

Non-Accounting Performance Indicators

Examples of key non-accounting performance indicators relevant to the Group's hotel business include:

Average Room Rate (HK\$) :

Total Rooms Revenue

Rooms Occupied

Rooms Revenue per Available Room ("RevPAR") (HK\$):

Total Rooms Revenue

Rooms Available

Occupancy Rate:

Rooms Occupied x 100%
Rooms Available

Review of Group Results

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

HK\$m	2013	2012	2013 vs 2012
Revenue			
Hotels	4,044	3,885	4%
Commercial Properties	806	733	10%
Clubs and Services	658	560	18%
	5,508	5,178	6%
EBITDA			
Hotels	649	596	9%
Commercial Properties	521	474	10%
Clubs and Services	136	131	4%
	1,306	1,201	9%

We are pleased to report that the HSH Group's turnover continued to grow in 2013 and amounted to HK\$5,508 million, representing an increase of 6% over HK\$5,178 million in 2012. EBITDA for the year was HK\$1,306 million, an increase of 9% over the previous year. Profit attributable to shareholders amounted to HK\$1,712 million, after including property revaluation gains, net of tax and non-controlling interests. The Group's underlying profit attributable to shareholders for the year ended 31 December 2013 increased by 16% to HK\$511 million.

The Board has recommended a final dividend payable on 20 June 2014 of 12 HK cents per share. Together with the 2013 interim dividend of 4 HK cents per share paid on 30 September 2013, the total dividend

in respect of the 2013 financial year will be 16 HK cents per share, an increase of 14% over 2012. In the light of our new project commitments, most notably The Peninsula London project, the Directors have decided to restore the Company's scrip dividend option for shareholders in respect of the final 2013 dividend.

As we will explain in more detail in the following business review, it should be noted that The Peninsula Hong Kong and de Ricou tower at The Repulse Bay Complex were not fully operational during 2013 due to enhancement and renovation projects. We have acquired two new investment properties in London and Paris, which come into our accounts for the first time. 19 apartments of The Peninsula Residences, Shanghai have been re-classified as they are now held for sale, as explained on pages 45 and 46.

Operating Statistics

Peninsula Hotels

	Available Rooms		Occupancy %		ARR (HK\$)		RevPAR (HK\$)	
	2013	2012	2013	2012	2013	2012	2013	2012
Hong Kong (Note 1)	242	155	72	79	5,170	5,133	3,731	4,072
Other Asia (excluding Hong Kong)	1,941	1,941	66	63	2,065	2,179	1,361	1,367
United States of America	772	771	74	72	4,858	4,627	3,573	3,346
Total	3,013	3,012						
Average			68	66	3,087	3,091	2,105	2,046

Notes:

1. The renovation in The Peninsula Hong Kong was completed in two phases, resulting in 135 rooms being removed from saleable inventory from January to September 2012, followed by 165 rooms from September 2012 to May 2013. The occupancy and RevPAR are based on the number of rooms not being renovated.
2. Occupancy rates, average room rates and RevPAR are weighted averages for the hotels in each grouping.
3. The average room rates and RevPAR include undistributed service charge, which is levied at 10% in Hong Kong and at 15% in China and Japan.

Hotel's Revenue by Geographical Segment (HK\$m)

	2009	2010	2011	2012	2013
Hong Kong	997	1,119	1,217	1,092	1,268
Other Asia	1,328	1,547	1,551	1,758	1,685
USA	820	910	998	1,035	1,091
	3,145	3,576	3,766	3,885	4,044

Hotel's Revenue by Nature (HK\$m)

	2009	2010	2011	2012	2013
Rooms	1,324	1,549	1,642	1,637	1,768
Food & Beverage	985	1,123	1,175	1,232	1,218
Others	836	904	949	1,016	1,058
	3,145	3,576	3,766	3,885	4,044

