

OPERATIONAL REVIEW

2018 was a pleasing year for our group operational results. We benefited from a strong brand in our hotels business, with the Peninsula being recognised as one of the finest hotel brands in the world, and our property business offers stability against the cyclical nature of the hotel industry. Despite some uncertainty over the US-China trade war, the ongoing Brexit negotiations and other global events, the markets in which we operate were generally stable during the year and we were able to achieve earnings growth in most of our businesses.

Business Performance

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

HOTELS

	Revenue	Variance	
	HK\$m	In HK\$	In Local Currency
Consolidated hotels			
The Peninsula Hong Kong	1,352	4%	4%
The Peninsula Beijing	326	34%	32%
The Peninsula New York	720	3%	3%
The Peninsula Chicago	624	10%	10%
The Peninsula Tokyo	868	5%	3%
The Peninsula Bangkok	292	15%	10%
The Peninsula Manila	237	1%	5%
Non-consolidated hotels			
The Peninsula Shanghai	599*	-1%	-3%
The Peninsula Beverly Hills	610	-3%	-3%
The Peninsula Paris	584	12%	8%

* Excluding proceeds from sale of apartments



Operational Review

The Peninsula Hong Kong



The tourism market in Hong Kong continued to improve in 2018 and overnight visitor arrivals increased 4.9% year-on-year. We are optimistic that the development and reopening of the Tsim Sha Tsui waterfront area will be an attractive destination for travellers and we are committed to working with industry peers and government departments to promote Kowloon and Hong Kong's tourism industry overall.

We were pleased to celebrate the 90th anniversary of **The Peninsula Hong Kong** as the flagship property of the group. We held a variety of community initiatives and events during the year, with a particular focus on honouring our long-serving team of colleagues who work hard to provide memorable experiences for our guests. It is thanks to the efforts of our colleagues that The Peninsula Hong Kong received the accolade of No.1 City Hotel in Hong Kong by *Travel + Leisure* 2018 World's

Best Awards. The Peninsula Hong Kong's Cantonese restaurant *Spring Moon* retained its Michelin star in December 2018.

During the year, we were market leader in average room rate and we saw a strong improvement in RevPAR.

New initiatives included the launch of The Peninsula Yacht, a Sunseeker Manhattan 60 19-metre cruiser that is available for guests to hire for private events and harbour cruises. We also continued our commitment to showcasing innovative art with a collection of bronze sculptures and paintings by Colombian artist Fernando Botero which will continue into 2019.

The Peninsula Arcade was 89% occupied and leasing momentum was positive. The Peninsula Office Tower continues to perform well and was 97% occupied throughout 2018, and the immediate outlook is stable.



Operational Review

The Peninsula Shanghai

Revenue RMB508m

-3%

Average Room Rate

+2%

Occupancy

-2pp

RevPAR

-1%

Proceeds from sale of apartments

RMB105m



The Peninsula Shanghai remains the market leader in average room rate in the city, driven by a large number of suite bookings and high-end groups, although the hotel reported a softer 2018 in terms of occupancy and RevPAR due to intense competition.

Shanghai experienced a 2% increase in international inbound travelers compared to the previous year and a double-digit percentage increase in luxury hotel rooms. The domestic Chinese mainland market continued to be our largest revenue driver and the US and Hong Kong markets were robust, with good demand also from Japan, Singapore and Latin America. We expanded our presence on Chinese social media to attract additional guests through online platforms and as a result we have seen strong growth from the domestic Chinese mainland market during the year.

Banqueting revenue was softer in 2018 although the hotel's food and beverage offering continues to achieve positive reviews and accolades. We were delighted that *Sir Elly's Terrace* at The Peninsula Shanghai was the only bar in Mainland China to be recognised as one of "The 10 Best Rooftop Bars in the World" by *Conde Nast Traveler*

in 2018. The Peninsula Shanghai also remained the only hotel in mainland China to have two restaurants with Michelin stars.

The Peninsula Arcade was 89% occupied for the full year and recent leasing momentum has been positive with some exciting new couture brands opening shops there. No.1 Waitanyuan, the former British Consulate building located adjacent to the hotel, has been fully managed and operated by The Peninsula Shanghai since 2017, diversifying our portfolio of services, facilities and event spaces.

The Peninsula Shanghai continued its efforts to engage the local community during the year with our second Mega Yoga Event and co-hosting a charitable concert "Maestro Xu Zhong and his friends" at No 1 Waitanyuan, with proceeds benefiting local Chinese mainland charities.

The group owns a 50% interest in The Peninsula Shanghai Complex which comprises a hotel, a shopping arcade and a residential tower of 39 apartments. By the end of 2018, a total of 29 units have been sold, including one in 2018.

