



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

2021 Annual Results

To: All Finance/Business/Travel Editors

FOR IMMEDIATE RELEASE

16 MARCH, 2022

THE HONGKONG AND SHANGHAI HOTELS, LIMITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2021

KEY HIGHLIGHTS

- The 2021 results continued to be severely impacted by COVID, particularly in our home market of Hong Kong.
- Despite the challenging environment, the group's consolidated revenue increased by 28% to HK\$3,461 million due to an initial mild recovery in our US and Chinese mainland hotels, although the effects of the Omicron variant are causing concern.
- Due to the increase in revenue and coupled with effective cost control measures undertaken by the group, the group's consolidated EBITDA before pre-opening and project expenses amounted to HK\$457 million compared to an EBITDA loss of HK\$11 million in 2020.
- The loss attributable to shareholders includes a revaluation gain on investment properties of HK\$670 million net of an impairment provision of HK\$679 million relating to The Peninsula Yangon project which was suspended in June 2021 due to the unfortunate situation in Myanmar.
- Excluding the non-operating items of revaluation movements of investment properties, impairment provision and pre-opening and project expenses, the group's underlying loss amounted to HK\$255 million compared to an underlying loss of HK\$814 million in 2020.
- Construction progress of The Peninsula London, The Peninsula Istanbul and the Peak Tram upgrade project experienced delays due to COVID-related disruptions and/or site conditions and other issues. The group management is spending a considerable amount of time and effort on strategic planning, solving issues and making every effort to mitigate the delays and associated cost implications as a priority.
- The group's financial position as at 31 December 2021 remained robust, with net debt to total assets at an acceptable level of 23%.
- The group has sufficient committed facilities to cover all of its capital commitments (including the two new hotel projects and the Peak Tram upgrade project) as well as provide a liquidity cover of well over two years at current cash burn levels.

HSH'S 2021 ANNUAL RESULTS

Hong Kong, 16 March 2022

The Hongkong and Shanghai Hotels, Limited today announced its annual financial results for 2021. We are pleased to share a CEO Statement and Strategic Review from Mr Clement K.M. Kwok, Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited (HSH), as well as the HSH Group Operational Review.

CEO STATEMENT AND STRATEGIC REVIEW

1. Managing the COVID-19 Crisis

2021 was another very challenging year for our group and for the hospitality industry due to the continued impact of the COVID-19 pandemic, particularly in our home market of Hong Kong, which had already suffered from serious social unrest and mass protests in 2019 and early 2020.

As mentioned in our 2020 annual report, we had expected that the rollout of vaccines would lead to the gradual resumption of travel around the world, but unfortunately the level of recovery in 2021 was not what we had hoped for.

The situation is still very unstable and we are concerned about the impact of the Omicron variant. At the time of writing, stringent social distancing measures and lengthy quarantine regimes in Hong Kong and the Chinese mainland remain the strictest in the world, and this has dramatically impacted tourism arrivals into Hong Kong for the past two years. The restrictions continue to seriously affect our business at The Peninsula Hong Kong and the Peak Complex, although our residential leasing business at The Repulse Bay has been less affected. During the year, several of our properties in key markets had to temporarily close, including The Peninsula New York, The Peninsula Bangkok and The Peninsula Manila. We saw a promising recovery in our US and Chinese mainland hotels during 2021, and Paris is starting to show signs of business resuming and tourists returning. Business remained weak in Tokyo and our hotel in Bangkok was closed for an extensive period.

We made significant efforts to control costs, drive local business and manage the rollercoaster of ever-changing regulations to the best of our ability. In the light of the very difficult market environment which we continued to face, our financial results were creditable, with a strong rebound from a combined EBITDA loss of HK\$53 million in 2020 to a positive combined EBITDA of HK\$526 million. It should be noted that the cashflow from existing operations after tax, normal capital expenditure and interest (excluding cash expended on the two new hotel projects and the Peak Tram upgrade project and related interest) was positive HK\$69 million as compared to a cash outflow of HK\$808 million in 2020.

Our immediate development focus remains on delivering our new Peninsula hotel projects in London and Istanbul, as well as the Peak Tram upgrade project, which have suffered pandemic-related delays and other project challenges, as explained in section 4 of this review.

The group came into this crisis with low gearing and considerable liquidity, which we bolstered by arranging further facilities to cover our group's cash needs. Together with the actions that we have taken to minimise our operating cash outflows, we believe our financial resources are currently sufficient to meet the group's operating cash requirements.

The pandemic has been particularly hard on our people, following last year's painful job losses and voluntary unpaid leave across the group. I believe our staff members' combined efforts, perseverance and loyalty to the company, in spite of the current business environment, has been commendable and this has significantly contributed to the group's stability during this crisis period.

In terms of business strategy, we are a company that focuses on the very long term, and we must be prepared to weather the downturns that are inevitable when one looks to invest over periods of fifty years or more. As a long-term investor, thanks to our people and culture, we have proven to be resilient and will be able to withstand downturns such as the one we are currently experiencing and I am confident that we will see better years ahead. This resilience is part of our long-term strategy as we move towards a global recovery. I will summarise this strategy in the following pages.

