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THE HONGKONG AND SHANGHAI HOTELS, LIMITED
香港上海大酒店有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00045)

Voluntary Announcement
Update on The Peninsula London Project (“PLN Project”) Cost

This announcement is made by The Hongkong and Shanghai Hotels, Limited (the “Company”) on a voluntary basis.

Reference is made to the disclosure made by the Company in the 2022 Interim Report published on 18 August 2022 in respect of the PLN Project budget. The Board of Directors (the “Board”) of the Company wishes to inform the shareholders of the Company and potential investors of the updated forecasted budget of the PLN Project.

In July 2013, the Company entered into agreements with Grosvenor whereby as 50/50 leaseholders, the Company and Grosvenor would develop a prime site in Belgravia, London into a mixed-use building comprising The Peninsula London Hotel and Residences. The leasehold of 150 years commenced in February 2012. In 2016, the leasehold was further restructured as a result of which the Company 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. The Company is developing a 190-room Peninsula hotel, with 25 luxury Peninsula-branded residential apartments for sale integrated into the development.

The project was materially affected in 2020 and 2021 by delays caused by the COVID-19 pandemic which resulted in labour shortages and site closures, as well as significant design and project coordination issues arising in key areas of the hotel. Throughout these challenges, the Company’s projects team has worked closely with the London development manager, the construction management company, the consultants and the trade contractors to address and resolve problems as quickly and effectively as possible. Unfortunately, despite these efforts and the engagement of the various teams, the project has suffered additional time delays causing further cost overruns.

Since the publication of the Company’s Interim Report 2022, the development cost for the PLN Project has been further reviewed following which the Board has approved an increase of the construction budget for both the hotel and the residential apartments (including hard and soft costs) from the figure of approximately £800 million indicated in 2019 to approximately £1,020 million. The increase is largely due to construction delays resulting from the impacts of COVID-19, significant design and project coordination issues arising in key areas of the hotel, supply chain issues, and higher labour and energy costs due to general inflation. The additional project costs will continue to be funded by the Company’s loan facilities.

The expected practical completion date of the PLN Project and the soft opening date of the hotel remains, as disclosed in the 2022 Interim Report, to be in the first half of 2023.

By order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 28 October 2022

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

Non-Executive Chairman
The Hon. Sir Michael Kadoorie

Non-Executive Deputy Chairman
Andrew Clifford Winawer Brandler

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

Chief Operating Officer
Peter Camille Borer

Chief Financial Officer
Christopher Shih Ming Ip

Non-Executive Directors
William Elkin Mocatta
John Andrew Harry Leigh
Nicholas Timothy James Colfer
James Lindsay Lewis
Philip Lawrence Kadoorie

Independent Non-Executive Directors
Dr the Hon. Sir David Kwok Po Li
Patrick Blackwell Paul
Pierre Roger Boppe
Dr William Kwok Lun Fung
Dr Rosanna Yick Ming Wong
Dr Kim Lesley Winser
Ada Koon Hang Tse