



INTERIM REPORT 2022 中期報告





The new 6th generation Peak Tram has been painted in a bespoke “Peak Tram Green”, in honour of its heritage and the earlier edition 3rd and 4th generation tramcars. Manufactured in Switzerland, the new Peak Tram has increased its capacity by 75% and will carry 210 passengers compared to 120 previously. It will have wider doors and step-free access for people with disabilities, as well as larger panoramic windows for enhanced views of Hong Kong’s stunning skyline. The 6th generation Peak Tram is part of a HK\$799 million upgrade project which includes fully replaced haulage and control systems, new track rails and strengthened foundations, and significantly refurbished termini with enhanced queuing capacity.



全新的第六代山頂纜車選用了具標誌性的「山頂纜車綠色」，銳意傳承山頂纜車的經典傳統，也向早期的第三代和第四代纜車致敬。由瑞士廠商製造的全新山頂纜車，載容量增幅達75%，由過往的每班120名乘客增多至210名。纜車內設備也經過精心改良，除了配備更寬闊的車門和無梯級設計，方便殘疾人士上車之外，更設有偌大的全景玻璃窗讓乘客飽覽香港迷人的天際綫。整項升級工程耗資799百萬港元，第六代山頂纜車為其重要一環，其他升級的設施亦包括全面更新動力及拖曳系統和纜索、鋪設新的路軌、加固地基及結構，以及全面翻新山頂總站及擴建中環總站，以容納更多乘客。



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COMPANY AT A GLANCE

Number of Rooms Ownership

HOTELS

Established: 1928 300 100%

THE PENINSULA HONG KONG



Established: 2009 235 50%

THE PENINSULA SHANGHAI



Acquired: 1989 230 76.6%

THE PENINSULA BEIJING



Established: 2007 314 100%

THE PENINSULA TOKYO



Established: 1998 370 100%

THE PENINSULA BANGKOK



Established: 1976 351 77.4%

THE PENINSULA MANILA

Established: 2001 **339** **100%**

THE PENINSULA CHICAGO



Acquired: 1988 **233** **100%**

THE PENINSULA NEW YORK



Established: 1991 **195** **20%**

THE PENINSULA BEVERLY HILLS



Established: 2014 **200** **20%**

THE PENINSULA PARIS

GFA (sq. ft.) **Ownership**

THE PENINSULA ARCADES

77,654 **100%**

THE PENINSULA HONG KONG



87,995 **50%**

THE PENINSULA SHANGHAI



94,450 **76.6%**

THE PENINSULA BEIJING

Ownership

PROJECTS UNDER DEVELOPMENT



100% THE PENINSULA LONDON



50% THE PENINSULA ISTANBUL

Company at a Glance

GFA (sq. ft.) Ownership

COMMERCIAL PROPERTIES

Established: 1994

75,082 100%

THE PENINSULA OFFICE TOWER
HONG KONG



Established: 1976 & 1989

1,058,455 100%

THE REPULSE BAY
HONG KONG (residential and arcade)



Established: 1996

116,768 100%

THE PEAK TOWER
HONG KONG (retail)



Acquired: 2013

44,218 100%

21 AVENUE KLÉBER
PARIS, FRANCE (office and retail)



Established: 1983

71,400 100%

ST. JOHN'S BUILDING
HONG KONG (office)

Established: 1994

176,766 70%

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



Ownership

CLUBS AND SERVICES

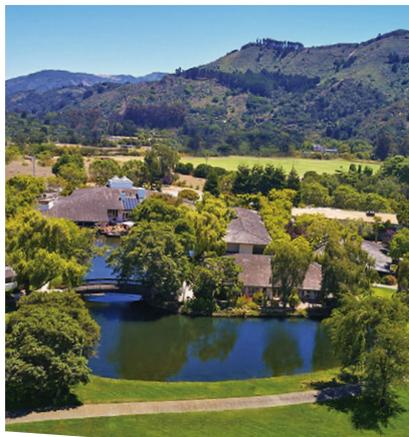
Established: 1888 **100%**

THE PEAK TRAM
HONG KONG



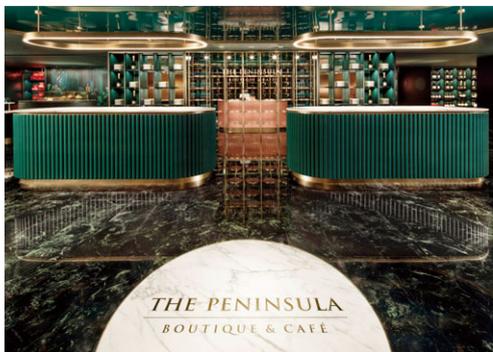
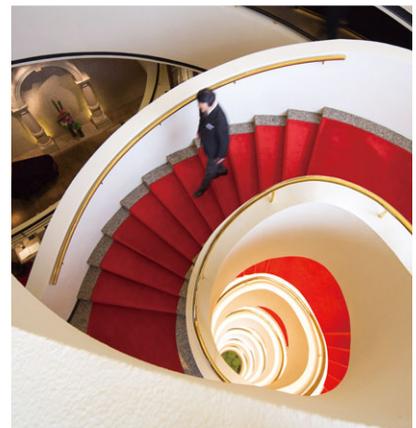
Acquired: 1997 **100%**

QUAIL LODGE & GOLF CLUB
CARMEL, USA



Established: 1977 **100%**

PENINSULA CLUBS AND
CONSULTANCY SERVICES



Established: 2003 **100%**

PENINSULA MERCHANDISING



Established: 1980 **100%**

TAI PAN LAUNDRY
HONG KONG

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2022	For the six months ended 30 June 2021	2022 vs 2021
PROFIT OR LOSS HIGHLIGHTS (HK\$m)			
Combined revenue [^]	1,834	1,420	29%
Revenue	1,662	1,264	31%
Combined EBITDA [^]	84	35	140%
Combined EBITDA before pre-opening and project expenses	130	61	113%
EBITDA	65	6	983%
Operating loss	(165)	(244)	32%
Profit/(loss) attributable to shareholders	134	(452)	n/a
Earnings/(loss) per share (HK\$)	0.08	(0.27)	n/a
Underlying loss [*]	(254)	(349)	27%
Interim dividend	–	–	–
Weighted average gross interest rate	1.7%	1.5%	0.2pp

	As at 30 June 2022	As at 31 December 2021	2022 vs 2021
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK\$m)			
Total assets	55,724	55,685	–
Net assets attributable to shareholders	36,687	36,762	–
Adjusted net assets attributable to shareholders [#]	40,892	40,871	–
Net assets per share (HK\$)	22.24	22.29	–
Adjusted net assets per share (HK\$) [#]	24.79	24.79	–
Net external borrowings	13,175	12,900	2%
Funds from operations to net external debt ^{##}	1%	3%	(2pp)
Net external debt to equity attributable to shareholders	36%	35%	1pp
Net external debt to total assets	24%	23%	1pp

	For the six months ended 30 June 2022	For the six months ended 30 June 2021	2022 vs 2021
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (HK\$m)			
Net cash generated from operating activities	76	5	1,420%
Normal capital expenditure on operating assets	(60)	(99)	39%
Capital expenditure on the Peak Tram upgrade project	(94)	(51)	(84%)
Capital expenditure on new hotel projects	(1,112)	(1,092)	(2%)
SHARE INFORMATION (HK\$)			
Highest share price	9.26	8.50	
Lowest share price	6.63	6.71	
Period end closing share price	7.22	8.17	

[^] Including the group's effective share of revenue/EBITDA of associates and joint ventures

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

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

^{##} Being annualised EBITDA as a percentage of net external debt

pp Denotes percentage points

CEO'S REVIEW

Introduction

The first half of 2022 has seen some positive momentum compared to the very challenging situation in the same period in 2021. However, our key markets of Hong Kong and mainland China suffered from further COVID-19 travel restrictions. The difference in financial results is notable between those locations where government restrictions have eased and others that are still in place. On the positive side, we have seen a surge in recovery in the US and Paris, with rates reaching historically high levels. Manila is also seeing a reasonable recovery, whereas Bangkok's recovery remains muted, and Tokyo is experiencing a slower rebound. Our non-hotel properties and other businesses continued to be under pressure, but remained stable. A key issue for us is the significant labour shortage, particularly in the US and Europe, and this is preventing many of our rooms and outlets operating at full capacity. Inflation and rising energy costs are also of increasing concern. Overall, we believe that our first half results were satisfactory given the market circumstances.

Quarantine restrictions in our home market remain a challenge. At the time of writing, stringent social distancing measures and lengthy quarantine regimes in Hong Kong and the Chinese mainland remain the strictest in the world, and this has dramatically impacted tourism arrivals for the past two years. The restrictions continue to seriously affect our hotels business in Hong Kong and mainland China, as well as the Peak Complex. Our residential leasing business at The Repulse Bay is also impacted by the shortage of international expatriates arriving into Hong Kong, although we have retained a reasonably high occupancy level.

Our immediate development focus remains on delivering our new Peninsula hotel projects in London and Istanbul, as well as the Peak Tram upgrade project, as explained later in the operational sections of this review.

The group came into this crisis with low gearing and considerable liquidity, which we bolstered by arranging further facilities to cover our group's liquidity needs. Together with the actions that we have taken to minimise our operating cash outflows, we believe our financial resources are comfortably able to meet the group's operating cash requirements. Further details of the group's liquidity position are discussed on page 30 of the Financial Review section.

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

Business Performance

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

CEO's Review

Hotels Division

Hotels	Revenue HK\$m	Variance Year-on-Year	
		HK\$	Local Currency
Consolidated hotels			
The Peninsula Hong Kong	275	-10%	-10%
The Peninsula Beijing	88	-21%	-21%
The Peninsula New York	299	+320%	+320%
The Peninsula Chicago	240	+70%	+70%
The Peninsula Tokyo	171	+21%	+39%
The Peninsula Bangkok	40	+229%	+262%
The Peninsula Manila	57	+351%	+387%
Non-consolidated hotels			
The Peninsula Shanghai	113	-47%	-48%
The Peninsula Beverly Hills	333	+76%	+76%
The Peninsula Paris	246	+403%	+455%

The Peninsula Hong Kong

	Revenue HK\$275m	Occupancy	Average Room Rate	RevPAR
	-10%	-12pp	+12%	-36%

In the first half of 2022, **The Peninsula Hong Kong** was severely negatively impacted by the continued stringent travel restrictions, quarantine and social distancing measures imposed by the HKSAR Government. Although business performance was satisfactory in early January 2022, the fifth wave of COVID-19 hit the city in late January and the Government once again imposed stringent social distancing measures and dining bans from January until May 2022.

To mitigate the loss of revenue from rooms business and food and beverage, we implemented a number of innovative “staycation” offers and marketing promotions to appeal to local residents, including *Penfare at Home* delivery services, collaborations with *Le French May* and beautiful artistic décor on Mother’s Day.

We began to see a rebound from 19 May 2022 onwards when the social distancing measures were eased. Food and beverage revenue improved dramatically and local residents reorganised previously cancelled events, banquets and weddings.