2. Our culture, vision and development strategy

The Hongkong and Shanghai Hotels, Limited has a heritage of more than 155 years. Whilst we have witnessed profound political and economic changes since we were first established in 1866, both in our home market of Hong Kong and around the world, our company remains steadfast in our key philosophies and values which are:

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

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

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

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

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

3. Business overview

Our group currently owns and operates ten Peninsula hotels which are located in Hong Kong, Shanghai, Beijing, Tokyo, New York, Chicago, Beverly Hills, Paris, Bangkok and Manila. Throughout the years we have maintained a significant investment programme to enhance the physical condition and quality of these properties, for example, by completing major renovations at The Peninsula Hong Kong in 2014, The Peninsula Chicago in 2016 and The Peninsula Beijing in 2017. In 2021 we undertook a major renovation of the Peninsula Arcade in Hong Kong with the objective of providing high-end lifestyle amenities and retail offerings for local guests. We are in the midst of an ambitious hotel expansion programme, with investment in two new Peninsula hotel development projects in London and Istanbul.

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

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

Peninsula Merchandising Limited develops and distributes Peninsula-branded merchandise including the famous Peninsula Mooncakes, as well as artisanal chocolates and high-quality tea. We operate Peninsula Boutiques in key gateway cities in China, Asia and the US, including boutiques at Hong Kong International Airport and several Peninsula hotels. We opened new retail outlets and pop-up stores in 2021 and online business was very successful in 2021, as such, we are planning to expand the business further, particularly in the Chinese mainland market.

Our clubs and services division includes the Peak Tram, one of Hong Kong’s most popular tourist attractions, which has been under our group for 130 years. The Peak Tram is currently undergoing a HK\$799 million upgrade project which is being funded by our company and will be completed in mid-2022.

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

4. **Projects Update**

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

The Peninsula London

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

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

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

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

Unfortunately, despite these efforts and the engagement of the various teams, the project has suffered additional time delays causing significant cost overruns. As at the time of writing, the practical completion date of the project and the soft opening date of the hotel has been further delayed from 2022 to the first half of 2023.

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

The Peninsula Istanbul

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

The Peninsula Istanbul will form part of the wider Galataport project being developed by our partners, which incorporates a promenade, museums, art galleries, restaurants, boutiques, retail units, parks and public spaces for the local community as well as a cruise passenger terminal. This entire Galataport project is subject to a 30-year operating right commencing February 2014 for which The Peninsula Istanbul has been granted a corresponding 30-year fixed term lease.

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

The COVID-19 situation has caused some delay to this project, with quarantine constraints on site. Progress towards the completion date has been satisfactory with handover of almost all rooms for fit out. Construction completion of the project has been delayed and is currently targeted to be towards end of 2022, with a soft opening in the first half of 2023. Despite challenges which include COVID-19, supply chain issues, construction issues, and devaluation of the lira coupled with hyperinflation in Turkey, the project cost – denominated in euros – remains on budget.

The Peninsula Yangon

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

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

5. Financial results and financial planning

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

As a result of our continuous investment into and enhancement of our property assets, the company's revalued net asset value per share has more than doubled in the last two decades to HK\$24.79 per share in 2021.

We are currently investing for the future and our focus for the coming year will be on the successful delivery of our new Peninsula hotel developments in London and Istanbul as well as the Peak Tram upgrade project. All of the projects have been affected by disruptions to the construction labour force and supply chains due to the COVID-19 outbreak, and we are expecting delays and a potential increase in the project budgets.

With the substantial capital commitments that these projects entail, currently amounting to HK\$3 billion over the next two years, we continue to carefully monitor our company's financial position and we continuously take a proactive approach to forecasting future funding requirements. We maintain sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to ensure funds are available to finance our growth and development. Our net debt to total assets ratio is currently 23%, which we believe to be acceptable considering the financial obligations of our new developments.

Due to the severity of the pandemic on our business, we are reporting a weak set of financial results for 2021, however, we believe these are creditable in the light of the difficult market situation we faced. The company's combined EBITDA, including the group's effective share of EBITDA of our associates and joint ventures, amounted to HK\$526 million compared to an EBITDA loss of HK\$53 million last year. The group generated a cash inflow from existing operations after tax, normal capital expenditure and interest of HK\$69 million as compared to a cash outflow of HK\$808 million in 2020.

The company's underlying loss attributable to shareholders amounted to HK\$255 million compared to a loss of HK\$814 million over the same period last year.

The current year net loss attributable to shareholders is inclusive of the impairment provision of HK\$679 million in respect of The Peninsula Yangon, which had to be suspended due to the substantial uncertainty in the economic and business environment since 1 February 2021. Excluding the post-tax effects of the revaluation movements of investment properties, impairment provisions and pre-opening and project expenses, our underlying loss amounted to HK\$255 million, compared to an underlying loss of HK\$814 million in 2020.

6. Driving business

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

The group's diverse portfolio of assets helps to balance the cyclical nature of the hotel industry. During the year a major focus of our strategy was to focus on attracting and retaining retail tenants in our arcades, particularly in Hong Kong, Beijing and Shanghai, and we were pleased with the level of interest received and new leases signed. Although the market for luxury residential leasing was softer in Hong Kong due to the weak business environment, The Repulse Bay is widely recognised as one of the most attractive luxury residences on the South side, and our rental contracts remained relatively stable.

