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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) website: www.hshgroup.com

2024 Interim Results

HK\$m	For the six months ended 30 June		change
	2024	2023	
Combined revenue	4,931	2,704	82%
(Loss)/profit attributable to shareholders	(448)	94	n/a
(Loss)/earnings per share (HK\$)	(0.27)	0.06	n/a
Underlying (loss)/profit	(257)	25	n/a
	As at 30 June 2024	As at 31 December 2023	
Net assets attributable to shareholders	35,891	36,279	(1%)
Net assets per share (HK\$)	21.53	22.00	(2%)
Adjusted net assets per share (HK\$)	24.38	24.92	(2%)
Net external debt to total assets	25%	26%	(1pp)

- The group's combined revenue for the first six months ended 30 June 2024 increased by 82% to HK\$4.9 billion, mainly due to the inclusion of revenue from the sale of four Peninsula-branded London Residences of HK\$1.7 billion (2023: HK\$nil).
- However, the group made a loss attributable to shareholders and an underlying loss of HK\$448 million and HK\$257 million respectively.
- The main factors affecting the results for the six months ended 30 June 2024 were:
 - o A reduction of HK\$97 million in combined EBITDA (excluding the EBITDA on sales of The Peninsula Residences London) achieved by the group as The Peninsula New York is under renovation, the newly opened Peninsula hotels in London and Istanbul still require time to ramp up to a stabilised stage of operation, and we have experienced weak markets in a number of our other hotels.
 - o An increase in depreciation of HK\$100 million mainly attributed to The Peninsula London which opened in September 2023.
 - o An increase in net financing charges of HK\$237 million as the group is no longer capitalising interest on borrowings relating to The Peninsula London project following the opening of the hotel, as well as higher interest rates.
 - o A revaluation loss of the group's investment properties by HK\$139 million for the six months ended 30 June 2024.
- As at 30 June 2024, the group's net assets attributable to shareholders amounted to HK\$35.9 billion and the group's net external debt to total assets remained acceptable at 25%.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2024	For the six months ended 30 June 2023	2024 vs 2023
PROFIT OR LOSS HIGHLIGHTS (HK\$m)			
Combined revenue [^]	4,931	2,704	82%
Revenue	4,615	2,445	89%
EBITDA before pre-opening and project expenses ^{^^}	580	498	16%
EBITDA	542	362	50%
(Loss)/profit attributable to shareholders	(448)	94	n/a
(Loss)/earnings per share (HK\$)	(0.27)	0.06	n/a
Underlying (loss)/profit [*]	(257)	25	n/a
Cash interest cover (times) ^{**}	1.3x	1.0x	n/a
Weighted average interest rate	4.72%	4.01%	0.71pp
	As at 30 June 2024	As at 31 December 2023	2024 vs 2023
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK\$m)			
Total assets	56,031	57,869	(3%)
Net assets attributable to shareholders	35,891	36,279	(1%)
Adjusted net assets attributable to shareholders [#]	40,641	41,091	(1%)
Net assets per share (HK\$)	21.53	22.00	(2%)
Adjusted net assets per share (HK\$) [#]	24.38	24.92	(2%)
Net external borrowings	14,055	15,033	(7%)
Funds from operations to net external debt ^{##}	8%	7%	1pp
Net external debt to equity attributable to shareholders	39%	41%	(2pp)
Net external debt to total assets	25%	26%	(1pp)
	For the six months ended 30 June 2024	For the six months ended 30 June 2023	2024 vs 2023
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (HK\$m)			
Net cash generated from operating activities	1,853	335	453%
Normal capital expenditure on operating assets	(142)	(98)	(45%)
Capital expenditure on major renovations and upgrades	(151)	(52)	(190%)
Capital expenditure on hotel development projects	(444)	(1,251)	65%
SHARE INFORMATION (HK\$)			
Highest share price	6.40	8.93	
Lowest share price	5.19	6.78	
Period end closing share price	5.78	6.90	

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

^{^^} Pre-opening and project expenses are unrelated to the group's operating hotels and properties and are non-recurring in nature.

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

^{**} Cash interest cover is calculated based on EBITDA less lease payments divided by net interest on bank loans paid.

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

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

pp Denotes percentage points.

CEO's REVIEW

The highlight of the period under review was the grand opening of The Peninsula London held on 18 June 2024, which represented a significant milestone in the company's 157-year-old history. Our company has sought to have a significant presence in London for around the past 30 years and this spectacular property, with its prominent stature and location on Hyde Park Corner, was more than ten years in the making. We look forward to owning and operating the property over the period of its 149-year-old lease and we believe it will be an icon for future generations.

The group's financial performance in the first half of 2024 was below expectations. During the first half of 2024, we saw an increase in consolidated revenue of 89% to HK\$4.6 billion and an increase in consolidated EBITDA before pre-opening and project expenses by 16% to HK\$580 million, although these figures included the sales of The Peninsula Residences London that were completed during the period. Overall, the group made a loss attributable to shareholders for the period of HK\$448 million (including a property revaluation loss of HK\$139 million) as compared to a profit of HK\$94 million (including a property revaluation gain of HK\$222 million) in the same period last year. The group made an underlying loss of HK\$257 million as compared to an underlying profit of HK\$25 million last year.

The main factors affecting the comparison with first six months of last year were:

- A reduction of HK\$97 million in combined EBITDA (excluding the EBITDA on sales of The Peninsula Residences London) achieved by the group as The Peninsula New York is under renovation, the newly opened Peninsula hotels in London and Istanbul still require time to ramp up to a stabilised stage of operation, and we have experienced weak markets in a number of our other hotels.
- An increase in depreciation of HK\$100 million mainly attributed to The Peninsula London which opened in September 2023.
- An increase in net financing charges of HK\$237 million as the group is no longer capitalising interest on borrowings relating to The Peninsula London project following the opening of the hotel, as well as higher interest rates.
- A revaluation loss of the group investment properties by HK\$139 million for the six months ended 30 June 2024 as compared to a revaluation gain of HK\$222 million for the same period last year.

The operating results of several of our hotels have been significantly worse than expected, interest costs have been higher due to the increase in rates and the later than expected receipt of proceeds from the sales of The Peninsula Residences London, and the property revaluation deficits were also unexpected. Despite the unfavourable earnings for the period, the group's financial position remains strong, with net assets attributable to shareholders of HK\$35.9 billion (HK\$21.53 per share) as compared to net external borrowings of HK\$14.1 billion, representing a net external debt to total assets ratio of 25%. We have recently received a credit rating of A from Japan Credit Rating Agency, Ltd. for long term foreign currency and local currency denominated debts. More details on our financial results can be read in the Financial Review.

Although various uncertainties remain 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, some 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.

Hotels Division

Hotels	Revenue	Variance Year-on-Year	
	HK\$m	HK\$	Local Currency
Consolidated hotels			
The Peninsula Hong Kong	517	+9%	+9%
The Peninsula Beijing	159	+6%	+10%
The Peninsula New York	226	-32%	-32%
The Peninsula Chicago	268	-3%	-3%
The Peninsula London	332	n/a	n/a
The Peninsula Tokyo	401	+11%	+26%
The Peninsula Bangkok	102	+1%	+7%
The Peninsula Manila	112	+5%	+9%
Non-consolidated hotels			
The Peninsula Shanghai	217	+5%	+9%
The Peninsula Beverly Hills	312	-3%	-3%
The Peninsula Paris	345	+7%	+8%
The Peninsula Istanbul	151	+173%	+175%

The Peninsula Hong Kong

The Peninsula Hong Kong		
Revenue	HK\$517m	+9%
Occupancy		+1pp
Average Room Rate		+19%
RevPAR		+21%

In the first half of 2024, **The Peninsula Hong Kong** experienced positive results in terms of revenue and average rates compared to the first half of 2023. However, the overall tourism sentiment in Hong Kong remains weak, especially from the traditionally strong long-haul markets from US and Europe. The recent trend of Hong Kong residents travelling to the neighbouring city of Shenzhen to experience inexpensive dining options and hotel stays is affecting the city's food and beverage industry quite extensively.

Our collaborative venture with Hong Kong’s iconic Star Ferry was extended in the first half of 2024, and as a special occasion in April 2024 we hosted one of Puccini’s beloved operas, *La Bohème*, featuring our signature Afternoon Tea.

In March 2024, our global art programme “Art in Resonance” returned to The Peninsula Hong Kong. The opening, which was held during Hong Kong Art Week in collaboration with Art Basel, featured specially commissioned works from four visionary artists. To drive F&B revenue, we once again partnered with *Le French May* to host exclusive concerts and dinners.

The Peninsula Office Tower was 86% occupied in the first half of 2024, and the immediate outlook is stable. The Peninsula Arcade occupancy was 90% and despite a softer retail market across the city, our anchor luxury retail outlets have been performing well.

The Peninsula Shanghai

The Peninsula Shanghai		
Revenue	RMB201m	+9%
Occupancy		+2pp
Average Room Rate		+10%
RevPAR		+15%

The Peninsula Shanghai performed well in the first half of 2024 and reported strong rates, once again being the rate leader in the city. The hotel also reported positive year-on-year increase in occupancy and RevPAR. Business was strong from the domestic market, international travellers returned from Middle East and Russia, and the diplomatic market was particularly robust. Food and beverage revenue was challenging due to a softer market across the city and a downturn in consumer spending. banqueting and weddings were softer this year.

