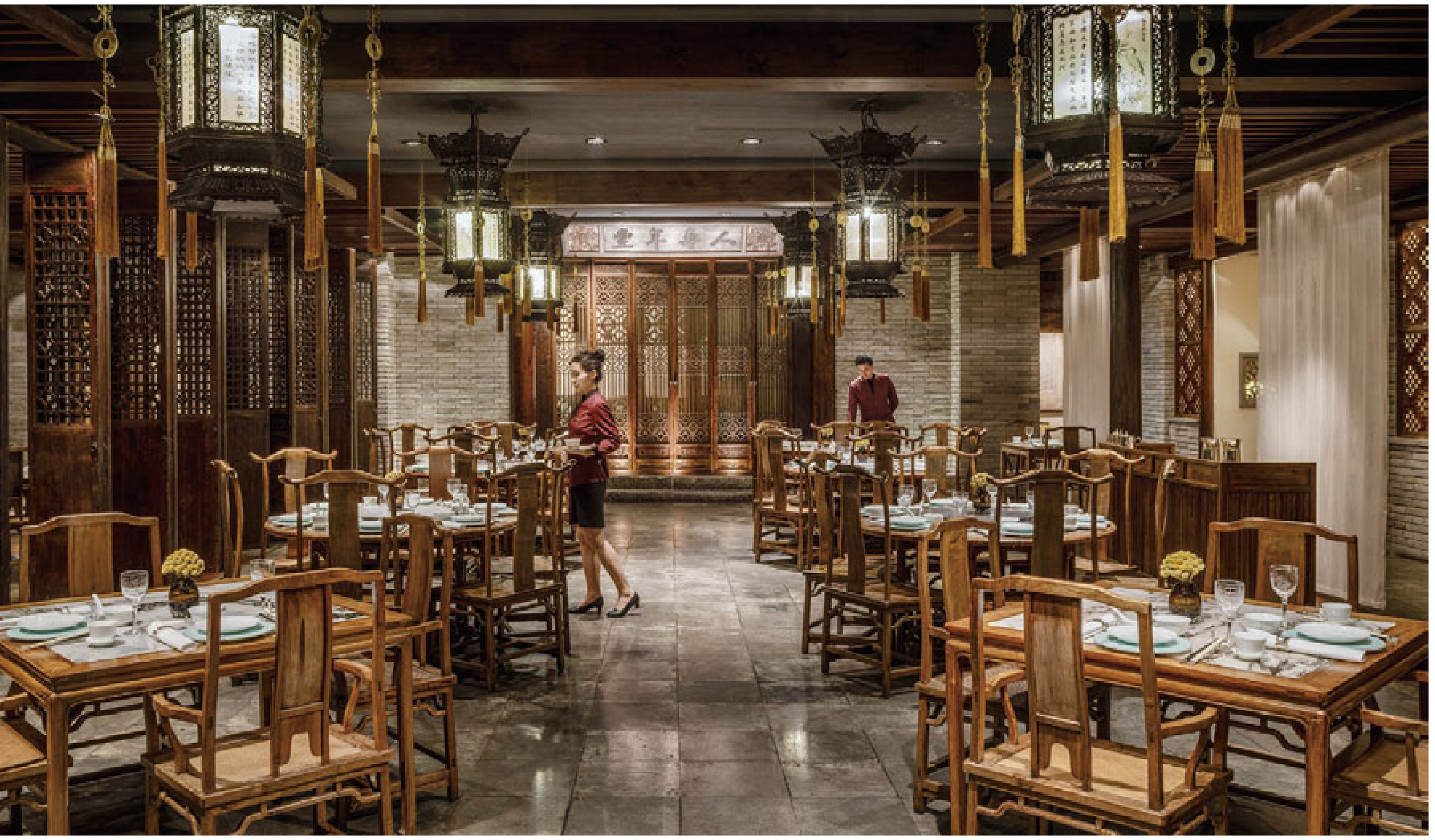
The Peninsula Beijing

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

The Peninsula Beijing

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

Operational Review

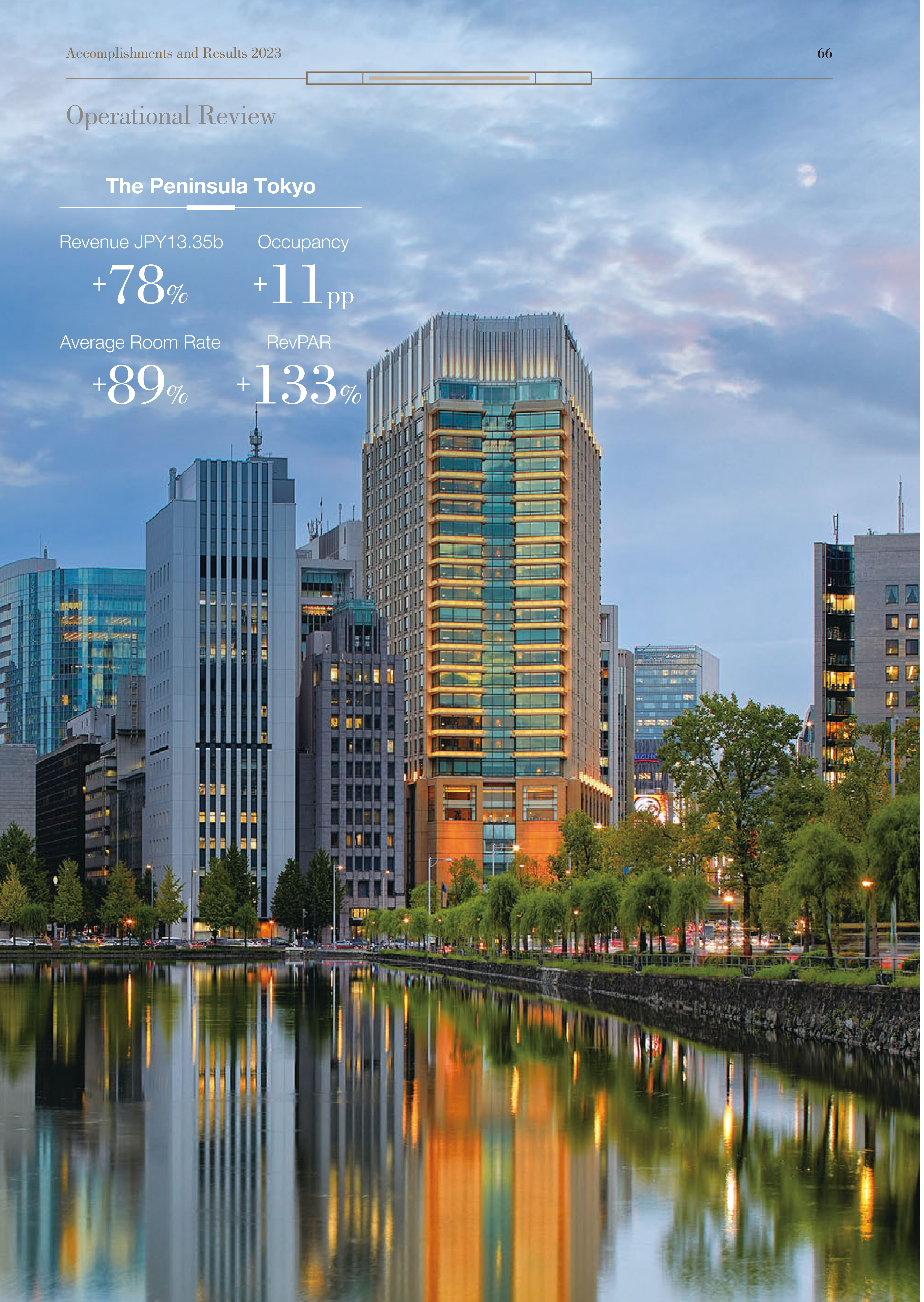


Food and beverage revenue was strong with good performance at *Huang Ting* and *The Lobby*, and banqueting picked up significantly year-on-year. Spa revenue was very strong following the introduction of a new product line, and our festive campaign was extremely popular amongst local guests.

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

The Peninsula Arcade was 98% occupied and business in the retail outlets was good. We worked closely with our retail tenants to drive traffic to their outlets, and we are delighted that some of our anchor tenants have significantly expanded their space and we welcomed some temporary stores which helped to drive revenue.

Operational Review



The Peninsula Tokyo

Revenue JPY13.35b
+78%

Occupancy
+11pp

Average Room Rate
+89%

RevPAR
+133%

The Peninsula Tokyo

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

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

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

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

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

Operational Review

The Peninsula Bangkok

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

The Peninsula Bangkok

The Peninsula Bangkok experienced significant revenue growth compared to the same period last year although business has not rebounded to the extent we had expected from certain key markets such as Japan and China, partly caused by a lack of flight capacity.

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

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

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

Operational Review

The Peninsula Manila

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

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

The majority of our guests were international, coming from our traditional key markets of US, UK, Australia, Singapore, Japan and South Korea, with diplomatic and corporate business particularly strong.

Operational Review

The Peninsula New York

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

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

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

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

Operational Review

The Peninsula Chicago

The Peninsula Chicago recorded a stable 2023 compared to the previous year, although average rates declined slightly. Groups business remained strong and several large-scale conferences and conventions were held in the city, although they were not yet held at full capacity.

The hotel's restaurants and dining outlets are now fully reopen, with only some limitations in dining hours. *Pierrot Gourmet* is popular following its renovation which was completed in 2022. The *Peter Rabbit* afternoon tea initiative, introduced in March, was very popular in Chicago.

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

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

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

Operational Review

The Peninsula Beverly Hills

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

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

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

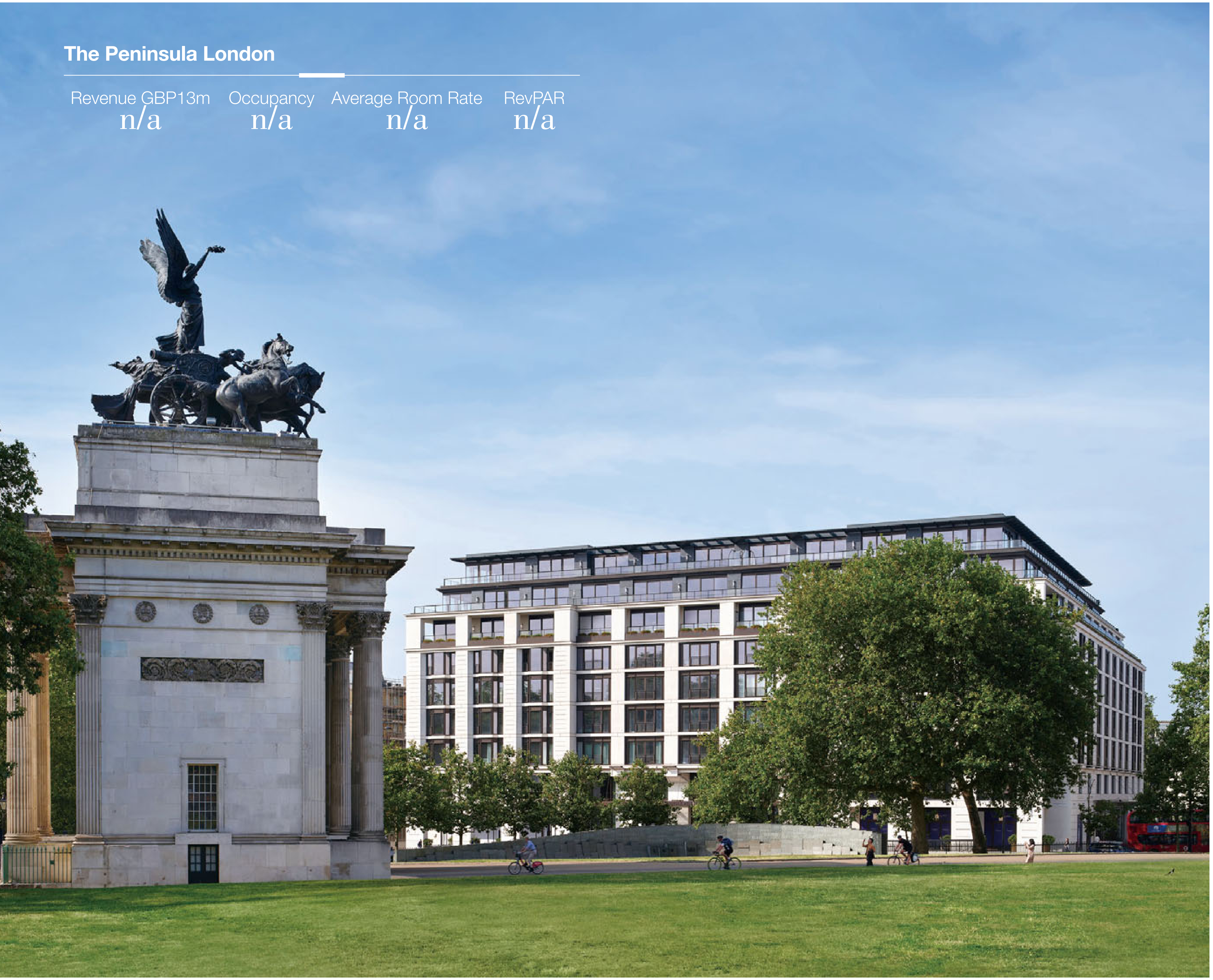
In January we initiated a "pop-up" of a famous high-end restaurant from the Amalfi Coast in Italy. This initiative operated as an ultra-exclusive offering with very limited places, and this was highly successful, helping to generate significant revenue. We also implemented some innovative new attractions.

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

Operational Review

The Peninsula London

Revenue GBP13m	Occupancy	Average Room Rate	RevPAR
n/a	n/a	n/a	n/a



The Peninsula London

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

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

Operational Review

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

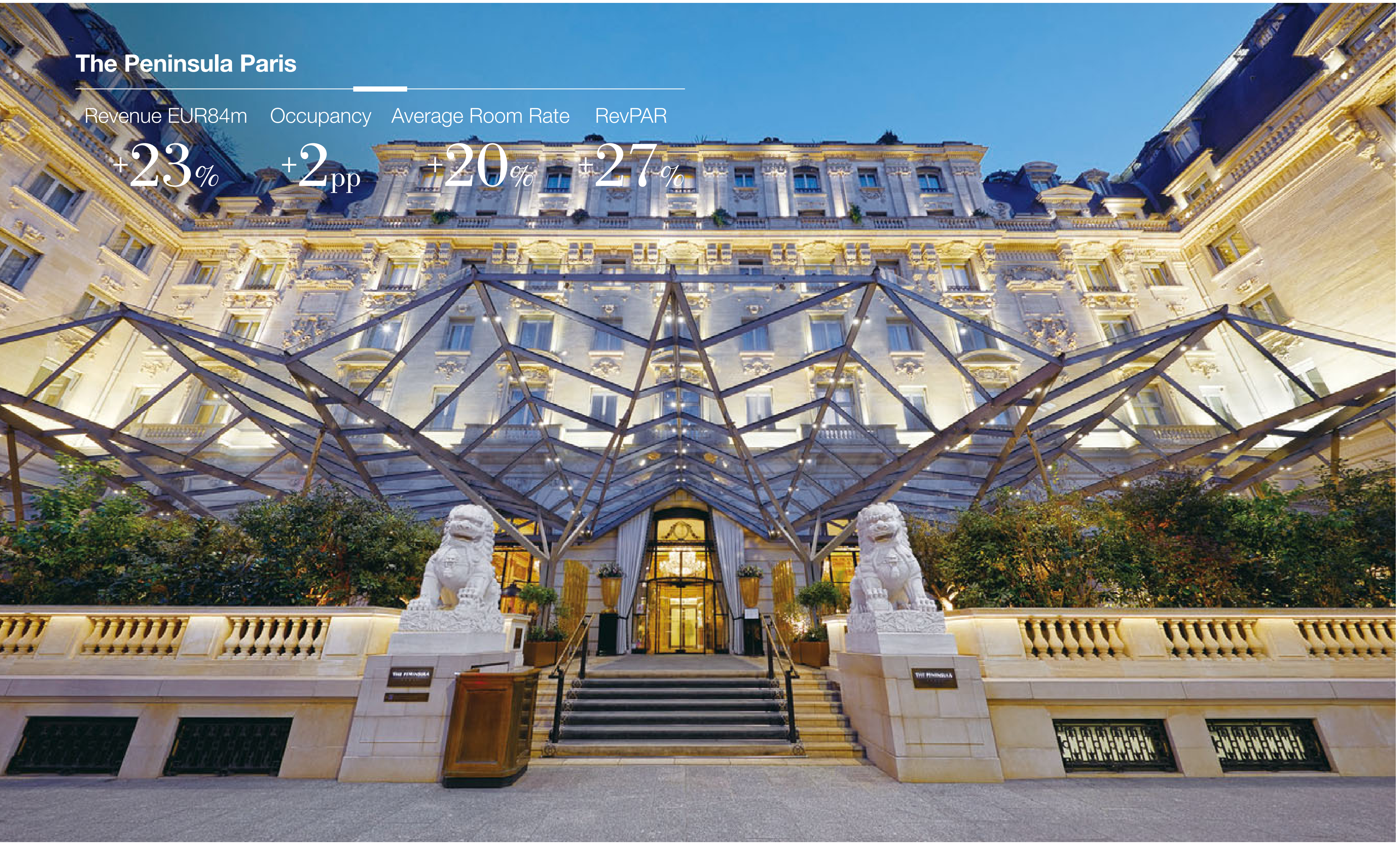
The Peninsula London has achieved phenomenal media coverage and positive reviews to date. Rooms business is gaining momentum month by month and banquets and Spa are performing well. Food and beverage is strong, with waitlists for our Cantonese restaurant *Canton Blue* and daily queues for our rooftop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

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

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

For more details on the soft opening and features of The Peninsula London, please refer to pages 128-137.

Operational Review



The Peninsula Paris

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

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

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

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

Operational Review

The Peninsula Istanbul

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

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

Operational Review

Following the opening of the hotel, food and beverage performance has been good, particularly in the Lobby and banqueting, as the hotel offers one of the largest *al fresco* ballrooms in the city. Our rooftop restaurant GALLADA, which opened on 7 July 2023, has received positive reviews and has become popular with local celebrities and high society.

The Peninsula Istanbul forms part of the wider Galataport project which originally was subject to a 30-year operating right commencing February 2014 for which The Peninsula Istanbul was granted a corresponding 30-year fixed term lease. Our partners secured an extension of the operating right from 30 to 49 years from February 2014 and a corresponding extension was granted by our partners to The Peninsula Istanbul upon payment of the apportioned premium for the extension.

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

We were very sad to learn the devastating news about the earthquake just before our soft opening and we decided to place all celebrations on hold as a mark of respect. We implemented a global fundraising campaign, "Hope for Türkiye", whereby a portion of our room rates from around the world contributed to the rescue efforts.

Operational Review

Commercial Properties Division

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

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

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

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

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

Operational Review

The Peak Tower experienced a satisfactory year after the borders reopened and visitors started returning to Hong Kong, as well as benefiting from the reopening of The Peak Tram in August 2022 which was very well received by locals and has been popular with visitors since the mainland Chinese borders reopened in March 2023. Revenue and occupancy at the Peak Tower improved with fewer rental concessions. We continue to implement a variety of promotions and business strategies to entice more visitors to the Peak. Visitors to Sky Terrace 428 improved significantly compared to the previous year, due to successful sales of "combo" tickets with the Peak Tram.

St John's Building is located above the lower terminus of the Peak Tram and offers an excellent location for office space. Revenue decreased slightly and occupancy dropped slightly to 88% during 2023.

The Landmark, a 16-storey residential and office property, is located on a prime riverfront site in the central business district of Ho Chi Minh City, Vietnam. Business performance was positive in 2023. Revenue and occupancy for the offices improved year-on-year, and residential revenue and occupancy also improved compared to the previous year. The lease for the Landmark will expire in 2026 and we are exploring options for the property.

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

The Peak Tram is one of Hong Kong's most popular tourist attractions and has been in operation since 1888. The new sixth generation Peak Tram, which was launched in August 2022 following a major upgrade, has been very well received by Hong Kong people and visitors. Since the Chinese mainland borders reopened in March 2023, business has been robust, with record patronage of 186,540 achieved during the National Day Holidays in October. We implemented a new pricing scheme for Peak Tram tickets in December 2023 with the objective of managing demand.

Clubs and Services Division

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

Operational Review

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

We hosted *The Quail Motorcycle Gathering* in May, and we celebrated the 20th anniversary of *The Quail*, *A Motorsports Gathering* in August 2023. This has become one of the world's leading concours events for motoring *aficionados*, with the highest sponsorship revenue achieved since the event started in 2003. The "Peninsula Classics Best of the Best Award" was held at Quail in August 2023.

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

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

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

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

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

Operational Review

PROJECTS

The Peninsula London

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

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

The Peninsula Istanbul

The Peninsula Istanbul soft opened on 14 February 2023 with a partial inventory of 23 rooms, gradually building up to 80 rooms by March 2023 and the full inventory of 177 rooms by 1 August 2023. We began works on the GALLADA rooftop restaurant extension and the Peninsula Suite internal staircase in early January, and the restaurant is temporarily closed until April 2024. The majority of the final accounts have been settled and we expect the final project cost to be close to budget. More details of these spectacular new properties can be read on pages 118 to 137.

The Peninsula New York

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

The Peninsula Yangon

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

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

Financial Review

The financial details outlined in this chapter provide an overview of the group's consolidated results and financial capital as categorised by the International Integrated Reporting Framework, which refers to the pool of funds that is available to an organisation for use in the production of goods or the provision of services.

FINANCIAL REVIEW

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

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

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

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

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

The group's adjusted net asset value

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

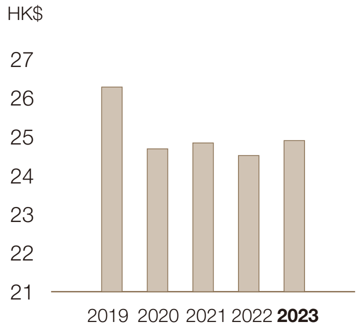
Accordingly, we have commissioned an independent third-party fair valuation of the group's hotels and golf course as at 31 December 2023. If these assets were to be stated at fair value, the group's net assets attributable to shareholders would increase by 13% to HK$41,091 million as indicated in the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

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

Adjusted NAV +2%

HK$41,091m

Adjusted NAV per share

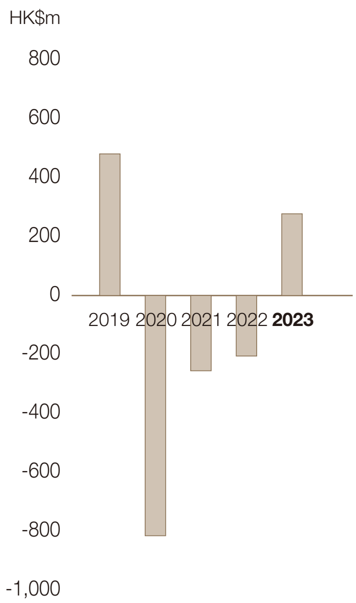


Financial Review

Underlying profit

HK$277m

Underlying profit/(loss)



The group's underlying profit or loss

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

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

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

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

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

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

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

Statement of profit or loss

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

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

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

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

Financial Review

Consolidated Revenue

HK$8,112m +93%

HK$5,814m* +38%

Hotels +39%

HK$4,174m

Commercial Properties

HK$3,110m +353%

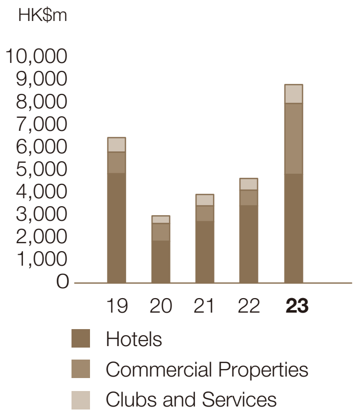
HK$812m* +18%

Clubs and Services +60%

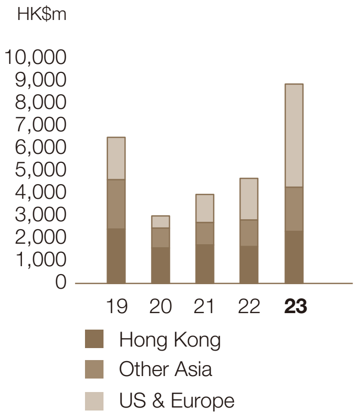
HK$828m

* Excluding revenue from the sale of The Peninsula Residences London

Combined Revenue* by Business Segment



Combined Revenue* by Geographical Segment



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

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

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

Revenue

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

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

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

Revenue by business segment*

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

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

Revenue by geographical segment*

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

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

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

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

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

Financial Review

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

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

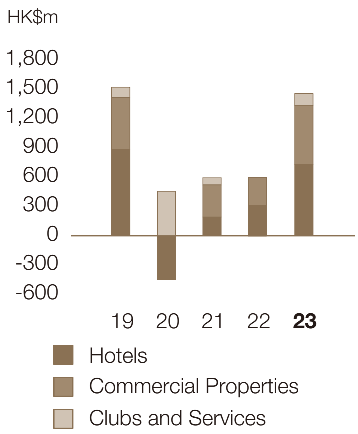
HK$m	2023	2022	2023 vs 2022 favourable/ (unfavourable)
Cost of inventories	**2,435**	352	(592%)
Staff costs and related expenses	**2,462**	1,966	(25%)
Rent and utilities	**492**	370	(33%)
Advertising and promotions	**251**	158	(59%)
Credit card and room commissions	**217**	158	(37%)
Guest supplies and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

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

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

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

Combined EBITDA*
by Business Segment



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

EBITDA* by business segment

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

EBITDA* by geographical segment

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

Financial Review

EBITDA* margin

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

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

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

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

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

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

Increase in fair value of investment properties

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

Share of results of joint ventures

The group, through its joint venture The Peninsula Shanghai Waitan Hotel Company Limited (PSW), owns a 50% interest in The Peninsula Shanghai Complex which comprises The Peninsula Shanghai hotel and shopping arcade and the adjoining Peninsula Residences apartment tower. During the year, no apartment was sold and at the end of 2023, PSW owned 7 remaining apartments which are held for sale.

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

Share of results of associates

The group has a 20% interest in each of The Peninsula Beverly Hills and The Peninsula Paris. The group's share of net loss of these hotels amounted to HK$18 million (2022: HK$11 million).

Financial Review

Statement of financial position

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

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

Summary of hotel, commercial and other properties

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

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

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

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

* Including the shopping arcades and offices within the hotels.

$^{\Delta}$ The group owns 100% economic interest of The Peninsula Beijing with a reversionary interest to the PRC partner in 2033 upon expiry of the joint venture period.

$^{\Delta\Delta}$ The group owns 50% economic interest of The Landmark with a reversionary interest to the Vietnamese partner in 2026 upon expiry of the joint venture period.

\# These properties are held by associates/joint ventures.

\## The directors consider that the fair value of The Peninsula Yangon approximates its book value.

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

Financial Review

Properties held/under development for sale

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

Gain on sale of the Peninsula Residences London

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

Movement of properties held/under development for sale

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

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

Other long-term assets

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

Derivative financial instruments

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

Cash at banks and in hand and interest-bearing borrowings

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

Cash flows

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

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

Financial Review

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

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

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

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

Capital commitments

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

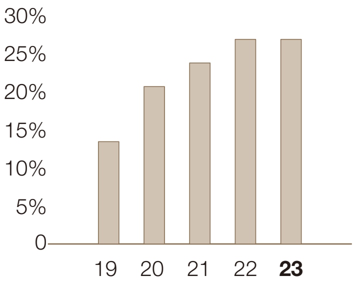
HK$m	2023	2022
Capital commitments in respect of:		
Existing properties	**755**	524
Special projects*	**1,534**	2,995
The group's share of capital commitments of joint ventures and associates	**172**	384
	2,461	3,903

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

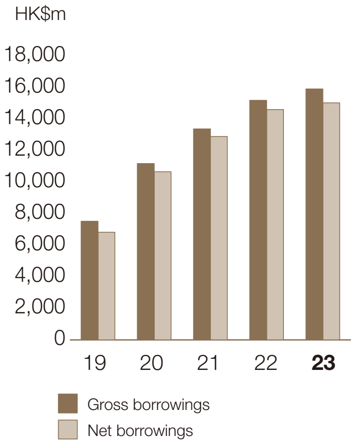
As at 31 December 2023, the group's undrawn committed facilities and cash at banks amounted to HK$4.2 billion (2022: HK$4.1 billion). Excluding the capital commitment relating to The Peninsula Yangon project which is on hold, the Directors believe that the group will be able to meet the above capital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

Financial Review

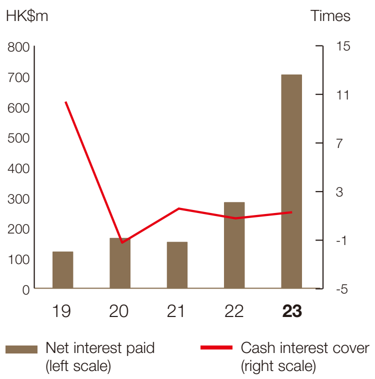
Net Borrowings to Total Assets



Gross and Net Borrowings



Net interest Paid and Cash Interest Cover



Capital and treasury management

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

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

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

Liquidity and Financing

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

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

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

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

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

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

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

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

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

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

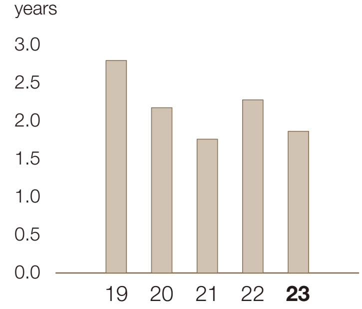
* Represents HSH's attributable share of borrowings

Foreign Exchange

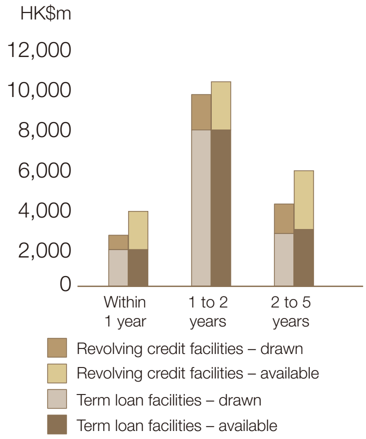
The group reports its financial results in Hong Kong dollars and does not hedge US dollar exposures in the light of the HK-US dollar peg. The group generally uses cross currency swaps, foreign exchange swaps or forward exchange contracts to hedge foreign exchange exposure.

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

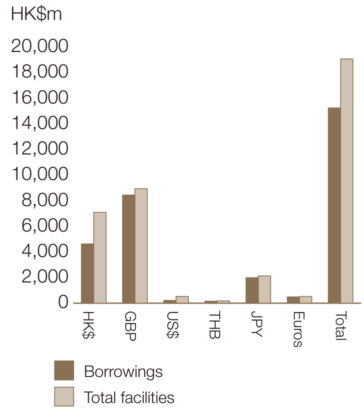
Weighted Average Debt Maturity



Banking Facilities and Borrowings (by type and maturity)

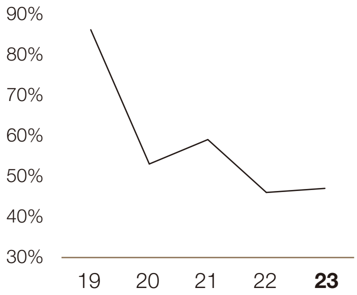


Banking Facilities and Borrowings (by currency)

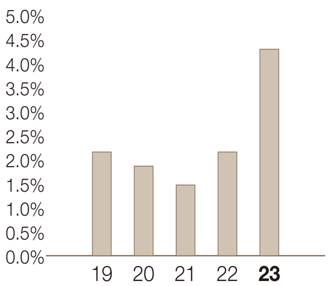


Financial Review

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



Weighted Average Gross Interest Rate



Interest rate risk

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

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

Credit risk

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

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

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

Dividends

The company adopts a dividend policy of providing its shareholders with a stable and sustainable dividend stream, linked to the cash flows from operating activities and underlying earnings achieved. As an alternative to receive cash dividend, the company offers a scrip dividend programme which enables its shareholders to elect to receive new fully paid shares.

The company' Board of Directors has recommended a final dividend payable on 20 June 2024 of 8 HK cents per share.

Share information

At market close on 19 March 2024, the company's share price stood at HK$5.69, giving a market capitalisation of HK$9.4 billion (US$1.2 billion). This reflects a discount of 74% to net assets attributable to shareholders of the company, or a discount of 77% to the adjusted net assets attributable to shareholders (see page 97).

The average closing price during 2023 was HK$7.05, with the highest price of HK$8.93 achieved on 3 February 2023 and the lowest price of HK$5.65 recorded on 12 December 2023.

Creating Stakeholder Value

Feature Stories

The Peninsula Istanbul

Heritage glamour on the Bosphorus

Each Peninsula hotel has its own distinct individual personality, design and culture. In Istanbul, everything is meticulously restored, and no detail is insignificant. Our aim was to create a stately grand hotel that would reflect the richness of Istanbul's heritage, but one that also anchors itself in the modern city's dynamism and energy.

Our company's connection with Istanbul goes back to the 1920s. Our Chairman Sir Michael Kadoorie's grandparents contributed to funding a hospital in the city which remains in operation today. We have been waiting for the perfect opportunity to build a stronger connection.

ISTANBUL

Feature Stories

ISTANBUL

Speaking at the media launch event in January 2023, CEO Clement Kwok said:

"Istanbul is one of the world's most dynamic cities and truly embodies East meets West. It offers such an incredible blend of ancient and modern. The city is steeped in a rich history but with a youthful and vibrant energy, constantly reinventing itself. Due to the extraordinary combination of history, culture, heritage and personality of this city, we started looking for opportunities to build a hotel project here. We were fortunate that together with our esteemed local partners Dogus and Bilgili, we were able to build a hotel at this remarkable location not only right on the shores of the Bosphorus but also overlooking the majestic old town of Istanbul.

The hotel's location in Galataport is an example of an incredible location that has become a melting pot for local culture, events and art.

The Peninsula Istanbul is home to four buildings, three of which are heritage. What is now The Lobby has a fascinating history as a cruise passenger terminal, welcoming visitors from all over the world, and we are delighted this will once again become a place where we will be embracing both local people and international visitors."

Feature Stories

A journey through The Peninsula Istanbul

As you enter The Lobby, you are greeted by the breath-taking scenery of The Bosphorus. The interior design is intended to reflect the multi-layered nature of Istanbul's history and culture resonating through centuries.

You can choose from one of 177 rooms with bespoke design features, and dressing rooms, including the 510 square meter Peninsula Suite, with its own private hammam, cinema and private rooftop pool, and exquisite bathroom made from Marmara marble.

We have a spacious al fresco ballroom that can host up to 820 guests for a dinner party and 1300 guests for cocktail parties, with a magnificent view, and windows that rise 3 metres that open up to the outdoor terrace.

ISTANBUL

The Peninsula Spa and Wellness Center, which has an area of almost 2500 square meters, is a candidate to be one of the best Spas in Europe with its spectacular design inspired from the Roman and Ottoman Baths.

Our rooftop restaurant GALLADA is helmed by Fatih Tutak, Chef Director, Türkiye's first and only two Michelin-starred chef. GALLADA offers a superlative gastronomic experience with its Turk-Asian cuisine, inspired from the Silk Road travels.

Feature Stories

ISTANBUL

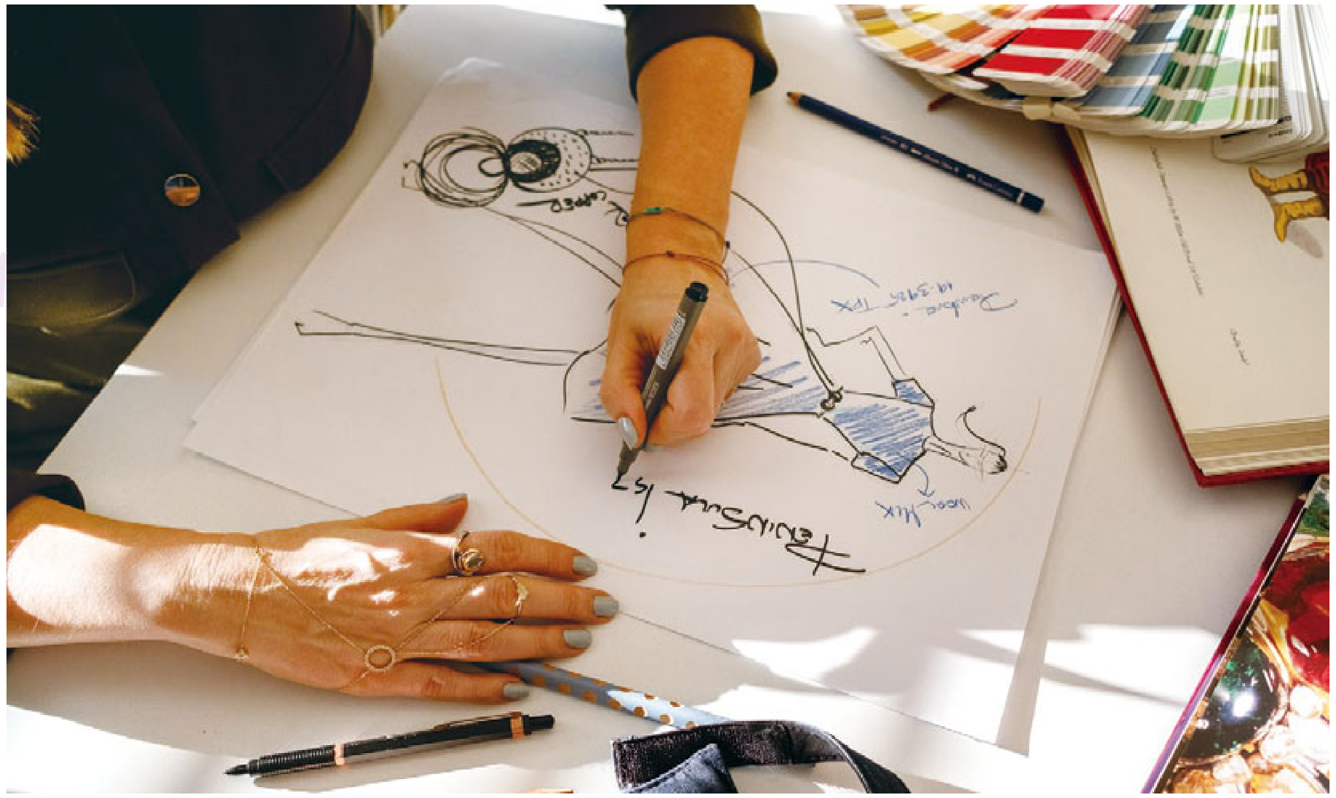
Wherever there is a Peninsula in the world there are strong relationships with its locality and community. In Istanbul we are celebrating the best of Turkish design, craft and innovation.