For our hotels, our strategy was to stay engaged with our guests and listen to their needs despite some of our properties being temporarily closed, and we developed innovative new online promotions for local guests and social media engagements. Recognising that most of our regular guests cannot travel, we adapted our marketing strategies to our local domestic markets and we invited Peninsula guests to experience their “home” destination with special staycation promotions for local cuisine, art, fashion and culture, wellness and the local community.

We upgraded the user experience of The Peninsula Hotels group and property websites, providing an enhanced virtual experience. We launched a new Greater China customer relationship management programme with a customised design using WeChat, allowing us to engage with our customers in Hong Kong, Beijing and Shanghai by providing unique benefits and experiences across our hotels, shopping arcades and boutiques.

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

On the sales side, we continued to focus on strengthening our relationships with PenClub members, our in-house preferred travel partner programme by holding webinar hotel tours, cultural programmes and virtual cocktail gatherings.

Our company has its own in-house research and technology department which focuses on researching and developing the latest innovation for guest rooms and enhancing the customer experience. With leadership from the Technology Steering Committee, the team is exploring developments in voice recognition, the Internet of Things, robotics, and the latest technological innovations.

7. Managing risk

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

In 2021, the global COVID-19 pandemic continued to impact on the risk landscape by creating new organisational risks, particularly a global labour shortage in the hospitality sector, and elevating existing risks such as cybersecurity threats and geopolitical tensions. Climate change risks particularly sea level rise has also become a major focus for us and our GRC will continue to look into enhancement of internal controls to manage the strategic risks of the group. We will also focus on enhancing communication, inspiring greater awareness and ownership of risks and controls across the group, and further improvements to 5-step risk management methodology.

8. Our people

2021 has been a challenging year for our Human Resources team, particularly with regards to retaining talented staff and the global labour shortage in the hospitality sector, as mentioned above. As a company with a very long history, we understand that employee morale and engagement is even more important in times of crisis.

We have undertaken major initiatives across the group to encourage our staff to get vaccinated, including an incentive programme in Hong Kong offering cash, paid leave and pre-vaccination medical check-ups. Some 94% of our global operations are fully vaccinated and 98% of staff in Hong Kong were fully vaccinated by end of December 2021.

During the pandemic, we launched a global survey “Let’s Check In – How are you doing?” in September 2021 to understand the sentiment and overall well-being of our employees. The anonymous survey achieved a voluntary response rate of over 80%. Against the challenging year, results from the survey reflected the continued HR efforts with high engagement scores especially across the US and China operations. We are particularly pleased that 84% of our employees feel great pride in working for the company despite the cost cutting and reduction of our workforce we have had to undergo in the last 2 years.

Building a team of exceptional people is the key to executing our strategies. The culture of our company has cultivated a loyal and committed team spirit which has resulted in a stable and cohesive management team. This team spirit starts at the top of the organisation with our majority owners the Kadoorie family and we adhere to a core set of values and integrity that permeates through all levels of the company. We continue to safeguard this culture as the pandemic continues and as we will add more than a thousand new team members to our group, with two new hotels coming on board in the next 12 months.

I am pleased to report that in 2021 we initiated a new “Peninsula Services Principles” framework for all employees in our hotel operations, which will focus on creating stronger emotional connections with guests while offering the highly personalised service that our guests have come to expect from The Peninsula. To further support this important programme, we have launched our HSH Core Principles across the Group to encourage all our colleagues to support these service principles.

Our WorkPlace 2025 initiative, which is focused on our people, culture and empowerment, aims to create effective transformation for our teams and modernise our workplace. Despite the challenging business situation, we remain committed to innovation and empowerment and we will be launching “Work Improvement Teams” globally and encourage creative idea sharing amongst the properties on best practice ideas. We continue to focus on developing strong leaders, implementing mental and physical well-being programmes, and to improve our engagement strategies.

Earlier this year we launched an “eHR Suite” which is an integrated HR Talent solution to attract, develop, retain the right talent and manage the employee lifecycle, and this solution has received positive feedback from our employees as we continue to automate our HR processes and to go paperless.

We have also enhanced our health benefits programme by adding psychology and counselling services in order to assist with the mental health toll of the pandemic. I am so proud of my colleagues and their dedication and commitment through a very challenging time.

Longer term, our focus is to attract and retain top talent and we will strive to maintain our culture while adding thousands of people to our workforce with the opening of two new hotel projects.

As of 31 December 2021, there were 5,866 full time employees in the group.

9. Sustainable luxury in a post-pandemic world

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

During 2021, socioeconomic issues such as unemployment, poverty, social inequality and supply chain disruption were exacerbated by the pandemic. Unusual climate events occurred in some parts of the world where we have hotels, and we are becoming increasingly concerned about the risks posed by climate change and sea level rises to our ecosystems, businesses and human health. We were pleased to see more ambitious targets and net-zero commitments from countries and businesses as a result of COP26, and as a group we are exploring how to mitigate our own impact on the environment and to tackle the issues of water and sea level rises. We are also exploring more opportunities for sustainable finance as well as increasing our offering at our hotels for plant-based diets.

Despite the operational challenges we are facing, we will continue to closely monitor our sustainability performance, implement group and property-level initiatives, and continue to contribute to our long-term sustainability goals guided by our newly launched CRS strategy.