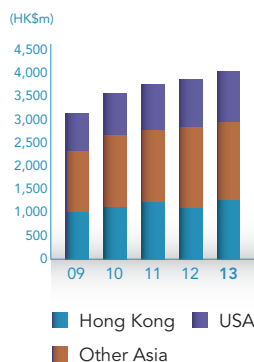
Hotel's EBITDA

	2009	2010	2011	2012	2013
EBITDA (HK\$m)	443	604	605	596	649
EBITDA Margin	14%	17%	16%	15%	16%

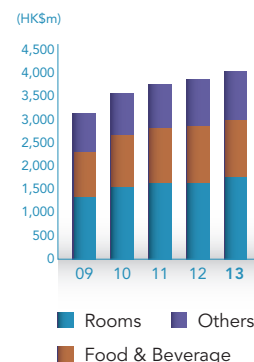
Leasing

	Occupancy %		Yield psf (HK\$)	
	2013	2012	2013	2012
Residential (Note 1)	89	92	42	41
Shopping Arcades (Note 2)	99	99	191	179
Offices (Note 3)	92	96	48	45

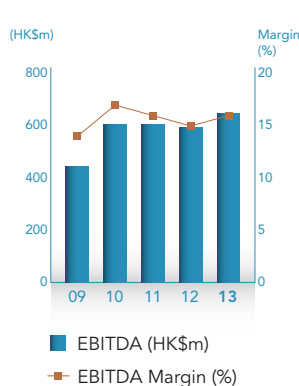
Hotel's Revenue by Geographical Segment



Hotel's Revenue by Nature



Hotel's EBITDA

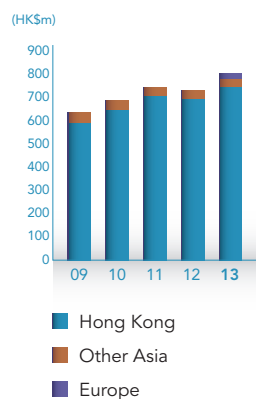


Notes:

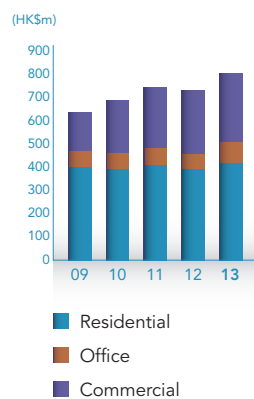
1. Residential properties includes all apartments in The Repulse Bay Complex. The statistics are affected by the re-opening of de Ricou tower in August 2013 after an 18-month closure for a complete renovation.
2. Shopping arcades are located in seven Peninsula hotels as well as The Repulse Bay Complex and The Peak Tower.
3. Offices are located in The Peninsula Hong Kong and St. John's Building.
4. Occupancy rates are weighted averages based on the space available in each grouping.
5. The operating statistics do not include information for operations that are not consolidated or whose results are not material in the Group context. The operating statistics also do not include information for 1-5 Grosvenor Place, London because of the proposed redevelopment.

Commercial Properties

Rental Revenue from Commercial Properties by Geographical Segment



Rental Revenue from Commercial Properties by Nature



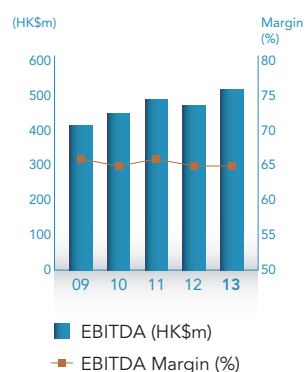
Rental Revenue from Commercial Properties by Geographical Segment (HK\$m)

	2009	2010	2011	2012	2013
Hong Kong	588	646	704	694	743
Other Asia	49	42	39	39	36
Europe	–	–	–	–	27
	637	688	743	733	806

Rental Revenue from Commercial Properties by Nature (HK\$m)

	2009	2010	2011	2012	2013
Residential	398	392	410	390	415
Office	70	66	71	67	93
Commercial	169	230	262	276	298
	637	688	743	733	806

