

**MASTERS IN  
FINANCE**

**MASTERS FINAL WORK  
PROJECT**

**EQUITY RESEARCH:  
THE HONGKONG AND SHANGHAI HOTELS, LIMITED**

**JIAXI XU**

**JUNE 2025**

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**SUPERVISOR:  
ANTÓNIO MANUEL FIRMINO CALAPEZ CORREIA**

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## **Abstract**

As one of the leading luxury hotel groups worldwide by market capitalization around HK\$ 9,335 million, THE HONGKONG AND SHANGHAI HOTELS, LIMITED primarily engages in three divisions: Hotels, Commercial Properties, Clubs & Services.

This report issues a SELL recommendation for HSH, with a 2026YE PT of HK\$ 4.71/Sh., using a WACC model, representing a downside potential of 16% in 18 months (IRR -11%), against the closing price of HK\$ 5.61/Sh., as of 27th June 2025, with a high risk.

The SELL recommendation is explained by: 1) its strong brand recognition, unparalleled located assets and high-end customized services grant it differentiated pricing power; and 2) diversified asset portfolio provide diversified revenue streams. However, 1) its core business revenue is vulnerable to external shocks, high fixed cost base and asset depreciation exacerbate profit squeeze in downturn; 2) major capital expenditure projects push up debt level, rising interest rates trigger liquidity and solvency risks.

HSH's valuation was performed using WACC, FCFE, P/B, EV/EBITDA methods. To assess the investment risk, sensitivity analysis, Monte Carlo Simulation and scenario analysis were performed.

This research is issued considering only publicly available information on June 27th, 2025. Any event or information available after the date has not been reflected.

JEL classification: G10; G17; G30; G32; G35

Keywords: Equity Research; Valuation; Hospitality Industry

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Though I keep pushing myself to tackle the hardest tasks for the greatest goals, the upward path never promises ease. Countless times, the thought of compromising with life flickered through my mind. Yet, I'm blessed to be surrounded by such soul-warming people, they make my every struggle toward the dream feel like a journey of joy.

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Thanks to my parents, whose unwavering love, great understanding, and steadfast support have illuminated every step of my journey.

Thanks to my friends, whose support gives me endless power.

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## Abbreviations

<b>HK\$ or HKD</b>	Hong Kong Dollar		
<b>A APV</b>	Adjusted Present Value	<b>N NAV</b>	Net Asset Value
<b>B Bn</b>	Billion(s) (as in "HK\$Bn")	<b>NCI</b>	Non-Controlling Interests
<b>BSR</b>	Business for Social Responsibility	<b>NEO</b>	Non-Executive Officer
<b>C CAGR</b>	Compound Annual Growth Rate	<b>NOA</b>	Non operating Assets
<b>CAPEX</b>	Capital expenditures	<b>NOPAT</b>	Net Operating Profit After Tax
<b>CAPM</b>	Capital Asset Pricing Model	<b>NWC</b>	Net Working Capital
<b>CCF</b>	Capital Cash Flow	<b>O OECD</b>	Organisation for Economic Cooperation and Development
<b>CCS</b>	Carbon Capture and Storage	<b>OPEX</b>	Operational expenditures
<b>CCI</b>	Consumer confidence index	<b>OSHMS</b>	Occupational Safety and Health Management System
<b>CDS</b>	Company Default Spread	<b>P P</b>	Price (as in P / S)
<b>CEO</b>	Chief Executive Officer	<b>PER</b>	Price Earnings Ratio
<b>CFO</b>	Cash flow from operating activities	<b>PT</b>	Price Target
<b>CITES</b>	Convention on International Trade in Endangered Species of Wild Fauna and Flora	<b>R R&amp;D</b>	Research and Development
<b>CO2</b>	Carbon dioxide	<b>RECs</b>	Renewable Energy Certificates
<b>CRS</b>	Corporate Responsibility and Sustainability	<b>RFR</b>	Risk free rate
<b>CRP</b>	Country Risk Premium	<b>ROA</b>	Return on Assets
<b>D D</b>	Debt	<b>ROCE</b>	Return on Average Capital Employed
<b>DCF</b>	Discounted Cash Flow	<b>ROE</b>	Return on Equity
<b>DDM</b>	Dividend Discount Model	<b>ROIC</b>	Return on Invested Capital
<b>DIO</b>	Days Inventory Outstanding	<b>S S</b>	Sales (as in P / S)
<b>DPO</b>	Days Payable Outstanding	<b>SARD</b>	Sum of Absolute Rank Difference
<b>DPS</b>	Dividend per Share	<b>SG&amp;A</b>	Selling, General & Administrative expenses
<b>DSO</b>	Days Sales Outstanding	<b>T t</b>	Corporate tax rate
<b>E E</b>	Equity	<b>Tn</b>	Trillion (as in \$Tn)
<b>EBIT</b>	Earnings Before Interest and Taxes	<b>TV</b>	Terminal Value
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortization	<b>U UFCF</b>	Unlevered Free Cash Flow
<b>EDP</b>	Executive Development Programme	<b>UK</b>	The United Kingdom
<b>EMP</b>	Emerging Manager Programme	<b>UN</b>	United Nations Organization
<b>EMEA</b>	Europe, Middle East & Africa	<b>US</b>	The United States of America
<b>EPS</b>	Earnings per Share	<b>W WACC</b>	Weighted Average Cost of Capital
<b>ERP</b>	Equity Risk Premium	<b>WC</b>	Working Capital
<b>ESG</b>	Environmental, Social, and Governance	<b>WEO</b>	World Economic Outlook
<b>EV</b>	Enterprise Value	<b>WP</b>	Wide Work Place (as in WP2025)
<b>F F</b>	Forecast (as in 2025F)	<b>WOW</b>	Wisdom on Wellness
<b>FCFE</b>	Free Cash Flow to Equity	<b>WTTTC</b>	World Travel & Tourism Council
<b>FCFF</b>	Free Cash Flow to the Firm	<b>X XOM</b>	
<b>FY</b>	Fiscal Year (as in FY2025)	<b>Y YE</b>	Year End (as in 2020YE)
<b>G G</b>	Long-run sustainable growth rate	<b>YoY</b>	Year-over-year
<b>GCRC</b>	Group Corporate Responsibility Committee	<b>YTD</b>	Yield-to-Date
<b>GDP</b>	Gross Domestic Product		
<b>GHG</b>	Greenhouse Gas		
<b>GSTC</b>	Global Sustainable Tourism Council		
<b>H HIBOR</b>	HONGKONG Interbank Offered Rate		
<b>HSH</b>	HONGKONG AND SHANGHAI HOTELS, LIMITED		
<b>I IUCN</b>	International Union for Conservation of Nature		
<b>IMF</b>	International Monetary Fund		
<b>IRR</b>	Internal rate of return		
<b>ISO</b>	International Organization for Standardization ( as in ISO45001)		
<b>M M&amp;A</b>	Mergers and Aquisitions		
<b>Mn</b>	Million(s) (as in "HK\$Mn")		

## HSH: Long-Term Asset Appreciation but Under Pressure Today

(YE2026 Price Target of HK\$ 4.71 (-16%, with IRR: -11%); recommendation is to SELL with High Risk)

### 1. RESEARCH SNAPSHOT

HONGKONG AND SHANGHAI HOTELS, LIMITED, HSH has a SELL recommendation with a 2026YE PT of 4.71 HKD/Sh.(Figure 1)using a WACC model, implying an annualized -11% downside potential against the closing price of 5.61 HKD/Sh. as of June 27th, 2025, with high risk, which stems from the significant vulnerability of the asset-heavy model during economic downturns. HSH's new major capital expenditure projects (The Peninsula London, The Peninsula Istanbul) resulting in high depreciation and amortization of HK\$686Mn (+HK\$166Mn vs 2023), and financing costs of HK\$754Mn (+HK\$461Mn vs 2023), suppressed profits in the short term, bringing short-term liquidity pressure, with liquidity ratio of 2024 is 0.35 (liquidity ratio of 2023: 1.32); revaluation losses on investment properties (-HK\$569 Mn in 2024) due to external market volatility, further squeezed profit for 2024, resulting in a loss of HK\$ 993Mn.(Table 2)

As one of the leading luxury hospitality groups worldwide, HSH has a long history in running luxury hotels. It has twelve luxury hotels in Asia, the US and Europe, two of which are held by the group's associates and two by joint ventures. Its strong brand recognition, unparalleled located assets and high-end customized services grant it differentiated pricing power. Unlike asset-light models adopted by peers such as Hilton, as an asset-heavy hotel group, HSH is required to either develop or hold long-term leases on its hotel properties, involving substantial capital investments in fixed assets. Ongoing maintenance, renovations, and equipment upgrades demand continuous funding, creating significant cash flow pressure. The business model relies on long-term operational earnings to recover costs, resulting in extended payback periods, reducing agility in downturns. During the downturns, the decline of operating revenue combined with asset depreciation, and other high fixed cost related to asset-heavy model (depreciation, financing cost etc.) would further squeeze profits and even lead to a huge loss. However, the long-term intrinsic value of its premium assets and the potential for asset optimization offer notable upside opportunities especially during upcycles. With continuous investment into its property assets, HSH's revalued net asset value per share has more than doubled in the last two decades to 24 HKD/Sh. in 2024.

Investors considering asset-heavy hotel stocks like HSH should weight long-term asset appreciation against short-term earning pressure.

Table 1 Basic Information of 45HK

Market cap (HKD'Mn)	9,335
Free float	38%
No.shares outstanding (#'Mn)	1,667
YTD performance (%)	-9.7%
52-week range (HKD/Share)	5.1-6.6

Source: Author Analysis

Figure 1 10Y Stock Price VS. PT



Source: Author Analysis

Table 2 Key Figures Comparison (2023&2024)

	2023	2024	Change
Revenue	8,112	10,290	27%
Depreciation and amortisation	(520)	(686)	32%
Net financing charges	(293)	(754)	157%
Change in fair value of investment	186	(569)	-406%
Net Income	148	(993)	-771%
Liquidity Ratio	1.32	0.35	-73%

Source: Author Analysis

## 2. BUSINESS DESCRIPTION

### THE COMPANY

The Hongkong & Shanghai Hotels Ltd. (“HSH” or “Group”), founded in 1866, is one of the leading luxury hospitality groups worldwide with a market capitalization of HKD 9.3 Bn (June, 27th current price\*share outstanding), headquartered in Hongkong. HSH was one of the first groups to be listed on the Hong Kong Stock Exchange and one of the world’s oldest hotel groups. The Group is renowned for its prestigious Peninsula Hotels. It operates twelve Peninsula Hotels in Asia, the US, and Europe, all of them are classified as luxury hotels. Two of these are owned by associates of the group and two by joint ventures. Alongside the hotels division, the group has a commercial properties division, developing and selling or leasing luxury residential apartments as well as leasing office and retail buildings in Asian and European major city centers. Additionally, HSH also provides tourism, leisure, retail and club management services. (Figure 2)(Figure 3) (THE HONGKONG AND SHANGHAI HOTELS,LIMITED, 2025)

### THE HISTORY

HSH was incorporated in 1866 as The Hongkong Hotel Company, opening Hong Kong’s first luxury hotel in 1868. The acquisition of The Shanghai Hotels Limited in 1923, marking the formation of HSH. With the arrival of The Peninsula Hotel in 1928, its reputation for luxury and excellence was cemented. (Figure 4) Over the decades, HSH has expanded its footprint globally. The group has evolved to adapt to changing market dynamics while maintaining its rich heritage. It constantly strives to uphold the high standards of service and style that earned it a reputation as “The Far East’s leading hotel company”. Today, it is recognized as a pioneer in the luxury hospitality and real estate industries

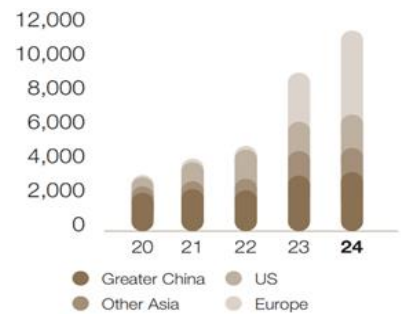
### FINANCIAL HIGHLIGHTS

HSH revenue increased by 27% YoY in FY2024, reaching HKD 10,290 Mn, the hotel division is the largest contributor to the group’s combined revenue, reporting an increase in combined revenue by 19%. Revenue from the commercial properties division increased due to strong performance from the sale of seven luxury Peninsula Residences in London (HKD 3,452 Mn) and the increased occupancy rate of the Repulse Bay Complex, accounting 65% of the division’s rental revenue, which is the largest source of revenue for the rental business. However, the Group’s unfavourable results in fiscal 2024 as compared to fiscal 2023, mostly related to the depreciation on the Peninsula London project, an increase in net financing charges related to the Peninsula London and a revaluation loss of the group’s investment properties in FY2024, as well as an impairment provision of approximately HKD160 Mn on the Group’s investment in The Peninsula Yangon project. According to the HSH’s CEO statements, HSH’s priority in the short to medium term is to stabilize the financial performance of the new hotels, reduce borrowings, and increase revenue and profitability. (THE HONGKONG AND SHANGHAI HOTELS,LIMITED, 2024)

### BUSINESS SEGMENTS

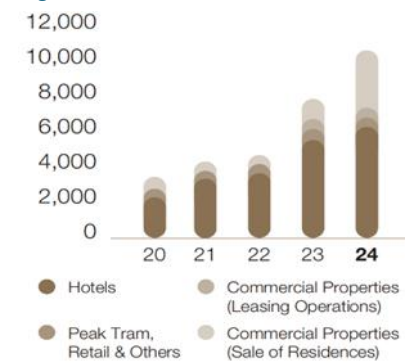
HSH operates through three primary segments: Hotels, Commercial Properties, Clubs & Services. The hotel division is the largest revenue contributor, while

Figure 2 Combined Revenue by Geographical Segment



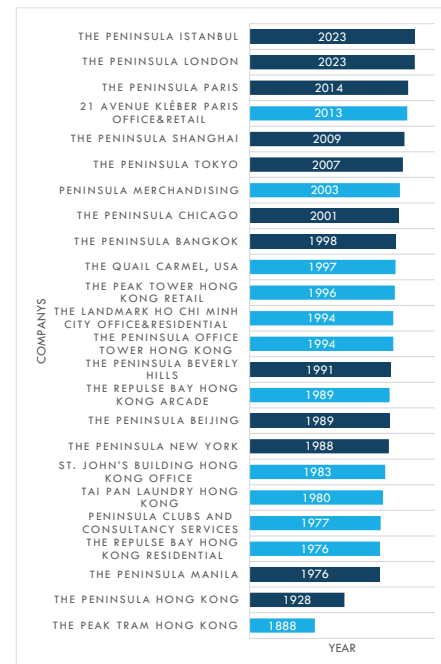
Source: HSH Annual Report 2024

Figure 3 Combined Revenue by Business Segment



Source: HSH Annual Report 2024

Figure 4 Companies under HSH with Its Year Established



Source: Author Analysis

commercial properties division mainly provide stable rental income (the surge in revenue for the commercial properties division in 2023 was driven by the sale of 10 London Peninsula residential apartments), and Clubs & Services division offers diversified revenue streams. (Figure 5)

**Hotels Division:** The Group owns and operates twelve Peninsula hotels, which form the cornerstone of HSH's portfolio. Among them, two are held by the group's associates (The Peninsula Beverly Hills & The Peninsula Paris) and two by joint ventures (The Peninsula Shanghai & The Peninsula Istanbul). And these twelve Peninsula hotels are located in iconic locations such as Hongkong, Beijing, Shanghai, Tokyo, Bangkok, Manila, New York, Chicago, Beverly Hills, Paris, London, and Istanbul. (Figure 6) They are considered "trophy assets" in these cities while generating additional returns from shopping arcades or residential apartments as part of the hotel complex (However, the revenue gaining from the sale of peninsula-branded residential apartments belongs to the Commercial Properties Division).

**Commercial Properties Division:** The Group owns high-end residential properties, including The Repulse Bay in Hong Kong's exclusive South Side, and leases commercial space to tenants at various Peninsula hotels, The Repulse Bay Arcade, and The Peak Tower. The group also holds other commercial properties in Hong Kong, Paris, and Ho Chi Minh City, such as ST. JOHN'S BUILDING, 21 AVENUE KLÉBER, and THE LANDMARK. (Table 3).

**Clubs and Services Division:** Peninsula Merchandising Limited develops and distributes Peninsula-branded merchandise. They operate Peninsula Boutiques in major cities of Greater China and Asia. The Peak Tram has been in operation since 1888. After undergoing major upgrades, the sixth-generation Peak Tram was officially launched in August 2022, becoming one of the most popular tourist attractions in Hong Kong. Positive results and moderate revenue growth were achieved by Quail Lodge & Golf Club in FY2024. Peninsula Clubs & Consultancy Services (PCCS) derives most of their income from management fees paid by the Hong Kong Club, the Hong Kong Bankers Club, and the refinery Club. Due to the growth of its customer base in hotels, clubs, and gyms, as well as the expansion of its diversified business services, Tai Pan Laundry has also achieved revenue growth.

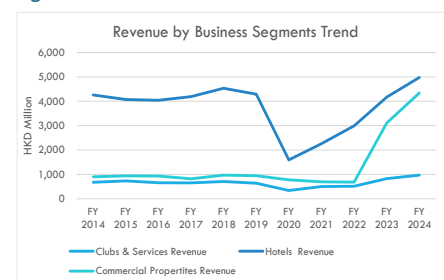
#### KEY DRIVERS OF PROFITABILITY

Since the hotel division is the largest revenue contributor, HSH's profitability is primarily driven by Average Daily Rate (ADR), Occupancy Rate, and Revenue per Available Room (RevPAR) across its hotel portfolios.

**Average Daily Rate (ADR):** Through providing high-level personalized services, HSH hopes to establish long-term loyal relationships with customers who are willing to pay a premium for high-quality luxury products and services. In addition, its premium brand positioning and global recognition as "The Far East's leading hotel company" ensure premium pricing, especially in the European and US markets, with 10-Year ADR around HKD 9,445 and HKD 6,013. (Figure 7)

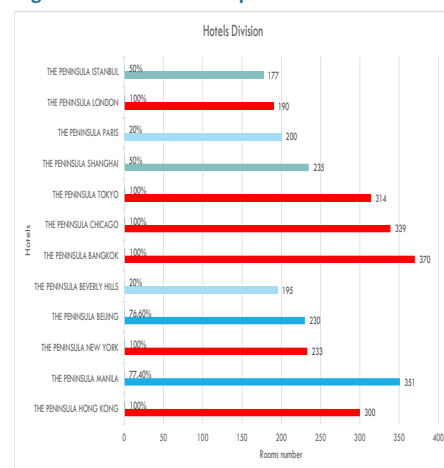
**The European sector** is outperforming all regions in ADR. (Figure 8) The ADR in the European region grew at a CAGR of 1.7% between FY 2015 and FY 2018, reaching around HKD 8,000. From FY 2018 to FY 2020, it saw a brief decline, with a CAGR of -7.1%. However, after FY 2020, the ADR surged sharply, reaching HKD 13,369 in FY 2023 (+81% vs FY 2020, with a CAGR of 22% from FY 2020 to FY 2023), which

Figure 5 Revenue Trend of 3 Divisions



Source: Author Analysis

Figure 6 Hotels Ownership & Rooms Number



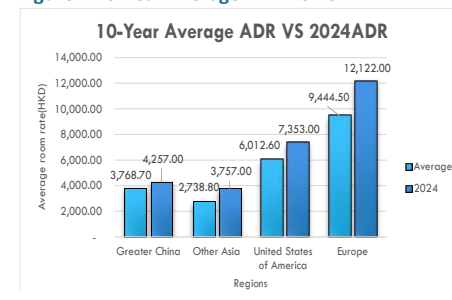
Source: Author Analysis

Table 3 Commercial Properties Ownership & Ground Floor Area

Company	Ownership	GFA(sq.ft.)
THE REPULSE BAY HONG KONG residential&arcade	100%	1,058,455
ST. JOHN' S BUILDING HONG KONG office	100%	71,400
THE PENINSULA OFFICE TOWER HONG KONG	100%	79,651
THE LANDMARK HO CHI MINH CITY office&residential	70%	176,808
THE PEAK TOWER HONG KONG retail	100%	116,768
21 AVENUE KLÉBER PARIS office&retail	100%	44,218

Source: Author Analysis

Figure 7 10-Year Average ADR VS 2024ADR



Source: Author Analysis



is largely due to the impressive performance of The Peninsula Paris. And in FY 2024, with new Peninsula hotels (The Peninsula London & The Peninsula Istanbul) opening in Europe, its ADR resumed at HKD 12,122 but is still at a relatively high level.

**The United States sector** maintained a quite stable high level of ADR within the price range of HKD 5,325-HKD 5,510 from FY2015 to FY2019. Although in FY2020, its ADR experienced a slight decline, it remained above the HKD 5,000 level. Since 2021, the ADR of the U.S. division has shown accelerated growth (+15% vs FY2020), with a particularly strong momentum in FY 2022(+19% vs FY2021), and reached a historic high of HKD 7,353 in FY 2024.

**The ADR in the Greater China sector** showed steady growth from FY 2015 to FY 2018, rising from HKD 3,358 to HKD 4,322, with a CAGR of 8.8%. After a brief decline in FY 2019 (The Peninsula Hongkong had the biggest drop), it plunged in FY 2020 due to the pandemic, falling to HKD 2,739 (a 28% drop vs FY 2019). It then gradually recovered, reaching pre-pandemic levels by FY 2023 (around HKD 4,258) and stabilizing at HKD 4,257 in FY 2024. It's 10-Year average ADR is around HKD 3,769.

**The ADR in the Other Asia sector** saw slow growth from FY 2015 to FY 2019, rising from HKD 2,190 to HKD 2,790, with a CAGR of 8.4%. In FY 2020, it overtook the Greater China sector, climbing to HKD 3,219. However, in FY 2021, it plunged to HKD 2,422, marking a 25% drop against FY 2020, followed by a further 10% decline in FY 2022 to HKD 2,179. Its reverse trend compared to Greater China sector over the same period reflects uneven pace of economic recovery in different parts of Asia. After that, it rebounded sharply, reaching a record high value of HKD 3,757 in FY 2024. It's 10-Year average ADR is around HKD 2,739, which is 27% lower than the Greater China sector.

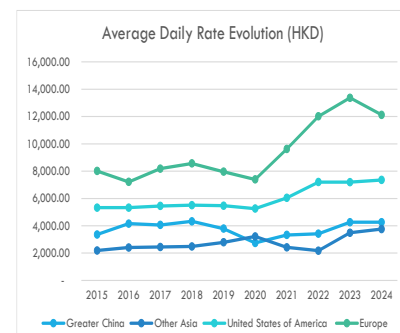
**Occupancy Rate:** Properties of HSH are situated in major cities with strong demand for luxury accommodations. The United States sector, European sector, Greater China sector, and Other Asia sector all share similar trends in occupancy rates.

**During the Pre-pandemic period (2015-2019),** occupancy rates remained relatively stable across all regions. The Peninsula hotels in the US had the highest average occupancy rate of approximately 75%. This was followed by the Peninsula hotels in the rest of Asia, with an average occupancy rate of 72%. Next was the Greater China region with an average occupancy rate of 66%. Lastly, the European region had an average occupancy rate of 56%. (Figure 9)

**However, the pandemic has affected hotel occupancy rates differently in each region.** The US sector and the other Asia sector saw the greatest decline in occupancy from 75% to 33% (from FY 2019 to FY 2020), followed by the Greater China region from 60% to 32% (from FY 2019 to FY 2020), and finally the European region from 59% to 38% (from FY 2019 to FY 2020). (Figure 10)

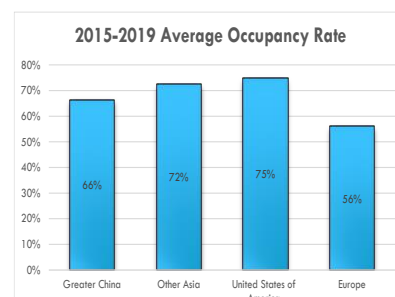
**The US region experienced the fastest occupancy recovery,** with occupancy rising sharply after 2020. By 2021, occupancy reached 53% (+60% VS FY 2020). After 2022, occupancy gradually stabilized at around 65%. **While the other three regions continued to show a declining trend after 2020.** The occupancy rate in the other Asia region reached a historic low of 21% in 2021, the European sector hit a record low of 28%, and Greater China reached its lowest point of 22% in 2022.