The Peninsula Istanbul's creative partners include the following:

- Zeynep Fadıllıoğlu, an architectural and interior designer, has created inimitable public and private spaces throughout the Middle East, Asia, Europe and the US – including, most famously, Istwanbul's own Şakirin Mosque. Her signature style integrates modern design elements with regional craftsmanship details, meticulously transforming them into forms of striking beauty, as seen in the elegant interiors of The Peninsula Istanbul.

- Award-winning international landscape architect Enzo Enea, specialised in creating outdoor spaces and gardens in all climate zones worldwide, brought his expert eye and knowledge of native flora to The Peninsula Istanbul's sweeping, iconic property fronting the Bosporus. The exceptional location was subject to thorough research: collecting information on shadow cast, rainfall, wind, and light conditions by season informed the design and layout of the landscape.

- Çağla Saraç, the Academic & Art Advisor at Doğuş Group, one of Türkiye's largest business conglomerates, has worked extensively with the country's Ministry of Culture to protect and promote her home country's artistic treasures. She applied her deep expertise in modern and classical Turkish art to select the diverse collection of original artworks displayed throughout the communal spaces and guest lodgings at The Peninsula Istanbul.

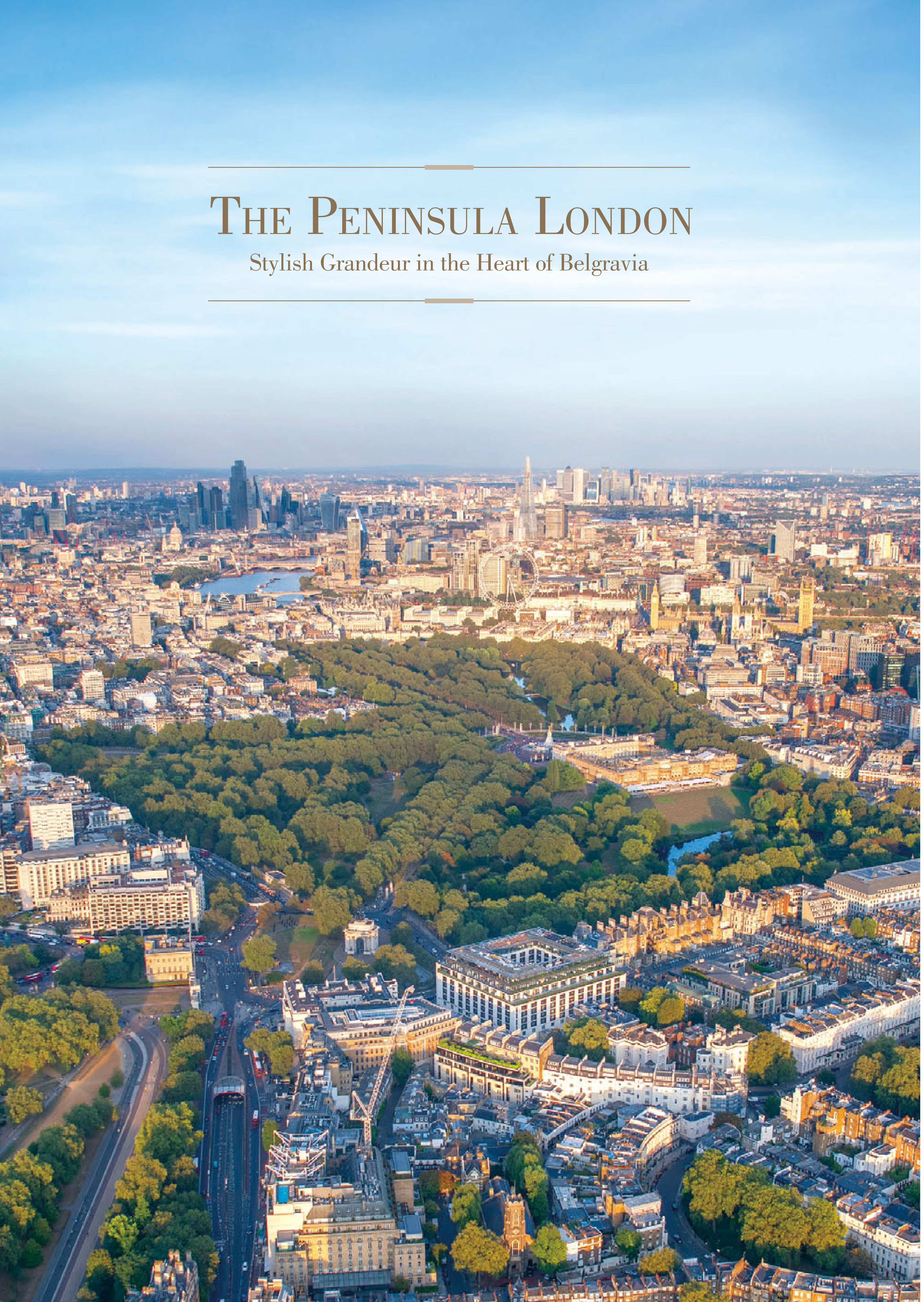


Feature Stories

ISTANBUL

- The collections of Turkish-born fashion designer Arzu Kaprol have regularly appeared at Paris Fashion Week and are carried at discerning retail outlets including Harrods in London, Bergdorf Goodman in New York, and Montaigne Market in Paris. Her exacting craftsmanship, combined with her modern sensibility and affinity for unusual fabrics, are evident in the bespoke wardrobe she has created for employees of The Peninsula Istanbul
- Nishane founders; Mert Güzel and Murat Katran, both as passionate lovers of mysterious scents and the rich heritage of the city they were both born and raised, curated the exclusive fragrance “Citrus Fig & Bosphorus Breeze” for The Peninsula Istanbul's collection of in-room bath products. While creating the scent, Nishane focused on the fig trees of Istanbul which date back to Byzantine times.

- The first and only two Michelin-starred Turkish chef Fatih Tutak has enjoyed a globe-spanning career, during which he has achieved some of gastronomy's most prestigious accolades. Fatih Tutak spent a great deal of time in China and Hong Kong where his passion for Asian and Silk Road cuisine began to flourish. He returned to his home city after 16 years and is now creating deliciously innovative Turk-Asian cuisine in his role as Chef Director of The Peninsula Istanbul's stunning rooftop restaurant, GALLADA.



The Peninsula London

Stylish Grandeur in the Heart of Belgravia

Our company has a heritage of 157 years and we are proud to have deep historical connections to the United Kingdom (UK). From the company's earliest days in 1866, we have sown deep roots between the UK and Hong Kong. We brought a general manager from London to run the first Hong Kong Hotel in 1868, and when the first Peninsula Hotel opened in Hong Kong in 1928 and became known as the "finest hotel east of Suez", we brought British traditions such as afternoon tea and tea dances to the Far East, and these remain Peninsula Signatures today Our majority shareholder, the Kadoorie Family, also has close historical ties to the UK.

For The Peninsula, it was very important to us that we could expand our global presence with a hotel in London, one of the world's great cities. Following a search of more than thirty-five years, involving many different parties, contractors, vendors and colleagues: we are delighted to have found this magnificent site in the heart of Belgravia, with sweeping views over the Wellington Arch and Buckingham Palace Gardens.

A memorable soft opening ceremony was held on 12 September, 2023.

In an address to colleagues, CEO Clement Kwok said *"Today is a day of celebration, defining a moment in history that we can all be proud of. It is also a time to stop and reflect on the enormous effort from our management team, HSH project teams and Peninsula executive teams that brought this project to life. We have endured a pandemic and other setbacks and challenges. Despite this, we have achieved something truly magnificent. This year, we have built two truly great assets that we believe will stand the test of time, and that we hope will endure for the next generation and beyond."*

LONDON

Feature Stories

A journey through The Peninsula London

When you enter the hotel, your journey begins. You will be greeted with interiors by world renowned architect and designer of interiors Peter Marino – his first hotel in the UK.

You will arrive at the hotel in style with our bespoke fleet of exceptional British cars. These include a vintage 1935 Rolls Royce Phantom as well as the latest Rolls-Royce Phantom models in our signature Peninsula green colour, hybrid Bentley Bentaygas, an electrified 1960 vintage Austin taxi.

When you check in to the hotel, you will have a selection of 190 exquisite guest rooms and suites which are the most spacious in the city, all designed by Peter Marino, and suites with private balconies and terraces. The Peninsula Suite, our signature suite, includes a private cinema screening room and fitness centre, as well as private access to an exclusive VIP dropoff and pick-up service from an underground car park.

You can experience exciting new dining concepts in the hotel. Our signature rooftop restaurant, Brooklands, was designed by Archer Humphryes and pays homage to the classic era of British transportation. It showcases rare motoring memorabilia from Brooklands Museum and an overhead scale model of Concorde. The restaurant and bar serves European cuisine from a Michelin-starred culinary team and has a spectacular 'al fresco' terrace and a cigar tasting lounge.

LONDON

Feature Stories

Journeying from Europe to the other side of the world: we honoured our Cantonese roots with a magnificent Chinese restaurant, Canton Blue. This restaurant was designed by Henry Leung of CAP Atelier and inspired by the Keying junk, which was an 18th century Chinese trading ship, honouring the spice trade unions of Asian and British cultures.

For larger parties, magnificent grand event spaces are available, with the highlight being the St George Ballroom. This ballroom is a feat of engineering, being pillarless and yet with high ceilings and space for up to 450 guests. We have a wide range of other event spaces as well as a plush private cinema for film screenings for up to 15 guests.

LONDON

The Peninsula Spa and Wellness Centre offers an oasis of relaxation and serenity. The Spa has two 25 metre swimming pools, one for hotel guests and the other exclusively for residents, who will have access to the services and facilities of the hotel.

We are delighted to have luxury retail partners in the hotel, including Asprey, TOPAZ, Mouawad, David M Robinson and a florist, Moyses.

Wherever there is a Peninsula in the world there are strong relationships with its locality and community. We are celebrating the best of London and British craftsmanship and innovation, with many first-of-a-kind collaborations.

Feature Stories

The creative partners include the following:

- Jenny Packham, whose fashion collections are favoured among international celebrities and dignitaries, has – in her first hotel partnership – designed an original, bespoke wardrobe for colleagues at The Peninsula London.
- Michelin-starred chef Claude Bosi, widely considered to be one of Britain's leading culinary lights, will bring his award-winning gastronomic artistry to The Peninsula London in his role as Chef Director at the dazzling rooftop restaurant, Brooklands.

LONDON

- British-based perfumier Timothy Han, celebrated for his stylish and sustainable scents, has created a bespoke fragrance for The Peninsula London's collection of inroom bath products.
- More than 40 artists from The Royal Drawing School were commissioned by The Peninsula London to create original artwork for the hotel's interiors. Nearly 200 such works – all of which depict British landscapes in a variety of styles and media – now grace the property's guest rooms and suites.

Feature Stories

- Founded in Hampshire, UK, by friends Nicholas Coates and Christian Seely, English sparkling wine makers Coates & Seely produce wines that are, above all, an authentic expression of their English chalk terroir. Crafted to the highest winemaking standards, using traditional methods and latest technology, their award-winning sparkling wines are listed in royal palaces and Michelin-starred restaurants around the world. Two special cuvées – a Brut Reserve NV and a Rosé NV – have been exclusively selected for The Peninsula London.

LONDON

- Designer Richard Brendon launched his brand in London's Notting Hill in 2013 and is known for designing distinctive yet beautifully functional bone china and crystal using handcrafted techniques from heritage industries. Mr. Brendon strives to create collections to be enjoyed by generations to come – including his bespoke line of porcelain dishware for The Peninsula London, embellished with an exclusive "concertina" pattern.

Engaging with our Stakeholders

Engaging with and responding to our stakeholders is a key part of our overall governance and management approach. We proactively engage with a wide range of key stakeholders including employees, customers, regulators, lenders, shareholders and investors, non-governmental organisations, media and others. It is important for us to capture and understand how their views change and ultimately how we can implement improvements to the business today and in the future.

Stakeholder Group	Why and how we engage	Examples in 2023
 **Our Guests**	Engaging with our guests and ensuring their satisfaction is critical to how we run our business. We continue to develop a best-in-class booking and e-commerce experience that drives increasing room bookings while demonstrating differentiated brand values. In particular, we supported the openings of the two new hotels with digital marketing and e-commerce efforts to reach potential guests and drive visitation. On the sales side, we continue to focus on nurturing our relationships with PenClub members (Peninsula preferred travel partner programme), engaging with top partners from the Leisure, Corporate and MICE world, organising dedicated events in priority and emerging markets as well as attending key worldwide travel tradeshows.	• Launched hotel websites for The Peninsula Istanbul and The Peninsula London to showcase the properties and to drive online bookings, supported by digital advertising and social media campaigns. • Designed and launched websites dedicated to the signature restaurants GALLADA and Brooklands to bring the unique dining experience and story to life. • To drive brand awareness, Brand Marketing launched a new global advertising campaign, Peninsula Perspectives, and placed within key media channels in target markets throughout the year. The video-led campaign features employees from our Hong Kong, London and Istanbul properties showcased in the spectacular cities we call home. • Through an exclusive partnership with one of the world's most treasured children's book characters, Beatrix Potter's Peter Rabbit™, The Peninsula was able to offer guests themed family stay packages, afternoon teas, as well as a range of limited-edition co-brand merchandise to surprise and delight families and children alike.

Engaging with our Stakeholders

Stakeholder Group	Why and how we engage	Examples in 2023
Our Guests	Enriching the lives of our guests is important and for this reason, The Peninsula provides guests and visitors the opportunity to engage with immersive, experiential art, allowing them to create memories that they will carry for a lifetime. Through refreshed marketing collateral, content and partnerships we can present the brand in a more meaningful, relevant and engaging way. This entails not only creating continuity in our existing materials, but also using our rich history and heritage to share new stories that will elevate the brand.	• Brand Marketing continued to focus on The Peninsula Hotels' global art programme, 'Art in Resonance,' by partnering with emerging and mid-career artists from around the world to offer guests and visitors alike a truly immersive artistic experience: o As it does every year during EXPO Chicago, our local property presented select pieces from a major collector, for the public to enjoy. Neo Chicago featured highlights from the Beth Rudin DeWoody Collection. Curated by Laura Dvorkin and Maynard Monrow (of the BRD Collection) was displayed throughout the hotel's public space through May 2023, as a part of a public art project, and included major works by a selection of culturally diverse, intergenerational artists, all of whom have made their mark on the city of Chicago. o At The Peninsula New York, an exhibit presenting Chilean artist Ivan Navarro was organised, focusing on HOME, an artwork commissioned to him for Art in Resonance 2019, that plays upon the concepts of identity and place with mesmerizing kinetic patterns spelling the word "home", seemingly into infinity. This was accompanied by many other of his pieces, most of them sculptural works made with neon, incandescent, and fluorescent light, and playing with mirrors and glass. • We continued to focus on strengthening our relationships with PenClub members, our in-house preferred travel partner programme by hosting intimate in-person gatherings, cultural programmes, dinner events, and attending key worldwide travel tradeshows..

Engaging with our Stakeholders

Stakeholder Group	Why and how we engage	Examples in 2023
Our People	As we navigate the post-pandemic landscape, talent acquisition and retention remain top priorities for us as the industry continues to grapple with workforce shortage and rising demand for flexible work arrangements and work-life effectiveness. We consistently refine our People and Culture strategies to address the ever-changing needs of the labour market.	• In 2023, we renamed the Human Resources Department to “People and Culture”, as a reflection that our people are more than just “resources”, as well as the team’s role in nurturing and safeguarding our culture. • We carried out our global employee experience survey and received a 92% voluntary response rate across the organisation, the highest participation rate to date. We are proud that 90% of our employees expressed their intent to stay with the company beyond one year and up to over five years, and 89% shared that we are meeting, exceeding or greatly exceeding expectations in their work. • We have relaunched our employee learning and development programmes, including the Executive Development Programme (19 global candidates have completed the third module in 2023, and will progress to the final module in 2024) and the Emerging Managers Programme (11 global candidates completed the 12-month programme, with four receiving promotions and two transferring to different departments). • Our WorkPlace 2025 initiative, which is focused on our people, culture and empowerment, aims to create effective transformation for our teams and modernise our workplace. Our new employee portal, MyHSH Hub, was globally launched at the end of December 2023, serving as a centralised platform for all company information, news and resources.

Stakeholder Group	Why and how we engage	Examples in 2023
Our People	We further enhanced our talent acquisition programmes to recruit top talent, and explored best practices to reward and recognise high-performing staff. At the same time, we continue to focus on developing strong leaders, implementing mental and physical well-being programmes, and to improve our engagement strategies.	• We have engaged in a number of talent recruitment campus tours and informative talks for in key countries such as China, Switzerland and the United States. • All of our hotel operations and The Peninsula Merchandising Limited have successfully completed the "Peninsula Services Principles" foundation training in 2023, enabling our employees on creating closer emotional connections with guests. We are continuing the momentum by currently developing specialised PSP training modules for The Peak Complex and The Repulse Bay on creating a more guest-centric experience which fit their bespoke guest journey. • Our WorkPlace 2025 initiative, which is focused on our people, culture and empowerment, aims to create effective transformation for our teams and modernise our workplace. Our new employee portal, MyHSH Hub, was globally launched at the end of December 2023, serving as a centralised platform for all company information, news and resources.
Our Communities: Governments	Our Executive Directors and Chairman regularly meet with senior Hong Kong Government leaders and Legislative Council members to discuss areas of concern for the tourism and property sectors. Our Chief Executive Officer is a member of the World Travel & Tourism Council (WTTC) which actively engages with governments around the world on industry issues on behalf of members. Our project team members in London and Istanbul with select local government representatives, diplomats and relevant stakeholders to discuss local issues and enhance cooperation ahead of our project hotel openings.	• Engaged with Hong Kong Government departments and senior tourism officials on how to attract more leisure tourists to Hong Kong. • Membership of WTTC. • Engaged with local government representatives and diplomats in London and Istanbul.
Financial Analysts and Investors	Our Investor Relations team and our Executive Directors meet regularly with financial analysts and investors, as well as participate in post-results briefings and the AGM. We also engage with banks regularly to update them on our sustainability journey to unlock potentials on green loan and sustainability linked loan.	• Investor Conferences (online). • Financial reports and website. • Annual General Meeting (AGM). • One-on-one meetings and conference calls. • Regular briefings with research analysts.

Engaging with our Stakeholders

Stakeholder Group	Why and how we engage	Examples in 2023
Media	The Peninsula Hotels Marketing team conducts regular press briefings and attends high profile trade shows in all our key markets as well as emerging markets. The HSH Corporate Affairs team organises press conferences with Executive Directors at annual/interim results and individual interviews throughout the year in Hong Kong. We host regular press groups from the world's most prestigious travel, luxury and business publications to visit the cities in which we operate.	• HSH financial results press releases and AGM (press conferences had to be cancelled due to social distancing requirements). • Media engagement programmes. • New media outreach and briefings dedicated. to our two new hotel openings.
Community and NGOs	Our Corporate Responsibility and Sustainability team meets with non-profit organisations, academia and industry advocacy groups regularly throughout the year to keep ourselves informed of the latest developments on sustainability issues, and contributes to the sustainability development of the wider community by sharing HSH's experience at various local and regional conferences and industry committees. We continue to participate in membership of like-minded organisations to support global issues such as climate change, single use plastics, and modern slavery. Our corporate responsibility and sustainability strategy, *Vision 2030* will continue to facilitate our response to climate change. We have set group-wide targets and commitments for greenhouse gas emissions, water efficiency, actions related to mitigation of climate change such as adopting sustainable building design, offering sustainable products and services within our businesses, and specific programmes to promote social inclusions and engage with our local communities in meaningful ways. This engagement also includes our support to different charities around the world. Our operations also engage with local charities to provide support where possible.	• Member of Global Tourism Plastics Initiative, Mekong Club, Cornell Hotel Sustainability Benchmarking Advisory Group, GREEN Hospitality's Sustainable Hospitality Roadmap Advisory Group, Hong Kong Sustainable Seafood Coalition, and Hong Kong General Chamber of Commerce Environment and Sustainability Committee. • Climate Action Focus Group, organised by WTTC to address sustainability issues and develop climate action plans for the tourism and hotel industry. • Responsible Luxury Initiative, organised by Business for Social Responsibility to address trending sustainability issues for the luxury sector. • Participate in The University of Hong Kong's (HKU) Partnership for Sustainability Leadership in Business project to share best practices examples for their latest publication: *Practical Guidebook to a Circular Economy.* • Corporate advisor to The Hong Kong University of Science and Technology (HKUST), providing mentorship and real-world insights to students who serve as ambassadors of the future on their Capstone project.
Partners and Suppliers	Our partners are also key to our growth, as they help us to ensure the successful operation of our properties in their local markets. Sustainable guidelines such as the Building Research Establishment Environmental Assessment Method (BREEAM) were incorporated since the beginning of project planning, for the construction of the new hotels and renovation projects. We articulate our expectations on environmental, social and ethical practices of suppliers and contractors through Supplier Code of Conduct (SCOC).	• The Peninsula Istanbul undertook a highly complex restoration and construction project on the banks of the Bosphorus, in collaboration with local authorities and Heritage Board. • The Peninsula London and Istanbul referenced international green building standards during their development. • Regular engagement with key suppliers to ensure compliance with the company's SCOC and discuss topics related to modern slavery.

We always seek to improve on the area of stakeholder engagement and we are compiling a thorough stakeholder engagement profile for our project markets in 2023.

We encourage our stakeholders to give us feedback on our approach. Comments and enquiries can be sent to our email address at corpaffairs@peninsula.com.

Awards in 2023

Operations	Awards	Organisers
The Hongkong and Shanghai Hotels – Annual Report 2022	2023 ARC Awards, Grand Award – The Best of Hong Kong SAR	MerComm, Inc.
	2023 ARC Awards, Gold Award – Feature Categories – Cover Photo/Design – Tourism – Feature Categories – Photography – Tourism – Feature Categories – Photography – Hotel & Leisure	MerComm, Inc.
	2023 ARC Awards, Silver Award – Overall Presentation – Traditional Format – Corporate Social Responsibility Report – Feature Categories – Cover Photo/Design – Hotel & Leisure	MerComm, Inc.
	Best Corporate Governance and ESG Awards 2023 – Platinum award in the Most Sustainable Companies and Organisations (MSCO) section (Non-Hang Seng Index (Medium Market Capitalization Category)	Hong Kong Institute of Certified Public Accountants
	2023 HKMA Best Annual Reports Awards – Excellent Report Awards – Best Environmental, Social and Governance Reporting Award (Tourism & Hospitality)	Hong Kong Management Association
The Peninsula	Business Traveller Asia-Pacific Awards 2023 – Best Independent Hotel Brand (No.3)	Business Traveller
	The 20th Annual GT Tested Reader Survey Awards – Best International Hotel Chain (No.5) – Best Hotel Website (No.2)	Global Traveler
	2023 Leisure Lifestyle Awards – Best Luxury Leisure Hotel Group in the World (No.4) – Best Pet-Friendly Hotel (No.6)	Global Traveler

Awards in 2023

Operations	Awards	Organisers
The Peninsula Hong Kong	The 50 Greatest Luxury Hotel Suites in the World (No.9)	Robb Report
	The 20th Annual GT Tested Reader Survey Awards – Best Individual Hotel in the World (No.5) – Best Hotel in Asia (No.5)	Global Traveler
	TTG China Travel Awards 2023 TTG China – Best Luxury Hotel in Hong Kong	TTG China
	2023 Readers' Choice Awards – The Best Hotels in the World (No.6) – Top 10 Hotels in Hong Kong and Macau (No.1)	Condé Nast Traveler
	DestinAsian (Asia Pacific) Readers' Choice Awards 2023 – Best Hotels in Hong Kong (Gold)	DestinAsian
	Michelin One Star – Spring Moon Michelin One Star – Gaddi's	The Michelin Guide Hong Kong Macau 2023
	2023 Black Pearl Restaurant Guide – One Diamond to Spring Moon – One Diamond to Gaddi's	Meituan
	T+L Luxury Awards Asia Pacific 2023 – Best Hotels in Hong Kong (No.6) – Best Hotel Pools in Hong Kong (No.4) – Best Hotel Spas in Hong Kong (No.7)	Travel + Leisure
	2023 EarthCheck certification – Gold	EarthCheck
	100 Top Tables – Gaddi's	South China Morning Post
The Peninsula Shanghai	The Gold List 2024	Condé Nast Traveler
	China Top 10 Hotels	Condé Nast Traveler China
	Luxury Hotel of The Year	TimeOut
	The World's Best Hotels 2023 – Top 200 Hotels in the World (No.3)	La Liste
	Top 10 hotels in China	DestinAsian
	Luxury Hotel of The Year	That's Shanghai
	Classic Hotel of The Year	The Best D.E.S.I.G.N. Hotels
	Michelin One Star – Yi Long Court	Michelin Guide Shanghai 2024
	2023 EarthCheck certification – Silver	EarthCheck
The Peninsula Beijing	Michelin One Star – Jing Michelin Selected Restaurant – Huang Ting	Michelin Guide Beijing 2024
	The World's Best Hotels 2023 – Top 200 Hotels in the World (No.8)	La Liste
The Peninsula Tokyo	2023 EarthCheck certification – Gold	EarthCheck
The Peninsula Bangkok	The 20th Annual GT Tested Reader Survey Awards – Best Hotel in Asia (No.2)	Global Traveler
The Peninsula Manila	Business Traveller Asia-Pacific Awards 2023 – Best Business Hotel in Manila (No.2)	Business Traveller

Operations	Awards	Organisers
The Peninsula New York	2023 EarthCheck certification – Gold	EarthCheck
	AAA Five Diamond Hotels 2023	Automobile Association of America (AAA)
The Peninsula Chicago	2023 Readers' Choice Awards – The Best Hotels in the World (No.9) – Top 10 Hotels in Chicago (No.1)	Condé Nast Traveler
	2023 World's Best Awards – 100 Favorite Hotels in the World for 2023 (No.43) – 10 Favorite Hotels in Chicago (No.1) – Best City Hotel in the Continental U.S.	Travel + Leisure
	The Travel + Leisure 500 List	Travel + Leisure
	The World's Best Hotels 2023 – Top 200 Hotels in the World (No.2)	La Liste
	The Top 25 Hotel Executives of 2023 – Maria Razumich-Zec, Regional Executive Vice President and Managing Director, The Peninsula Chicago	Lodge and Dine
	Best Hotels in the United States (No.1)	The Telegraph
	2023 EarthCheck certification – Gold	EarthCheck
	AAA Five Diamond Hotels 2023	Automobile Association of America (AAA)
The Peninsula Beverly Hills	The 20th Annual GT Tested Reader Survey Awards – Best Hotel in the United States (No.1)	Global Traveler
	The World's Best Hotels 2023 – Top 200 Hotels in the World (No.9)	La Liste
	The Top 25 Hotel Executives of 2023 – Offer Nissenbaum, Managing Director, The Peninsula Beverly Hills	Lodge and Dine
	AAA Five Diamond Hotels 2023	Automobile Association of America (AAA)
	2023 U.S. News & World Report Best Hotels Rankings – Best Hotels in California (No.2) – Best Hotels in Los Angeles (No.1)	U.S. News & World Report
The Peninsula London	Michelin Two Stars – Brooklands	Michelin Guide 2024
	The World's Best Luxury Hotels of 2023 (No.15)	Luxury Travel Intelligence (LTI)
The Peninsula Paris	Pastry Chef of the Year 2024 – to Anne Coruble, Chef patissiere	La Liste
	Two Michelin stars – L'Oiseau Blanc	Michelin Guide
	2023 EarthCheck certification – Silver	EarthCheck
	Meilleur Ouvrier de France in Sommellerie – to Florent Martin, Head Sommelier	Ministry of Labour (France)

Awards in 2023

Operations	Awards	Organisers
The Peninsula Istanbul	The World's Best Luxury Hotels of 2023 (No.5)	Luxury Travel Intelligence (LTI)
	The 2023 It List – The 100 Best New Hotels in the World	Travel + Leisure
	Best New Hotel 2023	Virtuoso
	Best New Hotel (No.1)	Traveller's World Magazine
	Top Hotels of the World Listing	HOTELS Magazine 2023
	No. 1 City Hotel 2024	Tatler Travel Guide
	Michelin Recommended List 2023 – GALLADA and Topside Bar	Michelin Guide
	Chefs Table 2023 – GALLADA has achieved 2 hats	Gault & Millau
	Gourmand Bar 2023 – Topside Bar has achieved 1 hat	Gault & Millau
	Best of the Best Award	Robb Report China
	Special Awards Hotels 2023 – Hotel Opening of The Year Awards	La Liste
The Repulse Bay	Sassy Reader Awards 2023 – Silver for the Best Wedding Venue	Sassy Hong Kong
The Landmark Vietnam	Top 50 Golden Dragon Awards 2023 – Leading International Serviced Apartment & Office Complex 2022-2023	The Vietnam Economic Times
Peninsula Merchandising Limited	Fair Trade Awards 2022-2023 – Gold Award	Fair Trade Hong Kong

Governance

Chief Corporate and Governance Officer's Introduction

> Our governance framework sets the foundation for the development and delivery of our business goals. It ensures that we, as a Board, have access to the right information at the right time, to oversee progress and provide direction.

Dear Shareholders,

Our company is always committed to maintaining high levels of corporate governance to uphold our values and principles of integrity, accountability and transparency in all our business operations. We endeavour to inspire trust and confidence among shareholders and stakeholders.

The Board continues to be the focal point of our governance framework, with support from committees. The Board focuses on our key priorities, makes important decisions necessary for progress, and is held accountable for doing so by our shareholders. It also reviews all key areas of the business and debates these with senior management. As an Executive Director, I am grateful for the great leadership and direction of the Board through the various challenges we face.

Board changes

During the year, we announced a number of significant changes to the composition of our Board. We were pleased to welcome Mr Diego González Morales who joined the Board as a Non-Executive Director in March 2023, following Mr William Mocatta's retirement from the Board after 37 years with the group. I am also delighted to have been appointed Executive Director and Chief Corporate and Governance Officer in August 2023. This has had a positive effect on our gender diversity efforts, further increasing the proportion of female members on the Board. Mr Keith Robertson joined the Board as the new Chief Financial Officer in January 2024, succeeding Mr Christopher Ip who resigned in March 2023. We also announced the retirement of Mr Peter Borer, the Executive Director and Chief Operating Officer, in July 2024. He will be re-designated as a Non-Executive Director and will become a Senior Advisor to the Chairman. Mr Gareth Roberts, who has been with the group since 2002, will be Mr Borer's successor. He has assumed the role of Deputy Chief Operating Officer since 1 January 2024. Later in the year, Mr Clement Kwok will also be retiring from his role as Managing Director and Chief Executive Officer of the company on 31 October 2024 and will continue to serve as an Executive Director until the 2025 Annual General Meeting. A search is currently being conducted for Mr Kwok's successor as CEO.

Finally, we announced the retirement of Mr John Leigh. After serving our Board for 18 years, Mr Leigh will retire from his position as Non-Executive Director on 8 May 2024, at the conclusion of the 2024 Annual General Meeting.

The Board will greatly benefit from the newly appointed directors' broad and varied expertise, which will bring fresh perspectives and valuable new contributions. Further details regarding the changes made to our Board can be found in the Nomination Committee Report.

A governance framework at the heart of our culture

The Board leads a governance framework which sits at the heart of our company culture. This culture is aligned with our purpose, our values and principles of integrity, accountability and transparency. These values and leadership behaviours are led by the Board and embedded at all levels of the organisation and reinforced by our robust corporate governance framework. We believe that the long-term success and sustainability of the group lies in doing the right thing by our guests, employees and the communities we serve, ensuring value creation for our shareholders and other stakeholders.

Managing risks in an uncertain climate

As we emerged from one of the most challenging periods in our history, we were reminded of the importance of managing risks across the group and seeking, where possible, to anticipate potential future shocks to our business, whether they come from within or outside of the organisation. Our governance framework ensures that where improvements can be made to internal controls, we do so efficiently, without putting any unnecessary drag on our business recovery, and with rigorous oversight from our Group Risk Committee. We have kept a keen eye on technological developments such as generative Artificial Intelligence (AI) tools, resulting in the adoption of an internal policy to enhance our employees' awareness of the ethical and responsible use of AI technology, and to help prevent misuse or harm to individuals or the company. We have also sought to heighten focus on broader risks including those emanating from climate change, such as rising sea levels and coastal flood risks. More details can be read in the Group Risk Committee Report on pages 186 to 189 of this report.

It is with the climate and associated risks in mind that we have continued to emphasise our commitment to corporate responsibility and sustainability, not only to protect the long-term sustainability of our business, but to ensure that we have a positive impact on the social, economic and environmental fabric of the communities in which we operate. The Board is responsible for the long-term success of the group and has ultimate responsibility for climate-related risks and opportunities, and is supported by the Group Corporate Responsibility Committee. More details can be read in the Group Corporate Responsibility Committee Report on pages 190 to 194 of this report and our online Corporate Responsibility and Sustainability Report.

Compliance

We are reporting in the context of the Stock Exchange's Corporate Governance Code in Appendix C1 of the Listing Rules. We see corporate governance not merely as a compliance exercise but rather as an evolving core discipline that serves as a foundation of the success of the company. This report reinforces the commitment of the Board and senior management to the high standards of our corporate governance, which supports the development of strong corporate culture throughout the group.

Long-term sustainability

We believe that our governance structure has proven effective in navigating the uncertainty of the world today. We are proud of the way our company has risen to the challenges of the past three years, demonstrating that we have an agile and resilient business capable of delivering long-term success and sustainability for the group.

Christobelle Liao
19 March 2024

2023 Highlights

Openings of The Peninsula Istanbul and The Peninsula London

The Board provided strategic direction, guidance and oversight throughout the development of these two strategic investments. It regularly monitored the progress of construction, budget and timelines, and the eventual opening of the two hotels for business. The Peninsula Istanbul and The Peninsula London opened in February and September 2023 respectively, with grand openings due to take place in June 2024.

Board and Senior Management Appointments

Mr Diego González Morales was appointed as a Non-Executive Director of the company on 31 March 2023.

Ms Christobelle Liao was appointed as an Executive Director and the Chief Corporate and Governance Officer of the company on 4 August 2023, transitioning from her previous senior management role. With her appointment we also improved our proportion of female Directors on the Board.

Mr Keith Robertson was appointed as an Executive Director and Chief Financial Officer of the company on 29 January 2024, succeeding Mr Christopher Ip (who resigned on 31 March 2023).

Mr Peter Borer will be re-designated as a Non-Executive Director of the company and become a Senior Advisor to the Chairman for a term of two years from August 2024, following his retirement as an Executive Director and the Chief Operating Officer of the company from 31 July 2024.

Mr Gareth Roberts will succeed Mr Borer as an Executive Director and the Chief Operating Officer of the company from 1 August 2024, transitioning from his previous senior management role. He has assumed the role of Deputy Chief Operating Officer from 1 January 2024.

Ms Ming Chen was appointed as Chief Property Development Officer of the company on 1 January 2024 transitioning from her previous key function role.

Company's Strategy

Our Group Management Board held its annual full-day strategic meeting with the Chairman and some of the Non-Executive Directors invited to attend. Matters discussed included the company's vision, future developments, key pillars of The Peninsula brand and people and culture. Key takeaways from the meeting were highlighted and discussed at the subsequent Board Meeting.

Internal Control Enhancement

- We updated the HSH Employee Handbook and HSH Employee Guide for Head Office to reflect updated workplace practices and employees have confirmed receipt and understanding of the updated HSH Employee Handbook.
- We revamped the HSH Finance Policies and Procedures to standardise all the current practices across the group, aligning with best market practices and strengthening our internal controls.
- We updated the Policy for Engagement of the External Auditor for Non-Assurance Services to align with the Code of Ethics for Professional Accountants.
- Mandatory compliance training programmes for all HSH employees continued to be rolled out, including in relation to our Code of Conduct, Fair Competition Policy, Data Privacy Policy and Cybersecurity.

