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THE HONGKONG AND SHANGHAI HOTELS, LIMITED

香港上海大酒店有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00045)

Profit Warning

Revaluation of Investment Properties and Impairment Provisions

This announcement is made by The Hongkong and Shanghai Hotels, Limited (the “Company”, and together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong).

The Board of Directors (the “Board”) of the Company wishes to inform the shareholders of the Company and potential investors that, based on the information currently available to the Company, the Board anticipates that the Group will incur a loss attributable to shareholders and underlying loss (excluding the net revaluation movement of the Group’s investment properties, impairment provisions and other non-operating items) for the six months ended 30 June 2020 as compared to profit attributable to shareholders of HK\$254 million and underlying profit of HK\$148 million for the same period last year. The information contained in this announcement is in addition to the Group’s previous profit warning announcement issued on 26 February 2020 and in the annual report published on 30 March 2020.

The Group’s unfavourable results of the first half of 2020 were principally due to the outbreak of the COVID-19 coronavirus which has resulted in widespread travel advisories and flight cancellations around the world. This will be addressed in detail in our interim results to be issued on 5 August 2020. Apart from the direct impact on operational results, the pandemic has caused the following:

Revaluation of Investment Properties

The Group’s investment properties are stated at fair value. Based on a preliminary revaluation conducted by the Group’s independent valuers, it is expected that the appraised value of the Group’s investment properties as at 30 June 2020 would decrease by approximately HK\$365 million compared to an increase of HK\$102 million for the same period last year. The revaluation deficit was principally attributable to The Peninsula Arcades in Hong Kong, Beijing and New York, as well as The Peak Tower in Hong Kong. The decrease in appraised value of these investment properties was mainly due to the adverse impact of the COVID-19 coronavirus on the luxury retail market and the significant decline in tourist arrivals in Hong Kong, resulting in a substantial decrease in admission income from Sky Terrace 428 at The Peak Tower.

Impairment Provisions of Non-investment Properties

The Group's non-investment properties are stated at cost less accumulated depreciation and impairment, if any. Due to the continued uncertainty caused by the coronavirus pandemic and the challenging market outlook, the Group engaged an independent valuer to help assess if the Group's non-investment properties, including projects under development, would be impaired as at 30 June 2020. Based on the preliminary review results prepared by the valuer, it is expected that impairment provisions of approximately HK\$93 million for The Peninsula Manila and HK\$236 million for The Peninsula Istanbul (being the Group's 50% share of impairment provision) would be made in the Group's consolidated financial statements for the six months ended 30 June 2020.

For The Peninsula Manila, the hotel is subject to a land lease which will expire in 2026. The hotel's decrease in appraised value was mainly due to the relatively short remaining lease term and the severe economic slowdown from the COVID-19 coronavirus pandemic. As for The Peninsula Istanbul, the hotel is subject to a 30-year fixed term lease commencing February 2014. The development progress of the hotel has been disrupted by unforeseen delays due to the site conditions and the outbreak of the COVID-19 coronavirus, leading to a temporary site closure. In addition to an expected delay of the hotel opening to 2022, the future operating performance of The Peninsula Istanbul may be affected by the uncertain economic climate resulting from ongoing geopolitical tensions in the region as well as the sharp decline of the local currency. In view of the uncertain outlook, the valuer has deemed it appropriate to adjust The Peninsula Istanbul's appraised value downward by HK\$472 million (of which 50% will be shared by the Group), representing approximately 20% of the hotel's cost on completion.

Interim Results

The information in this announcement is based on a preliminary review of the unaudited financial information currently available to the Group. Such information has not been reviewed by the Company's independent auditor of the Company. The interim results of the Group for the six months ended 30 June 2020 will be published on the websites of the Company and the Stock Exchange on 5 August 2020.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities in the Company.

By Order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 28 July 2020

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

Non-Executive Chairman

The Hon. Sir Michael Kadoorie

Non-Executive Deputy Chairman

Andrew Clifford Winawer Brandler

Executive Directors

Managing Director and Chief Executive Officer

Clement King Man Kwok

Chief Operating Officer

Peter Camille Borer

Chief Financial Officer

Matthew James Lawson

Non-Executive Directors

William Elkin Mocatta

John Andrew Harry Leigh

Nicholas Timothy James Colfer

James Lindsay Lewis

Philip Lawrence Kadoorie

Independent Non-Executive Directors

Dr the Hon. Sir David Kwok Po Li

Patrick Blackwell Paul

Pierre Roger Boppe

Dr William Kwok Lun Fung

Dr Rosanna Yick Ming Wong

Dr Kim Lesley Winser

Ada Koon Hang Tse