Figure 8 Average Daily Rate Evolution



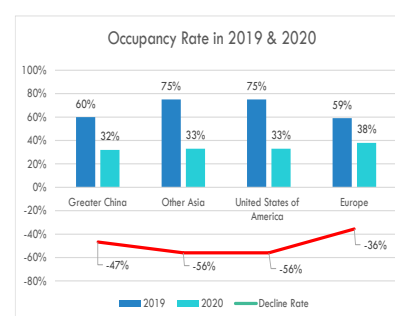
Source: Author Analysis

Figure 9 2015-2019 Average Occupancy Rate



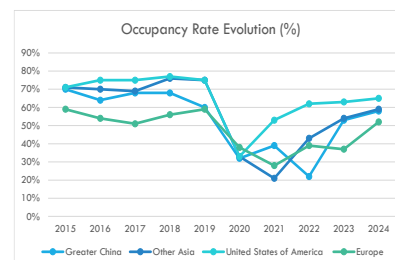
Source: Author Analysis

Figure 10 Occupancy Rate in 2019 & 2020



Source: Author Analysis

Figure 11 Occupancy Rate Evolution



Source: Author Analysis

(Figure 11) **Until now, the occupancy rates of these regions have gradually rebounded, but some sectors remain significantly below pre-pandemic levels.** In FY 2024, the occupancy rate of the U.S. sector is 65% (-13.3% vs. FY 2019), and the occupancy rate of the other Asia sector is 59% (-21.3% vs. FY 2019) as well as the occupancy rate of the Europe sector is 52% (-12% vs. FY 2019). However, the occupancy rate of the Greater China sector is 58%, which is nearly reaching the pre-pandemic level. (Figure 12)

**Overall, the United States region has maintained the highest average occupancy rate over the past decade compared to other regions.** Other Asia regions have had a slightly higher occupancy rate than the Greater China sector, but the difference is minimal; both of them had the occupancy rate averaging around 55%. The European region recorded the lowest occupancy, with a ten-year average occupancy rate of 47%. (Figure 13)

**Revenues per Available Room (RevPAR):** One of the most significant profitability metrics in the hospitality industry is the combination of the occupancy rates and ADR. Unlike the situation for the occupancy rates, some regions remained below the pre-pandemic level; all the regions have better performance in RevPAR than the pre-pandemic level. (Figure 14) Because of the strong performance in ADR, the Europe sector outperforms in RevPAR with an average RevPAR at HKD 4,371 from FY 2015 to FY 2024. Due to the better performance in occupancy rates, the United States sector also has a better performance in RevPAR than the other two sectors, with an average RevPAR at HKD 3,890 from FY 2015 to FY 2024. Since Greater China sector has a much higher ADR than Other Asia sectors, while there is no big difference in the occupancy rate, Greater China perform better in RevPAR than Other Asia sector. (Figure 15)

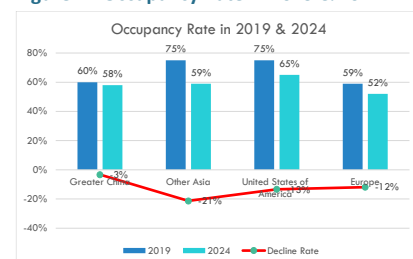
## GROWTH STRATEGY

HSH follows a long-term capital-intensive owner-operator model, focusing on premium assets in core cities, maintaining a diversified business portfolio within the selected market segments aiming to reduce the common investment risks in the hotel industry, using stable returns generated by the commercial property division and the club & services division to offset the cyclical fluctuations of the hotel business.

HSH's vision for growth: to develop, own and operate a small number of the highest quality property assets (including the finest hotels in the world). By taking a long-term view and by maintaining and enhancing the quality of its assets and operations, it aims to create significant value for its shareholders from the long-term appreciation in the capital value of their properties, as well as from the increasing operating yield as each property grows its income over time.

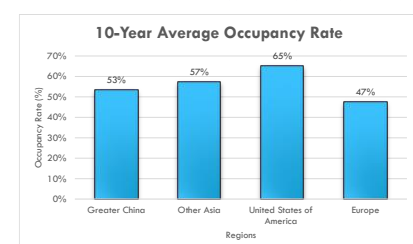
**Geographic Expansion:** Considering local real estate costs, cultural appeal, labour costs, availability of skilled talent, market competition, stability of the operating environment, levels of luxury consumption, and tourism growth potential, HSH implements a prudent and measured business expansion strategy, adding one hotel every 5-10 years (Figure 16) and using joint ventures or associates in high-risk market to mitigate capital exposure. Recent openings include the Peninsula London (2024) and the Peninsula Istanbul (2023). The Peninsula Yangon project was impaired due to geopolitical instability.

Figure 12 Occupancy Rate in 2019 & 2024



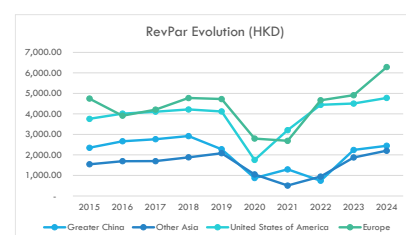
Source: Author Analysis

Figure 13 10-Year Average Occupancy Rate



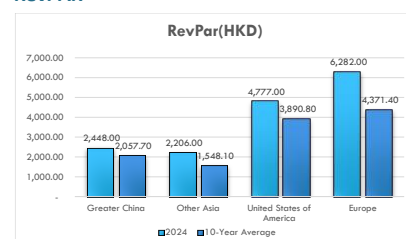
Source: Author Analysis

Figure 14 RevPAR Evolution



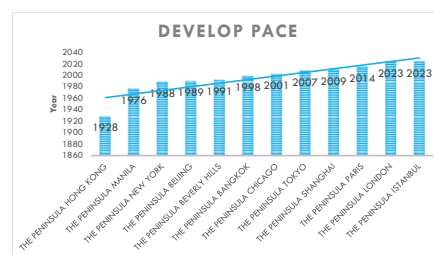
Source: Author Analysis

Figure 15 10-Year Average RevPAR VS 2024 RevPAR



Source: Author Analysis

Figure 16 Peninsula Hotels Develop Pace



Source: Author Analysis



**Capital-Intensive Owner-Operator Business Model:** This model enables HSH to exercise proper control over the upgrading and renovation of existing assets and investment in new projects, ensuring high quality and consistency of products, thereby allowing HSH to offer bespoke tailed guest experience. Owning properties in core cities especially for mature market, create value through equity control and organic brand growth, with a focus on asset appreciation and operational revenue. Adopting joint ventures and associate structures to enter high-risk emerging markets (e.g. Istanbul), HSH is able to reduce capital pressure on individual projects, mitigate regional and operational risks, and enhance its overall risk management in volatile markets. (Table 4)

**Asset Enhancement:** Continuous investment in renovating existing properties to uphold brand's standards, HSH aims to generate substantial returns for the shareholders through the long-term capital appreciation and continued growth of operating income of the properties. HSH started a significant renovation of the Peninsula New York at a cost of HK\$352 million in January 2024. Due to continuous investment and optimization of property assets, the group's revalued net asset value per share has more than doubled over the last two decades, reaching HK\$24.01/Sh. in 2024.

**Sustainability Initiatives:** Aiming at reducing long-term operating costs, HSH takes proactive energy management. Commitment to environmental, social, and governance (ESG) practices to attract eco-conscious travellers. HSH secured on HKD 800 Mn sustainability-linked revolving credit facility and won the Best Corporate Governance and ESG Award 2024.

**Digital Transformation:** Facing issues of global labour shortage in the hospitality sector, rising inflation and energy costs and cybersecurity threats, HSH is also a pioneer in in-house R&D for hotel technologies, with a dedicated team of 26 engineers.

## SHAREHOLDER STRUCTURE

HSH had 1,660 registered shareholders as at 31 December 2024 (Table 5) The Kadoorie family has played a significant role in shaping the company's vision and strategy, with a combined shareholding of 72.58%. The remaining HSH shares are mainly held by institutional and private investors, a considerable number of which are Hong Kong residents.

## DIVIDEND POLICY AND SHARE REPURCHASE

Neither the Group nor any of its subsidiaries purchased, sold or redeemed the group's listed securities during 2024.

HSH's dividend policy aims to provide its shareholders with a stable and sustainable dividend stream. The annual dividend payout ratio is based on the group's underlying profit, as well as other commercial factors. The group's practice is to offer dividends in cash or scrip on a half-yearly basis. The Directors recommended a final dividend of HKD 8 cents per share in FY 2023 (2022: Nil). Whilst the group was unable to pay dividend for the year ended 31 December 2024 due to the loss situation. (Figure 17) It is an urgent need for HSH to continue to improve its existing assets for long-term capital appreciation, while improving operation efficiency to enhance profitability in the coming year.

**Table 4 2024 Group's Interest in Hotel Properties & Investment Properties**

	2024 Group's interest
<b>Hotel properties*</b>	
The Peninsula Hong Kong	100%
The Peninsula London	100%
The Peninsula New York	100%
The Peninsula Chicago	100%
The Peninsula Beijing	76.6% <sup>4</sup>
The Peninsula Tokyo	100%
The Peninsula Bangkok	100%
The Peninsula Manila	77.4%
The Peninsula Istanbul <sup>5</sup>	50%
The Peninsula Shanghai <sup>6</sup>	50%
The Peninsula Paris <sup>7</sup>	20%
The Peninsula Beverly Hills <sup>8</sup>	20%
<b>Commercial properties</b>	
The Repulse Bay Complex	100%
The Peak Tower	100%
St. John's Building	100%
21 avenue Kéber	100%
The Peninsula Shanghai Residences	100%
The Landmark	70% <sup>9A</sup>
<b>Other properties</b>	
The Quail and vacant land	100%
Vacant land in Thailand	100%
Other properties for own use	100%
<b>Properties under development</b>	
The Peninsula Yangon	70%

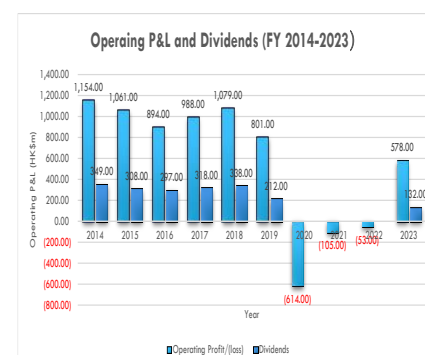
Source: HSH Annual Report 2024

**Table 5 Registered Shareholders Composition**

Size of Registered Shareholdings	#of shareholders
500 or below	531
501-1,000	182
1,001-10,000	547
10,001-100,000	321
100,001-500,000	50
Above 500,000	29
<b>Total</b>	<b>1,660</b>

Source: Author Analysis

**Figure 17 Operating P&L and Dividends**



Source: Author Analysis

### 3. MANAGEMENT AND ESG

#### CORPORATE GOVERNANCE

The Board has set a two-tiered structure where the Board is led by the Chairman (The Hon. Sir Michael Kadoorie) and the management team is led by the Chief Executive Officer (Benjamin Julien Arthur Vuchot).

The Board and its committees oversee the corporate governance structure and guide management in implementing good governance in the daily group's business. For the year ending December 31, 2024, there are 19 members in the Board of HSH, including Non-Executive Directors (7 members), Independent Non-Executive Directors (7 members) and Executive Directors (5 members). HSH also promotes board diversity in terms of skills, gender, age, nationality and expertise. (Figure 18) The Board has decided to maintain at least 3 female directors at all times.

#### COMPENSATION

HSH's reward philosophy ensures that the remuneration and benefits for the Group's executives align with the overall framework of the guiding principles, taking into account the changing financial and market environment. Considering the group's remuneration policy and market practices, a mix of fixed and variable compensation is used to incentivize management and individual performance.

There are four components of remuneration paid to Executive Directors and senior management: basic compensation, bonuses and incentives, retirement benefits, other benefits. (Table 6)

The fees of Non-Executive Directors (NEDs) are determined at shareholders general meetings, while any additional fees of NEDs for serving on Board Committees are determined by the Board. As disclosed in HSH 2023 annual report, the Board in December 2023 approved the Committee's proposal that for 2024, the fees for NEDs and INEDs be fixed at HK\$370,000 and HK\$430,000 per annum. (THE HONGKONG AND SHANGHAI HOTELS,LIMITED, 2023) (Table 7)

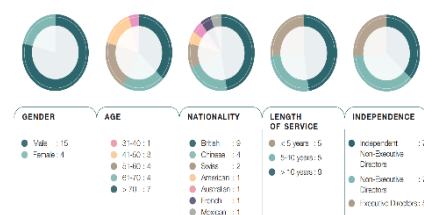
#### ESG

As owner and operator of hotels and properties, HSH has been in business for over 155 years, and continues to be guided by its Sustainable Luxury Vision 2030 strategy. HSH began its sustainability journey in 2007 and launched the first iteration of its Sustainable Luxury strategy in 2013. With a deeper focus on business integration and renewable and proactive approaches, Sustainable Luxury Vision 2030 (Vision 2030) came.

HSH seeks to address key issues such as diminishing natural resources, the climate change crisis and growing social instabilities and inequalities through Vision 2030 by focusing on three stakeholder pillars of (i) enhancing guest experience, (ii) empowering people and (iii) enriching communities, underpinned by 10 key commitments. (THE HONGKONG AND SHANGHAI HOTELS,LIMITED, 2023)(Figure 19)

By integrating cutting-edge insights from global recognised organizations (e.g., the World Economic Forum and the UN Climate Change Conference) and industry

Figure 18 Board Composition & Diversity



Source: HSH Annual Report 2024

Table 6 Executive Directors Remuneration

(HK\$'000)	Basic compensation	Bonus and incentives	Retirement benefits	Other benefits	Total <sup>1</sup> 2024	Total <sup>2</sup> 2023
<b>Executive Directors</b>						
Mr Christopher Y.C. Lap <sup>3</sup>	5,242	5,859	524	134	11,759	8,703
Mr Kevin J. Robertson <sup>4</sup>	4,599	2,356	427	236	7,613	-
Mr Gareth O. Roberts <sup>5</sup>	3,988	2,100	380	98	6,486	-
Mr Clement K.M. Kwok <sup>6</sup>	3,010	6,295	1,317	151	10,813	17,123
Mr Peter C. Bass <sup>7</sup>	3,354	2,822	643	288	6,707	10,405
Mr Christopher S.M. Ip <sup>8</sup>	-	-	-	-	-	5,360

Source: HSH Annual Report 2024

Table 7 Non-Executive Directors Remuneration

(HK\$'000)	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Total <sup>1</sup> 2024	Total <sup>2</sup> 2023
<b>Non-Executive Directors</b>							
The Hon. Sir Michael Kadoorie	354	100	-	-	40	494	485
Mr Philip L. Kadoorie	354	-	-	-	-	354	320
Mr John A.H. Leung <sup>3</sup>	115	30	-	-	-	150	425
Mr Nicholas T.J. Coler	354	-	-	-	-	354	325
Mr Andrew C.W. Bunker	354	100	185	80	-	679	650
Mr James L. Davis	354	-	-	-	-	354	325
Mr Diego A. Gonzalez Morise	354	-	-	-	-	354	210
Mr Peter C. Bass <sup>4</sup>	154	-	-	-	-	154	-
Mr William C. MacArthur <sup>5</sup>	-	-	-	-	-	-	81
<b>Independent Non-Executive Directors</b>							
Dr Andrew B. So David K.T. Li	411	-	-	-	40	451	415
Dr Andrew B. Paul	411	-	250	120	-	781	615
Mr Peter R. Egoe	411	-	-	-	-	411	375
Dr William K.L. Fung	411	-	-	-	40	451	415
Dr Rosanna Y.M. Wang	411	-	-	80	-	491	435
Dr Kim L. Wong	411	-	-	-	-	411	375
Ms Ada K.H. Tso	411	-	185	-	-	596	510
	5,570	236	530	200	120	6,375	6,071

Source: HSH Annual Report 2024

Figure 19 Three Stakeholder Pillars of HSH



Source: HSH CRS Report 2023

organizations (e.g., BSR, WTTC, GSTC Criteria), combined with industry round table discussions, regular global operations meetings, and value chain assessments, HSH systematically identifies global trends and regional challenges in the field of sustainable development. Through risk probability and impact analysis, HSH identifies and prioritizes material sustainability issues to address. (Figure 20)

## ENVIRONMENTAL PERFORMANCE

Compare energy, water and waste performance with industry peers through The Cornell Hotel Sustainability Benchmarking Index, HSH is constantly looking for ways to reduce environmental footprint while delivering services and products at a high standard of luxury. In order to complete low carbon transition, HSH has implemented numerous energy efficiency projects since 2010, leading in absolute carbon emissions and absolute energy recording a great decrease of 34.4% and 10.8% reduction when compared to 2010 baseline. (Figure 21) In addition, HSH environmental impacts have been reduced compared to 2010 by 55% reduction in carbon & water intensity. In 2023, HSH's hotel division water intensity level continues to stabilise at 1,315 litres per guest night, which saw an improvement of 5.7% reduction compared to 2022. Water intensity of HSH's commercial properties, clubs & services divisions saw an increase of 13.1% from 2022 at 1,088 litres per square meter due to business recovery. (Figure 22) Tai Pan Laundry's water intensity, calculated based on litres per kilogram washed, remained at 16.4 litres per kilogram washed with a 1.1% decrease from 2022.

**More renewable energy is being used in the operation:** Install renewable energy equipment in group's own properties (e.g., first on-site solar farm project at Quail Lodge & Golf Club), or procure renewable energy through energy providers (e.g., The Peninsula London sourced 100% zero-carbon emission electricity from local providers; The Peninsula Istanbul procured Renewable Energy Certificates (RECs) to support remote renewable energy project).

**Enhancing water efficiency and advocating water reuse:** In hotels, water flow rates of operations were examined and low-flow sanitary equipment & faucets were installed. Additionally, low temperature washing and eco-labelled or biodegradable detergent were implemented in hotels' in-house laundry. In the Peninsula Beverly Hills and Quail Lodge & Golf Club, numerous water-saving initiatives were used (e.g., water-efficient irrigation systems, drought-resistant landscaping and turf greens, no-water urinals and carwash etc.). Reduce municipal water sources stress by recycling wastewater in Tokyo, Bangkok and Istanbul and through rainwater capture for residence at The Repulse Bay in Hongkong.

**Waste treatment:** HSH develops group-wide standards and works with local waste processors, recyclers and up-cyclers to manage and divert waste responsibly. HSH achieves a waste diversion rate of 100% for food waste and recyclables by recycling, upcycling and reusing and ensures proper disposal of hazardous waste as well as increases usage of recyclable materials. Overall, HSH achieved 53.5% waste diversion across its portfolio, a slight improvement of 0.8 percentage point compared to 2022. (Table 8)

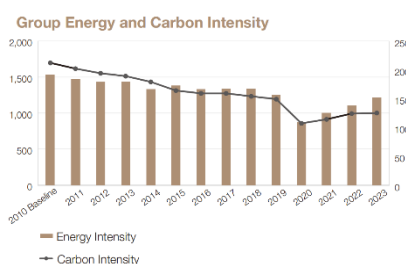
**Safeguard biodiversity:** HSH aligns its responsible sourcing approach to nature conservation to prevent resource depletion and ensure the sustainability of natural resources. Referencing the IUCN Red List of Threatened Species, complying with CITES, HSH avoids using critically endangered species when sourcing food items

**Figure 20 Key Sustainability Issues from Stakeholders**

Sustainable Luxury Vision 2030		Top Issues in 2023
OUR GUESTS	Energy and water use, low carbon transition, climate adaptation, waste management, sustainable supply chain, guest experience	<ul style="list-style-type: none"> <li>Climate risk assessment, mitigation and adaptation</li> <li>Setting science based and net zero emission targets</li> <li>Scope 3 and supply chain decarbonization</li> <li>Increasing climate-related disclosure requirements</li> <li>Carbon economy</li> <li>Waters based, locally sourced and plant based food</li> <li>Increase in external and especially guest touchpoints on sustainability</li> </ul>
OUR PEOPLE	Governance and management, attracting and retaining employees, employee engagement, occupational health and safety	<ul style="list-style-type: none"> <li>Diversity and inclusion</li> <li>Talent acquisition challenges, particularly in hospitality</li> <li>Living wage and gender pay equity</li> </ul>
OUR COMMUNITIES	Community contribution, supply chain transparency and transparency, collaboration and partnership	<ul style="list-style-type: none"> <li>Modern slavery assessment in supply chain and mitigation actions</li> <li>Green finance</li> <li>Social inequality compounded from the pandemic</li> <li>Talent development and vocational training</li> </ul>

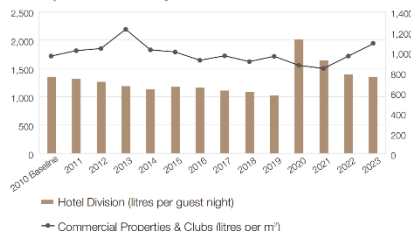
Source: HSH CRS Report 2023

**Figure 21 HSH Group Energy & Carbon Intensity**



Source: HSH CRS Report 2023

**Figure 22 HSH Group Water Intensity\***



Source: HSH CRS Report 2023

**Table 8 HSH Corporate Responsibility and Sustainability Development - Environment**

Environment		2023	2010(baseline)
Greenhouse gas emissions	000 tCO2e	81.00	124.00
Group cabin intensity	kg CO2e per m2	126.00	213.00
Total energy use	000 GJ	788.00	884.00
Energy intensity	MJ per m2	1,218.00	1,518.00
Direct water consumption	000 m³	1,562.00	1,674.00
<b>Water intensity</b>			
Hotel Division	litres per guest night	1,315.00	1,346.00
Commercial Properties, Clubs&Services Division	litres per m²	1,088.00	962.00
Water recycled and other water sources	000 m³	296.00	142.00
Waste diversion rate	%	53.50%	

Source: Author Analysis

unless those with sustainability certification. In 2023, more than 86% cleaning products of HSH are biodegradable and 94% of the paper HSH uses is from certified sustainable or recycled sources. In addition, HSH's 84% chocolate, 83% coffee, and 64% tea was responsibly sourced. And the cage-free shelled and liquid egg spent across the group is at 52%. (THE HONGKONG AND SHANGHAI HOTELS,LIMITED, 2023)

## SOCIAL PERFORMANCE

**For employees:** After the Pandemic, talent acquisition and retention remain HSH key focuses due to the shortage of workforce in the hospitality industry as well as increasing demand for flexibility and work-life balance. With numerous People & Culture strategies in place, in 2023, the total turnover rate is 21.9% which is lower than 2022 (23.8%). **To better to listen employees**, global employee experience survey was carried out in 2023 and received a 92% voluntary response rate across the group. The group achieved an engagement score of 78% (Figure 23) (used as an indication of the level of motivation, satisfaction and connection employees feel towards their work) higher than that of the global score for general industry. Besides, **HSH nurtures employees through learning and development programmes** (e.g., 18-month-long Executive Development Programme (EDP), 12-month-long Emerging Manager Programme (EMP) etc.). In addition, **provide a productive, sustainable and inclusive workplace for employees** (e.g., the company-wide Work Place 2025 (WP2025) initiative, Inclusive Workplace Strategy etc.). In 2023, 43% of management positions and 42% of HSH total workforce were female (Figure 24). According to the HSH gender pay gap analysis for Paris, it achieved a score of 93% for 2022, above the market median at 91%. **Care about employees physical & mental health** (e.g., Wisdom on Wellness (WOW) strategy, updated group-wide Occupational Safety and Health Management System (OSHMS), compliant with international standard (ISO 45001)). In 2023, HSH's injury rate maintained from 2022 at 3.8 cases per 100 employees, while lost day rate decreased by 16.8% at 41.3 lost days per 100 employees. (Table 9) Over 94% of injuries recorded did not require a hospital stay. The injury rate for severe cases is at 0.22 per 100 employees. In 2023, HSH continued to have zero fatalities and no permanent disabilities.

**For communities:** Through Vision 2030, HSH engages with local communities in meaningful ways, rather only rely on monetary-based methods, HSH also contributes time, expertise, vocational training opportunities, and other in-kind support to create long-term impact in the cities where it operates. In 2023, HSH community initiatives benefitted 160 charities and long-term partners, with a total of HK\$6.8 million monetary and in-kind charitable contribution, and more than 10,100 volunteering hours. (Table 10) HSH launched a global disaster-relief campaign to help fundraise for survivors of the 2023 Türkiye earthquake. For every room night at 10 of the Peninsula Hotels, a donation equal to the local currency of €10 per night will be made on behalf of the hotel. Each hotel also offered additional opportunities for guests to make personal contributions to the Hope for Türkiye campaign, where total of HK\$37.9 million was raised. (THE HONGKONG AND SHANGHAI HOTELS,LIMITED, 2023)

## GOVERNANCE PERFORMANCE

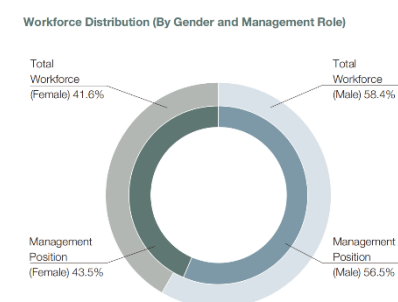
The management of sustainability issues across the group is supported through a robust governance structure, where related matters are regularly reviewed and

Figure 23 Highlights of the 2023 Employee Experience Survey



Source: HSH CRS Report 2023

Figure 24 Workforce Distribution



Source: HSH CRS Report 2023

Table 9 HSH Sustainability Data Statements

		2023
Economic	Revenue (incl. interest income)	HK\$8m
	Operating costs	HK\$8m
	Employee wage and benefits	HK\$8m
	Capital expenditure	HK\$8m
	Payments to providers of capital	HK\$8m
	Tax payments to governments <sup>(a)</sup>	241
	Total floor area	1,000 m <sup>2</sup>
Workforce	Total number of guest nights <sup>(b)</sup>	1,027
	Headcount <sup>(c)</sup>	7,695
	Turnover <sup>(d)</sup>	21.9%
	Headcount by Gender	% Female 41.6%
	Injury rate <sup>(e)</sup>	incidents per 100 employees 3.8
	Lost day rate	days per 100 41.3

Source: HSH CRS Report 2023

Table 10 HSH Corporate Responsibility and Sustainability Development - Community

Community	2023
Monetary Donations	HK\$' 000 3,805
In-kind Donations	HK\$' 000 3,003
Other community contributions	HK\$' 000 2,892

Source: Author Analysis



discussed at all levels of the company. The Board reviews the Group's sustainability policy at least once a year. To enable the integration and cross-functional implementation of sustainability into the business, the Board has delegated the management of Vision 2030 and other related matters to the Group Corporate Responsibility Committee (GCRC) and other key committees and departments across the group. The GCRC, previously chaired by the CEO, is now co-chaired together with the Chief Corporate and Governance Officer. And The GCRC is driven by the Corporate Responsibility and Sustainability (CRS) Department and consists of executives or representatives from Finance, People & Culture, Operations, Legal, Corporate Affairs, Sales & Marketing.