Culture and Communications

- We introduced MyHSH Hub, a new employee portal providing real-time access to the group's news, operating statistics, best practices, policies, knowledge, experience and expertise among our colleagues.
- We renamed the Human Resources Department to the People and Culture Department, emphasising that our people are key to our competitive edge and to place the company culture at the forefront of all we do.

Our Leadership - Board Members

Board Members

Non-Executive Chairman

The Hon. Sir Michael Kadoorie N E

Age: 82 Appointed: November 1964

Key strengths and experience

Sir Michael was appointed as Chairman in 1985. He holds board-level positions in one other listed company as well as directorships in private companies. With decades of international experience in different sectors including infrastructure, utilities, property and retail, Sir Michael has extensive knowledge of the hospitality and real estate sectors, a deep understanding of the environment in which the company operates, and a comprehensive appreciation of investor sentiment.

Titles, qualifications and education

GBS, Hon. LLD, Hon. DSc, Commandeur de la Légion d'Honneur, Commandeur de l'Ordre des Arts et des Lettres, Commandeur de l'Ordre de la Couronne, Commandeur de l'Ordre de Leopold II

Other major offices

CLP Holdings Limited# (Non-Executive Chairman and Member of Nomination Committee)
CK Hutchison Holdings Limited# (Independent Non-Executive Director) (until December 2022)
Sir Elly Kadoorie & Sons Limited* (Director)

Other information

Substantial shareholder of the company
Director of two of the group's entities
Father of Philip Lawrence Kadoorie
Father-in-law of Diego Alejandro González Morales
Brother-in-law of Ronald James McAulay

Governance Board Committees

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Chairman of the Committee

Other Board Committees

- E Executive Committee
- F Finance Committee
- Chairman of the Committee

\# *The securities of these companies are currently listed on the Hong Kong Stock Exchange*

* *Sir Elly Kadoorie & Sons Limited oversees a number of Kadoorie family interests in Hong Kong and overseas and, as such, is associated with the substantial shareholders of the company*

Non-Executive Deputy Chairman

Andrew Clifford Winawer Brandler A R E F

Age: 67 Appointed: May 2014

Key strengths and experience

Mr Brandler has diverse board and committee senior leadership experience. He has served as Group Managing Director and Chief Executive Officer of CLP Holdings Limited, in addition to serving on listed company boards in the infrastructure, manufacturing, and real estate sectors. Mr Brandler has a background in banking, finance and investment with corporate finance expertise spanning the UK, Singapore and Hong Kong during his tenure at UK investment bank Schroders.

Titles, qualifications and education

Member of the Institute of Chartered Accountants in England and Wales
BA and MA, University of Cambridge
MBA, Harvard Business School

Other major offices

CLP Holdings Limited# (Non-Executive Vice Chairman, Chairman of Finance & General Committee and Member of Sustainability Committee)
Tai Ping Carpets International Limited# (Non-Executive Director) (until December 2023)
MTR Corporation# (Independent Non-Executive Director, Chairman of Finance & Investment Committee and Member of Audit & Risk Committee)
Sir Elly Kadoorie & Sons Limited* (Chairman)

Other information

Director of several of the group's entities

Executive Directors

Chief Executive Officer

Clement King Man Kwok E F

Age: 64 Appointed: February 2002

Key strengths and experience

Mr Kwok has over two decades of hospitality and real estate experience as the Managing Director and Chief Executive Officer of the company, as well as board and committee experience for other listed entities. Mr Kwok's prior experience was in accounting, investment banking, and corporate and financial management. After qualifying as a Chartered Accountant with Price Waterhouse London in 1983, he had over 10 years of investment banking experience with Barclays de Zoete Wedd in London and Schroders Asia in Hong Kong, where he was appointed as Head of Corporate Finance in 1991. Mr Kwok then served as Finance Director of the MTR Corporation from 1996 to 2002.

Mr Kwok's knowledge of international markets, accounting, corporate risk management and compliance is enhanced by his experience serving on prominent regulatory bodies such as the Hong Kong Stock Exchange Listing Committee, the Hong Kong Takeovers and Mergers Panel and the Interpretations Committee of the International Accounting Standards Board. He was previously an Independent Non-Executive Director of Swire Pacific Limited and Orient Overseas (International) Limited.

Titles, qualifications and education

Chevalier dans l'Ordre National de la Légion d'Honneur
Member of the Institute of Chartered Accountants in England and Wales
Member of the Hong Kong Institute of Certified Public Accountants
Fellow of Hong Kong Management Association
BSc in Economics, London School of Economics

Other major offices

Hang Seng Bank Limited# (Independent Non-Executive Director and Chairman of Audit Committee)
World Travel & Tourism Council (Council Member)
Faculty of Business and Economics of The University of Hong Kong (Member of International Advisory Council)

Other information

Director of the majority of the group's entities
Mr Kwok will be stepping down as the Managing Director and Chief Executive Officer of the company effective from 31 October 2024 but will remain on the Board as an Executive Director and Advisor to the CEO until the conclusion of the 2025 Annual General Meeting.

Our Leadership - Board Members

Chief Operating Officer

Peter Camille Borer

Age: 70 Appointed: April 2004

Key strengths and experience

Mr Borer joined the group in 1981 and has been responsible for developing the group's high standards of customer service and operational excellence. Following various operational roles, he was appointed General Manager of The Peninsula Hong Kong in 1994, taking on additional regional responsibility for the group's Asia hotel portfolio in 1999. Mr Borer was appointed as Chief Operating Officer in April 2004 and oversees the operations of the group's assets globally.

Titles, qualifications and education

Chevalier dans l'Ordre National de la Légion d'Honneur
Chevalier dans l'Ordre du Mérite Agricole
Graduated from Ecole hôtelière de Lausanne, Switzerland

Other major offices

School of Hotel and Tourism Management of The Chinese University of Hong Kong (Advisory Board Member)
Gleneagles Hospital Hong Kong (Advisory Council Member)

Other information

Alumni Network of Ecole hôtelière de Lausanne (Lifetime Achievement Award)
Director of the majority of the group's entities
Mr Borer will be stepping down as an Executive Director and the Chief Operating Officer of the company effective from 31 July 2024 and will be re-designated as a Non-Executive Director of the company and will become a Senior Advisor to the Chairman for a term of two years with effect from 1 August 2024.

Chief Corporate and Governance Officer

Christobelle Yi Ching Liao

Age: 55 Appointed: August 2023

Key strengths and experience

Ms Liao joined the group as Company Secretary and General Counsel in 2002. She was appointed to Group Management Board in 2011 and was promoted to Group Director, Corporate and Legal in 2013 while retaining the position of Company Secretary. Over the years, she has expanded to a much broader role overseeing the group corporate functions including group insurances, risk management and corporate governance as well as the group's investment in Istanbul and organisational development strategies, such as WorkPlace 2025. In her role as Executive Director, she takes on additional responsibilities overseeing the Projects Group and the Group Corporate Responsibility and Sustainability function.

Titles, qualifications and education

Bachelor of Laws, London School of Economics and Political Science
Qualified Solicitor of Hong Kong and England & Wales

Other information

Director of the majority of the group's entities

Chief Financial Officer

Keith James Robertson F

Age: 56 Appointed: January 2024

Key strengths and experience

Mr Robertson has over 30 years of all-round finance experience in auditing, financial controlling, corporate finance, project finance, international tax planning, statutory reporting, mergers and acquisitions and investor relations. He joined Destinations Development Company (a subsidiary company of The Public Investment Fund of Saudi Arabia) as Chief Financial Officer in 2021, and prior to that, he worked for Kingdom Hotel Investments, Dubai, United Arab Emirates where he held senior positions and most recently as Executive Vice President, Chief Financial Officer and Head of Mergers & Acquisitions. Prior to that, he was the Senior Vice President Global Finance of Kempinski Hotels SA, Geneva, Switzerland and he also worked for professional accounting and audit firms such as Deloitte, Ernst & Young and HLB Kidsons in different countries.

Titles, qualifications and education

BA (Hon) in Economics and Economic History, University of Leicester
Fellow of the Institute of Chartered Accountants in England and Wales

Other information

Director of the majority of the group's entities

Non-Executive Directors

John Andrew Harry Leigh E F

Age: 70 Appointed: May 2006

Key strengths and experience

A long-serving non-executive director of the company, Mr Leigh has extensive knowledge of the hospitality industry. Mr Leigh is a solicitor with a background in private practice and has previously served as in-house senior legal advisor to the CLP group. He brings wide-ranging corporate governance and board-level global market experience across a number of industries, including property, aviation and utilities, with particular expertise in risk management and compliance.

Titles, qualifications and education

Graduate of Universities of London, Surrey and Macau
Solicitor of Hong Kong, England & Wales and Australia

Other major offices

CLP Holdings Limited# (Non-Executive Director) (until March 2024)
Sir Elly Kadoorie & Sons Limited* (Director)
Metrojet Limited (Director)
Heliservices (Hong Kong) Limited (Director)

Other Information

Mr Leigh will retire from the Board at the conclusion of the Annual General Meeting on 8 May 2024.

Our Leadership - Board Members

Nicholas Timothy James Colfer

Age: 64 Appointed: May 2006

Key strengths and experience

Mr Colfer has over 40 years of experience in corporate management in the Asia Pacific region, principally in real estate, manufacturing and distribution. His tenure on the Board has provided Mr Colfer with a deep understanding of the group's business and the wider industry environment in which it operates. This, combined with his board-level experience in several other Hong Kong organisations, enables him to provide constructive leadership and support to the Board and wider management team.

Titles, qualifications and education

BA and MA, University of Oxford

Other major offices

Tai Ping Carpets International Limited# (Non-Executive Chairman and Chairman of the Executive Committee and Nomination Committee)
Nanyang Holdings Limited# (Independent Non-Executive Chairman, Chairman of Nomination Committee and Member of Audit Committee and Remuneration Committee)
Sir Elly Kadoorie & Sons Limited* (Director)

Other information

Director of one of the group's entities

James Lindsay Lewis

Age: 49 Appointed: December 2017

Key strengths and experience

Mr Lewis has extensive experience in private equity, hospitality, aviation, real estate and the philanthropy sector. He has served and serves on a number of boards as an executive and non-executive director in Hong Kong and has experience in managing transformation and business projects, leading operations optimisation and supporting people and cultural change initiatives.

Mr Lewis' entrepreneurial and operations insight enables him to support the Board by driving strategy through execution and from vision to value.

Titles, qualifications and education

Executive MBA program, Kellogg-HKUST
Master of Aviation Management, The University of Newcastle, Australia
Certification of Hospitality Management, Cornell University, U.S.A.
Member of The Society of Trust and Estate Practitioners
Fellow of the Institute of Directors in UK as a Chartered Director

Other major offices

Sir Elly Kadoorie & Sons Limited* (Director)

Philip Lawrence Kadoorie

Age: 32 Appointed: December 2017

Key strengths and experience

Mr Kadoorie oversees a number of Kadoorie family interests in Hong Kong and overseas. Prior to his appointment to the Board, Mr Kadoorie completed various internships in commercial property companies in London and at CLP Group in Hong Kong. He holds other Board positions and has developed strong expertise in the property sector.

Titles, qualifications and education

BSc in Communication, Boston University
FAA Commercial Pilot's License

Other major offices

CLP Holdings Limited# (Non-Executive Director and Member of Sustainability Committee)
CK Hutchison Holdings Limited# (Independent Non-Executive Director)
Sir Elly Kadoorie & Sons Limited* (Director)

Other information

Son of The Hon. Sir Michael Kadoorie
Brother-in-law of Diego Alejandro González Morales
Nephew of Ronald James McAulay

Diego Alejandro González Morales

Age: 40 Appointed: March 2023

Key strengths and experience

Mr González Morales has broad, cross-functional corporate expertise spanning the financial services, healthcare, energy, and entertainment industries. He was previously VP, Private Equity at CLSA Capital Partners in Hong Kong. He started his career with General Electric as a graduate of GE's Financial Management Program. He then took on various corporate roles including internal audit and controls, investigations, compliance and M&A across GE's industrial businesses, GE Capital and NBC Universal.

Titles, qualifications and education

Bachelor of Engineering and MSc, EPF Ecole d'ingénieurs, France
Certification of International Business, Universidad Pontificia Comillas de Madrid, Spain
MBA, IESE Business School in Barcelona, Spain

Other major offices

CLP Holdings Limited# (Non-Executive Director and Member of Finance & General Committee) (from April 2024)
Sir Elly Kadoorie & Sons Limited* (Director)

Other information

Director of one of the group's entities
Son-in-law of The Hon. Sir Michael Kadoorie
Brother-in-law of Philip Lawrence Kadoorie

Independent Non-Executive Directors

Dr the Hon. Sir David Kwok Po Li N

Age: 85 Appointed: October 1987

Key strengths and experience

Sir David is a prominent Hong Kong banker, and has held senior executive level or Board positions at various pre-eminent Hong Kong and overseas companies. Sir David's rich and varied experience enables him to bring a unique viewpoint to the Board. His expertise in multiple sectors provides a diverse skillset covering the entire spectrum of the group's business.

Titles, qualifications and education

GBM, GBS, OBE, JP, MA Cantab. (Economics & Law), Hon. LLD (Cantab), Hon. DSc. (Imperial), Hon. LLD (Warwick), Hon. DBA (Edinburgh Napier), Hon. D.Hum. Litt. (Trinity, USA), Hon. LLD (Hong Kong), Hon. DSocSc (Lingnan), Hon. DLitt (Macquarie), Hon. DSocSc (CUHK), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, Officier de l'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Commandeur dans l'Ordre National de la Légion d'Honneur, Fellow of the Hong Kong Academy of Finance

Other major offices

The Bank of East Asia, Limited# (Executive Chairman and Member of Nomination Committee)
The Hong Kong and China Gas Company Limited# (Independent Non-Executive Director, Chairman of Board Audit and Risk Committee and Remuneration Committee and Member of Nomination Committee)
San Miguel Brewery Hong Kong Limited# (Independent Non-Executive Director, Chairman of Audit Committee and Member of Nomination Committee and Remuneration Committee)
Vitasoy International Holdings Limited# (Independent Non-Executive Director, Chairman of Remuneration and Nomination Committee and Member of Audit Committee)
The Friends of Cambridge University in Hong Kong Limited (Founding Chairman)
The Salvation Army, Hong Kong and Macau Territory (Advisory Board Chairman)
St. James' Settlement (Executive Committee Chairman)
Council of the Treasury Markets Association (Member)

Our Leadership - Board Members

Patrick Blackwell Paul, CBE A R

Age: 76 Appointed: February 2004

Key strengths and experience

Mr Paul is an experienced independent non-executive director, and the Chairman of the Audit and Remuneration Committees. He brings many years of leadership experience, having been senior partner at PwC in Hong Kong. His finance, accounting and tax expertise enables him to provide key strategic guidance to the company in its financial reviews, risk management, compliance and internal control framework.

Titles, qualifications and education

CBE
Fellow of the Institute of Chartered Accountants in England and Wales

Other major offices

Johnson Electric Holdings Limited# (Independent Non-Executive Director, Chairman of Audit Committee and Member of Nomination and Corporate Governance Committee)

Pierre Roger Boppe

Age: 76 Appointed: May 1996

Key strengths and experience

Mr Boppe has a deep understanding of the group's business as he served as the Managing Director and Chief Executive Officer of the company from 1996 until 2002. He was re-designated from being a Non-Executive Director to an Independent Non-Executive Director in 2009. Mr Boppe continues to bring value to the Board through his wide spectrum of expertise and experience in the hotel and travel industries.

Titles, qualifications and education

Chevalier dans l'Ordre National de la Légion d'Honneur
MSc, Swiss Federal Institute of Technology
MSc, Stanford University

Dr William Kwok Lun Fung, SBS, OBE, JP N

Age: 75 Appointed: January 2011

Key strengths and experience

Dr Fung has diversified industry experience, and has provided valuable insight and advice to the Board since his appointment in 2011. In particular, Dr Fung's strong retail background, including his previous role as the Group Chairman at Li & Fung Limited, has enabled him to offer insight on luxury retail and the group's investment in Türkiye, in addition to general management and risk management matters. Dr Fung was a Hong Kong SAR delegate to the Chinese People's Political Consultative Conference from 1998 to 2003.

Titles, qualifications and education

SBS, OBE, JP
BSc in Engineering, Princeton University
MBA, Harvard Graduate School of Business
Honorary Doctorate of Business Administration, The Hong Kong University of Science and Technology
Honorary Doctorate of Business Administration, The Hong Kong Polytechnic University
Honorary Doctorate of Business Administration, Hong Kong Baptist University
Honorary Doctorate of Letters, Wawasan Open University of Malaysia

Other major offices

Fung Group (Group Deputy Chairman)
Convenience Retail Asia Limited# (Non-Executive Chairman, Chairman of Nomination Committee and Member of Remuneration Committee)
VTech Holdings Limited# (Independent Non-Executive Director, Chairman of Nomination Committee and Member of Audit Committee and Remuneration Committee)
Sun Hung Kai Properties Limited# (Independent Non-Executive Director)

Dr Rosanna Yick Ming Wong, DBE, JP R

Age: 71 Appointed: February 2013

Key strengths and experience

Dr Wong provides invaluable and independent advice to the Board, with over three decades of experience in the political and non-profit arenas, in addition to holding several Board positions in the private sector. She is particularly skilled in public sector, project management, change and risk management. Since her appointment in 2013, Dr Wong has provided significant contributions to the Board through her multi-faceted business background. Dr Wong was a Member of the National Committee of the Chinese People's Political Consultative Conference from 2003 to 2023.

Titles, qualifications and education

DBE, JP
PhD in Sociology, University of California, Davis
Honorary Doctorate from The Chinese University of Hong Kong
Honorary Doctorate from The Hong Kong Polytechnic University
Honorary Doctorate from The University of Hong Kong
Honorary Doctorate from The Hong Kong Institute of Education
Honorary Doctorate from The University of Toronto
Honorary Fellow of the London School of Economics and Political Science

Other major offices

CK Hutchison Holdings Limited# (Independent Non-Executive Director, Chairman of Nomination Committee and Remuneration Committee and Member of Sustainability Committee)
Hutchison Telecommunications Hong Kong Holdings Limited# (Independent Non-Executive Director, Chairman of Nomination Committee and Member of Audit Committee and Sustainability Committee)
The Hong Kong Jockey Club (Honorary Steward)
World Vision Hong Kong (Honorary Chairman)
The Hong Kong Federation of Youth Groups (Senior Advisor)
Asia International School Limited (Chairman)

Dr Kim Lesley Winser, OBE

Age: 65 Appointed: January 2016

Key strengths and experience

Dr Winser has a wide range of expertise and experience in e-commerce, luxury retail and international business. Her career has encompassed various executive roles in the consumer, digital and retail industries. She began her career with Marks & Spencer plc in the UK and became its youngest commercial divisional board director.

She went on to successfully deliver turnarounds for the iconic British heritage brands Pringle of Scotland and Aquascutum as President and Chief Executive Officer, additionally served as special board advisor to the global digital e-commerce business Net-a-Porter.

Dr Winser holds an independent advisory role in two global companies, Spora Biotech, a company in Chile developing mushroom mycelium into planet friendly fabrics, and PTP, an Australian based fitness company.

Titles, qualifications and education

OBE, Order of the British Empire
Doctorate from Heriot-Watt University for her work on British business

Other major offices

Winser London Limited, an online womenswear business (founder and CEO)

Other information

Former name was Kim Lesley Haresign

Our Leadership - Board Members

Ada Koon Hang Tse A

Age: 57 Appointed: December 2017

Key strengths and experience

Ms Tse has both a legal and a financial services background, enabling her to bring a unique combination of skills to the Board. She is a Senior Advisor to PineBridge Investments Asia (formerly, AIG Investments Asia). She joined AIG in 1996 and was President and Chief Executive Officer of AIG Investments Asia before assuming an advisory role. Ms Tse also worked in investment banking at Morgan Stanley in New York and Hong Kong, and was previously a lawyer at Sullivan and Cromwell in New York. Ms Tse has served as Non-Executive Director on a number of corporate boards across the Asian region, such as President Chain Store Corp. (7-Eleven operator) in Taiwan and Biocon Limited (biopharmaceuticals) in India.

She was previously appointed to various Hong Kong government advisory bodies, including the Securities and Futures Commission Advisory Committee, the Land Planning Appeal Board and the Travel Industry Compensation Fund Management Board. In addition, she is active in non-profit organisations focused on education and the arts.

Titles, qualifications and education

BA in Applied Mathematics, Harvard University
JD, Harvard Law School

Other major offices

Advisory Committee on Arts Development of HKSAR Government (Member)
Solicitors Disciplinary Tribunal Panel of HKSAR Government (Member)
Friends of Hong Kong Museum of Art (Chairman of the Board of Trustees)

Honorary Life President

Ronald James McAulay

Age: 88 Appointed: May 1972

Mr McAulay served on the Board as a Non-Executive Director of the company for over 45 years until his retirement in May 2017. In recognition of his extensive contribution to the company, the Board conferred on Mr McAulay the title of Honorary Life President. He does not have any official responsibilities within the company. Mr McAulay is the brother-in-law of The Hon. Sir Michael Kadoorie and an uncle of Mr Philip Lawrence Kadoorie.

Our Leadership - Senior Management and Key Functions

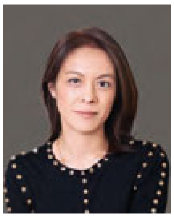
Senior Management

Group Management Board (GMB)

Chaired by Mr Kwok, GMB is the principal decision-making body responsible for management and day-to-day business of the group. It carries out its management function under clear guidelines and delegated authorities granted by the Board. GMB meets weekly to discuss and manage the affairs of the company, as well as the group's business strategy. Financial and non-financial factors, including corporate responsibility and sustainability factors, are considered in the day-to-day decision-making at GMB meetings. GMB also sets aside time every year for a strategic meeting to reflect on the current status and review the future direction of the business. Findings and recommendations are then communicated to the respective Board Committees or Board. In 2023, the strategic meeting was attended by the Chairman and some of the Non-Executive Directors (NEDs) and key takeaways from the meeting were highlighted and discussed at the subsequent Board Meeting[1].

Members of the Group Management Board include Executive Directors Clement Kwok, Peter Borer, Christobelle Liao and Keith Robertson[2], and the following senior management members.

Other members:



Ming Chen

Chief Property Development Officer
Appointed to GMB: January 2024
Age: 47

Main responsibilities held with the group

Ms Chen joined the group in 2003 as Assistant Manager, Business Development serving for 2.5 years, and rejoined the group in 2006 as Assistant Manager, Projects after a short break. Over the years, she has been instrumental in the development of our Peninsula hotels in London, Istanbul, Shanghai and Paris, the acquisition of 21 avenue Kléber, co-ordinating and assessing numerous hotel development and the residential opportunities for the group, including leading The Peninsula Residences London Project. As the Chief Property Development Officer, Ms Chen is responsible for the financial performance of the properties and leading the continued enhancement of our properties and residential portfolio, while exploring future property and hotel development opportunities and redevelopment of long-term assets. She is a Director of several of the group's entities.

Joseph Chong

Regional Executive Vice President, Asia, and Managing Director, The Peninsula Hong Kong (retitled in 2024)
Appointed to GMB: June 2019
Age: 56

Main responsibilities held with the group

Mr Chong joined the group in 2000 at The Peninsula Beijing and has held a variety of positions at The Peninsula Bangkok and The Peninsula Shanghai, including General Manager and Managing Director of The Peninsula Shanghai. He was appointed as Area Vice President and Managing Director of The Peninsula Hong Kong and The Peninsula Shanghai in 2017. Since 2020, he has taken on additional responsibilities and as Regional Executive Vice President, Asia, and Managing Director of The Peninsula Hong Kong, he oversees The Peninsula Hotels' Asian properties, including Hong Kong, Shanghai, Beijing, Tokyo, Bangkok and Manila as well as the Hong Kong based Tai Pan Laundry. He is a Director of several of the group's entities.

1 Please refer to 2023 Board Focus on pages 173 and 174

2 Profiles of Clement Kwok, Peter Borer, Christobelle Liao and Keith Robertson are disclosed on pages 155 to 157

Our Leadership - Senior Management and Key Functions

Maria Razumich-Zec

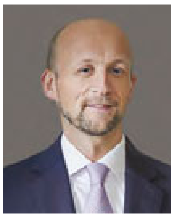
Regional Executive Vice President and Managing Director, The Peninsula Chicago (retitled in 2024)

Appointed to GMB: June 2007

Age: 66

Main responsibilities held with the group

Mrs Razumich-Zec joined the group as General Manager of The Peninsula Chicago in 2002. She was appointed as Regional Vice President – USA East Coast in 2007. As the Regional Executive Vice President and Managing Director, The Peninsula Chicago, she holds regional responsibilities covering The Peninsula Hotels in Chicago and New York, as well as overseeing Quail Lodge & Golf Club in Carmel, California. She is a Director of several of the group's entities.



Gareth Roberts

Deputy Chief Operating Officer

Appointed to GMB: July 2020

Age: 42

Main responsibilities held with the group

Mr Roberts joined the group in 2002 at The Peninsula Beverly Hills and later became Resident Manager in 2011. He relocated to China in 2013 as Hotel Manager of The Peninsula Shanghai. In 2015, he transferred to HSH Head Office. where he was promoted to Group General Manager, Operations Planning and Support in November 2016 and Group Director, Brand and Operations Support in July 2020. He is responsible for overseeing sales and marketing, branding, guest experience and operations for both existing and future hotel developments for The Peninsula Hotels. In addition, he oversees Peninsula Merchandising Limited, which comprises The Peninsula Boutique retail business. On 1 January 2024, he took on additional responsibilities in the role of Deputy Chief Operating Officer, assuming various duties under the mentorship of Chief Operating Officer Peter Borer. Mr Roberts will be the new Chief Operating Officer and an Executive Director from 1 August 2024. He is a Director of several of the group's entities.

Sindy Tsui

Chief People and Culture Officer (retitled in 2024)

Appointed to GMB: June 2011

Age: 55

Main responsibilities held with the group

Ms Tsui joined the group as General Manager, Human Resources (retitling to People and Culture) in 2007. She has many years of experience in human resources management in the hospitality industry. As the Chief People and Culture Officer, Ms Tsui holds overall responsibility for the group's strategy on employee experience and talent development. She is one of the key leaders of the group's organisational development strategies, WorkPlace 2025 and employee wellness.

Key Functions

The following are leaders of key functions in the group at the date of this report. Names are listed in alphabetical order by last name.

Arnold Angeles, *Vice President, Research & Technology*

Nilgun Arsankan, *General Manager, Projects*

Theresa Au, *General Manager, Operations Finance*

Olaf Born, *General Manager, The Repulse Bay Company, Limited and General Manager, Peninsula Clubs and Consultancy Services Limited*

Rolf Buehlmann, *Managing Director, The Peninsula London*

Cary Chan, *Senior Vice President, People and Culture*

Jisoo Chon, *Managing Director, The Peninsula Shanghai*

Mark Choon, *Managing Director, The Peninsula Tokyo*

David Chow, *General Manager, The Peak Complex*

Jonathan Crook, *Managing Director, The Peninsula Istanbul*

Cameron Cundle, *Managing Director, The Peninsula Beijing*

Ozben Ergul, *General Manager, Construction*

Aiden Fung, *General Manager, Corporate Finance and Investor Relations*

Michael Garcia, *Group General Manager, Technology*

Alistair Gough, *General Manager, Projects – The Peninsula London*

Jason Hui, *Senior Vice President, Group Security and Operational Risk*

Samir Ibrahim, *Managing Director, The Peninsula New York*

Till Lembke, *Group General Counsel*

Kai Lermen, *Managing Director, Quail Lodge & Golf Club*

Cecilia Lui, *Director, PRC Affairs*

John Miller, *Consultant Director of Design*

Lynne Mulholland, *General Manager, Group Corporate Affairs*

Louise Napier, *Senior Vice President, Global Commercial Leasing*

Offer Nissenbaum, *Managing Director, The Peninsula Beverly Hills*

Masahisa Oba, *Managing Director, The Peninsula Bangkok*

Vincent Pimont, *Managing Director, The Peninsula Paris*

Charlie Pojanartvichaikul, *General Manager, The Landmark Vietnam*

Guy Riddell, *Managing Director, Peninsula Merchandising Limited*

Ernest Tang, *Group General Manager, Group Finance*

Kevin Tsang, *Managing Director, The Peninsula Manila*

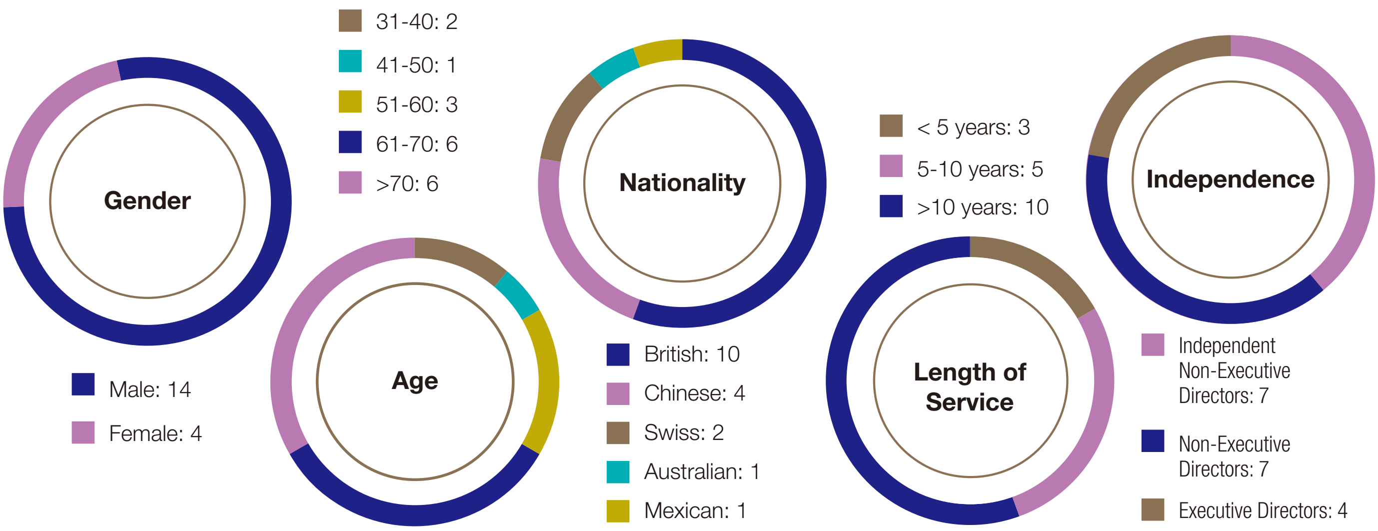
Kitty Wan, *Group General Manager, Audit & Risk Management*

Joshua Wong, *Director, Corporate Responsibility and Sustainability*

Our Leadership - Diversity

Board Composition & Diversity

We have a strong and effective Board with a pertinent blend of skills, experience and diversity. This enables the Board to offer sound judgement on strategic matters and provide effective guidance for overseeing management. Our Board has 18 members, which we believe is large enough to cover the broad array of skills required and encapsulates a diverse range of backgrounds and experience. The Board has determined there will be a minimum of three female directors at all times and that Board members should vary according to age, nationality, length of service and independence. The individual profiles[3] of each Board member highlight their relevant skills and experience. The following charts provide an overview of the Board's diversity, encompassing gender, age, nationality, length of service, independence, and expertise and skills[4].



Board Expertise and Skills

	Executive Leadership & Strategy	Hospitality Retail & Real Estate	Global Market Experience	Risk Management/ Compliance	Marketing/ Branding	Technology & Innovation	Professional (Legal, Finance & Accounting)	Environmental Social & Governance
Non-Executive Directors								
The Hon. Sir Michael Kadoorie *Non-Executive Chairman*	✔	✔	✔	✔				✔
Mr Andrew C.W. Brandler *Non-Executive Deputy Chairman*	✔	✔	✔	✔			✔	✔
Mr John A.H. Leigh		✔	✔	✔	✔		✔	✔
Mr Nicholas T.J. Colfer	✔	✔	✔	✔	✔			✔
Mr James L. Lewis		✔	✔		✔			✔
Mr Philip L. Kadoorie		✔		✔	✔			✔
Mr Diego A. González Morales		✔	✔	✔				✔

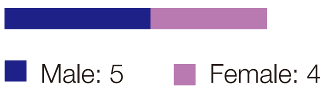
3 Details can be found on pages 154 to 162
4 The charts reflect the position up to 19 March 2024

Board Expertise and Skills								
	Executive Leadership & Strategy	Hospitality Retail & Real Estate	Global Market Experience	Risk Management/ Compliance	Marketing/ Branding	Technology & Innovation	Professional (Legal, Finance & Accounting)	Environmental Social & Governance
Independent Non-Executive Directors								
Dr the Hon. Sir David K.P. Li	✔	✔	✔	✔	✔		✔	✔
Mr Patrick B. Paul	✔	✔	✔	✔			✔	✔
Mr Pierre R. Boppe	✔	✔	✔	✔	✔			
Dr William K.L. Fung	✔	✔	✔	✔	✔	✔	✔	✔
Dr Rosanna Y.M. Wong	✔	✔	✔	✔	✔			✔
Dr Kim L. Winser	✔	✔	✔	✔	✔	✔		✔
Ms Ada K.H. Tse	✔	✔	✔	✔			✔	✔
Executive Directors								
Mr Clement K.M. Kwok *Chief Executive Officer*	✔	✔	✔	✔	✔	✔	✔	✔
Mr Peter C. Borer *Chief Operating Officer*	✔	✔	✔	✔	✔			✔
Ms Christobelle Y.C. Liao *Chief Corporate and Governance Officer*	✔	✔	✔	✔			✔	✔
Mr Keith J Robertson *Chief Financial Officer*	✔	✔	✔	✔			✔	

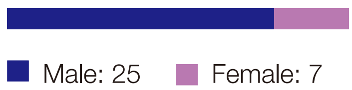
Senior Management and Leaders of Key Functions Diversity

Our diversity philosophy is applied throughout the group. Gender diversity of the senior management and leaders of key functions as at the date of this report is set out below.

Gender of Senior Management*



Gender of Key Functions**



* Inclusive of four Executive Directors

** Key Functions include Managing Directors and General Managers of Operations and Heads of Corporate Departments but do not include members of senior management

The company has taken, and continues to take, steps to promote diversity at all levels of our workforce and has policies on equal opportunities. We provide equal opportunity to all employees regardless of gender, race, age, nationality, religion, sexual orientation, disability, and other aspects of diversity and are against any forms of discrimination. As of 31 December 2023, our total workforce is comprised of 41.6% female employees and 58.4% male. Given the dynamic nature of our business, we have not specified any quotas or similar measurable objectives for achieving diversity; rather our focus is on (i) providing development opportunities and growing our own talent from within, through programmes such as the Global Cross-Exposure Employee Development Programme, and (ii) recruiting the right talent with the right mindset that is best suited for the role. Our hiring managers have taken extra steps to ensure candidates with diverse backgrounds (including gender and ethnicity) are considered during the recruitment process. Further details and a breakdown of gender distribution between total workforce and management positions across all HSH operations and corporate offices are disclosed on pages 51 and 78 of the Corporate Responsibility and Sustainability (CRS) Report.

Corporate Governance Report

Culture and Values

The Board believes that our strong corporate culture, which is aligned with our purpose, values and strategy, is key to the economic success and sustainable growth of the group. With that in mind, we have adopted a governance framework, led by the Board, that is designed to reinforce and instil this strong corporate culture in decisions made at all levels of the business. By putting in place this governance framework and ensuring that our values and leadership behaviors are embedded throughout the organisation, our Board plays a key role in driving the group's productivity, strong branding and reputation to generate positive long-term shareholder value.

Guiding and promoting culture

The Board sets and promotes company culture based on "doing the right thing". The Board expects and requires senior and middle level management to reinforce this ethos. To support this, the culture and values are embedded in different governance policies, practices and controls across the group, including the following:

OUR ETHICS

Integrity and compliance

We put integrity and our values at the forefront of our company culture. This is reflected in the HSH Core Principles Framework, which sets out nine principles central to the way we operate. These are behavioural and service guidelines expected of our employees, and range from mutual respect, to being a team player, being passionate about excellence and others. This set of core principles is embedded in our people and culture practices, including in the way we recruit, select and assess in our performance reviews.

These principles are supplemented by a robust set of policies such as the Board-endorsed Code of Conduct, Anti-Bribery Policy and Corruption Policy, Anti-Fraud Policy and Fair Competition Guide. These policies are kept under constant review and are being updated to reflect the increasingly complex global regulatory environment in which we operate. In light of the diverse nature of our workforce, mandatory training is being enhanced to ensure that key principles of compliance remain at the forefront in everything we do. In 2023, we updated the HSH Employee Handbook and HSH Employee Guide for Head Office to reflect updated workplace practices, and employees have acknowledged and confirmed receipt and understanding of the HSH Employee Handbook. We also continued mandatory training programmes for all HSH employees on our Code of Conduct, Fair Competition Policy, Data Privacy Policy and Cybersecurity.

Accountability

The group's governance structure fosters a culture of accountability, which is led from the top by the Board (which is ultimately accountable to the company's shareholders and stakeholders), and by senior management, which ensures that each level of the business is subject to appropriate and effective scrutiny and oversight.