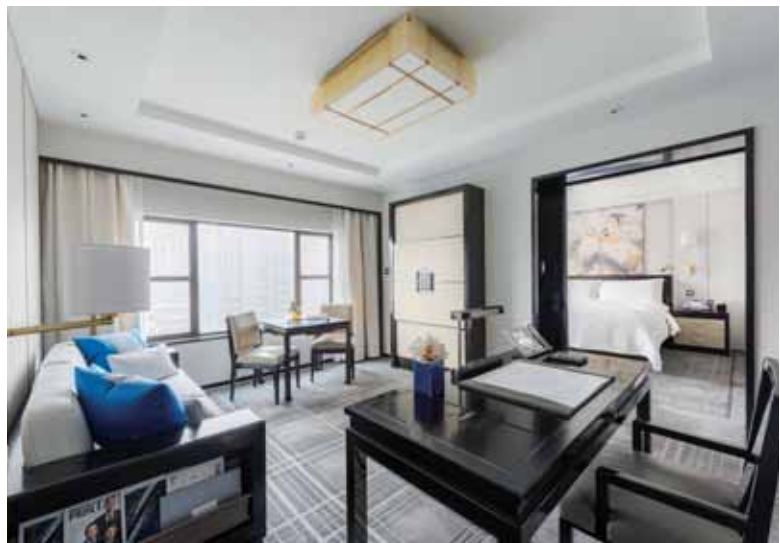


Operational Review

The Peninsula Beijing



The Peninsula Beijing was completely transformed in 2017 with an extensive renovation converting 525 rooms into 230 elegant suites, which are the largest in Beijing and among the most spacious luxury hotel rooms in China. Following the renovation, we were delighted to be included in the *2018 Condé Nast Traveler* Hot List as well as *Town & Country's* "Best New Hotels in the World – Asia and Indian Ocean", an elite selection of the best hotel openings from the past year. The hotel's RevPAR and occupancy showed positive growth year on year and we were the rate leader in our competitive set for 2018, driven by a focus on diplomatic and high-level group business.





In June 2018 the newly renovated rooftop bar *YUN Summer Lounge* opened, offering sweeping city views. The Peninsula Arcade has retained most of its top luxury tenants and has welcomed chic new luxury brands to the Arcade which have been well received by guests.

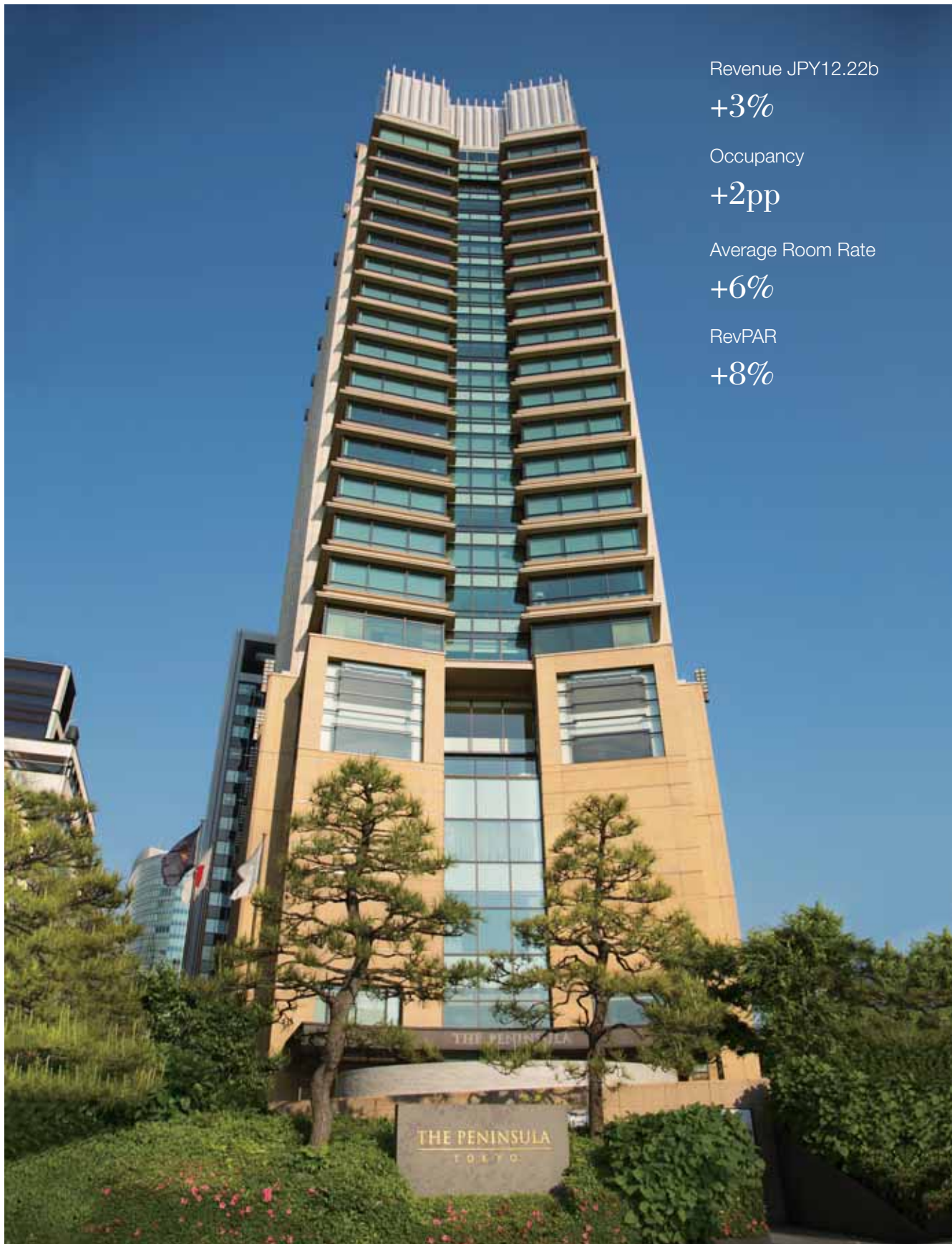
We were delighted to receive the first-ever BREEAM “good” certification in Beijing for a newly renovated building, which is a significant achievement aligned with our strategy to promote sustainable luxury. This included