HSH has established a systematic sustainability governance framework through vertical integration and horizontal collaboration across three levels: The Board Level, The Group Level and The Operation Level. The Board Level oversees, The Group Level is responsible for decision-making and coordination, and The Operation Level handles execution and feedback. From senior management to frontline employees, everyone bears responsibility for sustainability. (THE HONGKONG AND SHANGHAI HOTELS,LIMITED, 2023)

## 4.INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

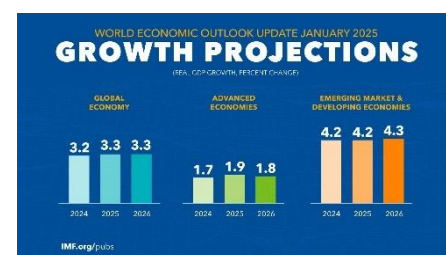
### ECONOMIC OUTLOOK

#### GDP AND INFLATION

Global GDP growth is projected at 3.3% for both 2025 and 2026, below the historical average of 3.7% (2000–2019). (Figure 25) The forecast for 2025 is primarily on account of an upward revision in the United States offsetting downward revisions in other major economies. Global headline inflation is expected to decline to 4.2% in 2025 and to 3.5% in 2026, converging back to target earlier in advanced economies than in emerging market and developing economies. Medium-term risks to the baseline are tilted to the downside, while the near-term outlook is characterized by divergent risks. Upside risks could pull the US's already strong economic growth in the short term, while other countries face downside risks and increased policy uncertainty. (Figure 26)

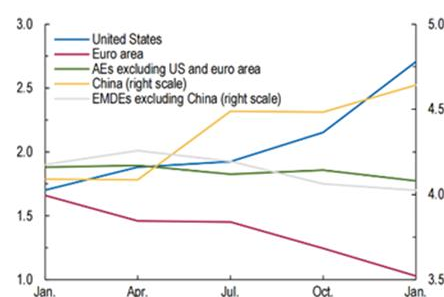
- In the Unites States: Growth is projected to be at 2.7% in 2025 and is expected to taper to potential at 2.1% in 2026.
- In the Euro area: Growth is expected to pick up but at a more gradual pace than anticipated. Growth is projected to be at 1.0% in 2025. In 2026, growth is set to rise to 1.4% (e.g., France's GDP growth rate is 0.8% in 2025, 1.1% in 2026).
- In other advanced economies: recovering real incomes and trade headwinds these two offsetting forces keep growth forecasts relatively stable (e.g., UK's GDP growth rate is 1.6% in 2025, 1.5% in 2026; Japan's GDP growth rate is 1.1% in 2025, 0.8% in 2026).
- In emerging market and developing economies: Growth in 2025 for China is projected to be at 4.6% in 2025 and is expected to remain stable at 4.5% in 2026. Other Emerging Markets and Developing countries in Asia have a GDP growth rate of 5.1% in 2025 and 2026(Table 11).

Figure 25 IMF World Economic Growth Projection



Source: IMF

Figure 26 Evolution of 2025 Growth Forecast



Source: IMF staff calculations.  
Note: The x-axis shows the months the World Economic Outlook is published. AEs = advanced economies; EMDEs = emerging market and developing economies.

Source: IMF

Table 11 IMF Projections Table

World Economic Outlook Growth Projections				
(Real GDP, annual percent change)	ESTIMATE		PROJECTIONS	
	2024	2025	2026	
World Output	3.2	3.3	3.3	
Advanced Economies	1.7	1.9	1.8	
United States	2.8	2.7	2.1	
Euro Area	0.8	1.0	1.4	
Germany	-0.2	0.3	1.1	
France	1.1	0.8	1.1	
Italy	0.6	0.7	0.9	
Spain	3.1	2.3	1.8	
Japan	-0.2	1.1	0.8	
United Kingdom	0.9	1.6	1.5	
Canada	1.3	2.0	2.0	
Other Advanced Economies	2.0	2.1	2.3	
Emerging Market and Developing Economies	4.2	4.2	4.3	
Emerging and Developing Asia	5.2	5.1	5.1	
China	4.8	4.6	4.5	
India	6.5	6.5	6.5	
Emerging and Developing Europe	3.2	2.2	2.4	
Russia	3.8	1.4	1.2	
Latin America and the Caribbean	2.4	2.5	2.7	
Brazil	3.7	2.2	2.2	
Mexico	1.8	1.4	2.0	
Middle East and Central Asia	2.4	3.6	3.9	
Saudi Arabia	1.4	3.3	4.1	
Sub-Saharan Africa	3.8	4.2	4.2	
Nigeria	3.1	3.2	3.0	
South Africa	0.8	1.5	1.6	
Memorandum				
Emerging Market and Middle-Income Economies	4.2	4.2	4.2	
Low-Income Developing Countries	4.1	4.6	5.4	

Source: IMF, World Economic Outlook Update, January 2025  
Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2024/25 starting in Apr. 2024 and in the 2024 column. India's growth projections are 6.8 percent for 2025 and 6.5 percent for 2026, based on a calendar year.

INTERNATIONAL MONETARY FUND IMF.org/pubs

Source: IMF

Global disinflation continues, but the progress in some countries is stalling, and elevated inflation is persistent in some cases. Inflation is projected to be close to, but above the 2% target in 2025 in the United States, whereas inflationary dynamics are expected to be more subdued in the euro area. Low inflation is projected to persist in China. However, core goods price inflation has fallen back to or below trend, services price inflation is still running above pre-COVID-19 averages in many economies, most notably the United States and the euro area. The hospitality industry, as part of the service sector, generally exhibits strong inflationary stickiness. Factors such as rigid labour costs and persistently high operating expenses could be the reasons.

According to the IMF staff projections, Energy commodity prices are expected to decline by 2.6 percent in 2025, partly offset by increases in gas prices. Nonfuel commodity prices are expected to increase by 2.5 percent in 2025, on account of upward revisions to food and beverage prices, driven by bad weather affecting large producers. (IMF, 2025)

## CONSUMER CONFIDENCE INDEX AND HOUSEHOLD DISPOSABLE INCOME

As a standardised confidence indicator, the consumer confidence index (CCI) is used to predict future developments in household consumption and saving. CCI reflects how households perceive the broader economic climate, unemployment and their own savings capability. An indicator above 100 signals a boost in the consumers' confidence towards the future economic situation, as a consequence of which they are less prone to save, and more inclined to spend money on major purchases in the next 12 months. (OECD, Consumer Confidence Index (CCI) from 2008 to 2024, 2025) Therefore, rising consumer confidence is a key driver for the hotels industry, as it encourages people spend more on travel and leisure activities, boosting demand for hotel stays and other related services. Due to the widespread consumer concerns about unemployment and the economic environment after the Pandemic, the CCI underwent a deep fall to 96.23, marking a new cycle low. As of January 2024, the CCI recovered to 98.28, (Figure 27) signalling improving consumer sentiment, which supports travel and hospitality demand. Additionally, increasing disposable income also significantly boosts the revenue of the hotels industry, as it enables consumers to spend more on travel and leisure experiences. In 2024, real household per capita grew 1.8% across OECD countries. (OECD, Real Household Income Grew in 2024 in Most OECD Countries, 2025).

## WORLD POPULATION

Based on the data from World Bank (World Bank, 2025), it is projected that the world population would reach 8,200M in 2025 (+0.85% YOY) and 8,270M in 2026 (+0.85% YOY). The world population grows at 0.86% CAGR during 2020-2025 and has a CAGR of 0.81% from 2025 to 2030.

Disclosed by HSH's 2023 annual report, the majority of guests come from the market, where Peninsula Hotels are located (Figure 28), as well as from the Asia-Pacific region such as South Korea, Singapore, India, Malaysia, Australia, and other regions such as Russia and Middle East (Figure 29). The population of East Asia & Pacific region grows at 0.15% CAGR during 2020-2025 and has a CAGR of 0.01% between 2025 and 2030. Nearly zero growth suggests that some countries or regions in this sector may have already entered a stage of population decline. While the population

Figure 27 G20 Consumer Confidence Index



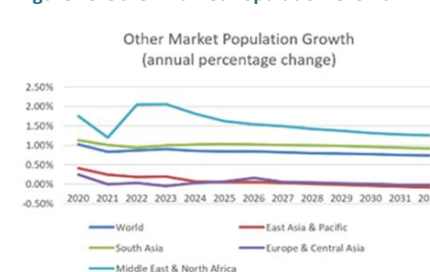
Source: OECD

Figure 28 Domestic Market Population Growth



Source: Author Analysis

Figure 29 Other Market Population Growth



Source: Author Analysis

of Europe & Central Asia region rises at 0.02% during 2020-2025 and grows at 0.06% from 2025 to 2030. The population of United States grow at 0.41% CAGR during 2020-2025 and has a CAGR of 0.45% between 2025 and 2030.

## TOURISM

Based on the estimation of World Tourism Organization (UN Tourism, 2025), over 300 million international arrivals worldwide in the first quarter of 2025, an increase of 14 million over the same period, representing a 5% year-on-year increase and a recover to 103% of pre-pandemic (2019) level. In the first quarter of 2025, Africa led the world in international arrivals with a 9% YOY increase; the Americas (+3%), Europe (+2%), and the Middle East (+1%) grew at a moderate rate. The Asia-Pacific rebounded sharply by 13% YOY, but still slightly below 2019 levels. (Figure 30) And international tourist arrivals are expected to grow 3% to 5% in 2025 compared to 2024. International tourism faces three core challenges in 2025: slowing economic growth, high travel costs and rising tariffs. Uncertainty stemming from geopolitical and trade tensions continues to suppress customers willingness to travel.

## HOTEL INDUSTRY OVERVIEW

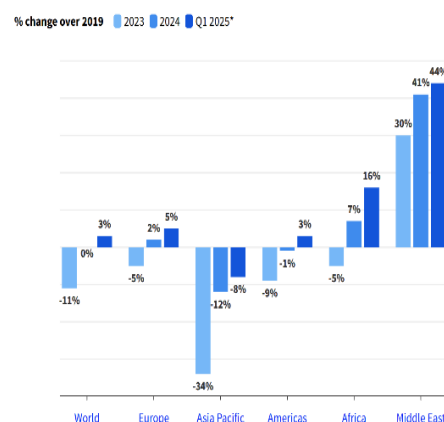
### GLOBAL HOTEL DEMAND

The hotel industry shares the demand characteristics of seasonality, sensitivity to economic cycles, regional differentiation. And it is strongly affected by the tourism industry.

The global hotel industry remained resilient in 2024. As of November, global hotel demand reached 4.8 billion room nights, 102 million more than 2023, driving Revenue per Available Room (RevPAR) growth of 3.7%. Resort and leisure-heavy markets, which were the earliest to rebound after the Covid-19 pandemic, are now witnessing demand plateau. Conversely, urban markets have seen a notable surge in demand. EMEA (Europe, Middle East & Africa) hotel performance consistently broke new records throughout 2024, soaring 25.3% above pre-pandemic 2019 benchmarks and registering a 5.6% YoY growth. Asia Pacific's RevPAR registered a modest 1.6% YoY increase in FY2024 while remained 13.7% below pre-pandemic (2019) level. By November 2024, the Americas achieved a record-high RevPAR, with YoY growth at 1.9%. (Figure 31) (JLL, 2025)

Due to a recovery in group business, inbound international travel, and traditional short-term business trips, combined with slowing supply growth which driven by high construction costs, JLL assumes that global RevPAR may enjoy a 3%-5% growth in 2025, while CBRE also anticipates RevPAR would sustain a steady growth in 2025, propelled by the persistent outperformance of urban markets. CBRE projects a 1.3% increase in RevPAR growth in 2025, driven by a 14-basis-point occupancy boost and a 1.2% rise in average daily rate (ADR). In addition, given the well-established positive linkage between GDP and RevPAR growth, CBRE's baseline forecast incorporates a 1.4% GDP growth rate and average inflation of 2.9% for 2025. Given major upcoming events such as the 2026 FIFA World Cup and the 2028 Summer Olympics in Los Angeles etc., CBRE also anticipates that RevPAR growth of U.S. hotels market within the 1.0% to 3.0% range over the next several years. (CBRE, 2025)

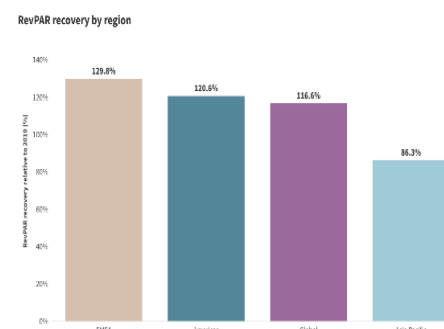
**Figure 30 International Tourist Arrivals**  
International tourist arrivals



Source: UN Tourism | World Tourism Organization • \*Provisional data  
Data as collected by UN Tourism, May 2025.

Source: UN Tourism

**Figure 31 RevPAR Recovery by Region**

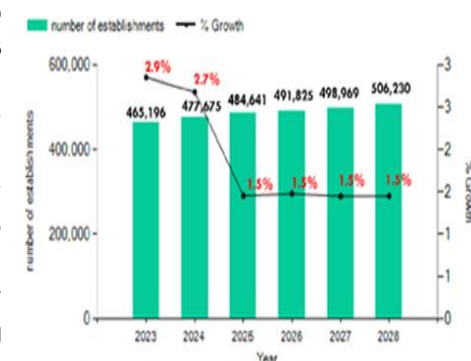


Source: JLL

## GLOBAL HOTEL SUPPLY

Normally, the volume of establishments serves as the fundamental component of supply. The number of establishments in the industry grew at a CAGR of 2.1% between 2018 and 2023, reaching a total of 465,196 in 2023 and it is expected to rise to 506,230 by the end of 2028, representing an increase of 8.8% against 2023 with a CAGR of 1.7% over 2023–2028. (MarketLine, 2024) (Figure 32) CBRE estimated the global hotel supply is projected to grow at average of 0.8% annually over the next four years (from year 2025). This limited supply growth stems from high financing and construction costs, as well as limited availability of properties below replacement costs. (CBRE, 2025) And JLL also predicted that the global supply to grow 180bps below its long-term average over the next five years. In other words, even if economic growth slows in the short term, the slowdown in global hotel supply growth will benefit existing assets and help to enhance the long-term pricing advantages of existing hotel operators.

Figure 32 Global hotels & motels industry volume: Number of Establishments



Source: MarketLine

## GLOBAL HOTEL PRICE

Hotel room prices are significantly influenced by multiple factors, namely location and the type of hotel. The pricing of hotels is significantly influenced by geographical location and market tier. Even under the same classification standards, price differences remain prevalent both across regions (e.g., North America vs. Asia) and within regions (e.g., major cities vs. smaller cities). This phenomenon results from the dynamic interplay of multiple factors, including regional economic conditions, target customer purchasing power, market competition, and seasonal tourism demand. (Table 12) However, for the luxury and boutique hotels, exclusive amenities, personalized services, spectacular architecture and design help them charge premium prices regardless of their location. (Viql, 2023)

One research by Deloitte revealed that hotel hospitality executives anticipated the hotel industry over the next one to three years (2024-2027) risk of inability to raise prices. (Deloitte, 2025) However, according to Bismart, the global hotel industry's Average Daily Rate (ADR) is forecast to sustain its upward trend in 2024, expected to increase by approximately 4% globally, reflecting robust post-pandemic recovery and broad-based demand resilience across all geographic markets. This growth is supported by higher travel demand and greater willingness to spend on accommodations. (Bismart, 2024) In 2024, the Average Daily Rate (ADR) in North America is projected to be around \$155. Urban markets like New York and Los Angeles are expected to command higher rates. Europe's ADR is anticipated to reach approximately \$150 in 2024. The Asia-Pacific region is expected to have an ADR of about \$140 in 2024. Higher rates are being driven by resort destinations and major urban markets. The ADR in the Middle East and Africa is forecasted to be around \$190 in 2024, reflecting strong demand in high-end and luxury markets. (Bismart, 2024)

Table 12 Estimation of ADR among Different Hotels & Regions

North America	Budget Hotels	Mid-range Hotels	Luxury Hotels
Major Cities	\$100 - \$150per night	\$200 - \$300per night	>400per night
Smaller Cities	\$50 - \$80per night	\$100 - \$150per night	\$200 - \$350per night
Outside City Areas	\$40 - \$70per night	\$80 - \$130 per night	\$150 - \$300per night
Europe	Budget Hotels	Mid-range Hotels	Luxury Hotels
Major Cities	\$100 - \$150per night	\$200 - \$300per night	>400per night
Smaller Cities	\$60 - \$90per night	\$100 - \$180per night	\$200 - \$350per night
Outside City Areas	\$50 - \$80per night	\$90 - \$150per night	\$180 - \$300per night
Asia	Budget Hotels	Mid-range Hotels	Luxury Hotels
Major Cities	\$50 - \$100per night	\$120 - \$250per night	>300per night
Smaller Cities	\$20 - \$40per night	\$50 - \$100per night	\$120 - \$250per night
Outside City Areas	\$15 - \$30per night	\$40 - \$80per night	\$100 - \$200per night

Source: Viql

## MARKET STRUCTURE

The market structure of the hospitality industry is Monopolistic Competition. There are many establishments already in this industry, which are forecast to have a volume of 506,230 by the end of 2028. Besides, the hospitality services or products are differentiated, varying from budget to luxury and assorted styles. The hospitality industry is capital intensive, especially for the large-scale entrance, upfront investment in buildings, decorations, furnishings, ICT infrastructure, and staff could



be large-scale expenses. And the new entrants who want to operate their properties in large tourist destinations will find out that the property prices are high. The investment in buildings and fixed costs are much harder to afford. However, entry barriers are moderate. It is still possible to enter the industry in a low-key manner by opening a small, independent hotel as a sole proprietor. Normally, players in this industry would have fierce non-price competition through advertising and product differentiation to promote their brands.

## INVESTING ACTIVITY

Resort and leisure-heavy markets are now witnessing demand plateau. In contrast, **urban hotel markets have seen a notable surge in demand**. Investor interest is likely to focus on London, New York, San Francisco, and Tokyo **as the performance of the urban hotel markets is predicted to grow significantly during 2025**. **Hotel investment in 2024 exhibits regional disparities**, with hotel investment volume in EMEA and APAC increasing 36% and 15%, while the Americas declining 15%. (Figure 33) **In 2025, hotel owners will face increasing profitability pressures, primarily because of rising costs. Especially as loans mature and owners face rising capex requirements, this situation is expected to significantly boost investment transaction activity**. Private equity firms, high-net-worth individuals, foreign investors, and select real estate investment trusts (REITs) are likely to be the most **active buyers, focusing on hotel assets in high-barrier-to-entry markets such as major urban centres**. Meanwhile, **constrained by high construction costs, the slowdown in hotel supply growth will further fuel merger and acquisition (M&A) activity, with brand focusing value-added platforms and asset portfolios**, leveraging strategic acquisitions to expand room inventory and enhance shareholder value. In 2025, JLL expects global hotel investment activity to gain momentum, likely outpacing 2024 by 15% to 25%. **Incomparable luxury hotels as well as select-service and extended-stay hotels will continue to attract market interest** due to the growth of global wealth and the increasing convergence of travel and lifestyle in 2025. (JLL, 2025)

## GLOBAL HOTEL INDUSTRY TREND

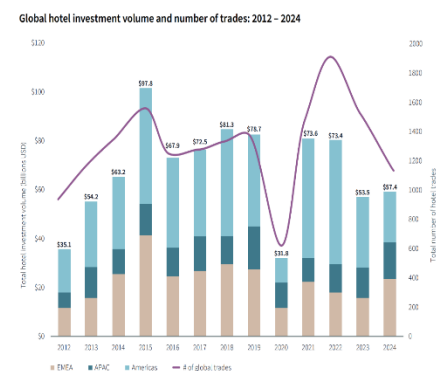
### GOING GREEN UNDER PRESSURE

In order to satisfy environmentally conscious travellers and meet regulatory requirements, hotels are increasingly adopting sustainable practices, including but not limit to eco-friendly designs, energy-efficient systems, various technological upgrades (smart thermostats, LED lighting, water-saving devices etc.) as well as plenty of initiatives focusing on low-carbon transition, waste reduction, plastic phaseout, sourcing locally produced food.

### TRANSITION TO EXPERIENCE-DRIVEN SPENDING

After Pandemic, guests are increasingly seeking unique and immersive experiences, and are more willing to pay for experience rather than physical products. The global hotel industry also at the centre of the Experience Economy, shifts its focus from product-centric consumption to experience-driven spending. Hotels are responding by offering local cultural activities, adventure tourism packages, and personalized experiences, linking their guests to local culture and environment. **Lifestyle hotels were pioneers in this trend**, generating a higher percentage of non-room revenue

**Figure 33 Global Hotel Investment Volume & Number of Trades :2012-2024**



Source: JLL

(F&B, SPA, retail etc.). Based on JLL research, lifestyle hotels will capture 18% of global new room supply in 2025, an increase of 10% compared to their share in 2000. (Figure 34) When lifestyle hotels have a rise, **branded residences run by hotel groups will become even more prevalent**. The branded residences sector would be assumed to more than double in size by 2030, with nearly 800 new branded residential projects to open globally. Hotel brands would dominate this sector by leveraging their robust loyalty members, capturing 80% of all branded residential projects globally. Growth would be seen strongest in APAC then the Middle East, driven by luxury brands such as Four Seasons, Ritz-Carlton etc. Additionally, **long-term hotel-style offerings, including serviced apartments, extended-stay hotels, co-living spaces, and other alternative lodging options are also set to boom**. (JLL, 2025)

## TECHNOLOGY AND INNOVATION

The hotel industry is experiencing a major technological transformation and the adoption of artificial intelligence (AI) as well as automation technologies are significantly improving both guest experiences and operational efficiency. Disclosed by Deloitte, most organizations are investing in digital transformation across their business to gain efficiency and reduce costs, including investing in data analytics (75%), digital services and products (70%), and enabling the future of work capabilities (67%) (Figure 35). (Deloitte, 2025)

Hotels have been using various forms of AI for years, particularly in revenue management to help optimize their pricing (e.g., IDEaS and Duetto using predictive modelling to analyse historical data and forecast future demand). Besides, AI could also have a significant influence in energy management, predictive and preventive maintenance, labour scheduling, travel planning & booking. Additionally, AI could assist them in achieving personalization and customization much easier. According to Bismart, different regions have different focuses on technology adoption. Hotels in North America are at the forefront of adopting advanced technologies, particularly focusing on AI-driven personalization and IoT devices for smart room controls. In Europe, hotels are increasingly taking advantage of smart hotel rooms, mobile check-ins, and AI-powered concierge services to improve the overall guest experience. The hospitality sector in the Asia-Pacific region is evolving rapidly in terms of technology. Countries such as China and Japan are at the forefront, utilizing robotics for guest services, and implementing IoT solutions for energy management and security. (Bismart, 2024)

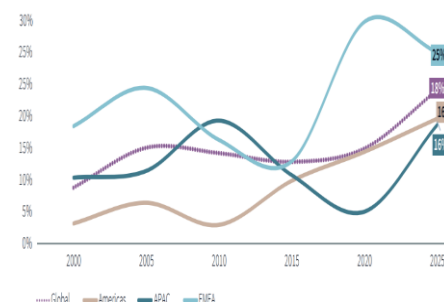
## COMPETITIVE POSITION

### PEER IDENTIFICATION

A total of 40 companies were selected through the combination use of multiple platforms including Bloomberg, EIKON, Orbis, Barrons, and Value-Investing. To enhance valuation accuracy and precisely identify comparable competitors, this research implemented the **Sum of Absolute Rank Differences (SARD) methodology**. This approach ranked the 40 companies based on five key financial metrics: **Return on Equity (ROE)** representing profitability, **Net Debt/EBIT ratio** as a risk indicator, **Revenue Growth** reflecting growth potential, **EBIT Margin** representing operational efficiency, and **Market Capitalization** as a size proxy. Each company was evaluated relative to others through SARD scoring, with lower scores

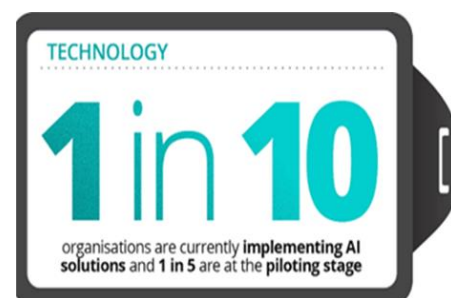
**Figure 34 Global Share of Lifestyle Hotel Rooms in New Hotel Openings**