Communication and transparency

The Board recognises the importance of transparency, accessibility, and visibility for itself and senior management. The Board encourages regular and ad hoc dialogue and communication with its shareholders and stakeholders, including employees, conducted through both the Board and management. The Directors make occasional visits to different business operations, taking the time to meet with each management team to gain a comprehensive understanding of the challenges faced, as well as the competitive dynamics of the environment in which they operate. The regular CEO monthly review meeting has been supplemented with an in-person "open house" meeting for Head Office employees, which provides an opportunity for the CEO to give an overview of our business performance as well as an update on projects and areas of focus. Operational Managing Directors and General Managers also strive to hold regular Townhall Meetings.

OUR PEOPLE

People first

Our people continue to be first and foremost in our business approach. In 2023 we renamed the Human Resources Department to "People and Culture", as a reflection that our people are more than just "resources", but rather form the beating heart of our organisation, and the team's role being to safeguard our culture. In addition, the People and Culture team is responsible for instilling the core facets of our culture as set by the Board.

We create a culture of healthy, passionate and engaged employees to support the company in consistently delivering the highest standards of luxury and services. We continue to implement the WorkPlace 2025 programme; this involves modernising our work practices, enhancing our working environment and being an employer of choice, as well as seeking improvements from the perspective of diversity, equity and inclusivity[5].

Inclusivity and respect

We are committed to providing an inclusive and respectful workplace which provides equal opportunity to all employees, regardless of gender, race, age, nationality, religion, sexual orientation or disability. Our Inclusive Workplace Strategy[6] aims at fostering an environment for employees to learn and grow while leveraging their unique strengths. In addition, we have increased the diversity of our recruitment channels with the aim of reaching a broader array of candidates.

Listening

The Board recognises that the resilience of the company's culture is dependent to a large extent on employee experience, and with that in mind it is important to understand what are we doing well and what can we improve. An online employee experience survey was carried out globally in 2023. The overall results[7] were shared with the Board, management, Managing Directors and General Managers. Managing Directors, General Managers and Department Heads communicated with their respective teams to work out action plans where necessary to build on the messages emanating from the survey results.

OUR COMMUNITIES

Corporate responsibility

The company strives to conduct business with integrity, with respect to our heritage and ensuring the future needs of our guests, people and communities are met. This requires us to adopt a long-term lens in our decision-making and instil the concept of sustainability throughout the way we conduct business. Our sustainability strategy *Sustainable Luxury Vision 2030* focuses on using regenerative and proactive approaches to minimise our impact while creating shared value to our local communities[8].

5 Further details can be found on pages 46 to 52 of the CRS Report
6 Details of the strategy and related initiatives can be found on pages 50 and 51 of the CRS Report
7 Details can be found on page 47 of the CRS Report
8 More details of our CRS initiatives and *Vision 2030* can be read in our online CRS Report

Corporate Governance Report

Corporate Governance Framework

The Board has set a two-tiered structure where the Board and the management team are led by the Chairman and the Chief Executive Officer respectively. The Board and its committees oversee the corporate governance structure and give guidance to management on implementing good governance in our daily business, as described below. The diagram on page 172 illustrates our corporate governance framework.

• Board and Board Committees

The Board is responsible for setting the group's overall strategy and objectives for delivering long-term value, promoting its culture, and being accountable to the company's shareholders and stakeholders for the long-term success and sustainability of the company.

It discharges some of its responsibilities directly and others through the five Board Committees. The Audit, Nomination, and Remuneration Committees are Governance Board Committees under the Corporate Governance Code in Appendix C1 of the Listing Rules. The Executive and Finance Committees are strategic and finance committees which are integral parts of the management process.

Each Committee reports its decisions and recommendations to the Board and seeks the Board's prior approval on specific reserved matters.

• Group Management Board (GMB) and sub-committees

GMB, chaired by the Chief Executive Officer, is the focal point of the management of the group's business under the guidelines and delegated authorities of the Board. This fosters accountability and provides the Board with high quality information and recommendations to enable informed decisions.

GMB is supported by three sub-committees, as well as the Heads of Operations and Corporate Departments. Each GMB sub-committee has its own terms of reference or charter. The Group Risk Committee, Group Corporate Responsibility Committee and Technology Steering Committee report to GMB which in turn reports to the Board for oversight on risk management and environmental and social issues, as well as the group's innovation and technology strategy.

In addition to the above three sub-committees, we also have the HSH Retirement Plan ORSO Committee which oversees the group's retirement plan.

• Roles and responsibilities of the Chairman, Chief Executive Officer, Directors and Company Secretary

The Chairman and the Chief Executive Officer have separate and distinct roles and responsibilities, as are set out in the HSH Corporate Governance Code. Our Chairman and Chief Executive Officer do not have any financial, business, family or other material or relevant relationships with each other.

There also is a clear division between Executive Directors' and NEDs' (including INEDs) responsibilities, which ensures accountability and oversight. The Board is supported by the Company Secretary. The respective responsibilities are set out in the table on next page.

Role	Responsibilities
Non-Executive Chairman *The Hon. Sir Michael Kadoorie*	• Leading the Board and monitoring its effectiveness • Fostering candid discussions from all Directors and ensuring constructive relationships among Directors • Reviewing management performance with the INEDs • Ensuring that good corporate practices and procedures are established and implemented throughout the group, with the assistance of the Company Secretary
Chief Executive Officer* *Clement Kwok* **supported by GMB*[9]	• Leading the management and GMB in the day-to-day running of the group's business • Developing strategies for the Board's approval • Executing strategies, policies and objectives agreed by the Board • Reporting to the Board on the performance of the business
Executive Directors *Clement Kwok* *Peter Borer* *Christobelle Liao* *Keith Robertson*	• Managing the day-to-day business of the entire group's operations • Being accountable for their specific executive functions to the Board • Communicating proactively with the NEDs and INEDs and being open and responsive to any executive proposals and challenges made by the NEDs and INEDs
7 Non-Executive Directors (NEDs) and 7 Independent Non-Executive Directors (INEDs) *P.157 to 162*	• Evaluating the group's performance in achieving the corporate goals and objectives set by the Board • Ensuring clarity and accuracy on the reporting of financial information and that risk management and internal control systems are effective • Providing constructive feedback on management decisions • Serving on the Board and Board Committees to give these committees the benefit of their skills, expertise, and varied backgrounds and qualifications • The INEDs, being independent, have the additional role of: – Bringing know-how and business expertise that are supplementary to executive management, thereby providing independent insights and judgement – Helping to maintain objectivity in the Board's decisions when potential conflicts of interest arise
Company Secretary *Christobelle Liao*	• Reviewing, implementing, initiating and driving improvements on our corporate governance practices and processes • Advising and keeping the Board and Board Committees up to date on legislative, regulatory and governance matters • Facilitating induction and professional development of the Directors

9 Details of the GMB members and its function can be found on pages 163 and 164

Corporate Governance Report

Delegation

THE BOARD

The Board's Role

1. Accountable to the company's shareholders and stakeholders for the long-term success and sustainability of the group
2. Sets the group's strategy and objectives for delivering the long-term value
3. Leads and oversees the management of the company and provides effective challenge to management concerning the execution of the strategy set by the Board
4. Ensures the group maintaining an effective risk management and internal control systems

Board Focus P. 173-174

The Board's Key Reserved Matters

Strategic & Financial
- Long and short-term strategic directions
- Annual budgets and forecasts
- Significant changes in accounting policies
- Company's capital structure
- Dividend policy
- Material borrowings and expenditure
- Annual and interim reports

Leadership & Employees
- Director's appointment and re-election
- Succession planning for Board and senior management

Corporate Governance
- Corporate governance functions
- Board evaluation

Risk Management
- Risk management and internal control systems
- Principal and emerging risks

Sustainability
- Corporate responsibility and sustainability outlook, progress and issues

The Board delegates certain matters to the following

BOARD COMMITTEES

Governance Board Committees

Audit Committee
- Financial reporting
- Risk management and internal controls
- Internal and external audit process
- Corporate Governance practices

Report P. 195-197

Nomination Committee
- Board composition
- Board nomination
- Diversity Policy
- Nomination Policy
- Board members contribution, training and development

Report P. 198-200

Remuneration Committee
- Remuneration philosophy and policies
- Directors and senior management remuneration

Report P. 201-205

Other Board Committees

Executive Committee
- Strategic opportunities
- Significant investment proposals
- Brand protection
- Implementation of strategic plans and investment proposals

Finance Committee
- Financial performance
- Financial aspects and budgets of significant acquisitions, investments, disposals and new projects
- Financial and annual operational plans, budget and forecast

CHIEF EXECUTIVE OFFICER

leads the management to fulfil objectives set by the Board and assisted by the Group Management Board

Audit & Risk Management Department
- Internal audit assurance
- Reports to Audit Committee and supports Group Risk Committee on risk management and internal controls

GROUP MANAGEMENT BOARD

makes key decisions on management and day-to-day business of the group and is supported by various sub-committees

Group Risk Committee

Report P. 186-189

Technology Steering Committee

Group Corporate Responsibility Committee

Report P. 190-194

HSH Retirement Plan ORSO Committee

Heads of Operations and Corporate Departments and Business Operations

implement the group's strategy through day-to-day operations

Accountability

2023 Board Focus

The focus of our 2023 Board meetings was on completion of the group's main projects in London and Istanbul, repairing the company's balance sheet and enhancing our existing properties. GMB held its annual full-day strategic offsite meeting in March and invited the Chairman and some of the Non-Executive Directors to share their views on specific topics. The attendees reviewed the company's overall financial position, investments made, and the current value of certain key properties, as well as possible opportunities for enhancement and growth of those properties. There was an open discussion on the company's vision, future developments, key pillars of The Peninsula brand, as well as its people and culture. It was a fruitful and productive discussion and the key takeaways were highlighted and discussed at the Board Meetings. Board lunches were organised after each Board meeting. This provided a good opportunity for our directors to interact with each other in an informal setting and to discuss a wider range of issues concerning the group.

In addition, the Board continued to cover all customary matters. We highlight below the Board's priority matters during 2023.

Strategy

- Reviewed and approved the budget for the light touch renovation of The Peak Tower
- Discussed the different renovation options for The Peninsula New York, reviewed and approved the budget for the refurbishment proposed by management
- Discussed the staff shortage issues in the hospitality industry and the company initiatives and strategies to enhance staff recruitment and retention
- Discussed the need to diversify our target consumer markets towards new areas in addition to the traditional American and European markets
- Discussed retail business growth strategy for The Peninsula Merchandising

Financial and Operational

- Conducted an in-depth business review of the Quail Lodge motorsport event, the group's mooncake sales, The Peninsula Hong Kong and the retail leasing for our hotels
- Monitored and evaluated the progress, cost and challenges relating to the London, Istanbul and Yangon projects. This included the progress of the sale of The Peninsula Residences London, business performance following the soft openings of the two new hotels and the additional works required to weather protect the suspended Yangon project
- Reviewed and approved the lease extension payment for The Peninsula Istanbul
- Reviewed the company's net debt position and stress test analysis and its impact on the company's liquidity
- Evaluated key assumptions and factors affecting the 2024 budget and ultimately approved the 2024 budget with a certain downside sensitivity analysis

Corporate Governance Report

Leadership

- Approved the respective Board changes announced in 2023 including Chief Executive Officer, Chief Operating Officer, Chief Corporate and Governance Officer and Chief Financial Officer as recommended by Nomination Committee[10]

Corporate Governance

- Reviewed the regular updates from the Chairmen of the Governance Board Committees. These include key issues and topics raised at those meetings, as well as recommendations for Board approval
- Endorsed the increase of fees for the NEDs and INEDs in view of their increased responsibilities and workload for shareholders' approval
- Approved the Nomination Committee's decision to maintain no less than three female Board members as the measurable objective for implementing the policy of gender diversity
- Reviewed the mechanisms in place for ensuring INEDs are able to express their views and input to the Board and confirmed these mechanisms remain effective[11]

Risk Management

- Reviewed 11 principal risks to the business and their residual risk movement
- Monitored and reviewed the effectiveness of risk management and internal control systems through the Audit Committee

Sustainability

- Reviewed the progress of the key performance indicators of the *Sustainable Luxury Vision 2030 (Vision 2030)*, engagement with related stakeholders, and progress of corporate responsibility and sustainability initiatives of the group
- Discussed upcoming climate-related disclosures requirements by the Stock Exchange and actions required to close any gaps in the next couple of years
- Reviewed the work plan for various key strategic initiatives for coming years including *Vision 2030* review, climate risks assessment and net zero decarbonisation roadmap
- Approved the updated Modern Slavery Statement[12], which explains the activities we have undertaken during the year to demonstrate our commitment in ensuring there are no unethical labour practices or human trafficking within any part of our business or supply chain

Stakeholder Engagement

- Discussed our engagement with Hong Kong Government departments and senior tourism officials on how to rebuild tourism in Hong Kong following the conclusion of the COVID-19 pandemic
- Discussed the results of 2023 Employee Experience Survey and its improvements over the previous survey and follow up action plans

Sound Board decisions based on clear, complete and reliable information

- Comprehensive Board papers for discussion
- A monthly update of HSH's businesses
- Board Minutes and Board Committee Minutes (except Finance Committee) to allow our Board members have visibility the discussions at various committees. Finance Committee discussion on financial aspects matters are included in the monthly and Board updates to Directors
- Access to senior management, Company Secretary and independent professional adviser for advice or additional information

10 Posted on the company website: www.hshgroup.com/en/investors/corporate-announcements
11 Details of the channels can be found on page 183
12 Posted on the company website: www.hshgroup.com/en/sustainable-luxury

Board Evaluation

Our Board assesses its own performance and effectiveness every two years through a formal performance evaluation process. The purpose of this review is to identify areas for enhancement and improving the Board's effectiveness. The last such review took place in 2022 with an independent facilitator to lead the process and the methodology and process were explained in our 2022 Annual Report. The next Board evaluation is planned for 2024.

Progress on areas of focus

The 2022 Board evaluation concluded that our Board was operating well with a healthy balance of discussion, debate and expertise. The evaluation resulted in a number of priority items which continued to be addressed during 2023.

Priorities	Progress Made in 2023
Succession and development Introducing one or two younger members to the Board to provide new ideas and perspectives, in particular expertise in digital transformation and sustainability	The Board changes included the appointment of four new Board members, including an additional female Director, to bring fresh ideas.
Business performance Continue to review and provide advice to management in terms of strengthening business performance	The Board was closely involved with the decision making process around the refurbishment of The Peninsula New York and upgrading of The Peak Tower, with the aim of enhancing our key strategic assets to ensure they remain competitive. Board members continue to provide advice and suggestions on improving business performance at all Board meetings.
Overall Strategic direction Face-to-face strategy meeting to discuss short-term and long-term strategies and priorities and new ideas	The Chairman and some of the Non-Executive Directors attended the GMB strategic meeting, with a full Board strategy meeting planned for 2025.
New taskforce to look at possible new business opportunities	A new Lifestyle Taskforce has been established and is continuing to explore alternative business opportunities.
Financial management including debt management To scrutinise and provide independent oversight over the group's financial planning and overall indebtedness	The Board conducted a deep dive review of company's net debt position by 2025 together with a stress test analysis and to help Board members understand its impact on the company's liquidity.
Risk Management In-depth and focused discussion on critical risks which include financial and interest rate risks in current operating environment	The Board reviewed the semi-annual risk management reports produced by the Audit and Risk Management Department and discussed financial and interest rate risks at the Board Meeting. A more in-depth discussion of risk is included in the Board agenda every year.
Environment, Social and Governance Continue to focus on employee engagement, human capital, public policy and community relations, group sustainability and climate change strategy	The Board reviewed and discussed the results of the 2023 Employee Experience Survey and kept up to date on the group's sustainability endeavours. Communications in relation to *Vision 2030* both internally and externally will be the focus in 2024.

Chairman's annual meeting with INEDs

In addition to the self-evaluation, the Chairman meets annually with the INEDs without management to seek independent views on matters relating to the company's business and direction. Comments and suggestions by INEDs are then brought to discussion with the full Board in an open and constructive manner. In 2023, the focus was on the Chief Executive Officer search and attributes required were discussed in light of the anticipated priorities and strategies of the company.

Corporate Governance Report

Directors' Attendance and Training and Development

The Board held five scheduled meetings and two Board resolutions were approved by circulation in 2023. Physical meetings have been held and certain directors also participated remotely through digital means. The attendance of Directors and the Company Secretary at the Annual General Meeting, Board and Governance Board Committee meetings and training and development records in the year 2023 are as follows:

	Board[1]	Audit Committee[2]	Nomination Committee	Remuneration Committee	Annual General Meeting[2]	Training & Development programme[8]
Non-Executive Directors						
The Hon. Sir Michael Kadoorie *Non-Executive Chairman*[3]	5(6)		2(2)		1(1)	✓
Mr Andrew C.W. Brandler *Non-Executive Deputy Chairman*	5(5)	5(5)		2(2)	1(1)	✓
Mr William E. Mocatta[4]	1(1)				–	✓
Mr John A.H. Leigh	5(5)				1(1)	✓
Mr Nicholas T.J. Colfer	5(5)				1(1)	✓
Mr James L. Lewis	5(5)				1(1)	✓
Mr Philip L. Kadoorie[3]	4(5)				1(1)	✓
Mr Diego A. González Morales[5]	4(4)				1(1)	✓
Independent Non-Executive Directors						
Dr the Hon. Sir David K.P. Li	6(6)		2(2)		1(1)	✓
Mr Patrick B. Paul	6(6)	5(5)		2(2)	1(1)	✓
Mr Pierre R. Boppe	6(6)				1(1)	✓
Dr William K.L. Fung	6(6)		2(2)		1(1)	✓
Dr Rosanna Y.M. Wong	6(6)			2(2)	1(1)	✓
Dr Kim L. Winser	6(6)				1(1)	✓
Ms Ada K.H. Tse	6(6)	5(5)			1(1)	✓
Executive Directors						
Mr Clement K.M. Kwok *Chief Executive Officer*	5(5)				1(1)	✓
Mr Peter C. Borer *Chief Operating Officer*	5(5)				1(1)	✓
Mr Christopher S.M. Ip[6] *Chief Financial Officer*	1(1)				–	✓
Ms Christobelle Y.C. Liao[7] *Chief Corporate and Governance Officer*	2(2)				–	✓
Company Secretary						
Ms Christobelle Y.C. Liao[7]	5(5)	5(5)	2(2)	2(2)	1(1)	✓

Notes:

(1) Included an annual meeting where the Chairman met with INEDs only

(2) Representatives of the independent auditor participated in every Audit Committee meeting and the Annual General Meeting

(3) The Hon. Sir Michael Kadoorie and Mr Philip L. Kadoorie were unable to attend the Board meeting due to pre-existing commitments

(4) Mr William E Mocatta retired as a Non-Executive Director of the company with effect from 31 March 2023

(5) Mr Diego González Morales was appointed as a Non-Executive Director of the company with effect from 31 March 2023

(6) Mr Christopher S.M. Ip resigned as an Executive Director of the company with effect from 31 March 2023

(7) Ms Christobelle Y.C. Liao was appointed as an Executive Director of the company with effect from 4 August 2023. During 2023, Ms Christobelle Y.C. Liao undertook over 15 hours of professional training, meeting the requirement of the Listing Rules

(8) Directors who undertook training and development through attending seminars/conferences and webinars which are relevant to the business or directors duties arranged by the company or external organisations, and reading regulatory/corporate governance and industry related updates. In 2023 topics included: anti-bribery and corruption, corporate governance, data privacy, cyber risk, sustainability, regulatory compliance and directors duties

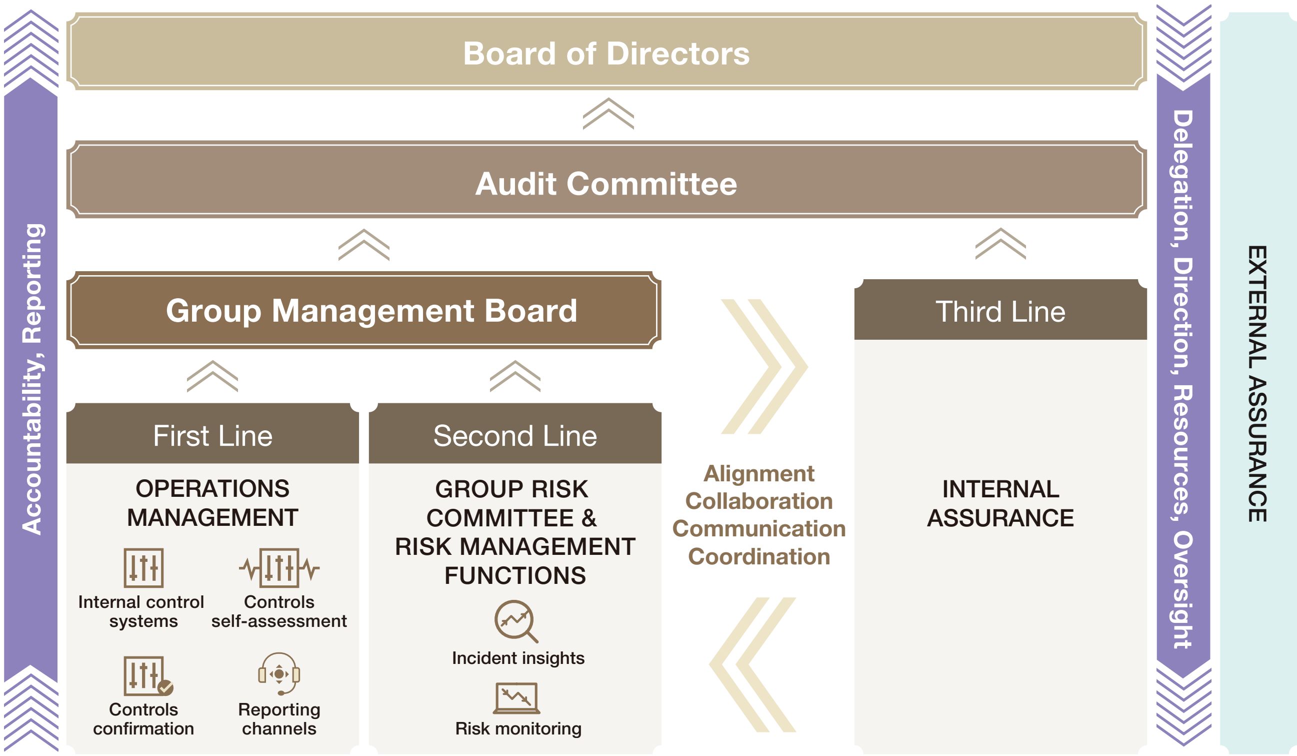
Risk Governance

Effective risk management plays an integral role in the overall achievement of the group's strategic objectives which are to ensure the resilience of our business for the long term, enhance the quality of our asset portfolio, deliver the highest standards of luxury, and to preserve the tradition of integrity and respect for our heritage.

The Board is ultimately responsible for establishing, maintaining and overseeing appropriate and effective risk management and internal control systems for the group. It has given the Audit Committee the responsibility to oversee these systems on an ongoing basis and to assess their adequacy and effectiveness semi-annually. This is done with the support of the Group Risk Committee (GRC) and Audit & Risk Management Department (ARM). A risk management report summarising the latest risk landscape and the key internal controls in place for each principal risk would be submitted to the Board every six months.

Approach to risk governance

Our risk management framework is guided by the "Three Lines Model", as set out in the graphic below. This framework and its process are designed to manage and mitigate risks rather than eliminate all risks. As with all systems, it does not provide an absolute shield against risks such as natural catastrophes, fraud and errors of judgement, which are present in all businesses. Whilst each of the three lines has its distinct responsibilities, their activities are aligned with the objectives of the organisation. Such coherence is achieved through regular and effective coordination, collaboration and communication.



Corporate Governance Report

First Line: Operations management

The group has established a system of internal controls which is executed by operations management.

Internal control systems

Controls adopted by the group can be divided into entity level and process level controls. Entity level controls operate pervasively across and throughout the group to mitigate risks threatening the organisation as a whole and to provide assurance that organisational objectives are achieved. Examples include groupwide policies such as the Code of Conduct, Speak Up Policy, Group Purchasing & Tendering Policy, Fair Competition Guide, HSH Finance Policies and Procedures, Company Management Authority Manual and others.

Process level controls include operational standards such as the Casual Labour Standard Operation Procedure for hiring casual labour, policies and procedures governing approval authority, due diligence requirements, safeguarding of assets and financial reporting and many others.

The group has implemented and strengthened a number of controls to cope with the ever-changing regulatory and operational environment. Please refer to the GRC report on pages 186 to 189 for the key controls undertaken in 2023 to mitigate our principal risks.

We provide guidance on the handling of inside information within the group, to ensure potential inside information is being captured and confidentiality is being maintained until disclosures are made.

Handling Inside Information Guide

- A user-friendly guide is shared on our intranet to promote staff awareness
- Non-compliance of the Guide is a breach of the Code of Conduct
- A system is in place to monitor what the market says about HSH and there is an inside information escalation process

Controls self-assessment

Our business and functional units are at the forefront of risk management and they form part of the group's risk management process by undertaking a "controls self-assessment" (CSA). Formally conducted twice a year, the CSA process allows the group and each operation to identify new risks affecting their businesses, reassess magnitude of existing risks, and evaluate the effectiveness of controls in managing the risks by using the risk management handbook. Enhancement plans with specified risk owners and time-bound action points are implemented for controls that are assessed as less effective.

During 2023, we have revamped the risk management handbook template to streamline the CSA process and to enhance risk identification and analysis effort. In addition, to reinforce control environment, Head Office Operations Finance introduced semi-annual self-evaluation declarations and monthly submission of key controls checklists to assess operations' control environment and key control points.

Controls confirmation

Managing Directors, General Managers, Hotel Managers and Directors of Finance or Financial Controllers of all operations confirm the effectiveness and adequacy of material internal controls (which include financial, operational and compliance controls) via General Representation Letters. In addition, operations are required to perform annual compliance and privacy checks and provide confirmations to Group Legal on statutory or best practices compliance.

Collectively, these internal control systems and processes form the basis by which management reviews and confirms the effectiveness of the risk management and internal control systems to the Audit Committee.

Reporting channels

The group has multiple channels to handle and communicate incidents. The groupwide Incident Reporting Policy sets out the methodology for group companies to determine the severity level of an incident and the corresponding reporting requirements. This has enhanced the quality of information for the oversight of the group's internal control and risk management practices.

The Speak Up Policy[13] provides employees and other stakeholders a confidential reporting channel on suspected misconduct or malpractice within the group without fear of reprisal or victimisation. Reported allegations are logged, reviewed, independently validated and investigated as appropriate. Investigation results are communicated to the Audit Committee with approved recommendations implemented by responsible parties.

In 2023, four reports of potential integrity issues were received via Speak Up channel. All of these reports were investigated and closed with some follow-up actions.

Second Line: Risk management functions

Second line roles comprise relevant Head Office functions such as Operations Finance, and the GRC which (i) oversees the risk landscape and risk management activities of the operations and development projects which is reported to the Audit Committee and the Board of Directors semi-annually, (ii) monitors the group's principal risks and emerging risks, and (iii) regularly evaluates the effectiveness of controls in response to such risks. A 5-step risk management methodology[14] is applied to ensure the risk assessment process and internal controls remain current, are adapted and modified as business conditions and the organisation change.

Incident insights

The GRC analyses common incidents across all operations and identifies any trend of root causes for further discussion with the Group Management Board as needed. Opportunities to improve key controls and share best practices are discussed and communicated across the group.

Risk monitoring

The GRC continued to strengthen its monitoring of risks to respond to changes and developments in both the external and internal environment. For actions taken in 2023, please refer to the GRC Report on pages 186 to 189.

Third Line: Internal assurance

ARM provides independent and objective assurance on the adequacy and effectiveness of internal controls through continuous audit engagements. These audits facilitate continuous improvement of the overall internal control framework including key group policies and procedures, operational processes, and compliance with relevant laws and regulations.

ARM utilises an end-to-end approach to audit key processes resulting in the immediate identification and implementation of control improvement opportunities. Considering the company operates in a decentralised control environment, common control weaknesses identified across the group are also aggregated, assessed, and addressed at the group level as needed.

In 2023, the internal audit plan included evaluations on the efficiency of key business processes with a focus on optimising operational efficiency and performance of the group and individual operations including the two new hotels. Furthermore, ARM continued to apply a systematic process to timely track the status and implementation of recommendations across all operations.

External assurance

The external auditor of the group further complements the third line by independently auditing material internal controls over financial reporting of the group. Any significant deficiencies in internal control are reported to the Audit Committee every six months.

Board confirmation

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

13 Posted on the company website: www.hshgroup.com/en/corporate-governance/speak-up-policy
14 Details of 5-step risk management methodology can be found on page 187 of the GRC Report

Corporate Governance Report

Shareholders Engagement

The company values continuous engagement with the investor community, including individuals, institutional shareholders and research analysts. We believe that continued engagement is key to building increased understanding between the company and the shareholders and sharing views, opinions and concerns with each other. Comments received from the different platforms and channels would be noted and discussed at management level and the Board as necessary. For more information on how we engage our stakeholders, please refer to pages 138 to 142.

The company utilises multiple platforms to engage investors. Our Shareholder Communication Policy, which is posted on our website[15], has specified these communication platforms which our shareholders and stakeholders can access as well as various communication channels for them to communicate their views. The Audit Committee has reviewed these platforms and confirmed that the company has maintained sufficient channels to engage with our shareholders and our Shareholder Communication Policy remains effective.

• Annual General Meeting

The Annual General Meeting (AGM) is the central focal point in the company's annual corporate governance calendar. We encourage our shareholders to participate in our AGM and directly communicate with our Directors. We held our 2023 AGM at The Peninsula Hong Kong[16]. Our Directors, including the Chairman of the Audit and Remuneration Committees, were all present at the Meeting. KPMG, the company's external auditor, was also present to answer questions relating to its audit of the company's financial statements.

• Investor relations activities

Our Executive Directors and Investor Relations team engaged with shareholders and potential investors via one-on-one meetings and post-earnings conference calls, as well as regular briefings with research analysts.

• Company website

Our company website[17] gives the public a window to who we are, what we do and how we are doing. There is a wealth of current and historical information such as webcasts of the announcements of the latest financial results along with presentation materials from such announcements, our financial reports, financial statistics, and corporate governance practices.

• Analysts briefings and press conference

The company held analysts briefings and a press conference following its 2022 annual and 2023 interim results announcements and held a further press conference after the 2023 AGM. The company hosts regular media lunches and briefings with senior management.

• Social media

The company's social media sites provide investors and other stakeholders with regular updates on our initiatives relating to our businesses and the HSH community.

15 www.hshgroup.com/en/corporate-governance
16 The poll results are posted on the company website: www.hshgroup.com/en/investors/general-meetings
17 www.hshgroup.com/en/investors

Our Shareholders

HSH had 1,710 registered shareholders as at 31 December 2023. The actual number of investors interested in HSH shares is likely to be much greater, as shares are being held through nominees, investment funds and the Central Clearing and Settlement System (CCASS) of Hong Kong.

Size of registered shareholdings	Number of shareholders	% of shareholders	Number of shares held	% of total number of shares in issue
500 or below	537	31.403	69,901	0.004
501-1,000	181	10.585	144,118	0.009
1,001-10,000	571	33.392	2,347,398	0.142
10,001-100,000	336	19.649	10,722,178	0.650
100,001-500,000	54	3.158	10,379,472	0.629
Above 500,000	31	1.813	1,625,771,139	98.566
Total	**1,710**	**100.000**	**1,649,434,206**	**100.000**

Note: As at 31 December 2023, 36.71% of all HSH total number of shares in issue were held through CCASS

The Kadoorie family (including interests associated with the family but excluding interests held by charities associated with the family) has a combined shareholding of 72.43% as disclosed in “Interests of Directors” and “Interests of Substantial Shareholders” in Directors’ Report on pages 208 to 210. The remaining HSH shares are mainly held by institutional and private investors, with a considerable number of those investors being Hong Kong residents.

From publicly available information and within the knowledge of the Directors, HSH has maintained the required 25% public float throughout 2023 and up to the date of this report.

Shareholders’ rights to general meetings

Shareholders holding not less than 5% of total voting rights of the company may convene an extraordinary general meeting by stating the objectives of the meeting through a requisition and sending the signed requisition to the company.

Our company website[18] sets out the procedures for shareholders to convene and present proposals at general meetings, including proposing a person for election as a Director, and to vote by poll at general meetings.

Other Information

Other information for our shareholders including our financial calendar and contact details are set out on page 288.

The company’s share price information as well as share and dividends per share information for the last ten years are disclosed on pages 23 and 114 respectively. In addition, the company’s dividend policy is set out in note 10 to the financial statements.

Corporate Governance Code Compliance

The Stock Exchange’s Corporate Governance Code in Appendix C1 of the Listing Rules (CG Code) forms the basis of the HSH Corporate Governance Code (HSH Code). Our Board recognises the principles underlying the CG Code and has applied these principles to our corporate governance structure and practices, as disclosed in this Governance section.

Throughout 2023 we have complied with all of the code provisions and recommended best practices in the CG Code with the exception of the following:

18 www.hshgroup.com/en/corporate-governance/shareholders-rights

Corporate Governance Report

Publication of quarterly financial results

The Board believes that the businesses of the group are characterised by their long-term and cyclical nature, while quarterly financial results reporting encourages a short-term view on performance. To keep our shareholders informed, we instead issue quarterly operating statistics setting out key operating information; and

Disclosure of individual senior management remuneration

We do not disclose the remuneration of individual senior management. However, we have complied with CG Code provisions and disclosed the remuneration payable to senior management by band in our Remuneration Committee Report.

Environmental, Social and Governance Reporting Guide

Our Corporate Responsibility and Sustainability Report[19] has been prepared in accordance with the provisions as set out in Environmental, Social and Governance Reporting Guide (ESG Guide) in Appendix C2 of the Listing Rules. As international best practice to have more in depth discussion on industry-specific and other sustainability topics, the CRS Report also references the Global Reporting Initiative Sustainability Reporting (GRI) Standards, the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, the Sustainability Accounting Standard Board (SASB), and the International Sustainability Standards Board (ISSB)'s IFRS S2 Climate-related Disclosures (ISSB Climate Standard), which is used to inform the Hong Kong Stock Exchange's enhancement on climate-related disclosures. KPMG was commissioned to conduct limited assurance and to provide an independent conclusion on selected information of the CRS Report.

Privacy and Technology Compliance

We continue to monitor relevant regulatory changes which relate to our business and to ensure we operate consistently with applicable global regulatory requirements. With the rapid development of generative Artificial Intelligence (AI) tools, as an additional governance initiative, a new Generative AI Tools Usage Policy was rolled out to enhance our employees' awareness of the ethical and responsible use of AI technology, and to help prevent misuse or harm to individuals or the company. We also updated our group-wide Data Privacy and Security Policy to address the recent development in data protection legislation such as the PRC's Personal Information Protection Law and California Consumer Privacy Rights Act and to enhance overall readability. We remain committed to maintaining our guests' and employees' privacy in accordance with all applicable laws, and we regularly update our people on privacy legislation, compliance, challenges and risks in this complex and highly regulated area.

Other Compliance Matters

Appointment and re-election of Directors

The appointment and re-election of Directors are governed by the Nomination Policy which is set out below. In 2023, the nomination and appointment of Mr Diego González Morales, Ms Christobelle Liao, Mr Keith Robertson, Mr Peter Borer and Mr Gareth Roberts followed the selection criteria as well as the nomination process and procedures of the Policy as disclosed in the next section. The company confirms that all Directors' re-elections were conducted in compliance with the CG Code in 2023. NEDs are appointed for a term of three years. All Directors are subject to a term of re-election every three years. Details of the Directors who will retire and offer themselves for re-election in the 2024 AGM are set out in the Directors' Report on page 208.

Nomination Policy[20]

Our Board always recognises the benefits of diversity and ensures that the selection criteria including contribution and time commitment, nomination process and procedures set out in the Nomination Policy and summarised on next page are followed when proposing a candidate for nomination or a Director for re-election.

19 Posted on the company website: www.hshgroup.com/en/sustainable-luxury/sustainability-reports
20 Posted on the company website: www.hshgroup.com/en/corporate-governance

Nomination Committee	Board	Shareholders
• Proposes a candidate for nomination or a Director for re-election based on merit with reference to the Board Diversity Policy and Listing Rules requirements • Considers the contribution and time commitment of the candidate or Director put forward for re-election • Makes recommendations to the Board as appropriate	• **Newly appointed Directors** are subject to election by shareholders at the annual general meeting following the appointment • **Existing Directors** are subject to re-election by shareholders every three years	• Approves the appointment or re-election of Directors at the company's general meeting • Separate resolution will be put to vote for individual appointment or re-election

Time commitment of Directors

The Board recognises that it is important that all Directors should be able to dedicate sufficient time to the company to discharge their responsibilities. The letters of appointment for NEDs and INEDs, and service contracts for Executive Directors, contain guidelines on expected time commitments required for the company's affairs. Each individual confirmed his or her understanding of such time commitment when the appointment was accepted. In addition, the Board has tasked the Nomination Committee with the responsibility for reviewing annually the expected contributions from the Directors and whether they are spending sufficient time performing their responsibilities.