the implementation of energy efficient LEDs, sustainably sourced wood for most of the wood work and furniture, as well as avoiding harmful glues, paints, wall coverings and carpeting.

2018 marked “Turkish Tourism Year in China” and The Peninsula Beijing supported the occasion through our appreciation of art: over the course of the year, the hotel welcomed four renowned Turkish artists to take up residency at the hotel and showcase their work.

Operational Review

The Peninsula Tokyo



Revenue JPY12.22b

+3%

Occupancy

+2pp

Average Room Rate

+6%

RevPAR

+8%



Japan reported a 20% surge in tourist arrivals in 2018 with retail spending and infrastructure investment increasing significantly ahead of the 2020 Olympic Games in Tokyo. Against this backdrop we were delighted to report a strong year for **The Peninsula Tokyo** and we were pleased to be awarded first place in the 'Top 5 City Hotels' in the *2018 Travel + Leisure World's Best Awards* for the second consecutive year.

2018 operating results were positive, the best results in the hotel's ten-year history, with improved RevPAR positioning, average rates and increased occupancy. This was due to our strategy to drive suite occupancy, which was particularly successful during the peak *sakura* (cherry blossom) season in the first quarter. Domestic travel was slightly softer although this was offset by increased business from the US, Middle East and Thailand, and the Chinese mainland also remained strong. We reported increased business from the Middle East and increased online sales for the hotel.

Peter restaurant, which has stunning city views over the Imperial Palace and Tokyo city skyline, performed well during the year, and we implemented an exciting collaboration with four award-winning Japanese artisan chefs during a limited-edition culinary series which was well received by guests. We are making preparations to open a new sushi restaurant in 2019 under the helm of two Michelin-starred Chef Rei Masuda. Spa revenue was strong due to a variety of innovative new treatments and exclusive product lines.

We are optimistic for the coming year as visitor arrivals to Japan continue to be healthy in the run-up to the Rugby World Cup in 2019 and the Tokyo Olympics in 2020. We have implemented a new "Keys to the City" programme which offers The Peninsula Tokyo guests insider access to "Only-in-Tokyo" moments and experiences.

Our employees volunteered for various community activities, including making *onigiri* rice balls for a local orphanage and donating soap to the Clean the World Foundation.

Operational Review

The Peninsula Bangkok



Thailand reported strong growth in arrivals in 2018 mainly from Korea, Japan and the US due to the visa-free agreements with these countries. The development of Bangkok's recently established Creative District as well as the opening of the high-end mixed-use shopping complex ICONSIAM on the banks of the Chao Praya River beside our hotel is expected to drive increasing traffic and visitors to this area.

The Peninsula Bangkok celebrated its 20th anniversary in 2018 by offering 20 immersive cultural experiences for guests throughout the year, ranging from a sunset helicopter journey and golf at Thai Country Club, to Thai wellness and spirituality experiences. The hotel reported double digit growth in RevPAR and improved occupancy, following the end of the one-year mourning period for His Majesty King Bhumibol Adulyadej of Thailand.