The Peninsula Arcade was 83% occupied during the first half. The retail market is challenging in Shanghai and we are currently in negotiation with a number of potential tenants in the basement level.

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 2024, a total of 32 apartment units have been sold.

The Peninsula Beijing

The Peninsula Beijing		
Revenue	RMB147m	+10%
Occupancy		+11pp
Average Room Rate		+6%
RevPAR		+27%

The Peninsula Beijing experienced a strong first half of the year compared to the same period in 2023, achieving the highest RevPAR in the history of the hotel. The majority of guests came from the domestic market and we are welcoming a younger demographic from across the nation. International leisure travellers are returning gradually and business and diplomatic business was strong. Flight capacity in Beijing has not yet recovered and this is affecting long-haul leisure travellers.

Food and beverage revenue was strong with good performance at *Huang Ting* and *The Lobby*, although banqueting was slower due to the year not being considered lucky for weddings in Chinese culture. At *Jing*, which has one Michelin star, we implemented a Basque country promotion, “Voyage au Pays Basque” which proved to be popular with guests. The Spa performed well and we implemented an innovative and healthy afternoon tea collaboration with Margy’s Monte Carlo treatments as part of our “Life Lived Best” campaign. We continued our commitment to promoting contemporary art with an innovative “Spring” exhibition named “Colour Full” featuring Chinese and Australian artists.

The Peninsula Arcade was 94% occupied although luxury retail business has softened across the city. We worked closely with our retail tenants to drive traffic to their outlets, and we are exploring agreements with sports and wellness brands to attract a younger clientele.

The Peninsula Tokyo

The Peninsula Tokyo		
Revenue	JPY7.92b	+26%
Occupancy		+11pp
Average Room Rate		+14%
RevPAR		+36%

The Peninsula Tokyo recorded a strong first half of 2024 with rates, occupancy and RevPAR achieving significant growth, returning to pre-pandemic results. This was driven by robust international business from US, UK and Hong Kong.

Food and beverage performed well, with banquets experiencing strong demand. *Hei Fung Terrace* and *The Lobby* recorded good results. At *Peter Bar* we implemented private dining events and continued our popular Guest Bartender Series with ‘Season Two’, featuring top female mixologists from Japan offering innovative cocktails. *Sakura* season is the busiest time of year in Tokyo and to celebrate this beautiful display of nature, we collaborated with a celebrated *Kamon* father-and-son artist and design team to adorn The Lobby with a giant *Kamon* artwork entitled “The Peninsula Tokyo + Sakura + Art”.

The arcade business was robust and we introduced a new luxury car tenant at ground level. We are confident that the outlook for the rest of the year will continue to be positive.

The Peninsula Bangkok

The Peninsula Bangkok		
Revenue	THB474m	+7%
Occupancy		-2pp
Average Room Rate		+13%
RevPAR		+8%

The Peninsula Bangkok experienced a stable first half compared to the same period last year with increasing rates, RevPAR and revenue, while occupancy declined. International business is picking up in Thailand with guests returning from mainland China, Malaysia, Russia and South Korea. Business is challenging in Bangkok due to a large oversupply of hotels. Food and beverage revenue declined slightly due to a shortfall in local residents dining out. We implemented a number of promotions to offset this decline.

The Peninsula Bangkok, as an “urban resort” hotel, places a significant focus on health and wellness. In May 2024, we announced the residency of Thai textile virtuoso Jarupatcha Achavasmit as part of The Peninsula’s celebrated global art programme, “Art in Resonance”. We also offered complimentary cultural tours on a weekly basis which comprised multicultural visits to Thai temples, shrines and mosques.

The Peninsula Manila

The Peninsula Manila		
Revenue	PHP819m	+9%
Occupancy		-4pp
Average Room Rate		+11%
RevPAR		+3%

The Peninsula Manila experienced a satisfactory performance in the first half compared to the previous year. Average rates, revenue and RevPAR all increased while occupancy declined due to fewer corporate and groups travelling to Manila. The majority of our business is derived from international markets but we saw a trend of increasing domestic patronage with more conferences.

Banqueting business continued to be a key driver of food and beverage revenue, with *The Lobby*, *Spices* and *Escolta* all performing well and weddings business was strong. We introduced *Mizunara: The Library, Hong Kong* for a pop-up promotion of Hong Kong cocktails at *The Bar* in February 2024 and this proved popular with guests.

International travel to the Philippines was robust and guests returned from our traditional key markets of US, UK, Australia, Singapore, Japan and South Korea, with diplomatic and corporate business being particularly strong.

The Peninsula New York

The Peninsula New York		
Revenue	US\$29m	-32%
Occupancy		-2pp
Average Room Rate		+6%
*RevPAR		+3%

* The number of available rooms has fluctuated due to the ongoing renovations at the hotel.

The Peninsula New York was undergoing a significant renovation of The Peninsula New York at a cost of HK\$352 million which will result in a significantly improved lobby, rooftop bar and public areas. This renovation started in phases in January 2024 and will be completed by end of summer 2024. An average 98 keys out of 233 keys were out of commission during this period. As a result, although we performed well with the available inventory of rooms, our revenue for the period was down.

Food and beverage revenue was strong, with good results from catering. Spa performance was also affected by the maintenance project. The renovation is expected to be completed in late summer 2024 and we are optimistic that we will achieve higher room rates, given the elegant new rooms product.

The Peninsula Chicago

The Peninsula Chicago		
Revenue	US\$34m	-3%
Occupancy		+2pp
Average Room Rate		-2%
RevPAR		+1%

The Peninsula Chicago recorded a stable first half of 2024 compared to the previous year, although rates and revenue declined slightly. Groups business was softer in the first half, which affected banqueting and Spa revenue. Food and beverage revenue was soft and we implemented a variety of innovative promotions at *Pierrot Gourmet and Shanghai Terrace*. Staffing shortages remain a concern in Chicago with a number of vacant positions, and we are focusing on recruitment as a priority.

The Peninsula Chicago has collaborated with art partners to curate contemporary art exhibits that are showcased throughout the hotel’s public space and on display for several months, commencing during the city’s annual EXPO CHICAGO art event. In April 2024, Pizzuti Collection collaborated with The Peninsula Chicago to present *A Journey*, an exhibition of 30 exceptional art works, many of which are painted by black artists.

We were delighted to receive the accolade of #2 Hotel in Chicago from *Travel + Leisure’s 2024 World’s Best Award*, as well as “The Most Romantic Hotel in Chicago” by *USA Today*.

The Peninsula Beverly Hills

The Peninsula Beverly Hills		
Revenue	US\$40m	-3%
Occupancy		+2pp
Average Room Rate		-5%
RevPAR		-3%

The Peninsula Beverly Hills experienced a stable performance in the first half of 2024 with improved occupancy year-on-year, although rates, revenue and RevPAR declined slightly. Los Angeles was affected by prolonged inclement weather in the first half of 2024, which negatively affected our rooftop and pool areas as well as weekend guests and drive-in visitors.

We received very high suite demand due to the Beverly Hills annual Milken Conference, for which attendance surpassed pre-pandemic numbers. Food and beverage performed well in the first half. Banqueting and catering demand was strong.

In June 2024, the hotel was the venue for an auction exhibition of “Princess Diana’s Elegance & A Royal Collection” which was the largest collection of gowns and accessories ever to be auctioned. This event received remarkable press coverage for the hotel.

The Peninsula London

The Peninsula London		
Revenue	GBP34m	n/a
Occupancy		n/a
Average Room Rate		n/a
RevPAR		n/a

The Peninsula London held its grand opening celebration on 18 June 2024 which was attended by more than 2,000 VIP guests and celebrities.

The Peninsula London continues to attract positive reviews. Rooms business is gaining momentum month by month and banquets and the Spa are performing well. Food and beverage is strong, with waitlists for our Cantonese restaurant *Canton Blue* and daily queues for our rooftop bar *Brooklands*. We were delighted that the fine dining restaurant of *Brooklands* was bestowed with two Michelin stars in January 2024.

The Peninsula London Complex comprises a 190-room hotel and 24 luxury Peninsula-branded Residences. In the first half of 2024, the sales of a total of 4 luxury Residences were completed, generating total proceeds of HK\$1.7 billion. Of the 24 Residences, the sales of 14 have been completed to date and another three have exchanged contracts pending completion and another one reserved for contract pending finalisation.

We are in the process of preparing and agreeing final accounts with our trade contractors and consultants, which will include finalisation of programme delay costs. We continue to target that the finalisation of such accounts will result in the project being completed within the previously disclosed budget approved by the Board in October 2022, although this is not certain.

The Peninsula Paris

The Peninsula Paris		
Revenue	EUR41m	+8%
Occupancy		+2p
Average Room Rate		+4%
RevPAR		+10%

The Peninsula Paris experienced satisfactory business in the first half with improved revenue and RevPAR. Paris is welcoming high level business delegations, sport teams, MICE visitors, and leisure travellers from US and Middle East.

We introduced a new series of music-accompanied dinner gatherings which took place al fresco on Kléber Terrace. We held several high-profile events which attracted local celebrities and VIPs, including the glamorous annual party of *Le Rooftop*, which achieved prominent local media coverage, and some events related to Paris Fashion Week.

Spa performed well following the introduction of the luxurious brand Margy's from Monte Carlo in May 2024. We are optimistic for the summer months which are fully booked for the Olympics.