Commercial Properties' EBITDA

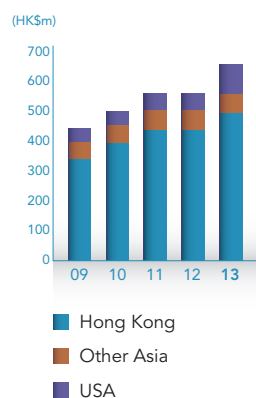


Commercial Properties' EBITDA

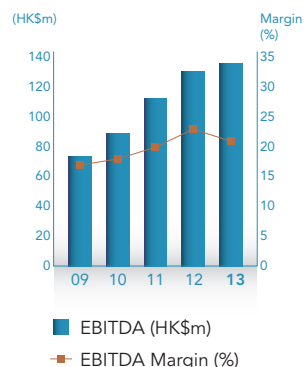
	2009	2010	2011	2012	2013
EBITDA (HK\$m)	418	450	493	474	521
EBITDA Margin	66%	65%	66%	65%	65%

Clubs and Services

Revenue from Clubs and Services by Geographical Segment



Clubs and Services' EBITDA



Revenue from Clubs and Services by Geographical Segment (HK\$m)

	2009	2010	2011	2012	2013
Hong Kong	338	393	438	438	494
Other Asia	58	60	66	66	65
USA	47	47	56	56	99
	443	500	560	560	658

Clubs and Services' EBITDA

	2009	2010	2011	2012	2013
EBITDA (HK\$m)	74	89	113	131	136
EBITDA Margin	17%	18%	20%	23%	21%

HOTELS

Set out below is a breakdown of revenue by hotels:

HK\$m	2013	2012	2013 vs 2012
Consolidated hotels			
The Peninsula Hong Kong	1,192	1,025	16%
The Peninsula Beijing	424	417	2%
The Peninsula New York	592	566	5%
The Peninsula Chicago	499	469	6%
The Peninsula Tokyo	734	814	(10%)
The Peninsula Bangkok	235	225	4%
The Peninsula Manila	292	302	(3%)
Management fees income	76	67	13%
	4,044	3,885	4
Non-consolidated hotels			
The Peninsula Shanghai	553	492	12%
The Peninsula Beverly Hills	508	481	6%
	1,061	973	9%

2013 was an exciting year for the Group's hotels division. At the beginning of the year, our hotels portfolio comprised of nine operating Peninsula Hotels in Hong Kong, Shanghai, Beijing, Tokyo, New York, Chicago, Beverly Hills, Bangkok, Manila, while the tenth, The Peninsula Paris, was under construction. By the end of the year, we confirmed the expected opening of The Peninsula Paris in 2014, and embarked on two new projects for The Peninsula London and The Peninsula Yangon.

During the year, our existing portfolio of hotels achieved overall growth. This was the result of eight operating hotels

achieving revenue growth in 2013 as compared with 2012. The Peninsula Tokyo achieved a revenue growth of 10% in its base currency, although the depreciation of the Japanese yen translated such growth into a 10% decrease in revenue in Hong Kong dollar terms. The Peninsula Manila recorded a reduction in revenue under the pressure of increased competition and the unfortunate natural disasters which occurred in the Philippines in late 2013. Our hotels generally enjoyed a strong market position in the midst of a tight operating environment and increasingly competitive local markets.



The Peninsula Hong Kong

The Peninsula Hong Kong

Revenue
HK\$1,192m **+16%**

Room Revenue **+42%**
HK\$329m

Available Rooms **+55%**

Average Room
Rate **+1%**

Hong Kong

The Peninsula Hong Kong completed its 17-month, HK\$450 million room enhancement project, with all rooms of the hotel returning to inventory in May 2013. The increased recognition the hotel has been garnering has been sizeable, with notable accolades including the “No. 1 2013 World’s Best Service Hotels Overall – City Hotels” Award from *Travel + Leisure (USA)* and “No. 1 Best Hotel in Asia for Business – 2013 Travel Awards” by *Condé Nast Traveler (USA)*. See page 128 for more details on our Awards.