10. Outlook

With the variant strains of COVID-19 emerging, it remains difficult to predict when international travel can resume to normal levels and the outlook for a business recovery remains uncertain. Although we have seen some good recoveries when restrictions have been eased in certain markets, such as the Chinese mainland and the United States, the flare-ups of variants means that the recoveries may not be sustainable. At the time of writing, our home market in Hong Kong is facing its worst Covid crisis following the outbreak of the Omicron fifth wave, with ongoing severe restrictions on incoming travellers and stringent local social distancing requirements. It is unclear as to when these restrictions will be lifted. In the meantime, it is a priority to get vaccination rates to increase substantially amongst the most vulnerable in our society. We are pleased that 98% of our staff in Hong Kong are vaccinated.

Besides the COVID-19 pandemic, various other geopolitical uncertainties may continue to affect our business, including the Russia-Ukraine conflict, US-China tensions, the impact of Brexit, and financial market instability in Turkey. Climate change issues are an increasing concern. Globally, sourcing labour continues to be a significant challenge for the hospitality industry, with a particular shortage in culinary and housekeeping roles. We will continue to explore ways to attract and retain bright young talent.

Despite some pressure on leases, we are optimistic for our retail arcades with satisfactory leasing renewals and beautiful new lifestyle options having opened in The Peninsula Arcades in Hong Kong and Beijing.

We remain focused on doing what we can to help our operations and our people recover from the devastation of the global pandemic. Our unique company culture is one of our greatest assets and I am personally involved in driving our internal transformation project, Workplace 2025, as mentioned above.

Despite the current downturn, we are committed to ensuring that with the rapid development of technology we are keeping pace with the needs and opportunities of our business. Enhanced health and hygiene in our operations will continue to be a priority and we are looking at the latest technologies and innovation to assist with these high standards.

We expect that from 2023 onwards, the new hotels in London and Istanbul will further enhance our brand presence. We are focused on managing the cost and programme implications of COVID-19 as well as other project challenges that we have faced, in order to minimise the budget and time impact of the unavoidable delays.

The Peak Tram is undergoing its second phase of temporary suspension and we expect the project will be completed in mid-2022. After completion, we believe it will significantly improve the visitor experience and enhance Hong Kong's tourism image as well as generate significant revenues once the Hong Kong tourism market recovers.

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

I would like to thank each member of my team for their loyalty and dedication during one of the most challenging periods our group has faced. I am confident that if we continue to focus on offering excellent service to our guests, business recovery will follow in due course.

OPERATIONAL REVIEW

BUSINESS PERFORMANCE

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

Hotels Division

Hotels	Revenue HK\$m	Variance In HK\$	Year-on-Year In Local Currency
Consolidated hotels			
The Peninsula Hong Kong	728	+21%	+21%
The Peninsula Beijing	245	+27%	+20%
The Peninsula New York	376	+96%	+96%
The Peninsula Chicago	437	+170%	+170%
The Peninsula Tokyo	325	+6%	+10%
The Peninsula Bangkok	31	-48%	-46%
The Peninsula Manila	39	-8%	-9%
Non-consolidated hotels			
The Peninsula Shanghai	489	+46%	+37%
The Peninsula Beverly Hills	544	+134%	+134%
The Peninsula Paris	348	+209%	+198%

The Peninsula Hong Kong

The Peninsula Hong Kong*		
Revenue	HK\$728m	+21%
Occupancy		+11pp
Average Room Rate		+2%
RevPAR		+52%

* The Peninsula Hong Kong stayed open for the full year 2021

The Hong Kong hospitality market continued to be negatively affected by stringent travel restrictions, border closures and social distancing measures which have been in place for the past two years. **The Peninsula Hong Kong** implemented a number of innovative “staycation” offers and marketing promotions including “Journey the World: New Encounters” to attract the local market and offer unique experiences for local residents. We collaborated with various luxury brands including Aston Martin, Louis Vuitton and Chanel in The *Lobby* to encourage guests to visit. As a result, compared to the same period in 2020, The Peninsula Hong Kong achieved improved revenue, occupancy and RevPAR compared to the same period last year. Food and beverage revenue also improved compared to 2020 but continued to be restricted by social distancing measures imposed by the HKSAR Government, which led to restricted dining hours and the cancellation of many large functions and weddings. To mitigate this, in the fourth quarter we implemented some innovative dining offers and events such as the “Great Gatsby immersive dinner” at *Felix* to attract guests and drive revenue.

We were delighted to receive the accolade of ‘Best Business Hotel in the World’ by *Business Traveller Asia-Pacific* and we were pleased that Gaddi’s was awarded one Michelin star for the second consecutive year, while *Spring Moon* garnered one Michelin star for the fifth year in a row.

The Peninsula Office Tower was 97% occupied in 2021, and the immediate outlook is stable. The Peninsula Arcade occupancy was 84%. We are delighted that Chanel, one of our luxury anchor tenants, expanded their space. The Peninsula Arcade renovation was completed in 2021, creating a high-end lifestyle retail area focused on the domestic market which includes an Italian gourmet deli, a sushi bar, a men’s grooming salon, high-end audio equipment store and a new and expanded *Peninsula Boutique & Café* which opened in May 2021.

We continued to support the local community and charities by partnering with Impact HK and offering a “one meal for one meal” programme to support the homeless and needy in Hong Kong.