The Peninsula Istanbul

The Peninsula Istanbul		
Revenue	EUR18m	+175%
Occupancy		+27pp
Average Room Rate		-42%
RevPAR		+49%

The Peninsula Istanbul held its soft opening on 14 February 2023 and reached its full inventory in August 2023. Since then, the hotel has already received significant positive media coverage and received an accolade of No 1 Hotel in Europe and No 1 Hotel in Istanbul from *Travel + Leisure's* 2024 World's Best Awards.

The Peninsula Istanbul forms part of the wider Galataport Istanbul project which has been developed by our partners Dogus and Bilgili, and incorporates a promenade, museums, art galleries, restaurants, boutiques, retail units, parks and public spaces for the local community as well as a cruise passenger terminal. This entire Galataport Istanbul 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. In March 2023, our partners secured an extension of the operating right by 19 years to 49 years from February 2014 and a corresponding extension was granted by our partners to PIT upon payment of the apportioned premium for the extension.

While in its first full year of operation, momentum has been satisfactory and continues to gather pace. Food and beverage performance has been strong, particularly in The Lobby and banqueting, as the hotel offers one of the largest *al fresco* ballrooms in the city. Our rooftop restaurant GALLADA closed during the winter months to allow for the construction of an extended pavilion, enabling more year-round dining. The restaurant has been well received since its opening in April 2023.

On the projects side, restaurant extension works on GALLADA together with an internal staircase in the Peninsula Suite were completed between January and April 2024, as planned. The majority of the final accounts have been settled and the final project cost will be very close to budget.

Commercial Properties Division

Commercial Properties	Revenue	Variance Year-on-Year	
	HK\$m	HK\$	Local Currency
The Repulse Bay Complex	286	+7%	+7%
The Peak Tower	80	+51%	+51%
St. John's Building	23	-4%	-4%
The Landmark	19	-6%	0%
21 avenue Kléber	16	+25%	+26%
The Peninsula Shanghai Apartments	4	+13%	+18%

Our largest commercial property, **The Repulse Bay Complex**, enjoyed a positive first half compared to the previous year. Residential revenue and occupancy improved at 101 Repulse Bay and de Ricou following a minor refurbishment of 30 apartments, and we are pleased to see demand returning from local moves and expatriates who are returning or moving to Hong Kong. We are cautiously optimistic about the second half of 2024, with positive leasing renewals for the summer and our long-term outlook is positive.

The Repulse Bay Arcade, which offers a diverse range of lifestyle amenities and services, reported stable occupancy and revenue. We are planning a strategic review of the arcade with some renovation in order to offer unique and enhanced facilities to guests. Ahead of this revamp, The Repulse Bay introduced a refreshed brand identity in May 2024, including a new logo and revamped website to align more consistently with The Peninsula Hotels.

The Peak Tower experienced a strong first half compared to the previous year. Revenue and occupancy at the Peak Tower improved and we are exploring a variety of new dining and retail options to enhance the Peak Tower's appeal as a destination. We continue to implement a variety of promotions and business strategies to entice more visitors to the Peak. Visitors to Sky Terrace 428 improved significantly compared to the previous year, due to successful sales of "combo" tickets with the Peak Tram.

St John's Building is located above the lower terminus of the Peak Tram and offers an excellent location for office space. Revenue decreased slightly and occupancy dropped slightly to 86% during the first half of 2024, due to the weaker office market in Hong Kong.

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 of 2024. Revenue and occupancy for the offices improved compared to the same period last year and residential revenue and occupancy also improved. Together with our partners, we are evaluating the future of the property when the lease expires in 2026.

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

Clubs and Services Division

Clubs and Services	Revenue HK\$	Variance HK\$	Local Currency
The Peak Tram	147	+73%	+73%
The Quail	58	0%	0%
Peninsula Clubs & Consultancy Services	2	+12%	+12%
Peninsula Merchandising	60	+58%	+58%
Tai Pan Laundry	32	+18%	+18%

The Peak Tram is one of Hong Kong’s most popular tourist attractions and has been in operation since 1888. We implemented a major upgrade to the lower and upper termini in 2022, introducing larger refurbished tramcars which can carry 210 passengers compared to 120 previously. Business has been robust, with record patronage achieved during the Golden Week holidays in May.

The Quail reported a stable half year with revenue, average rates and RevPAR remaining flat year-on-year. Rainy weather in California negatively impacted The Quail, A Motorcycle Gathering in May, which also resulted in slower demand for banqueting compared to the same period last year. Golf membership was strong. The outlook for the second half is positive with the property’s signature event, The Quail Motorsports Gathering, to be held in August 2024 which is considered one of the world’s leading concours events for motoring *aficionados* and brings significant sponsorship revenue.

Peninsula Clubs & Consultancy Services (PCCS) manages The Hong Kong Club, Hong Kong Bankers Club and The Refinery. PCCS reported an improvement in revenue compared to the same period last year.

Revenue at **Peninsula Merchandising** increased compared to the previous year, although our business was affected by a soft retail market in Hong Kong and Mainland China, and a significant temporary hoarding at Hong Kong International Airport in front of our Peninsula Boutique impacted sales. We reported continued growth in our boutique stores in Japan as well as our online businesses, and we have strategically changed our ecommerce provider in mainland China to drive online traffic.

The Peninsula Boutique is renowned for its signature Mooncakes and the forthcoming season is looking positive. The division is progressing well, with the expansion in several markets, including in the Chinese Mainland and are directly operating retail boutiques and online sales channels, as well as seasonal pop ups. In Hong Kong we organised new pop ups for key seasonal gifting seasons, including one in the luxury department store Lane Crawford during Chinese New Year 2024.

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

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

Our People

Employee communication and engagement played a key role in keeping all our staff well-informed during the first half of the year, while fostering a sense of support. We continued our efforts in extending access to all employees globally to our two main internal communications platform, Viva Engage and MyHSH Hub. On Viva Engage, we have seen a 53% increase in readership to 4,300+ in the first six months of 2024 compared to the previous year.

In June, we launched the Speak Up Portal ~ React, Report, Respect, an innovative platform that enables all individuals associated with HSH, from employees to suppliers and external stakeholders, to voice their concerns effectively and confidentially.

Building on our global employee experience survey last September and in a year of key leadership changes, we will be conducting another comprehensive global survey this October to continue gaining insights into the experiences of our employees. The feedback gathered will enable us to stay attuned to the needs and concerns of our diverse workforce across the globe and to help us refine our staff retention strategy.

We are also working to further enhance our candidate experience throughout the talent sourcing and acquisition process. In 2023, we hired over 3,200 new employees across the organisation. In 2024, we continued our Talent Acquisition strategy by strengthening our employer branding, including updating our talent photography to better represent our workforce and culture. We will also be launching an updated careers website later this year to showcase our organisation's new locations, identity and values.

In learning and talent development, our global efforts in 2024 have gained significant momentum as we have seen a significant 121% increase in training nominations compared to the previous year, along with cross exposure nominations. Our comprehensive range of talent development programmes continue to cultivate a strong pipeline of talents across different levels of the company.

In March, we celebrated the graduation of 19 participants of our Executive Development Programme (EDP) in Hong Kong. The Emerging Manager Programme (EMP) continues to play a crucial role in developing high-potential assistant managers into leaders. Additionally, 14 high-potential employees are making their mark globally in our Corporate Management Trainee Programme (CMT).

As of 30 June 2024, there were 7,785 full time employees in the group.

Sustainable Luxury

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

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

As owner and operator of our hotels and properties, we are in a good position to act decisively and with genuine intent in our sustainability approach, while maintaining unparalleled service standards. The addition of two new hotels – The Peninsula London and The Peninsula Istanbul demonstrate our commitment to building for the future and creating value in the long term. We are delighted that The Peninsula Istanbul has achieved international green building certification BREEAM “excellent”, and The Peninsula London is on track. BREEAM, with sustainable design elements incorporated, means that the environmental impact is minimised during the construction and operation stages, and we have considered future climate resiliency. While for the first time this year, other than The Peninsula London and The Peninsula Istanbul which would not qualify with less than a full year in operation, the remaining Peninsula Hotels achieved group EarthCheck certification in recognition of their robust environmental management process and commitment to continuous operational improvements on sustainability.

Starting in 2021, we further integrated sustainability into our overall business and financing strategy by obtaining green financing mechanisms to generate working capital on sustainability-related capital expenditure and initiatives. As at 30 June 2024, we have signed a total of HK\$12.7 billion sustainability-linked and green loans.

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

Outlook

The outlook for our various businesses is varied. In Hong Kong, the long-haul market for leisure travellers remains weak, and geopolitical tensions are a concern in terms of welcoming leisure visitors from the US to Greater China. The trend for Hong Kong citizens to cross the border to Shenzhen will continue and this may affect our rooms business and food and beverage revenue. The Peak Tram continues to be an attractive experience for visitors, especially those from mainland China and other parts of Asia. Although residential occupancy is still recovering, we are seeing demand returning for the residential apartments at the Repulse Bay from both the local and the expatriate markets.

In the hotels division, we are cautiously optimistic for the second half, which is our traditional high season in many markets. The new Peninsula London and Peninsula Istanbul hotels are truly spectacular and have significantly enhanced our brand presence in Europe. They have already achieved several industry awards and accolades and are receiving very positive reviews from guests as well as extensive media coverage.