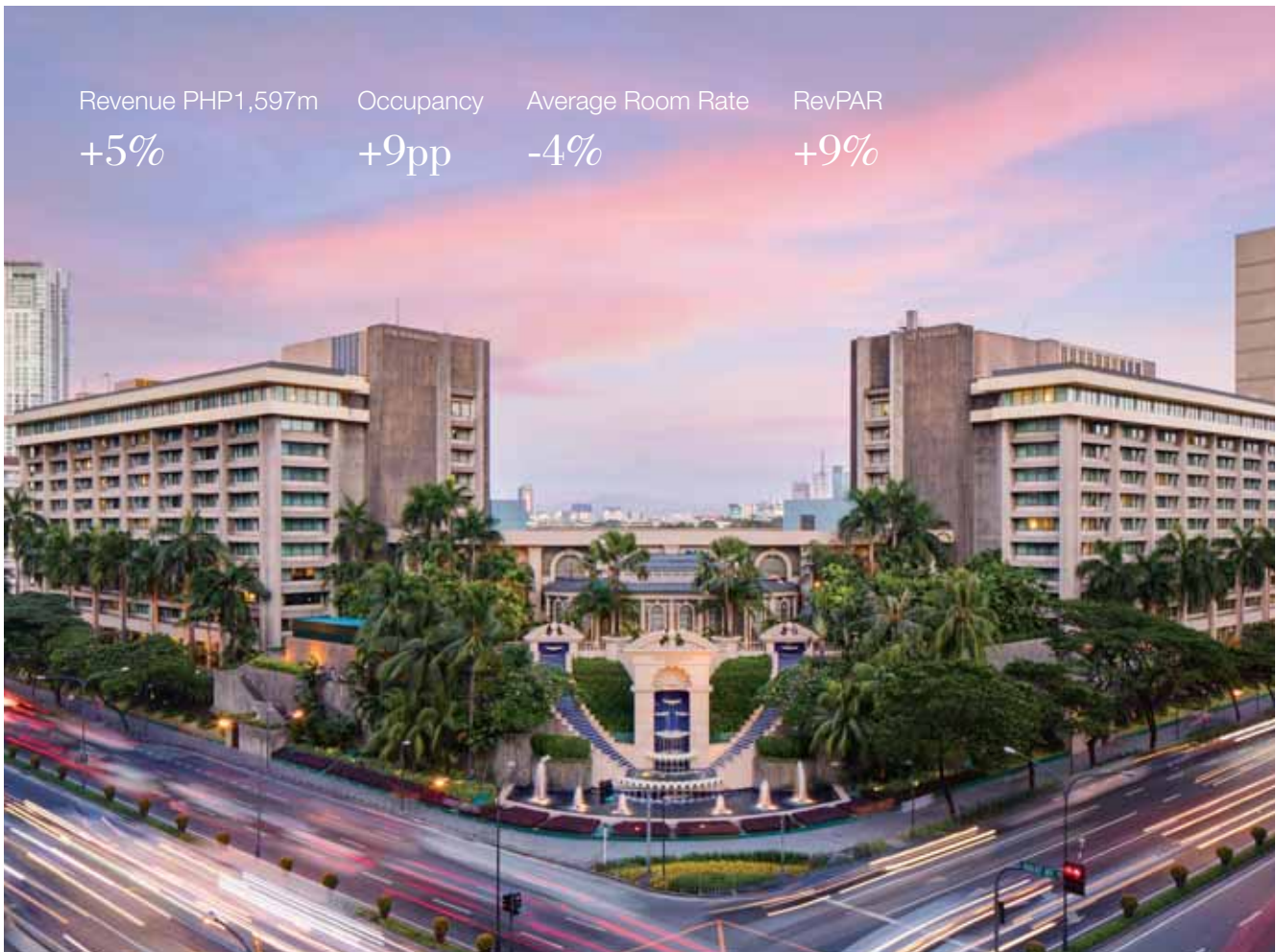
The hotel welcomed increasing numbers of visitors from Korea, Japan, Singapore and Australia and our strategy continued to focus on driving MICE (Meetings, Incentives, Conferences and Exhibitions) business and suite bookings. Food and beverage performed well with double-digit revenue growth, with strong business at *Thiptara* and the *River Café & Terrace*. During 2018, the hotel's Cantonese restaurant, *Mei Jiang*, introduced a 16-course degustation menu which was the first of its kind for a Chinese restaurant in Thailand and was well received by guests.