Global share of lifestyle hotel rooms in new hotel openings



Source: JLL

**Figure 35 Implementation of AI in Hotel Industry**



Source: Deloitte

**Table 13 Peers of HSH**

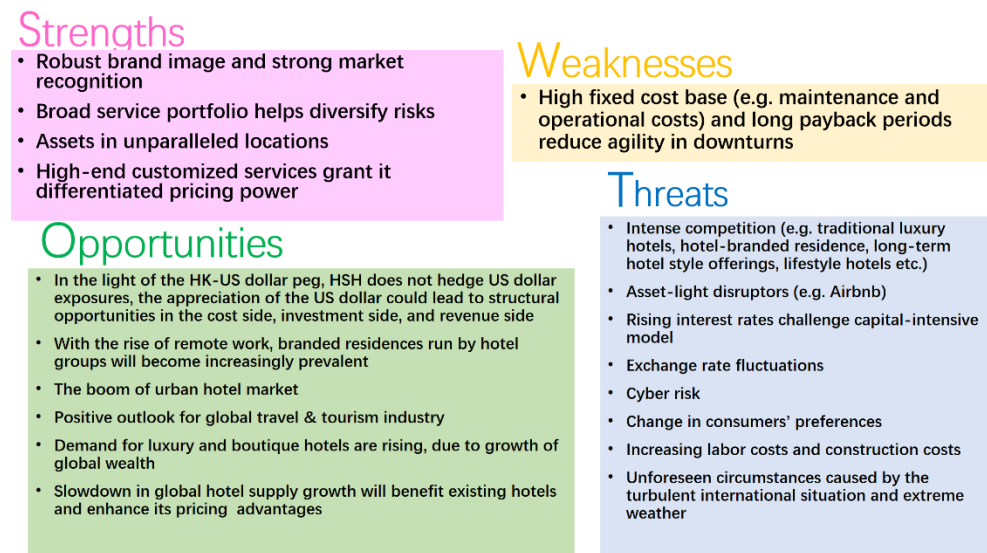
Company	SARD	SARD Rank	Peer?
Hongkong & Shanghai Hotels Ltd	0	1	
Hilton Worldwide Holdings Inc	0	1	✓
Playa Hotels & Resorts	1	3	✓
Formosa International Hotels Corp	2	4	✓
Miramar Hotel & Investment	3	5	✓
Lemon Tree Hotels Ltd	6	6	✓
InterContinental Hotels Group PLC	6	6	✓

Source: Author Analysis

indicating higher comparability. In the end, this systematic ranking process indicated that **HSH's peer group were:** Miramar Hotel & Investment, Hilton Worldwide Holdings Inc, Formosa International Hotels Corp, Playa Hotels & Resorts, Lemon Tree Hotels Ltd, InterContinental Hotels Group PLC. (Table 13)

## SWOT ANALYSIS

Figure 36 SWOT Analysis



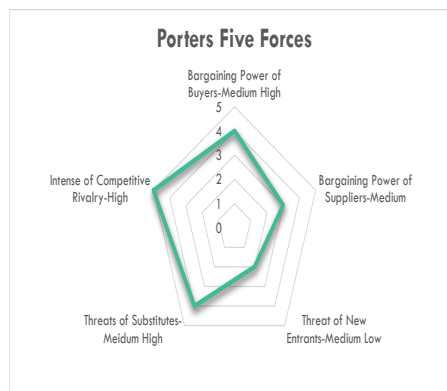
Source: Author Analysis

## PORTERS FIVE FORCES

### BARGAINING POWER OF BUYERS-MEDIUM HIGH

The hospitality industry has various types of buyers and normally could be divided into three categories, including individual travellers, corporate customers and travel agencies. Different types of buyers have different bargaining power. Among them, **corporate customers and travel agencies tend to have higher bargaining power than individual travellers**, because they can get more discounts and favourable terms through bulk bookings and contract negotiations, whereas individual travellers buy in small quantities, resulting in less bargaining power. However, the industry consists of many individual travellers, **when the overall number of travellers declines, buyer power strengthens**. In addition, there is **difference in buyer bargaining power between luxury hotels and other hotels**. Generally speaking, except for the premium market, buyers are price sensitive. Numerous online hotel search platforms (e.g., Booking, Agoda, Tripadvisor, Trivago, Kayak, Trip etc.) enhance people price awareness and affect consumers' choices due to other customers feedback and the cancellation or refund policies. Besides, most of the hotels except luxury hotels offer barely different rooms and similar basic services, being regarded as interchangeable and easy to switch as long as the price or availability allows. (Figure 38)

Figure 37 Porters Five Forces



Source: Author Analysis

Figure 38 Bargaining Power of Buyers



Source: Author Analysis

## BARGAINING POWER OF SUPPLIERS-MEDIUM

The bargaining power of suppliers varies across segments and remains moderate. Suppliers of hotels industry include but are not limited to Property Owners, Food & Beverage Vendors, Utility & Maintenance Providers, Labour Suppliers, and Information & Computer Technology (ICT) Manufacturers. Since the hotel industry is labour-intensive, staff shortages in the hospitality industry have become increasingly acute in 2023 and the labour costs are increasing, **strengthening the labour suppliers bargaining power**. Due to the workforce scarcity and increasing labour costs, the demand for technology development in efficiency optimization and automation becomes urgent. Therefore, **technological suppliers also gain its bargaining power in such situation**. But for the hotel such as HSH and Marriott who have developed self-owned technology team could weaken suppliers bargaining power in the technology industry. Generally speaking, **suppliers controlling critical technologies or unique resources exert strong influence**, such as large suppliers in specialized areas luxury interior design or high-end architecture. In contrast, if the hotels can find alternatives and manage by themselves, the products and the services offered by the suppliers are replaceable, the suppliers bargaining power are weak. (Figure 39)

## THREAT OF NEW ENTRANTS-MEDIUM LOW

The hotel industry is capital-intensive, especially for chain brands or high-end market players requiring majority investments in properties, infrastructure and technology. **High initial investment poses a barrier to new entrants**. Besides, the hotel giants such as Marriott, Hilton, benefit from brand recognition. Since **customer loyalty has already linked to these established brands**, new entrants might find it **challenging to surpass those established hotel giants in the short term** and capture this portion of the benefits. In addition, **large-scale market players, also achieve synergies** from franchise models and strategic alliances, gaining significant advantages in cost reduction, improved efficiency therefore enhancing market competitiveness. It is also **difficult for new entrants to obtain ISO accreditation** (International Organization for Standardization) **and comply with various national regulations** in areas such as food safety and information security. However, **the boom of the online hotel booking platform provides great opportunity for new entrants** to reach wider audience without spending too much on marketing, which lowered entry barriers for new players. And **the recovery of the global tourism industry and airlines would attract new entrants** to the industry. In some specific regions, new players could also attract clients through providing unique experiences with competitive prices. (Figure 40)

## THREAT OF SUBSTITUTES-MEDIUM HIGH

There are many options such as **short-term rentals, long-term hotel style offerings, hotel branded residences, or other emerging accommodation that cater to specific needs**, including capsule hotels, cruise stays, camping, recreational Vehicle travel, lifestyle hotel. Short-term rental platforms like Airbnb and the increasing supply of private establishments pose a threat to hotel chains. These kinds of home-sharing companies have become a key distribution channel for smaller hotels by offering more control over inventory and lower fees than other channels. **However, high-end hotels are hard to be replaced** due to their unparalleled location, exclusive access to top-tier design resources, use of rare

Figure 39 Bargaining Power of Suppliers



Source: Author Analysis

Figure 40 Threat of New Entrants



Source: Author Analysis

Figure 41 Threat of Substitutes



Source: Author Analysis



materials, social value, exceptional services and unique guest experiences. (Figure 41)

#### INTENSE OF COMPETITIVE RIVALRY- HIGH

**The hospitality industry is dominated by large international players who compete intensely for a share of the industry among themselves and with numerous smaller independent players which intensify the rivalry.** The global industry includes several large hotel operators, such as Wyndham Hotels & Resorts, Choice Hotels, Marriot, Shanghai Jin Jiang International Hotels, InterContinental Hotels Group, and Hilton, with most of the leading players operating several branded chains. **The US, the Asia-Pacific region tends to be more populated by large-scale brands. However, countries in Europe, small and medium sized players account for the largest share of this industry. Europe is the most competitive industry in the world due to the prevalence of small players,** encouraging a price competitive environment. In contrast, foreign tourism demand in the Asia-Pacific region is characterized by a strive for quality rather than price. After the outbreak of COVID-19, numerous small-scale hotel brands are joining big hotel chains. Independents are being acquired by large hotel companies or joining them as affiliates to benefit from their marketing power and customer loyalty schemes. Therefore, the market shares of independent hotels are decreasing and the rivalry between market leaders is increasing. (Figure 42)

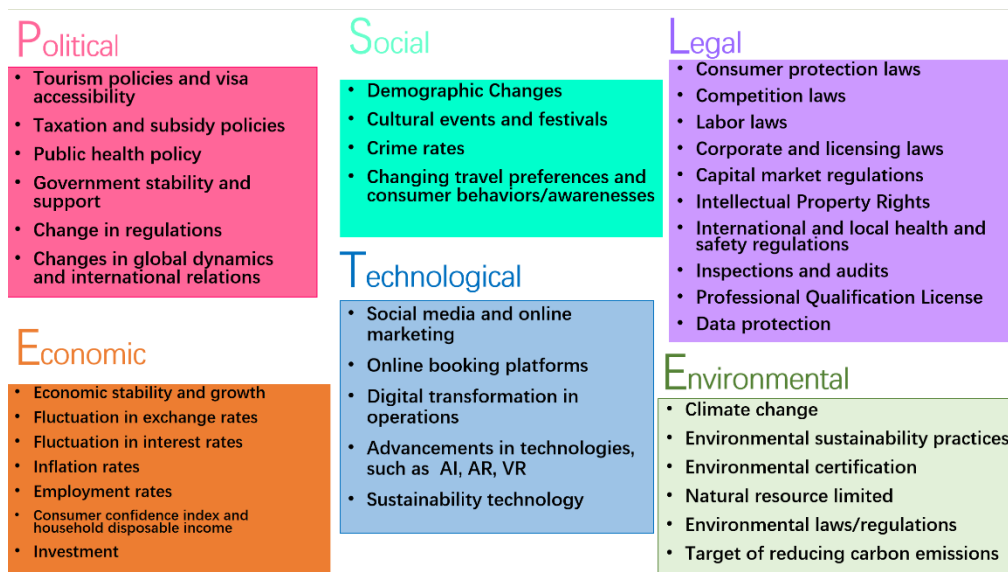
Figure 42 Intense of Competitive Rivalry



Source: Author Analysis

#### PESTEL ANALYSIS

Figure 43 PESTEL Analysis



Source: Author Analysis

#### 5.INVESTMENT SUMMARY

HSH has a SELL recommendation with a 2026YE PT of 4.71 HKD/Sh., using a WACC method, implying an annualized -11% downside potential against the closing price of 5.61 HKD/Sh. as of June 27th, 2025, with high risk.

## Valuation Methods

The Price Target (PT) values computed through the absolute methods WACC method (Unlevered Free Cash Flow, UFCF) is 4.71 HKD/Sh. As a supplement, the PT calculated using FCFE method is 3.45 HKD/Share, and the PT calculated using DDM method is 0.47 HKD/Share. All of them implied the downside potential and suggested a SELL recommendation. HSH is significantly affected by economic cycles and fluctuations in the tourism industry (pandemics and geopolitical events), which leads to unstable profits and cash flows, making dividend payments unpredictable. DDM relies on stable and predictable future dividends, but HSH's dividend policy may undergo substantial adjustments due to external shocks. Historically, HSH has shown considerable volatility in dividend payments, including suspensions or reductions, making the key DDM assumption of perpetual dividend growth difficult to justify. Therefore, DDM is not the proper valuation method for HSH.

Regarding the PT achieved through the relative methods, The Price to Book Value (P/B) method, The Enterprise Value to Earnings Before Interest, Taxes, Depreciation, and Amortization method (EV/EBITDA) method, got the PT value of HKD 4.49 per share, HKD 5.14 per share. Both of them implied SELL recommendation.

Overall, the comprehensive range of the PT falls into the range between HKD 3.84 and HKD 5.29, implying a SELL recommendation. (Figure 44) Combined with the PT value of HKD 4.71 per share computed through the WACC method, implying a downside potential of 16% (with IRR -11%), this research arrived the SELL recommendation.

## Investment Risks

HSH's investment risks are primarily driven by the combined effect of its high-leverage, asset-heavy business model and external environmental uncertainties. In a word, **HSH investment risks stem from the core risk of the capital-intensive model**: 1) its core business revenue is vulnerable to external shocks, high fixed cost base and asset depreciation exacerbate profit squeeze in downturn; 2) major capital expenditure projects push up debt level, rising interest rates trigger liquidity and solvency risks. **Key areas of concern include**:

**Performance of newly opened hotel projects**, such as The Peninsula London and The Peninsula Istanbul, as well as the sale progress of the remaining Peninsula London Residences, which are critical for supporting cash flow. These factors will also impact the group's ability to reduce net debt and, in turn, lower interest expense.

**Interest rate and exchange rate fluctuations**, which could adversely affect HSH's liquidity and solvency, especially given its international exposure and foreign currency liabilities.

**Ongoing external uncertainties**, such as geopolitical tensions, global economic volatility, and public health risks, which may continue to erode profitability through reduced travel demand and operational disruptions.

Figure 44 PT Ranges by Different Methods



Source: Author Analysis

## 6. VALUATION

### WACC METHOD

HSH's valuation was conducted through a two-stage discounted cash flow (DCF) model, leading to a projected share price for 2026YE PT of 4.71 HKD/Sh. Compared to the closing share price of HKD 5.61 as of June 27th, 2025, this suggests a 16% downside potential (with IRR -11%). (Table 14) The Discount rate is determined using the Weighted Average Cost of Capital (WACC) and the WACC corresponding to each forecast period might be different due to the capital structure. However, in this analysis assumed that the company's future capital structure would remain relatively stable, with the debt ratio maintained at a consistent 60% level, therefore the target WACC for the terminal period is 7.2%. And the WACC obtained for the forecasted period is using the Market Values Moving Backwards method.

### FREE CASH FLOW TO EQUITY

As a complement method, FCFF arrived an PT of 3.45 HKD/Sh., implying a downside potential of 39% (with IRR -28%) against the closing share price of 5.61 HKD/Sh. as of June 27th, 2025. (Table 15)

### DISCOUNT DIVIDEND MODEL

The dividend policy of HSH is linked to the company's underlying profit, as well as additional commercial factors, such as the current and future cash flows; the level of borrowings, gearing and the cost of financing; requirements for planned investments, acquisitions, and divestments; the macro environment and the business outlook. **However, based on the provided financial figures, the Dividend Discount Model (DDM) may not be an appropriate method for valuing The Hongkong and Shanghai Hotels (45HK).** According to historical data, HSH maintained relatively stable dividends from 2015 to 2019, but suspended dividend payments during 2020 to 2022 due to losses. Although dividends resumed in 2023 at HKD 0.08 per share, the company returned to a loss in 2024, making future dividend forecasts highly uncertain. In this case, we assumed HSH in the short term would pay no dividend from 2025 to 2027 because its Net Income for these three years are negative and then would resume paying dividend in 2028 at HKD 0.01 per share, HKD 0.04 per share in 2029 and HKD 0.06 per share in 2030, maintaining 30% dividend payout ratio. To augment the comprehensive valuation analysis, the two-stage dividend discount model (DDM) derived a YE2026 PT of HKD 0.47 per share, with cost of equity at 12.6%. (Table 16)

### RELATIVE VALUATION METHOD

The valuation of the target asset (e.g. equity value or enterprise value of HSH) is based on the current market performance of a previously-defined peer group, which serves as the benchmark to price HSH. To enhance the accuracy of the analysis, we focus on the six companies that occupy the top six spots in the SARD ranking, including companies with equal rankings. Therefore, the comparable companies are: Miramar Hotel & Investment, Hilton Worldwide Holdings Inc, Formosa International Hotels Corp, Playa Hotels & Resorts, Lemon Tree Hotels Ltd, InterContinental Hotels Group PLC. As a result, the **peer average P/B** range between 0.19x and 0.23x resulted in a 2026 YE PT range between 4.04 HKD/Sh. and 4.94 HKD/Sh. In addition,

Table 14 PT Obtained by the WACC Method

WACC Method	
Target D/V	60%
Pre-Tax Rd	4.3%
Marginal Income Tax	16.5%
Re	12.6%
Target WACC	7.2%
Equity Value	7,852
Share issued	1,667
Price per Share	4.71
Current Stock Price	5.61
Downside Potential	-16.0%
IRR	-11.0%

Source: Author Analysis

Table 15 PT Obtained by FCFE Method

DCF(FCFE) Method	
Re	12.6%
g	1.5%
Terminal Value	8,466
PV of Terminal Value	5,259
PV of FCFE	486
Equity Value	5,745
Share issued	1,667
Price per Share	3.45
Current Stock Price	5.61
Downside Potential	-39%
IRR	-28%

Source: Author Analysis

Table 16 PT Obtained by DDM

Dividend Discount Method	
Price per Share	0.47
Current Stock Price	5.61
Downside Potential	-92%
IRR	-81%

Source: Author Analysis

the **peer average EV/EBITDA** range between 10.8x and 13.2x resulted in a PT range between 3.75 HKD/Sh. and 6.54 HKD/Sh. (Table 17)

Table 17 PTs from Relative Valuation Methods

Valuation Method	PT for2026YE	Floor	Ceiling	Downside Potential	IRR
P/B method	4.49	4.04	4.94	-20%	-14%
EV/EBITDA method	5.14	3.75	6.54	-8.3%	-5.6%

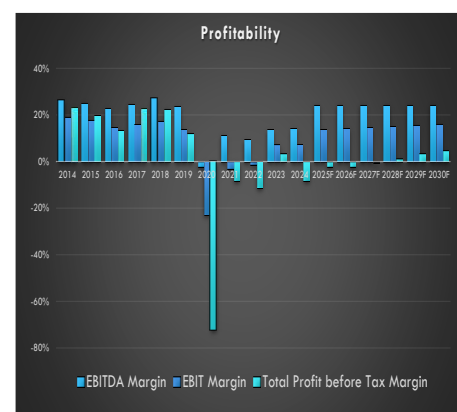
Source: Author Analysis

## 7. FINANCIAL ANALYSIS

### PROFITABILITY

**A comparison of EBIT Margin and Total Profit before Tax margin reveals that HSH's capital intensive owner-operator model amplifies the volatility of economic cycles.** During up-cycles, asset appreciation leads to greater profitability, with Total profit before tax margins higher than EBIT margins most of the time, due to gains from increased fair value of investment properties. In contrast, in the downturn, the decline in operating income combined with asset depreciation, and other high fixed expenditure inherent to capital intensive model (depreciation, financing cost etc.) further squeeze profits and can lead to a huge loss, a phenomenon that was particularly pronounced in 2020, during the pandemic period, (EBITDA margin -2%; EBIT margin -23%, Total Profit before Tax margin -72%). Because of the unpredictability of the economic environment, we maintain a conservative view in our assumption that the change in fair value of the Investment Properties in the following years will be the same as the value in FY 2024 (-HK\$ 569Mn), resulting in a more gradual recovery of the total value of Total profit before tax margin which will still not be able to recover to the pre-pandemic (2019) level within the next five years. However, we assumed EBIT Margin Ratio would gradually increase to the Pre-Pandemic level, as the newly opened Peninsula Hotels are put into regular operation and the Group has no plans for large-scale expansion in the following 5 years, depreciation rate would be stable at around 3%, the revenue of the Group's main business will gradually increase and stabilize. (Figure 45)

Figure 45 Comparison of Profitability Ratios

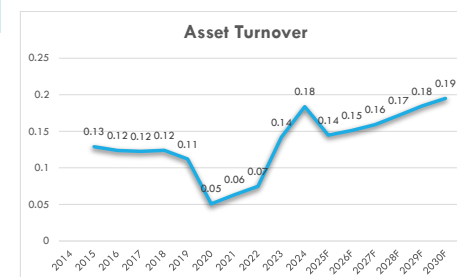


Source: Author Analysis

### EFFICIENCY

**Total asset turnover ratio for HSH during FY 2015-2019 is approximately 0.12 and it remains low (0.18 in FY 2024), consistent with HSH's asset-heavy model.** In our forecast, HSH' asset turnover in 2025 will fall moderately to 0.14 as the pace of sales of London Peninsula residential apartment slows somewhat, and then it would gradually increase as subsequent optimization of asset utilization, stabilization of operations and revenues growth, reaching 0.19 again by 2030. (Figure 46)

Figure 46 Asset Turnover Ratio



Source: Author Analysis

### LIQUIDITY

HSH's liquidity ratios are at low levels, with a cash ratio of only 0.09 in 2024YE, indicating significant cash flow pressure. And the decrease in long-term interest-bearing borrowings (HKD 13,410 Mn to HKD 6,001 Mn) and the sharp increase in short-term interest-bearing borrowings (HKD 2,504 Mn to HKD 7,388 Mn) compared to 2023, suggests that HSH is facing heightened short-term debt repayment pressure, signalling increase exposure to liquidity risk. Liquidity Ratio < 1 also



indicates that current assets are insufficient to fully cover short-term liabilities. As a capital-intensive enterprise, HSH faces prolonged capital expenditure cycles and poor asset liquidity. The low liquidity ratio makes the company more vulnerable to macroeconomic fluctuations (e.g., rising interest rates, declining demand), particularly when debt maturities cluster or financing costs increase, further amplifying risks. (Figure 47)

### SOLVENCY

The debt-to-asset ratio peaked at 37% in FY2023, slightly declining to 35% in FY2024, and is projected to decrease and stabilize at around 29% by FY2030, since in the following 5 years HSH aims to increase its profitability as well as reduce debt burden. The interest coverage ratio dropped to -4.1 in FY2020, showing limited ability to cover interest expenses. Although it recovered to 1.84 in FY2023, it declined again in FY2024. As revenue contributions from The Peninsula London and The Peninsula Istanbul become more stable and leverage moderates, the interest coverage ratio is expected to improve, reaching 2.61 by FY2030. However, this remains below the pre-pandemic level of 5.20 (FY2019). A high debt level combined with a slow recovery in interest coverage suggests that if profitability falls short of expectations, solvency pressure may persist. (Figure 48)

## 8.INVESTMENT RISKS

### RISK IDENTIFICATION AND CHARACTERIZATION

Table 18 Risk Table

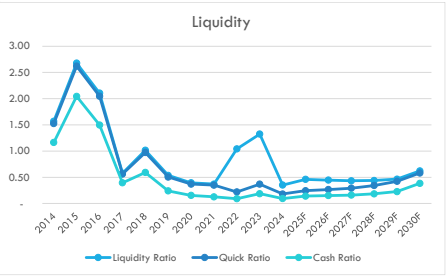
Risk Type	Specific Risk	Likelihood	Impact	Level
Financial Risk	Liquidity and solvency pressure from Peninsula London&Istanbul projects(FR1)	Medium-High	High	Critical
Market Risk	FX exposure from operations in multiple currencies(e.g. TRY depreciation)(MR1)	High	Low-Medium	Moderate
Market Risk	Interest rate fluctuations despite easing expectations(MR2)	High	Medium-High	Critical
Market Risk	Outflow of Hong Kong local consumption to Shenzhen and other GBA cities, reducing demand and rental pricing power(MR3)	Medium-High	Medium-High	Moderate-High
Market Risk	Softer outlook for mid-, high-end, and luxury retail markets affecting retail tenants' stability and renewal rates(MR4)	Medium-High	Medium-High	Moderate-High
Operational Risk	Labour shortages and wage inflation(OR1)	Medium	Medium	Moderate
Operational Risk	Cybersecurity vulnerabilities(OR2)	Low-Medium	High	Moderate
Strategic Risk	Business Dependency(SR1)	Medium	Medium	Moderate
External Risk	Climate change and regulatory pressure(ER1)	Medium	High	High
External Risk	Global political/economic instability impacting international travel and real estate investment sentiment(ER2)	Medium	High	High
External Risk	Increasing competition from regional or global hotel brands in luxury segment(ER3)	High	Medium	High

Source: Author Analysis

### OPERATIONAL RISKS

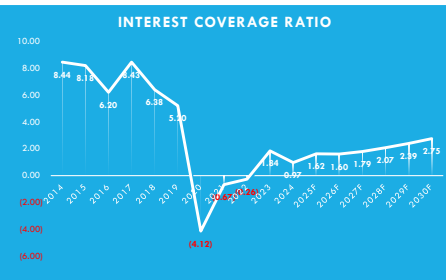
**Labour Shortage and Wage Inflation (OR1):** labour shortage in the hospitality industry and wage inflation remains as long-term principal risk worldwide which

Figure 47 Liquidity Ratio



Source: Author Analysis

Figure 48 Interest Coverage Ratio



Source: Author Analysis

might not only increase operational costs (staff costs and related expenses) but also indirectly impact revenue by compromising service quality, efficiency and customer experience, as reflected in key performance indicators such as occupancy rate and RevPAR.

**Cyber Security (OR2):** Failure of information technology services due to internal or external circumstances may result in financial loss, business disruption, and damage to reputation. For instance, paralysis of booking and check-in systems may lead to a surge in cancellation rates and a sharp short-term decline in occupancy rates. Data breaches could trigger customer complaints, erode customer satisfaction, and damage brand reputation, potentially escalating legal and compliance costs. Payment system disruptions reduce transaction efficiency, prolonging the average checkout time. Additionally, post-attack system maintenance and recovery efforts often incur additional operational costs etc.