The Peninsula Shanghai

The Peninsula Shanghai*		
Revenue	RMB405m	+37%
Occupancy		+14pp
Average Room Rate		+15%
RevPAR		+55%

* *The Peninsula Shanghai stayed open for the full year 2021*

The Peninsula Shanghai reported pleasing results during 2021, despite an uncertain situation at the start of the year with occasional minor COVID-19 outbreaks reported in the city. Business levels rebounded quickly and stabilised once the outbreak was brought under control. The hotel remains the market leader in average room rates in the city and was number one in RevPAR in 2021. Occupancy and revenue significantly improved compared to the same period last year.

International tourist arrivals to the Chinese mainland remain restricted and therefore the domestic market continued to be our largest revenue driver. Demand was robust for large-scale events, weddings, banquets and groups business, which helped drive catering revenue from the second quarter onwards. We held several collaborations with luxury brands and enjoyed good market share for luxury events despite intense competition in the city. Demand for suites was healthy although rates are still lower than their pre-pandemic levels. The Peninsula Shanghai also successfully attracted a younger demographic through their innovative social media campaigns.

The Peninsula Shanghai remains the only hotel in the Chinese mainland to have two restaurants with Michelin stars.

The Peninsula Arcade was 94% occupied during 2021.

The group owns a 50% interest in The Peninsula Shanghai Complex which comprises a hotel, a shopping arcade and a residential tower of 39 apartments. As at 31 December 2021, a total of 31 apartment units have been sold.

The Peninsula Beijing

The Peninsula Beijing*		
Revenue	RMB202m	+20%
Occupancy		-6pp
Average Room Rate		+28%
RevPAR		+6%

* The Peninsula Beijing stayed open for the full year 2021

The Peninsula Beijing had a stable year with a satisfactory increase in revenue and room rates although the hotel reported a slight drop in occupancy. International tourist arrivals to the Chinese mainland remained restricted during 2021 and therefore the domestic market continued to be our largest revenue driver, with some high-level diplomatic business contributing revenue.

Food and beverage performed well and we were delighted to receive a Michelin star for our French fine dining restaurant *Jing*. The hotel's rooftop bar, *Yun Summer Lounge*, reopened in summer 2021 and performed well due to the increasing popularity of open-air dining experiences during the pandemic. The hotel implemented some innovative staycation packages and marketing campaigns to drive suite business.

The Peninsula Arcade was 93% occupied and in addition to some anchor tenants expanding their retail space, we opened a new lifestyle living space in the basement in late summer 2021, which comprises a space of approximately 3,000 sqm.

The Peninsula Tokyo

The Peninsula Tokyo*		
Revenue	JPY4.64b	+10%
Occupancy		0pp
Average Room Rate		-26%
RevPAR		-25%

* The Peninsula Tokyo stayed open for the full year 2021

The Peninsula Tokyo was negatively impacted by “State of Emergency” restrictions for Tokyo which were in place for the majority of the year, combined with government social distancing measures, a ban on international travellers and a ban on alcohol sales. In June, the Japanese Government announced that spectators would be banned from the Tokyo Olympics, which was disappointing for anticipated tourist arrivals in Japan and significant international Olympic group business.

All dining outlets at the hotel remained open during the year but were negatively affected by the government's restrictions on dining hours and alcohol, which barred residents from dining out after 8pm. To counteract this downturn, we implemented a variety of local “staycation” packages with a focus on families and innovative “pet pampering” packages which were very well received. We also offered dining credits as part of the hotel deals as per local market practice. We operated an outdoor street café and offered Peninsula Culinary “To Go” and “Banquets at Home” takeaway dining packages to attract local business and corporates.

The group marketing campaign of “Peninsula Time” which allows flexible check in and check out times proved particularly popular with the local Tokyo market and helped drive occupancy. We also focused on improving our domestic guests’ satisfaction ratings which resulted in improved loyalty and repeat business.

Despite the soft business environment, we were pleased to welcome several new tenants to The Peninsula Arcade in 2021, with a new anti-aging clinic which opened in summer 2021 and a popular teppanyaki restaurant bringing in additional rental revenue.

The Peninsula Bangkok

The Peninsula Bangkok*		
Revenue	THB129m	-46%
Occupancy		-14pp
Average Room Rate		-54%
RevPAR		-74%

* *The Peninsula Bangkok was temporarily closed from 18 April to 8 November 2021*

At The Peninsula Bangkok the beginning of the year started reasonably well, with the launch of attractive local staycation packages. However, with the rapid increase in COVID cases in Thailand from April 2021, the decision was made to close the hotel again. During closure we continued to engage with our loyal customers until reopening in November 2021. With health and wellness as a priority, we further developed our health and wellness programme with a series of plant-based dining offers and a quarterly Wellness Festival.

Revenue during closure was derived from signature Peninsula Mooncake retail sales and deliveries to guests. Upon reopening to international tourists, the Thai Government announced the start of “We Travel Together” which subsidises room bookings for hotels. Following the success of the Phuket “sandbox” model, at the end of October the “Test and Go” arrangement for tourists was also announced, allowing travellers with a negative PCR test to enter Thailand without quarantine. As a result, we experienced a strong November and December with improved revenue and average rates and we hope to welcome more international guests in 2022.