In the second half of the year, Bangkok was affected by a sharp decline in Chinese mainland arrivals following a tragic boating accident in Phuket which led to reduced group tourism to the country overall.

We continued to enhance our Peninsula Academy programme to include sustainability elements related to local Thai nature conservation; for example, guests can participate in a tour of Thailand's first urban Nature Education Centre, Bang Pu, guided by award-winning naturalists. We have also established local cultural initiatives including visiting a local heritage temple which offers Peninsula guests exclusive sunrise yoga as part of our Wellness initiative. We are positioning the hotel as an "urban luxury resort" concept, focusing on a resort experience with healthy options in spa, fitness and food.

Operational Review

The Peninsula Manila



The Philippines experienced a robust year for international tourist arrivals, with growth of more than 7% year on year, despite the six-month closure of top island destination Boracay. Strong arrival numbers were seen from South Korea, mainland China, US and Japan. This, along with a revised rate strategy, was reflected in the performance of **The Peninsula Manila** for 2018. While the oversupply of new hotels outpaced group business demands, we worked with our online travel agency and wholesale partners to offset the declining group market.

As a result, occupancy and RevPAR saw a healthy increase over the same period in 2017, though there was a slight decline in average rates. The country's economy continues to be one of the fastest growing in Southeast Asia, fuelled by domestic consumption and investment. The domestic tourism market in the Philippines was a key driver as the middle class continues to grow and is willing to spend on travel.

Manila is experiencing a culinary revival with a thriving dining scene in the city, and The Peninsula Manila at 42 years old remains a mainstay of Filipino high society for dining and events. To celebrate biodiversity, organic local produce and sustainable seafood, our fine dining restaurant *Old Manila* partnered with local Holy Carabao Farms to create a month-long series of signature dining experiences that celebrated the best of Philippine cuisine, which was well received by guests. For the first time, we partnered with one of Manila's premier wedding event organisers to co-host our Annual Bridal Fair and participated in a US-Philippines Wedding road show which helped to drive revenue.

Our commitment to the local art community continued in 2018 as we partnered and co-hosted two of the city's major public art events including Salcedo Auction's Annual "A Well Appointed Life" and The Museum Foundation of the Philippines' Annual MaArte Fair.



Operational Review

The Peninsula New York



The Peninsula New York reported an increase in revenue, average rates and RevPAR over the previous year, although occupancy remained flat. We were pleased to achieve these results despite experiencing intense competition in 2018 as a result of increased supply in Manhattan. The city welcomed record numbers of tourist arrivals in 2018 from the US domestic market, mainland China and the United Kingdom. The Middle East market segment overall continues to be impacted by travel restrictions and geopolitical tensions, although our hotel saw an increase in high level visitors from this market in the first quarter.

The Peninsula New York celebrated its 30th anniversary in 2018 and we designed a series of 30 curated experiences for guests. We initiated a partnership with Rolls-Royce Motor Cars to launch their new 2018 Phantom in April 2018, and we held a popular “Summer Social Music Series” at the hotel’s rooftop bar, *Salon de Ning*. As part of the 30th anniversary celebrations, we displayed a curated art exhibition celebrating artists who were prominent in the 1980s. The exhibition, installed throughout the public spaces of the hotel, featured a collection of original works of Andy Warhol, Francesco Clemente, Keith Haring, Jean-Michel Basquiat, Barbara Kreuger and Michael Halsband.

Our food and beverage performance was soft although *Clement* restaurant and the hotel’s rooftop bar, *Salon de Ning*, performed well and the latter is consistently rated as one of the best bars in New York.

The Peninsula New York continued to work closely with the local community and supported The New York Center for Children, our local charity partner which helps vulnerable children to achieve their full potential.



Operational Review

The Peninsula Chicago



The Peninsula Chicago reported a pleasing year with a double-digit increase in RevPAR, achieving RevPAR and average rate leader despite significant new supply in the city. Chicago experienced record tourist arrivals in 2018 with significant increases in domestic visitors and a small increase in international arrivals. *Conde Nast Traveler* voted Chicago “Best Big City in the US” and Mayor Rahm Emanuel has placed a focus on driving tourism to the city during his tenure.

Amidst intense competition, we were delighted to receive the accolade of “No 1 Best Luxury Hotel in the US” by *Tripadvisor*, which is a testament to the popularity of the hotel following its extensive renovation in 2016.

We opened a beautiful new rooftop bar, *Z Bar*, in June 2018, which was designed by Yabu Pushelberg with a contemporary interior and city skyline views and brings together teams of chefs, mixologists and specialists.