We were delighted to receive the accolade of ‘Top 500 Hotels in the World 2022’ by *Travel + Leisure* and we were pleased that *Gaddi’s* was awarded one Michelin star for the second consecutive year, while *Spring Moon* garnered one Michelin star for the fifth year in a row.

The Peninsula Office Tower was 100% occupied in the first half of 2022, and the immediate outlook is stable. The Peninsula Arcade occupancy was 93% and although commercial leasing remains under pressure due to the soft retail environment, we believe that our newly renovated Peninsula Arcade basement will continue to offer an attractive retail environment for tenants, with an eclectic mix of lifestyle and culinary amenities.

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

The Peninsula Shanghai

THE PENINSULA SHANGHAI	Revenue RMB93m	Occupancy	Average Room Rate	RevPAR
	-48%	-35pp	0%	-66%

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

The Peninsula Shanghai had an extremely challenging first half of 2022 due to the very stringent COVID restrictions imposed across the city. From March onwards there was a serious deterioration in business as various lockdowns commenced. Government regulations mandated the hotel to close all restaurants, the Spa and the swimming pool.

From April 2022, the Puxi area of the city, where our hotel is located, went into full lockdown. We had some guests who chose to stay in the hotel for the duration and we did our best to cater for these guests and ensure they were comfortable. For Shanghai residents also experiencing lockdown in their residential complex, we offered high-end culinary delivery services and engaged “KOL” influencers to promote our offers to the local market, with excellent results.

On 1 June 2022, these restrictions were lifted and we were able to open all restaurants, with some capacity limitations, by 1 July 2022. Following this, we achieved some improvement in rooms business in June but we are not expecting a full return to normal business until later in the year. International tourist arrivals to the Chinese mainland remain restricted, but the reduction in quarantine from 14 days to 7 + 3 days (hotel and home quarantine respectively) was a welcome development and we are hopeful that visitors will gradually return.

The Peninsula Arcade was 94% occupied during 2022 and we offered rental concessions for our tenants. When the lockdown was lifted, the Arcade was very busy with queues outside some of our anchor tenants’ retail outlets, demonstrating that there is pent-up demand in the luxury market in the city.

The group owns a 50% interest in The Peninsula Shanghai Complex which comprises a hotel, a shopping arcade and a residential tower of 39 apartments. As at 30 June 2022, a total of 31 apartment units have been sold.

The Peninsula Beijing

THE PENINSULA BEIJING	Revenue RMB73m	Occupancy	Average Room Rate	RevPAR
	-21%	-18pp	+20%	-48%

The Peninsula Beijing experienced a very challenging first half of the year. The Winter Olympics was successfully held in February 2022, with “bubble areas” maintained in key areas of Beijing to protect visitors and athletes. This naturally led to a decline in domestic arrivals to the city and business outside of these bubble areas was weak.

There were very few international travellers to Beijing in the first half due to lengthy quarantines, which have recently been reduced from 14 days to seven days hotel quarantine plus three at home. One of our leading domestic markets is Shanghai and for several months, Shanghai residents were not permitted to travel to Beijing, due to the severity of the COVID-19 situation in the city.

CEO's Review

In April 2022, with an outbreak of new cases, business came to a complete standstill across the city, with major attractions such as Universal Studios and the Forbidden City closing temporarily. Hotels were not permitted to host events, dining and live music were banned, swimming pools and fitness centres were not allowed to open, all of which negatively impacted The Peninsula Beijing's operational results. To mitigate the impact, we offered some high-end culinary delivery services which proved to be very popular among local residents.

As of 1 July 2022, all restaurants have reopened, including our rooftop bar Yun Summer Lounge which is popular due to the good summer weather in Beijing, and outdoor dining facilities are preferred after the pandemic. We had some long-staying guests in-house throughout the lockdown and we have been organising promotions and children's activities within permitted regulations to create a positive atmosphere in the hotel. While we are starting to see a return of diplomatic business, and small catering events, we do not expect any turnaround in business levels in Beijing until after the 20th Party Congress in November 2022.

The Peninsula Arcade was 95% occupied and business in the retail outlets was robust. Some of our anchor tenants expanded their space.

The Peninsula Tokyo

THE PENINSULA T O K Y O	Revenue JPY2.74b	Occupancy	Average Room Rate	RevPAR
	+39%	+9pp	+18%	+55%

The Peninsula Tokyo experienced a slow start to 2022 but saw a gradual recovery in the second quarter. During the first quarter, the hotel continued to be negatively impacted by "State of Emergency" restrictions which were imposed across the city. Towards the end of March 2022, these restrictions were lifted and this resulted in a significant increase in the number of general banquets and large events due to pent-up demand.

At the same time, the Japanese Government started to ease their border policies and began to issue international business visas again. From June 2022, overseas small tour groups and business visitors were allowed back into Japan. Although overseas individual leisure travellers remain restricted, we are optimistic that this will improve in the second half of the year as the country continues to open up.

While inflation is becoming an issue, and utilities costs are the highest level in five years, we are implementing tighter cost control measures. Concurrently we are continuing to drive domestic business with local packages while balancing our increasing international guest mix.

The Peninsula Arcade welcomed a new healthcare tenant in May 2022.

The Peninsula Bangkok

	Revenue THB175m	Occupancy	Average Room Rate	RevPAR
	+262%	+5pp	+143%	+210%

The Peninsula Bangkok experienced a rebound in the second quarter following a slow start to the year when restrictions were still in place and we had limited dining and alcohol restrictions, as well as “Test and Go” for international travel. The hotel was largely reliant on local packages and promotions in the first quarter.

The Government’s efficient vaccination programme led to the majority of the population being vaccinated by March 2022 and restrictions were eased. The “Thailand Pass” for visitors has been dropped and from the second quarter we experienced a good increase in travellers from overseas, particularly our traditional long-haul markets of the US, UK and Europe. Overseas groups have started returning and we are optimistic for the second half, with the APEC conference being held in Bangkok in November 2022.

We reported a good performance in food and beverage, Spa and catering in the first half, although our RevPAR ranking was lower than expected due to the better performance of hotels in the downtown area. Riverside hotels including The Peninsula Bangkok are experiencing intense competition. We will continue to work on promoting local packages to attract the domestic market, and the Thai Government announced another “We Travel Together” programme, which subsidises rooms bookings for hotels, from July to September 2022.

The Peninsula Bangkok, as an “urban resort” hotel, places a significant focus on health and wellness and we organised two three-day Wellness Festivals during the first half of 2022, one on “The Art of Sleep” and another on “The Art of Happiness” which were very well received by our guests.

We also continued with our art programme, under the group’s *Art in Resonance* initiative, working with local artists and supporting the art community in Bangkok.

The Peninsula Manila

	Revenue Php381m	Occupancy	Average Room Rate	RevPAR
	+387%	+33pp	+27%	+691%

The Peninsula Manila experienced a robust recovery in the first half compared to the previous year, having benefited from the lifting of government travel restrictions and being able to welcome international guests. Occupancy, average rates and RevPAR all increased significantly and the average rate was the highest the property has achieved since the pandemic started.

In February, the Philippines Government opened international borders and we were delighted to welcome guests from our traditional key markets of US, UK, Singapore, Japan and South Korea. Suite business was good and our new Club Lounge proved popular. Food and beverage performance was robust, with *The Lobby*, *Spices and Escolta* all performing well, although *Old Manila*, *Salon de Ning* and *The Bar* remain temporarily closed.

CEO's Review

Unfortunately, like elsewhere in the world, the country is suffering from inflation and high energy costs and we are trying to mitigate the impact of this.

A new President was elected on 30 June and we have seen an increase in diplomatic business and delegations of the country staying with us. Corporate business is rebounding and many airlines are returning to the country. Domestic tourism is strong and we are continuing to promote "staycation" packages for local guests. We are optimistic for the second half.

The Peninsula New York

THE PENINSULA NEW YORK	Revenue US\$38m	Occupancy	Average Room Rate	RevPAR
	+320%	+23pp	+28%	+109%

The Peninsula New York experienced a significant rebound in the first half of 2022 after a slow start in the first two months of the year. The speed of the recovery and the so-called "revenge travel spending" has exceeded our expectations.

Food and beverage revenue was good, with *Salon de Ning* performing well and *Clement* restaurant open for breakfast and lunch. *Gotham Lounge* remains temporarily closed but we are planning to reopen later in the year.

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

As we emerge from the pandemic, new concerns in New York are high inflation, the increase in gas prices and the high cost of labour and talent shortage, which is a country-wide issue in the hospitality industry.

Despite these concerns, our outlook for the second half is relatively positive with high rates forecast.

The Peninsula Chicago

THE PENINSULA CHICAGO	Revenue US\$31m	Occupancy	Average Room Rate	RevPAR
	+70%	+15pp	+18%	+68%

The Peninsula Chicago enjoyed a very strong first half of 2022, with high occupancy and all-time record highs in our average rates.

The hotel's restaurants and dining outlets reopened in the third quarter of 2021 and remained open in the first half of 2022 with some limitations in dining hours. The only exception is *Pierrot Gourmet*, which is being renovated and will reopen in late summer of 2022. Staffing shortages remain a major concern in Chicago with a high number of vacant positions. Recruitment is a top priority.

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

As part of our commitment to promoting local artists, in April 2022, we were proud to present *I am Somebody*, a collection of works by AFRICOBRA (the African Commune of Bad Relevant Artists), an artist collective that was founded on the south side of Chicago in 1968. AFRICOBRA is known for creating art to address social and cultural challenges affecting the Black community.

As widely reported in the media, crime levels in Chicago are rising and this remains a concern for the hotel. We have put extra security in place as well as offering house car options for our guests. We have also arranged transport for our staff to offer additional protection.

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

The Peninsula Beverly Hills

THE PENINSULA BEVERLY HILLS	Revenue US\$43m	Occupancy	Average Room Rate	RevPAR
	+76%	+29pp	+40%	+137%

The Peninsula Beverly Hills enjoyed a very successful first half of 2022 with the highest average rates in the history of the hotel. Pent-up demand was high, with the so-called “revenge travel spending” phenomenon benefiting our hotels business. We received very high suite demand due to the Superbowl and the Milken Conference returning to Los Angeles. A good mix of business and leisure travel help to push rates, with robust demand for suites and high-end products.

Food and beverage performed very well in the first half. Banqueting and catering demand was strong due to many events being reorganised after being cancelled during the pandemic. We initiated a “pop-up” of *Sushi Nakazawa*, a famous high-end sushi bar from New York City. This initiative operated as an ultra-exclusive offering with very limited places, and this was highly successful, helping to generate significant revenue.

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

The Hollywood awards season, which traditionally would result in full occupancy for our hotel, was not so robust in 2022. Two major award events were cancelled or held as “hybrid” events and one was held in Las Vegas instead of Los Angeles. We have a high percentage of clients from the entertainment sector and therefore this affected our business.

We were pleased to achieve the accolade of ‘No 1 Best Hotel in California’ and ‘No 1 Best Hotel in Los Angeles’ by *US News & World Report*.