The Peninsula Manila

The Peninsula Manila*		
Revenue	PHP249m	-9%
Occupancy		-22pp
Average Room Rate		-27%
RevPAR		-74%

* *The Peninsula Manila stayed open for the full year 2021 but partially operated as a quarantine hotel from July 2021*

The Peninsula Manila experienced a very challenging year due to stringent government restrictions which remained in effect until May 2021, and community quarantine guidelines for certain cities in the National Capital Region. The hotel operated with minimal services and was unable to welcome guests to the majority of F&B outlets or the Spa due to restrictions. We reopened *The Lobby* and *Spices* in May 2021 and were able to welcome some local guests for staycations from May onwards. To drive revenue we also offered takeout delivery services and valet laundry services which was positively received by the local community.

Due to the unique structure of The Peninsula Manila with two separate towers, we were granted permission by the Philippines Department of Tourism to allow quarantine guests in Ayala Tower from 1 July 2021. This quarantine package attracted high-end business travellers and diplomatic guests who were required to undergo 7-10 days of quarantine upon returning to The Philippines, depending on their original departure location. The Makati Tower will continue to be available for local staycation guests.

The Peninsula New York

The Peninsula New York*		
Revenue	US\$48m	+96%
Occupancy		+1pp
Average Room Rate		+26%
RevPAR		+29%

* *The Peninsula New York was temporarily closed from 20 March 2020 until 1 June 2021*

The Peninsula New York reopened in June 2021 after a prolonged temporary closure. The hotel received substantial positive media coverage about its reopening and business has been satisfactory in the second half, driven by diplomatic groups, transient, entertainment and group business.

To help raise awareness of the reopening of the hotel, we launched a multimedia art installation titled *Life en Route* and hosted Dutch neo-expressionist painter Peter Riezebos in-house for the summer of 2021 as part of our *Art in Resonance programme*. In November 2021 we reopened The Peninsula Spa.

New York City reopened to international travellers in the second half of the year and the city's tourism board launched a dynamic campaign titled "It's Time for New York City!" which was successful in encouraging visitors to return. Large diplomatic events and New York Fashion Week returned to the city in the second half following cancellations during the pandemic. Stringent vaccination requirements across the city had a positive impact for food and beverage outlets. At The Peninsula New York, food and beverage revenue was strong, particularly on the catering side, and *Clement* performed well.

The Peninsula Chicago

The Peninsula Chicago*		
Revenue	US\$56m	+170%
Occupancy		+21pp
Average Room Rate		+20%
RevPAR		+110%

* The Peninsula Chicago stayed open for the full year 2021

The Peninsula Chicago had a positive year overall with increased revenue, occupancy and average room rates, despite a challenging environment especially in the first few months of 2021. Travel restrictions were fully lifted by the summer and the city of Chicago rebounded strongly with a few large-scale concerts, corporate groups, and smaller conventions and art exhibitions being held in Chicago, driving hotel occupancy. A dynamic “Seize your Summer” tourism campaign by Choose Chicago generated hotel revenue and increased tourism spending across the city.

With strong demand for suites and groups business, we achieved some of the highest rates in the history of the hotel, which celebrated its 20th anniversary in 2021. The hotel’s restaurants and dining outlets reopened in February 2021 with some limitations in dining hours, with the exception of *Pierrot Gourmet* which will reopen in 2022.

To mark the 20th anniversary of the hotel, we introduced special anniversary packages with 20% discounts on rooms and suites, and special menus to celebrate culinary favourites from the past two decades, titled “Culinary Classics Revised”. For every meal purchased we donated one meal to The Greater Chicago Food Depository. In September 2021 we hosted an exciting art installation featuring Chicago artist Bob Faust titled *with all, and still*, which brought Chicago neighbourhoods to life through a vibrant series of contemporary art panels.

We were delighted to receive the accolade of “No 1 Hotel in Chicago and Illinois and No 3 Hotel in the US” by *US News & World Report*, and the “Most Romantic Hotel in Chicago” by *USA Today*.

The labour market remains challenging in the hospitality sector and we are suffering from staff shortages at various levels across the hotel, and recruitment of key positions is a top priority for the coming months.

The Peninsula Beverly Hills

The Peninsula Beverly Hills*		
Revenue	US\$70m	+134%
Occupancy		+24pp
Average Room Rate		+18%
RevPAR		+101%

* The Peninsula Beverly Hills stayed open for the full year 2021

The Peninsula Beverly Hills experienced a very positive 2021 overall with significant revenue increase year-on-year, despite a slow start due to the coronavirus Shelter-in-Place restrictions implemented by the California state government for the first few months of 2021.

The majority of our business was domestic although we were pleased to welcome international guests in the second half as travel restrictions eased, particularly from the Middle East market. Food and beverage performed well and we implemented cost efficiencies by reducing opening hours, although we ensured our guests enjoyed the usual luxury service levels and had access to 24-hour dining options upon request.

The Hollywood awards season, which traditionally would result in full occupancy for our hotel, was held virtually this year which negatively impacted our results as we usually have a loyal clientele from the entertainment sector.

In the second half, business levels exceeded expectations and continued to improve with the easing of local restrictions and with an increase in the rate of vaccinations. We were delighted to celebrate our 30th anniversary in 2021 which included a “Beverly Hills Dreaming” package to attract visitors and we welcomed New Orleans pop-artist Ashley Longshore in residence.