The name was a tribute to Maria Zec, The Peninsula Chicago’s general manager for the past 17 years. *Z Bar* has been well received by guests and has achieved an influential social media following.

As part of its commitment to supporting local art in the community, for the fourth consecutive year, The Peninsula Chicago hosted a contemporary art exhibition that coincided with Expo Chicago, the International Exposition of Contemporary & Modern Art. Entitled ‘But I’m on The Guest List!’, the exhibition brought together the vibrant and uplifting work of contemporary artists including Chicago’s own Carlos Rolón.

We added exciting new activities to our “Keys to the City” programme in early 2018 for visitors to Chicago to enjoy exclusive activities and VIP access to Chicago’s attractions. We remain optimistic for a positive year in 2019.



Operational Review

The Peninsula Beverly Hills



The Peninsula Beverly Hills was once again voted “The Best Hotel in the US” by *Global Traveler magazine* in 2018. The hotel has achieved AAA Five Diamond and Forbes Five Star ratings every year since 1993, and *The Belvedere* is the only AAA Five Diamond restaurant in Los Angeles.

The hotel reported softer rates and decreased revenue over the previous year, with occupancy declining slightly. We believe this was partly due to the ongoing political tensions in the Middle East region which led to decreased business from this market, as well as increased competition in the Beverly Hills area with the first five-star luxury hotel to open in more than eight years across the street from our hotel. However, we have a loyal clientele with a high rate of return and we will continue to nurture our long-term relationships with our guests. Leisure travel to Los Angeles and food and beverage revenue was negatively impacted by an unusually cold and rainy winter spell.



To manage the challenging year we implemented cost controls and carefully managed expenses. We implemented new marketing strategies targeting Mexico, Japan, the domestic market in Northern California, with a focus on groups business as well as food and beverage promotions for Belvedere. Our connections in the entertainment industry remain strong and we remain the hotel of choice for celebrities during awards season.

Our sustainability initiatives continued with an innovative “waterless carwash” staffed by employees with special needs. We continued to co-sponsor events with our local charity partner “A Place called Home” which provides a safe environment for underprivileged children in the LA community. From April 2018 we have implemented a policy of free valet parking for guests who drive “zero emission” electric cars.

Operational Review

The Peninsula Paris



In 2018 Paris saw record tourist arrivals and improving sentiment for the first half, although the *gilets jaunes* protests unfortunately affected the city in the fourth quarter. This also impacted our operating results as some of the protests occurred in the immediate vicinity of our hotel. We believe the situation has calmed and we are cautiously optimistic for the outlook for 2019.

Overall **The Peninsula Paris** reported improved results with a double digit increase in RevPAR and improved revenue, occupancy and rates despite intense competition amongst the other “Palace” hotels in the city. Food and beverage revenue was satisfactory, particularly from the rooftop restaurant *L’Oiseau Blanc* which offers spectacular views from the Sacre-Coeur to the Eiffel Tower and has become well established in the local market as the location for numerous high-profile

events. *Le Bar Kléber* also performed well and we are implementing new marketing initiatives and positioning for our Chinese restaurant *Lili*. The geopolitical tensions in the Middle East have created uncertainty for our business from that region although we welcomed increasing numbers of guests from Qatar and the United Arab Emirates to offset the decline from Saudi Arabia.

We hosted The Peninsula Classics Best of the Best Award in February 2018 which was well attended by classic car *aficionados* and celebrities and received extensive press coverage. In collaboration with The Peninsula Beverly Hills, The Peninsula Paris initiated a “Made in California” culinary adventure for summer 2018, taking inspiration from Californian culinary trends and healthy eating principles.



Operational Review

COMMERCIAL PROPERTIES

	Revenue	Variance	
	HK\$m	In HK\$	In Local Currency
The Repulse Bay Complex	639	0%	0%
The Peak Tower	208	+3%	+3%
St. John's Building	55	+2%	+2%
The Landmark	38	-3%	0%
21 avenue Kléber	23	n/a	n/a



Our largest residential property, **The Repulse Bay Complex**, reported a steady year in 2018 with flat revenue as we saw a stabilisation of the luxury residential market in Hong Kong. We believe The Repulse Bay, with its beautiful ocean views and convenient access to the city, is one of the finest luxury residential properties in the area, and we have seen satisfactory rental renewals despite the soft market across the city.

Food and beverage revenue was stable and we upgraded our website as well as implemented a number of promotions and initiatives to drive F&B business, including revamping our afternoon tea offering and promoting *Spices* as a venue for corporate events. In partnership with the Mexican Consulate, *Spices* hosted a renowned Mexican chef Rigel Sotelo to help promote Mexican and Asian culinary fare, and the proceeds of this dinner benefited local charities in Hong Kong.