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

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

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

As previously announced, I will retire as CEO in October 2024 after 22 years and will stay as an Executive Director and Advisor to the new CEO until May 2025, while our Chief Operating Officer Peter Borer retired on 31 July 2024 and will continue as a non-executive director and advisor to the Chairman. During the period of my tenure, we have seen the Peninsula hotel portfolio grow from seven to 12, with the developments of new Peninsula hotels in Tokyo, Shanghai, Paris, Istanbul and London, as well as The Peninsula Residences London. We also completed significant renovations of The Peak Tram and Peak Tower, as well as complete transformations of The Peninsulas in Chicago, Beijing and Manila. We have focused on sustainability under the leadership of the Group Corporate Responsibility and Sustainability (CRS) Committee, which I have chaired, and we placed a great deal of emphasis on staff culture, well-being and retention.

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

Clement Kwok
7 August 2024

FINANCIAL REVIEW

The Directors hereby announce the unaudited interim results of the group for the six months ended 30 June 2024. The Interim Financial Report has been reviewed by the company's Audit Committee. The Interim Financial Report is unaudited but has been reviewed by the company's auditor, KPMG, in accordance with the 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 (HKICPA), whose unmodified review report is included in the Interim Report to be sent to shareholders.

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

During the first six months ended 30 June 2024, the group recorded a combined revenue of HK\$4.9 billion, representing an increase of 82%. The increase was mainly due to the inclusion of revenue from the sale of four Peninsula-branded London Residences of HK\$1.7 billion (2023: HK\$nil) and the additional revenue generated by The Peninsula Istanbul and The Peninsula London which soft opened in February 2023 and September 2023 respectively.

Despite the increase in revenue, as described in the profit warning announcement issued by the company on 16 July 2024, the group's results for the six months ended 30 June 2024 were unfavourably affected by a number of factors. These include The Peninsula New York being under renovation, the two newly opened Peninsula hotels in London and Istanbul requiring time to ramp up to a stabilised stage of operation, and we experienced weak markets in a number of other hotels. The group's combined EBITDA (excluding the EBITDA on the sale of The Peninsula Residences London) decreased to HK\$435 million compared to HK\$532 million for the same period last year. In addition, due to the increase in depreciation attributed to The Peninsula London, the increase in net financing charges as the group is no longer capitalising interest on borrowings relating to The Peninsula London project following the opening of the hotel as well as higher interest rates, and the inclusion of an unrealised loss on revaluation of investment properties of HK\$139 million, the group incurred a loss attributable to shareholders and underlying loss of HK\$448 million and HK\$257 million for the six months ended 30 June 2024 as compared to a profit attributable to shareholders and underlying profit of HK\$94 million and HK\$25 million respectively in the same period last year.

As at 30 June 2024, the group's net assets attributable to shareholders amounted to HK\$35.9 billion and the group's net debt to total assets remained acceptable at 25%. As at 30 June 2024, the group's undrawn committed facilities amounted to HK\$2.4 billion. Together with cash and bank balances of HK\$756 million, the group's available funds amounted to HK\$3.2 billion. The directors believe that the group will be able to meet the working capital requirements of its operations and the group's capital commitments.

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 13% to HK\$40,641 million as indicated in the table below.

HK\$m	As at 30 June 2024	As at 31 December 2023
Net assets attributable to shareholders per statement of financial position	35,891	36,279
Adjusting the value of hotels and golf course to fair value	5,180	5,186
Less: Related deferred tax and non-controlling interests	<u>(430)</u>	<u>(374)</u>
	<u>4,750</u>	<u>4,812</u>
Adjusted net assets attributable to shareholders	<u>40,641</u>	<u>41,091</u>
Net assets per share (HK\$)	<u>21.53</u>	<u>22.00</u>
Adjusted net assets per share (HK\$)	<u>24.38</u>	<u>24.92</u>

The Group's Underlying Profit or Loss

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

The group's underlying loss attributable to shareholders for the six months ended 30 June 2024 amounted to HK\$257 million compared to an underlying profit of HK\$25 million in the same period last year.

HK\$m	For the six months ended 30 June	
	2024	2023
(Loss)/profit attributable to shareholders	(448)	94
Net valuation loss/(gain) of investment properties *	153	(224)
Pre-opening, project and other non-recurring expenses**	<u>38</u>	<u>155</u>
Underlying (loss)/profit	<u>(257)</u>	<u>25</u>

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

** Pre-opening and project expenses are unrelated to the group's operating hotels and properties and are non-recurring in nature. Pre-opening expenses incurred in 2023 represented the recruitment, payroll, marketing, and administrative expenses incurred by the pre-opening offices of The Peninsula London and The Peninsula Istanbul. Project expenses represent the specific expenses incurred by the group to support the development of the two hotel projects. Whilst the two hotels have opened for operation, the group is still required to maintain the project teams until all the snagging and improvement works have been completed and the final accounts with our trade contractors and consultants are finalised.

Statement of Profit or Loss

The following table summarises the key components of the group's loss attributable to shareholders. This table should be read in conjunction with the commentaries set out on pages 19 to 22 of this Financial Review.

HK\$m	For the six months ended 30 June		2024 vs 2023
	2024	2023	
Revenue			
– operations	2,908	2,445	19%
– residential sales	1,707	–	n/a
Total revenue	4,615	2,445	89%
Operating costs			
– operations	(2,513)	(1,947)	(29%)
– residential sales	(1,522)	–	n/a
Total operating costs	(4,035)	(1,947)	107%
EBITDA before non-recurring expenses	580	498	16%
Pre-opening and project expenses	(38)	(136)	72%
EBITDA	542	362	50%
Depreciation and amortisation	(333)	(233)	(43%)
Net financing charges	(366)	(129)	(184%)
Share of results of joint ventures	(71)	(71)	–
Share of results of associates	(13)	(8)	(63%)
(Decrease)/increase in fair value of investment properties	(139)	222	n/a
Taxation	(68)	(48)	(42%)
(Loss)/profit for the period	(448)	95	n/a
Non-controlling interests	–	(1)	100%
(Loss)/profit attributable to shareholders	(448)	94	n/a

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

The increase in depreciation and amortisation during the six months ended 30 June 2024 was mainly attributed to The Peninsula London which opened in September 2023. The increase in net financing charges was due to the cessation of capitalisation of interest on borrowings relating to The Peninsula London following the opening of the hotel.

The increase in taxation was mainly due to the improved profitability achieved by The Peninsula Tokyo, The Peak Tower and Peak Tram and the residential property developer tax arising from the sale of The Peninsula Residences London.

Revenue

The group has interests in twelve luxury hotels under The Peninsula brand in Asia, the US and Europe, two of which are held by the group's associates and two by the group's joint ventures. 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, retail and wholesale of merchandise, club management and other services, including the Peak Tram.

The group's consolidated revenue increased by 89% to HK\$4,615 million, mainly due to the inclusion of the revenue arising from the sale of four luxury Peninsula-branded Residences in London of HK\$1,707 million (2023: HK\$nil) and the additional revenue generated by The Peninsula London which opened for operation in September 2023. Combined revenue, inclusive of the group's effective share of revenue of associates and joint ventures, increased to HK\$4,931 million by 82%.

The hotels division is the largest contributor of the group's combined revenue. As The Peninsula New York started a major renovation in January 2024, the hotel reported a significant reduction in revenue. The Peninsula hotels in Chicago and Beverly Hills also reported a decline in revenue due to weak markets and strong competition. However, the revenue shortfalls of these hotels were fully offset by the revenue contributed by The Peninsula Istanbul and The Peninsula London which opened in February 2023 and September 2023 respectively. Overall, the hotels division reported a revenue growth of 18% to HK\$2,490 million.

Revenue from the commercial properties division increased by 464% to HK\$2,142 million, mainly due to the inclusion of HK\$1,707 million revenue arising from the sale of four luxury Peninsula-branded Residences in London. Excluding the revenue from residential sales, the division's recurring revenue increased by 14% mainly due to the increase in visitors to the Sky Terrace. Overall, The Repulse Bay Complex remains the largest contributor of revenue in respect of leasing operations, accounting for over 60% of the division's recurring revenue.

Revenue of the clubs and services division increased by 42% to HK\$299 million, mainly attributable to the Peak Tram.

A breakdown of revenue by business segment and geographical segment is set out in the tables of the next page.

Revenue by business segment

HK\$m	For the six months ended 30 June						2024 vs 2023
	2024			2023			
	Group's subsidiaries	Associates and joint ventures (effective share)	Combined total	Group's subsidiaries	Associates and joint ventures (effective share)	Combined total	
Hotels	2,174	316	2,490	1,855	259	2,114	18%
Commercial Properties	2,142	-	2,142	380	-	380	464%
Clubs and Services	299	-	299	210	-	210	42%
	<u>4,615</u>	<u>316</u>	<u>4,931</u>	<u>2,445</u>	<u>259</u>	<u>2,704</u>	82%

Revenue by geographical segment

HK\$m	For the six months ended 30 June						2024 vs 2023
	2024			2023			
	Group's subsidiaries	Associates and joint ventures (effective share)	Combined total	Group's subsidiaries	Associates and joint ventures (effective share)	Combined total	
Hong Kong	1,124	-	1,124	960	-	960	17%
Other Asia	836	109	945	766	103	869	9%
US and Europe	2,655	207	2,862	719	156	875	227%
	<u>4,615</u>	<u>316</u>	<u>4,931</u>	<u>2,445</u>	<u>259</u>	<u>2,704</u>	82%

Details of the operating performances of the group's individual operations are set out on pages 4 to 12 of the CEO's Review.