CEO's Review

The Peninsula Paris

	Revenue EUR29m	Occupancy	Average Room Rate	RevPAR
	+455%	+26pp	+25%	+362%

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

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

We were delighted to achieve a second Michelin star for our rooftop restaurant, *L'Oiseau Blanc*.

Commercial Properties Division

Commercial Properties	Revenue HK\$m	Variance Year-on-Year	
		HK\$	Local Currency
The Repulse Bay Complex	259	-3%	-3%
The Peak Tower	15	-25%	-25%
St. John's Building	25	-6%	-6%
The Landmark	19	+8%	+6%
21 avenue Kléber	11	-7%	+2%
The Peninsula Shanghai Apartments	4	+66%	+64%

Our largest commercial property, **The Repulse Bay Complex**, experienced a softer market compared to the previous year, with residential revenue and occupancy declining at 101 Repulse Bay and de Ricou due to the challenging environment in Hong Kong. The lack of international arrivals continues to affect the luxury residential leasing market and we are concerned about the second half of 2022, although we are seeing some leasing renewals for the summer and our long-term outlook is positive.

The HKSAR Government's social distancing measures continued to affect the performance of The Repulse Bay's food and beverage outlets, and catering revenue decreased due to the restrictions on large functions and events implemented across the city. Once these restrictions were relaxed in May we started to see some demand returning. The Repulse Bay, with its beautiful ocean views, is one of Hong Kong's most popular venue for weddings and while many weddings were cancelled or postponed due to the social distancing restrictions, we are now seeing these bookings being rescheduled for the second half and are therefore cautiously optimistic.

The Repulse Bay Shopping Arcade, which offers a diverse range of lifestyle amenities and services, reported lower occupancy and revenue, as well as some rental concessions to existing tenants due to the challenging environment. We are planning a strategic review of the arcade in order to offer unique and enhanced facilities to guests.

The Peak Tower experienced another challenging year, significantly impacted by the lack of foreign visitors to Hong Kong and the ongoing upgrade project for The Peak Tram which also affected traffic to the Peak. Revenue and occupancy declined significantly, and we had to offer rental concessions due to the very difficult situation our tenants are facing, with some temporarily closing or going out of business. We are implementing a variety of promotions and business strategies to entice more visitors to the Peak. Visitors to Sky Terrace 428 also declined even further as compared to the previous year. We have implemented several sales and marketing strategies to continue to drive local business and to encourage local residents to visit the Peak Tower, which has remained open during the renovation and temporary suspension of The Peak Tram.

St John's Building is located above the Central Terminus of the Peak Tram and offers an excellent location for office space. Revenue dropped slightly but occupancy remained stable at 93% during the first half of 2022.

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

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

Clubs and Services Division

Clubs and Services	Revenue HK\$m	Variance Year-on-Year	
		HK\$	Local Currency
The Peak Tram	3	-76%	-76%
Quail Lodge & Golf Club	63	+40%	+40%
Peninsula Clubs & Consultancy Services	1	-30%	-30%
Peninsula Merchandising	42	+61%	+61%
Tai Pan Laundry	14	-7%	-7%

The Peak Tram is one of Hong Kong's most popular tourist attractions and has been in operation since 1888. The tram and support facilities are undergoing a major upgrade which will result in a significantly improved Central Terminus, featuring covered queuing and waiting areas with entertainment features for up to 1,300 passengers. The new tramcars will carry up to 210 passengers instead of the previous capacity of 120 and visitors' waiting time will be significantly reduced. Due to this upgrade, the Tram has remained closed for the entire first half of this year.

The upgrade project has been negatively impacted by unforeseen ground conditions, the ongoing pandemic restrictions as well as supply chain issues in terms of delivery of equipment from Europe and the Chinese mainland. As a result, there was a delay in the planned reopening of the Tram which is now expected in late summer 2022. The total cost of the upgrade project is HK\$799 million, which has increased from HK\$734 million in 2021 due to the aforementioned issues.

CEO's Review

Quail Lodge & Golf Club reported an excellent half year with revenue increasing by 40% year on year and a significant increase in average rates and RevPAR compared to pre-COVID 2019 levels. Golf membership was strong, with 24 new memberships signed in the first half of 2022.

We were able to once again host *The Quail Motorcycle Gathering* in May, and we are preparing to host *The Quail: A Motorsports Gathering* in August 2022 which is considered one of the world's leading concours events for classic motoring aficionados and brings significant sponsorship revenue. The "Peninsula Classics Best of the Best Award" will also be held at Quail in August 2022.

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

Revenue at **Peninsula Merchandising** substantially increased over the same period last year, mainly due to stronger online sales and robust corporate, wholesale and travel retail business across Asia and contribution from our Japan stores. The Peninsula Boutique & Café in the basement of The Peninsula Arcade celebrated its first anniversary in May 2022 and has generated significant revenue for this subsidiary.

The Peninsula Boutique is renowned for its signature Mooncakes and forecast sales are very positive for the forthcoming season with good performance in online sales. This division is planning for expansion in several markets including the Chinese mainland. The Hong Kong International Airport boutique has been temporarily closed since March 2020. Sales in our Japanese boutiques are improving following the relaxation of State of Emergency restrictions.

Tai Pan Laundry revenue decreased by 7% compared to the same period last year, due to the stringent social distancing measures which led to the temporary closure or weak business of some hotels, clubs and gyms.

Projects under development

The Peninsula London

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

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

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

The project was materially affected in 2020 and 2021 by delays caused by the COVID-19 pandemic which resulted in labour shortages and site closures, as well as significant design and project coordination issues arising in key areas of the hotel. Throughout these challenges, the HSH projects team has worked closely with the London development manager, the construction management company, the consultants and the trade contractors to address and resolve problems as quickly and effectively as possible. Unfortunately, despite these efforts and the engagement of the various teams, the project has suffered additional time delays causing further cost overruns. As at the time of writing, the practical completion date of the project and the soft opening date of the hotel has been further delayed from 2022 to the first half of 2023.

The cost consequences of this further delay are currently being assessed but we expect there to be an upward adjustment in the indicated total project budget of £800 million (including both hotel and residential apartments). However, the prices at which we have transacted the sales of residential apartments to date have been in line with our original expectations.

The Peninsula Istanbul

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

The Peninsula Istanbul will form part of the wider Galataport project being developed by our partners, which incorporates a promenade, museums, art galleries, restaurants, boutiques, retail units, parks and public spaces for the local community as well as a cruise passenger terminal. Many of the facilities have now been opened and the area already enjoys a high level of patronage from locals and visitors. The entire Galataport project is subject to a 30-year operating right commencing February 2014 for which The Peninsula Istanbul has been granted a corresponding 30-year fixed term lease. We have been notified by our partners that the Turkish Parliament has approved an extension of the 30-year operating right up to 49 years upon satisfaction of certain conditions, including agreeing to additional financial terms. Our partners are in discussion with the authorities on such terms to secure this extension. This would benefit the hotel with a longer operating period, subject to extension terms being agreed with our partners.

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

The COVID-19 situation and some construction issues have caused some delay to The Peninsula Istanbul project, although in 2022 this has been mitigated as much as possible. Progress towards the completion date is now satisfactory with fitout activities progressing in all areas. Construction completion of the project is currently on target for the end of 2022, with a soft opening in the first half of 2023. Despite challenges which include COVID-19, supply chain issues, construction issues, and devaluation of the lira coupled with hyperinflation in Türkiye, the project cost – denominated in euros – remains on budget.

The Peninsula Yangon

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

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

CEO's Review

Human Resources

The first half of 2022 continued with challenges for our Human Resources team, particularly with regards to retaining talent and the global labour shortage in the hospitality industry especially in the US and France. As a company, we needed to react quickly to the challenging labour market to attract talent and we were pleased to contain our voluntary turnover to 9.8% in the first half of the year.

In 2022 we completed the employee sentiment survey which was started in 2021, to include the operations that had been unable to participate due to their temporary closure in 2021. Taking the results for all of the properties surveyed in the last 2 years, we are proud that despite the stresses brought by the COVID crisis, 96% of employees said they feel great pride in working for the company, and despite the challenges 91% said they are extremely satisfied with the company.

We are continuing the momentum of launching the "Peninsula Services Principles" framework for all employees in our hotel operations, which will focus on creating closer emotional connections with guests. In 2022, we also extended the framework to our employees in The Peninsula Boutique & Café with emphasis on creating a more guest-centric experience.

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. Despite the challenging business situation, we remain committed to innovation and empowerment. A "Work Improvement Teams" (WIT) programme was launched globally to encourage creative idea sharing from our employees in identifying ways for company efficiency, cost savings, revenue generation, health and safety improvement and strengthen company culture. Through Hackathon workshops and the WIT programme, hundreds of ideas were generated.

To support the employees and their families with challenges during the lock down in the first four months in Hong Kong, an 8-week wellbeing programme, "Joining Together", was launched in March for the Hong Kong operations, focusing on recharging, building resilience, and rejuvenation, with an emphasis on mental health and wellbeing. The programme also featured our overseas operations employees to support the online wellness initiatives and a "Kids' Academy". A team of 26 volunteers was formed as a care support team on standby to deliver food and care packages to any employee as needed.

We continue to focus on the mental wellbeing of our employees with a virtual global challenge through the WOW (Wisdom on Wellness) Programme to be launched in August 2022 to engage and foster teamwork with all employees.

Longer term, our focus continues to be talent development and ensuring our culture continues to be strong despite challenging times, while adding around 1,200 people to our workforce with the opening of two new hotel projects and improving business.

As of 30 June 2022, there were 5,960 full time employees in the group.

Sustainable Luxury

In 2021, HSH's Corporate Responsibility and Sustainability Team launched our *Sustainable Luxury Vision 2030* Strategy to take the group beyond the previous strategy, *Sustainable Luxury Vision 2020*.

The key strategic objectives and topics of *Vision 2030* are:

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

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

In the first half of 2022, we focused our efforts on several challenging issues that were further complicated by the global pandemic due to more stringent hygiene standards, disruption of supply chains and temporary closures of our operations. Examples of these issues include water usage, single-use plastic transition, waste diversion and responsible sourcing. Social inequalities became more prominent with the impact of COVID-19, and we continued to have charitable and outreach programmes to assist the socially disadvantaged communities in cities where we operate. We recognise the role of green financing in driving a more sustainable future and low carbon economy, and following our first sustainability-linked loan totalling HK\$1.25 billion in 2021, we are collaborating with other financial institutions to identify sustainability-linked loan opportunities throughout this year and have started building a green financing framework for the group. The potential impact of the climate crisis is clearly of concern. We continue to monitor and deepen our understanding of the climate risks we are facing, and remain vigilant to evaluate these risks on a yearly basis.

Going forward, we will continue to deliver sustainable luxury through the groundwork laid by our previous strategy and seek to enhance our sustainability initiatives by leveraging internal resources, igniting employees' enthusiasm and collaborating with like-minded stakeholders.

Outlook

The outlook for our various businesses remains of concern. We expect to see a continued recovery in the US and Europe, although there is some uncertainty as to the sustainability of this recovery, with COVID-19 cases and variants rising once again at the time of writing. Labour shortages in the hospitality market and rising inflation are areas of concern which are being addressed.

