



THE HONGKONG AND SHANGHAI HOTELS, LIMITED
香港上海大酒店有限公司

To: All Finance/Business/Travel Editors

FOR IMMEDIATE RELEASE

7 August, 2024

**THE HONGKONG AND SHANGHAI HOTELS, LIMITED
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024**

HIGHLIGHTS

- 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%.

HSH'S 2024 INTERIM RESULTS

Hong Kong, 7 August 2024

The Hongkong and Shanghai Hotels, Limited today announced its interim results for 2024. Commenting on the announcement, Managing Director and CEO Clement Kwok said:

“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’s 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.

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

About The Hongkong and Shanghai Hotels, Limited (00045)

Incorporated in 1866 and listed on the Hong Kong Stock Exchange, The Hongkong and Shanghai Hotels, Limited is the holding company of a Group which is engaged in the ownership, development, and management of prestigious hotels and commercial and residential properties in key locations in Asia, the United States and Europe, as well as the provision of tourism and leisure, club management and other services. 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 London, The Peninsula Paris, The Peninsula Istanbul, The Peninsula Bangkok and The Peninsula Manila. 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; The Quail in Carmel, California; Peninsula Clubs and Consultancy Services, Peninsula Merchandising, and Tai Pan Laundry in Hong Kong.

For further information on this release, please contact:

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