Total revenue of the hotel in 2013 was HK\$1,192 million, which was 16% higher than 2012. This increase includes HK\$98 million of additional room revenue, with the remainder from food and beverage and the Peninsula Arcade. Much of the increased room revenue is related to the return of all rooms to saleable inventory from May 2013, which increased the number of available rooms by 55% as compared with 2012. We expect room earnings to improve in 2014 with full inventory being available in the hotel.

The Peninsula Arcade remained highly sought-after by leading international luxury retail brands and continued to be fully let throughout the year with a further increase in the average rent. The Office Tower was also fully let during the year.

2013 was a very special year for the hotel as our Grande Dame hosted a series of events to mark her 85th Anniversary, culminating in a celebration gala event in November and the premier of the documentary on the heritage of our hotels, *Tradition Well Served*. The hotel also partnered with four local charities and raised HK\$1 million for each of these organisations respectively.

Greater China

Our hotels in China recorded revenue growth in 2013 amidst markets which are still seeing increasing supply in luxury hotels.

Shanghai saw intense price competition and the business environment remained challenging, with more than 1,000 new luxury hotel rooms entering the market in 2013. Despite the challenging market conditions, **The Peninsula Shanghai** achieved good results this year with a revenue increase of HK\$61 million (12%) above 2012, reflecting growth in all areas apart from The Peninsula Arcade.

Although the Arcade remained fully let, average rentals were lower than 2012 due to incentives being given to attract new tenants. To drive foot traffic into the Arcade and surrounding areas, we teamed up with neighbouring properties in No. 1 Waitanyuan to launch “Magical Waitanyuan” – a winter wonderland of cultural events, dining, shopping and an outdoor skating rink.

The Peninsula Shanghai maintained its position as the city’s No. 1 in RevPAR. Awarded “The World’s Best Business Hotel 2013” by *Travel + Leisure (USA)*, the hotel remained busy in the forefront of luxury entertainment of the city. The hotel is also gaining an excellent reputation for outside catering and this has become an additional revenue stream. In February, a refurbished 1934 Rolls-Royce Phantom II arrived at the hotel. The hotel hosted the third Tour de Bund Charity Ride in September, which is becoming a signature event in the city. In October we launched deluxe touring options to explore Shanghai, including a new tour by river on The Peninsula Yacht.

The Peninsula Shanghai

Revenue HK\$553m	+12%
Occupancy	+7pp
Average Room Rate	+0pp
RevPAR	+12%



The Peninsula Shanghai



Within the same complex as The Peninsula Shanghai are The Peninsula Residences which feature the same luxury standards and patented technology as our hotels. In 2013, we commenced the sale of 19 of the 39 units of The Peninsula Residences, with a satisfactory number of deals being entered into by the year-end. The remaining apartment units will continue to be held as investment properties for leasing.



The Peninsula Shanghai and The Peninsula Residences, Shanghai

The Peninsula Beijing

Revenue HK\$424m	+2%
Occupancy	+7pp
Average Room Rate	-28%
RevPAR	-19%

The Peninsula Beijing adopted an aggressive room-selling strategy during the year to maintain its competitiveness in the oversupplied market, but despite these efforts RevPAR was 19% lower than 2012. International visitor numbers to Beijing decreased by 14% as compared with 2012 and the continuous strengthening of the RMB has made China less affordable for foreign visitors.

The total revenue of the hotel achieved a HK\$7 million (2%) increase over 2012 as higher commercial revenue offset reduced revenue in the other areas of the complex. In June, we opened Yun, which is the only rooftop bar in the Wangfujing area.