STRATEGIC RISKS

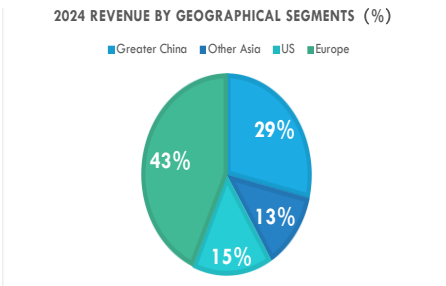
**Business Dependency (SR1):** A significant portion of the group earnings has historically been contributed by their operations in Hong Kong. Such business dependency implies that the economic and political trajectory of the city would have a crucial impact on the business, earnings and asset values. To manage this risk, HSH have implemented and begun to explore alternative revenue streams outside of Hong Kong. This includes the opening of The Peninsula London and The Peninsula Istanbul. The sale of the Peninsula London residences (belong to the Peninsula London Project) made Europe Segment the largest revenue contributor in 2024. (Figure 49)

MARKET RISKS

**Retail, Commercial and Residential Leasing Business (MR3&4):** The recovery of HSH’s residential leasing business has been slow. The outflow of local consumption from Hong Kong to Shenzhen and other Greater Bay Area cities is exerting pressure on Hongkong retail tenants. This shift is weakening market demand and limiting rental pricing power. As a result, new lease agreements may require discounts, and the average rental growth rate is expected to decelerate. Additionally, a softer outlook for mid, high end and luxury retail may impact the stability of retail tenants. This may lead to tenant exits or requests for rent reductions, ultimately lowering the retail tenant renewal rate. For instance, this might pose a risk to occupancy rates at Peninsula Arcades within its Peninsula Hotels, potentially impacting rental revenue. In response, HSH has plans to intensify marketing efforts to attract prospective tenants. However, these initiatives are likely to increase promotional expenses, adding to the Group’s operating costs.

**Foreign Exchange and Interest Rates (MR1):** As a multinational corporation, The Hongkong and Shanghai Hotels (HSH) benefits from diversified revenue streams in various currencies such as RMB, EUR, GBP and USD etc. However, its cost base remains largely localized in HKD. Exchange rate fluctuations, particularly involving the HKD, can therefore impact reported earnings. Moreover, depreciation of emerging market currencies—such as the Turkish lira—may erode profitability and pose additional foreign exchange risk. While there is a general market expectation of declining interest rates in the coming year for USD, HKD, and GBP, HSH must remain cautious about its liquidity and solvency risks due to its elevated debt levels

Figure 49 2024 Revenue by Geographical Segments (%)



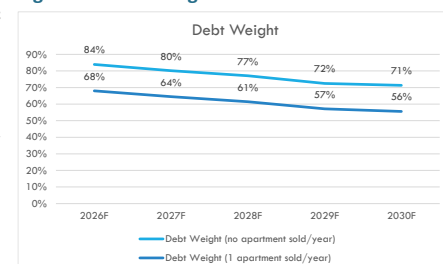
Source: Author Analysis

in recent years. Interest rate fluctuations could still exert financial pressure on the Group.

## FINANCIAL RISKS

**Liquidity and Solvency Pressure (FR1):** Operating performance remains challenging across key markets including London and Istanbul. The operations of The Peninsula London and The Peninsula Istanbul remain as expected in the ramp up phases since opening in 2023. Especially The Peninsula Istanbul still under geopolitical tensions, currency volatility and inflationary pressures. The Peninsula London project final accounts process is still somewhat uncertain and the current political and economic environment also presents a certain element of risk to the sale of the remaining Peninsula London residences. These sales are important in reducing HSH net debt and consequence interest expense cost. (Figure 50) HSH's investment risks are primarily concentrated in its asset-heavy business model and increasing debt level. Given the substantial capital outlay for the Peninsula London and Peninsula Istanbul projects, any underperformance in hotel occupancy rates or residential apartment sales could significantly affect the Group's overall returns and debt repayment capacity, posing considerable investment risks.

Figure 50 Debt Weight in Different Situations



Source: Author Analysis

## ENVIRONMENTAL, SOCIAL, POLITICAL RISKS (EXTERNAL RISKS)

**Climate Change (ER1):** continues to be the most challenging ESG issue that could pose physical and financial risks to the company. Potential consequences include increased insurance costs, negative impact on asset valuation, disruption of business operations and supply chains, affecting accessibility or attractiveness of a location resulting in reduced demand for products and services, additional operating costs and capital expenditure, as well as a more stringent regulatory environment.

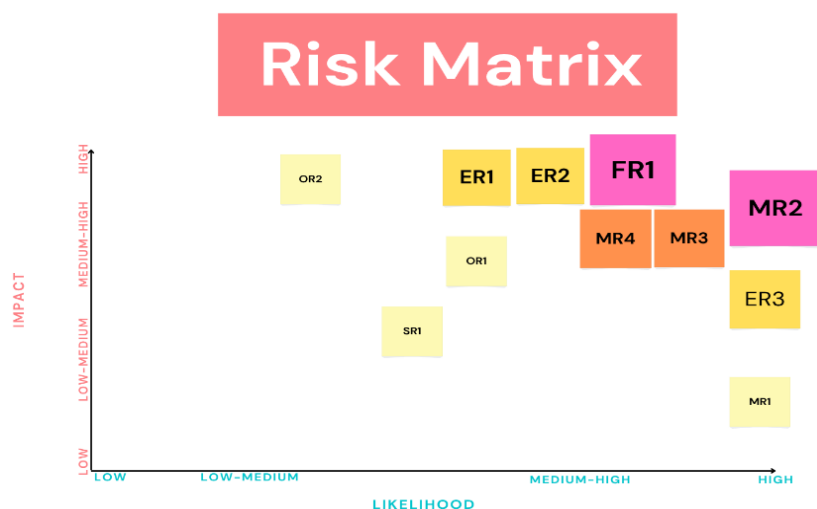
**Macroeconomic and Political Environment (ER2):** As a multinational corporation, HSH business is impacted by geopolitical dynamics. Issues such as global trade restrictions, impositions of tariffs (US government imposing additional tariffs) and instability caused by conflicts in Ukraine, and the Middle East, India–Pakistan standoff, all impact the global economy and may affect HSH supply chain as well as travel patterns. Consumer spending slowdown and stagflation expectations could also negatively impact the revenue and operations of HSH's properties.

**Competitions (ER3):** After the pandemic period, significant increases in average daily rates and occupancy rate are witnessed. However, it has been challenging to realize the desired gains in revenue due to the competitive nature of the markets that HSH operate in, as competing hotels, including new hotels and those recently renovated competitors are chasing after the same business segments. In some markets the ability to drive further revenue has been impacted by the availability of staff to serve the guests.

## RISK ASSESSMENT

### RISK MATRIX

Figure 51 Risk Matrix



Source: Author Analysis

### SENSITIVITY ANALYSIS

#### Sustainable Growth Rate and WACC

The base assumption considers a sustainable growth rate of 1.5%. Each increase of 25 bps of this variable, leads to an increase of HKD 0.38-0.75 per share and each decrease of 25 bps of this variable leads to a decrease of HKD 0.30-0.55 per share. The other variable, Target WACC assumes the value of 7.21% in the base case, and each increase of 25 bps leads to a decrease of HKD 0.26-0.47 per share and each decrease of 25 bps leads to an increase of HKD 0.33-0.64 per share. (Table 19)

Table 19 WACC and Sustainable Growth Rate Sensitivity Analysis

WACC and Sustainable Growth Rate SENSITIVITY ANALYSIS								
Sustainable Growth Rate	WACC							
	4.71	6.5%	6.7%	7.0%	7.2%	7.5%	7.7%	8.0%
	0.75%	4.64	4.24	3.88	3.55	3.25	2.96	2.70
	1.0%	5.09	4.66	4.27	3.91	3.57	3.27	2.98
	1.3%	5.58	5.11	4.68	4.29	3.93	3.59	3.29
	1.5%	6.13	5.61	5.14	4.71	4.31	3.95	3.61
	1.8%	6.73	6.16	5.63	5.16	4.73	4.33	3.97
	2.0%	7.41	6.76	6.18	5.66	5.19	4.75	4.36
	2.3%	8.16	7.44	6.79	6.21	5.69	5.21	4.78

Source: Author Analysis

#### Occupancy Rate and Average Daily Rate

The change of Occupancy rate and ADR would affect the price target. If HSH has more strong pricing power and able to increase its ADR, and couple with the positive impact of external events (such as FIFA World Cup and the 2028 Summer Olympics) on hotel occupancy rate, its share price could potentially reach at 6.00 HKD/Sh., when its occupancy rate at 58% and ADR at HKD 8,750. However, if occupancy

remains low, an increase in ADR would offer limited upside to the stock price. (Table 20)

Table 20 PT Sensitivity Analysis

Price of Target(PT) Sensitivity Analysis								
A D R	Occupancy Rate							
	4.71	18%	28%	38%	48%	58%	68%	78%
	2,750	2.31	2.53	2.75	2.98	3.20	3.42	3.64
	4,250	2.52	2.86	3.21	3.55	3.90	4.24	4.59
	5,750	2.73	3.20	3.67	4.13	4.60	5.06	5.53
	7,250	2.95	3.53	4.12	4.71	5.30	5.89	6.48
	8,750	3.16	3.87	4.58	5.29	6.00	6.71	7.42
	10,250	3.37	4.20	5.04	5.87	6.70	7.53	8.37
	11,750	3.59	4.54	5.49	6.45	7.40	8.36	9.3

Source: Author Analysis

## MONTE CARLO SIMULATION

To complete the risk assessment, a 10000-trial Monte Carlo Simulation was performed, focusing simultaneously changes in both the WACC and Sustainable Growth Rate.

Based on the simulation results, it reached a median value of HKD 4.49 per share and a mean value of HKD 3.86 per share, implying a downside potential of -20%, suggesting a SELL& REDUCE recommendation with probability of 76%. However, Monte Carlo Simulation also indicated an 18% probability of a BUY & STRONG BUY recommendation. (Table 21) (Figure 52)

## SCENARIO ANALYSIS

### Bear Case

To test the sensitivity of the HSH PT to the sale of the Peninsula London residential apartment, a bear case scenario was assumed in which HSH was unable to sell any of the remaining seven apartments. In the base scenario, HSH was assumed to be able to sell at least one apartment per year. Therefore, EBIT in the bear case scenario each year would be smaller than in the base scenario and would amount to approximately the proceeds from the sale of a residential apartment, expected to be HKD 338 Mn. Comparing to the base scenario, the smaller EBIT in the DCF model of UFCF would lead to the increasing Debt ratio, deriving 2026YE PT of 2.07 HKD/Sh. Eace decrease of 338Mn would lead to the PT decrease about HKD 0.13 per share. (Table 22)

Table 22 PT Sensitivity of EBIT in Bear Case

Price of Target (PT) Sensitivity Analysis								
P T	Change in EBIT							
	106	444	782	1120	1458	1796	2134	
2.07	1.67	1.80	1.94	2.07	2.20	2.33	2.46	

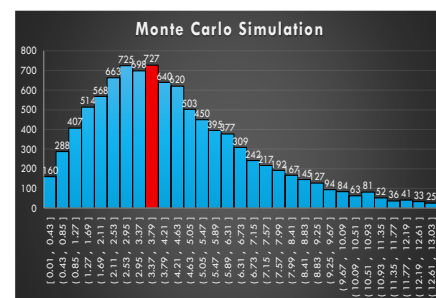
Source: Author Analysis

Table 21 Monte Carlo Simulation Statistics

Indicator	Amount
Trials	10000
Base Case(WACC method)	4.71
Median	3.86
Mean	4.49
Strong buy	11%
Buy	7%
Hold	6%
Reduce	69%
Sell	7%
Downside Potential	-20%

Source: Author Analysis

Figure 52 Monte Carlo Simulation



Source: Author Analysis

## Bull Case

Recently, the Hong Kong Interbank Offered Rate (HIBOR) sharply fell from 4.07% to below 1%, a decline of approximately 3% to 3.5%. JPMorgan points out that lower HIBOR helps reducing the cost of financing. Each 100bps reduction in HIBOR brings about 5% growth earnings. (AASSTOCKS, 2025) In the Bull Case, we assumed 3.5% decline of HIBOR would bring 17.5% increase in EBIT, therefore 2026YE PT of 6.82 HKD/Sh. is achieved. On the other hand, we ignore the change in EBIT and pay attention to the short-term interest rate aspects. In this case, we assume the decline of HIBOR would reduce HSH short-term borrowing costs, resulting in a decrease in its after-tax cost of debt (from 3.6% to 2.3%). Concurrently, the lower HIBOR may contribute to the decrease of cost of equity, estimated to be around 3.5% lower than the base scenario (from 12.6% to 9.1%), therefore, with Target WACC decrease from 7.2% to 5.0%, HSH 2026YE PT of 13.9 HKD/Sh. is achieved. However, this is extremely optimistic assumption, as HIBOR will not remain below 1% for long. (Table 23)

Table 23 PTs of Bull Case Scenario

Bull Case	EBIT increase
Price Target	6.82
Current Price	5.61
Upside Potential	22%
IRR	14%
Bull Case	Rd(1-t),Re,Target WACC decrease
Price Target	13.9
Current Price	5.61
Upside Potential	148%
IRR	83%

Source: Author Analysis

## 9.APPENDICES

### Appendix 1: Ten Year Operating Statistic

Ten Year Operating Statistics	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>a) The Peninsula Hotels</b>										
<b>Greater China</b>										
Occupancy rate	70%	64%	68%	68%	60%	32%	39%	22%	53%	58%
Average room rate(HK\$)	3,358	4,155	4,062	4,322	3,788	2,739	3,330	3,418	4,258	4,257
RevPAR(HK\$)	2,350	2,666	2,765	2,919	2,277	872	1,295	742	2,243	2,448
<b>Other Asia</b>										
Occupancy rate	71%	70%	69%	76%	75%	33%	21%	43%	54%	59%
Average room rate(HK\$)	2,190	2,409	2,448	2,483	2,790	3,219	2,422	2,179	3,491	3,757
RevPAR(HK\$)	1,544	1,694	1,698	1,881	2,083	1,048	507	944	1,876	2,206
<b>United States of America</b>										
Occupancy rate	71%	75%	75%	77%	75%	33%	53%	62%	63%	65%
Average room rate(HK\$)	5,325	5,328	5,449	5,510	5,468	5,256	6,041	7,202	7,194	7,353
RevPAR(HK\$)	3,759	4,014	4,109	4,218	4,119	1,756	3,208	4,444	4,504	4,777
<b>Europe</b>										
Occupancy rate	59%	54%	51%	56%	59%	38%	28%	39%	37%	52%
Average room rate(HK\$)	8,010	7,212	8,185	8,565	7,962	7,392	9,616	12,012	13,369	12,122
RevPAR(HK\$)	4,746	3,914	4,208	4,775	4,724	2,797	2,689	4,665	4,914	6,282
<b>b) Residential</b>										
Occupancy rate	93%	91%	94%	95%	96%	89%	80%	78%	82%	92%
Average monthly yield per square foot(HK\$)	49.0	49.0	49.0	49.0	50.0	50.0	48.0	46.0	46.0	45.0
<b>c) Shopping Arcades</b>										
Occupancy rate	95%	93%	89%	87%	86%	84%	91%	92%	89%	87%
Average monthly yield per square foot(HK\$)	214	199	195	194	192	160	141	134	139	135
<b>d) Offices</b>										
Occupancy rate	99%	100%	95%	99%	98%	96%	96%	93%	87%	86%
Average monthly yield per square foot(HK\$)	55.0	56.0	58.0	63.0	64.0	68.0	65.0	64.0	64.0	66.0
<b>e) Peak Tram</b>										
Annual patronage('000)	6,359.00	6,259.00	6,179.00	6,050.00	3,159.00	1,001.00	609.00	867.00	5,966.00	6,698.00
Average fare(HK\$)	19.0	19.0	20.0	23.0	24.0	20.0	22.0	29.0	37.0	46.0
<b>f) Full Time Headcount(@31,Dec)</b>										
Hotels	6,201	6,135	6,147	6,186	6,063	4,570	4,806	5,344	6,515	6,595
Commercial Properties	363	360	359	358	356	338	323	327	334	347
Clubs and Services	1,318	993	1,052	1,088	1,079	760	737	768	846	894
Total headcount	7,882	7,488	7,558	7,632	7,498	5,668	5,866	6,439	7,695	7,836

### Appendix 2: Peninsula Hotels 2015-2024 Operating Statistics

Average room rate(HKD)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Average
<b>Greater China</b>	3,358	4,155	4,062	4,322	3,788	2,739	3,330	3,418	4,258	4,257	3,769
<b>Other Asia</b>	2,190	2,409	2,448	2,483	2,790	3,219	2,422	2,179	3,491	3,757	2,739
<b>United States of America</b>	5,325	5,328	5,449	5,510	5,468	5,256	6,041	7,202	7,194	7,353	6,013
<b>Europe</b>	8,010	7,212	8,185	8,565	7,962	7,392	9,616	12,012	13,369	12,122	9,445

Occupancy rate(%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Average
<b>Greater China</b>	70%	64%	68%	68%	60%	32%	39%	22%	53%	58%	53%
<b>Other Asia</b>	71%	70%	69%	76%	75%	33%	21%	43%	54%	59%	57%
<b>United States of America</b>	71%	75%	75%	77%	75%	33%	53%	62%	63%	65%	65%
<b>Europe</b>	59%	54%	51%	56%	59%	38%	28%	39%	37%	52%	47%

RevPar(HKD)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Average
Greater China	2,350	2,666	2,765	2,919	2,277	872	1,295	742	2,243	2,448	2,058
Other Asia	1,544	1,694	1,698	1,881	2,083	1,048	507	944	1,876	2,206	1,548
United States of America	3,759	4,014	4,109	4,218	4,119	1,756	3,208	4,444	4,504	4,777	3,891
Europe	4,746	3,914	4,208	4,775	4,724	2,797	2,689	4,665	4,914	6,282	4,371

## Appendix 3: Income Statement

Income statement											
Hongkong & Shanghai Hotels Ltd/The (45 HK)											
In Millions of HKD except Per Share											
12 Months Ending	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F	
Revenue	3,461	4,198	8,112	10,290	7,770	7,964	8,258	8,794	9,349	9,871	
Cost of Inventories	(310)	(352)	(2,435)	(3,595)	(614)	(630)	(653)	(695)	(739)	(781)	
Staff costs and related expenses	(1,562)	(1,966)	(2,462)	(2,749)	(2,869)	(2,941)	(3,049)	(3,247)	(3,452)	(3,645)	
Rent and utilities	(373)	(370)	(492)	(524)	(727)	(745)	(773)	(823)	(875)	(924)	
Other operating expenses	(822)	(1,111)	(1,625)	(1,976)	(1,677)	(1,719)	(1,782)	(1,898)	(2,018)	(2,130)	
Operating profit before interest,taxation, depreciation and amortisation(EBITDA)	394	399	1,098	1,446	1,882	1,929	2,001	2,130	2,265	2,391	
Depreciation and amortisation	(499)	(452)	(520)	(686)	(806)	(805)	(805)	(805)	(807)	(810)	
Operating profit/(loss) (EBIT)	(105)	(53.0)	578	760	1,076	1,125	1,196	1,325	1,458	1,582	
Interest income	4	6	21	28	16	9	9	9	10	10	
Financing changes	(157)	(204)	(314)	(782)	(662)	(703)	(667)	(639)	(611)	(576)	
Net financing charges	(153)	(198)	(293)	(754)	(646)	(694)	(658)	(630)	(601)	(566)	
Profit/(loss) after net financing charges	(258)	(251)	285	6	430	431	539	696	857	1,016	
Share of results of joint ventures	(4)	(54)	(166)	(92)	(49)	(48)	(42)	(31)	(20)	(10)	
Share of results of associates	(11)	(11)	(18)	(16)	16	19	23	29	34	39	
Provision for impairment	(679)	0	0	(158)	0	0	0	0	0	0	
Increase/(decrease)in fair value of investment properties	670	(152)	186	(569)	(569)	(569)	(569)	(569)	(569)	(569)	
Profit/(loss) before taxation(EBT)	(282)	(468)	287	(829)	(173)	(166)	(49)	124	302	476	
Taxation	0	0	0	0	0	0	0	0	0	0	
Current tax	(78)	(48)	(118)	(143)	0	0	0	(21)	(51)	(81)	
Deferred tax	41	31	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	
Profit/(loss) for the year(Net Income)	(319)	(485)	148	(993)	(194)	(187)	(70)	82	229	374	
Total comprehensive income attributable to:	0	0	0	0	0	0	0	0	0	0	
Shareholders of the company	(120)	(488)	146	(943)	(191)	(185)	(69)	81	226	369	
Non-controlling interests	(199)	3	2	(50)	(3)	(2)	(1)	1	3	5	

## Appendix 4: Common-Size Income Statement

Common-size Income statement											
Hongkong & Shanghai Hotels Ltd/The (45 HK)											
In Millions of HKD except Per Share											
12 Months Ending	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F	
Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Cost of Inventories	-9.0%	-8.4%	-30%	-35%	-7.9%	-7.9%	-7.9%	-7.9%	-7.9%	-7.9%	
Staff costs and related expenses	-45%	-47%	-30%	-27%	-37%	-37%	-37%	-37%	-37%	-37%	
Rent and utilities	-11%	-8.8%	-6.1%	-5.1%	-9.4%	-9.4%	-9.4%	-9.4%	-9.4%	-9.4%	
Other operating expenses	-24%	-26%	-20%	-19%	-22%	-22%	-22%	-22%	-22%	-22%	
Operating profit before interest,taxation, depreciation and amortisation(EBITDA)	11%	10%	14%	14%	24%	24%	24%	24%	24%	24%	
Depreciation and amortisation	-14%	-11%	-6.4%	-6.7%	-10%	-10%	-10%	-9.2%	-8.6%	-8.2%	
Operating profit/(loss) (EBIT)	-3.0%	-1.3%	7.1%	7.4%	14%	14%	14%	15%	16%	16%	
Interest income	0.12%	0.14%	0.26%	0.27%	0.21%	0.12%	0.11%	0.11%	0.11%	0.10%	
Financing changes	-4.5%	-4.9%	-3.9%	-7.6%	-8.5%	-8.8%	-8.1%	-7.3%	-6.5%	-5.8%	
Net financing charges	-4.4%	-4.7%	-3.6%	-7.3%	-8.3%	-8.7%	-8.0%	-7.2%	-6.4%	-5.7%	
Profit/(loss) after net financing charges	-7.5%	-6.0%	3.5%	0.1%	5.5%	5.4%	6.5%	7.9%	9.2%	10%	
Share of results of joint ventures	-0.12%	-1.3%	-2.0%	-0.89%	-0.63%	-0.60%	-0.51%	-0.36%	-0.22%	-0.10%	
Share of results of associates	-0.32%	-0.26%	-0.22%	-0.16%	0.20%	0.24%	0.28%	0.33%	0.36%	0.39%	
Provision for impairment	-20%	0.00%	0.00%	-1.5%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Increase/(decrease)in fair value of investment properties	19%	-3.6%	2.3%	-5.5%	-7.3%	-7.1%	-6.9%	-6.5%	-6.1%	-5.8%	
Profit/(loss) before taxation(EBT)	-8.1%	-11%	3.5%	-8.1%	-2.2%	-2.1%	-0.6%	1.4%	3.2%	4.8%	
Taxation											
Current tax	-2.3%	-1.1%	-1.5%	-1.4%	0.00%	0.00%	0.00%	-0.24%	-0.55%	-0.82%	
Deferred tax	1.2%	0.74%	-0.26%	-0.20%	-0.27%	-0.26%	-0.25%	-0.24%	-0.22%	-0.21%	
Profit/(loss) for the year(Net Income)	-9.2%	-12%	1.8%	-10%	-2.5%	-2.4%	-0.9%	0.9%	2.5%	3.8%	
Total comprehensive income attributable to:											
Shareholders of the company	-3.5%	-12%	1.8%	-9.2%	-2.5%	-2.3%	-0.8%	0.9%	2.4%	3.7%	
Non-controlling interests	-5.7%	0.07%	0.02%	-0.49%	-0.03%	-0.03%	-0.01%	0.01%	0.03%	0.05%	