In Hong Kong and the Chinese mainland, the outlook remains uncertain due to continuing COVID-related restrictions that remain in place. We believe it will be important for the relevant governments to take a direction that maintains Hong Kong's status as an international financial and tourism centre, as well as to re-establish the tourism industry throughout China by relaxing travel restrictions as soon as possible.

In terms of business strategy, we are a company that focuses on the very long term, and we must be prepared to weather the downturns that are inevitable when one looks at a period of one hundred years or more. Some of our operations are still impacted by the pandemic while others are currently enjoying a fast rebound. We are doing what we can to support and retain our people through these challenging times, as well as recruit new talent. Our unique company culture is one of our greatest assets and I am personally involved in driving our internal transformation project, *WorkPlace 2025*, mentioned above.

CEO's Review

We expect that the new Peninsula hotels in London and Istanbul, which have exceptional locations in their respective cities, will make a big impact for both local and international customers and further enhance our brand presence when they open in 2023. In addition, we expect that the launch of the Peak Tram in late summer 2022 will significantly improve the visitor experience and enhance Hong Kong's tourism image, as well as generate significant revenues once the Hong Kong tourism market reopens. We are very focused on the successful delivery of all these projects while managing the cost and other project challenges that we have faced.

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

I would like to thank each member of my team for their loyalty and dedication during one of the most challenging periods our group has faced.

A handwritten signature in black ink, appearing to read 'Clement Kwok', with a horizontal line underneath it.

Clement Kwok
5 August 2022

FINANCIAL REVIEW

The interim report includes the unaudited interim results of the group for the six months ended 30 June 2022. The interim financial report has been reviewed by the company's Audit Committee and the company's Auditor, KPMG, whose independent review report to the Board of Directors is set out on page 61.

Basis of Preparation

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

Summary

Whilst the group's home market of Hong Kong and the hotels in mainland China have been under significant lockdowns, we have seen strong recovery in the US and Paris, with hotel average rates reaching historical high levels. Overall, the group's consolidated revenue for the six months ended 30 June 2022 increased by 31% to HK\$1,662 million (2021: HK\$1,264 million) and the group's EBITDA before pre-opening and project expenses increased by 241% to HK\$109 million (2021: HK\$32 million). Breakdowns of the group's revenue and EBITDA by segment are set out on pages 23 to 25 of this Financial Review.

As at 30 June 2022, the group's financial position remained robust, with net debt to total assets at an acceptable level of 24%. As at 30 June 2022, the group's undrawn committed facilities amounted to HK\$4.5 billion. Together with cash and bank balances of HK\$657 million, the group's available funds amounted to HK\$5.2 billion. Given the group's liquidity position, 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 its hotel projects in London and Istanbul as well as the Peak Tram upgrade project.

The Group's Underlying Earnings

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

The group's underlying loss attributable to shareholders for the six months ended 30 June 2022 reduced from HK\$349 million to HK\$254 million. The reduction in underlying loss was mainly attributable to the improved performance achieved by the hotels division and the group's major efforts to contain costs.

HK\$m	For the six months ended 30 June	
	2022	2021
Profit/(loss) attributable to shareholders	134	(452)
Net revaluation (gain)/loss of investment properties*	(434)	77
Pre-opening and project expenses**	46	26
Underlying loss	(254)	(349)

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

** Including the group's share of pre-opening expenses of The Peninsula Istanbul

Financial Review

The Group's Adjusted Net Asset Value

In the financial statements, the group's hotels (other than shopping arcades and offices within the hotels) and golf course are stated at depreciated cost less accumulated impairment losses, if any, and not at fair value. If these assets were to be stated at fair value, the group's net assets attributable to shareholders would increase by 11% to HK\$40,892 million as indicated in the table below.

HK\$m	As at 30 June 2022	As at 31 December 2021
Net assets attributable to shareholders per statement of financial position	36,687	36,762
Adjusting the value of hotels and golf courses to fair value	4,451	4,350
Less: Related deferred tax and non-controlling interests	(246)	(241)
	4,205	4,109
Adjusted net assets attributable to shareholders	40,892	40,871
Net assets per share (HK\$)	22.24	22.29
Adjusted net assets per share (HK\$)	24.79	24.79

Statement of Profit or Loss

The group's consolidated statement of profit or loss for the six months ended 30 June 2022 is set out on page 39. The following table summarises the key components of the group's profit attributable to shareholders. This table should be read in conjunction with the commentaries set out on pages 23 to 26 of this Financial Review.

HK\$m	For the six months ended 30 June		
	2022	2021	2022 vs 2021
Revenue	1,662	1,264	31%
Operating costs	(1,553)	(1,232)	(26%)
EBITDA before pre-opening and project expenses	109	32	241%
Pre-opening and project expenses	(44)	(26)	(69%)
EBITDA	65	6	983%
Depreciation and amortisation	(230)	(250)	8%
Net financing charges	(89)	(75)	(19%)
Share of results of joint ventures	(40)	(16)	(150%)
Share of results of associates	(7)	(33)	79%
Increase/(decrease) in fair value of investment properties	426	(77)	n/a
Taxation	10	(5)	n/a
Profit/(loss) for the period	135	(450)	n/a
Non-controlling interests	(1)	(2)	50%
Profit/(loss) attributable to shareholders	134	(452)	n/a

Revenue

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

The hotels division is the largest contributor of the group's combined revenue. During the first half of the year, the group's home market of Hong Kong and Beijing and Shanghai in mainland China were under significant lockdowns. However, a strong recovery in the US and Paris was seen following the easing of government restrictions. As such, the combined revenue of the hotels division increased by 41% to HK\$1,378 million, due to the contributions from the hotels in the US and Paris.

Revenue from the commercial properties division decreased by 3% to HK\$333 million, mainly due to the unfavourable performances of The Repulse Bay Complex (TRB) and The Peak Tower (TPT). TRB is the largest contributor of revenue, accounting for 78% of the division's revenue. Rental revenue at TRB continued to be under pressure as the luxury residential market remained soft. Revenue at TPT decreased by 25%, mainly due to the sharp decrease in visitors to the Sky Terrace 428 following the suspension of the Peak Tram service since June 2021.

Revenue of the clubs and services division increased by 22% to HK\$123 million, mainly attributable to the improved results achieved by Quail Lodge & Golf Club.

The breakdowns of revenue by business segment and geographical segment are set out in the following tables.

Revenue by business segment

HK\$m	For the six months ended 30 June						2022 vs 2021
	2022			2021			
	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	1,206	172*	1,378	818	156*	974	41%
Commercial Properties	333	-	333	345	-	345	(3%)
Clubs and Services	123	-	123	101	-	101	22%
	1,662	172	1,834	1,264	156	1,420	29%

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

Financial Review

Revenue by geographical segment

HK\$m	For the six months ended 30 June						2022 vs 2021
	2022			2021			
	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	629	–	629	671	–	671	(6%)
Other Asia	390	57*	447	315	108*	423	6%
US and Europe	643	115	758	278	48	326	133%
	1,662	172	1,834	1,264	156	1,420	29%

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

Details of the operating performances of the group's individual operations are set out on pages 8 to 16 of the CEO's Review.

EBITDA* and EBITDA* Margin

The breakdowns of the group's combined EBITDA (earnings before interest, taxation, depreciation and amortisation), including its effective share of associates and joint venture, by business segment and by geographical segment are set out in the following tables.

The group's overall EBITDA for the six month ended 30 June 2022 increased by 113% to HK\$130 million, mainly driven by the improved performances achieved by the group's hotels in the US and Europe.

EBITDA* by business segment

HK\$m	For the six months ended 30 June						2022 vs 2021
	2022			2021			
	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	(8)	21	13	(109)	29	(80)	n/a
Commercial Properties	158	–	158	179	–	179	(12%)
Clubs and Services	(41)	–	(41)	(38)	–	(38)	(8%)
	109	21	130	32	29	61	113%

EBITDA* by geographical segment

HK\$m	For the six months ended 30 June						2022 vs
	2022			2021			2021
	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	155	–	155	182	–	182	(15%)
Other Asia	(79)	–	(79)	(115)	28	(87)	9%
US and Europe	33	21	54	(35)	1	(34)	n/a
	109	21	130	32	29	61	113%

EBITDA* margin

	For the six months ended 30 June					
	2022			2021		
	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	Group's subsidiaries	Associates and joint venture (effective share)	Combined total
Hotels	(1%)	12%	1%	(13%)	19%	(8%)
Commercial Properties	47%	–	47%	52%	–	52%
Clubs and Services	(33%)	–	(33%)	(38%)	–	(38%)
Overall EBITDA margin	7%	12%	7%	3%	19%	4%
By region						
Hong Kong	25%	–	25%	27%	–	27%
Other Asia	(20%)	–	(18%)	(37%)	26%	(21%)
US and Europe	5%	18%	7%	(13%)	2%	(10%)

* Excluding pre-opening and project expenses

Financial Review

Project and Pre-opening Expenses

Project expenses and pre-opening expenses represent the non-recurring costs incurred by the group for the monitoring of the group's two hotel development projects in London and Istanbul, and the payroll, marketing and administrative expenses incurred by The Peninsula London's pre-opening office, respectively.

With the progress of the development of the two projects and the approaching of the soft opening of The Peninsula London, additional resources were put in place during the period ended 30 June 2022, resulting in an increase in project and pre-opening expenses.

Increase in Fair Value of Investment Properties

The investment properties of the group were revalued as at 30 June 2022 by independent firms of valuers based on an income capitalisation approach. The revaluation surplus of HK\$426 million was principally attributable to The Repulse Bay Complex (TRB). Whilst demand in the residential leasing market in Hong Kong remained soft, the prices of luxury residential apartments in the southern district of Hong Kong saw a pickup in the first half of 2022, resulting in a revaluation gain for TRB.

Share of Results of Joint Ventures

The group, through its joint venture The Peninsula Shanghai Waitan Hotel Company Limited (PSW), owns a 50% interest in The Peninsula Shanghai Complex, which comprises The Peninsula Shanghai Hotel and shopping arcade and the adjoining Peninsula Residences apartment tower of 39 apartments, of which a total of 31 apartment units have been sold as at 30 June 2022. Inclusive of hotel and arcade operations and residential leasing income, PSW generated an EBITDA loss of HK\$1 million in the first half of 2022 (2021: positive EBITDA of HK\$55 million). The unfavourable operating performance was mainly due to the stringent restrictions imposed by the Shanghai government following the spike of COVID cases from end of March to end of May 2022. After accounting for depreciation and interest, PSW sustained an accounting loss of HK\$75 million (2021: HK\$32 million, inclusive of an unrealised loss on revaluation of the hotel shopping arcade of HK\$12 million) and the group's share of loss amounted to HK\$38 million (2021: HK\$16 million). A summary of the operating performance of The Peninsula Shanghai are set out in the CEO's Review section on page 9.

The group also owns a 50% interest in The Peninsula Istanbul indirectly through PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT), a joint venture incorporated in Türkiye. During the first half of 2022, PIT incurred pre-opening expenses amounting to HK\$4 million (2021: Nil) of which, HK\$2 million was shared by the group.