The labour market remains challenging with staff shortages in the hospitality and restaurant sectors amid intense competition in the Beverly Hills area, although we were delighted to welcome back almost all our loyal staff who had previously been on furlough. The hotel management endeavoured to help employees during this critical time by providing essential groceries and food. We kept employee’s medical benefits active during furlough and we also have an in-house doctor to ensure staff have access to professional medical advice at all times. The Peninsula Beverly Hills also donated food packages and meals to frontline workers particularly the fire and police department personnel of Beverly Hills.

We were pleased to achieve the accolade of ‘No 1 Best Hotel in California’ and ‘No 1 Best Hotel in Los Angeles’ by *US News & World Report*, and were voted the No 1 Hotel in the United States by *Global Traveler Magazine*.

The Peninsula Paris

The Peninsula Paris*		
Revenue	EUR39m	+198%
Occupancy		-10pp
Average Room Rate		+23%
RevPAR		-9%

* The Peninsula Paris was temporarily closed from 16 March 2020 until 1 March 2021

The Peninsula Paris reopened on 1 March 2021 for rooms business and has gradually expanded the services available to guests with the relaxing of government restrictions and curfews.

We are fortunate to have beautiful alfresco dining spaces at *La Terrasse Kléber* and our rooftop restaurant *L'Oiseau Blanc*, which was awarded one Michelin star in 2020. Alfresco dining venues have been particularly popular with Parisians keen to celebrate events which had been postponed during the pandemic. We implemented new dining experiences and Sunday brunch offers to attract local guests, although unseasonably bad weather in May temporarily affected this trend. The hotel's indoor dining outlets reopened in June 2021, with the exception of *LiLi* which reopened in September 2021.

International guests began to return to Paris from June onwards, mainly from the Middle East and the US, which helped drive suite business.

During the year Paris reported an impressive recovery following stringent vaccination requirements, with large events and Paris Fashion Week returning as well as a large new luxury department store opening.

Commercial Properties Division

Commercial Properties	Revenue	Variance	Year-on-Year
	HK\$m	In HK\$	In Local Currency
The Repulse Bay Complex	541	-8%	-8%
The Peak Tower	39	-38%	-38%
St. John's Building	52	-6%	-6%
The Landmark	36	-3%	-4%
21 avenue Kléber	23	+5%	+2%
The Peninsula Shanghai Apartments	7	+17%	+8%

Our largest commercial property, **The Repulse Bay Complex**, experienced a weaker property climate compared to the previous year. Residential revenue and occupancy declined compared to the same period last year due to the challenging environment in Hong Kong, with the lack of international arrivals affecting the luxury residential leasing market.

The HKSAR Government social distancing measures continued to affect the performance of The Repulse Bay's food and beverage outlets, and while catering revenue improved compared to the previous year, it still remains weak due to the restrictions on large functions and events. The Repulse Bay, with its beautiful ocean views, is one of Hong Kong's most popular venues for weddings but unfortunately many were cancelled or postponed due to the social distancing restrictions.

The Repulse Bay Shopping Arcade, which offers a diverse range of lifestyle amenities and services, reported reasonably stable occupancy and revenue and we are planning a strategic review of the arcade in order to offer unique and enhanced facilities to guests.

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

St. John's Building is located above the lower terminus of the Peak Tram and offers an excellent location for office space. Revenue dropped slightly but occupancy remained stable at 96% during 2021.

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. Revenue and occupancy for the offices remained stable year-on-year despite intense competition, but residential revenue and occupancy declined compared to the previous year, impacted by the COVID-19 situation in Vietnam with stringent restrictions and social distancing measures implemented in the second half.

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

Clubs and Services Division

Clubs and Services	Revenue	Variance	Year-on-Year
	HK\$m	In HK\$	In Local Currency
The Peak Tram	13	-34%	-34%
Quail Lodge & Golf Club	173	+127%	+127%
Peninsula Clubs & Consultancy Services	4	-30%	-30%
Peninsula Merchandising	275	+53%	+53%
Tai Pan Laundry	35	+25%	+25%

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

During 2021, the upgrade project was negatively impacted by unforeseen ground conditions and the global coronavirus pandemic, which affected the planning of the works, the supply chain and the manufacturing of our new tramcars and equipment. As a result, there was a delay in the second phase of service suspension, which commenced on 28 June 2021 with the retirement of the fifth generation Peak Tram. The total cost of the upgrade project is HK\$799 million, which has increased from HK\$734 million in 2021 due to the unforeseen ground conditions and pandemic-related delays.

The Peak Tram reported increased patronage and revenue during the last month of operation before temporary suspension, as a result of well received publicity campaigns, marketing promotions and deals for local residents. We expect to launch the sixth generation Peak Tram in mid-2022.

Quail Lodge & Golf Club reported a strong year with revenue increasing by 127% year on year and a significant increase in average rates and RevPAR compared to pre-COVID 2019 levels. Golf membership was strong, with 81 new memberships signed in 2021. This was a pleasing result in the light of the shelter-in-place restrictions in California for several months in 2021.