## Appendix 5: Statement of Financial Position

Balance Sheet forecast and valuation											
Hongkong & Shanghai Hotels Ltd/The (45 HK)											
In Millions of HKD except Per Share											
12 Months Ending	2021 12/31/2021	2022 12/31/2022	2023 12/31/2023	2024 12/31/2024	2025F 12/31/2025	2026F 12/31/2026	2027F 12/31/2027	2028F 12/31/2028	2029F 12/31/2029	2030F 12/31/2030	
<b>Assets</b>	55,670	56,581	57,869	54,176	52,971	52,126	51,354	50,705	50,209	50,672	
Fixed Assets:	46,825	47,130	48,832	47,864	47,309	46,665	46,089	45,542	45,055	44,607	
Investment properties	33,077	32,895	33,170	32,629	32,661	32,602	32,592	32,565	32,555	32,545	
Other properties, plant and equipment	13,748	14,235	15,662	15,235	14,647	14,064	13,497	12,976	12,500	12,062	
Intangible Assets:	483	456	459	419	386	350	315	279	244	209	
Hotel operating rights and trademarks	483	456	459	419	386	350	315	279	244	209	
Non-core & Non-current Assets net of liabilities:	6,980	2,313	2,346	2,572	2,686	2,817	2,967	3,138	3,331	3,549	
Properties under development for sale	4,954	NA	NA	NA	0	0	0	0	0	0	
Interest in joint ventures	1,349	1,372	1,529	1,862	2,008	2,169	2,346	2,543	2,759	2,998	
Interest in associates	520	459	448	404	372	342	315	289	266	245	
Derivative financial instruments	53	334	218	153	153	153	153	153	153	153	
Deferred tax assets	110	148	151	153	153	153	153	153	153	153	
Derivative financial instruments (non-current liabilities)	(6)	NA	NA	NA	0	0	0	0	0	0	
Current Operating Assets:	850	913	967	941	739	758	786	837	890	939	
Inventories	75	87	114	123	118	121	125	133	142	150	
Trade and other receivables	775	826	853	818	622	637	661	703	748	790	
Cash at banks and in hand	479	585	881	895	666	650	610	621	676	1,356	
<b>Non-core Current Assets net of liabilities:</b>	53	5,184	4,384	1,485	1,186	887	588	289	13	13	
Properties held/under development for sale	NA	5,169	4,382	1,472	1,173	874	575	276	0	0	
Derivative financial instruments	NA	15	2	13	13	13	13	13	13	13	
Amount due from a joint venture	62	NA	NA	NA	0	0	0	0	0	0	
Derivative financial instruments (current liabilities)	(9)	NA	NA	NA	0	0	0	0	0	0	
<b>Liabilities</b>	(18,805)	(20,461)	(21,490)	(18,730)	(17,480)	(16,831)	(16,136)	(15,410)	(14,689)	(14,780)	
Current Operating Liabilities:	(1,571)	(1,706)	(2,052)	(1,895)	(1,295)	(1,328)	(1,377)	(1,466)	(1,558)	(1,646)	
Trade and other payables	(1,529)	(1,684)	(1,950)	(1,823)	(1,236)	(1,267)	(1,314)	(1,399)	(1,488)	(1,571)	
Current taxation	(42)	(22)	(102)	(72)	(59)	(60)	(63)	(67)	(71)	(75)	
Current Financing Liabilities:	(2,178)	(4,709)	(2,653)	(7,548)	(1,903)	(1,945)	(2,010)	(2,130)	(2,254)	(2,371)	
Interest-bearing borrowings	(2,015)	(4,544)	(2,504)	(7,388)	(1,772)	(1,817)	(1,884)	(2,006)	(2,133)	(2,252)	
Lease liabilities	(163)	(165)	(149)	(160)	(131)	(128)	(126)	(124)	(121)	(119)	
Financing Gap	0	0	0	0	(2,851)	(2,293)	(1,630)	(822)			
Non-current Operating Liabilities:	(728)	(753)	(771)	(813)	(791)	(780)	(778)	(788)	(798)	(804)	
Trade and other payables	(120)	(96)	(113)	(145)	(123)	(112)	(110)	(120)	(130)	(136)	
Deferred tax liabilities (non-current liabilities)	(608)	(657)	(658)	(668)	(668)	(668)	(668)	(668)	(668)	(668)	
Non-current Financing Liabilities:	(14,328)	(13,293)	(16,014)	(8,474)	(10,641)	(10,485)	(10,342)	(10,204)	(10,078)	(9,959)	
Interest-bearing borrowings	(11,364)	(10,648)	(13,410)	(6,001)	(8,186)	(8,075)	(7,975)	(7,880)	(7,796)	(7,719)	
Net defined benefit retirement obligations	(24)	(18)	(20)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	
Lease liabilities	(2,940)	(2,627)	(2,584)	(2,452)	(2,434)	(2,389)	(2,346)	(2,303)	(2,261)	(2,220)	
<b>Equity</b>	36,865	36,120	36,379	35,446	35,490	35,295	35,218	35,295	35,521	35,893	
Total equity attributable to shareholders of the company	36,762	36,016	36,279	35,401	35,454	35,267	35,197	35,279	35,508	35,880	
Share capital	5,837	5,837	5,837	5,947	5,947	5,947	5,947	5,947	5,947	5,947	
Reserves	30,925	30,179	30,442	29,454	29,507	29,320	29,250	29,332	29,561	29,933	
Non-controlling interests	103	104	100	45	36	28	21	16	13	12	

## Appendix 6: Common-Size Statement of Financial Position

Common- size Balance Sheet forecast and valuation											
Hongkong & Shanghai Hotels Ltd/The (45 HK)											
In Millions of HKD except Per Share											
12 Months Ending	2021 12/31/2021	2022 12/31/2022	2023 12/31/2023	2024 12/31/2024	2025F 12/31/2025	2026F 12/31/2026	2027F 12/31/2027	2028F 12/31/2028	2029F 12/31/2029	2030F 12/31/2030	
<b>Assets</b>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Fixed Assets:	84%	83%	84%	88%	89%	90%	90%	90%	90%	88%	
Investment properties	59%	58%	57%	60%	62%	63%	63%	64%	65%	64%	
Other properties, plant and equipment	25%	25%	27%	28%	28%	27%	26%	26%	25%	24%	
Intangible Assets:	0.87%	0.81%	0.79%	0.77%	0.73%	0.67%	0.61%	0.55%	0.49%	0.41%	
Hotel operating rights and trademarks	0.87%	0.81%	0.79%	0.77%	0.73%	0.67%	0.61%	0.55%	0.49%	0.41%	
Non-core & Non-current Assets net of liabilities:	13%	4.1%	4.1%	4.7%	5.1%	5.4%	5.8%	6.2%	6.6%	7.0%	
Properties under development for sale	8.9%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Interest in joint ventures	2.4%	2.4%	2.6%	3.4%	3.8%	4.2%	4.6%	5.0%	5.5%	5.9%	
Interest in associates	0.93%	0.81%	0.77%	0.75%	0.70%	0.66%	0.61%	0.57%	0.53%	0.48%	
Derivative financial instruments	0.10%	0.59%	0.38%	0.28%	0.29%	0.29%	0.30%	0.30%	0.30%	0.30%	
Deferred tax assets	0.20%	0.26%	0.26%	0.28%	0.29%	0.29%	0.30%	0.30%	0.30%	0.30%	
Derivative financial instruments (non-current liabilities)	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Current Operating Assets:	1.5%	1.6%	1.7%	1.7%	1.4%	1.5%	1.5%	1.7%	1.8%	1.9%	
Inventories	0.13%	0.15%	0.20%	0.23%	0.22%	0.23%	0.24%	0.26%	0.28%	0.30%	
Trade and other receivables	1.4%	1.5%	1.5%	1.5%	1.2%	1.2%	1.3%	1.4%	1.5%	1.6%	
Cash at banks and in hand	0.9%	1.0%	1.5%	1.7%	1.3%	1.2%	1.2%	1.2%	1.3%	2.7%	
<b>Non-core Current Assets net of liabilities:</b>	0.10%	9.2%	7.6%	2.7%	2.2%	1.7%	1.1%	0.57%	0.03%	0.03%	
Properties held/under development for sale	0.00%	9.1%	7.6%	2.7%	2.2%	1.7%	1.1%	0.54%	0.00%	0.00%	
Derivative financial instruments	0.00%	0.03%	0.00%	0.02%	0.02%	0.02%	0.03%	0.03%	0.03%	0.03%	
Amount due from a joint venture	0.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Derivative financial instruments (current liabilities)	-0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
<b>Liabilities</b>	34%	36%	37%	35%	33%	32%	31%	30%	29%	29%	
Current Operating Liabilities:	2.8%	3.0%	3.5%	3.5%	2.4%	2.5%	2.7%	2.9%	3.1%	3.2%	
Trade and other payables	2.7%	3.0%	3.4%	3.4%	2.3%	2.4%	2.6%	2.8%	3.0%	3.1%	
Current taxation	0.08%	0.04%	0.18%	0.13%	0.11%	0.12%	0.12%	0.13%	0.14%	0.15%	
Current Financing Liabilities:	3.9%	8.3%	4.6%	13.9%	3.6%	3.7%	3.9%	4.2%	4.5%	4.7%	
Interest-bearing borrowings	3.6%	8.0%	4.3%	13.6%	3.3%	3.5%	3.7%	4.0%	4.2%	4.4%	
Lease liabilities	0.29%	0.29%	0.26%	0.30%	0.25%	0.25%	0.25%	0.24%	0.24%	0.24%	
Financing Gap	0.00%	0.00%	0.00%	0.00%	5.4%	4.4%	3.2%	1.6%	0.00%	0.00%	
Non-current Operating Liabilities:	1.3%	1.3%	1.3%	1.5%	1.5%	1.5%	1.5%	1.6%	1.6%	1.6%	
Trade and other payables	0.22%	0.17%	0.20%	0.27%	0.23%	0.22%	0.21%	0.24%	0.26%	0.27%	
Deferred tax liabilities (non-current liabilities)	1.1%	1.2%	1.1%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	
Non-current Financing Liabilities:	26%	23%	28%	16%	20%	20%	20%	20%	20%	20%	
Interest-bearing borrowings	20%	19%	23%	11%	15%	15%	16%	16%	16%	15%	
Net defined benefit retirement obligations	0.04%	0.03%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	
Lease liabilities	5.3%	4.6%	4.5%	4.5%	4.6%	4.6%	4.6%	4.5%	4.5%	4.4%	
<b>Equity</b>	66%	64%	63%	65%	67%	-68%	-69%	70%	71%	71%	
Total equity attributable to shareholders of the company	66%	64%	63%	65%	67%	-68%	-69%	70%	71%	71%	
Share capital	10%	10%	10%	11%	11%	-11%	-12%	12%	12%	12%	
Reserves	56%	53%	53%	54%	56%	-56%	-57%	58%	59%	59%	
Non-controlling interests	0.19%	0.18%	0.17%	0.08%	0.07%	-0.05%	-0.04%	0.03%	0.03%	0.02%	

## Appendix 7: Cash Flow Statement

Cash flow statement forecast and valuation						
Hongkong & Shanghai Hotels Ltd/The (45 HK)						
In Millions of HKD except Per Share	2025F	2026F	2027F	2028F	2029F	2030F
12 Months Ending	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
<b>Cash flows from operating activities</b>						
Net income	(194)	(187)	(70)	82.0	229	374
Loss (income) from discontinued operations						
Depreciation and amortization	806	805	805	805	807	810
Deferred income taxes	21.0	21.0	21.0	21.0	21.0	21.0
Other Operating Activities	602	597	588	572	556	540
Changes in operating working capital	(385)	12.4	18.8	34.2	35.5	33.4
Changes in non-current operating liabilities	(22.3)	(10.32)	(2.80)	10.8	9.56	6.22
<b>Total cash flows from operating activities</b>	<b>829</b>	<b>1,238</b>	<b>1,359</b>	<b>1,525</b>	<b>1,658</b>	<b>1,785</b>
<b>Cash flows from investing activities</b>						
Additions of investment Properties	(80.8)	(81.7)	(85.3)	(91.1)	(96.7)	(102)
Additions of other properties, plant and equipment	(622)	(637)	(661)	(703)	(748)	(790)
Proceeds/(loss) from disposal of fix assets						
Proceeds/(loss) from disposal of intangible assets						
Interest in joint ventures	(146)	(161)	(178)	(196)	(217)	(239)
Interest in associates	32.3	29.7	27.4	25.2	23.2	21.3
Other Investing Activities	299	299	299	299	276	
<b>Total cash from investing activities</b>	<b>(517)</b>	<b>(551)</b>	<b>(597)</b>	<b>(666)</b>	<b>(762)</b>	<b>(1,109)</b>
<b>Cash flows from financing activities</b>						
Short-term borrowings	(5,616)	44.4	67.1	122	127	119
Long-term borrowings	2,185	(111)	(100)	(95)	(84)	(78)
Financing gap		(2,851)	(2,293)	(1,630)	(822)	0
Lease liabilities	(47.6)	(46.8)	(45.9)	(45.1)	(44.3)	(43.5)
Dividends paid to non-controlling shareholder of a subsidiary	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)
Dividends paid to shareholder of company						
<b>Total cash from financing activities</b>	<b>(3,484)</b>	<b>(2,970)</b>	<b>(2,377)</b>	<b>(1,654)</b>	<b>(830)</b>	<b>(8)</b>
Net increase in cash and cash equivalent	(3,172)	(2,283)	(1,615)	(795)	65	667
Cash before financing gap	(2,462)	(1,895)	(1,217)	(383)	505	1,172
Cash needed	388	398	413	440	467	494
Cash extra	0	0	0	0	38	679
Financing Gap	2,851	2,293	1,630	822	0	0
Cash at the end	388	398	413	440	505	1,172

## Appendix 8: Intangible Assets Forecast

Hotel operating rights and trademarks (HK\$m)												
Hongkong & Shanghai Hotels Ltd/The (45 HK)												
In Millions of HKD except Per Share	2019	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
12 Months Ending	12/31/2019	12/31/2020	12/31/2021	12/31/2022	2/31/2022	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
<b>Assume:</b>												
<b>Amortisation for the year/initial value</b>	1.9%	2.0%	1.9%	1.9%	2.1%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%
At 1 January	701	688	735	694	676	696	663	642	616	592	567	543
Additions	0.00	0.00	0.00	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Exchange adjustments	(13.0)	47.0	(41.0)	(30.0)	20.0	(33.0)	(21.5)	(25.8)	(23.6)	(24.7)	(24.2)	(24.4)
At 31 December	688	735	694	676	696	663	642	616	592	567	543	519
<b>Accumulated amortisation</b>												
At 1 January	(171)	(183)	(203)	(211)	(220)	(237)	(244)	(256)	(266)	(277)	(288)	(299)
Exchange adjustments	1.00	(6.00)	6.00	4.00	(3.00)	7.00	2.50	3.25	2.88	3.06	2.97	3.02
Amortisation for the year	(13.0)	(14.0)	(14.0)	(13.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)
At 31 December	(183)	(203)	(211)	(220)	(237)	(244)	(256)	(266)	(277)	(288)	(299)	(310)
<b>Net book value</b>	505	532	483	456	459	419	386	350	315	279	244	209

## Appendix 9: Fixed Assets Forecast

Investment Properties										
Hongkong & Shanghai Hotels Ltd/The (45 HK)										
In Millions of HKD except Per Share	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
Assumptions:										
Investment Properties Additions/Revenue	1.5%	0.91%	1.0%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
At 1 January	32,407	33,077	32,895	33,170	32,629	32,661	32,602	32,592	32,565	32,555
Exchange adjustments	(49.0)	(140.0)	7.00	(82.0)	(65.5)	(73.8)	(69.6)	(71.7)	(70.7)	(71.2)
Additions	51.0	38.0	82.0	110	80.8	81.7	85.3	91.1	96.7	102
Disposals	(2.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfer	0.00	72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fair value adjustment	670	(152)	186	(569)	17.0	(67.5)	(25.3)	(46.4)	(35.8)	(41.1)
At 31 December	33,077	32,895	33,170	32,629	32,661	32,602	32,592	32,565	32,555	32,545

Other properties, plant and equipment										
Hongkong & Shanghai Hotels Ltd/The (45 HK)										
In Millions of HKD except Per Share	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
Assumptions:										
Other PP&E Additions/Revenue	59%	49%	20%	8%	8%	8%	8%	8%	8%	8%
Depreciation/assets initial value	2%	2%	2%	3%	3%	3%	3%	3%	3%	3%
At 1 January	22,520	23,744	24,341	26,217	26,411	26,363	26,351	26,368	26,422	26,519
Exchange adjustments	(670)	(1,442)	230	(609)	(640)	(624)	(617)	(620)	(622)	(621)
Additions	2,054	2,066	1,656	846	622	637	661	703	748	790
Disposals	(160)	(18.0)	(10.0)	(43.0)	(30.5)	(24.3)	(27.4)	(28.9)	(28.2)	(27.8)
Surplus on revaluation	0.00	63.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfer	0.00	(72.0)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fair value adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
At 31 December	23,744	24,341	26,217	26,411	26,363	26,351	26,368	26,422	26,519	26,660
Accumulated depreciation and impairment losses:										
At 1 January	9,271	9,996	10,106	10,555	11,176	11,715	12,288	12,871	13,446	14,019
Exchange adjustments	(279)	(311)	(47.0)	(166)	(223)	(194)	(180)	(187)	(191)	(189)
Change for the year	485	439	506	672	792	791	791	791	793	796
Written back on disposals	(160)	(18.0)	(10.0)	(43.0)	(30.5)	(24.3)	(27.4)	(28.9)	(28.2)	(27.8)
Impairment	679	0.00	0.00	158	0.00	0.00	0.00	0.00	0.00	0.00
At 31 December	9,996	10,106	10,555	11,176	11,715	12,288	12,871	13,446	14,019	14,598
Net book value	13,748	14,235	15,662	15,235	14,647	14,064	13,497	12,976	12,500	12,062

## Appendix 10: Working Capital Forecast

Working Capital										
Hongkong & Shanghai Hotels Ltd/The (45 HK)										
In Millions of HKD except Per Share	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
Assumptions:										
Trade and other receivables/ revenue	22%	20%	11%	8%	8%	8%	8%	8%	8%	8%
Inventory/ operating expense	2%	2%	2%	1%	2%	2%	2%	2%	2%	2%
Trade and other payables /operating expense	50%	44%	28%	21%	21%	21%	21%	21%	21%	21%
Other current liabilities/operating expense	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Current Operating Assets:	850	913	967	941	739	758	786	837	890	939
Inventories	75	87	114	123	118	121	125	133	142	150
Trade and other receivables	775	826	853	818	622	637	661	703	748	790
Current Operating Liabilities:	(1,571)	(1,706)	(2,052)	(1,895)	(1,295)	(1,328)	(1,377)	(1,466)	(1,558)	(1,646)
Trade and other payables	(1,529)	(1,684)	(1,950)	(1,823)	(1,236)	(1,267)	(1,314)	(1,399)	(1,488)	(1,571)
Current taxation	(42.0)	(22.0)	(102.0)	(72.0)	(58.9)	(60.3)	(62.6)	(66.6)	(70.8)	(74.8)

## Appendix 11: Non-Current Operating Liability Forecast

Non-Current Operating Liability Hongkong & Shanghai Hotels Ltd./The (45 HK) In Millions of HKD except Per Share										
12 Months Ending	2021 12/31/2021	2022 12/31/2022	2023 12/31/2023	2024 12/31/2024	2025F 12/31/2025	2026F 12/31/2026	2027F 12/31/2027	2028F 12/31/2028	2029F 12/31/2029	2030F 12/31/2030
Assumptions:										
Trade and other payables/ operating expense	4%	3%	2%	2%	2%	2%	2%	2%	2%	2%
Trade and other payables	(120)	(96.0)	(113)	(145)	(123)	(112)	(110)	(120)	(130)	(136)

## Appendix 12: Lease Liability Forecast

Lease Liability											
Hongkong & Shanghai Hotels Ltd/The (45 HK)											
In Millions of HKD except Per Share	2017	2018	2019	2020	2021	2022	2023	2024	Median	Mean	
12 Months Ending	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024			
Carrying value											
Current portion	125	121	143	143	163	165	149	160			
% on total carrying value	4%	4%	5%	4%	5%	6%	5%	6%	4.9%	5.1%	
Non-current portion	2,871	2,902	3,006	3,123	2,940	2,627	2,584	2,452			
% on total carrying value	96%	96%	95%	96%	95%	94%	95%	94%	95%	95%	
Total carrying value	2,996	3,023	3,149	3,266	3,103	2,792	2,733	2,612			
change %		0.90%	4.2%	3.7%	-5.0%	-10%	-2.1%	-4.4%	-2.1%	-1.8%	
Lease Liability											
Hongkong & Shanghai Hotels Ltd/The (45 HK)											
In Millions of HKD except Per Share			2025F	2026F	2027F	2028F	2029F	2030F			
12 Months Ending			12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030			
Carrying value											
Current portion			(131)	(128)	(126)	(124)	(121)	(119)			
% on total carrying value											
Non-current portion											
% on total carrying value			(2,434)	(2,389)	(2,346)	(2,303)	(2,261)	(2,220)			
Total carrying value			(2,564)	(2,518)	(2,472)	(2,427)	(2,382)	(2,339)			

## Appendix 13: Debt and Interest Income Forecast

Hongkong & Shanghai Hotels Ltd./The (45 HK) In Millions of HKD except Per Share										
12 Months Ending	2021 12/31/2021	2022 12/31/2022	2023 12/31/2023	2024 12/31/2024	2025F 12/31/2025	2026F 12/31/2026	2027F 12/31/2027	2028F 12/31/2028	2029F 12/31/2029	2030F 12/31/2030
<b>Assumptions:</b>										
Issuance (Repayment) of Short-term Borrowings										
Issuance (Repayment) of Long-term Borrowings										
Interest Rate on Short-term Borrowings (including financing gap)	1.2%	4.5%	5.5%	5.1%	5.0%	4.9%	4.8%	4.9%	5.0%	5.1%
Interest Rate on Long-term Borrowings	1.7%	2.3%	3.8%	3.7%	3.6%	3.5%	3.4%	3.5%	3.6%	3.7%
Floating Interest Rate on Interest-bearing bank deposits	0.92%	2.0%	3.5%	2.8%	2.7%	2.6%	2.5%	2.6%	2.7%	2.8%
<b>Debt</b>										
<b>Financing gap</b>					2,851	2,293	1,630	822	0	0
Financing gap interest rate					5.0%	4.9%	4.8%	4.9%	5.0%	5.1%
<b>Financing gap interest expense</b>					143	126	94.1	60.1	20.6	0.00
Initial short-term borrowings	1,897	2,015	4,544	2,504	7,388	1,772	1,817	1,884	2,006	2,133
Issuance (Repayment) of Short-term Borrowings	118	2,529	(2,040)	4,884	(5,616)	44.4	67.1	122	127	119
<b>Final short-term borrowings</b>	2,015	4,544	2,504	7,388	1,772	1,817	1,884	2,006	2,133	2,252
Short-term Borrowings interest rate	1.2%	4.5%	5.5%	5.1%	5.0%	4.9%	4.8%	4.9%	5.0%	5.1%
<b>Short-term Borrowings interest expense</b>	0	148	194	252	229	87.9	88.8	95.3	103	112
Initial long-term borrowings	9,285	11,364	10,648	13,410	6,001	8,186	8,075	7,975	7,880	7,796
Issuance (Repayment) of Long-term Borrowings	2,079	(716)	2,762	(7,409)	2,185	(111)	(100)	(94.8)	(84.1)	(77.6)
<b>Final long-term borrowings</b>	11,364	10,648	13,410	6,001	8,186	8,075	7,975	7,880	7,796	7,719
Long-term Borrowings interest rate	1.7%	2.3%	3.8%	3.7%	3.6%	3.5%	3.4%	3.5%	3.6%	3.7%
<b>Long-term Borrowings interest expense</b>	0	253	457	359	255	285	273	277	282	287
<b>Interest-bearing borrowing</b>	13,379	15,192	15,914	13,389	12,809	12,184	11,489	10,709	9,929	9,970
<b>Interest expense on bank borrowings</b>	0	401	651	611	484	515	488	467	446	419

Hongkong & Shanghai Hotels Ltd/The (45 HK)										
In Millions of HKD except Per Share										
12 Months Ending	2021 12/31/2021	2022 12/31/2022	2023 12/31/2023	2024 12/31/2024	2025F 12/31/2025	2026F 12/31/2026	2027F 12/31/2027	2028F 12/31/2028	2029F 12/31/2029	2030F 12/31/2030
<b>Interest-bearing bank deposits</b>	182	361	392	516	230	230	230	230	230	230
Interest Rate on Interest-bearing bank deposits	0.92%	2.0%	3.5%	2.8%	2.7%	2.6%	2.5%	2.6%	2.7%	2.8%
<b>Interest income of interest-bearing bank deposits</b>	-	5.32	13.1	12.6	10.0	5.91	5.68	5.91	6.14	6.37
% on interest income	-	89%	62%	45%	62%	62%	62%	62%	62%	62%
<b>Interest income</b>	-	6.00	21.0	28.0	16.0	9.47	9.11	9.47	9.84	10.2
<b>Financing charges</b>	0.00	0.71	1.33	1.36						
Interest on bank borrowings	116	284	863	830	644	685	649	621	593	558
Derivative financial instruments:cash flow hedges, transfer from equity	21.0	(26.0)	(143)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
	137	258	720	680	494	535	499	471	443	408
Interest on lease liabilities	149	139	136	136	136	136	136	136	136	136
Other borrowing costs	45.0	47.0	33.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
	331	444	889	848	662	703	667	639	611	576
Less: Interest expenses capitalised into										
– properties under development	(125)	(196)	(546)	(66.0)	0	0	0	0	0	0
– right-of-use assets	(49.0)	(44.0)	(29.0)	0	0	0	0	0	0	0
	157	204	314	782	662	703	667	639	611	576