All Directors have confirmed to the company that they have given sufficient time and attention to the company's affairs throughout 2023. The Nomination Committee is satisfied that the Directors had positively contributed to the company's affairs, discussions and decisions, as reflected in their participation in the Board and Governance Board Committee meetings during the year. The Board concurred with this conclusion.

Independence of INEDs

The independence of the INEDs is relevant to Board balance and assessed on a regular basis to ensure they remain capable of providing unbiased and objective contributions to the Board discussion. The company has received written confirmations of independence from each of its seven INEDs who served in 2023. Beyond the formal confirmation of independence, of overriding importance is that each INED has an independent mindset and brings the right experience and is prepared to challenge the Board in a constructive fashion. The Nomination Committee and the Board continue to believe that it is not appropriate to apply an arbitrary period of service beyond which a director is assumed to have lost his or her independence. The Board will continue to review the independence of its INEDs by assessing whether they remain independent in character and judgement and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the management and the Board.

The Nomination Committee and the Board considered that all seven INEDs who served in 2023 were and continued to be independent in accordance with the independence guidelines set out in rule 3.13 of the Listing Rules and that there were no business or other relationships or circumstances which are likely to affect the judgement of any of the INEDs and they continue to bring an independent view to our Board discussions and strategy oversight.

Mechanisms for ensuring independent views and input

The company has established channels for our INEDs to express their independent views and input to the Board and its Committees. These include INEDs having access to management at all times on any queries they may have. All INEDs are given regular updates, from monthly CEO summaries to minutes of all Governance Board Committees and the Executive Committee to allow them to make informed decisions. The Chairman meets INEDs annually to seek their independent views, and these views are then discussed at the Board. Board strategic meetings or strategic discussion and Board evaluations are usually arranged every two years with the full participation of INEDs. There are also multiple informal settings, such as Board lunches and operations visits, where INEDs have the opportunity to express their views outside of the boardroom.

The Board has reviewed these channels and confirmed that the company has sufficient mechanisms to ensure independent views and input are available to the Board and these mechanisms remain effective.

Corporate Governance Report

Directors' and specified employees' dealings with company securities

All Directors conduct their dealings in the company's Code for Dealing in the Company's Securities by Directors (Securities Code) which contains terms no less exacting than the standards set out in the Stock Exchange's Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 of the Listing Rules (Model Code). Directors must seek approval before engaging in any dealing.

All Directors have confirmed their full compliance with the required standards set out in the Model Code and the Securities Code in 2023. Details of the shareholding interests held by the Directors of the company as at 31 December 2023 are set out on pages 208 and 209.

Our Securities Code is extended to specified employees including senior management and leaders of key functions who may from time to time come across inside information. All specified employees have also confirmed their full compliance with the required standards set out in the adopted Code for Dealing in the Company's Securities by Specified Employees. Brief particulars and shareholding interests of the senior management are set out on pages 163 and 164, and 209 respectively.

Directors' disclosure on conflict of interest

We have established procedures to ensure we comply with disclosure requirements on potential conflicts of interests. All Directors are required to disclose the following sets of information in relation to their interests upon appointment and on an annual basis:

- The number and nature of offices they hold in public companies or organisations and other significant commitments (if any) and their time involvements
- Their interests as a Director or shareholder in other companies or organisations significant to the businesses of the company
- Whether he or she (other than an INED) or any of his or her close associates has an interest in any business which competes with the group, and none of them has any competing interests which need to be disclosed pursuant to rule 8.10 of the Listing Rules

In 2023, all Directors have fulfilled these disclosure requirements.

We have also extended the annual disclosure requirements on potential conflict of interests to senior management (other than the four Executive Directors) and leaders of key functions, which have also been fulfilled.

In addition, all Directors are also required to declare the nature and extent of their interests, if any, in any transaction, arrangement or other proposal to be considered by the Board. In 2023, no potential conflict of interest was determined by the Board to be material.

Onboarding for new Directors

All new Directors receive a comprehensive onboarding programme which is tailored to their individual roles and needs, which is designed to facilitate their understanding of our group, our purpose, culture, values and strategy, our corporate governance and the markets in which we operate. This structured programme includes meetings with the Chairman, Executive Directors, Company Secretary and senior management, and visiting a number of the group's properties. The Company Secretary will provide a tailored onboarding pack and a library of reference materials covering key areas such as Board and Committee papers, governance and directors' duties, risk management and internal controls matters. An external legal adviser explains the roles, responsibilities and obligations of a director. Mr Diego González Morales completed such programme in 2023, and was invited to attend the Executive Committee meetings as an observer to allow him to gain valuable insight into our business. Mr Keith Robertson who joined the Board in January 2024 has just commenced his onboarding programme. He has been provided with a letter of advice from our external legal advisers on his obligations as a listed company director on 19 January 2024 and he has explicitly acknowledged his understanding of such obligations under the Listing Rules. Ms Christobelle Liao (appointed to the Board in August 2023) has many years of experience in the company in a senior management role and has not undertaken the same onboarding programme. Mr Gareth Roberts when he comes onto the Board in August 2024 will also be given a limited onboarding programme on governance and responsibility matters given his tenure in the company the fact that he is shadowing the Chief Operating Officer for 7 months.

Directors training and development

Our Directors participate in continuous training and development activities that keep them up to date on developments in all areas pertaining to the business of the company and the performance of their duties as Directors. In addition to quarterly governance updates and anti-bribery and corruption reading materials, relevant publications and e-learning from the Stock Exchange are provided to our Directors and keep them abreast of the relevant rules and regulations affecting our businesses. We seek to enhance our training to include more content on climate and ESG-related topics, preparing our Directors with the knowledge required as set out in the latest Stock Exchange proposal on ESG and climate reporting. Directors who individually attend seminars or conferences associated with their expertise and responsibility update the company annually. The training and development records of Directors and the Company Secretary for 2023 are reflected on page 176.

Codes and terms of reference

Each year we review our governance and securities codes and the relevant terms of reference of the Board and each Board Committee[21] to ensure that they comply with the latest legal and regulatory requirements and reflect developments in best practices and the needs of the company. In 2023, we conducted our review on the codes and terms of reference and they remained relevant without requiring any changes.

The full terms of reference of the Board and each Board Committee can be viewed on the company website[22] and those of the Governance Board Committees[23] are also published on the Stock Exchange website. The Governance Board Committees' reports are set out on pages from 195 to 205.

Internal control procedures on connected transactions

We have implemented a series of measures to ensure our connected transactions are conducted in compliance with the connected transaction rules. These measures include: (i) tracking all current and potential connected transactions semi-annually; (ii) requiring Group Legal review before any potential connected transactions are entered into; (iii) monthly connected transactions reports for monitoring purposes; and (iv) annual review of the connected transactions by the Audit Committee.

With respect to the connected transactions for the financial year of 2023, the Audit & Risk Management Department has reviewed all connected transactions and the adequacy and effectiveness of the internal control procedures of connected transactions. The Audit Committee has also reviewed these connected transactions.

Annual Report and Corporate Responsibility and Sustainability Report

The annual report and CRS report are both important channels for the company to provide shareholders and stakeholders with a balanced assessment of our financial and non-financial performance as well as our commitment to the high standards of corporate governance and the evolving nature of our environmental, social and governance practices. We are constantly striving to improve the clarity and transparency of our reporting. This is recognised in the awards we received for our 2022 Annual Report and CRS Report. Details can be found in the "Awards in 2023" section on page 143.

In March, the Board reviewed and approved the 2023 Annual Report and Corporate Responsibility and Sustainability Report[24]. With respect to the Directors' responsibility for preparing the financial statements for the year ended 31 December 2023, please refer to the Directors' Report set out on page 211.

High Standards of Corporate Governance

Over the years, we have established a strong commitment to upholding high standards of corporate governance and business integrity. As we strive for continued success, we remain dedicated to continuously improving our corporate governance practices.

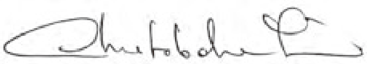
By order of the Board

Christobelle Liao
Chief Corporate and Governance Officer
19 March 2024

21 Audit, Nomination, Remuneration, Executive, and Finance Committees
22 www.hshgroup.com/en/corporate-governance/board-committees
23 Audit, Nomination, and Remuneration Committees
24 Posted on the company website: www.hshgroup.com/en/sustainable-luxury/sustainability-reports

Group Risk Committee Report

> Risk management is a process that should be integrated into every single operation, every investment decision, and every part of the organisation.



Christobelle Liao

Chairman of the Group Risk Committee

19 March 2024

Composition	Chairman Members	Ms Christobelle Liao, Group Corporate and Governance Officer Deputy Chief Operating Officer Group General Manager, Audit & Risk Management Group General Manager, Technology	
Meeting Frequency	• Quarterly • Four meetings in 2023		
Responsibilities	• To identify and assess the principal risks at group level and their corresponding mitigating treatments, as well as monitor the actions required for critical and major incidents within the group • To facilitate the process whereby each operation and project defines its business objectives, addresses the risks identified, conducts self-assessment of internal control activities and tracks progress of mitigating plans • To regularly review, assess and update material risks and related contingency plans to Group Management Board (GMB) for endorsement by the Audit Committee and the Board		

With our risk governance structure and the Three Lines Model described on pages 177 to 179 in place, we have adopted across the group a practical, easy to understand 5-step risk management methodology.

5-Step Risk Management Methodology

Whilst risk management is an ongoing and continuous process embedded into day-to-day business activities, the formal evaluation of risk is a semi-annual process starting with the evaluation of the external and internal context and the identification of risk factors which have impacted the strategic, operational, financial or compliance objectives of each business unit. This is followed by the analysis of the likelihood and magnitude or change of impact (both financial and non-financial – such as operational and reputational) of each risk. Controls in place or new actions to be implemented to mitigate the risks are then identified with their effectiveness assessed. Thereafter, each business unit is required to assess the level of residual risks. Further actions must be taken if controls are inadequate to address the risks, or existing controls are not effective to reduce the risk to a tolerable level.

Assessments from all business units are ultimately aggregated to compile a portfolio view of risks. Such process allows swift action to be taken by assessing similar risks across the other businesses, and allows the sharing of best practices, forming of group strategy on specific risks and responding to significant changes in the business environment.

Key Focus in 2023

Labour shortage in the hospitality industry

In 2023, staff shortages in the hospitality industry have become increasingly acute. Our group faced the complex challenge of acquiring and retaining proficient personnel. Multiple factors contributed to the labour shortage issue. The pandemic has led to re-evaluations of personal career goals for talent within the industry, and a shift for staff to favour work-from-home or flexi hours. In addition, as skilled professionals pursue opportunities in other industries, the talent pool is reducing and labour costs are increasing. This has also resulted in difficulties in securing manpower in most of our labour markets. Consequently, this would lead to an adverse impact on our service excellence and operational efficiency. To attract and retain talent, we are conducting more frequent salary benchmarking exercises and ensuring our total remuneration, benefits and health insurance stay highly competitive and relevant. One of the WorkPlace 2025 initiatives is to offer more flexibility in working hours and locations. We have also considered flexible leave for operational employees and rolled out talent development programmes to boost competitiveness and retention. Most importantly, efforts are placed to enhance our employees' mental well-being and a strong sense of care and belonging in the company especially during difficult times.

Environmental and social (E&S) risks

Climate change and the global rise of temperatures have contributed to extreme weather events and a shift of weather patterns that have increased in frequency and intensity. Our operations are directly exposed to acute physical risks including flooding, tropical typhoons, and deterioration of air quality due to wildfires. Assets that are more susceptible to such risks may expect to see increased insurance costs, while those with exposure to chronic physical climate risks such as sea level rising, drought and temperature rise may have a negative impact on asset valuation. Other transitional risks we may face include disruption of business operations and supply chains, affecting accessibility or attractiveness of a location resulting in reduced demand for our products and services, surges in operating costs and capital expenditure, as well as a more stringent regulatory environment. We are aware of the multiplier effect and knock-on social impacts brought on by climate change such as social inequality, educational disparity, involuntary migration, modern slavery, and more.

To ensure we are well-positioned to weather such impact, we proactively monitor and deepen our understanding of the inter-related and complex nature of climate risks we are facing. Starting in 2022, we commenced work with consultants to understand the high-level physical and transitional climate-risks for the group within the next decade, to align with our actions set out in *Vision 2030*. On physical risks, our priority focus is on acute physical risks which are extreme weather events. In the coming year, we are conducting more in-depth climate risk assessments, which will enable us to estimate the potential financial impact and develop actionable mitigation plan for our assets, based on the projected likelihood and severity of such climate hazards.

Group Risk Committee Report

GRC and the Board receive regular updates from the Corporate Responsibility and Sustainability (CRS) Department to understand the evolving E&S risks in order to determine effective short-term mitigation responses, and develop long-term adaptation plans. Our CRS strategy, *Vision 2030*, will continue to define our response to these risks and we respond to these risks. We have group-wide targets and commitments for greenhouse gas emissions, water efficiency, actions related to mitigation of climate change such as adopting sustainable building design, offering sustainable products and services within our businesses, and specific programmes to promote social inclusions and engage with our local communities in meaningful ways[25]. More details of our approach to climate change and climate risk mitigation measures can be read on pages 68 to 71 of our CRS Report.

Other Principal Risks

The principal risks of the group are monitored and reviewed on an ongoing basis, by focusing on the environment, business conditions and organisational changes. In 2023, specific focus was on the following areas of principal risks:

Investments and developments

Despite some further delays and increases in costs caused by the pandemic, enormous efforts have been made by HSH teams and project teams to complete The Peninsula Istanbul and The Peninsula London. Dedicated resources have been deployed to work towards smooth hotel openings. The Peninsula Istanbul and The Peninsula London were opened for guests on 14 February and 12 September 2023 respectively.

Group Risk Committee (GRC) will continue to oversee the strategies adopted to respond to the operational and financial risks, monitor the risk governance process and review the key risks surrounding the two new hotels.

Macroeconomic and political environment

As a multinational corporation, our business is impacted by geopolitical dynamics. Issues such as US-China tensions, the war in Ukraine and conflicts in the Middle East may negatively impact the global economy, and may result in trade restrictions and sanctions. Expected economic downturns, increasing energy prices and inflation could negatively impact the revenue and operations of our properties. Regular risk and performance reviews of operations, properties and projects are carried out during the year.

Foreign exchange and interest rate fluctuations

Foreign exchange and interest rate fluctuations may lead to volatility in our financial statements and ratios. Unfavourable movements may increase our cost of securing financing. Despite an overall market expectation of decreasing interest rates in the coming year for USD, HKD and GBP, we have been regularly reviewing major foreign exchange transactional and capital expenditure exposures, and adopt a proactive management, such as balancing of fixed and floating rate loan exposures, conducting regular stress testing and monitoring financial ratios.

Business dependency on Hong Kong

A significant portion of our group earnings has historically been contributed by our operations in Hong Kong. Such business dependency implies that the economic and political trajectory of the city would have a crucial impact on our business, earnings and asset values. To manage this risk, we have implemented and begun to explore alternative revenue streams outside of Hong Kong. This includes the opening of The Peninsula London and The Peninsula Istanbul. Moreover, during the year Peninsula Merchandising has begun a five-year expansion plan in the Chinese mainland to expand into six target cities and e-commerce channels.

Competition in all markets

Our hotels have been welcoming back international travellers. Following COVID-19 we saw significant increases in average daily rates but in some markets these are now softening. It has been challenging to realise the desired gains in revenue due to the competitive nature of the markets that we operate in, as competing hotels are chasing after the same business segments. In some markets our ability to drive further revenue has been impacted by the availability of staff to serve our guests.

In order to better understand our customers, we have launched technologies and processes to identify customers' ever-changing needs. We have also strengthened our brand marketing and communications with our customers by launching the new Global Brand Advertising Campaign "Peninsula Perspectives" and implementing new brand partnerships. These offer a more modern outlook to our brand image as a lifestyle brand.

25 Details of Vision 2030 commitments and specific initiatives can be found in our online CRS Report

Our leasing business

Our retail leasing business remained under pressure from lower occupancy compared to the pre-Covid period. Although improvements in properties' business performance could be seen with the opening up of Greater China in early 2023, slow recovery and return of other key markets such as US, Europe and Japan have affected the retail tenants. A soft outlook for luxury retail may impact the stability of retail tenants. For our hotel arcade leasing business, a customer loyalty program was launched for all the hotels in Greater China to boost foot traffic and stimulate sales for shops at these arcades.

Commercial and residential leasing, has also been impacted by the economic downturn. As a result, we have continued to work with tenants and make appropriate adjustments to rental and other contractual requirements.

Cybersecurity

Failure of information technology systems due to internal or external circumstances, either malicious or unintentional, may result in financial loss, business disruption, and damage to reputation. Further enhancements have been conducted by the Group Information Technology to strengthen our controls over cybersecurity. These included implementing the new Security Information and Event Management (SIEM) tool which supports analysing system logs, and detects anomalies, and an enhancement on email, website and data security.

With cyber attacks on the rise, we ensure our staff understand how to identify, respond to and prevent potential cybersecurity threats. We continue to provide mandatory refresher online training on cybersecurity to all relevant employees.

Principal Risk Movements in 2023

Principal Risk	Risk Category	Residual Risk Movement
DISASTER EVENTS	External	⇓
MACROECONOMIC AND POLITICAL	External	⇐ ⇒
COMPETITION	External	⇐ ⇒
BRAND AND REPUTATION	Strategic	⇐ ⇒
BUSINESS DEPENDENCY	Strategic	⇓
INVESTMENTS AND DEVELOPMENTS	Strategic	⇐ ⇒
RETAIL, COMMERCIAL AND RESIDENTIAL LEASING	Strategic	⇓
FOREIGN EXCHANGE AND INTEREST RATES	Financial	⇓
CYBERSECURITY	Operational	⇐ ⇒
LABOUR SHORTAGE	Operational	⇓
DATA PRIVACY	Compliance	⇐ ⇒

Remarks: ⇓ Improvement in controls Reduction in residual risk ⇐ ⇒ No change risk assessed

2024 Major Initiatives

In 2024, the GRC's main focus will continue to be on (i) overseeing risks pertinent to new hotels operations, (ii) enhancement of internal controls to manage the strategic risks of the group, and (iii) a focus on communication, awareness and ownership of risks and controls, especially on ESG risks across the group.

Group Corporate Responsibility Committee Report

"In the era of post-pandemic recovery, we are faced with a new normal, bringing sustainability issues into focus. There is greater expectation from our stakeholders, our people, and our communities for corporations like ourselves to step up and safeguard the natural resources which we rely on. We need to remain resilient for the future climate crisis, and focus on reducing social inequality."

Clement Kwok
Joint Chair of Group Corporate Responsibility Committee
19 March 2024

"The way we approach sustainability must transform from simply minimising negative impact. We must go beyond and seek opportunities to generate a positive impact. We also see this time as an exciting opportunity to evaluate the changing business environment, be agile in seeking out new innovations, fostering stronger partnerships, and cultivating more collaborations to help scale up our impact."

Christobelle Liao
Joint Chair of Group Corporate Responsibility Committee
19 March 2024

Composition	Chairman	Mr Clement Kwok, Chief Executive Officer (Committee Joint Chair) Ms Christobelle Liao, Chief Corporate and Governance Officer (Committee Joint Chair)
	Members	Deputy Chief Operating Officer Chief People and Culture Officer Director, Corporate Responsibility and Sustainability Select members of Heads of corporate departments and representatives from operations
Meeting Frequency	• At least three meetings each year • Three meetings in 2023	
Responsibilities	• To propose, recommend, monitor and report to the Group Management Board and support the Board of Directors on corporate responsibility and sustainability (CRS) topics, including the implementation of the company's *Sustainable Luxury Vision 2030* • To review practices, standards, trends, regulations, plans related to CRS topics that may have an impact on the operations of the group	

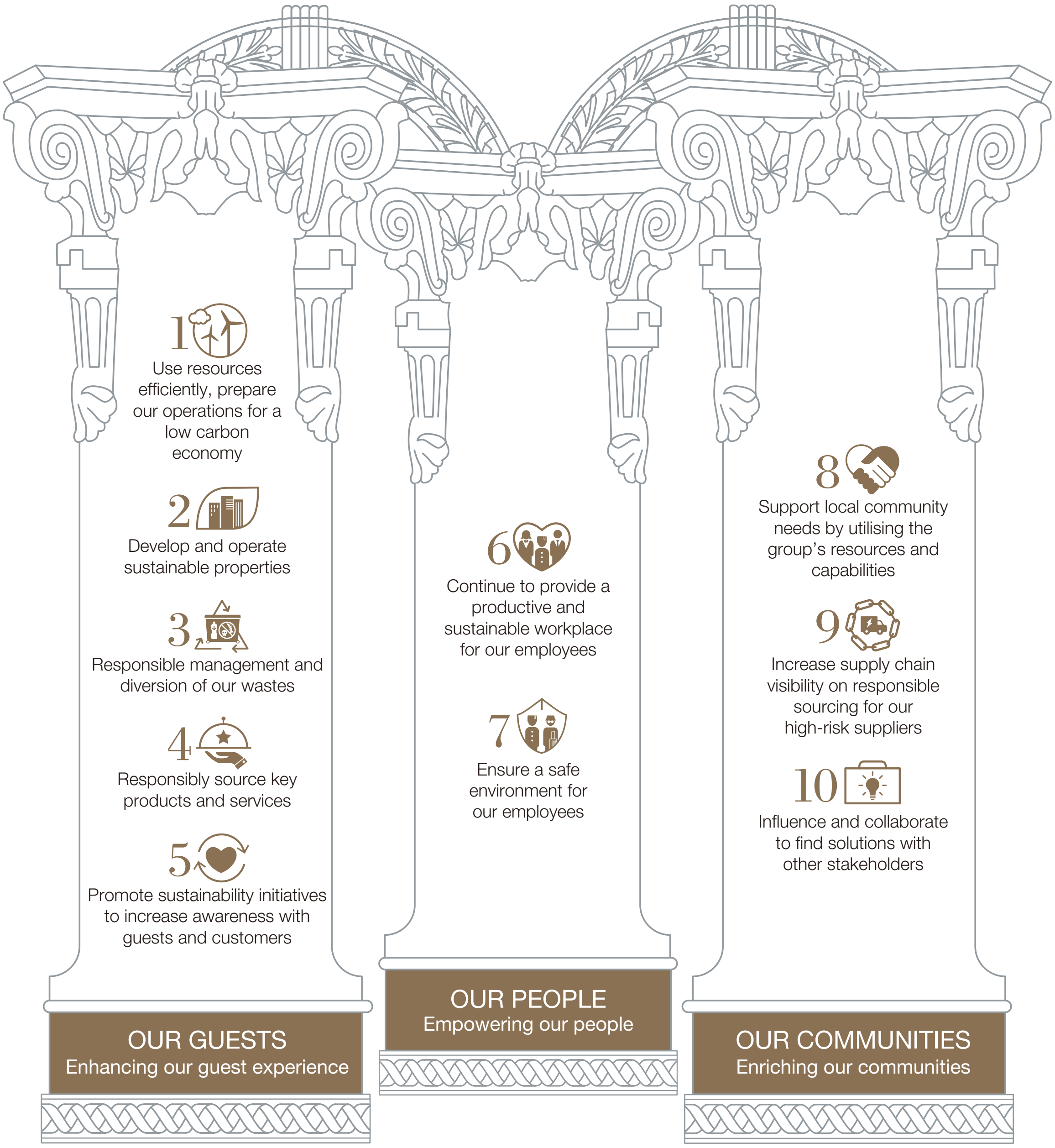
Our Sustainability Approach

We began our sustainability journey in 2007 and the first iteration of our *Sustainable Luxury strategy* in 2013. We updated this strategy with *Sustainable Luxury Vision 2030 (Vision 2030)*, which incorporates a deeper focus on business integration and using regenerative and proactive approaches. Our new strategy leverages the strengths of our business, focusing on issues requiring significant and urgent attention to minimise our impact to the environment while creating shared value to our communities. The key topics we have identified which will have the most impact on our business and societies that are addressed in *Vision 2030* are:

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

Group Corporate Responsibility Committee Report

We seek 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 as set out in the below graphic:



To enable our stakeholders to have a holistic view of our company, we continued to publish a detailed Corporate Responsibility and Sustainability Report online. Additional information on our CRS approach, initiatives and performance can be found in our CRS Report[26]. We set out below the key initiatives achieved so far under each *Vision 2030* stakeholder pillar.

26 www.hshgroup.com/en/sustainable-luxury/sustainability-reports

Our Guests: Enhancing our guest experience

Key initiatives

- On track to achieve BREEAM Excellent, one of the world's leading sustainable building standards, for our hotels in London and Istanbul
- On track to achieve group EarthCheck certification for The Peninsula Hotels, one of the world's leading standards on sustainable tourism
- Piloted our group's first on-site solar farm project at Quail Lodge & Golf Club, The Peninsula London procures 100% renewable electricity directly from local providers, while The Peninsula Istanbul through attributes of Renewable Energy Certificates
- Guestroom amenities line featuring 99% petroleum plastic-free materials, using alternatives such as recycled aluminium, wood and corn starch
- Introduced our new takeaway packaging line *PenFare At Home*, featuring responsibly sourced paper, plastic-free materials, using natural and non-petroleum based materials instead which are recyclable and certified compostable
- *Naturally Peninsula* menu re-launched to be fully plant-based
- 94% paper products, 86% cleaning products, 64% tea, 83% coffee and 84% chocolate are sustainably or responsibly sourced; 59% of our perishable goods are sourced locally, and 52% of our total egg spend from cage-free sources
- Continue to support waste recovery projects such as oyster shells upcycling for marine restoration, Sustainable PenBear made from retired duvet and chef uniforms, and supporting research on recovering textile waste in Hong Kong

Our People: Empowering our people

Key initiatives

- Tailored employee development programmes for all levels to nurture and grow our own talent
- *WorkPlace 2025* initiatives to modernise the workplace. In 2023, a new employee communications portal MyHSH Hub was launched to strengthen connectivity of colleagues globally
- Developed a comprehensive approach to diversity and inclusion
- *Wisdom on Wellness (WOW)* to enhance employee's physical and mental wellbeing
- Launched group Occupational Safety and Health Management System (OSHMS)

Our Communities: Enriching our communities

Key initiatives

- Supported our local communities through vocational training, volunteering and donations, benefiting 160 charities and long-term partners, with a total of HK$9.7 million contribution and more than 10,100 volunteering hours in 2023
- "Hope for Türkiye", a global disaster-relief campaign to help fundraise for survivors of the earthquake, with a total of HK$37.9 million raised through The Peninsula Hotels[27]
- Strengthened the group's approach on modern slavery and prevention of child labour, and human trafficking across our full supply chain through training and supplier due diligence interviews
- Sustainability-linked and green loans totalling HK$13.1 billion which is directly linked to our *Vision 2030* initiatives, targets and performance

27 The Peninsula Hotels including all hotels except in Beverly Hills and Paris

Group Corporate Responsibility Committee Report

Governance on CRS

We regard the integration of sustainability as a sensible and necessary strategy that benefits the overall value of the group in both the short and long term. The Board considers this to be of substantial importance, warranting yearly review[28] of the group's approach, strategy and performance. The Board oversees the management of sustainability issues through regular engagement and updates from the Group Corporate Responsibility Committee (GCRC). GCRC has been given responsibility by the Group Management Board (GMB) to manage all aspects of the implementation of our sustainability approach and our *Vision 2030*. The GCRC, previously chaired by the CEO, is now co-chaired together with the Chief Corporate and Governance Officer as a reflection of the rising importance of sustainability in all aspects of our business and of proactively managing related risks. The GCRC, is supported by the Corporate Responsibility and Sustainability (CRS) Department, to coordinate and formalise efforts across the group.

The Audit Committee and the Group Risk Committee are delegated to monitor and develop risk mitigation measures for environmental & social (E&S) risks, which are principal risks. The Director of CRS coordinates with both committees on CRS-related risk mitigation actions and adaptation strategies across the group. In 2023, HSH's decarbonisation planning and roadmap, and the upcoming Stock Exchange and ISSB climate-related disclosure requirements were discussed with the Board.

Key Work in 2023

We continued to monitor progress on our commitments in *Vision 2030* and provided support and focused attention on areas that needed more traction. In addition, GCRC carried out the following:

- Reviewed CRS performance data and recommended actions relating to energy, water and waste management, responsible sourcing, health and safety, empowering our people in the workplace, ethical standards and community engagement

- Discussed the key actions required to develop a HSH decarbonisation plan to achieve Scope 1 & 2 carbon emission reduction in line with global net zero goals

- Discussed the impact and actions required to address the upcoming climate-related disclosure requirements as proposed by the Stock Exchange, and sustainability-related regulations and legislations (such as the Municipal Solid Waste Charging Scheme and the regulation of Single Use Plastics in Hong Kong)

- Reviewed the plan to strengthen external communication on sustainability at The Peninsula Hotels

- Discussed latest market development including new hospitality sustainability standards globally, such as from the World Travel and Tourism Council (WTTC) and Türkiye's National Sustainable Tourism Programme, as reference of industry best practice and benchmarking

- Provided updates on allocation and facility amount of sustainability-linked and green loans

Looking Forward

In 2024, GCRC's focus will be on (i) formal stakeholder engagement and materiality exercise to identify any gaps in *Vision 2030* in a post-pandemic environment, and fine tune *Vision 2030* goals, (ii) increasing employee awareness of *Vision 2030* through a comprehensive internal engagement programme across the group (iii) assessing asset-level climate risks and identify mitigation and adaptation actions for assets facing high-risk, and (iv) reviewing HSH's full value chain carbon emission inventory and setting a group net-zero carbon strategy.

28 Sustainability topics reviewed and discussed at Board level can be found on page 174

Audit Committee Report

"The Audit Committee has continued to play a key role supporting the Board in matters relating to internal control, corporate governance, risk management, financial reporting and the rigorous independent assessment of the group's principal risks and risk tolerance."

Patrick Paul
Chairman of the Audit Committee
19 March 2024

Composition	Chairman: Mr Patrick Paul, INED Members: Ms Ada Tse, INED Mr Andrew Brandler, NED
Meeting Frequency	• At least four times every year with senior management, the external auditor and Group General Manager, Audit & Risk Management in attendance by invitation • Five meetings in 2023
Responsibilities	• To assist the Board in carrying out its responsibility of overseeing financial reporting, external audit, internal audit, risk management, internal controls and corporate governance

HSH Finance Policies and Procedures Revamp Project

A collaborative working group was formed to revamp the HSH Finance Policies and Procedures (HSH Finance P&P). These are principle-based, practical policies and procedures which are designed with the aim of standardising current practices across the group and aligning with best market practices. They address recommendations and concerns arising from internal audit findings as well as past incident reports, and seek to overall strengthen the group's internal controls. Semi-annual self-evaluation declarations and monthly submission of key controls checklists were introduced. The updated HSH Finance P&P was shared in MyHSH Hub and a workshop was organised by Head Office Operations Finance to help the relevant personnel in local finance teams to familiarise themselves with it. The Audit Committee reviewed the key changes and new requirements of HSH Finance P&P and the roles of Head Office Operations Finance as a second line of defence.

Environmental, Social and Governance (ESG) Risks

As the Audit Committee has been delegated with additional responsibilities on reviewing ESG risks, the Committee scheduled an additional meeting to assess the current risks and determine the actions to be taken and discuss their disclosures in 2023. The Committee reviewed the company's programmes and the sustainability targets, as well as our positions comparing to other hotel companies, the sufficiency of disclosure and its future approach. In addition, the Committee also discussed the climate-related disclosure requirements proposed by the Stock Exchange.

Audit Committee Report

Other Key Work in 2023

Annual/Interim Report and Financial Information

- Reviewed and endorsed the 2022 Annual Report, Corporate Responsibility and Sustainability Report, and the annual results announcement, as well as the 2023 Interim Report and the interim results announcement

Internal and external audits

- Approved the proposed 3-year internal audit plan commencing in 2024 focusing on revenue management, payroll and training, asset management and purchasing process
- Reviewed and discussed key internal audit findings and their recommendations
- Reviewed and endorsed KPMG's audit report on the financial statements for the 2022 Annual Report and discussed the key observations identified by KPMG during the course of their audit and the related recommendations
- Reviewed 2023 audit plans and reports from KPMG on its audit scope, approach, areas of focus, and IT audit plan and timeline
- Noted the external auditor's assurance of Corporate Responsibility and Sustainability Report
- Reviewed and approved the group's Policy for Engagement of External Auditors for Non-Assurance Services. This Policy sets out the circumstances when the group's external auditor may be engaged for provision of non-assurance services to ensure the group is in full compliance with the revised Code of Ethics for Professional Accountants issued by Hong Kong Institute of Certified Public Accountants

Financial reporting system, risk management and internal control systems

- Reviewed the progress of the roll-out of the global finance system which aims to improve operational efficiency and business support effectiveness. The system has been implemented in three hotels and by 2027, all operations will be part of the global finance system
- Reviewed the valuation process and the methodology adopted by independent valuers for revaluing the group's investment properties. Discussed the impairment assessment for the existing hotels and hotel projects and agreed that no impairment was required in 2022
- Reviewed the environmental and social risks that the group are facing and how these risks are managed through *Vision 2030*
- Reviewed and approved the structure, adequacy of resources, staff qualifications and experience, training programmes of the group's accounting, internal audit, financial reporting and CRS functions
- Reviewed and endorsed semi-annually the Group Risk Management Report detailing the principal risks faced by the group and any variances in 2023, mitigation controls and the adequacy and effectiveness of risk management and internal control systems
- Considered summaries of the internal representation letters from business operations which in turn formed the basis by which management confirmed the effectiveness of the group's risk management and internal control systems
- Reviewed and approved the representation letters to the external auditor before issuance of the 2022 Annual Report and Corporate Responsibility and Sustainability Report and 2023 Interim Report

Governance

- Reviewed and confirmed that the corporate governance documents including HSH Code, Securities Code, Terms of Reference of Board and Audit Committee, Shareholder Communication Policy and the Speak Up Policy[29] remain relevant and no revisions are required

- Reviewed the group's communication channels, shareholders and investors engagement activities conducted in 2023[30] and the Committee was satisfied with the implementation and effectiveness of the Shareholder Communication Policy

- Reviewed all connected transactions including the office lease for the HSH Head Office and related party transactions

- Discussed and reviewed reported speak up cases and investigations undertaken and the new speak up channel to be rolled out in April 2024[31]

Other

- Reviewed the group's tax position and associated tax issues, and the impacts arising from the changes in the tax laws and regulations, and the relevant actions being taken

As the Chairman of the Audit Committee, I have met separately with the Group General Manager, ARM and the external auditor without management being present during the year.

Based on the reports from Group General Manager, ARM, summaries of internal representation letters and reports of the external auditor, the Audit Committee considers the overall operational, financial reporting and compliance controls, risk management and internal control systems for the group during 2023 to be effective and adequate. Issues raised by the internal and external auditors during 2023 have been, or are being addressed by management, and the Audit Committee advised the Board that there are no issues required to be raised to shareholders.

In March 2024, the Audit Committee reviewed and endorsed this annual report, the Corporate Responsibility and Sustainability Report, which is posted on the website[32], and the annual results announcement, and recommended the same to the Board for approval.

Ensuring the independence of our External Auditor

The group's external auditor is KPMG. We believe the independence of our external auditor is crucial to the effectiveness of our corporate governance and should not be compromised. The issue of auditor independence is reviewed annually. The lead partner of the external auditor rotates every seven years. In engaging the external auditor for non-audit work, we take into account the internal guideline adopted to monitor the amount of non-audit work given to the external auditor to ensure the provision of such services do not impair KPMG's independence or objectivity. In 2023, apart from audit work, the company also awarded non-audit work to KPMG including taxation and other services. We have updated the Policy for Engagement of the External Auditor for Non-Assurance Services to align with the Code of Ethics for Professional Accountants. In our first meeting in 2024, the Audit Committee reviewed the nature of non-audit work performed by KPMG and confirmed that it gave rise to no impairment of actual or perceived independence or objectivity of the audit work itself. The Committee has recommended to the Board the re-appointment of KPMG as independent auditor for shareholders' approval at the 2024 AGM.

A summary of fees for audit and non-audit services to KPMG for the financial years ended 31 December 2023 and 2022 is as follows:

Nature of Services	**2023 HK$m**	2022 HK$m
Audit Services	**11**	10
Non-audit Services		
Taxation and other services	**4**	3

Looking Forward

The Committee has continued to provide crucial independent insight over the group's risk control measures in an increasingly volatile international business environment. Strong governance and appropriate risk mitigation measures must be rigorously enforced in order to maintain the high standards of excellence expected by the group and its stakeholders. We expect that 2024 will bring additional challenges with continuing global instability and uncertainties, underlining the need for vigilance in respect of the group's financial and internal control mechanisms.

29 Please also refer to page 179 on Speak Up Policy
30 Details on shareholders engagement can be found on page 180
31 Details can be found on reporting channels on page 179
32 www.hshgroup.com/en/sustainable-luxury/sustainability-reports

Nomination Committee Report

> We are pleased that Mr Diego González Morales, Ms Christobelle Liao and Mr Keith Robertson joined our Board, and Mr Gareth Roberts will follow suit in August 2024 underlining our commitment to diversity and selecting and mentoring the next generation of leaders. Their extensive and diverse experience will bring new insights and valuable contributions to the Board.