There will be continued intense competition in the city with five hotels opening in 2014, creating an additional supply of approximately 1,300 luxury rooms. In order to maintain and increase the competitiveness of the hotel, the Board has approved extensive renovations for The Peninsula Beijing at a cost of approximately HK\$1,138 million (RMB890 million) over the next few years. This renovation will be in the planning stages in the next year and will not have any revenue impact in 2014.

Other Asia

In Japan, the general business environment has improved after the March 2011 earthquake and tsunami and overall confidence in the health of the local economy is at its highest level in recent years. The weaker yen is making Japan a more affordable destination for tourists and there has been a significant increase in both corporate and long-haul leisure travellers visiting Japan. New visa waiver arrangements with Thailand and



The Peninsula Beijing

Malaysia, announced in 2013, resulted in double-digit increases in visitors to Japan from these countries.

Benefitting from this environment, **The Peninsula Tokyo** performed well and reported a 10% increase in total revenue in its base currency over 2012. However, due to the weakening of the Japanese yen, the hotel's total revenue was HK\$80 million (10%) lower than 2012 in Hong Kong dollar terms. The increased revenue in the base currency was generated from all divisions of the operation, with the largest increase coming from the hotel's occupancy.

In March, the hotel unveiled a new grill concept at *Peter* restaurant on the 24th floor, which proved very popular, and throughout the year the hotel initiated various energy and water-saving projects. With the recent announcement of the 2020 Olympic Games in Tokyo and the generally positive sentiment of the country, we are optimistic that this

exceptional hotel will continue to achieve positive growth.

2013 marked the 15th Anniversary of **The Peninsula Bangkok**, which enjoys a spectacular location on the banks of the Chao Phraya River, and the hotel celebrated this milestone with a collection of special events and offers. The Lobby was renovated with a floor-to-ceiling restyling to create a contemporary and sophisticated Asian ambience. The first phase of a guest room refurbishment programme was completed, with nine of 32 floors completed by the end of 2013. A new Chef's Table was introduced in the kitchen of the hotel's award-winning Chinese restaurant, Mei Jiang.

This hotel achieved an increase in total revenue of HK\$10 million (4%) over 2012. However, further growth was limited by substantial political unrest in the country, especially in the last two months of the year, followed by a State of Emergency being declared in January 2014, which has naturally impacted overseas visitors.



The Peninsula Bangkok

The Peninsula Tokyo

Revenue JPY 9.3billion **+10%**

Revenue HK\$734m **-10%**

Occupancy **+13pp**

Average Room Rate (JPY) **+1%**

RevPAR (JPY) **+23%**

The Peninsula Bangkok

Revenue HK\$235m **+4%**

Occupancy **-4pp**

Average Room Rate **+18%**

RevPAR **+9%**



The Peninsula Tokyo



The Peninsula Manila



The Peninsula New York

The Peninsula Manila

Revenue
HK\$292m **-3%**

Occupancy **-4pp**

Average Room
Rate **+2%**

RevPAR **-3%**

The Peninsula New York

Revenue
HK\$592m **+5%**

Occupancy **-1pp**

Average Room
Rate **+10%**

RevPAR **+9%**

It was a challenging year in Manila. The Philippines unfortunately suffered from some devastating natural disasters in 2013, including flooding from typhoons, an earthquake in October and a super-typhoon in November which affected tens of thousands of people. To raise funds for the victims, all Peninsula Hotels launched a "Hope for the Philippines" campaign, with proceeds going directly to the Gawad Kalinga Community Development Foundation to help rebuild the affected areas.

On the business side, the city experienced an unprecedented influx of new hotel room supply, resulting in a 40% increase in the number of available 5-star hotel rooms compared with 2012. In light of this challenging environment, total revenue of **The Peninsula Manila** was HK\$10 million (3%) lower than 2012. Nevertheless, the hotel maintained its RevPAR position throughout the year and we plan to enhance our product offering with a renovation of our Club Lounge and Peninsula Suite in 2014. We remain optimistic for the outlook in 2014, given an increased number of meetings, forums and major exhibitions that are

expected to be held as part of a global effort to support the economic recovery of the Philippines.