EBITDA* and EBITDA* Margin

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

The group achieved a combined EBITDA of HK\$620 million for the six months ended 30 June 2024. Excluding the EBITDA on the sale of The Peninsula Residences London, the group's combined EBITDA amounted to HK\$435 million (2023: HK\$532 million).

The EBITDA margin of the hotels division was negatively impacted by the newly opened Peninsula hotels in London and Istanbul which were still in an early stage of operation before attaining stabilisation, and The Peninsula New York which commenced its major renovation in January 2024.

The decrease in the Commercial Properties division's EBITDA margin was due to the effect of The Peninsula Residences London. Excluding The Peninsula Residences London, the division's EBITDA margin was stable at 42%.

EBITDA* by business segment

HK\$m	For the six months ended 30 June						2024 vs 2023
	2024			2023			
	Group's subsidiaries	Associates and joint ventures (effective share)	Combined total	Group's subsidiaries	Associates and joint ventures (effective share)	Combined total	
Hotels	218	40	258	330	34	364	(29%)
Commercial Properties	368	-	368	190	-	190	94%
Clubs and Services	(6)	-	(6)	(22)	-	(22)	73%
	<u>580</u>	<u>40</u>	<u>620</u>	<u>498</u>	<u>34</u>	<u>532</u>	17%

EBITDA* by geographical segment

HK\$m	For the six months ended 30 June						2024 vs 2023
	2024			2023			
	Group's subsidiaries	Associates and joint ventures (effective share)	Combined total	Group's subsidiaries	Associates and joint ventures (effective share)	Combined total	
Hong Kong	308	-	308	316	-	316	(3%)
Other Asia	120	28	148	128	22	150	(1%)
US and Europe	152	12	164	54	12	66	148%
	<u>580</u>	<u>40</u>	<u>620</u>	<u>498</u>	<u>34</u>	<u>532</u>	17%

EBITDA* margin

HK\$m	For the six months ended 30 June					
	2024			2023		
	Group's subsidiaries	Associates and joint ventures (effective share)	Combined total	Group's subsidiaries	Associates and joint ventures (effective share)	Combined total
Hotels	10%	13%	10%	18%	13%	17%
Commercial Properties	17%	-	17%	50%	-	50%
Clubs and Services	(2%)	-	(2%)	(11%)	-	(11%)
Overall EBITDA* margin	<u>13%</u>	<u>13%</u>	<u>13%</u>	<u>20%</u>	<u>13%</u>	<u>20%</u>
By region						
Hong Kong	27%	-	27%	33%	-	33%
Other Asia	14%	26%	16%	17%	21%	17%
US and Europe	<u>6%</u>	<u>6%</u>	<u>6%</u>	<u>8%</u>	<u>8%</u>	<u>8%</u>

* Excluding pre-opening and project expenses.

Decrease in Fair Value of Investment Properties

The investment properties of the group were revalued as at 30 June 2024 by independent firms of valuers based on an income capitalisation approach. The unrealised revaluation loss of HK\$139 million was principally attributable to a decrease in the appraised market value of The Repulse Bay Complex.

Share of Results of Joint Ventures

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

The group also owns a 50% interest in The Peninsula Istanbul indirectly through PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT), a joint venture incorporated in Türkiye. The Peninsula Istanbul, which opened in February 2023, was loss-making during the six months ended 30 June 2024 as the hotel still requires time to ramp up to a stabilised stage of operation.

The group's share of net loss of these hotels amounted to HK\$71 million (2023: HK\$71 million).

Share of Results of Associates

The group has a 20% interest in each of The Peninsula Beverly Hills and The Peninsula Paris. The group's share of net loss of these hotels amounted to HK\$13 million (2023: HK\$8 million).

Statement of Financial Position

The group's net assets attributable to shareholders amounted to HK\$35,891 million, representing a per share value of HK\$21.53 compared to HK\$22.00 as at 31 December 2023. The key components of the group's assets and liabilities as at 30 June 2024 and 31 December 2023 are set out in the table below.

HK\$m	As at 30 June 2024	As at 31 December 2023	2024 vs 2023
Fixed assets	48,405	48,832	(1%)
Properties held/under development for sale	2,955	4,382	(33%)
Other long-term assets	2,712	2,587	5%
Derivative financial instruments	219	220	(0%)
Cash at banks and in hand	756	881	(14%)
Other assets	984	967	2%
	56,031	57,869	(3%)
Interest-bearing borrowings	(14,811)	(15,914)	7%
Lease liabilities	(2,620)	(2,733)	4%
Other liabilities	(2,608)	(2,843)	8%
	(20,039)	(21,490)	7%
Net assets	35,992	36,379	(1%)
<i>Represented by:</i>			
Shareholders' fund	35,891	36,279	(1%)
Non-controlling interests	101	100	1%
Total equity	35,992	36,379	(1%)

Summary of Hotel, Commercial and Other Properties

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

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 in the next page.

	Group's interest	30 June 2024		31 December 2023	
		Value of 100% of the property (HK\$m)			
		Fair value valuation**	Book value	Fair value valuation**	Book value
Hotel properties *					
The Peninsula Hong Kong	100%	12,435	9,861	12,322	9,751
The Peninsula London	100%	8,141	7,742	8,201	7,811
The Peninsula New York	100%	2,278	1,742	2,129	1,604
The Peninsula Beijing	76.6% ^Δ	968	964	1,047	1,023
The Peninsula Tokyo	100%	1,229	873	1,395	1,004
The Peninsula Chicago	100%	1,227	983	1,227	998
The Peninsula Bangkok	100%	598	513	642	554
The Peninsula Manila	77.4%	43	17	45	26
The Peninsula Shanghai #	50%	2,609	1,911	2,706	2,024
The Peninsula Istanbul #	50%	2,960	2,960	2,147	2,147
The Peninsula Paris #	20%	4,448	3,964	4,600	4,116
The Peninsula Beverly Hills #	20%	2,771	253	2,771	257
		39,707	31,783	39,232	31,315
Commercial properties					
The Repulse Bay Complex	100%	18,219	18,219	18,424	18,424
The Peak Tower	100%	1,453	1,453	1,418	1,418
St. John's Building	100%	1,122	1,122	1,174	1,174
Apartments in Shanghai	100%	359	359	367	367
21 avenue Kléber	100%	674	674	674	674
The Landmark	70% ^{ΔΔ}	9	9	18	18
		21,836	21,836	22,075	22,075
Other properties					
Quail Lodge resort, golf course and vacant land	100%	282	275	282	274
Vacant land in Thailand	100%	87	87	91	91
Other properties for own use	100%	400	183	403	188
		769	545	776	553
Property under development					
The Peninsula Yangon ##	70%	130	130	122	122
		62,442	54,294	62,205	54,065

* 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 2024 were not materially different from those as at 31 December 2023.

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

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

^{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 The Peninsula Yangon under development approximates their book value.

Properties Held/Under Development for Sale

The group owns a 100% interest in The Peninsula London Complex which comprises a 190-room Peninsula hotel and 24 luxury Peninsula-branded Residences. The gross floor area of the Peninsula Residences London is approximately 119,000 square feet. A total of 10 Peninsula Residences London were sold in the second half of 2023 and another four Peninsula Residences London were sold during the first half of 2024. A calculation of the gain on sale of The Peninsula Residences London and the movement of properties held for sale during the six months ended 30 June 2024 are set out in the tables below.

Gain on sale of the Peninsula Residences London

HK\$m	For the six months ended 30 June	
	2024	2023
Proceeds from sale of The Peninsula Residences London	1,707	–
Cost of The Peninsula Residences London sold	(1,499)	–
Direct selling costs	(23)	–
Profit on sale of The Peninsula Residences London before tax	<u>185</u>	<u>–</u>

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 2024 of HK\$2,712 million (31 December 2023: HK\$2,587 million) mainly comprised the group's 50% interest in The Peninsula Shanghai, the group's 50% interest and its value of trademark for The Peninsula Istanbul, the group's 20% interest and the value of its operating right in The Peninsula Beverly Hills and the group's 20% interest and the value of its operating right in The Peninsula Paris.

Derivatives Financial Instruments

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

Statement of Cash Flows

The following table summarises the key cash movements for the first six months of 2024.

HK\$m	For the six months ended 30 June	
	2024	2023
Operating EBITDA (before pre-opening and project expenses and residential sales)	395	498
Tax payment	(38)	(20)
Changes in working capital (excluding those relating to The Peninsula Residences London)	(173)	(7)
Normal capital expenditure on existing assets (excluding projects)	(142)	(98)
	42	373
Proceeds from sale of The Peninsula Residences London	1,707	–
Net cash inflow after normal capital expenditure	1,749	373
Project-related cash flows		
Capital expenditure on The Peninsula London Project	(269)	(982)
Capital injection into The Peninsula Istanbul joint venture	(175)	(269)
Capital expenditure on the Peak Tram upgrade project	(4)	(52)
Capital expenditure on The Peninsula New York major renovation	(147)	–
Pre-opening and project expenses	(38)	(136)
Cash outflow for projects	(633)	(1,439)
Net cash inflow/(outflow) before financing activities and other receipts	1,116	(1,066)

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 robust funding position with HK\$2.4 billion of unused committed facilities as at end of June 2024.