The Hon. Sir Michael Kadoorie
Chairman of the Nomination Committee
19 March 2024

Composition	Chairman Members	The Hon. Sir Michael Kadoorie, Non-Executive Chairman Dr the Hon. Sir David Li, INED Dr William Fung, INED
Meeting Frequency		• At least two meetings every year • Two meetings in 2023 and two Committee resolutions circulated for approval
Responsibilities		• To evaluate the structure, size and composition of the Board • To identify new Directors and recommend them for appointments • To maintain an appropriate, adequate, effective and balanced Board • To review the independence of INEDs • To review the Board members' contributions, and training and development

Board Composition and Diversity

A diverse Board brings constructive challenge and fresh perspectives to Board discussion. The company approaches diversity in the broadest sense, recognising the benefits of a diverse mix of skills, knowledge, age, race, gender and experience on its Board, whilst not compromising on the central principle of appointments based on merit. Our Diversity Policy can be found on the company website[33]. The Nomination Committee has reviewed the Board Diversity Policy during 2023 to ensure that it remains effective and that the measurable objectives set out therein remain relevant and up to date.

As mentioned in my last report, Mr Diego González Morales who joined the Board as a Non-Executive Director on 31 March 2023, following Mr William Mocatta's retirement from the Board after 37 years with the group. These changes were endorsed by the Committee in December 2022. During 2023, the Committee also endorsed the appointment of Ms Christobelle Liao as an Executive Director and the Chief Corporate and Governance Officer of the company effective on 4 August 2023. Ms Liao is currently a strategic leader on the Group Management Board, the Company Secretary of the company and overseeing the legal function, the Projects Group and the Group Corporate Responsibility and Sustainability function and has an intimate understanding of the company's culture and business, having been with the company since 2002. Her appointment also demonstrates our efforts on gender diversity as we improved on our proportion of female members on the Board.

33 www.hshgroup.com/en/corporate-governance

With the departure of Mr Christopher Ip, Chief Financial Officer, we engaged an executive search consultant to select candidates, The shortlisted candidates were interviewed by senior management and members of the Nomination Committee. The Nomination Committee reviewed the selection and assessment approach and endorsed the appointment of Mr Keith Robertson as an Executive Director and the Chief Financial Officer of the company effective on 29 January 2024. Mr Robertson has over 30 years of all-round finance experience in auditing, financial controlling, corporate finance, project finance, international tax planning, statutory reporting, mergers and acquisitions and investors relations.

With the retirement of Mr Peter Borer as an Executive Director and Chief Operating Officer of the company effective on 31 July 2024, the Nomination Committee endorsed the appointment of Mr Gareth Roberts as the Deputy Chief Operating Officer from 1 January 2024 and as the new Executive Director and Chief Operating Officer from 1 August 2024. Mr Roberts has 21 years of experience in the hotel industry. He is currently a member of the Group Management Board and Group Director, Brand and Operations Support overseeing sales and marketing, branding, guest experience and operations for both existing and new hotel developments for The Peninsula Hotels and the Peninsula Boutique retail business. Mr Borer will retire from his executive role and be re-designated as a Non-Executive Director of the company and will become a Senior Advisor to the Chairman for a term of two years effective from 1 August 2024.

Having regard to the Board's desire to appoint younger directors to bring a different mindset and insights to the business, the Committee considered that the appointments of Mr González Morales, Ms Liao, Mr Robertson, and Mr Roberts would bring fresh ideas and values to the Board with their individual expertise, background and experience. Their appointments followed the approach set out in our Board Diversity Policy and the appointments process followed the selection criteria, nomination process and procedures set out in our Nomination Policy[34].

An executive search process is currently underway to identify a replacement for Mr Clement Kwok, our Managing Director and Chief Executive Officer, who will retire with effect from 31 October 2024. Mr Kwok will continue to serve as an Executive Director and adviser to the new Chief Executive Officer until the 2025 AGM.

After serving on the Board for 18 years, Mr John Leigh will retire from the Board and not seek re-election at the 2024 AGM. On behalf of the Board, I would like to record my sincere gratitude for his dedication and commitment to our company.

The Nomination Committee reviews the composition, balance, skills and experience of the Board annually. It has confirmed that the Board has continued to contribute positively, with diverse views from each Director based on the wide mix of skills, knowledge, and experience.

The Committee continues to believe that the current large size of the Board enables it to benefit from a diverse set of views based on the different backgrounds and experiences of all Directors. In addition, the Committee is committed to keeping no less than three female directors on the Board and increasing the number of female directors where possible, taking into account its overarching objective to identify the right person for the role. This can be seen with the appointment of Ms Christobelle Liao as the fourth female Director. On that basis, the Committee currently remains of the view that the existing gender mix is sufficient. In particular, the Board has three females out of seven INEDs, which is 43%, who represent independent views at the Board level. The gender mix and Board Diversity Policy will be reviewed on an annual basis and it is noted that the Board concurred with the views of the Committee.

34 Please also refer to pages 182 and 183 on Nomination Policy

Nomination Committee Report

Other Key Work in 2023

The Nomination Committee assessed and reviewed all INEDs' confirmations of independence and the cross-directorships of Dr Rosanna Wong[35] and Mr Philip Kadoorie who served on the Board of CK Hutchison Holdings Limited. The Nomination Committee considered that all seven INEDs who served in 2023 were and continued to be independent in accordance with the independence guidelines set out in rule 3.13 of the Listing Rules and that there were no business or other relationships or circumstances which are likely to affect the independent mindset of any of the INEDs and they continue to bring an independent view to our Board discussions and strategy oversight[36].

The Committee also evaluated the contribution and time commitment of Directors (including INEDs)[37] put forward for re-election as well as their respective skills and experience and recommended them for re-election at the 2023 AGM.

In addition, the Committee further reviewed its own terms of reference and the Nomination Policy, and confirmed they both remained relevant and no revision was required.

In March 2024, the Committee approved this report for inclusion into the company's 2023 Annual Report and nominated of the Directors for re-election at the 2024 AGM with assessment on INED independence, contribution, time commitment and cross-directorships[38].

Looking Forward

The Nomination Committee is proud of the range and depth of experience the Board can offer, especially with the new appointments who will each bring valued and unique insights. Diversity comes in many forms and we are pleased that we move into 2024 having expanded the depth and range of skills, experience and background of our Board.

35 Dr Rosanna Wong serves as an INED and does not hold any shares in CK Hutchison Holdings Limited
36 Please also refer to page 183 on Independence of INEDs
37 Please also refer to page 183 on Time Commitment of Directors
38 Details of the Directors who stand for re-election at 2024 AGM can be found on page 208 of the Directors' Report and the AGM Circular dated 12 April 2024

Remuneration Committee Report

"On behalf of the Remuneration Committee, I am pleased to present our 2023 Report. The Committee has focused on ensuring that our Board and senior management are remunerated fairly and competitively, thereby attracting global talent, all within the company's financial capacity."

Patrick Paul
Chairman of the Remuneration Committee
19 March 2024

Composition	Chairman: Mr Patrick Paul, INED Members: Dr Rosanna Wong, INED Mr Andrew Brandler, NED
Meeting Frequency	• At least two meetings every year with the Chief Executive Officer and Chief People and Culture Officer in attendance • Two meetings in 2023 and three Committee resolutions circulated for approval
Responsibilities	• To review and approve remuneration packages for Executive Directors and senior management • To review and recommend proposals for Non-Executive Directors' fees and Board Committee Chairmen and members' fees for approval by shareholders and the Board respectively

HSH Rewards Philosophy

HSH's Rewards philosophy is to ensure that compensation and benefits designed for the group and its executives accord with an overall framework of guiding principles. We work within this framework to adjust compensation and benefits as appropriate in light of changing financial and market conditions. Our objective remains to attract and retain high performing talent by offering a mix of financial and non-financial rewards to stay competitive and meet our employees' expectations.

Key guiding principles

- Aim to pay a total remuneration package that is competitive with the relevant external market and achieves consistency and fairness with existing employees
- Design an appropriate mix of fixed and variable pay, taking into account the group's pay policy and market practice to incentivise management and individual performance
- Provide meaningful and competitive benefits that resonate with our corporate values on employee care and inclusion, encourage long-term careers, and brand HSH as an employer of choice

Remuneration for Executive Directors and Senior Management

The Committee recognises that there is a competitive market for successful executive talent and believes that remuneration packages being offered must be set competitively with the market in order to attract, retain and motivate the group's key executives.

Remuneration Committee Report

As part of its scope of responsibility, this Committee is involved in reviewing and approving the terms of service of all Executive Directors and senior management, including remuneration and duration of the service contracts. No individual is involved in determining his or her own remuneration.

There are four components of remuneration paid to Executive Directors and senior management:

Basic compensation

Basic compensation includes salary and other allowances and the general policy is to set them at the level required to retain and motivate, taking into account the scope and complexity of responsibilities, market pay levels in the defined markets, as well as individual performance.

Bonuses and incentives

The provision of appropriate bonus and incentive awards for performance is vital to the continued growth to the business. Executive Directors' bonuses consist of contractual and/or discretionary short-term incentives, while other senior management participates in the HSH Management Bonus Plan[39] which is a short-term incentive scheme calculated by reference to financial and non-financial considerations as follows:

- The group's financial performance
- The Business Units' quality measurement[40]
- Individual performance
- Share price

Retirement benefits

The Executive Directors and most of the senior management participate in the company's retirement plan which is a scheme set up under the Occupational Retirement Scheme Ordinance of Hong Kong – The Hongkong and Shanghai Hotels, Limited 1994 Retirement Plan or a local plan. The employer contributions to the company's plan for the Executive Directors, senior management and all other Hong Kong employees are made according to the plan's defined contribution level and vesting conditions. Employees can opt to contribute voluntarily.

Other benefits

The benefits available to Executive Directors and senior management include, but are not limited to, health, life, disability and accidental insurance.

Remuneration for Non-Executive Directors

Fees for Non-Executive Directors (NEDs) are fixed at shareholders general meetings, while any additional fees of NEDs for serving on Board Committees are fixed by the Board. The Committee has the responsibility for reviewing management's annual recommendations for these fees. Factors taken into account in this process include estimated time spent in the discharge of these duties and benchmarking against other Hong Kong listed companies of similar size and activities as well as other international companies. After review, the Committee makes recommendations to the Board. No director approves his or her own remuneration.

As disclosed in last year's annual report, the Committee approved management's proposal for the fees payable to the Chairman and members of the Audit Committee to be respectively increased to HK$200,000 and HK$165,000 per annum with effect from 1 January 2023, to reflect the additional responsibilities in respect of corporate governance matters.

In November 2023 the Committee proposed that the fees for NEDs and INEDs for 2024 be respectively fixed at the rate of HK$370,000 and HK$430,000 per annum. This was reflective of the responsibilities and workload of NEDs and INEDs and the fact that their fees had not been adjusted since 2018, and that during the COVID-19 pandemic in 2020 and 2021, the fees for NEDs were waived and the fees for INEDs were reduced by 20%. The Board in December 2023 approved the Committee's proposal. These revised fees are subject to shareholders' approval at the AGM on 8 May 2024 and if approved, will take effect on 8 May 2024 and be payable to the NEDs and INEDs on a pro rata basis for the financial year ended 31 December 2024. The Committee endorsed all the other fees of the NEDs and INEDs be maintained at the current levels as they are in line with the market pay trends.

39 Senior staff also participates in the HSH Management Bonus Plan
40 A quality score measuring user experience and/or operational excellence, and the quality measurement is currently under review

Other Key Work in 2023

2024 salaries

In 2023, the Committee noted management's recommendation on a group-wide 2024 general salary increase and approved a similar percentage salary adjustment to Executive Directors and senior management.

2022 bonuses

The Committee also reviewed and approved the bonus awards to Executive Directors and senior management as well as the HSH Management Bonus Plan proposal. All these adjustments were made after considering the financial performance of the group and other factors such as retention challenges, market pay trends and inflationary forecasts.

Remuneration packages of Executive Directors, Senior Management and Senior Advisor to the Chairman

The Committee reviewed and approved the remuneration packages of the new appointments, including Chief Corporate and Governance Officer, Ms Christobelle Liao, new Chief Financial Officer, Mr Keith Robertson, Chief Operating Officer, Mr Gareth Roberts, and Chief Property Development Officer, Ms Ming Chen and gave careful consideration to their proposed remuneration packages in the context of their individual qualifications and experience as well as the market competitiveness.

The Committee also reviewed and approved the remuneration of Mr Peter Borer, Senior Advisor to the Chairman, which was determined following an arm's length negotiation. The Committee also started the review of the CEO's remuneration package after he steps down in October 2024 while staying on the Board as an Executive Director and Advisor to the incoming CEO until the conclusion of the 2025 AGM.

Others

The Committee reviewed and confirmed its terms of reference remained relevant and no revision was required. It also approved the terms of the letters of appointment of three INEDs.

In March 2024, the Committee approved this report for inclusion into the company's 2023 Annual Report.

Remuneration Committee Report

2023 Remuneration of Directors and Senior Management

The following information is an integral part of the Audited financial statements for the year ended 31 December 2023.

Non-Executive Directors – remuneration

Executive Directors serving on the Board and Board Committees are not entitled to any Directors' fees.

(HK$'000)	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Total[(1)] 2023	Total[(1)] 2022
Non-Executive Directors							
The Hon. Sir Michael Kadoorie	325	100	–	–	40	**465**	465
Mr Andrew C.W. Brandler	325	100	165	60	–	**650**	635
Mr William E. Mocatta[(2)]	81	–	–	–	–	**81**	325
Mr John A.H. Leigh	325	100	–	–	–	**425**	425
Mr Nicholas T.J. Colfer	325	–	–	–	–	**325**	325
Mr James L. Lewis	325	–	–	–	–	**325**	325
Mr Philip L. Kadoorie	325	–	–	–	–	**325**	325
Mr Diego A. González Morales[(3)]	245	–	–	–	–	**245**	–
Independent Non-Executive Directors							
Dr the Hon. Sir David K.P. Li	375	–	–	–	40	**415**	415
Mr Patrick B. Paul	375	–	200	100	–	**675**	660
Mr Pierre R. Boppe	375	–	–	–	–	**375**	375
Dr William K.L. Fung	375	–	–	–	40	**415**	415
Dr Rosanna Y.M. Wong	375	–	–	60	–	**435**	435
Dr Kim L. Winser	375	–	–	–	–	**375**	375
Ms Ada K.H. Tse	375	–	165	–	–	**540**	525
	4,901	300	530	220	120	**6,071**	6,025

Executive Directors – remuneration

The remuneration of Executive Directors of the company for 2023 was as follows:

(HK$'000)	Basic compensation	Bonus and incentives	Retirement benefits	Other benefits	Total[(1)] 2023	Total[(1)] 2022
Executive Directors						
Mr Clement K.M. Kwok	7,702	7,868	1,267	286	**17,123**	16,513
Mr Peter C. Borer	5,528	3,865	895	121	**10,409**	9,772
Mr Christopher S.M. Ip[(4)]	3,193	880	520	767	**5,360**	8,100
Ms Christobelle Y.C. Liao[(5)]	4,748	3,360	475	120	**8,703**	–
	21,171	15,973	3,157	1,294	**41,595**	34,385

Notes:

(1) In line with industry practice, the group operates a scheme which encourages Directors and senior management to use the facilities of the group to promote its business. For this purpose, discount cards are issued to the Directors. The remuneration disclosed does not include the amount of discounts offered to the Directors and senior management

(2) Mr William E. Mocatta retired as a Non-Executive Director of the company with effect from 31 March 2023

(3) Mr Diego A. González Morales was appointed as a Non-Executive Director of the company with effect from 31 March 2023

(4) Mr Christopher S.M. Ip resigned as an Executive Director of the company with effect from 31 March 2023 and remained employed by the company until 31 July 2023

(5) Ms Christobelle Y.C. Liao was appointed as an Executive Director of the company with effect from 4 August 2023. The 2023 figure represents Ms Liao's full year remuneration

Senior Management – remuneration

Remuneration for senior management (GMB members other than Executive Directors*) disclosed pursuant to the Listing Rules falls within the following bands:

	2023 Number	2022 Number
HK$2,500,001 – HK$5,000,000	**0**	4
HK$5,000,001 – HK$7,000,000	**5**	3
HK$7,000,001 – HK$9,000,000	**0**	1

* GMB, the company's management and operations' decision-making authority. As at 31 December 2023, GMB comprised the three Executive Directors and five (2022: eight) senior management who represent the various key functions and operations of the company

Individuals with highest remuneration

The five highest paid individuals of the group included three (2022: three) Executive Directors whose remuneration is set out above. The remuneration of the other two (2022: two) individuals with highest remuneration are within the following bands:

	2023 Number	2022 Number
HK$6,000,001 – HK$6,500,000	**1**	0
HK$6,500,001 – HK$7,000,000	**1**	0
HK$7,000,001 – HK$7,500,000	**0**	1
HK$7,500,001 – HK$8,000,000	**0**	1

The aggregate of the remuneration in respect of these two (2022: two) individuals is as follows:

(HK$'000)	2023	2022
Basic compensation	**7,275**	9,848
Bonus and incentives	**1,413**	3,745
Retirement benefits	**937**	476
Other benefits	**3,727**	924
	13,352	14,993
Number of Individuals	**2**	2

The Committee has reviewed the methodology and benchmarking of the remuneration disclosed above and has endorsed and approved the same.

2024 and beyond

2024 will bring in a number of high profile changes to the company's Board and senior management. The Committee will continue to play a vital role in overseeing and scrutinising carefully crafted and detailed compensation packages which reflect the broad of array of talent we have been fortunate to attract and retain. Its work will take place in the backdrop of challenging economic headwinds in a number of our key markets, reinforcing the need to maintain the delicate balance between fiscal prudence and attractive remuneration packages.

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2023.

Principal Activities

The principal activity of the company is investment holding and the principal activities of its subsidiaries, joint ventures and associates are the ownership, development and management of prestigious hotels and commercial and residential properties in key locations in Asia, the United States and Europe, as well as the provision of tourism and leisure, club management and other services.

Particulars of the principal subsidiaries of the company are set out in note 33 to the financial statements.

Business Review and Performance

Discussions on the group's businesses and performance during the year can be found throughout this annual report. A summary of the relevant sections in this Annual Report covering the required disclosures under the Companies Ordinance is set out below. These discussions form part of this Directors' Report.

Disclosures		Sections
(a)	A fair review of the group's business and a discussion and analysis of the group's performance during the financial year 2023 and the material factors underlying its results and financial position, including analysis using financial key performance indicators	• Letter from the Chairman (pages 24 to 27) • CEO Statement and Strategic Review (pages 28 to 50) • Operational Review (pages 53 to 94) • Financial Review (pages 96 to 114)
(b)	Outlook of the group's business	• Letter from the Chairman (pages 24 to 27) • CEO Statement and Strategic Review (pages 28 to 50) • Operational Review (pages 53 to 94)
(c)	Particulars of important events affecting the group that have occurred since the end of the financial year 2023	• Letter from the Chairman (pages 24 to 27) • CEO Statement and Strategic Review (pages 28 to 50) • Operational Review (pages 53 to 94)
(d)	Description of the principal risks and uncertainties facing the group	• Letter from the Chairman (pages 24 to 27) • CEO Statement and Strategic Review (pages 28 to 50) • Operational Review (pages 53 to 94) • Corporate Governance Report (pages 168 to 185) • Group Risk Committee Report (pages 186 to 189) • Note 28 to the financial statements
(e)	Details regarding compliance with relevant laws and regulations which have a significant impact on the group	• Corporate Governance Report (pages 168 to 185) • Corporate Responsibility and Sustainability Report (CRS Report)[41]
(f)	An account of the group's relationships with its key stakeholders	• CEO Statement and Strategic Review (pages 28 to 50) • Engaging with our Stakeholders (pages 138 to 142) • Corporate Governance Report (pages 168 to 185) • Group Corporate Responsibility Committee Report (pages 190 to 194)
(g)	Details regarding the environment and social related policies and performance	• Letter from the Chairman (pages 24 to 27) • CEO Statement and Strategic Review (pages 28 to 50) • Group Corporate Responsibility Committee Report (pages 190 to 194) • CRS Report

41 Posted on the company website: www.hshgroup.com/en/sustainable-luxury/sustainability-reports

Ten Year Operating Statistics and Financial Summary

The group's key operating statistics and financial data for the last ten years are set out on pages 22 and 23.

Share Capital

There was no movement in the share capital of the company during the year.

Equity-linked Agreements

No equity-linked agreement was entered into by the company during the year or subsisted at the end of the year.

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.

Dividends

No interim dividend was paid during the year 2023 (2022: Nil). The Directors have recommended a final dividend of 8 HK cents per share (2022: Nil) and this is in line with our dividend policy of providing its shareholders with a stable and sustainable dividend stream, which is linked to the cashflows from operating activities and underlying earnings. Subject to the shareholders' approval at the AGM on 8 May 2024, such dividends will be payable on 20 June 2024 to shareholders whose names appear on the register of members on 17 May 2024.

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

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

Borrowings

Particulars of all borrowings are set out in note 23 to the financial statements.

Charitable Donations

Cash donations made by the group for charitable purposes during the year amounted to HK$1.38 million (2022: HK$0.75 million)[42].

Major Customers and Suppliers

The diversity and nature of the group's activities are such that the percentage of sales or purchases attributable to the group's five largest customers or suppliers is significantly less than 30% of the total and the Directors do not consider any one customer or supplier to be influential to the group during the year.

Connected Transactions

Audit & Risk Management Department has reviewed all connected transactions and confirmed that the internal control procedures of the connected transactions are adequate and effective. The Audit Committee has also reviewed these connected transactions.

Material Related Party Transactions

Details of material related party transactions which were undertaken in the ordinary and usual course of business are set out in note 31 to the financial statements.

Directors

Biographical details of the Directors in office at the date of this report are shown on pages 154 to 162. All of them held office throughout 2023 and up to the date of this report, with the exception of Mr Diego González Morales who was appointed as a Non-Executive Director on 31 March 2023, Ms Christobelle Liao who was appointed as an Executive Director and the Chief Corporate and Governance Officer on 4 August 2023 and Mr Keith Robertson who was appointed as an Executive Director and the Chief Financial Officer on 29 January 2024. During the year, Mr William Mocatta retired as a Non-Executive Director and Mr Christopher Ip resigned as an Executive Director and the Chief Financial Officer, both effective from 31 March 2023.

42 The donations amount of HK$3.8 million (2022: HK$0.94 million) referred to in the Sustainability Data Statements on page 286 include donations by managed properties owned by a joint venture and associates and employees. This figure excludes the HK$37.9 million the group has set aside as a special donation under our "Hope for Türkiye" fundraising campaign which was an initiative to support those affected by the devastating earthquake that occurred in Türkiye in February 2023. The group is now reviewing the most appropriate non-profit or governmental organisation partner to achieve the optimal outcome for our donation.

Directors' Report

In accordance with the Articles of Association of the company, all the Directors except for Mr John Leigh who will retire at the 2024 AGM[43] and, being eligible, have agreed to offer themselves for re-election. They include Ms Christobelle Liao, Mr Keith Robertson, Mr Nicholas Colfer, Mr James Lewis, Mr Philip Kadoorie, Dr the Hon. Sir David Li and Ms Ada Tse. Mr Leigh does not offer himself for re-election and will retire at the 2024 AGM.

None of the Directors proposed for re-election at the 2024 AGM has a service contract with the company which is not determinable by the company within one year without payment of compensation, other than statutory compensation.

Directors of Subsidiaries

The list of directors who have served on the boards of the subsidiaries of the company during the year and up to the date of this report is shown on the company website[44].

Senior Management

Biographical details of senior management in office at the date of this report are shown on pages 163 and 164. All of them held office throughout 2023 and up to the date of this report, except Ms Ming Chen who was appointed as a member of the Group Management Board on 1 January 2024. During the year, Ms Christobelle Liao transitioned to become a Board member on 4 August 2023 and Ms Shirley Lam resigned on 17 November 2023.

Interests of Directors

As at 31 December 2023, the interests or short positions of the Directors of the company in the shares, underlying shares and debentures of the company or any associated corporation, within the meaning of Part XV of the Securities and Futures Ordinance (SFO), as recorded in the register required to be kept under section 352 of the SFO, are as follows:

Long position in shares of the company

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

Notes:

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

- (i) 356,666,831 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the discretionary beneficiaries and the founder; and
- (ii) 492,138,538 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the discretionary beneficiaries and the founder.

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

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

- (i) 356,666,831 shares were ultimately held by a discretionary trust, of which Mr Philip L. Kadoorie is one of the discretionary beneficiaries; and
- (ii) 492,138,538 shares were ultimately held by a discretionary trust, of which Mr Philip L. Kadoorie is one of the discretionary beneficiaries.

43 AGM will be held on 8 May 2024
44 www.hshgroup.com/en/corporate-governance/directors-of-subsidiaries

Mr Andrew Brandler, Ms Christobelle Liao, Messrs Nicholas Colfer, James Lewis, Diego González Morales, Patrick Paul; Dr William Fung, Dr Rosanna Wong, Dr Kim Winser and Ms Ada Tse who are Directors of the company have each confirmed that they had no interests in the shares of the company or any of its associated corporations as at 31 December 2023.

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

Except as set out above, as at 31 December 2023, none of the Directors of the company (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares and debentures of the company or its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register required to be kept under section 352 of the SFO.

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

Interests of Senior Management

As at 31 December 2023, none of the senior management had any interests in the shares and underlying shares of the company.

Interests of Substantial Shareholders

So far as is known to any Director of the company, as at 31 December 2023, shareholders (other than Directors of the company) who had interests or short positions in the shares and underlying shares of the company as recorded in the register required to be kept under section 336 of the SFO, are as follows:

Long position in shares of the company

(a) Substantial shareholders

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

Directors' Report

Notes:

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

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

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

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

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

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

(b) Other substantial shareholders

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

Note:

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

Except as set out above, as at 31 December 2023, the company had not been notified of any substantial shareholder (other than Directors of the company) who had interests or short positions in the shares or underlying shares of the company that were recorded in the register required to be kept under section 336 of the SFO.

Interests of Any Other Person

As at 31 December 2023, the company had not been notified of any person other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the company, which are required to be recorded in the register required to be kept under section 336 of the SFO.

Directors' Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance to which the company or its subsidiaries was a party and in which a Director of the company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2023 or at any time during the year.

Directors' Indemnities

The company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its Directors. The level of the coverage is reviewed annually by Finance Committee. The company has also granted indemnities to each Director of the company (including former Directors) and some of the Directors of its associated companies to the extent permitted by law. The indemnity was in force throughout the financial year and is currently in force.

Employee Retirement Benefits

Details of the group's employee retirement benefits are shown in note 27 to the financial statements.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the company was entered into or existed during the year.

Corporate Governance Report

The Corporate Governance Report outlines the company's approach to governance is set out on pages 168 to 185.

Loan Agreements with Covenants Relating to Specific Performance of the Controlling Shareholder

The company has not entered into any new loan agreements containing any covenant relating to specific performance of the controlling shareholder, which is required to be disclosed in accordance with rule 13.18 of the Listing Rules.

Directors' Responsibilities for the Financial Statements

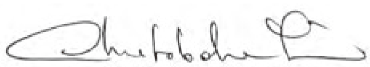
The Directors are responsible for preparing the financial statements for each financial period. These financial statements must present a true and fair view of the state of affairs of the group and of the results and cashflows of the relevant period. The Directors are also responsible for ensuring that the group operates an efficient financial reporting system and keeps proper accounting records which disclose at any time and with reasonable accuracy the financial position of the group.

In preparing the financial statements for the year ended 31 December 2023, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

Auditor

The financial statements for the year ended 31 December 2023 have been audited by KPMG who will retire at the 2024 AGM and, being eligible, offer themselves for re-appointment. A resolution to re-appoint KPMG (Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance) as auditor and authorise the Directors to fix their remuneration will be proposed at the 2024 AGM.

By Order of the Board



Christobelle Liao
Executive Director
19 March 2024


DMR
BLU 699

Financial Statements

Independent Auditor's Report

Independent Auditor's Report to the members of
The Hongkong and Shanghai Hotels, Limited
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of The Hongkong and Shanghai Hotels, Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 219 to 283, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Recoverability of the carrying value of hotel properties owned by the Group, a joint venture and associates

(Refer to note 12, note 14, note 15 and note 34 to the consolidated financial statements)

<table>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
The Group owns interests in various hotel properties around the world either directly or through its investments in a joint venture and associates. These hotel properties, which are stated at cost less accumulated depreciation and impairment, are significant to the Group in terms of their values.
At the year end management assesses if there are any indicators of potential impairment of hotel properties. In such cases, management assesses the recoverability of the carrying value of hotel properties based on valuations prepared by an external property valuer in accordance with recognised industry standards.
The valuation of hotel properties is complex and involves a significant degree of judgement and estimation, particularly given the diverse locations of the hotel properties and the particular economic and political circumstances at each location which can affect, inter alia, occupancy rates, revenue per available room and future growth rates.
We identified assessing the recoverability of the carrying value of hotel properties owned by the Group and its investees as a key audit matter because of the complexity of the valuations and because of the significant judgement and estimation required and the potential for management bias in the selection of the assumptions.
</td><td>
Our audit procedures to assess the recoverability of the carrying value of hotel properties owned by the Group and its investees included the following:

discussing triggering events and/or indicators of potential impairment of hotel properties with management and inspecting the operating results and cash flow forecasts of the respective hotels;
where such triggering events or indicators were determined to exist:

– meeting the external property valuer, independent of management, to discuss the valuations and assess the valuation methodology applied and considering the valuer’s qualifications, expertise in the properties being valued and objectivity;
– challenging the key estimates and assumptions adopted in the valuations, including occupancy rates, revenue per available room, future growth rates and the discount rates applied, by comparing these with budgets approved by the directors, market available data for comparable properties and the current year’s operating results; and
– performing sensitivity analyses by making adjustments to the key estimates and assumptions to assess the risk of possible management bias in the valuation exercise.

</td></tr>
</table>

Independent Auditor's Report

Valuation of investment properties owned by the Group and a joint venture

(Refer to note 12, note 14 and note 34 to the consolidated financial statements)

The Key Audit Matter	How the matter was addressed in our audit
The Group holds a portfolio of investment properties comprising office, residential and commercial properties in various locations around the world. These investment properties, which are stated at fair value, are significant to the Group in terms of their values. Management's assessment of the fair value of investment properties is based on valuations performed by external property valuers in accordance with recognised industry standards. These valuations are complex and involve a significant degree of judgement and estimation in respect of capitalisation rates and market rents, particularly given the number and diversity of locations and nature of the investment properties. We identified assessing the valuation of investment properties owned by the Group and a joint venture as a key audit matter because of the complexity of the valuations and because of the significant judgement and estimation required.	Our audit procedures to assess the valuation of investment properties owned by the Group and a joint venture included the following: • discussing with management their assessment of the valuations, including the key assumptions adopted and recent market developments at each location where the investment properties are situated; • meeting the external property valuers, independent of management, to discuss the valuations and assess the valuation methodologies applied and considering the valuers' qualifications, expertise in the properties being valued and objectivity; • with the assistance of our property valuations specialists, challenging the key estimates and assumptions adopted in the valuations, including the capitalisation rates and market rents, by comparing the key estimates with market available data, government produced market statistics and the current year's operating results.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor’s Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Chan Tsz Kei.

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

19 March 2024

Consolidated Statement of Profit or Loss (HK$m)

	Note	2023	2022
		Year ended 31 December	
Revenue	3	**8,112**	4,198
Cost of inventories	4	**(2,435)**	(352)
Staff costs and related expenses		**(2,462)**	(1,966)
Rent and utilities		**(492)**	(370)
Other operating expenses		**(1,625)**	(1,111)
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)		**1,098**	399
Depreciation and amortisation		**(520)**	(452)
Operating profit/(loss)		**578**	(53)
Interest income		**21**	6
Financing charges	5	**(314)**	(204)
Net financing charges		**(293)**	(198)
Profit/(loss) after net financing charges	4	**285**	(251)
Share of results of joint ventures	14	**(166)**	(54)
Share of results of associates	15	**(18)**	(11)
Increase/(decrease) in fair value of investment properties	12(a)	**186**	(152)
Profit/(loss) before taxation		**287**	(468)
Taxation			
Current tax	6	**(118)**	(48)
Deferred tax	6	**(21)**	31
Profit/(loss) for the year		**148**	(485)
Profit/(loss) attributable to:			
Shareholders of the company		**146**	(488)
Non-controlling interests		**2**	3
Profit/(loss) for the year		**148**	(485)
Earnings/(loss) per share, basic and diluted (HK$)	9	**0.09**	(0.30)

The notes on pages 224 to 283 form part of these Financial Statements.

Consolidated Statement of Comprehensive Income (HK$m)

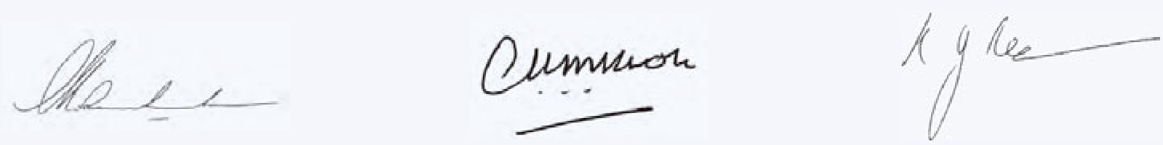
	Note	Year ended 31 December 2023	2022
Profit/(loss) for the year		**148**	(485)
Other comprehensive income for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
– financial statements of overseas subsidiaries		**247**	(387)
– financial statements of joint ventures		**(46)**	(144)
– financial statements of and loans to an associate		**11**	(29)
– hotel operating rights and trademarks		**16**	(26)
		228	(586)
Cash flow hedges:			
– effective portion of changes in fair values		**13**	280
– transfer from equity to profit or loss		**(120)**	(22)
		(107)	258
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings held for own use upon transfer to investment properties	12(a)	**–**	63
Remeasurement of net defined benefit retirement obligations		**(4)**	4
		(4)	67
Other comprehensive income	8	**117**	(261)
Total comprehensive income for the year		**265**	(746)
Total comprehensive income attributable to:			
Shareholders of the company		**263**	(749)
Non-controlling interests		**2**	3
Total comprehensive income for the year		**265**	(746)

The notes on pages 224 to 283 form part of these Financial Statements.

Consolidated Statement of Financial Position (HK$m)

	Note	**As at 31 December 2023**	As at 31 December 2022
Non-current assets			
Investment properties		**33,170**	32,895
Other properties, plant and equipment		**15,662**	14,235
	12	**48,832**	47,130
Interest in joint ventures	14	**1,529**	1,372
Interest in associates	15	**448**	459
Hotel operating rights and trademarks	16	**459**	456
Derivative financial instruments	17/28(b)	**218**	334
Deferred tax assets	18(b)	**151**	148
		51,637	49,899
Current assets			
Properties held/under development for sale	13	**4,382**	5,169
Derivative financial instruments	17/28(b)	**2**	15
Inventories	19	**114**	87
Trade and other receivables	20	**853**	826
Cash at banks and in hand	21(a)	**881**	585
		6,232	6,682
Current liabilities			
Trade and other payables	22	**(1,950)**	(1,684)
Interest-bearing borrowings	23	**(2,504)**	(4,544)
Current taxation	18(a)	**(102)**	(22)
Lease liabilities	24	**(149)**	(165)
		(4,705)	(6,415)
Net current assets		**1,527**	267
Total assets less current liabilities		**53,164**	50,166
Non-current liabilities			
Interest-bearing borrowings	23	**(13,410)**	(10,648)
Trade and other payables	22	**(113)**	(96)
Net defined benefit retirement obligations	27	**(20)**	(18)
Deferred tax liabilities	18(b)	**(658)**	(657)
Lease liabilities	24	**(2,584)**	(2,627)
		(16,785)	(14,046)
Net assets		**36,379**	36,120
Capital and reserves			
Share capital	25	**5,837**	5,837
Reserves		**30,442**	30,179
Total equity attributable to shareholders of the company		**36,279**	36,016
Non-controlling interests		**100**	104
Total equity		**36,379**	36,120

Approved by the Board of Directors on 19 March 2024 and signed on its behalf by:



The Hon. Sir Michael Kadoorie, Clement K.M. Kwok, Keith J. Robertson, Directors

The notes on pages 224 to 283 form part of these Financial Statements.

Consolidated Statement of Changes in Equity (HK$m)

	Note	Attributable to shareholders of the company: Share capital	Reserves: Hedging reserve	Reserves: Exchange and other reserves	Reserves: Retained profits	Reserves: Total reserves	Total	Non-controlling interests	Total equity
At 1 January 2022		5,837	29	76	30,820	30,925	36,762	103	36,865
Changes in equity for 2022:									
Loss for the year		–	–	–	(488)	(488)	(488)	3	(485)
Other comprehensive income	8	–	258	(519)	–	(261)	(261)	–	(261)
Total comprehensive income for the year		–	258	(519)	(488)	(749)	(749)	3	(746)
Transfer to fixed assets		–	3	–	–	3	3	–	3
Dividend paid to non-controlling interests		–	–	–	–	–	–	(6)	(6)
Capital contributions from non-controlling interests		–	–	–	–	–	–	4	4
Balance at 31 December 2022 and 1 January 2023		5,837	290	(443)	30,332	30,179	36,016	104	36,120
Changes in equity for 2023:									
Profit for the year		**–**	**–**	**–**	**146**	**146**	**146**	**2**	**148**
Other comprehensive income	8	**–**	**(107)**	**224**	**–**	**117**	**117**	**–**	**117**
Total comprehensive income for the year		**–**	**(107)**	**224**	**146**	**263**	**263**	**2**	**265**
Dividend paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Balance at 31 December 2023		**5,837**	**183**	**(219)**	**30,478**	**30,442**	**36,279**	**100**	**36,379**

The notes on pages 224 to 283 form part of these Financial Statements.