## Appendix 14: Share Capital & Non-Controlling Interests Forecast

Share capital										
Hongkong & Shanghai Hotels Ltd/The (45 HK)										
In Millions of HKD except Per Share										
12 Months Ending	2021 12/31/2021	2022 12/31/2022	2023 12/31/2023	2024 12/31/2024	2025F 12/31/2025	2026F 12/31/2026	2027F 12/31/2027	2028F 12/31/2028	2029F 12/31/2029	2030F 12/31/2030
<b>Assumptions:</b>										
Share capital increase/(decrease)		0.00	0.00	110	0.00	0.00	0.00	0.00	0.00	0.00
Initial value of share capital		5,837	5,837	5,837	5,947	5,947	5,947	5,947	5,947	5,947
Share capital increase/(decrease)		0.00	0.00	110	0.00	0.00	0.00	0.00	0.00	0.00
Final value of share capital	5,837	5,837	5,837	5,947	5,947	5,947	5,947	5,947	5,947	5,947

Reserve										
Hongkong & Shanghai Hotels Ltd/The (45 HK)										
In Millions of HKD except Per Share										
12 Months Ending	2021 12/31/2021	2022 12/31/2022	2023 12/31/2023	2024 12/31/2024	2025F 12/31/2025	2026F 12/31/2026	2027F 12/31/2027	2028F 12/31/2028	2029F 12/31/2029	2030F 12/31/2030
<b>Assumptions:</b>										
Capital reserve increase/(decrease)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Initial value of capital reserve		4,975	4,975	4,975	4,975	4,975	4,975	4,975	4,975	4,975
Capital reserve increase/(decrease)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Final value of capital reserve	4,975	4,975	4,975	4,975	4,975	4,975	4,975	4,975	4,975	4,975
<b>Assumptions:</b>										
Dividends attributable to shareholders of company	0.00	0.00	0.00	(132)	0.00	0.00	0.00	0.00	0.00	0.00
Initial value of retained profits	30,940	30,820	30,332	30,478	29,403	29,212	29,027	28,958	29,039	29,265
Profit/(loss) attributable to shareholders of company	(120)	(488)	146	(943)	(191)	(185)	(69)	81	226	369
Dividends attributable to shareholders of company	0.00	0.00	0.00	(132)	0.00	0.00	0.00	0.00	0.00	0.00
Final value of retained profits	30,820	30,332	30,478	29,403	29,212	29,027	28,958	29,039	29,265	29,634
%on total reserve	99.7%	100.5%	100.1%	99.8%	99.0%	99.0%	99.0%	99.0%	99.0%	99.0%
Reserve	30,925	30,179	30,442	29,454	29,507	29,320	29,250	29,332	29,561	29,933

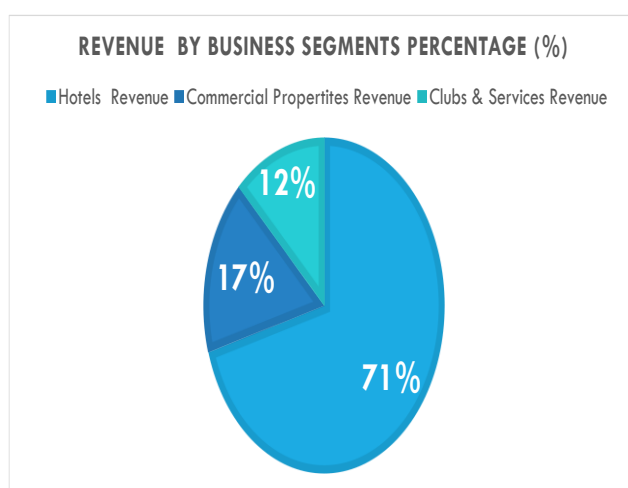
Non-controlling interests										
Hongkong & Shanghai Hotels Ltd/The (45 HK)										
In Millions of HKD except Per Share										
12 Months Ending	2021 12/31/2021	2022 12/31/2022	2023 12/31/2023	2024 12/31/2024	2025F 12/31/2025	2026F 12/31/2026	2027F 12/31/2027	2028F 12/31/2028	2029F 12/31/2029	2030F 12/31/2030
<b>Initial value</b>	308	103	104	100	45.0	36.4	27.9	21.0	16.1	13.1
Profit for the year	(199)	3.00	2.00	(50.0)	(2.58)	(2.49)	(0.94)	1.09	3.05	4.97
other comprehensive income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total comprehensive income for the year	(199)	3.00	2.00	(50.0)	(2.58)	(2.49)	(0.94)	1.09	3.05	4.97
Dividend paid to non-controlling interests	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)
Capital contribution from a non-controlling shareholder of a subsidiary	0.00	4.00	0.00	1.00						
Final value	103	104	100	45.0	36.4	27.9	21.0	16.1	13.1	12.1

Appendix 15: Revenue Forecast

The Peninsula Hong Kong	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale	300	300	300	300	300	300	300	300	300	300
Occupancy rate(%)	35%	22%	43%	42%	44%	40%	48%	50%	52%	54%
Average room rate(HKD)	3,204.00	3,819.00	6,309.00	6,353.00	6,645.24	6,944.27	7,249.82	7,561.56	7,879.15	8,202.19
Rev Par(HKD)	1,105.38	821.09	2,697.10	2,647.08	2,896.22	3,162.74	3,447.18	3,750.02	4,071.63	4,412.35
Room revenue HKD	121,039,110.00	89,908,807.50	295,332,176.25	289,855,625.00	317,135,677.00	346,320,087.68	377,466,731.08	410,626,805.94	445,843,803.33	483,152,458.63
% on hotel revenue	0.17	0.13	0.28	0.27	0.22	0.24	0.26	0.25	0.25	0.25
Hotel revenue(HKD)	728,000,000.00	687,000,000.00	1,039,000,000.00	1,069,000,000.00	1,450,064,611.62	1,413,981,257.38	1,462,845,141.05	1,632,835,838.57	1,796,285,910.06	1,933,832,383.54
The Peninsula Beijing	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale	230	230	230	230	230	230	230	230	230	230
Occupancy rate(%)	28%	57%	55%	58%	60%	63%	68%	68%	71%	74%
Average room rate(HKD)	2,933.00	2,361.00	3,432.00	4,261.00	4,457.01	4,657.57	4,862.50	5,071.59	5,284.60	5,501.27
Rev Par(HKD)	821.24	873.57	1,887.60	2,450.08	2,680.67	2,927.35	3,190.63	3,470.92	3,768.60	4,083.96
Room revenue HKD	68,943,098.00	73,336,201.50	158,464,020.00	205,683,796.25	225,041,932.42	245,751,416.25	267,853,315.62	291,383,961.54	316,374,215.62	342,848,726.36
% on hotel revenue	0.28	0.36	0.48	0.63	0.42	0.45	0.47	0.46	0.46	0.46
Hotel revenue(HKD)	245,000,000.00	201,000,000.00	328,000,000.00	324,000,000.00	530,772,583.90	541,832,947.10	571,022,049.51	632,141,635.51	691,904,191.02	746,785,433.94
The Peninsula Shanghai	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale	235	235	235	235	235	235	235	235	235	235
Occupancy rate(%)	28%	37%	55%	58%	60%	63%	66%	68%	71%	74%
Average room rate(HKD)	2,933.00	2,361.00	3,432.00	4,261.00	4,457.01	4,657.57	4,862.50	5,071.59	5,284.60	5,501.27
Rev Par(HKD)	821.24	873.57	1,887.60	2,450.08	2,680.67	2,927.35	3,190.63	3,470.92	3,768.60	4,083.96
Room revenue HKD	70,441,861.00	74,930,466.75	161,908,890.00	210,155,183.13	229,934,148.34	251,093,838.34	273,676,213.79	297,718,395.49	323,251,915.56	350,301,698.54
% on hotel revenue	0.14	0.25	0.35	0.46	0.30	0.33	0.34	0.33	0.33	0.33
Hotel revenue(HKD)	489,000,000.00	298,000,000.00	460,000,000.00	459,000,000.00	762,102,709.38	768,239,877.51	806,330,608.93	893,710,474.55	979,596,916.50	1,056,541,189.18
The Peninsula Tokyo	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale	314	314	314	314	314	314	314	314	314	314
Occupancy rate(%)	28%	37%	54%	59%	59%	60%	60%	61%	61%	62%
Average room rate(HKD)	2,933.00	2,361.00	3,487.75	3,752.25	3,793.52	3,823.87	3,854.46	3,885.30	3,918.38	3,947.71
Rev Par(HKD)	821.24	873.57	1,883.39	2,195.07	2,243.62	2,279.66	2,316.29	2,353.49	2,391.30	2,429.71
Room revenue HKD	94,122,316.40	100,119,857.70	215,854,754.85	251,576,542.91	257,141,667.62	261,272,391.37	265,469,471.06	269,733,972.64	274,066,979.18	278,469,591.14
% on hotel revenue	0.29	0.23	0.29	0.30	0.29	0.29	0.29	0.29	0.29	0.29
Hotel revenue(HKD)	325,000,000.00	430,000,000.00	741,000,000.00	826,000,000.00	885,307,776.09	898,219,057.10	911,983,825.55	926,971,257.16	942,033,588.13	957,079,298.21
The Peninsula Manila	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale	351	351	351	351	351	351	351	351	351	351
Occupancy rate(%)	28%	59%	59%	61%	61%	65%	68%	71%	75%	79%
Average room rate(HKD)	2,933.00	2,361.00	3,487.75	3,752.25	3,943.61	4,144.74	4,356.12	4,578.28	4,811.78	5,057.18
Rev Par(HKD)	821.24	873.57	1,883.39	2,195.07	2,424.67	2,678.30	2,958.45	3,267.90	3,609.73	3,987.31
Room revenue HKD	105,213,162.60	111,917,420.55	241,289,869.28	281,220,912.62	310,636,901.30	343,129,833.81	379,021,555.35	418,667,589.06	462,460,637.54	510,834,482.69
% on hotel revenue	2.70	0.72	1.08	1.23	1.16	1.12	1.14	1.15	1.14	1.14
Hotel revenue(HKD)	39,000,000.00	156,000,000.00	224,000,000.00	228,000,000.00	268,878,466.05	307,396,123.38	333,717,473.42	365,475,833.44	405,432,978.00	448,802,192.79
The Peninsula Bangkok	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale	370	370	370	370	370	370	370	370	370	370
Occupancy rate(%)	28%	37%	54%	59%	61%	65%	68%	71%	75%	79%
Average room rate(HKD)	2,933.00	2,361.00	3,487.75	3,752.25	3,943.61	4,144.74	4,356.12	4,578.28	4,811.78	5,057.18
Rev Par(HKD)	821.24	873.57	1,883.39	2,195.07	2,424.67	2,678.30	2,958.45	3,267.90	3,609.73	3,987.31
Room revenue HKD	110,908,462.00	117,975,628.50	254,351,144.25	296,443,697.06	327,452,094.22	361,703,811.31	399,538,391.68	441,330,506.99	487,494,119.35	538,486,491.73
% on hotel revenue	3.58	0.84	1.23	1.25	1.24	1.23	1.24	1.24	1.24	1.24
Hotel revenue(HKD)	31,000,000.00	140,000,000.00	207,000,000.00	237,000,000.00	264,120,335.33	293,051,645.89	322,983,302.40	356,370,338.96	393,866,361.52	435,186,413.43
The Peninsula Beverly Hills	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale	195	195	195	195	195	195	195	195	195	195
Occupancy rate(%)	48%	57%	63%	65%	66%	69%	71%	72%	72%	74%
Average room rate(HKD)	6,484.00	7,880.00	7,162.75	7,259.75	7,455.76	7,612.33	7,772.19	7,935.41	8,102.05	8,272.20
Rev Par(HKD)	3,112.32	4,491.60	4,494.63	4,700.69	4,957.95	5,168.37	5,387.72	5,616.38	5,854.75	6,103.23
Room revenue HKD	221,519,376.00	319,689,630.00	319,904,978.86	334,571,477.30	352,882,239.68	367,858,914.81	383,471,215.02	399,746,116.85	416,717,141.80	434,397,404.83
% on hotel revenue	0.41	0.50	0.52	0.53	0.51	0.51	0.52	0.52	0.51	0.52
Hotel revenue(HKD)	544,000,000.00	640,000,000.00	616,000,000.00	628,000,000.00	692,712,860.73	715,159,205.16	741,039,280.76	775,285,252.47	809,160,701.95	842,955,585.90
The Peninsula Chicago	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale	339	339	339	339	339	339	339	339	339	339
Occupancy rate(%)	48%	57%	63%	65%	66%	68%	69%	71%	72%	74%
Average room rate(HKD)	6,484.00	7,880.00	7,162.75	7,259.75	7,455.76	7,612.33	7,772.19	7,935.41	8,102.05	8,272.20
Rev Par(HKD)	3,112.32	4,491.60	4,494.63	4,700.69	4,957.95	5,168.37	5,387.72	5,616.38	5,854.75	6,103.23
Room revenue HKD	385,102,915.30	555,768,126.00	556,142,501.71	581,639,645.11	613,472,301.29	639,508,574.98	666,649,958.41	694,943,294.74	724,437,335.74	755,183,180.71
% on hotel revenue	0.88	0.96	0.90	0.89	0.90	0.90	0.90	0.90	0.90	0.90
Hotel revenue(HKD)	437,000,000.00	579,000,000.00	617,000,000.00	654,000,000.00	685,167,154.91	711,859,540.91	743,313,535.15	775,509,468.19	808,084,470.97	842,204,116.54
The Peninsula New York	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale	233	233	233	233	219	219	219	219	219	219
Occupancy rate(%)	48%	57%	63%	65%	66%	68%	69%	71%	72%	74%
Average room rate(HKD)	6,484.00	7,880.00	7,162.75	7,259.75	7,455.76	7,612.33	7,772.19	7,935.41	8,102.05	8,272.20
Rev Par(HKD)	3,112.32	4,491.60	4,494.63	4,700.69	4,957.95	5,168.37	5,387.72	5,616.38	5,854.75	6,103.23
Room revenue HKD	264,687,254.40	381,988,122.00	382,245,436.28	399,770,021.59	396,133,899.95	413,133,858.17	430,667,672.25	448,945,589.93	467,999,340.79	487,861,700.81
% on hotel revenue	0.70	0.54	0.50	0.62	0.58	0.56	0.57	0.57	0.57	0.57
Hotel revenue(HKD)	376,000,000.00	712,000,000.00	766,000,000.00	650,000,000.00	688,325,210.46	742,869,055.13	760,965,302.54	786,441,062.01	823,357,974.87	860,158,979.81
The Peninsula Paris	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale	200	200	200	200	200	200	200	200	200	200
Occupancy rate(%)	48%	57%	35%	52%	52%	53%	53%	54%	54%	55%
Average room rate(HKD)	6,484.00	7,880.00	13,425.25	11,900.00	11,995.20	12,127.15	12,260.55	12,395.41	12,531.76	12,669.61
Rev Par(HKD)	3,112.32	4,491.60	4,732.40	6,158.25	6,257.18	6,395.59	6,537.07	6,681.67	6,829.48	6,980.55
Room revenue HKD	227,199,360.00	327,888,800.00	345,465,245.63	449,552,250.00	456,773,857.34	466,878,151.84	477,205,963.44	487,762,236.56	498,552,024.99	509,580,494.34
% on hotel revenue	0.65	0.59	0.48	0.56	0.57	0.57	0.57	0.57	0.57	0.57
Hotel revenue(HKD)	348,000,000.00	559,000,000.00	714,000,000.00	800,000,000.00	795,426,911.30	821,830,939.26	844,585,836.21	860,924,378.24	878,775,558.53	898,824,401.60
The Peninsula London	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale			170	190	190	190	190	190	190	190
Occupancy rate(%)			35%	52%	53%	53%	54%	55%	56%	57%
Average room rate(HKD)			13,425.25	11,900.00	12,090.40	12,271.76	12,455.83	12,642.67	12,832.31	13,024.79
Rev Par(HKD)			4,732.40	6,158.25	6,356.89	6,549.03	6,746.97	6,950.90	7,160.99	7,377.43
Room revenue HKD			293,645,458.78	427,074,637.50	440,850,357.01	454,175,059.05	467,902,500.21	482,044,853.28	496,614,658.97	511,624,837.03
% on hotel revenue			2.28	0.50	1.39	1.39	1.39	1.39	1.39	1.39
Hotel revenue(HKD)			129,000,000.00	856,000,000.00	317,702,469.43	327,305,026.56	337,107,820.99	347,389,625.13	357,809,476.53	368,706,685.98
The Peninsula Istanbul	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Rooms available for sale			177	177	177	177	177	177	177	177
Occupancy rate(%)			35%	52%	53%	53%	53%	53%	54%	54%
Average room rate(HKD)			13,425.25	11,900.00	11,995.20	12,091.16	12,187.89	12,285.39	12,383.68	12,482.75
Rev Par(HKD)			4,732.40	6,158.25	6,257.18	6,357.69	6,459.82	6,563.59	6,669.03	6,776.16
Room revenue HKD			305,736,742							



ADR/Occupancy Rate	2025	2026	2027	2028	2029	2030
<b>Greater China</b>	+4.6%	+4.5%	+4.4%	+4.3%	+4.2%	+4.1%
The Peninsula Hong Kong						
The Peninsula Beijing						
The Peninsula Shanghai						
<b>Other Asia</b>						
The Peninsula Tokyo	+1.1%	+0.8%	+0.8%	+0.8%	+0.8%	+0.8%
The Peninsula Manila	+5.1%	+5.1%	+5.1%	+5.1%	+5.1%	+5.1%
The Peninsula Bangkok	+5.1%	+5.1%	+5.1%	+5.1%	+5.1%	+5.1%
<b>USA</b>	+2.7%	+2.1%	+2.1%	+2.1%	+2.1%	+2.1%
The Peninsula Beverly Hills						
The Peninsula Chicago						
The Peninsula New York						
<b>Europe</b>						
The Peninsula Paris	+0.8%	+1.1%	+1.1%	+1.1%	+1.1%	+1.1%
The Peninsula London	+1.6%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%
The Peninsula Istanbul	+0.8%	+0.8%	+0.8%	+0.8%	+0.8%	+0.8%



## Appendix 16: Cost Forecast

	% on Revenue
Cost of Inventories	8%
Staff costs and related expenses	37%
Rent and utilities	9%
Other operating expenses	22%
Cost Sum	77%

## Appendix 17: Share of Results of Joint Venture Forecast

Interest in joint ventures (in Millions HKD)	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
share of net assets	744	828	914	1071	1404	1550	1711	1888	2085	2301	2540
growth(%)		11%	10%	17%	31%	10%	10%	10%	10%	10%	10%
Loans to PSW	521	521	458	458	458	458	458	458	458	458	458
	1265	1349	1372	1529	1862	2008	2169	2346	2543	2759	2998

Aggregate financial information of joint ventures (in Millions HKD)	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F	Cost % on revenue
Revenue					1,065	1,076	1,119	1,211	1,302	1,384	
Cost of Inventories					(84)	(85)	(88)	(96)	(103)	(109)	8%
Staff costs and related expenses					(393)	(397)	(413)	(447)	(481)	(511)	37%
Rent and utilities					(100)	(101)	(105)	(113)	(122)	(130)	9%
Other operating expenses					(230)	(232)	(241)	(261)	(281)	(299)	22%
EBITDA	97	157	69	63	258	261	271	293	316	335	
Depreciation	(92)	(98)	(90)	(209)	(209)	(209)	(209)	(209)	(209)	(209)	
net financing charge	(52)	(55)	(52)	(118)	(118)	(118)	(118)	(118)	(118)	(118)	
Profit/(loss) before non-operating items	(47)	4	(73)	(264)	(69)	(66)	(56)	(34)	(11)	8	
Non-operating items, net of tax											
Unrealised loss on revaluation of PSW's arcade, net of tax	(20)	(11)	(7)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	
Pre-opening expenses of PTT	0	0	(28)	(38)							
Profit/(loss) for the year	(67)	(7)	(108)	(331)	(98)	(95)	(85)	(63)	(40)	(21)	
The group's share of result	(34)	(4)	(54)	(166)	(49)	(48)	(42)	(31)	(20)	(10)	

## Appendix 18: Share of Results of Associates

Aggregate financial information of associates (in Millions HKD)	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F	Cost % on revenue
Revenue					1,488	1,537	1,587	1,636	1,688	1,742	
Cost of Inventories					(118)	(122)	(125)	(129)	(133)	(138)	8%
Staff costs and related expenses					(549)	(568)	(586)	(604)	(623)	(643)	37%
Rent and utilities					(139)	(144)	(148)	(153)	(158)	(163)	9%
Other operating expenses					(321)	(332)	(342)	(353)	(364)	(376)	22%
EBITDA		264	223	236	361	372	384	396	409	422	
Depreciation		(230)	(198)	(235)	(233)	(234)	(235)	(234)	(234)	(234)	
Interest		(86)	(83)	(92)	(89)	(90)	(91)	(91)	(90)	(90)	
Net profit/(loss) from continuing operations		(52)	(58)	(91)	39	48	59	71	84	97	
other comprehensive income		0	0	0	0	0	0	0	0	0	
Total comprehensive income		(52)	(58)	(91)	78	96	117	143	169	194	
The group's share of results of the associates		(10)	(12)	(18)	16	19	23	29	34	39	

## Appendix 19: Cost of Equity

$$E(R_i) = R_f^{HKD} + \beta_M \cdot (E(R_M) - R_f^{HKD}) + \beta_{FX} \cdot \lambda_{FX}$$

Risk-Free Rate (rf):  $R_f^{HK} \approx \text{USGG10YR} + \text{FX Hedge Cost}_{\text{HKD/USD}}$

- USGG10YR: US Generic Government 10-Year Rate

$$\text{FX Hedge Cost} = \frac{F - S}{S} \times 100\%$$

- Logic: Hedge the USD/HKD exposure using a forward contract

USGG10YR	4.50%	(data from Bloomberg 28/05/2025)
FX hedge cost HKD/USD:	-0.8%	
Spot Exchange Rate	7.839	(data from Bloomberg 28/05/2025)
1Y Forward Rate	7.78	(data from Bloomberg 28/05/2025)
Rf of HK	3.75%	
E (Rm)	10.76%	(data from Bloomberg 28/05/2025)
βm(HSI index)	0.586	(data from Bloomberg 28/05/2025)

Company	Beta	Blume Beta	MV of Debt	MV of Equity	Total	(1/(1+(D/E)))	Beta U	Beta L	Blume Beta L
Miramar Hotel & Investment	0.20	0.46	95	6,295	6,389	99%	0.19		
InterContinental Hotels Group PLC	1.50	1.33	3,688	20,088	23,776	84%	1.27		
Hilton Worldwide Holdings Inc	1.29	1.20	12,003	59,765	71,768	83%	1.08		
Formosa International Hotels Corp	0.19	0.46	3,674	24,334	28,008	87%	0.16		
Playa Hotels & Resorts	0.28	0.52	1,082	1,538	2,620	59%	0.16		
Lemon Tree Hotels Ltd	1.08	1.06	21,477	103,375	124,852	83%	0.90		
Great Eagle Holdings Ltd	0.64	0.76	32,377	8,046	40,423	20%	0.13		
Accor SA	1.09	1.06	3,758	11,462	15,220	75%	0.82		
Marriott International Inc	1.34	1.23	15,345	77,183	92,528	83%	1.12		
Hyatt Hotels Corp	1.96	1.64	4,062	15,093	19,155	79%	1.54		
Target: THE HONGKONG AND SHANGHAI HOTELS, LIMITED	0.53	0.69	16,001	10,257	26,258	39%	0.74	1.89	1.59

Risk Premium of FX:					
Currency	Risk-free Rate	Risk Premium	Weight	Debt Weight	Revenue Weight
CNY	1.7%	-2.0%	5.9%	1.8%	16%
TRY	7.6%	3.9%	1.4%	0.44%	3.8%
JPY	1.5%	-2.3%	12.5%	13%	11%
EUR	3.2%	-0.54%	3.8%	1.1%	10%
THB	1.8%	-1.9%	1.2%	0.36%	3.1%
USD	4.4%	0.70%	9.4%	2.9%	25%
GBP	4.7%	0.92%	33%	43%	11%
PHP	6.3%	2.5%	1.2%	0.37%	3.2%
HKD				37%	

βFX:		
GBPHKD	(0.19)	EURHKD 0.135
JPYHKD	(0.10)	TRYHKD 0.124
CNYHKD	(0.60)	THBHKD 0.259
USDHKD	(8.84)	PHPHKD -0.023

Methods	Re
Peer blume beta	14.90%
Peer blume beta&FX adj.(1)	14.36%
Peer blume beta&FX adj.(2)	9.86%
Blume beta m	8.82%
Peer beta	16.97%
Peer beta&FX adj.(1)	16.43%
Peer beta&FX adj.(2)	11.93%
Beta m	7.86%
Average	12.64%

## Appendix 20: WACC

Cost of Debt	Assaumption	Description	WACC	2026F	2027F	2028F	2029F	2030F	Terminal
Rd	4.29%	6 year average of cost of debt (based on 2025-2030 forecast)							
Tax Rate,t	16.50%	Hongkong Profit Tax	% Debt	68%	64%	61%	57%	56%	60%
Rd(1-t)	3.58%	Cost of debt after tax							
Cost of Equity	Assaumption	Description	%Equity	32%	36%	39%	43%	44%	40%
Re	12.64%	Average of Rd derived from different methods	WACC	6.5%	6.8%	7.1%	7.5%	7.6%	7.2%