USA

The Peninsula New York celebrated its 25th Anniversary in 2013 with a spectacular Gala event and the launch of the chic Yabu Pushelberg-designed *Clement* restaurant. After a complete refurbishment in 2012, the Peninsula Suite positively contributed to increased revenue in 2013.

Our New York hotel worked to diversify its client base during the year, with special focus on higher-rated businesses, and visible improvements in its RevPAR positioning within its competitor set. We were pleased to see an increase in hotel revenue of HK\$26 million (5%) higher than 2012, with a 10% growth in the average room rate.

Our meetings and events in this hotel saw a double digit increase over the previous year, and we hosted the most successful United Nations General Assembly in our history in September.



The Peninsula Beverly Hills

The financial industry remains a strong base for the hotel and will continue to represent a substantial percentage of room nights.

In April 2013, we opened the Vu Hair Salon and an elegant Nail Suite in The Peninsula Spa. The Peninsula Spa received the Best Spa in New York City award in the 2013 Concierge Choice Awards.

The Peninsula Chicago is heavily reliant on domestic business from within North America and is therefore directly influenced by domestic business trends. Chicago is a major conventions market but in 2013 the city experienced a poor convention year as compared with 2012. To further add to a relatively weak environment, Chicago added 1,900 rooms to the market in 2013.

Taking this into consideration, we are pleased to see the 4% improvement in RevPAR and a strong 10% growth in food and beverage revenue during 2013. The Lobby received a Michelin Star from the Michelin Guide in November 2013, which has increased its popularity.

Total revenue of the hotel was HK\$30 million (6%) higher than 2012, despite intense local market competition. Our Board approved extensive room renovations for The Peninsula Chicago at approximately HK\$164 million (US\$21 million), with a focus on our world-class in-room technology. We expect that this will position The Peninsula Chicago as one of the most advanced hotels in the city and will greatly enhance our value and appeal to guests.

General market conditions in Beverly Hills were buoyant in 2013, with growth in international and business travel, particularly from the Middle East and Australia, and recovery in the entertainment and financial sectors.

The Peninsula Beverly Hills remained a leader in RevPAR in its competitive set and continues to achieve an extraordinarily high repeat guest factor. 2013 was an exceptional year for the hotel with the highest revenue, highest number of days with full occupancy and highest average room rate, resulting in a total revenue that was HK\$27 million (6%) higher than 2012 with improved contributions from all areas of the operation.

In 2013 our Beverly Hills hotel completed several infrastructure improvements and the conversion of its Gardenia Meeting Room into a Garden Suite, which contributed to improved revenue. The remodeling of the House Beautiful Suite into the Glamour Suite in honour of Beverly Hills' 100th Anniversary is also well under way and is expected to launch in 2014.

The Peninsula Chicago

Revenue
HK\$499m **+6%**

Occupancy **+2pp**

Average Room Rate **+2%**

RevPAR **+4%**

The Peninsula Beverly Hills

Revenue
HK\$508m **+6%**

Occupancy **+3pp**

Average Room Rate **+3%**

RevPAR **+4%**

The Peninsula Chicago



COMMERCIAL PROPERTIES

Set out below is a breakdown of revenue by individual properties:

HK\$m	2013	2012	2013vs 2012
The Repulse Bay Complex, Hong Kong	540	518	4%
The Peak Tower, Hong Kong	157	131	20%
St. John's Building, Hong Kong	46	45	2%
The Landmark, Ho Chi Minh City, Vietnam	36	39	(8%)
1-5 Grosvenor Place, London	16	–	n/a
21 avenue Kléber, Paris	11	–	n/a
	806	733	10%



The Repulse Bay Complex

Our commercial properties division continues to be an important part of our business and provides an excellent balance for the Group's overall portfolio of assets. This division provides a stable contribution to the Group's earnings through its consistent leasing revenue, counter-balancing the cyclical nature of hotel earnings. The total revenue from this division in 2013 was HK\$73 million (10%) higher than the previous year, with significant revenue growth in The Repulse Bay Complex and The Peak Tower. New contributors to our portfolio include **1-5 Grosvenor Place, London**, and **21 avenue Kléber, Paris**, which were acquired in mid-2013 by the Company. More details can be found on page 35.