Consolidated Statement of Cash Flows (HK$m)

	Note	Year ended 31 December 2023	2022
Operating activities			
Profit/(loss) after net financing charges		**285**	(251)
Adjustments for:			
Depreciation	12(a)	**506**	439
Amortisation of hotel operating rights	16	**14**	13
Interest income	4	**(21)**	(6)
Financing charges	5	**314**	204
EBITDA		**1,098**	399
Changes in working capital in connection with The Peninsula Residences London sold		**1,999**	–
Increase in inventories		**(28)**	(15)
Increase in trade and other receivables		**(36)**	(66)
Decrease in amount due from a joint venture		**–**	62
Increase in trade and other payables		**402**	108
		2,337	89
Cash generated from operations		**3,435**	488
Net tax paid:			
Hong Kong Profits Tax		**(11)**	(61)
Overseas tax		**(17)**	(10)
Net cash generated from operating activities		**3,407**	417
Investing activities			
Capital expenditure on The Peninsula London Complex and The Peninsula Yangon		**(1,862)**	(2,174)
Capital expenditure on the Peak Tram upgrade project		**(68)**	(161)
Capital injection into The Peninsula Istanbul joint venture		**(369)**	(278)
Trademark acquisition cost for The Peninsula Istanbul		**–**	(12)
Capital expenditure on operating assets		**(314)**	(200)
Cash injected from the non-controlling shareholder of The Peninsula Yangon		**–**	4
Receipt from associates		**10**	21
Repayment of shareholder's loans from a joint venture		**–**	63
Net cash used in investing activities		**(2,603)**	(2,737)
Financing activities			
Drawdown of term loans		**2,139**	7,848
Repayment of term loans		**(1,631)**	(6,231)
Net (decrease)/increase in revolving loans		**(154)**	1,294
Net deposit of interest-bearing bank deposits with maturity of more than three months		**(146)**	(2)
Interest paid and other financing charges		**(731)**	(289)
Interest received		**23**	6
Capital element of lease rental paid		**(27)**	(31)
Interest element of lease rental paid		**(121)**	(136)
Dividends paid to holders of non-controlling interests		**(6)**	(6)
Net cash (used in)/generated from financing activities		**(654)**	2,453
Net increase in cash and cash equivalents		**150**	133
Cash and cash equivalents at 1 January		**570**	466
Effect of changes in foreign exchange rates		**–**	(29)
Cash and cash equivalents at 31 December	21(a)	**720**	570

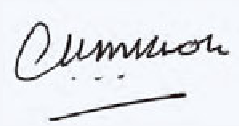
The notes on pages 224 to 283 form part of these Financial Statements.

Notes to the Financial Statements

1. Company-level statement of financial position (HK$m)

	Note	At 31 December 2023	2022
Non-current asset			
Investment in subsidiaries	33	**–**	–
Current assets			
Amounts due from subsidiaries		**16,881**	16,358
Other receivables		**8**	7
Cash at banks and in hand		**28**	19
		16,917	16,384
Current liabilities			
Amounts due to subsidiaries		**(138)**	(50)
Other payables and accruals		**(35)**	(25)
		(173)	(75)
Net assets		**16,744**	16,309
Capital and reserves			
Share capital	25	**5,837**	5,837
Reserves	26(a)	**10,907**	10,472
Total equity		**16,744**	16,309

Approved by the Board of Directors on 19 March 2024 and signed on its behalf by:


The Hon. Sir Michael Kadoorie, Clement K. M. Kwok, Keith J. Robertson, Directors

2. Statement of compliance

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. Material accounting policies adopted by the group are disclosed in note 34.

The HKICPA has issued certain amendments to HKFRSs and guidance that are first effective or available for early adoption for the current accounting period of the group. Note 35 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 accounting periods reflected in these financial statements.

3. Revenue (HK$m)

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

Revenue represents the consideration expected to be received in respect of the transfer of goods and services, including the sales of residential apartments, in accordance with HKFRS 15, *Revenue from contracts with customers* and rental income derived from the hotels' shopping arcade and offices and commercial properties recognised in accordance with HKFRS 16, *Leases*. Note 34(s) further describes the accounting policy in relation to each revenue stream, including point in time and over time measurement basis. Set out below is a breakdown of the group's revenue for the years ended 31 December 2023 and 2022:

	2023				2022			
	Recognise at a point in time	**Recognise over time**	**Rental income on leases**	**Total**	Recognise at a point in time	Recognise over time	Rental income on leases	Total
Hotels								
– Rooms	**–**	**2,063**	**–**	**2,063**	–	1,284	–	1,284
– Food and beverage	**1,215**	**–**	**–**	**1,215**	892	–	–	892
– Shopping arcades and offices	**–**	**31**	**498**	**529**	–	36	496	532
– Others	**256**	**111**	**–**	**367**	207	80	–	287
	1,471	**2,205**	**498**	**4,174**	1,099	1,400	496	2,995
Commercial properties								
– Residential properties	**–**	**41**	**373**	**414**	–	47	355	402
– Offices	**–**	**13**	**86**	**99**	–	10	85	95
– Shopping arcades and others	**191**	**30**	**78**	**299**	89	33	67	189
– Sales of residential apartments	**2,298**	**–**	**–**	**2,298**	–	–	–	–
	2,489	**84**	**537**	**3,110**	89	90	507	686
Clubs and Services								
– Golf club	**140**	**87**	**–**	**227**	117	86	–	203
– Peak Tram operation	**221**	**–**	**–**	**221**	29	–	–	29
– Peninsula Merchandising	**316**	**–**	**–**	**316**	244	–	–	244
– Others	**59**	**5**	**–**	**64**	37	4	–	41
	736	**92**	**–**	**828**	427	90	–	517
				8,112				4,198

Notes to the Financial Statements

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

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

	2023	2022
Cost of inventories		
Residential apartments	**1,999**	–
Others	**436**	352
Amortisation	**14**	13
Depreciation		
Other properties, plant and equipment	**459**	391
Right-of-use assets	**47**	48
Auditor's remuneration:		
Audit services	**11**	10
Taxation and other services	**4**	3
Interest income	**(21)**	(6)
Rentals receivable from investment properties less direct outgoings of HK$26 million (2022: HK$27 million)	**(1,009)**	(976)
Government grants	**–**	(45)

5. Financing charges (HK$m)

	2023	2022
Interest on bank borrowings	**863**	284
Derivative financial instruments:		
– cash flow hedges, transfer from equity (note 8)	**(143)**	(26)
	720	258
Interest on lease liabilities	**136**	139
Other borrowing costs	**33**	47
	889	444
Less: Interest expenses capitalised into		
– properties under development*	**(546)**	(196)
– right-of-use assets#	**(29)**	(44)
	314	204

* The specific and general borrowing costs have been capitalised at an average rate of 5.9% and 3.9% in 2023 respectively (2022: 2.1% and 2.7% respectively).

Interest on lease liabilities have been capitalised at an average rate of 4.8% in 2023 (2022: 4.8%).

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

(a) Taxation in the consolidated statement of profit or loss represents:

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

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

(b) Pillar Two income taxes

The group has operations in the UK, which has enacted new tax laws to implement the Base Erosion and Profit Shifting Pillar Two income inclusion rules published by the Organisation for Economic Cooperation and Development.

The aforesaid legislation is effective from 1 January 2024. The Pillar Two model rules introduce new taxing mechanism under which multinational enterprises (MNEs) meeting the EUR 750 million consolidated revenue threshold for at least two of the previous four years would be subject to a top-up tax if the effective tax rate of the jurisdictions in which the MNEs operate is below 15%.

The group is expected to be in scope of the Pillar Two model rules for the financial year beginning 1 January 2025. However, the directors consider that the aforesaid legislation will not have a significant impact on the group's overall tax position for 2025 and future years.

Notes to the Financial Statements

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

(c) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2023	2022
Profit/(loss) before taxation	**287**	(468)
Notional tax at the domestic income tax rate of 16.5%	**47**	(77)
Tax effect of non-deductible expenses	**4**	3
Tax effect of non-taxable income	**–**	(8)
Tax effect of share of losses of joint ventures and associates	**30**	11
Tax effect of (non-taxable)/non-deductible fair value change on Hong Kong investment properties	**(34)**	23
Tax effect of tax losses not recognised	**68**	63
Effect of different tax rates of subsidiaries operating in other jurisdictions	**28**	6
Over-provision in respect of prior years	**(5)**	(7)
Others	**1**	3
Actual tax expense	**139**	17

7. Remuneration of key management personnel (HK$000)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company and the group. It comprises the Board of Directors of the company and the Group Management Board (GMB). GMB comprises the Executive Directors and five (2022: eight) senior management. The total remuneration of the key management personnel is shown below:

	2023		2022	
	Executive and Non-executive Directors	**GMB members other than Executive Directors**	Executive and Non-executive Directors	GMB members other than Executive Directors
Directors' fees	**6,071**	**–**	6,025	–
Basic compensation	**21,171**	**20,486**	17,984	28,534
Bonuses and incentives	**15,973**	**4,928**	12,911	9,888
Retirement benefits	**3,157**	**1,838**	2,936	2,524
Other benefits	**1,294**	**748**	554	928
	47,666	**28,000**	40,410	41,874

Further details of the remuneration of the Directors (on a named basis) and senior management, and remuneration paid to the five highest paid individuals by bands are disclosed in the "2023 Remuneration of Directors and Senior Management" section of the Remuneration Committee Report, which forms an integral part of these audited financial statements.

8. Other comprehensive income and the related tax effects (HK$m)

	2023			2022		
	Gross amount before tax	**Tax (expense)/ benefit**	**Net-of-tax amount**	Gross amount before tax	Tax (expense)/ benefit	Net-of-tax amount
Exchange differences on translation of:						
– financial statements of overseas subsidiaries	**247**	**–**	**247**	(387)	–	(387)
– financial statements of joint ventures	**(46)**	**–**	**(46)**	(144)	–	(144)
– financial statements of and loans to an associate	**11**	**–**	**11**	(29)	–	(29)
– hotel operating rights and trademarks	**16**	**–**	**16**	(26)	–	(26)
	228	**–**	**228**	(586)	–	(586)
Cash flow hedges:						
– effective portion of changes in fair values	**14**	**(1)**	**13**	334	(54)	280
– transfer from equity to profit or loss	**(143)**	**23**	**(120)**	(26)	4	(22)
	(129)	**22**	**(107)**	308	(50)	258
Surplus on revaluation of land and buildings held for own use upon transfer to investment properties	**–**	**–**	**–**	63	–	63
Remeasurement of net defined benefit retirement obligations	**(4)**	**–**	**(4)**	4	–	4
Other comprehensive income	**95**	**22**	**117**	(211)	(50)	(261)

Notes to the Financial Statements

9. Earnings/(loss) per share

(a) Earnings/(loss) per share – basic

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

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

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

10. Dividends (HK$m)

(a) Dividend policy

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

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

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

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

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

	2023	2022
Final dividend in respect of previous financial year, approved and paid during the year	**–**	–
	–	–

11. Segment reporting (HK$m)

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

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

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

(a) Segment results

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

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

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

* Analysis of segment revenue is disclosed in note 3.

Notes to the Financial Statements

11. Segment reporting (HK$m) continued

(b) Segment assets

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

	Note	**2023**	2022
Reportable segment assets			
Hotels		**28,756**	26,907
Commercial properties		**26,654**	27,410
Clubs and services		**1,207**	1,182
		56,617	55,499
Unallocated assets			
Derivative financial instruments	17	**220**	349
Deferred tax assets	18(b)	**151**	148
Cash at banks and in hand	21(a)	**881**	585
Consolidated total assets		**57,869**	56,581

(c) Geographical information

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

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

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

12. 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 12(e))	Hotel and other buildings held for own use	Motor vehicles, plant and equipment	Construction in progress	Sub-total	Investment properties (notes 12(b), (c) & (d))	Total
Cost or valuation:								
At 1 January 2022	695	3,133	8,609	4,929	6,378	23,744	33,077	56,821
Exchange adjustments	(16)	(322)	(379)	(153)	(572)	(1,442)	(140)	(1,582)
Additions	–	74	21	116	1,855	2,066	38	2,104
Disposals	–	–	–	(18)	–	(18)	–	(18)
Surplus on revaluation	–	–	63	–	–	63	–	63
Transfer	–	–	(67)	740	(745)	(72)	72	–
Fair value adjustment	–	–	–	–	–	–	(152)	(152)
At 31 December 2022	679	2,885	8,247	5,614	6,916	24,341	32,895	57,236
Representing:								
Cost	679	2,885	8,247	5,614	6,916	24,341	–	24,341
Valuation – 2022	–	–	–	–	–	–	32,895	32,895
	679	2,885	8,247	5,614	6,916	24,341	32,895	57,236
At 1 January 2023	**679**	**2,885**	**8,247**	**5,614**	**6,916**	**24,341**	**32,895**	**57,236**
Exchange adjustments	**4**	**(31)**	**21**	**5**	**231**	**230**	**7**	**237**
Additions	**–**	**30**	**67**	**157**	**1,402**	**1,656**	**82**	**1,738**
Disposals	**–**	**–**	**(1)**	**(9)**	**–**	**(10)**	**–**	**(10)**
Transfer	**–**	**–**	**5,603**	**1,951**	**(7,554)**	**–**	**–**	**–**
Fair value adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**186**	**186**
At 31 December 2023	**683**	**2,884**	**13,937**	**7,718**	**995**	**26,217**	**33,170**	**59,387**
Representing:								
Cost	**683**	**2,884**	**13,937**	**7,718**	**995**	**26,217**	**–**	**26,217**
Valuation – 2023	**–**	**–**	**–**	**–**	**–**	**–**	**33,170**	**33,170**
	683	**2,884**	**13,937**	**7,718**	**995**	**26,217**	**33,170**	**59,387**
Accumulated depreciation and impairment losses:								
At 1 January 2022	254	363	4,547	4,153	679	9,996	–	9,996
Exchange adjustments	(8)	(19)	(166)	(118)	–	(311)	–	(311)
Charge for the year	–	48	162	229	–	439	–	439
Written back on disposals	–	–	–	(18)	–	(18)	–	(18)
At 31 December 2022	246	392	4,543	4,246	679	10,106	–	10,106
At 1 January 2023	**246**	**392**	**4,543**	**4,246**	**679**	**10,106**	**–**	**10,106**
Exchange adjustments	**1**	**(8)**	**(18)**	**(22)**	**–**	**(47)**	**–**	**(47)**
Charge for the year	**–**	**47**	**171**	**288**	**–**	**506**	**–**	**506**
Written back on disposals	**–**	**–**	**(1)**	**(9)**	**–**	**(10)**	**–**	**(10)**
At 31 December 2023	**247**	**431**	**4,695**	**4,503**	**679**	**10,555**	**–**	**10,555**
Net book value:								
At 31 December 2023	**436**	**2,453**	**9,242**	**3,215**	**316**	**15,662**	**33,170**	**48,832**
At 31 December 2022	433	2,493	3,704	1,368	6,237	14,235	32,895	47,130

Notes to the Financial Statements

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

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

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

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

The group assessed the recoverable amounts of its other properties, plant and equipment and construction in progress at the reporting date in accordance with the accounting policy as disclosed in note 34(i).

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

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

Description of investment properties	Name of valuer	Qualification of the staff of the valuer conducting the valuation
Hong Kong		
Retail shops, offices and residential apartments	Savills Valuation and Professional Services Limited (Savills)	Members of the Hong Kong Institute of Surveyors
Other Asia*		
Retail shops, offices, residential apartments and vacant land	Savills	Members of the Hong Kong Institute of Surveyors
	Colliers International Consultancy & Valuation (Singapore) Pte. Limited (Colliers)	Members of the Royal Institution of Chartered Surveyors
United States of America		
Retail shops and vacant land	Colliers	Members of the Royal Institution of Chartered Surveyors
Europe		
Retail shops, offices and residential apartments	Colliers	Members of the Royal Institution of Chartered Surveyors

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

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

(c) Fair value measurement of investment properties

The fair value of the group's investment properties is mainly determined using the income capitalisation approach by applying the expected rental income with a capitalisation rate adjusted for the quality and location of the buildings. The following table summarises the valuation parameters adopted by the valuers in assessing the fair value of the group's investment properties as at 31 December 2023:

Valuation parameters	Range
Capitalisation rate	
– Shopping arcades	3.8% – 6.3% (2022: 3.8% – 6.3%)
– Offices	3.8% – 3.9% (2022: 3.8% – 3.9%)
– Residential properties	2.6% – 3.4% (2022: 2.6% – 3.4%)
Expected monthly market rental per square foot	
– Shopping arcades	HK$33 – HK$1,200 (2022: HK$32 – HK$1,200)
– Offices	HK$25 – HK$52 (2022: HK$25 – HK$52)
– Residential properties	HK$39 – HK$72 (2022: HK$39 – HK$72)

Details of the movement of the group's investment properties are disclosed in note 12(a) above.

The net fair value adjustment of investment properties is recognised as a non-operating item in the consolidated statement of profit or loss.

(d) Investment properties rented out under operating leases

The group rents out its investment properties to third party tenants for rental income under operating leases. The rental agreements with tenants typically run for an initial period of one to five years, with or without options to renew after that date at which time all terms are renegotiated. Certain rental agreements include variable rentals that are based on the revenue of tenants.

Undiscounted rentals receivable by the group under non-cancellable operating lease arrangements at the reporting date are as follows:

	2023	2022
Within one year	**777**	731
After one year but within two years	**449**	466
After two years but within three years	**295**	355
After three years but within four years	**226**	240
After four years but within five years	**173**	193
After five years	**240**	395
	2,160	2,380

Notes to the Financial Statements

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

(e) Right-of-use assets

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

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

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

The analysis of expense items in relation to leased properties charged to the consolidated statement of profit or loss is as follows:

	2023	2022
Depreciation charge of right-of-use assets for properties leased for own use	**47**	48
Interest on lease liabilities	**136**	139
Variable lease payments not included in the measurement of lease liabilities	**12**	8

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

(f) Hotel and investment properties, all held through subsidiaries, are as follows:

	Usage
Held in Hong Kong:	
Long-term leases (over 50 years):	
The Peninsula Hong Kong, Salisbury Road	Hotel and commercial rentals
The Peninsula Office Tower, 18 Middle Road	Office
Repulse Bay Apartments, 101 Repulse Bay Road	Residential
St. John's Building, 33 Garden Road	Office
Medium-term lease (between 10 and 50 years):	
The Repulse Bay, 109 Repulse Bay Road	Residential and commercial rentals
Repulse Bay Garage, 60 Repulse Bay Road	Commercial rentals
Short-term lease (less than 10 years):	
The Peak Tower, 128 Peak Road	Commercial rentals
Held in Mainland China:	
Short-term lease (less than 10 years):	
The Peninsula Beijing, 8 Goldfish Lane, Wangfujing, Beijing	Hotel and commercial rentals
Medium-term lease (between 10 and 50 years):	
The Peninsula Shanghai apartments, No. 32 The Bund, 32 Zhong Shan Dong Yi Road, Shanghai	Residential
Held in Japan:	
Long-term lease (over 50 years):	
The Peninsula Tokyo, 1-8-1 Yurakucho, Chiyoda-ku, Tokyo	Hotel and commercial rentals
Held in Thailand:	
Freehold:	
The Peninsula Bangkok, 333 Charoennakorn Road, Klongsan, Bangkok 10600	Hotel
Vacant land, near The Peninsula Bangkok	Undetermined
Held in The Philippines:	
Short-term lease (less than 10 years):	
The Peninsula Manila, Corner of Ayala and Makati Avenues, 1226 Makati City, Metro Manila	Hotel and commercial rentals

Notes to the Financial Statements

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

(f) Hotel and investment properties, all held through subsidiaries, are as follows: continued

	Usage
Held in Vietnam:	
Short-term lease (less than 10 years):	
The Landmark, 5B Ton Duc Thang Street,	
District 1, Ho Chi Minh City	Residential and commercial rentals
Held in the United States of America:	
Freehold:	
Quail Lodge Golf Club	Golf club
Quail Lodge Resort	
8205 Valley Greens Drive, Carmel, California	Resort
Vacant land, near Quail Lodge	Undetermined
The Peninsula Chicago,	
108 East Superior Street	
(at North Michigan Avenue), Chicago, Illinois	Hotel
Long-term lease (over 50 years):	
The Peninsula New York,	
700 Fifth Avenue at 55th Street, New York	Hotel and commercial rentals
Held in France:	
Freehold:	
21 avenue Kléber, Paris	Commercial rentals
21 Rue de Longchamp, Paris	Residential
Held in the United Kingdom:	
Long-term lease (over 50 years):	
1-5 Grosvenor Place,	
London SW1X 7YL	Hotel
Held in Myanmar:	
Medium-term lease (between 10 and 50 years):	
371-380 Bogyoke Aung San Road, Yangon	Redevelopment on hold

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

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

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

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

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

14. Interest in joint ventures (HK$m)

	2023	2022
Share of net assets	**1,071**	914
Loans to PSW (note 31(b))	**458**	458
	1,529	1,372

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

Company name	Form of business structure	Place of incorporation and operation	Particulars of issued and paid-up capital	Group's effective interest	Principal activities
The Peninsula Shanghai Waitan Hotel Company Limited (PSW)	Incorporated	PRC	US$117,500,000 (31 December 2022: US$117,500,000)	50%	Hotel investment and apartments held for sale
PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT)	Incorporated	Türkiye	TRY4,473,197,428 (31 December 2022: TRY2,390,697,428)	50%	Hotel investment

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

Notes to the Financial Statements

14. Interest in joint ventures (HK$m) continued

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

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

15. Interest in associates (HK$m)

	2023	2022
Interest in associates	**448**	459

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

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

* The group's effective interest is held indirectly by the company.
** 19 Holding holds a 100% direct interest in Majestic which owns The Peninsula Paris.
\# BHP holds a 100% interest in The Peninsula Beverly Hills.

15. Interest in associates (HK$m) continued

(b) Included in the balance of interest in associates are long-term unsecured loans to 19 Holding of HK$413 million (2022: HK$426 million). These loans were made pro rata to the group's shareholding in 19 Holding and are interest-bearing at 2.9% (2022: 3.25%) and are repayable in December 2027.

(c) Majestic has pledged its hotel property as security for a loan facility amounting to EUR227 million (HK$1,963 million) (2022: EUR227 million (HK$1,887 million)). As at 31 December 2023, the loan drawdown amounted to EUR227 million (HK$1,963 million) (2022: EUR227 million (HK$1,887 million)). As at 31 December 2023, the net carrying amount of the pledged asset amounted to EUR476 million (HK$4,116 million) (2022: EUR495 million (HK$4,114 million)).

(d) BHP has pledged its hotel property to an independent financial institution as security for BHP's loan facility, amounting to US$110 million (HK$858 million) (2022: US$114 million (HK$889 million)). As at 31 December 2023, the loan drawdown amounted to US$110 million (HK$858 million) (2022: US$114 million (HK$889 million)). The net carrying amount of the pledged asset amounted to US$33 million (HK$257 million) (2022: US$33 million (HK$260 million)).

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

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

Notes to the Financial Statements

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

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

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

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

17. Derivative financial instruments (HK$m)

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

18. Income tax in the consolidated statement of financial position (HK$m)

(a) Current taxation

	2023	2022
Provision for Hong Kong Profits Tax net provisional profits tax paid	**74**	2
Provision for overseas taxes	**24**	8
	98	10
Represented by:		
Tax recoverable (note 20)	**(4)**	(12)
Current tax payable	**102**	22
	98	10

18. Income tax in the consolidated statement of financial position (HK$m) continued

(b) Deferred tax assets and liabilities recognised

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

	Revaluation of investment properties	Tax allowances in excess of the related depreciation	Provisions and others	Tax losses	Cash flow hedges	Right-of-use assets	Lease liabilities	Total
Deferred tax arising from:								
At 1 January 2022	257	838	(23)	(524)	6	531	(587)	498
Exchange adjustments	(11)	(16)	1	13	–	(68)	73	(8)
Charged to reserve	–	–	–	–	50	–	–	50
Charged/(credited) to profit or loss	7	44	(4)	(75)	–	(3)	–	(31)
At 31 December 2022 and at 1 January 2023	**253**	**866**	**(26)**	**(586)**	**56**	**460**	**(514)**	**509**
Exchange adjustments	**(2)**	**(2)**	**–**	**–**	**–**	**(25)**	**28**	**(1)**
Credited to reserve	**–**	**–**	**–**	**–**	**(22)**	**–**	**–**	**(22)**
Charged/(credited) to profit or loss	**(5)**	**136**	**19**	**(172)**	**–**	**(13)**	**56**	**21**
At 31 December 2023	**246**	**1,000**	**(7)**	**(758)**	**34**	**422**	**(430)**	**507**

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

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

	2023	2022
Deferred tax assets	**151**	148
Deferred tax liabilities	**(658)**	(657)
	(507)	(509)

Notes to the Financial Statements

18. Income tax in the consolidated statement of financial position (HK$m) continued

(b) Deferred tax assets and liabilities recognised continued

In accordance with the accounting policy set out in note 34(q), the group has not recognised deferred tax assets totalling HK$503 million (2022: HK$563 million) in respect of certain accumulated tax losses of HK$1,804 million (2022: HK$2,039 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The expiry dates of these tax losses are as follows:

	2023	2022
Expiring in one year	**75**	121
After one year but within five years	**538**	618
After five years but within 20 years	**1,129**	1,237
Without expiry date	**62**	63
	1,804	2,039

The group does not have any deferred tax liabilities arising from any undistributable profit in 2023 and 2022.

19. Inventories (HK$m)

	2023	2022
Food and beverage and others	**114**	87

The cost of inventories recognised as expenses in the consolidated statement of profit or loss amounted to HK$436 million (2022: HK$352 million).

20. Trade and other receivables (HK$m)

	2023	2022
Trade debtors	**409**	345
Rental deposits, payments in advance and other receivables	**390**	397
Contract assets	**50**	72
Tax recoverable (note 18(a))	**4**	12
	853	826

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

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

The amount of the group's trade and other receivables expected to be recovered or recognised as expenses after more than one year is HK$178 million (2022: HK$177 million). All the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

The ageing analysis of trade debtors is as follows:

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

Trade debtors are normally due within 30 days from the date of billing. Further details on the group's credit policy and credit risk arising from trade debtors are set out in note 28(d).

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

(a) Cash at banks and in hand

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

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

Notes to the Financial Statements

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

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing borrowings (note 23)	Lease liabilities (note 24)	Derivative financial instruments (note 17)	Interest payable (note 22)	Total
As at 1 January 2022	13,379	3,103	(38)	11	16,455
Changes from financing cashflows					
Drawdown of term loans	7,848	–	–	–	7,848
Repayment of term loans	(6,231)	–	–	–	(6,231)
Net increase in revolving loans	1,294	–	–	–	1,294
Interest paid and other financing charges	(34)	–	–	(255)	(289)
Interest element of lease rental paid	–	(136)	–	–	(136)
Capital element of lease rental paid	–	(31)	–	–	(31)
Change 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 (note 5)	–	44	–	196	240
Increase in lease liabilities from entering into new leases during the year	–	31	–	–	31
As at 31 December 2022 and 1 January 2023	**15,192**	**2,792**	**(349)**	**23**	**17,658**
Changes from financing cashflows					
Drawdown of term loans	**2,139**	**–**	**–**	**–**	**2,139**
Repayment of term loans	**(1,631)**	**–**	**–**	**–**	**(1,631)**
Net decrease in revolving loans	**(154)**	**–**	**–**	**–**	**(154)**
Interest paid and other financing charges	**(21)**	**–**	**–**	**(710)**	**(731)**
Interest element of lease rental paid	**–**	**(27)**	**–**	**–**	**(27)**
Capital element of lease rental paid	**–**	**(121)**	**–**	**–**	**(121)**
Change in fair value					
Effective portion of changes in fair values	**–**	**–**	**129**	**–**	**129**
Other changes					
Exchange difference	**362**	**(36)**	**–**	**–**	**326**
Financing charges	**27**	**107**	**–**	**184**	**318**
Capitalised borrowing costs (note 5)	**–**	**29**	**–**	**546**	**575**
Changes in other working capital	**–**	**(11)**	**–**	**–**	**(11)**
As at 31 December 2023	**15,914**	**2,733**	**(220)**	**43**	**18,470**

22. Trade and other payables (HK$m)

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

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

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

The ageing analysis of trade creditors is as follows:

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

Notes to the Financial Statements

23. Interest-bearing borrowings (HK$m)

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

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

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

24. Lease liabilities (HK$m)

The group is the lessee in respect of a number of properties which are leased from third party landlords. Pursuant to its accounting policy, the group capitalises the present value of the future minimum lease payments of its leased properties as right-of-use assets (note 12(e)) and the corresponding credit is recognised as lease liabilities. The group remeasures its lease liabilities at each accounting period end to reflect the interest accrued on the outstanding lease liabilities and the lease payments made.

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

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

25. Share capital

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

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

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

Notes to the Financial Statements

26. Reserves (HK$m)

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the company's individual components of equity between the beginning and the end of the year are set out below:

(a) Company

	Capital reserve	Retained profits	Total
At 1 January 2022	4,975	5,124	10,099
Profit for the year	–	373	373
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	373	373
At 31 December 2022	4,975	5,497	10,472
At 1 January 2023	**4,975**	**5,497**	**10,472**
Profit for the year	**–**	**435**	**435**
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**435**	**435**
At 31 December 2023	**4,975**	**5,932**	**10,907**

(b) Nature and purpose of reserves

Capital reserve

The company's capital reserve represents the profit recognised on the intra-group transfer of properties as a result of the corporate restructuring in 1991.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges in note 34(d).

Exchange and other reserves

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 34(t). Other reserves mainly comprise other comprehensive income recognised for the remeasurement of net defined benefit retirement obligations and the surplus on revaluation of land and building held for own use arising upon their transfer to investment properties. The relevant accounting policies for which are set out in notes 34(p) and 34(f) respectively.

26. Reserves (HK$m) continued

(c) Reserves available for distribution

At 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK$5,932 million (2022: HK$5,497 million). After the end of the reporting period, the Directors proposed a final dividend of 8 HK cents per share (2022: Nil), amounting to HK$132 million (2022: Nil). The dividend has not been recognised as a liability at the end of the reporting period.

(d) Capital management

The group takes a long-term view of its business and consequently the planning of the use of capital. The group's primary objectives when managing its capital are to safeguard the group's ability to continue as a going concern, to secure access to finance at a reasonable cost relative to risk and to provide an appropriate return to shareholders. In so doing, it seeks to achieve an appropriate balance between shareholders' equity and external debt by taking into account the cost of capital and the efficiency of using the capital.

The group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

In addition, the group maintains sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to ensure funds are available to meet its financial obligations and to finance its growth and development.

Notes to the Financial Statements

26. Reserves (HK$m) continued

(d) Capital management continued

The group monitors its capital structure based on the ratio of net debt to equity attributable to shareholders. The group's share of net borrowings of the non-consolidated entities (associates and joint ventures), if any, are also taken into account. The calculations of the ratios of net debt to equity attributable to shareholders before and after the non-consolidated entities as at 31 December 2023 and 2022 are as follows:

	2023	2022
Interest-bearing borrowings	**15,914**	15,192
Less: Cash at banks and in hand	**(881)**	(585)
Net borrowings per the statement of financial position	**15,033**	14,607
Share of net borrowings of non-consolidated entities	**950**	972
Net borrowings adjusted for non-consolidated entities	**15,983**	15,579
Equity attributable to shareholders of the company per the consolidated statement of financial position	**36,279**	36,016
Net debt to equity attributable to shareholders ratio based on the consolidated financial statements	**41%**	41%
Net debt to equity attributable to shareholders ratio adjusted for non-consolidated entities	**44%**	43%

During 2023, the group continued to operate within its long-term treasury management guidelines.

The group is subject to certain covenants that are commonly found in lending arrangements with financial institutions. The group complied with such covenants for the years ended 31 December 2022 and 2023. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

27. Employee retirement benefits (HK$m)

(a) Defined benefit retirement obligations

The group maintains a non-contributory defined benefit retirement plan covering 368 employees (2022: 336 employees) of Manila Peninsula Hotel, Inc. (MPHI), a Philippine subsidiary of the company. Such plan is administered by an independent trustee with the assets, if any, held separately from those of the group. The defined benefit retirement obligations as at 31 December 2023 of MPHI are estimated by qualified staff of Actuarial Advisers, Inc. who are members of the Actuarial Society of the Philippines using the projected unit credit method. The present value of the uncovered obligations was fully provided for as at 31 December 2023.

27. Employee retirement benefits (HK$m) continued

(a) Defined benefit retirement obligations continued

The amounts recognised in the group's consolidated statement of financial position are as follows:

	2023	2022
Present value of wholly or partly funded obligations	**30**	24
Fair value of plan assets	**(10)**	(6)
	20	18
Fair value of plan assets as a percentage of obligations	**33%**	25%

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

The principal actuarial assumptions used as at 31 December 2023 and 2022 are as follows:

	2023	2022
Discount rate	**from 3.1% to 6.5%**	from 3.1% to 7.1%
Future salary increases	**4% – 5%**	4%

The analysis below shows how the defined benefit obligations as at 31 December 2023 would have increased/(decreased) as a result of changes in the significant actuarial assumptions:

	Defined benefit obligations	
	Increase	Decrease
Discount rate (0.5% change)	(1)	1
Future salary (1% change)	2	(2)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

Notes to the Financial Statements

27. Employee retirement benefits (HK$m) continued

(b) Defined contribution retirement plans

The group has a defined contribution retirement plan covering 1,476 employees (2022: 1,354 employees), most of whom are in Hong Kong. The defined contribution retirement plan is formally established under an independent trust with the assets of the funds held separately from those of the group by an independent trustee. The plan is registered under the Occupational Retirement Schemes Ordinance in Hong Kong and is exempted under the Mandatory Provident Fund Schemes (Exemption) Regulation. Employees covered by this plan are not required to make contributions and funds contributed by employers are fully vested with their employees immediately. The average contribution rate against employees' relevant income for the year was 12% (2022: 12%).

In addition, the group participates in the Mandatory Provident Fund Scheme (the MPF Scheme) under the Mandatory Provident Fund Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, which is operated by an independent service provider to cover 132 employees (2022: 143 employees) in Hong Kong who are not covered by the above defined contribution retirement plan. The MPF Scheme is a defined contribution retirement plan administrated by independent trustees. Contributions at a fixed rate of 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 per employee, are made to the Scheme by both the employer and the employee and vest immediately.

The group also operates several defined contribution retirement plans, including union pension schemes for its overseas subsidiaries covering 2,638 employees (2022: 1,955 employees) in other Asian countries and the United States of America, in accordance with the respective applicable labour regulations.

Total contributions to all of the above defined contribution retirement plans made by the group amounted to HK$137 million (2022: HK$127 million) and was charged to the consolidated statement of profit or loss during the year.

28. Financial risk management and fair values

The group is exposed to foreign exchange, interest rate, liquidity and credit risks in its normal course of business. The group's exposure to these risks, as well as various techniques and derivative financial instruments used to manage these risks, are described below.

(a) Foreign exchange risk

The group manages its foreign exchange exposure with a view to protecting its net assets and profitability against adverse fluctuations in exchange rates. The company reports its results in Hong Kong Dollars. In the light of the Hong Kong Dollar peg, the group does not hedge United States Dollar exposures and it aims to preserve its value in Hong Kong Dollar and/or United States Dollar terms.

Foreign exchange risk may arise in sale and purchase transactions which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars, Euros, Great Britain Pounds, Renminbi, Japanese Yen, Thai Baht and Philippine Pesos.

28. Financial risk management and fair values continued

(a) Foreign exchange risk continued

Hedge of foreign exchange risk in forecast transactions

In respect of committed future transactions and highly probable forecast transactions, the group usually hedges its estimated foreign currency transaction exposures if the foreign exchange risk of these exposures is considered to be significant. The group mainly uses forward exchange contracts to hedge this type of foreign exchange risk and classifies these contracts as cash flow hedges.

The group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instruments and the highly probable forecast transactions based on their currency amounts and the timing of their respective cash flows.

The main source of ineffectiveness in these hedging relationships are:

(i) the effect of the counterparty's and the group's own credit risk on the fair value of the forward exchange contracts which is not reflected in the change in the value of the hedged cash flows attributable to the forward rate; and

(ii) changes in the timing of the hedging transactions.

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

	2023	2022
Balance at 1 January	**–**	(8)
Effective portion of the cash flow hedge recognised in other comprehensive income	**–**	6
Amounts transferred to fixed assets	**–**	3
Related tax	**–**	(1)
Balance at 31 December	**–**	–
Hedge ineffectiveness recognised in profit or loss	**–**	–
Change in fair value of the forward exchange contracts during the year	**–**	5
Effective portion of the cash flow hedge recognised in other comprehensive income	**–**	5

At 31 December 2023 and 2022, the group did not have forward exchange contracts to hedge foreign exchange risk in forecast transactions.