Share of Results of Associates

The group has a 20% interest in each of The Peninsula Beverly Hills and The Peninsula Paris. The group's share of net loss of these hotels amounted to HK\$7 million (2021: HK\$33 million).

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

Statement of Financial Position

The group's financial position as at 30 June 2022 remained strong and net assets attributable to shareholders amounted to HK\$36,687 million, representing a per share value of HK\$22.24 compared to HK\$22.29 as at 31 December 2021. The decrease in net asset value per share was mainly attributable to the net unrealised exchange loss arising from the translation of financial statements of foreign subsidiaries, joint ventures and associates. The key components of the group's assets and liabilities as at 30 June 2022 and 31 December 2021 are set out in the table below.

HK\$m	As at 30 June 2022	As at 31 December 2021	2022 vs 2021
Fixed assets	46,913	46,825	0%
Properties under development for sale	4,822	4,954	(3%)
Other long-term assets	2,244	2,515	(11%)
Derivative financial instruments	234	53	342%
Cash at banks and in hand	657	479	37%
Other assets	854	859	(1%)
	55,724	55,685	0%
Interest-bearing borrowings	(13,832)	(13,379)	(3%)
Lease liabilities	(2,785)	(3,103)	10%
Other liabilities	(2,316)	(2,338)	1%
	(18,933)	(18,820)	(1%)
Net assets	36,791	36,865	0%
<i>Represented by:</i>			
Share capital	5,837	5,837	0%
Hedging reserve	191	29	559%
Exchange and other reserves	(295)	76	n/a
Retained earnings	30,954	30,820	0%
Shareholders' fund	36,687	36,762	0%
Non-controlling interests	104	103	1%
Total equity	36,791	36,865	0%

During the six months ended 30 June 2022, the group acquired items of fixed assets with a cost of HK\$966 million, mainly attributable to the capital expenditure in respect of the hotel development project in London and the Peak Tram upgrade project. In addition, the group recognised a net surplus on revaluation of investment properties of HK\$426 million as at 30 June 2022. However, the net movement of fixed assets during the period was insignificant as the additions to fixed assets and the increase in fair value of investment properties were partly offset by the unrealised exchange loss on translation of the fixed assets held by the company's foreign subsidiaries.

During the six months ended 30 June 2022, an amount of HK\$1,524 million bank borrowings was drawn by the group, mainly to fund the progress payments of its projects in London and Istanbul as well as the Peak Tram upgrade project. However, the increase in borrowings was partly offset by the unrealised exchange gain on translation of the group's GBP and JPY loans. Accordingly, the net increase in interest-bearing borrowings during the period was limited to three percent.

Financial Review

Summary of Hotel, Commercial and Other Properties

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

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

	Group's interest	30 June 2022		31 December 2021	
		Value of 100% of the property (HK\$m)			
		Fair value*	Book value	Fair value*	Book value
Hotel properties**					
The Peninsula Hong Kong	100%	12,113	9,634	12,062	9,622
The Peninsula New York	100%	2,114	1,554	2,114	1,562
The Peninsula Beijing	76.6% ^Δ	1,198	1,196	1,306	1,302
The Peninsula Tokyo	100%	1,357	1,103	1,572	1,306
The Peninsula Chicago	100%	1,240	1,059	1,240	1,083
The Peninsula Bangkok	100%	622	532	653	583
The Peninsula Manila	77.4%	42	31	45	37
The Peninsula Shanghai [#]	50%	2,987	2,294	3,122	2,437
The Peninsula Paris [#]	20%	4,443	4,132	4,786	4,539
The Peninsula Beverly Hills [#]	20%	2,523	268	2,523	284
		28,639	21,803	29,423	22,755
Commercial properties					
The Repulse Bay Complex	100%	18,926	18,926	18,488	18,488
The Peak Tower	100%	1,322	1,322	1,320	1,320
St. John's Building	100%	1,211	1,211	1,202	1,202
Apartments in Shanghai	100%	398	398	416	416
21 avenue Kléber	100%	639	639	688	688
The Landmark	70% ^{ΔΔ}	27	27	36	36
		22,523	22,523	22,150	22,150
Other properties					
Quail Lodge resort, golf course and vacant land	100%	284	270	286	274
Vacant land in Thailand	100%	87	87	89	89
Others	100%	396	194	399	198
		767	551	774	561
Properties under development##					
The Peninsula London Hotel	100%	5,227	5,227	4,946	4,946
The Peninsula London Residences	100%	4,822	4,822	4,954	4,954
The Peninsula Yangon	70%	125	125	125	125
The Peninsula Istanbul [#]	50%	1,229	1,229	1,000	1,000
		11,403	11,403	11,025	11,025
Total market/book value		63,332	56,280	63,372	56,491

* The hotel properties (other than shopping arcades and offices within the hotels) and golf course are stated at cost less accumulated depreciation and any provision for impairment losses in the financial statements. Revaluation of these assets is conducted on an annual basis. The Directors consider that the fair values of these assets as at 30 June 2022 were not materially different from those as at 31 December 2021

** Including the shopping arcades and offices within the hotels

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

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

[#] These properties are held by associates/joint ventures

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

Properties Under Development for Sale

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

During the period, an amount of HK\$360 million (GBP36 million) construction in progress was incurred, bringing the cumulative cost of properties under development to HK\$4,822 million (31 December 2021: HK\$4,954 million). The decrease in balance was due to the depreciation of GBP against the reporting currency.

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

Other Long-term Assets

The other long-term assets as at 30 June 2022 of HK\$2,244 million (31 December 2021: HK\$2,515 million) comprised the group's 50% interest in The Peninsula Shanghai, the group's 20% interest and the value of its operating right in The Peninsula Beverly Hills, the group's 20% interest and the value of its operating right in The Peninsula Paris and the group's 50% interest in The Peninsula Istanbul which is under development. The decrease in balance was mainly due to exchange movements relating to CNY, EUR and TRY during the period ended 30 June 2022.

Derivatives Financial Instruments

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

Financial Review

Statement of Cash Flows

The condensed consolidated statement of cash flows of the group for the six months ended 30 June 2022 is set out on page 43. The following table summarises the key cash movements for the first six months of 2022.

HK\$m	For the six months ended 30 June	
	2022	2021
Operating EBITDA (before pre-opening and project expenses)	109	32
Tax payment	(13)	(18)
Net cash generated from operating activities before net working capital movement	96	14
Changes in working capital	24	17
Normal capital expenditure on operating assets	(60)	(99)
Net cash inflow/(outflow) after normal capital expenditure	60	(68)
Project related cash flows		
Capital expenditure on new projects and investment		
– The Peak Tram	(94)	(51)
– The Peninsula London	(1,040)	(1,025)
– The Peninsula Yangon	(5)	(40)
– Capital injection into the Istanbul joint venture	(67)	(27)
Pre-opening and project expenses	(44)	(26)
Cash outflow for projects	(1,250)	(1,169)
Net cash outflow before dividends, other payments and financing activities	(1,190)	(1,237)

Treasury Management

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

The company manages its liquidity risk by constantly monitoring its loan portfolio and ensure there are sufficient borrowing facilities to meet its obligations and commitments. The company is in a strong funding position with HK\$4.5 billion of unused committed facilities as at end of June 2022.

During the period, net borrowings, excluding lease liabilities, increased by 2% to HK\$13.2 billion (31 December 2021: HK\$12.9 billion) with average committed facility maturity at 1.5 years (31 December 2021: 1.7 years). The increase in net borrowings was mainly due to the progress payments made by the group for its two hotel projects and the Peak Tram upgrade project. As at 30 June 2022, the group's net external debt to total assets remained moderate at 24% (31 December 2021: 23%).

As at end of June 2022, 17% of our total facilities are classified as green loans or sustainability linked loans. The company is committed to sustainable luxury and will continuously look for opportunities to establish green financing.

In addition to the group's consolidated borrowings, The Peninsula Beverly Hills (20% owned), The Peninsula Shanghai (50% owned) and The Peninsula Paris (20% owned) have non-recourse bank borrowings, which are not consolidated in the statement of financial position as the entities owning the assets are not subsidiaries of the company. Including the group's share of the gross debt of these non-consolidated entities, total gross borrowings, excluding lease liabilities, would amount to HK\$14.9 billion at 30 June 2022 (31 December 2021: HK\$14.5 billion).

As at 30 June 2022, the group's fixed-to-floating interest rate ratio remained as at 56% (31 December 2021: 59%). The weighted average gross interest rate for the period is at 1.7% (2021: 1.5%) after taking hedging activities into account despite hiking of interest rates for HKD, GBP and USD during the period.

Liquidity and Capital Commitments

As at 30 June 2022, the group's undrawn committed facilities and cash at banks and in hand amounted to HK\$4.5 billion and HK\$657 million respectively. The group is in the process of renewing its facilities which are expiring in 2022. The group is also early refinancing its GBP650 million club loan which will mature in the first quarter of 2023. It is expected that all necessary arrangements will be completed before the year end.

Given the group's liquidity position, the Directors believe that the group will be able to meet the working capital requirements of its existing operations as well as the group's capital commitments, including its two hotel projects in London and Istanbul and the Peak Tram upgrade project, which are estimated to be HK\$2,131 million as at 30 June 2022.

OTHER CORPORATE INFORMATION

Corporate Governance

The Board of Directors believes that our strong corporate culture underpins the long-term business, economic success and sustainable growth of the group. A strong culture will endure in times of stress and help maintain resilience in challenging times, such as those we have faced over the last three years. A healthy corporate culture both protects and prioritises the company's goals and the values in which they are to be achieved. The culture and values of the company set the tone for the governance structure and they work hand-in-hand in sustaining the group over the long term through changing regulatory, market environment and business challenges. The Board of Directors sees corporate governance as underpinning the company's business strategy. By putting in place the right governance framework and ensuring strong emphasis on culture when senior management is recruited, the Board of Directors has incorporated a culture of integrity, accountability and transparency that permeates throughout the group. This in turn fosters productivity, strong branding and reputation which ultimately generates positive long-term shareholder value. The Governance section in the 2021 Annual Report sets out the commitment of the Board of Directors and senior management to the high standards of corporate governance, which supports the development of strong governance culture throughout the group.

Throughout the six months ended 30 June 2022, the company has complied with all of the code provisions and recommended best practices in the Stock Exchange's Corporate Governance Code in Appendix 14 of the Listing Rules (CG Code), save for the publication of quarterly financial results and disclosure of individual senior management remuneration, as set out in the Corporate Governance Report on page 125 of the 2021 Annual Report. The Board of Directors recognises the principles underlying the CG Code and has applied these principles to our corporate governance structure and practices which was disclosed in the Governance section in the 2021 Annual Report. The company has adopted its own Corporate Governance Code (HSH Code) and the CG Code forms the basis of the HSH Code. In light of the revised CG Code which came into effect on 1 January 2022, the company is undertaking to review HSH Code and the relevant terms of reference of the Board and each Board Committee and other relevant policies to ensure they are in line with the CG Code.