The Peak Tower

Hong Kong

In line with our strategy of improving our existing assets, enhancing efficiency and increasing the potential for better yield, in 2012 we embarked on an extensive 18-month renovation and reconfiguration programme for **The Repulse Bay Complex**, which is the most important asset within our commercial properties division. The 49 apartments of de Ricou tower, one of the towers of the Complex, were re-launched for lease in 2013. The tower comprises 34 unfurnished apartments and 15 serviced apartments with significantly improved layouts and interior design. We are delighted to report that de Ricou tower is the first in Hong Kong to be awarded the prestigious LEED Gold Award in the Alteration and Addition category. With renovation of the public areas also completed in 2013, The Repulse Bay Complex is a premier residential property and offers one of the finest and most enjoyable living environments in Hong Kong.

The results of the Complex were pleasing, especially in light of the rather pessimistic sentiment that persisted throughout the year in the Hong Kong residential leasing market. Total revenue of The Repulse Bay Complex was HK\$22 million (4%) higher than 2012, due to improved occupancy and rental rates of the 353 apartments in 101 and 109 Repulse Bay Road, and increased inventory from the completion of de Ricou tower refurbishment. The Complex is well-positioned to make the best of the subdued market conditions and will benefit in 2014 from a full year of leasing of de Ricou tower.

It was another exciting year for **The Peak Tower** which remains one of Hong Kong's most popular and unique tourist attractions. The Tower generates most of its revenue from commercial leasing, with additional revenue coming from tourist entrance fees to the open-air rooftop attraction of Sky Terrace 428 with its panoramic views of Hong Kong.

The Repulse Bay Complex, Hong Kong

Revenue HK\$540m **+4%**

The Peak Tower, Hong Kong

Revenue HK\$157m **+20%**

Visitors to Sky Terrace 428 **+10%**

St. John's Building, Hong Kong

Revenue
HK\$46m

+2%

The Landmark, Vietnam

Revenue
HK\$36m

-8%



The Landmark



St. John's Building

This property saw significant growth in 2013 of HK\$26 million (20%) as compared with the previous year. Revenue improved from increased rentals in the commercial areas of the property and higher revenue from Sky Terrace 428 after the introduction of the Hong Kong Sky Tour. This is a personal interactive touch-screen audio guide available in several languages, through which visitors can explore Hong Kong's neighborhoods, architecture, history and culture.

St. John's Building accommodates the lower terminus of the Peak Tram and leases office space that returns a stable stream of revenue. In 2013 the building achieved revenue growth of HK\$1 million (2%) in total revenue compared to 2012. We made capital improvements to maintain the competitiveness of this property, with major renovations in the lobby and common areas. In addition, a new water-cooled air-conditioning system was installed in summer 2013, achieving

energy savings. We expect prime office supply to remain limited in the building's vicinity.

Other Asia

Our portfolio in Asia includes **The Landmark** which is a mixed-use commercial building in Ho Chi Minh City, Vietnam, comprised of serviced apartments and office and retail space. We began a renovation programme of the serviced apartments in December 2011 which will be substantially completed in 2014. Total revenue of The Landmark was HK\$3 million (8%) below 2012, partly due to the renovation which resulted in fewer available apartments in the Complex.

With around 4,200 new units planned to enter the market in the next five years, we expect the Vietnam serviced apartment market to remain competitive. Although we remain one of the premier commercial properties in the city, we anticipate that increasing general rental rates will be challenging.