The Verandah continues to attract excellent wedding business given the spectacular location and views of Repulse Bay.

We opened a new outdoor venue, *breeze*, in early 2018 to take advantage of the beautiful views across the bay. We are also continuing to explore a variety of collaborations together with The Peninsula Hong Kong to drive cross-marketing revenue and improve brand recognition.

The Repulse Bay Shopping Arcade, which offers an eclectic blend of lifestyle amenities, health and wellness facilities and boutiques, was 93% occupied for most of the year. We are actively reviewing the right mix of tenants to suit this residential community and we have taken positive steps to fill the vacant spaces.



The Peak Tower was fully leased for most of the year in 2018 and revenue increased by 3%. The Peak Tower generates its revenue from commercial leasing, as well as revenue from admission fees to the open-air rooftop attraction of Sky Terrace 428 with its panoramic views of Hong Kong. Visitor numbers to Sky Terrace 428 reached record levels compared to the previous year, due to a strategy of “combo tickets” with the Peak Tram.



St John's Building, located at the lower terminus of the Peak Tram, offers an excellent location for office space. The property was fully let for most of the year in 2018.

The Landmark, a 16-storey residential and office property, is located on a prime riverfront site in the central business district of Ho Chi Minh City, Vietnam. The complex has 65 serviced apartments, a fully equipped Health Club, as well as 100,000 square feet of first class office space for leasing. Revenue remained stable year-on-year despite intense competition. The Landmark maintains its popularity and leadership in a competitive market, and continues to attract awards for its management and facilities.

21 avenue Kléber offers a prime location immediately adjacent to The Peninsula Paris on avenue Kléber, just steps from the Arc de Triomphe. The building has been restored in keeping with its heritage, while opening up and modernising the internal space into contemporary offices, spacious terraces and a large courtyard. The property has achieved international BREEAM Excellent and HQE Outstanding environmental certifications which are the highest level of sustainable building assessments in Europe. We have successfully leased the entire office and the two retail spaces.



Operational Review

CLUBS AND SERVICES

	Revenue	Variance	
	HK\$m	In HK\$	In Local Currency
The Peak Tram	140	+10%	+10%
The Thai Country Club	70	+15%	+8%
Quail Lodge & Golf Club	177	+11%	+11%
Peninsula Clubs & Consultancy Services	5	-3%	-3%
Peninsula Merchandising	262	+9%	+9%
Tai Pan Laundry	55	0%	0%





The Peak Tram is one of Hong Kong's most popular tourist attractions and celebrated 130 years of operation under our group in 2018 with a variety of promotional initiatives and community outreach. Revenue increased by 10%, driven by a strategy to sell "combo" tickets for the Peak Tram and Sky Terrace 428, whilst tourist arrivals, particularly from India, Thailand and the Philippines improved.

In October 2018, the Chief Executive in Council approved an additional ten-year operating right from 2026 to 2035 and the upgrade project of the Peak Tram, under the Peak Tramway Ordinance. We have carefully designed an enhanced customer experience and have considered all aspects to minimise service disruption, whilst keeping sustainability factors a priority. The upgrade project will result in covered, temperature-controlled queueing and waiting areas with entertainment features for up to 1,300 passengers. The new tramcars will be able to carry 210 passengers instead of 120 at present and visitors' waiting time will be significantly reduced. The full cost of the HK\$684 million upgrade project, which is scheduled to be completed in 2021, is being funded by HSH. This project will involve two service suspension periods of several months each which will negatively impact our earnings in 2019 and 2020.

Operational Review

The Thai Country Club which is located near Bangkok, recorded a positive 2018 due to increasing visitors, strong food and beverage revenue and increasing sales of memberships, as well as a strategy to control expenses. We hosted the Thailand Open in June 2018 which led to significant recognition for the club. We have implemented further cross-marketing initiatives with The Peninsula Bangkok to drive further awareness of the club. We were pleased to win “Best Managed Club in the Asia Pacific region” at the Asian Golf Awards in 2018.



Quail Lodge & Golf Club had a strong year with revenue increasing by 11%. This was due to a successful marketing strategy to drive last-minute bookings, online travel agency (OTA) promotions, as well as improved golf membership sales and golf rounds. *The Quail Motorcycle Gathering*, a Peninsula Signature event, continues to grow in popularity with more than 2,000 visitors in May. This event complements the very successful *The Quail: A Motorsports Gathering* event, which occurs in August and has become one of the world’s leading concours events for classic car aficionados. In 2018 we welcomed more than 5,000 visitors to the event, bringing the Peninsula brand to the attention of leading car enthusiasts.