Risk Management and Internal Control

Effective risk management plays an integral role in the overall achievement of the group's strategic objectives which are to ensure the resilience of our business for the long term, optimise the quality of our asset portfolio, deliver the highest standards of luxury, and to preserve the tradition of integrity and respect for our heritage. Details of the group's approach to risk governance and principal risks have been disclosed in the Governance section of the 2021 Annual Report.

The Board has considered and endorsed the Audit Committee's assessment of the effectiveness of risk management and internal control systems in the group. In particular, for the first half of 2022 no areas of concern which might materially affect the effectiveness of the group's operational, financial reporting and compliance controls were identified, and the existing risk management and internal control systems remained effective and adequate.

Corporate Responsibility and Sustainability

The group's *Sustainable Luxury Vision 2030 (Vision 2030)* guides us in responding to our environmental and social challenges in the coming decade. The strategy leverages the strengths of our business, focusing on issues requiring significant and urgent attention, scaling positive benefits from our offering, while effectively reducing our negative impacts. 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 our 10 key commitments. Details can be found in our online 2021 Corporate Responsibility and Sustainability Report (CRS Report).

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

Board and Board Committees

The composition of the Board and Board committees as at the date of this Report is set out below:

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

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

Other Corporate Information

Senior Management

Mr Martyn Sawyer will retire from the company and as a member of the Group Management Board with effect from 31 August 2022. Mr Shane Izaks retired in May 2022 and will continue in his role as Consultant Director of Information Technology for the group for one year. Apart from the disclosure in the 2021 Annual Report, these were the only changes to the senior management composition during the reporting period and up to the date of this report. Biographical details of all senior management members are available on the company's website.

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

(a) Directors' remuneration

With effect from 1 January 2022, the basic compensation of the three Executive Directors, Messrs Clement Kwok, Peter Borer and Christopher Ip was increased by 2%. The basis for determining the Directors' bonuses, incentives and retirement benefits remains unchanged.

The Board in December 2021 approved the recommendation of the Remuneration Committee on reverting the fees payable to Non-Executive Directors, Independent Non-Executive Directors and Board Committees to pre-pandemic levels from 1 January 2022.

(b) Directors' information

Mr Patrick Paul retired as an Independent Non-Executive Director of Pacific Basin Shipping Limited on 19 April 2022.

Dr William Fung resigned as an Executive Director of Global Brands Group Holding Limited (In Liquidation) on 1 July 2022.

Save as disclosed above, as at 5 August 2022, being the date of approval of the company's Interim Report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The biographical details of Directors are available on the company's website.

Interests of Directors

As at 30 June 2022, 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 William E. Mocatta	Beneficial Owner	17,000	0.001
Mr John A.H. Leigh	Note (b)	84,170,232	5.103
Mr Philip L. Kadoorie	Note (c)	848,805,369	51.460
Dr the Hon. Sir David K.P. Li	Beneficial Owner	1,137,146	0.069
Mr Pierre R. Boppe	Beneficial Owner	30,000	0.002

Notes:

- (a) The Hon. Sir Michael Kadoorie was deemed (by virtue of the SFO) to be interested in 848,805,369 shares in the company. These shares were held in the following capacity:
- (i) 356,666,831 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the discretionary beneficiaries and the founder; and
 - (ii) 492,138,538 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the discretionary beneficiaries and the founder.
- (b) Mr John A.H. Leigh was deemed (by virtue of the SFO) to be interested in 84,170,232 shares in the company. These shares were ultimately held by a discretionary trust. Mr John A.H. Leigh was deemed to be interested in such 84,170,232 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 84,170,232 shares.
- (c) Mr Philip L. Kadoorie was deemed (by virtue of the SFO) to be interested in 848,805,369 shares in the company. These shares were held in the following capacity:
- (i) 356,666,831 shares were ultimately held by a discretionary trust, of which Mr Philip L. Kadoorie is one of the discretionary beneficiaries; and
 - (ii) 492,138,538 shares were ultimately held by a discretionary trust, of which Mr Philip L. Kadoorie is one of the discretionary beneficiaries.

Messrs Andrew Brandler, Christopher Ip, Nicholas Colfer, James Lewis, Patrick Paul; Dr William Fung, Dr Rosanna Wong, Dr Kim Winser and Ms Ada Tse who are Directors of the company have each confirmed that they had no interests in the shares of the company or any of its associated corporations as at 30 June 2022.

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

Except as set out above, as at 30 June 2022, none of the Directors of the company (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares and debentures of the company or its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register required to be kept under section 352 of the SFO.

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

Other Corporate Information

Interests of Senior Management

As at 30 June 2022, none of the senior management (other than Directors) had any interests in the shares and underlying shares of the company.

Interests of Substantial Shareholders

So far as is known to any Director of the company, as at 30 June 2022, shareholders (other than Directors of the company) who had interests or short positions in the shares and underlying shares of the company as recorded in the register required to be kept under section 336 of the SFO, are as follows:

Long position in shares of the company

(a) Substantial shareholders

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

Notes:

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

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

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

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

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

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

(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 ⁰
Mr Philip Ng Chee Tat	Trustee	84,828,218	5.14 ⁰
Sino Hotels (Holdings) Limited	Interests of controlled corporations	84,828,218	5.14 ⁰

Note:

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

Except as set out above, as at 30 June 2022, the company had not been notified of any substantial shareholder (other than Directors of the company) who had interests or short positions in the shares or underlying shares of the company that were recorded in the register required to be kept under section 336 of the SFO.

Interests of Any Other Person

As at 30 June 2022, the company had not been notified of any person other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the company, which are required to be recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of the company's listed securities by the company or any of its subsidiaries during the six months ended 30 June 2022.

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

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

The company has made specific enquiries with all the Directors regarding any non-compliance with the Model Code and the Securities Code during the six months ended 30 June 2022. The Directors have confirmed their full compliance with the required standard set out in the Model Code and the Securities Code.

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

Other Corporate Information

Interim Dividend

Given the underlying loss of the company, the Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2022 (2021: Nil).

By Order of the Board



Christobelle Liao
Company Secretary
5 August 2022

INTERIM FINANCIAL REPORT

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

For the six months ended 30 June

	Note	2022	2021
Revenue	3	1,662	1,264
Cost of inventories		(110)	(84)
Staff costs and related expenses		(854)	(680)
Rent and utilities		(197)	(181)
Other operating expenses		(436)	(313)
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)		65	6
Depreciation and amortisation		(230)	(250)
Operating loss		(165)	(244)
Interest income		2	2
Financing charges	4	(91)	(77)
Net financing charges		(89)	(75)
Loss after net financing charges	5	(254)	(319)
Share of results of joint ventures	11	(40)	(16)
Share of results of associates	12	(7)	(33)
Increase/(decrease) in fair value of investment properties	9(c)	426	(77)
Profit/(loss) before taxation		125	(445)
Taxation			
Current tax	6	(19)	(30)
Deferred tax	6	29	25
Profit/(loss) for the period		135	(450)
Profit/(loss) attributable to:			
Shareholders of the company		134	(452)
Non-controlling interests		1	2
Profit/(loss) for the period		135	(450)
Earnings/(loss) per share, basic and diluted ^(HK\$)	7	0.08	(0.27)

The notes on pages 44 to 60 form part of this interim financial report.

Interim Financial Report

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

For the six months ended 30 June

	Note	2022	2021
Profit/(loss) for the period		135	(450)
Other comprehensive income for the period, net of tax			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
– Surplus on revaluation of land and buildings held for own use upon transfer to investment properties	9(a)	63	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of:			
– financial statements of subsidiaries outside Hong Kong		(249)	115
– financial statements of joint ventures		(119)	(9)
– financial statements of and loans to an associate		(35)	(16)
– hotel operating rights		(31)	(15)
		(434)	75
Cash flow hedges:			
– effective portion of changes in fair value		156	(18)
– transfer from equity to profit or loss		6	10
		162	(8)
Other comprehensive income for the period		(209)	67
Total comprehensive income for the period		(74)	(383)
Attributable to:			
Shareholders of the company		(75)	(385)
Non-controlling interests		1	2
Total comprehensive income for the period		(74)	(383)

The notes on pages 44 to 60 form part of this interim financial report.

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

	Note	As at 30 June 2022	As at 31 December 2021
Non-current assets			
Investment properties		33,466	33,077
Other properties, plant and equipment		13,447	13,748
		46,913	46,825
Properties under development for sale	9	–	4,954
Interest in joint ventures	10	–	4,954
Interest in associates	11	1,195	1,349
Hotel operating rights	12	472	520
Derivative financial instruments	13	445	483
Deferred tax assets	14	214	53
		132	110
		49,371	54,294
Current assets			
Inventories		81	75
Properties under development for sale	10	4,822	–
Derivative financial instruments	14	20	–
Trade and other receivables	15	773	775
Amount due from a joint venture		–	62
Cash at banks and in hand		657	479
		6,353	1,391
Current liabilities			
Trade and other payables	16	(1,499)	(1,529)
Interest-bearing borrowings	17	(8,759)	(2,015)
Derivative financial instruments	14	(1)	(9)
Current taxation		(49)	(42)
Lease liabilities		(144)	(163)
		(10,452)	(3,758)
Net current liabilities		(4,099)	(2,367)
Total assets less current liabilities		45,272	51,927
Non-current liabilities			
Interest-bearing borrowings	17	(5,073)	(11,364)
Trade and other payables	16	(114)	(120)
Net defined benefit retirement obligations		(24)	(24)
Derivative financial instruments	14	(2)	(6)
Deferred tax liabilities		(627)	(608)
Lease liabilities		(2,641)	(2,940)
		(8,481)	(15,062)
Net assets		36,791	36,865
Capital and reserves			
Share capital	18	5,837	5,837
Reserves		30,850	30,925
Total equity attributable to shareholders of the company		36,687	36,762
Non-controlling interests		104	103
Total equity		36,791	36,865

The notes on pages 44 to 60 form part of this interim financial report.

Interim Financial Report

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

	Attributable to shareholders of the Company							Non-controlling interests	Total equity
	Reserves					Total			
	Share capital	Hedging reserve	Exchange and other reserves	Retained profits	Total reserves				
Balance at 31 December 2020 and 1 January 2021	5,837	(10)	77	30,940	31,007	36,844	308	37,152	
Changes in equity for the six months ended 30 June 2021									
Loss for the period	-	-	-	(452)	(452)	(452)	2	(450)	
Other comprehensive income	-	(8)	75	-	67	67	-	67	
Total comprehensive income for the period	-	(8)	75	(452)	(385)	(385)	2	(383)	
Balance at 30 June 2021 and 1 July 2021	5,837	(18)	152	30,488	30,622	36,459	310	36,769	
Changes in equity for the six months ended 31 December 2021									
Profit for the period	-	-	-	332	332	332	(201)	131	
Other comprehensive income	-	47	(76)	-	(29)	(29)	-	(29)	
Total comprehensive income for the period	-	47	(76)	332	303	303	(201)	102	
Dividends paid to non-controlling interests	-	-	-	-	-	-	(6)	(6)	
Balance at 31 December 2021 and 1 January 2022	5,837	29	76	30,820	30,925	36,762	103	36,865	
Changes in equity for the six months ended 30 June 2022									
Profit for the period	-	-	-	134	134	134	1	135	
Other comprehensive income	-	162	(371)	-	(209)	(209)	-	(209)	
Total comprehensive income for the period	-	162	(371)	134	(75)	(75)	1	(74)	
Balance at 30 June 2022	5,837	191	(295)	30,954	30,850	36,687	104	36,791	

The notes on pages 44 to 60 form part of this interim financial report.