Quail Lodge & Golf Club hosts The Peninsula Signature Events. We unfortunately had to cancel *The Quail Motorcycle Gathering* in May, but we were delighted to proceed with *The Quail: A Motorsports Gathering* in August 2021, which is considered one of the world's leading concours events for classic motoring *aficionados* and brought significant sponsorship revenue in 2021. We were delighted to receive the accolade of "World's Best Concours for 2021" from The Historic Motoring Awards in association with *Octane magazine*.

Peninsula Clubs & Consultancy Services (PCCS) manages prestigious clubs in Hong Kong including The Hong Kong Club, Hong Kong Bankers Club and The Refinery. PCCS reported a decline in revenue compared to the same period last year, impacted by the effects of the pandemic in Hong Kong. The Hong Kong Bankers Club successfully reopened in January 2021 in a new location in Central and has received positive feedback from members.

Revenue at **Peninsula Merchandising** substantially increased over the same period last year, mainly due to stronger online sales and robust corporate, wholesale and travel retail business in the Chinese mainland and contribution from our Japan stores. In May 2021 we opened a new Peninsula Boutique & Café in the basement of The Peninsula Arcade which received positive media coverage.

The Peninsula Boutique is renowned for its signature Mooncakes which performed well during the mid-Autumn festival and the festive season was successful with a 40% increase in online sales. This division is undergoing expansion in several markets including the Chinese mainland. The Hong Kong International Airport boutique has been temporarily closed since March 2020 and sales in our Japanese boutiques have been affected by reduced operating hours during the “State of Emergency” in Tokyo.

Tai Pan Laundry revenue increased by 25% compared to the same period last year, due to the reopening of some hotels, clubs and gyms which had been closed during the same period last year.

Projects under development

The Peninsula London

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

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

Since the original agreements were signed in 2013, the project has encountered many challenges and changes. The process of design and obtaining local authorities’ approvals took several years, following which construction of the project commenced in 2017. In 2018, an opportunity was taken to enhance the design and increase the useable area of the hotel by adding two additional basements to the project, which had the effect of creating additional revenue-generating spaces such as the junior ballroom, an additional food and beverage outlet and other functional spaces. The project has also been materially affected in 2020 and 2021 by delays caused by the COVID-19 pandemic which resulted in labour shortages and site closures, as well as significant design and project coordination issues arising in key areas of the hotel. Throughout these challenges, the HSH projects team has worked closely with the London development manager, the construction management company, the consultants and the trade contractors to address and resolve problems as quickly and effectively as possible. Unfortunately, despite these efforts and the engagement of the various teams, the project has suffered additional time delays causing significant cost overruns. As at the time of writing, the practical completion date of the project and the soft opening date of the hotel has been further delayed from 2022 to the first half of 2023.

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

The Peninsula Istanbul

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

The Peninsula Istanbul will form part of the wider Galataport project being developed by our partners, which incorporates a promenade, museums, art galleries, restaurants, boutiques, retail units, parks and public spaces for the local community as well as a cruise passenger terminal. This entire Galataport project is subject to a 30-year operating right commencing February 2014 for which The Peninsula Istanbul has been granted a corresponding 30-year fixed term lease.

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

The COVID-19 situation has caused some delay to The Peninsula Istanbul project, with quarantine constraints on site. Progress towards the completion date has been satisfactory with handover of almost all rooms for fit out. Construction completion of the project has been delayed and is currently targeted to be towards end of 2022, with a soft opening in the first half of 2023. Despite challenges which include COVID-19, supply chain issues, construction issues, and devaluation of the lira coupled with hyperinflation in Turkey, the project cost – denominated in euros – remains on budget.

The Peninsula Yangon

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

Unfortunately, we have agreed with our partners to stop work on The Peninsula Yangon project as of June 2021 and we will continue to evaluate the situation in Myanmar. The project's fair value was deemed to be lower than its book value as at 31 December 2021, resulting in an impairment provision of HK\$679 million.

About The Hongkong and Shanghai Hotels, Limited (HSH)

Incorporated in 1866 and listed on The Stock Exchange of Hong Kong (00045), HSH is the holding company of a group which is engaged in the ownership, development and management of prestigious hotel, commercial and residential properties in key locations in Asia, the United States and Europe, as well as the provision of tourism and leisure, club management and other services. The Peninsula Hotels portfolio comprises The Peninsula Hong Kong, The Peninsula Shanghai, The Peninsula Beijing, The Peninsula Tokyo, The Peninsula New York, The Peninsula Chicago, The Peninsula Beverly Hills, The Peninsula Paris, The Peninsula Bangkok, and The Peninsula Manila. Projects under development include The Peninsula London and The Peninsula Istanbul. The property portfolio of the group includes The Repulse Bay Complex, The Peak Tower and St. John's Building in Hong Kong; The Landmark in Ho Chi Minh City, Vietnam and 21 avenue Kléber in Paris, France. The clubs and services portfolio of the group includes the Peak Tram in Hong Kong; Quail Lodge & Golf Club in Carmel, California; Peninsula Clubs and Consultancy Services, Peninsula Merchandising, and Tai Pan Laundry in Hong Kong.

For media enquiries:

Lynne Mulholland

General Manager, Group Corporate Affairs

Tel: +852 2840 7152

Email: lynnemulholland@peninsula.com

www.hshgroup.com

Lilian Lau

Senior Manager, Corporate Affairs

Tel: +852 2840 7743

Email: lilianlau@peninsula.com

www.hshgroup.com