During the period, net borrowings, excluding lease liabilities, decreased to HK\$14.1 billion (31 December 2023: HK\$15.0 billion) with average committed facility maturity at 1.4 years (31 December 2023: 1.8 years). The decrease in net borrowings was mainly due to progressive repayments of loans using the proceeds from the sales of The Peninsula Residences London. As at 30 June 2024, the group's net external debt to total assets decreased to 25% (31 December 2023: 26%). We have recently received a credit of rating A from Japan Credit Rating Agency, Ltd. for long term foreign currency and local currency denominated debts.

As at end of June 2024, 74% of our total committed 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\$15.9 billion at 30 June 2024 (31 December 2023: HK\$17.0 billion).

As at 30 June 2024, the group's fixed-to-floating interest rate ratio was 43% (31 December 2023: 47%). The weighted average interest rate for the period increased to 4.72% (31 December 2023: 4.38%) after taking hedging activities into account.

Liquidity and Capital Commitments

As at 30 June 2024, the group's undrawn committed facilities and cash at banks and in hand amounted to HK\$2.4 billion and HK\$756 million respectively.

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 which are estimated to be HK\$1,969 million as at 30 June 2024.

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

	Note	For the six months ended 30 June	
		2024	2023
Revenue	3	4,615	2,445
Cost of inventories		(1,690)	(159)
Staff costs and related expenses		(1,293)	(1,072)
Rent and utilities		(253)	(230)
Other operating expenses		(837)	(622)
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)		542	362
Depreciation and amortisation		(333)	(233)
Operating profit		209	129
Interest income		18	6
Financing charges	4	(384)	(135)
Net financing charges		(366)	(129)
(Loss)/profit after net financing charges	5	(157)	0
Share of results of joint ventures		(71)	(71)
Share of results of associates		(13)	(8)
(Decrease)/increase in fair value of investment properties	9(b)	(139)	222
(Loss)/profit before taxation		(380)	143
Taxation			
Current tax	6	(66)	(40)
Deferred tax	6	(2)	(8)
(Loss)/profit for the period		(448)	95
(Loss)/profit attributable to:			
Shareholders of the company		(448)	94
Non-controlling interests		–	1
(Loss)/profit for the period		(448)	95
(Loss)/earnings per share, basic and diluted (HK\$)	7	(0.27)	0.06

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

	Note	For the six months ended 30 June	
		2024	2023
(Loss)/profit for the period		(448)	95
Other comprehensive income for the period, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of:			
– financial statements of subsidiaries outside Hong Kong		45	205
– financial statements of joint ventures		65	(225)
– financial statements of and loans to an associate		(13)	11
– hotel operating rights and trademarks		(13)	10
		84	1
Cash flow hedges:			
– effective portion of changes in fair value		(67)	107
– transfer from equity to profit or loss		65	(55)
		(2)	52
Other comprehensive income for the period		82	53
Total comprehensive income for the period		(366)	148
Attributable to:			
Shareholders of the company		(366)	147
Non-controlling interests		–	1
Total comprehensive income for the period		(366)	148

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

	Note	As at 30 June 2024	As at 31 December 2023
Non-current assets			
Investment properties		33,010	33,170
Other properties, plant and equipment		15,395	15,662
	9	48,405	48,832
Interest in joint ventures	11	1,698	1,529
Interest in associates	12	421	448
Hotel operating rights and trademarks	13	439	459
Derivative financial instruments	14	217	218
Deferred tax assets		154	151
		51,334	51,637
Current assets			
Inventories		119	114
Properties held/under development for sale	10	2,955	4,382
Derivative financial instruments	14	2	2
Trade and other receivables	15	865	853
Cash at banks and in hand		756	881
		4,697	6,232
Current liabilities			
Trade and other payables	16	(1,668)	(1,950)
Interest-bearing borrowings	17	(3,694)	(2,504)
Current taxation		(129)	(102)
Lease liabilities		(160)	(149)
		(5,651)	(4,705)
Net current (liabilities)/assets		(954)	1,527
Total assets less current liabilities		50,380	53,164
Non-current liabilities			
Interest-bearing borrowings	17	(11,117)	(13,410)
Trade and other payables	16	(134)	(113)
Net defined benefit retirement obligations		(20)	(20)
Deferred tax liabilities		(657)	(658)
Lease liabilities		(2,460)	(2,584)
		(14,388)	(16,785)
Net assets		35,992	36,379
Capital and reserves			
Share capital	18	5,947	5,837
Reserves		29,944	30,442
Total equity attributable to shareholders of the company		35,891	36,279
Non-controlling interests		101	100
Total equity		35,992	36,379

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

	Note	Attributable to shareholders of the company					Total	Non-controlling interests	Total equity
		Reserves							
		Share capital	Hedging reserve	Exchange and other reserves	Retained profits	Total reserves			
Balance at 31 December 2022 and 1 January 2023		5,837	290	(443)	30,332	30,179	36,016	104	36,120
Changes in equity for the six months ended 30 June 2023									
Profit for the period		-	-	-	94	94	94	1	95
Other comprehensive income		-	52	1	-	53	53	-	53
Total comprehensive income for the period		-	52	1	94	147	147	1	148
Balance at 30 June 2023 and 1 July 2023		<u>5,837</u>	<u>342</u>	<u>(442)</u>	<u>30,426</u>	<u>30,326</u>	<u>36,163</u>	<u>105</u>	<u>36,268</u>
Changes in equity for the six months ended 31 December 2023									
Profit for the period		-	-	-	52	52	52	1	53
Other comprehensive income		-	(159)	223	-	64	64	-	64
Total comprehensive income for the period		-	(159)	223	52	116	116	1	117
Dividends paid to non-controlling interests		-	-	-	-	-	-	(6)	(6)
Balance at 31 December 2023 and 1 January 2024		<u>5,837</u>	<u>183</u>	<u>(219)</u>	<u>30,478</u>	<u>30,442</u>	<u>36,279</u>	<u>100</u>	<u>36,379</u>
Changes in equity for the six months ended 30 June 2024									
Loss for the period		-	-	-	(448)	(448)	(448)	-	(448)
Other comprehensive income		-	(2)	84	-	82	82	-	82
Total comprehensive income for the period		-	(2)	84	(448)	(366)	(366)	-	(366)
Dividends approved in respect of the previous year	8(a)	110	-	-	(132)	(132)	(22)	-	(22)
Capital contribution from a non-controlling shareholder of a subsidiary		-	-	-	-	-	-	1	1
Balance at 30 June 2024		<u>5,947</u>	<u>181</u>	<u>(135)</u>	<u>29,898</u>	<u>29,944</u>	<u>35,891</u>	<u>101</u>	<u>35,992</u>

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

	For the six months ended 30 June	
	2024	2023
Operating activities		
EBITDA	542	362
Tax paid	(38)	(20)
Net cash generated from operating activities before changes in working capital	504	342
Changes in working capital in connection with The Peninsula Residences London sold	1,499	–
Changes in other working capital	(150)	(7)
Net cash generated from operating activities	1,853	335
Investing activities		
Development costs for The Peninsula London Complex	(269)	(982)
Capital expenditure on the Peak Tram upgrade project	(4)	(52)
Capital injection into The Peninsula Istanbul joint venture	(175)	(269)
Capital expenditure on the major renovation project of The Peninsula New York	(147)	–
Capital expenditure on operating assets	(142)	(98)
Receipts from associates	5	5
Capital contribution from a non-controlling shareholder of a subsidiary	1	–
Net cash used in investing activities	(731)	(1,396)
Financing activities		
Interest received	12	7
Interest and other financing charges	(356)	(279)
Net placement of interest-bearing bank deposits with maturity of more than three months	(35)	(11)
Net (decrease)/increase in bank borrowings	(768)	1,460
Capital element of lease rentals paid	(14)	(38)
Interest element of lease rentals paid	(76)	(47)
Dividends paid to shareholders of the company	(22)	–
Net cash (used in)/generated from financing activities	(1,259)	1,092
Net increase in cash and cash equivalents	(137)	31
Cash and cash equivalents at 1 January	720	570
Effect of changes in foreign exchange rates	(23)	(4)
Cash and cash equivalents at 30 June (note)	560	597

Note Analysis of cash and cash equivalents

	As at 30 June	
	2024	2023
Interest-bearing bank deposits	408	284
Cash at banks and in hand	348	339
Total cash at banks and in hand	756	623
Less: Interest-bearing bank deposits with maturity of more than three months	(196)	(26)
Cash and cash equivalents in the condensed consolidated statement of cash flows	560	597

Total cash at banks and in hand at the end of the reporting period include deposits with banks of HK\$331 million (31 December 2023: HK\$332 million) held by certain subsidiaries outside Hong Kong which are subject to prevailing regulations and foreign exchange restrictions.

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 7 August 2024.

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2023 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 2023 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.

The financial information relating to the financial year ended 31 December 2023 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 2023 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

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

- Amendments to HKAS 1, Presentation of financial statements: Classification of Liabilities as Current or Non-current Liabilities with Covenants
- Amendments to HKFRS 16, Leases: Lease Liability in Sale and Leaseback
- Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial Instruments Disclosure: Supplier Finance Arrangements

None of the above changes in accounting policies has had a material effect on the group's financial statements. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 executive management for the purposes of resource allocation and performance assessment, the group's reportable segments are as follows:

Hotels	This segment includes revenue generated from operating hotels, leasing of commercial shopping arcades and office premises located within the hotel buildings.
Commercial Properties	This segment is engaged in the development, leasing and sale of luxury residential apartments, leasing of retail and office premises (other than those in hotel properties), as well as operating food and beverage outlets in such premises.
Clubs and Services	This segment is engaged in the operation of golf 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.