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

For the six months ended 30 June

	2022	2021
Operating activities		
EBITDA	65	6
Tax paid	(13)	(18)
Net cash generated from/(used in) operating activities before changes in working capital	52	(12)
Changes in working capital	24	17
Net cash generated from operating activities	76	5
Investing activities		
Development costs for the Peninsula London Residences	(325)	(332)
Capital expenditure on The Peninsula hotels in London and Yangon	(720)	(733)
Capital expenditure on the Peak Tram upgrade project	(94)	(51)
Capital injection into The Peninsula Istanbul joint venture	(67)	(27)
Capital expenditure on operating assets	(60)	(99)
Capital/shareholders' loan injections into associates	–	(17)
Dividends received from an associate	7	–
Repayment of shareholder's loans from the Peninsula Shanghai joint venture	63	–
Net cash used in investing activities	(1,196)	(1,259)
Financing activities		
Interest received	3	3
Interest and other financing charges	(119)	(86)
Net withdrawal of interest-bearing bank deposits with maturity of more than three months	–	1
Net increase in bank borrowings	1,524	1,395
Capital element of lease rentals paid	(39)	(18)
Interest element of lease rentals paid	(49)	(51)
Net cash generated from financing activities	1,320	1,244
Net increase/(decrease) in cash and cash equivalents	200	(10)
Cash and cash equivalents at 1 January	466	506
Effect of changes in foreign exchange rates	(22)	–
Cash and cash equivalents at 30 June (note)	644	496

Note Analysis of cash and cash equivalents

	As at 30 June	
	2022	2021
Interest-bearing bank deposits	414	228
Cash at banks and in hand	243	281
Total cash at banks and in hand	657	509
Less: Interest-bearing bank deposits with maturity of more than three months	(13)	(13)
Cash and cash equivalents in the condensed consolidated statement of cash flows	644	496

Total cash at banks and in hand at the end of the reporting period include deposits with banks of HK\$296 million (30 June 2021: HK\$259 million) held by certain subsidiaries outside Hong Kong which are subject to prevailing regulations and foreign exchange restrictions.

The notes on pages 44 to 60 form part of this interim financial report.

Interim Financial Report

Notes to the unaudited interim financial report

1. Basis of preparation

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue by the Board of Directors of the company on 5 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are first effective for the current accounting period of the group. Details of these relevant changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRSs).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 61.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. Changes in accounting policies

Turkey has recently been considered a hyperinflationary economy. The group's interest in The Peninsula Istanbul joint venture is therefore accounted for under HKAS 29, *Financial Reporting in Hyperinflationary Economies*, in the group's financial statements.

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

- ◆ Amendments to HKFRS 3, *Reference to the Conceptual Framework*
- ◆ Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- ◆ Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*
- ◆ Annual Improvements to HKFRSs 2018-2020 Cycle

None of the above changes in accounting policies has had a material effect on the group's financial statements.

3. Segment reporting (HK\$m)

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

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

No operating segments have been aggregated to form a reportable segment.

Interim Financial Report

3. Segment reporting (HK\$m) continued

(a) Segment results (HK\$m)

The results of the group's reportable segments for the six months ended 30 June 2022 and 2021 are set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
For the six months ended 30 June								
Reportable segment revenue (see below)	1,206	818	333	345	123	101	1,662	1,264
Reportable segment operating (loss)/profit before interest, taxation, depreciation and amortisation (EBITDA)	(8)	(109)	158	179	(41)	(38)	109	32
Pre-opening and project expenses	(44)	(26)	–	–	–	–	(44)	(26)
Depreciation and amortisation	(209)	(227)	(12)	(13)	(9)	(10)	(230)	(250)
Segment operating (loss)/profit	(261)	(362)	146	166	(50)	(48)	(165)	(244)

Analysis of segment revenue:

	2022				2021			
	Recognise at a point in time	Recognise over-time	Rental income on leases	Total	Recognise at a point in time	Recognise over-time	Rental income on leases	Total
Hotels								
– Rooms	–	488	–	488	–	241	–	241
– Food and beverage	336	–	–	336	233	–	–	233
– Shopping arcades and offices	–	16	249	265	–	15	239	254
– Others	84	33	–	117	71	19	–	90
	420	537	249	1,206	304	275	239	818
Commercial Properties								
– Residential properties	–	20	189	209	–	21	201	222
– Offices	–	5	44	49	–	5	46	51
– Shopping arcades	28	15	32	75	23	15	34	72
	28	40	265	333	23	41	281	345
Clubs and Services								
– Golf clubs	24	39	–	63	15	30	–	45
– Peak Tram operation	3	–	–	3	13	–	–	13
– Peninsula Merchandising	42	–	–	42	26	–	–	26
– Others	13	2	–	15	15	2	–	17
	82	41	–	123	69	32	–	101
Total	530	618	514	1,662	396	348	520	1,264

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

3. Segment reporting (HK\$m) continued

(b) Segment assets (HK\$m)

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

The group's segment assets and unallocated assets as at 30 June 2022 and 31 December 2021 are set out as follows:

	As at 30 June 2022	As at 31 December 2021
Reportable segment assets		
Hotels	25,982	26,623
Commercial properties	27,539	27,321
Clubs and services	1,180	1,037
	54,701	54,981
Unallocated assets		
Derivative financial instruments	234	53
Deferred tax assets	132	110
Amount due from a joint venture	–	62
Cash at banks and in hand	657	479
Consolidated total assets	55,724	55,685

4. Financing charges (HK\$m)

For the six months ended 30 June

	2022	2021
Interest on bank borrowings	88	53
Interest on lease liabilities	71	75
Other borrowing costs	22	23
Total interest expense on financial liabilities carried at amortised cost	181	151
Derivative financial instruments:		
– cash flow hedges, transfer from equity	7	11
	188	162
Less: Interest expenses capitalised into		
– properties under development*	(75)	(60)
– right-of-use asset [#]	(22)	(25)
	91	77

* The borrowing costs have been capitalised at an average rate of 2.11% (2021: 1.94%)

[#] Interest on lease liabilities have been capitalised at an average rate of 4.8% (2021: 4.9%)

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5. Loss after net financing charges (HK\$m)

Loss after net financing charges is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2022	2021
Amortisation	6	7
Depreciation		
– owned properties, plant and equipment	198	214
– right-of-use assets	26	29
Government grants and subsidies	(35)	(16)

6. Taxation (HK\$m)

	For the six months ended 30 June	
	2022	2021
Current tax		
Hong Kong profits tax	15	24
Overseas tax	4	6
	19	30
Deferred tax		
Decrease in net deferred tax liabilities relating to revaluation of overseas investment properties	(5)	(3)
Increase in deferred tax assets relating to tax losses recognised	(34)	(29)
Increase in net deferred tax liabilities relating to other temporary differences	10	7
	(29)	(25)
	(10)	5

The provision for Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is calculated at the current tax rates applicable in the relevant jurisdictions.

7. Earnings/(loss) per share

(a) Earnings/(loss) per share – basic

	For the six months ended 30 June	
	2022	2021
Profit/(loss) attributable to shareholders of the company (HK\$m)	134	(452)
Weighted average number of shares in issue (million shares)	1,649	1,649
Earnings/(loss) per share (HK\$)	0.08	(0.27)
	2022	2021
	(million shares)	(million shares)
<i>Issued shares at 1 January</i>	1,649	1,649
<i>Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of final dividends</i>	–	–
<i>Weighted average number of shares in issue at 30 June</i>	1,649	1,649

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

There were no potential dilutive ordinary shares in existence during the periods ended 30 June 2022 and 2021 and hence the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

8. Dividends (HK\$m)

No dividends were approved or paid to shareholders of the company during the periods ended 30 June 2022 and 2021.

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

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

	Land	Right-of-use assets	Hotel and other buildings held for own use	Motor vehicles, plant and equipment	Construction in progress	Sub-total	Investment properties	Total
Cost or valuation:								
At 1 January 2022	695	3,133	8,609	4,929	6,378	23,744	33,077	56,821
Exchange adjustments	(20)	(343)	(366)	(141)	(515)	(1,385)	(113)	(1,498)
Additions	-	54	5	23	934	1,016	4	1,020
Disposals	-	-	-	(13)	-	(13)	-	(13)
Surplus on revaluation	-	-	63	-	-	63	-	63
Transfer	-	-	(67)	7	(12)	(72)	72	-
Fair value adjustment	-	-	-	-	-	-	426	426
At 30 June 2022	675	2,844	8,244	4,805	6,785	23,353	33,466	56,819
Representing:								
Cost	675	2,844	8,244	4,805	6,785	23,353	-	23,353
Valuation – 2022	-	-	-	-	-	-	33,466	33,466
	675	2,844	8,244	4,805	6,785	23,353	33,466	56,819
Accumulated depreciation and impairment losses:								
At 1 January 2022	254	363	4,547	4,153	679	9,996	-	9,996
Exchange adjustments	(11)	(22)	(154)	(114)	-	(301)	-	(301)
Charge for the period	-	26	83	115	-	224	-	224
Written back on disposals	-	-	-	(13)	-	(13)	-	(13)
At 30 June 2022	243	367	4,476	4,141	679	9,906	-	9,906
Net book value:								
At 30 June 2022	432	2,477	3,768	664	6,106	13,447	33,466	46,913
At 31 December 2021	441	2,770	4,062	776	5,699	13,748	33,077	46,825

(b) Additions, transfer and disposals

During the six months ended 30 June 2022, the group acquired items of fixed assets with a cost of HK\$966 million, of which HK\$123 million related to The Peak Tram upgrade project, and HK\$798 million related to the project in London. The net book value for items of properties, plant and equipment disposed of during the six months ended 30 June 2022 and 2021 were insignificant in value. Certain hotel areas were converted into office and retail spaces to generate rental income. The relevant areas were revalued. The surplus on revaluation of HK\$63 million was recognised in other comprehensive income before transferring to investment properties.

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

(c) Valuation of investment properties

All investment properties of the group were revalued as at 30 June 2022 using the income capitalisation approach by applying a capitalisation rate to the expected rental income adjusted for the quality and location of the building, which are the same valuation techniques as were used by the valuers when carrying out the December 2021 valuations. The changes in fair value of the investment properties during the period were accounted for in the consolidated statement of profit or loss. The valuations were carried out by valuers independent of the group, who have staff with recent and relevant experience in the location and category of the properties being valued. Discussions have been held with the valuers on the valuation assumptions and valuation results when the valuation is performed at the reporting date.

As a result of the revaluation, a net revaluation surplus of HK\$426 million (six month ended 30 June 2021: revaluation deficit of HK\$77 million) has been included in the consolidated statement of profit or loss.