Notes to the Financial Statements

28. Financial risk management and fair values continued

(a) Foreign exchange risk continued

Recognised assets and liabilities

The group has foreign currency monetary assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. Exchange differences arising on settling or translating these foreign currency monetary items at rates different from those at dates of transactions giving rise to these monetary items are recognised in the statement of profit or loss.

The group usually hedges most of the foreign exchange exposures arising from significant foreign currency monetary assets and liabilities, including foreign currency borrowings. The group mainly uses cross currency swaps, foreign exchange swaps or forward exchange contracts to hedge this type of foreign exchange risk and classifies these derivative financial instruments as cash flow hedges or at fair value through profit or loss, depending on whether the future foreign currency cash flows are fixed or not.

Changes in the fair value of these cash flow hedges or derivative financial instruments at fair value through profit or loss are recognised in the hedging reserve or the statement of profit or loss respectively.

All of the group’s borrowings are denominated in the functional currency of the operations to which they relate. Given this, it is not expected that there will be any significant currency risk associated with the group’s borrowings.

Net investment in foreign subsidiaries

At 31 December 2023 and 2022, the group did not hedge any net investment in foreign subsidiaries.

28. Financial risk management and fair values continued

(a) Foreign exchange risk continued

Exposure to foreign exchange risk

The following table details the group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The amounts of the exposure are shown in original currency. Differences resulting from the translation of the financial statements of the foreign operations into the group's presentation currency and exposures arising from inter-company balances which are denominated in a foreign currency and is considered to be in the nature of investment in the subsidiary, joint ventures and associates are excluded.

	2023			2022		
(million)	**United States Dollars**	**Euros**	**GBP**	United States Dollars	Euros	GBP
Trade and other receivables	**29**	**12**	**13**	39	6	–
Cash at banks and in hand	**9**	**1**	**–**	7	1	–
Trade and other payables	**(62)**	**(6)**	**(9)**	(59)	–	–
Net exposure arising from recognised assets and liabilities	**(24)**	**7**	**4**	(13)	7	–

Based on the sensitivity analysis performed as at 31 December 2023, it was estimated that an increase/decrease of 10% (2022: 10%) in foreign exchange rate in respect of financial instruments denominated in currency other than the functional currencies, with all other variables held constant, would not have significant impact on the group's post-tax profits and other components of equity.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's interest rate risk arises primarily from borrowings. Borrowings bearing floating interest rates that are reset on a regular basis as market interest rates change expose the group to cash flow interest rate risk.

The group seeks to hedge the benchmark interest rate component only. As at 31 December 2023, the group had interest rate swaps that are classified as cash flow hedges with a total notional contract amount of HK$5,281 million (2022: HK$5,406 million) maturing over the next 4 years (2022: five years). Changes in fair value of these swaps accounted for as cash flow hedges are recognised in the hedging reserve. The group locked in the following ranges of fixed rates by the swaps at 31 December 2023:

	31 December 2023	31 December 2022
Euros	**n/a**	0.4%
Pounds	**0.65% to 4.61%**	0.28% to 1.0%
Hong Kong dollars	**0.78% to 2.89%**	0.78% to 2.89%

Notes to the Financial Statements

28. Financial risk management and fair values continued

(b) Interest rate risk continued

The net fair value of all the swaps entered into by the group at 31 December 2023 and 2022 was as follows (HK$m):

	2023	2022
Cash flow hedges (note 17)	**220**	349

The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationships:

	2023	2022
Balance at 1 January	**290**	37
Effective portion of the cash flow hedge recognised in other comprehensive income	**(129)**	301
Related tax	**22**	(48)
Balance at 31 December	**183**	290
Change in fair value of the interest rate swap during the year	**13**	275
Transfer from equity to profit or loss	**(120)**	(22)
Transfer to exchange reserve	**–**	–
Effective portion of the cash flow hedge recognised in other comprehensive income	**(107)**	253

The following table details the profile of the group's borrowings at the end of the reporting period, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments.

	2023		2022	
	Effective interest rate	**HK$m**	Effective interest rate	HK$m
Fixed rate borrowings:				
Bank loans	**3.8%**	**7,549**	2.3%	6,979
Floating rate borrowings:				
Bank loans	**5.5%**	**8,365**	4.5%	8,213
Total interest-bearing borrowings		**15,914**		15,192
Fixed rate borrowings as a percentage of total borrowings		**47%**		46%

28. Financial risk management and fair values continued

(b) Interest rate risk continued

On the other hand, as at 31 December 2023 and 2022, the group had short-term bank deposits. Since these deposits are placed for short-term liquidity purposes, the group has no intention to lock in their interest rates for the long-term. The interest rate profile of these bank deposits at the end of the reporting period is summarised as follows:

	2023		2022	
	Effective interest rate	HK$m	Effective interest rate	HK$m
Floating rate instruments:				
Bank deposits	**3.48%**	**392**	1.96%	361

Sensitivity analysis

The following table indicates the approximate changes in the group's profit/(loss) after taxation (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the interest rates, with all other variables held constant, to which the group has significant exposure at the end of the reporting period. As at 31 December 2023 and 2022, the effects were attributable to changes in interest income and expense relating to floating rate financial instruments and gains or losses resulting from changes in the fair value of derivative financial instruments.

	2023			2022		
	Increase/ (decrease) in interest rates (basis points)	(Decrease)/ increase in profit after taxation and increase/ (decrease) in retained profits (HK$m)	Increase/ (decrease) in other components of equity (HK$m)	Increase/ (decrease) in interest rates (basis points)	(Increase)/ decrease in loss after taxation and increase/ (decrease) in retained profits (HK$m)	Increase/ (decrease) in other components of equity (HK$m)
HK Dollars	**100**	**(19)**	**35**	100	(14)	47
	(100)	**19**	**(34)**	(100)	14	(39)
Renminbi	**100**	**1**	**–**	100	1	–
	(100)	**(1)**	**–**	(100)	(1)	–
Thai Baht	**100**	**(1)**	**–**	100	(1)	–
	(100)	**1**	**–**	(100)	1	–
Japanese Yen	**50**	**(5)**	**–**	50	(6)	–
	(50)	**5**	**–**	(50)	6	–
US Dollars	**100**	**(2)**	**–**	100	(3)	–
	(100)	**2**	**–**	(100)	3	–
Euros	**100**	**(4)**	**–**	100	(1)	–
	(100)	**4**	**–**	(100)	1	–
GBP	**100**	**–**	**45**	100	–	48
	(100)	**–**	**(45)**	(100)	–	(49)

The sensitivity analysis above indicates the instantaneous change in the group's profit/(loss) after taxation (and retained profits) and other components of consolidated equity that would have arisen, assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group and which expose the group to fair value interest rate risk at the end of the reporting period. In respect of exposure to cash flow interest rate risk arising from the floating rate non-derivative financial instruments (which include bank borrowings and deposits) held by the group at the end of the reporting period, the impact on the group's profit/(loss) after taxation (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such changes in interest rates. The analysis has been performed on the same basis as for 2022.

Notes to the Financial Statements

28. Financial risk management and fair values continued

(c) Liquidity risk

Borrowings and cash management, including short-term investment of surplus cash, are arranged centrally to cover expected cash requirements. The group's policy is to regularly monitor current and expected liquidity requirements and compliance with loan covenants to ensure that it maintains sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to meet its obligations and commitments in the short and longer term.

At 31 December 2023, total available borrowing facilities amounted to HK$19,392 million (2022: HK$19,072 million), of which HK$15,957 million (2022: HK$15,240 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totaled HK$3,359 million (2022: HK$3,561 million).

The following table details the remaining contractual maturities at the end of the reporting period of the group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the group can be required to pay:

	2023						2022					
		Contractual undiscounted cash outflow/(inflow)						Contractual undiscounted cash outflow/(inflow)				
(HK$m)	Statement of financial position carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Statement of financial position carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Trade creditors	169	169	169	-	-	-	137	137	137	–	–	–
Interest payable	43	43	43	-	-	-	23	23	23	–	–	–
Accruals for property, plant and equipment and properties held/under development for sale	264	264	264	-	-	-	398	398	398	–	–	–
Tenants' deposits	339	339	226	21	48	44	279	279	184	45	26	24
Guest deposits and gift vouchers	203	203	203	-	-	-	181	181	181	–	–	–
Other payables	1,047	1,047	1,047	-	-	-	762	762	762	–	–	–
Lease liabilities	2,733	12,323	149	144	287	11,743	2,792	12,318	165	149	289	11,715
Interest-bearing borrowings	15,914	17,590	3,358	9,823	4,409	-	15,192	16,618	5,110	1,552	9,956	–
Interest rate swaps (net settled)	(220)	(225)	(124)	(75)	(26)	-	(349)	(375)	(128)	(109)	(138)	–
Current taxation	102	102	102	-	-	-	22	22	22	–	–	–
	20,594	31,855	5,437	9,913	4,718	11,787	19,437	30,363	6,854	1,637	10,133	11,739

28. Financial risk management and fair values continued

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the group. The group's credit risk is primarily attributable to bank deposits, trade and other receivables and derivative financial instruments and is monitored on an ongoing basis.

To minimise credit exposure for bank deposits and derivative financial instruments, the group transacts with financial institutions with good credit ratings and diversifies its exposure to various financial institutions in accordance with group guidelines. All bank deposits are subject to a single counterparty exposure limit and a composite counterparty exposure limit. The credit ratings of the financial institutions are closely monitored throughout the lives of the transactions.

At 31 December 2023, cash at banks and in hand amounted to HK$881 million (2022: HK$585 million), of which HK$394 million (2022: HK$216 million) was placed as time deposits with financial institutions with credit ratings of no less than BBB (issued by Standard & Poor's Rating Services (S&P)) or Baa2 (issued by Moody's Investors Services, Inc. (Moody's)) and there was no significant concentration risk to any single counterparty.

For derivative financial instruments, the credit ratings of the financial institutions were no less than A (S&P) or A1 (Moody's).

The group maintains a defined credit policy to ensure that credit is given only to customers with an appropriate credit history. Credit evaluations are performed for all significant customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Credit limits are set for customers based on their credit worthiness and past history. Trade receivables are normally due within 30 days from the date of billing. In respect of the group's rental income from operating leases, rentals are normally received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. Other than this, as such, the group normally does not obtain collateral from its customers. The ageing of trade debtors at 31 December 2023 is summarised in note 20. The expected credit losses for these balances were not material at 31 December 2023, therefore no loss allowance was provided at 31 December 2023.

The group's exposure to credit risk is influenced mainly by individual characteristics of each customer rather than the industry or country in which the customers operate; therefore, it is considered that there is no concentration of credit risk as the group has no significant exposure to individual customers given the large number of customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including the derivative financial instruments, in the consolidated statement of financial position after deducting any impairment allowance. The group does not provide any other guarantee which would expose the group to any material credit risk.

Notes to the Financial Statements

28. Financial risk management and fair values continued

(e) Fair values

(i) Financial instruments carried at fair value

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

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

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

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

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

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

Financial instruments are carried at amounts not materially different from their fair values as at 31 December 2023. Advances to the joint venture are unsecured, interest free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair values. The group has no intention of disposing these loans.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Derivative financial instruments

Forward foreign exchange contracts and foreign exchange swaps are either marked to market using listed market prices, or by discounting the contractual forward price and deducting the current spot rate. The fair values of interest rate swaps and cross currency interest-rate swaps are the estimated amount that the group would receive or pay to terminate the swaps at the end of the reporting period, taking into account current interest rates, foreign exchange rates and the current creditworthiness of the swap counterparties.

When discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period. Where other pricing models are used, inputs are based on market related data at the end of the reporting period.

28. Financial risk management and fair values continued

(f) Estimation of fair values continued

The group used the following discount rates for determining fair value of derivative financial instruments.

	31 December 2023	31 December 2022
Euros	**n/a**	2.3% to 2.7%
Pounds	**3.5% to 5.2%**	3.4% to 4.4%
Hong Kong dollars	**4.1% to 5.0%**	4.1% to 5.0%

29. Commitments (HK$m)

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

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

30. Contingent liabilities

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

Notes to the Financial Statements

31. Material related party transactions

Other than the Directors' remuneration and the loans advanced to an associate as disclosed in note 15, material related party transactions are set out as follows:

(a) Under a three-year tenancy agreement which commenced on 1 April 2019, a wholly-owned subsidiary of the company, HSH Management Services Limited (HMS), leased the entire storey on the 7th and 8th floors of St. George's Building, 2 Ice House Street, Central, Hong Kong at a market rent of HK$2,385,830 per month plus a monthly service charge of HK$259,247 from Kadoorie Estates Limited (KEL), which is controlled by one of the substantial shareholders of the company.

The above lease was renewed for 2 years commencing from 1 April 2022 at a monthly rent of HK$1,747,098 and service charge of HK$259,247. The present value of the future rentals of HK$41 million was recognised as an addition of right-of-use assets on the date of tenancy agreement in accordance with the group's accounting policy (note 34(h)) whereas the monthly service charges paid during the year were recognised as expenses in the company's consolidated statement of profit or loss.

The new tenancy agreement falls under the Listing Rules as connected transaction whilst the previous tenancy agreement falls as continued connected transaction. Details of these transactions are disclosed in the Directors' Report.

(b) Unsecured and interest-free shareholder's loans amounting to US$58.75 million (HK$458 million) (2022: US$58.75 million (HK$458 million)) were granted by Peninsula International Investment Holdings Limited (PIIHL), a wholly-owned subsidiary of the company, to the holding company of The Peninsula Shanghai Waitan Hotel Company Limited (PSW), a foreign owned enterprise incorporated in the People's Republic of China, of which the group has a 50% indirect interest. PSW is engaged in the operation of The Peninsula Shanghai Complex. As at 31 December 2023, shareholder's loans amounting to US$58.75 million (HK$458 million) (2022: US$58.75 million (HK$458 million)) had been contributed as capital of PSW.

(c) The company owns a 70% indirect interest in Peninsula Yangon Holdings Pte. Limited (PYH), a company incorporated in Singapore, which in turn holds a 100% direct interest in Peninsula Yangon Limited (PYL). PYL is incorporated in Myanmar and is engaged in the development and future operation of The Peninsula Yangon. As at 31 December 2023, unsecured and interest-free loans amounting to US$35 million (HK$274 million) (2022: US$35 million (HK$274 million)) were advanced to PYH by Yoma Strategic Investments Ltd. and First Myanmar Investment Public Company Limited, the 30% non-controlling shareholders of PYH. Such loans were fully injected by PYH into PYL to fund the development of The Peninsula Yangon.

32. Key sources of estimation uncertainty

Notes 27(a) and 28 contain information about the assumptions and their risk factors relating to defined benefit retirement obligations and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Valuation of investment properties

Investment properties are included in the consolidated statement of financial position at their open market value, which is assessed semi-annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential. The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sales prices and the appropriate capitalisation rate.

(b) Estimated useful lives of other properties, plant and equipment

The group estimates the useful lives of its other properties, plant and equipment based on the periods over which the assets are expected to be available for use. The group reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes as well as environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of properties, plant and equipment would increase depreciation charges and decrease non-current assets.

(c) Asset impairment

The group assesses the impairment of assets in accordance with the accounting policy set out in note 34(i) and as explained in note 12(a). The factors that the group considers important in identifying indications of impairment and in assessing the impairment include the following:

- significant under-performance relative to expected historical or projected future operating results; and
- significant negative industry or economic trends.

Notes to the Financial Statements

33. Investment in subsidiaries

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the group. The class of shares held is ordinary unless otherwise stated.

Company name	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest*	Principal activities
The Peninsula Hotel Limited	Hong Kong	2 shares	100%	Hotel investment
The Repulse Bay Apartments Limited	Hong Kong	2 shares	100%	Property investment
The Repulse Bay Company, Limited	Hong Kong	2 shares	100%	Property investment
The Peak Tower Limited	Hong Kong	2 shares	100%	Property investment
Peak Tramways Company, Limited	Hong Kong	450,000 shares	100%	Tramway operation
St. John's Building Limited	Hong Kong	2 shares	100%	Property investment
Peninsula Merchandising Limited	Hong Kong	2 shares	100%	Wholesaling and retailing of merchandise
Tai Pan Laundry & Dry Cleaning Services, Limited	Hong Kong	5,000,000 shares	100%	Laundry and dry cleaning services
HSH Financial Services Limited	Hong Kong	1 share	100%	Lending and borrowing of funds
Peninsula Clubs and Consultancy Services Limited	Hong Kong	1,000,000 shares	100%	Club management
HSH Management Services Limited	Hong Kong	10,000 shares	100%	Management and marketing services
Peninsula New York Hotel LLC	United States of America	Contributed capital of US$323,500,000	100%	Hotel investment
Peninsula Chicago LLC	United States of America	Contributed capital of US$57,038,089	100%	Hotel investment
Quail Lodge, Inc.	United States of America	10,652 shares of US$100 each	100%	Golf club, resort and property investment
Peninsula of Tokyo Limited	Japan	200 shares of JPY50,000 each	100%	Hotel investment
The Palace Hotel Co., Ltd.	People's Republic of China	Registered capital of US$161,921,686	76.6%**	Hotel investment
Manila Peninsula Hotel, Inc.	The Philippines	111,840,386 shares of Pesos 10 each	77.36%	Hotel investment
Siam Chaophraya Holdings Company Limited	Thailand	250,000 ordinary shares of THB2,000 each	100%#	Hotel investment
International Burotel Company Limited	Vietnam	Registered capital of US$6,866,667	70%##	Property investment
Le 21 Avenue Kléber SNC	France	1,801,000 shares of EUR1 each	100%	Property investment
Peninsula London, LP	United Kingdom	Contributed capital of GBP1,000	100%	Property investment and hotel investment
Peninsula Yangon Limited	Myanmar	43,900,000 shares of US$1 each	70%	Hotel investment

* Except for HSH Financial Services Limited, all subsidiaries are indirectly held.

** The Palace Hotel Co., Ltd. is a sino-foreign co-operative joint venture with a reversionary interest to the PRC party at the end of the joint venture period.

\# Siam Chaophraya Holdings Company Limited (SCH) owns 100% interest in The Peninsula Bangkok.

\## The group owns 50% of the economic interest of International Burotel Company Limited with a reversionary interest to the Vietnam partner at the end of the joint venture period.

The non-controlling interests in individual subsidiaries are considered immaterial to the group.

34. Material accounting policies

(a) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the company and its subsidiaries (together referred to as the group) and the group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

i) investment properties, including interest in leasehold/freehold land and buildings held as investment properties where the group is the registered owner of the property interest (see note 34(f)); and

ii) derivative financial instruments (see note 34(d)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that may have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 32.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the company. Non-controlling interests in the results of the group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the company.

Notes to the Financial Statements

34. Material accounting policies continued

(b) Subsidiaries and non-controlling interests continued

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 34(c)).

In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 34(i)), unless the investment is classified as held for sale.

(c) Associates and joint ventures

An associate is an entity in which the group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the group's share of the investee's net assets and any impairment loss relating to the investment (see note 34(i)). Any acquisition-date excess over costs, the group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the group's share of losses exceeds its interest in the associates or the joint ventures, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the group's interest is the carrying amount of the investment under the equity method, together with the any other long-term interests that, in substance, form part of the group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of a financial asset.

34. Material accounting policies continued

(d) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify as cash flow hedge accounting.

The group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and variable rate borrowings (cash flow hedges).

Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss. The amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

(e) Properties, plant and equipment

Hotel and other properties held for own use (including buildings held for own use which are situated on leasehold land), right-of-use assets arising from leases over freehold or leasehold properties where the group is not registered owner of the property interest and plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 34(i)).

The cost of self-constructed items of properties, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads and borrowing costs (see note 34(u)).

Notes to the Financial Statements

34. Material accounting policies continued

(e) Properties, plant and equipment continued

Depreciation is calculated to write-off the cost of items of properties, plant and equipment, less their estimated residual values, if any, on a straight-line basis over the shorter of the unexpired period of the land lease and the anticipated remaining useful lives of the assets. The useful lives which have been adopted are summarised as follows:

- leasehold land is depreciated over the unexpired term of lease
- hotel buildings — 75 to 150 years
- other buildings — 50 years
- golf courses — 100 years
- external wall finishes, windows, roofing and glazing works — 10 to 40 years
- major plant and machinery — 15 to 25 years
- furniture, fixtures and equipment — 3 to 20 years
- operating equipment — 3 to 5 years
- motor vehicles — 5 to 10 years

No depreciation is provided on freehold land as it is deemed to have an indefinite life.

Where parts of an item of properties, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided on properties under development.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 34(h)) to earn rental income and/or for capital appreciation. These include land held for currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the reporting date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 34(s).

If a property occupied by the group as an owner-occupied property becomes an investment property, the group accounts for such property as described in note 34(e) up to the date of change in use, and any difference at the date between the carrying amount and the fair value of the property is accounted for as movements in the asset revaluation reserve (under exchange and other reserves). On disposal of a revalued assets, the relevant portion of the asset revaluation reserve realised in respect of previous valuation is transferred to retained profits as a movement in reserves.

34. Material accounting policies continued

(g) Hotel operating rights

Costs incurred for securing the group's rights to operate hotels are capitalised and are stated at cost less accumulated amortisation and impairment losses (see note 34(i)).

Amortisation of the operating rights is charged to profit or loss on a straight-line basis over the terms of the relevant operating periods.

(h) Leased assets

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the group, are primarily laptops and office furniture. When the group enters into a lease in respect of a low-value asset, the group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 34(e) and 34(i)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 34(f);
- right-of-use assets related to leasehold land and buildings where the group is the registered owner of the leasehold interest are carried at fair value;
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 34(j).

Notes to the Financial Statements

34. Material accounting policies continued

(h) Leased assets continued

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term liabilities is determined as contractual payments that are due to be settled within twelve months after the reporting date.

The group presents right-of-use assets that do not meet the definition of investment properties in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(ii) As a lessor

When the group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 34(s).

When the group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the group applies the exemption described in note 34(h)(i), then the group classifies the sub-lease as an operating lease.

34. Material accounting policies continued

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables) and lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

In measuring ECLs, the group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the Financial Statements

34. Material accounting policies continued

(i) Credit losses and impairment of assets continued

(i) Credit losses from financial instruments and lease receivables continued

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held). The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset and lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

34. Material accounting policies continued

(i) Credit losses and impairment of assets continued

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the investments in associates and joint ventures accounted for under the equity method (see note 34(c)), other non-financial assets, investment in subsidiaries in the company's statement of financial position may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

An impairment loss is reversed to profit or loss if the recoverable amount of an asset, or the cash-generating unit to which it belongs, exceeds its carrying amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 34(i)).

(j) Inventories

Inventory are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

(k) Properties held/under development for sale

Property held/under development for sale comprises leasehold lands and construction-in-progress and is carried at the lower of cost and net realisable value. Properties under held/development for sale included in the current assets when it is expected to be realised or is intended for sale in the normal operating cycle.

Notes to the Financial Statements

34. Material accounting policies continued

(k) Properties held/under development for sale continued

Incremental costs of obtaining a contract are those costs that the group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised as contract assets when incurred and is charged to profit or loss when the revenue to which the asset relates is recognised.

(l) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before the payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 34(i)(i)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs using effective interest method. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Interest expense is recognised in accordance with the group's accounting policy for borrowing cost (see note 34(u)).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses in accordance with policy set out in note 34(i).

34. Material accounting policies continued

(p) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined benefit retirement plan obligations

The group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined liability (asset) are recognised in profit or loss and allocated by nature as part of "staff costs and related expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in other reserves. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Termination benefits

Termination benefits are recognised when and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Notes to the Financial Statements

34. Material accounting policies continued

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities and are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

The group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 34(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances and movements therein, are presented separately from each other and are not offset.

34. Material accounting policies continued

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Onerous contracts

An onerous contract exists when the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(s) Revenue

Revenue is recognised when control over a product or service is transferred to the customer, or the leasee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Further details of the group's revenue recognition policies are as follows:

Hotel operation

Revenue is recognised on a basis that reflects the timing, nature and value when the relevant services are transferred to the customer. Revenue in respect of hotel management and related services is recognised over time during the period when management services are delivered to the hotels. Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is recognised at the point in time when the services are rendered.

Golf club operation

Revenue in respect of membership income is recognised over time during the membership period. Revenue from other golf club operations, including food and beverage sales and pro shop sales, is recognised at the point in time when the services are rendered.

Sale of residential apartments

Revenue arising from the sale of residential apartments is recognised upon the completion of title transfer, which is the point in time when the customer has the ability to direct the use of the residential apartment and obtain substantially all of the remaining benefits of the residential apartment.

Sale of goods and wholesaling

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer takes possession of and accepts the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Notes to the Financial Statements

34. Material accounting policies continued

(s) Revenue continued

Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

Interest income

Interest income is recognised as it accrues using the effective interest method.

Contract liabilities

A contract liability is recognised when the customer pays consideration before the group recognises the related revenue. Non-refundable golf membership deposits, gift vouchers and other deposits are recognised as contract liabilities in the group's financial statements. Non-refundable golf membership deposits are amortised as revenue in equal instalments over the duration of the membership. Other non-refundable deposits and gift vouchers sold are recognised as revenue when the conditions of forfeiture are met and when the gift vouchers are redeemed for goods or services respectively.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities and non-monetary assets and liabilities that are stated at fair values and are denominated in foreign currencies, are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the group initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

When the functional currency of a foreign operation is the currency of a hyperinflationary economy, the foreign operation's financial statements are restated according to the accounting policy as disclosed in note 34(y). All amounts in the foreign operation's financial statements are then translated into the group's reporting currency using applicable exchange rate at the current reporting date. Comparative figures are not restated.

34. Material accounting policies continued

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to become ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(1) A person, or a close member of that person's family, is related to the group if that person:

  (i) has control or joint control over the group;

  (ii) has significant influence over the group; or

  (iii) is a member of the key management personnel of the group or the group's Parent.

(2) An entity is related to the group if any of the following conditions applies:

  (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

  (vi) The entity is controlled or jointly controlled by a person identified in (1).

  (vii) The entity identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements

34. Material accounting policies continued

(w) Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(x) Government grants

Government grants are recognised in the consolidated statement of profit or loss initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(y) Financial reporting in hyperinflationary economies

When an entity's functional currency is the currency of a hyperinflationary economy, the historical cost of the entity's non-monetary assets, liabilities and equity items are adjusted to reflect the changes in purchasing power due to hyperinflation by reference to the change in general price index during the reporting period. Monetary items are not restated. All items in the statement of comprehensive income are restated by applying the change in general price index when the items were initially recorded in the financial statements. Gain or loss on net monetary position of the entity is included in the group's consolidated statement of profit or loss.

35. Changes in accounting policies

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

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

35. Changes in accounting policies continued

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

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

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

The group previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets.

However, there was no impact on the statement of financial position because the balances qualify for offsetting under paragraph 74 of HKAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the group relates to the disclosure of the deferred tax assets and liabilities recognised as presented in note 18.

36. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Independent Assurance Report

Independent Assurance Report
To the Directors of The Hongkong and Shanghai Hotels, Limited

Report on selected information in The Hongkong and Shanghai Hotels, Limited's Corporate Responsibility and Sustainability Report and Sustainability Data Statement 2023 as of and for the year ended 31 December 2023

Conclusion

We have performed a limited assurance engagement on the following information in The Hongkong and Shanghai Hotels, Limited's ("HSH") Corporate Responsibility and Sustainability Report and Sustainability Data Statement 2023 (hereafter referred to as "the Assured Sustainability Information") as of and for the year ended 31 December 2023:

Assured Sustainability Information		Applicable Criteria
A. Data points and relevant narratives: **People:** • Total headcount • Headcount by gender • Total staff turnover **Safety:** • Injury rate • Lost day rate **Community:** • Donations in cash and in kind • Other contributions for community development	**Environment:** • Greenhouse gas emissions (Scope 1 and 2) • Group carbon intensity • Total energy use • Energy intensity • Direct water consumption • Water intensity • Water recycled and other water sources • Waste generated • Waste diverted	• Environmental, Social and Governance Reporting Guide, Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX ESG Guide") • CRS data reporting scope and methodology as disclosed in the Sustainability Data Statements in the Report
B. Economic data points • Revenue (including interest income) • Operating costs • Employee wage and benefits • Capital expenditure	• Payments to providers of capital • Tax payments to governments • Total floor area • Total number of guest nights	• CRS data reporting scope and methodology as disclosed in the Sustainability Data Statements in the Report
C. Information in relation to green loan: • Amount of proceeds allocated to the Eligible Projects		• HSH Green Financing Framework

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Assured Sustainability Information for the year ended 31 December 2023 is not prepared, in all material respects, in accordance with the Applicable Criteria.

Our conclusion on the Assured Sustainability Information does not extend to any other information that accompanies or contains the Assured Sustainability Information and our assurance report. We have not performed any procedures with respect to the other information.

Basis for conclusion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, and ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Intended use or purpose

This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Our conclusion is not modified in respect of this matter.

Responsibilities for the Assured Sustainability Information

The Directors of HSH are responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Assured Sustainability Information;
- selecting or developing suitable criteria for preparing the Assured Sustainability Information and appropriately referring to or describing the criteria used; and
- preparing the Assured Sustainability Information in accordance with the Applicable Criteria.

Inherent limitations in preparing the Assured Sustainability Information

Greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Assured Sustainability Information are free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to you.

Summary of the work we performed as the basis for our conclusion

We exercised professional judgement and maintained professional scepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the Assured Sustainability Information that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the Assured Sustainability Information and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, we:

- evaluated the suitability in the circumstances of HSH's use of the Applicable Criteria, as the basis for preparing the Assured Sustainability Information;
- through inquiries of relevant staff at corporate and selected location responsible for the preparation of the Assured Sustainability Information, obtained an understanding of HSH's control environment, processes and information systems relevant to the preparation of the Assured Sustainability Information, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;
- tested a limited number of items to or from supporting records, as appropriate;
- performed analytical procedures over the Assured Sustainability Information where appropriate by comparing the expected results to actual results reported and made inquiries of management to obtain explanations for any significant differences we identified;
- performed recalculations of selected data in the Assured Sustainability Information; and
- considered the presentation and disclosure of the Assured Sustainability Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
19 March 2024

Sustainability Data Statements

This section provides statistical information on the group's sustainability performance. To facilitate stakeholders in understanding and benchmarking our corporate responsibility performance, our reporting follows the Hong Kong Stock Exchange ESG Guide and GRI Standards. As our business activity gradually resumes to pre-covid levels, our energy, carbon and water intensity figures also continue to normalise, hence some performance metrics are showing unfavorable trend compared to last year. Please bear this in mind when reading the CRS statistics in this year's annual report.

1. Performance Highlights [1]

			2023	2022	2021	2020	2019	2010 Baseline
Economic	**Revenue (incl. interest income)**	HK$m	**8,133**	4,204	3,465	2,715	5,888	
	Operating costs	HK$m	**4,431**	1,706	1,388	1,133	2,049	
	Employee wage and benefits	HK$m	**2,462**	1,966	1,562	1,511	2,294	
	Capital expenditure	HK$m	**1,708**	2,030	2,050	1,585	1,590	
	Payments to providers of capital	HK$m	**737**	295	165	215	242	
	Tax payments to governments [2]	HK$m	**241**	261	229	355	330	
	Total floor area	'000 m²	**761**	647	646	646	652	
	Total number of guest nights [3]	'000	**1,027**	790	604	384	1,277	
Workforce	**Headcount** [4]		**7,695**	6,439	5,866	5,609	7,451	
	Turnover [4]	%	**21.9%**	23.8%	24.3%	31.5%	19.7%	
	Headcount by Gender	% Female	**41.6%**	41.0%	40.5%	40.5%	41.6%	
	Injury rate [5]	incidents per 100 employees	**3.8**	3.6	3.0	2.5	3.9	
	Lost day rate	days per 100 employees	**41.3**	49.6	71.1	47.4	74.4	
Environment [6]	**Greenhouse gas emissions**	'000 tCO_2e	**81**	79	72	68	96	124
	Group carbon intensity	kg CO_2e per m²	**126**	122	112	105	148	213
	Total energy use [7]	'000 GJ	**788**	710	654	572	822	884
	Energy intensity [7]	MJ per m²	**1,218**	1,097	1,012	885	1,272	1,518
	Direct water consumption	'000 m³	**1,562**	1,302	1,168	941	1,526	1,674
	Water intensity							
	Hotels Division [8]	litres per guest night	**1,315**	1,395	1,636	2,010	1,014	1,346
	Commercial Properties, Clubs & Services Division	litres per m²	**1,088**	962	839	870	959	962
	Water recycled and other water sources	'000 m³	**296**	382	337	372	484	142
	Waste diversion rate [9]	%	**53.5%**	52.7%	48.3%	48.8%	51.0%	
Community	**Monetary Donations** [10][11]	HK$'000	**3,805**	941	1,549	3,157	2,025	
	In-kind Donations [11]	HK$'000	**3,003**	2,706	1,807	1,988	7,403	
	Other community contributions [11][12]	HK$'000	**2,892**	2,451	1,193	380	1,606	

Footnotes:

(1) Please refer to P.78 of the Corporate Responsibility and Sustainability Report for the scope of businesses covered in the reporting of workforce, environment and community performance. 2010 baseline year for carbon, energy and water metrics has been adjusted to exclude Thai Country Club for more accurate benchmarking, as we ceased ownership and operational control of the property from 2020 onwards. The Peninsula London and The Peninsula Istanbul were included in 2023 data, with the exception of environment performance data as both properties were newly opened in 2023 and have yet to record 12 full months of operation data for accurate benchmarking. The data for both properties will be included in the 2024 report.

(2) Inclusive of corporate income tax, property and real estate tax, payroll tax and other corporate taxes.

(3) Calculation based on actual number of guests that occupied each of the rooms and suites in the relevant year.

(4) Year-end data as at 31 Dec 2023. Headcount data only covers full-time employees working full number of hours per week for that particular position. Total headcount increased as we welcomed new employees to our workforce from the opening of The Peninsula London and The Peninsula Istanbul in 2023.Voluntary turnover rate, which covers full-time employees left employment based on their own decision to resign is 18.2%.

(5) Injury rates have stabilised as all our operations returned to full operational capacity in 2023. 94% of the reported incidents did not require a hospital stay, and thus not considered severe injuries. The injury rate for severe cases is at 0.22 per 100 employees. There was no incident of occupational disease recorded.

(6) As business across the group continued to recover in 2023, there were more business activity (such as guests staying at our hotel) leading to an overall increase in energy intensity by 11% compared to last year. Hotel water intensity continues to normalise by increased guest nights and returns back to baseline levels, at a 5.7% reduction from last year. Water intensity for commercial properties, clubs & services increased by 13.1% due to business recovery. Please refer to pages 24-29 of the CRS report for detailed explanation of the changes.

(7) Vehicle fuel consumption is not included in the total energy use and energy intensity reported.

(8) Includes all water uses in the hotels, not just those used by guests directly.

(9) Grease trap waste, hazardous waste and construction waste were not included in the waste data reported.

(10) Monetary Donations include donations from the company, guests and employees.

(11) Total community contributions (including monetary and in-kind donations and other community contributions) increased by 59% from last year, as business across the group improved in 2023. In addition, the group has set aside HK$37.9m as a special donation under our "Hope for Türkiye" fundraising campaign which was an initiative to support those affected by the devastating earthquake that occurred in Türkiye in February 2023. The group is now reviewing the most appropriate non-profit or governmental organisation partner to achieve the optimal outcome for our donation.

(12) Relates to contributions made to non-charitable organisations on projects supporting the wider community, for example, the Hong Kong Heritage Project, an archive project for preserving valuable historical records of the Kadoorie family and its businesses that are mostly based in Hong Kong.

Shareholder Information

Financial Calendar 2024

2023 annual results announcement	19 March
Dispatch of Annual Report	12 April
For entitlement to attend and vote at Annual General Meeting	
– Last day to register	2 May 4:30 p.m.
– Closure of register of members	3 May to 8 May (both days inclusive)
– Record date	8 May
Annual General Meeting	8 May 12:00 noon
Ex-dividend date for final dividend	10 May
For entitlement to receive final dividend	
– Last day to register	13 May 4:30 p.m.
– Closure of register of members	14 May to 17 May (both days inclusive)
– Record date	17 May
Dispatch of scrip dividend circular and election form	22 May
Last day to return scrip dividend election form	11 June 4:30 p.m.
Dispatch of dividend warrants and share certificates for final dividend	On or about 20 June
2024 interim results announcement	August
Financial year end	31 December

Company Website

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

Investor Enquiries

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

Corporate Responsibility and Sustainability Enquiries

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Share Information

Stock Code: 00045

Request for Feedback

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

Company's Share Registrar – Computershare Hong Kong Investor Services Limited

For share transfer and registration:
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Customer Services Hotline: (852) 2862 8555
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Online Enquiries: www.computershare.com/hk/en/online_feedback

For corporate communications:
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Email: hsh.ecom@computershare.com.hk

Shareholders are encouraged to access the corporate communications of the company on the company website. They may at any time change their choice of language or means of receipt of the company's corporate communications, by notice in writing to the company's Share Registrar by email or by post. The "Investors" section on the company website sets out the relevant arrangement for shareholders to make such change request(s).

Reservations and Contact Addresses

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Reservations and Contact Addresses

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The Repulse Bay

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The Peak Tower and The Peak Tram

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