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 2024 and 2023 are set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	2024	2023	For the six months ended 30 June		2024	2023	2024	2023
Reportable segment revenue (see below)	<u>2,174</u>	<u>1,855</u>	<u>2,142</u>	<u>380</u>	<u>299</u>	<u>210</u>	<u>4,615</u>	<u>2,445</u>
Reportable segment operating profit/(loss) before interest, taxation, depreciation and amortisation (EBITDA)	218	330	368	190	(6)	(22)	580	498
Depreciation and amortisation	<u>(278)</u>	<u>(181)</u>	<u>(8)</u>	<u>(9)</u>	<u>(47)</u>	<u>(43)</u>	<u>(333)</u>	<u>(233)</u>
Segment operating profit/(loss) before pre-opening and project expenses and other non-recurring expenses	(60)	149	360	181	(53)	(65)	247	265
Pre-opening, project expenses and other non-recurring expenses	<u>(38)</u>	<u>(136)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>(136)</u>
Segment operating profit/(loss)	<u>(98)</u>	<u>13</u>	<u>360</u>	<u>181</u>	<u>(53)</u>	<u>(65)</u>	<u>209</u>	<u>129</u>

Analysis of segment revenue:

	2024				2023			
	Recognise at a point in time	Recognise over time	Rental income on leases	Total	Recognise at a point in time	Recognise over time	Rental income on leases	Total
Hotels								
- Rooms	-	1,122	-	1,122	-	897	-	897
- Food and beverage	608	-	-	608	526	-	-	526
- Shopping arcades and offices	-	17	256	273	-	17	249	266
- Others	116	55	-	171	114	52	-	166
	<u>724</u>	<u>1,194</u>	<u>256</u>	<u>2,174</u>	<u>640</u>	<u>966</u>	<u>249</u>	<u>1,855</u>
Commercial Properties								
- Residential properties	-	30	199	229	-	20	176	196
- Offices	-	8	44	52	-	6	44	50
- Shopping arcades and others	98	17	39	154	85	14	35	134
- Sales of residential apartments	1,707	-	-	1,707	-	-	-	-
	<u>1,805</u>	<u>55</u>	<u>282</u>	<u>2,142</u>	<u>85</u>	<u>40</u>	<u>255</u>	<u>380</u>
Clubs and Services								
- Golf club	24	34	-	58	22	36	-	58
- Peak Tram operation	147	-	-	147	85	-	-	85
- Peninsula Merchandising	60	-	-	60	38	-	-	38
- Others	32	2	-	34	27	2	-	29
	<u>263</u>	<u>36</u>	<u>-</u>	<u>299</u>	<u>172</u>	<u>38</u>	<u>-</u>	<u>210</u>
Total	<u>2,792</u>	<u>1,285</u>	<u>538</u>	<u>4,615</u>	<u>897</u>	<u>1,044</u>	<u>504</u>	<u>2,445</u>

Reconciliation of segment operating profit/(loss) to the (loss)/profit before taxation in the consolidated statement of profit or loss is not presented as the segment operating profit/(loss) is the same as the operating profit/(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 2024 and 31 December 2023 are set out as follows:

	As at 30 June 2024	As at 31 December 2023
Reportable segment assets		
Hotels	28,727	28,756
Commercial properties	24,999	26,654
Clubs and services	1,176	1,207
	<u>54,902</u>	<u>56,617</u>
Unallocated assets		
Derivative financial instruments	219	220
Deferred tax assets	154	151
Cash at banks and in hand	756	881
Consolidated total assets	<u>56,031</u>	<u>57,869</u>

4. Financing charges (HK\$m)

	For the six months ended 30 June	
	2024	2023
Interest on bank borrowings	425	369
Interest on lease liabilities	67	69
Other borrowing costs	16	17
Total interest expense on financial liabilities carried at amortised cost	<u>508</u>	<u>455</u>
Derivative financial instruments:		
– cash flow hedges, transfer from equity	(77)	(64)
	<u>431</u>	<u>391</u>
Less: Interest expenses capitalised into		
– properties under development *	(47)	(234)
– right-of-use asset #	–	(22)
	<u>384</u>	<u>135</u>

* The borrowing costs have been capitalised at an average rate of 5.59% (2023: 4.03%).

Interest on lease liabilities have been capitalised at an average rate of nil (2023: 4.8%).

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

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

	For the six months ended 30 June	
	2024	2023
Cost of inventories		
– Residential apartment	1,499	–
– Others	191	159
Amortisation	6	6
Depreciation		
– owned properties, plant and equipment	302	204
– right-of-use assets	25	23
	_____	_____

6. Taxation (HK\$m)

	For the six months ended 30 June	
	2024	2023
Current tax		
Hong Kong profits tax	44	27
Overseas tax	22	13
	_____	_____
	66	40
Deferred tax		
Increase/(decrease) in net deferred tax liabilities relating to revaluation of overseas investment properties	3	(2)
Increase in deferred tax assets relating to tax losses recognised	(22)	(13)
Increase in net deferred tax liabilities relating to other temporary differences	21	23
	_____	_____
	2	8
	_____	_____
	68	48

The provision for Hong Kong profits tax is calculated at 16.5% (2023: 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. (Loss)/earnings per share

(a) (Loss)/earnings per share – basic

	For the six months ended 30 June	
	2024	2023
(Loss)/profit attributable to shareholders of the company (HK\$m)	(448)	94
Weighted average number of shares in issue (million shares)	1,650	1,649
(Loss)/earnings per share (HK\$)	(0.27)	0.06
	2024	2023
	<i>(million shares)</i>	<i>(million shares)</i>
<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>	1	–
<i>Weighted average number of shares in issue at 30 June</i>	1,650	1,649

(b) (Loss)/earnings per share – diluted

There were no potential dilutive ordinary shares in existence during the periods ended 30 June 2024 and 2023 and hence the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

8. Dividends (HK\$m)

(a) Dividends payable to shareholders of the company attributable to the previous financial year, approved and paid during the interim period

	For the six months ended 30 June	
	2024	2023
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 8 HK cents per share	132	–

For the final dividend in respect of 2023, scrip dividend elections were offered to shareholders other than those with registered addresses in Australia and the United States of America. Shareholders holding approximately 83% of the issued share capital of the company elected to receive their entitlement to the 2023 final dividend in the form of scrip, which resulted in the issue and allotment of approximately 18 million new shares in June 2024.

(b) No dividends attributable to the periods ended 30 June 2024 and 2023 were declared before and after the interim period.

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

(a) Acquisitions and disposals

During the six months ended 30 June 2024, the group acquired items of fixed assets with a cost of HK\$406 million, of which HK\$153 million from the development of The Peninsula London and HK\$150 million from The Peninsula New York mostly for its renovations. Items of properties, plant and equipment disposed of during the six month ended 30 June 2024 and 2023 were insufficient in value.

(b) Valuation of investment properties

All investment properties of the group were revalued as at 30 June 2024 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 2023 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 deficit of HK\$139 million (six months ended 30 June 2023: net revaluation surplus of HK\$222 million) has been included in the consolidated statement of profit or loss.

10. Properties held/under development for sale

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

During the period, a total of 4 Peninsula Residences were handed over to the buyers and the related carrying amount of inventories of HK\$1,499 million was charged as cost of inventories in the consolidated statement of profit or loss.

Reservation fees and pre-sale deposits paid by the purchasers are held in client 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.

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

	As at 30 June 2024	As at 31 December 2023
Share of net assets	1,240	1,071
Loans to a joint venture (<i>note 11(b)</i>)	458	458
	1,698	1,529

(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 2023: US\$117,500,000)	50%	Hotel investment and apartments held for sale
PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT) **	Incorporated	Türkiye	TRY5,843,197,428 (31 December 2023: TRY4,473,197,428)	50%	Hotel investment

* PSW holds a 100% interest in The Peninsula Shanghai.

** PIT holds a 100% interest in The Peninsula Istanbul, which opened for business on 14 February 2023.

- (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.
- (c) PSW has pledged its properties inclusive of the land use rights as security for a loan facility amounting to RMB1,200 million (HK\$1,289 million) (31 December 2023: RMB1,220 million (HK\$1,341 million)). As at 30 June 2024, the loan drawn down amounted to RMB944 million (HK\$1,013 million) (31 December 2023: RMB954 million (HK\$1,048 million)). The net carrying amount of these pledged assets amounted to RMB2,094 million (HK\$2,249 million) (31 December 2023: RMB2,156 million (HK\$2,369 million)).

12. Interest in associates (HK\$m)

	As at 30 June 2024	As at 31 December 2023
Interest in associates	<u>421</u>	<u>448</u>

(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\$383 million (31 December 2023: HK\$413 million). The loans were made pro rata to the group's shareholding in 19 Holding; bear interest rates at 2.9% (2023: 2.9%) and are repayable in December 2027.