Peninsula Clubs & Consultancy Services manages prestigious clubs in Hong Kong including The Hong Kong Club, Hong Kong Bankers Club and The Refinery (formerly Butterfield's). The Refinery opened at the end of 2017 after a significant renovation and has been well received by members.

Revenue at **Peninsula Merchandising** was 9% higher than the same period last year, driven by new marketing campaigns, increased business at The Peninsula Boutique store at Hong Kong International Airport and various pop-up promotions in leading retail outlets in Hong Kong. Peninsula Merchandising has implemented a strategy of a broader product range and seasonal promotions, which requires an initial investment in operating costs but is expected to lead to a long-term increase in earnings as well as a broader earnings base. In June 2018 we undertook a new brand relaunch, "A Journey to Treasure", which we expect will improve brand awareness and help drive sales.

Tai Pan Laundry revenue was flat during 2018 at HK\$55 million, and the company is driving new business with marketing strategies and greater automation.



Operational Review

PROJECTS UNDER DEVELOPMENT

The Peninsula London



In 2013, our group purchased a 50% interest in the lease of 1-5 Grosvenor Place in Belgravia, central London, for a cash consideration of £132.5 million. In 2016, HSH assumed 100% ownership of the project by buying out our equity partner Grosvenor for an additional cash consideration of £107.5 million. Grosvenor will remain as the landlord under the 150-year lease.

The property is in a high-profile location at the gateway to Belgravia, overlooking Hyde Park Corner, the Wellington Arch, Green Park and the gardens of Buckingham Palace. We are developing a 189-room Peninsula hotel with 26 luxury Peninsula-branded residential apartments for sale also integrated into the development. The

construction budget for the project is in the region of £650 million.

To shorten the development period, we have deployed a ‘top-down’ construction methodology, whereby the above-ground superstructures and the basements are constructed at the same time. Construction of the project is progressing well, with the topping out of the building expected in mid-2019. The below-ground excavation and structural works will continue for some time.

Our ambition is for the hotel and residences to set new standards in luxury and service in the London market when complete, currently scheduled for 2021.

The Peninsula Istanbul



In July 2015, together with our partners Doğu Holding and BLG, we entered into a conditional shareholders' agreement to form a joint venture partnership, of which HSH has a 50% share, for a proposed hotel development in Istanbul, Turkey.

The partners agreed to jointly develop the property with an investment commitment of approximately €300 million, of which HSH is responsible for 50% or approximately €150 million.

The project has encountered some unforeseen site conditions and challenges with the heritage building which has caused some delays. Completion of the project is currently targeted to be in 2021. There will be

approximately 180 rooms, a ballroom with sweeping views of the Bosphorus, indoor and outdoor swimming pools, Spa and verdant garden area on the waterfront.

Istanbul is a beautiful historic city that embodies the meeting point of East and West, and the location of The Peninsula Istanbul on the Bosphorus is truly spectacular. The Peninsula Istanbul will form part of the wider *Galataport* project being developed by our partners, which incorporates a promenade, museums, art galleries, restaurants, boutiques, retail units, parks and public spaces for the local community as well as a cruise passenger terminal with global standards. We believe in the long-term future of Istanbul as one of the world's leading business and tourism destinations.

Operational Review

The Peninsula Yangon



The company entered into a shareholders' agreement with Yoma Strategic Investments Ltd and First Myanmar Investment Co., Ltd in January 2014 to acquire a 70% majority interest for a proposed hotel development on the site of the former headquarters of the Myanmar Railway Company in central Yangon, Myanmar. The existing building is being renovated to become The Peninsula Yangon and will be adjacent to a mixed-use development called Yoma Central, previously known as the Landmark Development. We will also receive branding fees on the sale and management of The Peninsula Residences Yangon, the luxury residential apartments being developed by Meeyahta Development Limited which is a joint venture between our partner Yoma, Mitsubishi Corporation, Mitsubishi Estate Corporation, Asian Development Bank and International Finance Corporation, adjacent to the hotel.

Construction progress was delayed during 2018 due to the collapse of a small portion of the heritage building façade wall. We have taken immediate action in response to this issue, including claiming insurance, performing a peer review of the construction methodology and dealing with the relevant authorities. Although the revised timeline has not yet been finalised, we are still expecting the project to be completed in 2021.

The Peninsula Yangon will have 88 magnificent guestrooms with high ceilings, surrounded by tropical landscaped gardens with an outdoor swimming pool.

The group's overall investment is around US\$130 million, including the value of the leasehold interest and estimated development costs.

THE PENINSULA