Cost of Debt										
Hongkong & Shanghai Hotels Ltd/The (45 HK)										
In Millions of HKD except Per Share										
12 Months Ending	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
<b>Assumptions:</b>										
Interest Rate on Short-term Borrowings(including financing gap)	1.2%	4.5%	5.5%	5.1%	5.0%	4.9%	4.8%	4.9%	5.0%	5.1%
Interest Rate on Long-term Borrowings	1.7%	2.3%	3.8%	3.7%	3.6%	3.5%	3.4%	3.5%	3.6%	3.7%
Weighted average cost of interest-bearing borrowings(Data from AR)	1.5%	3.5%	4.7%	4.4%	4.3%	4.2%	4.1%	4.2%	4.3%	4.4%
				Average	4.29%					
				Median	4.29%					

## Appendix 21: DDM

### Discounted Dividend Model

#### Hongkong & Shanghai Hotels Ltd/The (45 HK)

In Millions of HKD except Per Share	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
12 Months Ending	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
Dividend	308	297	318	338	212				132					25.1	70.3	115
Dividend per share (HK cents)	20	19	20	21	13				8					1.51	4.2	6.9
Shares outstanding	1,543	1,567	1,589	1,613	1,634	1,649	1,649	1,649	1,649	1,667	1,667	1,667	1,667	1,667	1,667	1,667
Profit/(loss) for the year	1,005	667	1,152	1,215	503	(1,960)	(319)	(485)	148	(993)	(194)	(187)	(70)	82.0	229	374
Profit/(loss) attributable to shareholders of the company	1,000	675	1,155	1,216	494	(1,940)	(120)	(488)	146	(943)	(191)	(185)	(69)	80.9	226	369
Dividend Cover, Times	3.25	2.27	3.63	3.60	2.33				1.11							
Dividend Payout Ratio	31%	45%	28%	28%	42%				89%					31%	31%	31%
Average	35%															
Median	31%															

	2025F	2026F	2027F	2028F	2029F	2030F
	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
Cost of Equity, Re	12.64%	12.64%	12.64%	12.64%	12.64%	12.64%
Discount year	0	1	2	3	4	
Discount factor		0.89	0.79	0.70	0.62	
Sustainable Growth Rate						1.5%
PV of DPS			0.01	0.03	0.04	
Terminal Value					0.63	
PV of Terminal Value					0.39	
Stock Price					0.47	

## Appendix 22: DCF(FCFE)

### Discount Cash Flow Model

#### Hongkong & Shanghai Hotels Ltd/The (45 HK)

In Millions of HKD except Per Share	2025F	2026F	2027F	2028F	2029F	2030F
12 Months Ending	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29	12/31/30
Net Income attributable to shareholders of the company	(191)	(185)	(69)	81	226	369
Depreciation and amortization	806	805	805	805	807	810
Other NCC	623	618	609	593	577	561
(Working capital increase)	(385)	12	19	34	36	33
Change in non-current operating liabilities	(22)	(10)	(3)	11	10	6
(Capex)	(702)	(719)	(746)	(795)	(845)	(892)
Interest-bearing borrowing additions-repayments	(580)	(625)	(695)	(780)	(780)	42
Free cash flow to equity(FCFE)	(451)	(103)	(81)	(51)	30	929
Cost of Equity, Re		12.64%	12.64%	12.64%	12.64%	12.64%
Discount year		0	1	2	3	4
Discount factor			0.89	0.79	0.70	0.62
Estimated discount cash flow			(72)	(40)	21	577
Sustainable Growth Rate						1.5%
Terminal Value						8,466
PV of TV						5,259
PV of FCFE						486
Shares outstanding						1,667
Implied Stock Price						3.45

## Appendix 23: DCF(UFCF)

Discount Cash Flow Model						
Hongkong & Shanghai Hotels Ltd./The (45 HK)						
In Millions of HKD except Per Share						
12 Months Ending	2025F 12/31/25	2026F 12/31/26	2027F 12/31/27	2028F 12/31/28	2029F 12/31/29	2030F 12/31/30
Operating profit/(loss) (EBIT)	1,076	1,125	1,196	1,325	1,458	1,582
(Adjusted income tax)	(183)	(191)	(203)	(225)	(248)	(269)
Earning before interest after tax (EBIAT)	893	933	993	1,100	1,210	1,313
Depreciation and amortization	806	805	805	805	807	810
(Increase in working capital)	(385)	12	19	34	36	33
Change in non-current operating liabilities	(22)	(10)	(3)	11	10	6
(Fixed assets additions)	(702)	(719)	(746)	(795)	(845)	(892)
(Intangible assets additions)	0	0	0	0	0	0
<b>Unlevered Free Cash Flow (UFCF)</b>	590	1,022	1,067	1,155	1,217	1,270
Re		12.64%	12.64%	12.64%	12.64%	12.64%
Rd(1-t)		3.58%	3.58%	3.58%	3.58%	3.58%
Terminal Value						22,593
EV		22,067	22,477	22,925	23,395	23,864
MV Debt		(15,017)	(14,494)	(14,089)	(13,366)	(13,268)
WACC		6.5%	6.8%	7.1%	7.5%	7.6%
Cash		398				
Non-controlling interests (Book Value)		27.9				
Non-controlling interests (Market Value)		7.16				
Equity Value		7,852				
Share issued		1667				
Implied stock price		4.71				

D/V target	60%
E/V	40%
WACC target	7.2%
g	1.5%

## Appendix 24: Peer Analysis & Relative Valuation

Company	ROE	Net Debt/EBIT	Revenue Growth	EBIT Margin	Market Capitalization	Profitability	Risk	Growth	Op. Characteristics	Size	SARD	SARD Rank	Peer?
<b>Hongkong &amp; Shanghai Hotels Ltd</b>	0.70	16.2	93.23	0.05	9,630.16	28	3	1	32	23	0	1	
Great Eagle Holdings Ltd	2.44	6.76	19.80	0.31	9,062.41	20	12	16	7	25	7	8	✓
Imperial Hotel Ltd	3.74	(86.9)	52.96	0.01	6,723.83	18	41	6	36	29	43	32	
City Developments Ltd	2.53	12.0	50.00	0.14	43,487.91	21	8	7	25	10	16	17	
Formosa International Hotels Corp	32.1	(0.53)	20.86	0.27	7,208.00	3	34	15	9	28	2	4	✓
UOL Group Ltd	6.52	55.5	(16.24)	0.02	31,421.19	13	1	41	35	11	14	16	
OUE Ltd	2.26	11.1	26.90	0.40	6,109.95	22	9	10	4	30	12	14	
Kyotrisu Maintenance Co Ltd	6.27	13.4	1.11	0.04	14,143.01	14	5	27	34	17	10	12	
Resorttrust Inc	9.70	1.13	7.64	0.07	13,273.28	8	30	24	30	19	24	21	
Xenia Hotels & Resorts Inc	1.46	12.7	2.79	0.10	10,890.43	24	7	25	28	20	17	18	
Shangri-La Asia Ltd	4.36	27.7	46.48	0.09	19,218.41	16	2	8	29	12	20	20	
Indian Hotels Co Ltd	12.5	0.94	90.10	0.24	78,992.86	5	31	2	12	6	31	26	
Bloomerry Resorts Corp	22.8	3.54	23.41	0.32	15,864.48	4	22	12	6	15	28	24	
Sunstone Hotel Investors Inc	2.93	3.39	8.20	0.12	17,033.16	19	23	23	26	14	18	19	
Playa Hotels & Resorts	9.97	4.54	14.20	0.18	9,193.92	7	17	20	18	24	1	3	✓
BTG Hotels Group Co Ltd	7.03	5.20	53.10	0.19	19,183.71	11	15	5	17	13	26	23	
Accor SA	12.3	2.82	19.70	0.15	75,434.77	6	26	17	24	7	7	8	✓
Marriott International Inc	6.97	3.20	14.15	0.16	511,677.52	12	24	21	21	1	8	10	✓
InterContinental Hotels Group PLC	(0.39)	2.19	18.81	0.22	119,445.59	32	27	18	13	3	6	6	✓
Mandarin Oriental International Ltd	(12.9)	4.72	22.90	(0.61)	15,398.82	36	16	13	41	16	35	28	
Keck Seng Investments Hong Kong Ltd	5.85	(0.51)	21.61	0.17	677.00	15	33	14	19	39	33	27	
Hilton Worldwide Holdings Inc	(0.48)	4.11	16.66	0.22	360,519.19	33	19	19	14	2	0	1	✓
Hyatt Hotels Corp	9.58	7.81	13.20	0.05	104,947.33	9	11	22	33	4	8	10	✓
Wyndham Hotels & Resorts Inc	35.5	4.26	(6.74)	0.36	51,123.30	2	18	40	5	9	13	15	
H World Group Ltd	41.9	5.67	57.86	0.22	82,510.00	1	13	4	15	5	49	35	
Central Plaza Hotel PCL	7.11	10.84	23.89	0.10	13,417.69	10	10	11	27	18	11	13	
Harbour Centre Development Ltd	(0.26)	0.56	38.63	0.17	5,067.92	31	32	9	20	32	37	30	
Miramar Hotel & Investment	4.19	(8.03)	84.67	695.23	7,393.27	17	36	3	1	27	3	5	✓
Regal Hotels International Holdings Ltd	(24.8)	(15.26)	(2.12)	(0.52)	2,588.54	37	38	39	40	35	102	41	
Fujita KANKO INC	(41.49)	1.88	0.09	0.16	4,761.89	40	28	32	22	33	68	37	
Sino Hotels Holdings Ltd	(1.20)	(25.16)	(0.02)	(0.37)	1,753.02	34	40	36	38	36	97	39	
Millennium&Cophorne Hotel	1.83	2.94	0.09	0.25	1,251.00	23	25	33	10	38	42	31	
Banyan Tree Holdings Ltd	(3.30)	3.81	1.16	0.19	1,701.49	35	21	26	16	37	48	34	
Choice Hotel	(70.14)	3.93	0.02	0.29	51,676.14	41	20	35	8	8	25	22	
Century City International Holdings Ltd.	0.64	(16.21)	(0.02)	(0.43)	426.78	29	39	37	39	40	97	39	
New Century Group Hong Kong Ltd.	0.87	(12.82)	0.10	0.45	213.87	26	37	31	2	41	50	36	
Beijing Huayuan Xinhang Holding	(39.47)	(1.39)	(0.72)	(0.16)	5,292.83	39	35	38	37	31	93	38	
Jakarta Setiajudi Internasional Tbk P	0.82	1.81	0.30	0.25	10,769.76	27	29	28	11	21	29	25	
Lemon Tree Hotels Ltd	1.08	5.53	0.17	0.41	9,704.45	25	14	29	3	22	6	6	✓
Mahindra Holidays & Resorts India Ltd	(32.86)	14.29	0.04	0.05	7,421.14	38	4	34	31	26	46	33	
SAMHI Hotels Ltd	(0.16)	12.79	0.15	0.16	4,366.10	30	6	30	23	34	36	29	

P/B (million HKD)																
Company	Current Stock Price (HKD/share)	Book Value per Share								P/B						
		2020	2021	2022	2023	2024	2025F	2026F		2020	2021	2022	2023	2024	2025F	2026F
Hilton Worldwide Holdings Inc	1,974.50	(41.6)	(22.9)	(32.1)	(72.7)	(120)	(161)	(211)		(47.4)	(86.1)	(61.5)	(27.2)	(16.5)	(12.2)	(9.35)
Playa Hotels & Resorts	104.89	32.3	29.9	32.8	31.8	30.8	34.0	39.6		3.25	3.51	3.20	3.29	3.41	3.08	2.65
Formosa International Hotels Corp	50.91	7.21	10.7	8.65	9.20	8.55	9.10	8.45		7.06	4.75	5.89	5.54	5.95	5.59	6.02
Miramar Hotel & Investment	9.91	28.7	28.8	28.9	29.7	30.2	30.2	30.2		0.34	0.34	0.34	0.33	0.33	0.33	0.33
Lemon Tree Hotels Ltd	14.35	1.28	1.23	1.08	1.03	1.15	1.34	1.86		11.2	11.6	13.2	13.9	12.5	10.7	7.71
InterContinental Hotels Group PLC	910.27	(77.0)	(61.8)	(69.6)	(90.1)	(111)	(141)	(150)		(11.8)	(14.7)	(13.1)	(10.1)	(8.17)	(6.47)	(6.09)
Target: THE HONGKONG AND SHANGHAI HOTELS, LIMITED	5.60	22.34	22.29	21.84	22.00	21.47	21.27	21.16								
									Average	(6.24)	(13.43)	(8.66)	(2.36)	(0.41)	0.18	0.21
									Median	1.80	1.93	1.77	1.81	1.87	1.71	1.49
Discount level-Premium level	-10%	10%														
P/B range	0.19	0.23														
Stock price range	4.02	4.92		PT	4.47											

EV/EBITDA (million HKD)							
Company	Current Stock Price (HKD/share)	Shares Outstanding( Millions)	Market Capitalization	Debt	Preferred & Others	Cash & Cash Equivalent	
Hilton Worldwide Holdings Inc	1,974.50	244	464,236	93,236	295	10,106	
Playa Hotels & Resorts	104.89	122	12,071	8,493	-	1,470	
Formosa International Hotels Corp	50.91	127	5,764	870	56.0	862	
Miramar Hotel & Investment	9.91	691	6,295	95	217	6,455	
Lemon Tree Hotels Ltd	14.35	792	9,704	2,193	544	58.0	
InterContinental Hotels Group PLC	910.27	158	156,036	28,647	31.1	7,884	
			-				
Target: THE HONGKONG AND SHANGHAI HOTELS, LIMITED	5.60	1,667		15,017	27.9	398	
Company	EV	FY 2024	EBITDA FY 2025 E      FY2026E		FY 2024	EV/EBITDA FY 2025 E      FY2026E	
Hilton Worldwide Holdings Inc	547,661	25,390	28,872	31,169	21.6	19.0	17.6
Playa Hotels & Resorts	19,093	1,886	1,884	2,120	10.1	10.1	9.01
Formosa International Hotels Corp	5,828	505	503	503	11.5	11.6	11.6
Miramar Hotel & Investment	151	872	872	872	0.17	0.17	0.17
Lemon Tree Hotels Ltd	12,383	495	587	691	25.0	21.1	17.9
InterContinental Hotels Group PLC	176,830	8,724	10,342	11,089	20.3	17.1	15.9
	-						
Target: THE HONGKONG AND SHANGHAI HOTELS, LIMITED		1,446	1,882	1,929			
				Average	14.8	13.2	12.0
				Median	15.9	14.3	13.8
Discount level-Premium level	-10%	10%					
EV /EBITDA range	10.8	13.2					
EV range	20,897	25,541	EV	23219			
Stock price range	3.75	6.54	PT	5.14			

Appendix 25: Scenario Analysis

Bull Case:HIBOR decrease

Hongkong & Shanghai Hotels Ltd/The (45 HK)											
In Millions of HKD except Per Share											
	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F	
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	
<b>Assumptions:</b>											
Interest Rate on Short-term Borrowings(including financing gap)	1.2%	4.5%	5.5%	5.1%	0.75%	1.5%	2.0%	2.3%	2.5%	3.0%	
Interest Rate on Long-term Borrowings	1.7%	2.3%	3.8%	3.7%	3.6%	3.5%	3.4%	3.5%	3.6%	3.7%	
Floating Interest Rate on Interest-bearing bank deposits	0.92%	2.0%	3.5%	2.8%	0.5%	1.2%	1.7%	2.0%	2.2%	2.7%	
<b>Debt</b>											
Pre-tax Cost of Debt, rd					2.1%	2.4%	2.7%	2.8%	3.0%	3.3%	
After-tax Cost of Debt, rd(1-t)					1.7%	2.0%	2.2%	2.4%	2.5%	2.8%	
<b>Average</b>											
2.3%											
<b>Financing gap</b>											
Financing gap interest expense					2,851	2,293	1,630	822	0	0	
					21.4	38.6	39.2	27.6	10.3	0.00	
<b>Final Short-term borrowings</b>											
2,015	4,544	2,504	7,388	1,772	1,817	1,884	2,006	2,133	2,252		
Short-term Borrowings interest expense					34.4	26.9	37.0	43.8	51.7	65.8	
<b>Final long-term borrowings</b>											
11,364	10,648	13,410	6,001	8,186	8,075	7,975	7,880	7,796	7,719		
Long-term Borrowings interest expense					255	285	273	277	282	287	
<b>Interest-bearing bank deposits</b>											
182	361	392	516	230	230	230	230	230	230	230	
Interest income of interest-bearing bank deposits					2.99	4.42	6.27	7.37	8.11	9.95	
<b>Financing Charges</b>											
					403	461	481	497	499	501	
<b>Net Financing Charges</b>											
					400	456	475	490	491	491	
<b>MV of Debt</b>											
					(11,883)	(11,021)	(10,271)	(9,463)	(8,724)	(8,721)	
Original Re					12.64%						
<b>Adjusted Re</b>											
					9.1%						

**Bull case: with cost of debt & cost of equity & WACC adjustment**

Discount Cash Flow Model										
Hongkong & Shanghai Hotels Ltd/The (45 HK)										
In Millions of HKD except Per Share	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
Operating profit/(loss) (EBIT)					1,076	1,125	1,196	1,325	1,458	1,582
(Adjusted income tax)					(183)	(191)	(203)	(225)	(248)	(269)
Earning before interest after tax (EBIAT)					893	933	993	1,100	1,210	1,313
Depreciation and amortization					806	805	805	805	807	810
(Increase in working capital)					(385)	12	19	34	36	33
Change in non-current operating liabilities					(22)	(10)	(3)	11	10	6
(Fixed assets additions)					(702)	(719)	(746)	(795)	(845)	(892)
(Intangible assets additions)					0	0	0	0	0	0
Unlevered Free Cash Flow (UFCF)					590	1,022	1,067	1,155	1,217	1,270
Re					9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Rd(1-t)					2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Terminal Value										36,591
EV						32,520	33,720	35,032	36,417	37,861
MV Debt						(11,021)	(10,271)	(9,463)	(8,724)	(8,721)
						34%	30%	27%	24%	23%
WACC						6.8%	7.1%	7.3%	7.5%	7.6%
Cash						398				
Non-controlling interests (Book Value)						28				
Non-controlling interests (Market Value)						7.16				
Equity Value						23,090				
Share issued						1,667				
Implied stock price						13.9				

**Bull case: with EBIT increase adjustment**

Discount Cash Flow Model										
Hongkong & Shanghai Hotels Ltd/The (45 HK)										
In Millions of HKD except Per Share	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
Operating profit/(loss) (EBIT)					1,264	1,321	1,406	1,557	1,713	1,859
(Adjusted income tax)					(215)	(225)	(239)	(265)	(291)	(316)
Earning before interest after tax (EBIAT)					1,049	1,097	1,167	1,293	1,422	1,543
Depreciation and amortization					806	805	805	805	807	810
(Increase in working capital)					(385)	12	19	34	36	33
Change in non-current operating liabilities					(22)	(10)	(3)	11	10	6
(Fixed assets additions)					(702)	(719)	(746)	(795)	(845)	(892)
(Intangible assets additions)					0	0	0	0	0	0
Unlevered Free Cash Flow (UFCF)					746	1,185	1,241	1,348	1,429	1,500
Re						12.6%	12.6%	12.6%	12.6%	12.6%
Rd(1-t)						3.6%	3.6%	3.6%	3.6%	3.6%
Terminal Value										26,680
EV						25,340	25,989	26,693	27,431	28,180
MV Debt						(15,017)	(14,494)	(14,089)	(13,366)	(13,268)
						59%	56%	53%	49%	47%
WACC						7.3%	7.6%	7.9%	8.2%	8.4%
Cash						398				
Non-controlling interests (Book Value)						28				
Non-controlling interests (Market Value)						7.16				
Equity Value						11,363				
Share issued						1,667				
Implied stock price						6.82				

## Bear Case:No London Peninsula-branded Residences sold

Discount Cash Flow Model										
Hongkong & Shanghai Hotels Ltd/The (45 HK)										
In Millions of HKD except Per Share	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29	12/31/30
Operating profit/(loss) (EBIT)					738	786	858	987	1,120	1,244
(Adjusted income tax)					(125)	(134)	(146)	(168)	(190)	(211)
Earning before interest after tax (EBIAT)					612	653	712	819	930	1,032
Depreciation and amortization					806	805	805	805	807	810
(Increase in working capital)					(385)	12	19	34	36	33
Change in non-current operating liabilities					(22)	(10)	(3)	11	10	6
(Fixed assets additions)					(702)	(719)	(746)	(795)	(845)	(892)
(Intangible assets additions)					0	0	0	0	0	0
Unlevered Free Cash Flow (UFCF)					309	741	787	875	937	990
Re						12.64%	12.64%	12.64%	12.64%	12.64%
Rd(1-t)						3.58%	3.58%	3.58%	3.58%	3.58%
Terminal Value										17,601
EV						17,891	18,073	18,263	18,446	18,591
MV Debt						(15,017)	(14,494)	(14,089)	(13,366)	(13,268)
						84%	80%	77%	72%	71%
WACC						5.0%	5.4%	5.7%	6.1%	6.2%
Cash						398				
Non-controlling interests (Book Value)						27.9				
Non-controlling interests (Market Value)						7.16				
Equity Value						3,447				
Share issued						1,667				
Implied stock price						2.07				



	2023	2024
Initial apartments to be sold	24	14
Apartment sold	(10)	(7)
Remaining apartments to be sold	14	7
Proceeds	2,298	3452
Per apartment sold proceeds	338	
Base case assumptions	1 apartments per year	
Bear case assumptions	no apartments sold after 2024	

The Peninsula London Complex comprises a 190-room hotel and 24 luxury Peninsula-branded Residences. In 2024, the sales of a total of 7 luxury Residences were completed, generating total proceeds of HK\$3.5 billion. Of the 24 Residences, the sales of 17 have been completed to date.

#### Bull Case Target WACC& G:

D/V target	60%
E/V	40%
WACC target	5.0%
g	1.5%

#### Bear Case Target WACC& G:

D/V target	60%
E/V	40%
WACC target	7.2%
g	1.5%

## Appendix 26: Sensitivity Analysis

WACC and Sustainable Growth Rate SENSITIVITY ANALYSIS								
Sustainable Growth Rate	WACC							
	4.71	6.5%	6.7%	7.0%	7.2%	7.5%	7.7%	8.0%
	0.75%	4.64	4.24	3.88	3.55	3.25	2.96	2.70
	1.0%	5.09	4.66	4.27	3.91	3.57	3.27	2.98
	1.3%	5.58	5.11	4.68	4.29	3.93	3.59	3.29
	1.5%	6.13	5.61	5.14	4.71	4.31	3.95	3.61
	1.8%	6.73	6.16	5.63	5.16	4.73	4.33	3.97
	2.0%	7.41	6.76	6.18	5.66	5.19	4.75	4.36
	2.3%	8.16	7.44	6.79	6.21	5.69	5.21	4.78

WACC SENSITIVITY ANALYSIS								
D / ( D + P + E )	After-Tax Cost of Debt							
	7.21%	2.1%	2.6%	3.1%	3.6%	4.1%	4.6%	5.1%
	45%	6.0%	6.2%	6.4%	6.7%	6.9%	7.1%	7.3%
	40%	5.9%	6.1%	6.3%	6.5%	6.7%	6.9%	7.1%
	55%	6.2%	6.5%	6.8%	7.0%	7.3%	7.6%	7.9%
	60%	6.3%	6.6%	6.9%	7.2%	7.5%	7.8%	8.1%
	65%	6.4%	6.7%	7.1%	7.4%	7.7%	8.0%	8.4%
	70%	6.5%	6.9%	7.2%	7.6%	7.9%	8.3%	8.6%
	75%	6.6%	7.0%	7.4%	7.7%	8.1%	8.5%	8.9%

WACC SENSITIVITY ANALYSIS								
E / ( D + P + E )	Cost of Equity							
	7.21%	9.6%	10.6%	11.6%	12.6%	13.6%	14.6%	15.6%
	25%	4.6%	4.8%	5.1%	5.3%	5.6%	5.8%	6.1%
	30%	5.0%	5.3%	5.6%	5.9%	6.2%	6.5%	6.8%
	35%	5.5%	5.9%	6.2%	6.6%	6.9%	7.3%	7.6%
	40%	6.0%	6.4%	6.8%	7.2%	7.6%	8.0%	8.4%
	45%	6.5%	6.9%	7.4%	7.8%	8.3%	8.7%	9.2%
	50%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%
	60%	7.9%	8.5%	9.1%	9.7%	10.3%	10.9%	11.5%

Price of Target(PT) Sensitivity Analysis								
A D R	Occupancy Rate							
	4.71	18%	28%	38%	48%	58%	68%	78%
	2,750	2.31	2.53	2.75	2.98	3.20	3.42	3.64
	4,250	2.52	2.86	3.21	3.55	3.90	4.24	4.59
	5,750	2.73	3.20	3.67	4.13	4.60	5.06	5.53
	7,250	2.95	3.53	4.12	4.71	5.30	5.89	6.48
	8,750	3.16	3.87	4.58	5.29	6.00	6.71	7.42
	10,250	3.37	4.20	5.04	5.87	6.70	7.53	8.37
	11,750	3.59	4.54	5.49	6.45	7.40	8.36	9.3

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Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20% & ≤45%	>45%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15% & ≤30%	>30%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10% & ≤20%	>20%