(c) Majestic has pledged its hotel property as security for a loan facility amounting to EUR227 million (HK\$1,898 million) (31 December 2023: EUR227 million (HK\$1,963 million)). As at 30 June 2024, the loan drawn down amounted to EUR227 million (HK\$1,898 million) (31 December 2023: EUR227 million (HK\$1,963 million)). As at 30 June 2024, the net carrying amount of these pledged assets amounted to EUR474 million (HK\$3,963 million) (31 December 2023: EUR476 million (HK\$4,116 million)).

(d) BHP has pledged its hotel property to an independent financial institution as security for BHP's loan facility, amounting to US\$107 million (HK\$835 million) (31 December 2023: US\$110 million (HK\$858 million)). As at 30 June 2024, the loan drawn down amounted to US\$107 million (HK\$835 million) (31 December 2023: US\$110 million (HK\$858 million)). As of 30 June 2024, the net carrying amount of the pledged assets amounted to US\$32 million (HK\$254 million) (31 December 2023: US\$33 million (HK\$257 million)).

13. Hotel operating rights and trademarks (HK\$m)

	2024
Cost	
At 1 January	696
Exchange adjustments	(16)
At 30 June	<u>680</u>
Accumulated amortisation	
At 1 January	(237)
Exchange adjustments	3
Amortisation for the period	(7)
At 30 June	<u>(241)</u>
Net book value	<u>439</u>

Hotel operating rights and trademarks represent the cost attributable to securing the group's rights to operate The Peninsula Beverly Hills and The Peninsula Paris as well as the cost of acquisition of certain trademarks for The Peninsula Istanbul. Hotel operating rights and trademarks are amortised on a straight-line basis over the terms of the relevant operating periods of The Peninsula Beverly Hills, The Peninsula Paris and The Peninsula Istanbul respectively.

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

14. Derivative financial instruments (HK\$m)

	30 June 2024		31 December 2023	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges:				
Interest rate swaps	219	-	220	-
	<u>219</u>	<u>-</u>	<u>220</u>	<u>-</u>
Less: Portion to be settled within one year				
Cash flow hedges:				
Interest rate swaps	2	-	2	-
	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
Amount to be settled after one year	<u>217</u>	<u>-</u>	<u>218</u>	<u>-</u>

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

	As at 30 June 2024	As at 31 December 2023
Trade debtors	350	409
Rental deposits, payments in advance and other receivables	480	390
Contract assets	29	50
Tax recoverable	6	4
	<u>865</u>	<u>853</u>

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\$161 million (31 December 2023: HK\$178 million). The remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

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 2024	As at 31 December 2023
Current	305	344
Less than one month past due	16	22
One to three months past due	14	15
More than three months but less than 12 months past due	15	28
Amounts past due	45	65
	<u>350</u>	<u>409</u>

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 2024	As at 31 December 2023
Trade creditors	136	169
Interest payable	40	43
Accruals for properties, plant and equipment and properties under development for sale	171	264
Tenants' deposits	340	339
Guest deposits and gift vouchers	226	203
Other payables	889	1,045
Financial liabilities measured at amortised cost	<u>1,802</u>	<u>2,063</u>
Less: Non-current portion of trade and other payables	(134)	(113)
Current portion of trade and other payables	<u>1,668</u>	<u>1,950</u>

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\$203 million (31 December 2023: HK\$209 million). The remaining trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The ageing analysis of trade creditors is as follows:

	As at 30 June 2024	As at 31 December 2023
Less than three months	119	137
Three to six months	15	28
More than six months	2	4
	<u>136</u>	<u>169</u>

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

	As at 30 June 2024	As at 31 December 2023
Total facilities available:		
Term loans and revolving credits	17,126	19,160
Uncommitted facilities, including bank overdrafts	220	232
	<u>17,346</u>	<u>19,392</u>
Utilised at 30 June/31 December:		
Term loans and revolving credits	14,693	15,801
Uncommitted facilities, including bank overdrafts	151	156
	<u>14,844</u>	<u>15,957</u>
Less: Unamortised financing charges	(33)	(43)
	<u>14,811</u>	<u>15,914</u>
<i>Represented by:</i>		
Long-term bank loans, repayable within one year	3,694	2,504
Short-term bank loans and overdrafts, repayable on demand	—	—
	<u>3,694</u>	<u>2,504</u>
Long-term bank loans, repayable:		
Between one and two years	8,810	9,414
Between two and five years	2,340	4,039
Over five years	—	—
	<u>11,150</u>	<u>13,453</u>
Less: Unamortised financing charges	(33)	(43)
Non-current portion of long-term bank loans	11,117	13,410
Total interest-bearing borrowings	<u>14,811</u>	<u>15,914</u>

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 2024		At 31 December 2023	
	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	18	110	–	–
At 30 June 2024/31 December 2023	<u>1,667</u>	<u>5,947</u>	<u>1,649</u>	<u>5,837</u>

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 2024. The carrying amounts of the loans to an associate (note 12) approximate their fair values. The loans to a joint venture (note 11) are unsecured, interest free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose its fair value.

20. Commitments (HK\$m)

Capital commitments outstanding as at 30 June 2024 not provided for in the Interim Financial Report were as follows:

	As at 30 June 2024			As at 31 December 2023		
	Contracted for	Authorised but not contracted for	Total	Contracted for	Authorised but not contracted for	Total
Capital commitments in respect of:						
Existing properties	39	547	586	109	646	755
Major renovations and hotel development projects	89	1,189	1,278	43	1,491	1,534
	<u>128</u>	<u>1,736</u>	<u>1,864</u>	<u>152</u>	<u>2,137</u>	<u>2,289</u>
The group's share of capital commitments of joint ventures and associates	51	54	105	105	67	172
	<u>179</u>	<u>1,790</u>	<u>1,969</u>	<u>257</u>	<u>2,204</u>	<u>2,461</u>

21. Material related party transactions

On 19 July 2019, Peninsula London, LP (PLL), an indirect wholly-owned subsidiary of the company, entered into an agreement to sell a unit on an upper floor of The Peninsula Residences London to Hyde Park Properties Limited (HPPL) at a consideration of GBP28.75 million (HK\$284 million). HPPL was at the time of that agreement owned and controlled by The Hon. Sir Michael Kadoorie, the Non-Executive Chairman and a substantial shareholder of the company. Prior to the completion of the sale, ownership and control of HPPL was transferred by Sir Michael with PLL's consent to certain members of the Kadoorie family including Mr Philip Lawrence Kadoorie, a Non-Executive Director and a substantial shareholder of the company. HPPL remains owned and controlled by those persons. During the period ended 30 June 2024, the sale transaction was completed and proceeds of GBP28.75 million received by PLL was recognised as revenue in the company's Consolidated Statement of Profit or Loss.

Except for the above, there were no material related party transactions during the six months ended 30 June 2024, other than the nature of those as disclosed in the group's annual financial statements for the year ended 31 December 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

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

The Governance section of the 2023 Annual Report reinforces the commitment of the Board of Directors and senior management to the high standards of the group's corporate governance, which supports the development of strong corporate culture throughout the group.

The Stock Exchange's Corporate Governance Code in Appendix C1 of the Listing Rules (CG Code) forms the basis of the HSH Corporate Governance Code (HSH Code). The Board of Directors recognises the principles underlying the CG Code and has applied these principles to our corporate governance structure and practices which was disclosed in the Governance section of the 2023 Annual Report. Throughout the six months ended 30 June 2024, the company has complied with all of the code provisions and recommended best practices in the CG Code, save for the publication of quarterly financial results and disclosure of individual senior management remuneration, as set out in the Corporate Governance Report on page 182 of the 2023 Annual Report.

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, enhance the quality of our asset portfolio, deliver the highest standards of luxury, and to preserve the tradition of integrity and respect for our heritage. Details of the group's approach to risk governance and principal risks have been disclosed in the Governance section of the 2023 Annual Report.

The Board of Directors has considered and confirmed 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 2024, 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

It has been a decade since the launch of our formal sustainability strategy, *Sustainable Luxury Vision 2030 (Vision 2030)*, which incorporates corporate responsibility and sustainability into our wider business strategy. This strategy leverages the strengths of our business, focusing on issues requiring significant and urgent attention. We seek to address key issues we are facing in our business and in society through *Vision 2030* by focusing on our three stakeholder pillars of (i) enhancing our guest experience, (ii) empowering our people and (iii) enriching our communities, underpinned by 10 key commitments. Details can be found in our online 2023 Corporate Responsibility and Sustainability Report (CRS Report).

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

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 2024.

Directors' and Specified Employees' Dealings with company securities

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

All Directors have confirmed their full compliance with the required standard set out in the Model Code and the Securities Code during the six months ended 30 June 2024.

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

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 2024 (2023: Nil).

Interim Report

The Interim Report will be uploaded on the websites of the company and the Stock Exchange as well as dispatched to the shareholders on or about 21 August 2024.

By Order of the Board

Christobelle Liao

Executive Director and Company Secretary

Hong Kong, 7 August 2024

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

Non-Executive Chairman
The Hon. Sir Michael Kadoorie

Non-Executive Deputy Chairman
Andrew Clifford Winawer Brandler

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

Chief Corporate and Governance Officer
Christobelle Yi Ching Liao

Chief Financial Officer
Keith James Robertson

Chief Operating Officer
Gareth Owen Roberts

Non-Executive Directors
Nicholas Timothy James Colfer
James Lindsay Lewis
Philip Lawrence Kadoorie
Diego Alejandro González Morales
Peter Camille Borer

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