10. Properties under development for sale

Properties under development for sale comprise 25 luxury apartments which are part of The Peninsula London development project with an overall site area of approximately 67,000 square feet. The planned gross floor area of the apartments is approximately 119,000 square feet. The development of these apartments is expected to be substantially completed in 2023 and as such, properties under development for sale has been reclassified as current assets in the balance sheet.

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

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11. Interest in joint ventures (HK\$m)

	As at 30 June 2022	As at 31 December 2021
Share of net assets	737	828
Loans to a joint venture (note 11(b))	458	521
	1,195	1,349

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

Company name	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activity
The Peninsula Shanghai Waitan Hotel Company Limited (PSW)	Incorporated	PRC	US\$117,500,000 (31 December 2021: US\$117,500,000)	50%	Hotel investment and apartments held for sale
PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT)*	Incorporated	Turkey	TRY1,400,953,600 (31 December 2021: TRY1,161,618,600)	50%	Hotel investment

* PIT was incorporated on 10 February 2016 and the group's interest in this joint venture is held indirectly by the company. PIT has redevelopment and operating rights in respect of a property within the Salıpazarı Port Project Area in Istanbul, Turkey. The group, together with its joint venture partner, intend to redevelop the property into The Peninsula Istanbul. The net assets of PIT at 30 June 2022 mainly comprised of property under development of HK\$1,229 million (31 December 2021: HK\$1,000 million) and cash at bank and in hand of HK\$11 million (31 December 2021: HK\$75 million).

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

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

- (c) PSW has pledged its properties inclusive of the land use rights as security for a loan facility amounting to RMB1,220 million (HK\$1,428 million) (31 December 2021: RMB2,500 million (HK\$3,060 million)). As at 30 June 2022, the loan drawn down amounted to RMB930 million (HK\$1,089 million) (31 December 2021: RMB789 million (HK\$966 million)). The net carrying amount of these pledged assets amounted to RMB2,406 million (HK\$2,817 million) (31 December 2021: RMB2,445 million (HK\$2,993 million)).
- (d) Set out below is a summary of the financial information of PSW, of which the group has a 50% share:

Statement of financial position	As at 30 June 2022	As at 31 December 2021
Non-current assets	2,427	2,585
Cash at bank and in hand	63	156
Apartments held for sale and other current assets	443	457
Current liabilities	(309)	(429)
Non-current liabilities	(2,281)	(2,291)
Net assets	343	478

For the six months ended 30 June

Statement of profit or loss	2022	2021
Hotel revenue and rental income	113	215
Cost of inventories and operating expenses	(114)	(160)
EBITDA	(1)	55
Depreciation	(46)	(49)
Net financing charges	(28)	(28)
Loss before non-operating items	(75)	(22)
Non-operating items, net of tax*	-	(10)
Loss for the period	(75)	(32)
The group's share of the results of PSW	(38)	(16)

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

- (e) During the six months ended 30 June 2022, PIT incurred pre-opening expenses amounting to HK\$4 million (2021: Nil) of which, HK\$2 million was shared by the group.

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12. Interest in associates (HK\$m)

	As at 30 June 2022	As at 31 December 2021
Interest in associates	472	520

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

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

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

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

BHP holds a 100% interest in The Peninsula Beverly Hills

- (b) Included in the balance of interest in associates are unsecured long-term loans to 19 Holding of HK\$430 million (31 December 2021: HK\$464 million). The loans were made pro rata to the group's shareholding in 19 Holding; bear interest rates at 3.25% and are repayable in December 2022 and expecting to renew for more than 1 year.
- (c) Majestic has pledged its hotel property as security for a loan facility amounting to EUR227 million (HK\$1,862 million) (31 December 2021: EUR227 million (HK\$2,005 million)). As at 30 June 2022, the loan drawn down amounted to EUR227 million (HK\$1,862 million) (31 December 2021: EUR227 million (HK\$2,005 million)). As at 30 June 2022, the net carrying amount of these pledged assets amounted to EUR504 million (HK\$4,132 million) (31 December 2021: EUR514 million (HK\$4,539 million)).
- (d) BHP has pledged its hotel property to an independent financial institution as security for BHP's loan facility, amounting to US\$145 million (HK\$1,131 million) (31 December 2021: US\$145 million (HK\$1,131 million)). As at 30 June 2022, the loan drawn down amounted to US\$116 million (HK\$905 million) (31 December 2021: US\$125 million (HK\$975 million)). As at 30 June 2022, the net carrying amount of the pledged assets amounted to US\$34 million (HK\$265 million) (31 December 2021: US\$36 million (HK\$284 million)).

12. Interest in associates (HK\$m) continued

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

	For the six months ended 30 June	
	2022	2021
EBITDA	108	6
Depreciation	(105)	(121)
Interest	(38)	(48)
Net loss from continuing operations	(35)	(163)
Other comprehensive income	-	-
Total comprehensive income	(35)	(163)
The group's share of results of the associates	(7)	(33)

13. Hotel operating rights (HK\$m)

	2022
Cost	
At 1 January	694
Exchange adjustments	(37)
At 30 June	657
Accumulated amortisation	
At 1 January	(211)
Exchange adjustments	5
Amortisation for the period	(6)
At 30 June	(212)
Net book value	445

Hotel operating rights represent the cost attributable to securing the group's rights to operate The Peninsula Beverly Hills and The Peninsula Paris, which will expire in 2036 and 2064 respectively.

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

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14. Derivative financial instruments (HK\$m)

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges:				
Interest rate swaps	234	(2)	53	(6)
Forward exchange contracts	–	(1)	–	(9)
	234	(3)	53	(15)
Less: Portion to be settled within one year				
Cash flow hedges:				
Interest rate swaps	20	–	–	–
Forward exchange contracts	–	(1)	–	(9)
	20	(1)	–	(9)
Amount to be settled after one year	214	(2)	53	(6)

15. Trade and other receivables (HK\$m)

	As at 30 June 2022	As at 31 December 2021
Trade debtors	312	311
Rental deposits, payments in advance and other receivables	457	459
Tax recoverable	4	5
	773	775

The amount of the group's trade and other receivables expected to be recovered or recognised as expenses after more than one year is HK\$189 million (31 December 2021: HK\$185 million). The remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

15. Trade and other receivables (HK\$m) continued

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

The ageing analysis of trade debtors is as follows:

	As at 30 June 2022	As at 31 December 2021
Current	277	287
Less than one month past due	13	13
One to three months past due	10	5
More than three months but less than 12 months past due	12	6
Amounts past due	35	24
	312	311

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

16. Trade and other payables (HK\$m)

	As at 30 June 2022	As at 31 December 2021
Trade creditors	96	123
Interest payable	12	11
Accruals for properties, plant and equipment and properties under development for sale	392	359
Tenants' deposits	295	308
Guest deposits and gift vouchers	237	171
Other payables	581	677
Financial liabilities measured at amortised cost	1,613	1,649
Less: Non-current portion of trade and other payables	(114)	(120)
Current portion of trade and other payables	1,499	1,529

The amount of trade and other payables of the group expected to be settled or recognised as income after more than one year is HK\$185 million (31 December 2021: HK\$257 million). The remaining trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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16. Trade and other payables (HK\$m) continued

The ageing analysis of trade creditors is as follows:

	As at 30 June 2022	As at 31 December 2021
Less than three months	88	117
Three to six months	5	5
More than six months	3	1
	96	123

17. Interest-bearing borrowings (HK\$m)

	As at 30 June 2022	As at 31 December 2021
Total facilities available:		
Term loans and revolving credits	18,233	19,390
Uncommitted facilities, including bank overdrafts	412	390
	18,645	19,780
Utilised at 30 June 2022/31 December 2021:		
Term loans and revolving credits	13,692	13,270
Uncommitted facilities, including bank overdrafts	183	160
	13,875	13,430
Less: Unamortised financing charges	(43)	(51)
	13,832	13,379
<i>Represented by:</i>		
Long-term bank loans, repayable within one year	8,759	2,015
Short-term bank loans and overdrafts, repayable on demand	-	-
	8,759	2,015
Long-term bank loans, repayable:		
Between one and two years	1,346	8,818
Between two and five years	3,770	2,597
Over five years	-	-
	5,116	11,415
Less: Unamortised financing charges	(43)	(51)
Non-current portion of long-term bank loans	5,073	11,364
Total interest-bearing borrowings	13,832	13,379

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

18. Share capital

	At 30 June 2022		At 31 December 2021	
	No. of shares (million)	HK\$m	No. of shares (million)	HK\$m
Ordinary shares, issued and fully paid				
At 1 January	1,649	5,837	1,649	5,837
Shares issued under scrip dividend scheme	–	–	–	–
At 30 June 2022/31 December 2021	1,649	5,837	1,649	5,837

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

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

19. Fair value measurement of financial instruments

(a) Financial instruments carried at fair value

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

- ◆ Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- ◆ Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- ◆ Level 3 valuations: Fair value measured using significant unobservable inputs.

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

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

Financial instruments are carried at amounts not materially different from their fair values as at 30 June 2022. The carrying amounts of the loans to an associate (note 12) approximate their fair values. The loans to a joint venture (note 11(b)) are unsecured, interest free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose its fair value.

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20. Commitments (HK\$m)

Capital commitments outstanding as at 30 June 2022 not provided for in the interim financial report were as follows:

	As at 30 June 2022			As at 31 December 2021		
	Contracted for	Authorised but not contracted for	Total	Contracted for	Authorised but not contracted for	Total
Capital commitments in respect of existing properties and new projects	676	996	1,672	1,471	1,639	3,110
The group's share of capital commitments of joint ventures and associates	323	136	459	362	218	580
	999	1,132	2,131	1,833	1,857	3,690

The group's capital commitments include the development costs to be incurred for The Peninsula London and the outstanding capital expenditure in respect of The Peak Tram major upgrade project.

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

21. Material related party transactions

There were no material related party transactions during the six months ended 30 June 2022, other than the nature of those as disclosed in the group's annual financial statements for the year ended 31 December 2021.

REVIEW REPORT TO THE BOARD OF DIRECTORS

THE HONGKONG AND SHANGHAI HOTELS, LIMITED (INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

Introduction

We have reviewed the Interim Financial Report set out on pages 39 to 60 which comprises the consolidated statement of financial position of The Hongkong and Shanghai Hotels, Limited as of 30 June 2022 and the related consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the Interim Financial Report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Report as at 30 June 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.



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

5 August 2022

SHAREHOLDER INFORMATION

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Share Information

Stock Code: 00045

Request for Feedback

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

Shareholder Services

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

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

Online Enquiries:

www.computershare.com/hk/en/online_feedback

Shareholders may at any time change their choice of language or means of receipt of the company's corporate communications by notice in writing to the company's Share Registrar. The Request Form may be downloaded from the company website at www.hshgroup.com.

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Italy 800 789 365
Japan 0120 348 288
South Korea 00798 8521 6388
Mexico 01 800 123 4646
Saudi Arabia* 800 865 6047
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THE HONGKONG AND SHANGHAI HOTELS, LIMITED
香港上海大酒店有限公司

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