NEW COMMERCIAL PROPERTIES

In July 2013, the Company acquired a 50% interest in an existing commercial property located at **1-5 Grosvenor Place**, Belgravia, London, for approximately HK\$1,564 million (£132.5 million), exclusive of transaction costs, stamp duty, land tax and other applicable taxes. The remaining 50% economic interest is held by Grosvenor, which is the Company's partner in this property. Together with Grosvenor, we will seek planning permission to demolish the existing building and redevelop it into The Peninsula London hotel and residential complex. We target to commence demolition and construction by 2016. The property is currently a commercial complex of approximately 220,000 square feet (20,439 square metres), which was fully let at year-end and contributes to

the revenue of the commercial properties division.

In Paris, a unique opportunity arose in early 2013 when the commercial building known as **21 avenue Kléber** became available through a private sale process. Given its location immediately adjacent to The Peninsula Paris and the potential of the building to bring long-term value to the Company, we acquired a 100% interest in this property in June 2013 for approximately HK\$566 million (€56 million), exclusive of transaction costs and taxes. In the early 20th century, this Second Empire architectural style building was owned by Hotel Majestic Paris, and was subsequently rebuilt in the 1970s. The offices, retail and residential components of the current building are spread over four floors of approximately 43,163 square feet (4,010 square metres).

1-5 Grosvenor Place, London

Revenue	HK\$16m
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21 avenue Kléber, Paris

Revenue	HK\$11m
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1-5 Grosvenor Place



21 avenue Kléber

CLUBS AND SERVICES

Set out below is a breakdown of revenue by individual operations:

HK\$m	2013	2012	2013 vs 2012
Clubs and Consultancy Services	172	154	12%
Peninsula Merchandising	153	126	21%
Peak Tram	121	114	6%
Thai Country Club	65	66	(2%)
Quail Lodge & Golf Club	99	56	77%
Tai Pan Laundry	48	44	9%
	658	560	18%

Peak Tram

Revenue
HK\$121m **+6%**

Total
Patronage **+6%**

The Group's clubs and services division includes management and consultancy services, retailing of merchandise, operation of the Peak Tram, operation of golf clubs and provision of dry cleaning and laundry services. The 2013 total

revenue from the division was HK\$98 million (18%) higher than 2012 as a result of revenue gains in Quail Lodge & Golf Club, Peninsula Clubs and Consultancy Services, and Peninsula Merchandising.

In Hong Kong, the **Peak Tram** celebrated its 125th Anniversary in 2013. We launched a specially-designed ticket and The Peak Complex was converted into a traditional playground, with weekend street performances at The Peak Tower and souvenirs given to visitors. The Peak Tram continued to be a very popular ride, with 2013 total revenue recorded at HK\$7 million (6%) higher than 2012, and patronage of 6.3 million.

We have submitted a proposal to the Hong Kong Government to improve and enlarge the capacity of the Peak Tram for the long-term future. In the meantime, our right to operate the Peak Tram has been extended for another two years to the end of 2015.



The Peak Tram



Peninsula Merchandising

Peninsula Clubs and Consultancy Services

manage a number of prestigious private clubs in Hong Kong. We also manage and operate most of Cathay Pacific's airport lounges at Hong Kong International Airport and provide consultancy services.

Although there was a HK\$18 million (12%) overall increase in revenue in 2013, there was a higher increase in operating costs; in particular, for payroll and food and beverage costs incurred in Cathay Pacific's Lounges due to the increased lounge seating capacity and enhanced food and beverage offerings.

Peninsula Merchandising continues to be a successful extension of The Peninsula Hotels' brand in the retail world and allows the Company to reach out to regional destinations through franchise arrangements to showcase some of its hallmark merchandise.

In April 2013, following the success of our first two Peninsula Boutiques in Taipei, a third boutique was unveiled at the popular Pacific Sogo Zhongxiao shopping arcade. The business performance of Peninsula Merchandising continues to record significant growth, with a HK\$27 million (21%) increase in total revenue over 2012, with mooncake sales being particularly strong.

The hotel portion at **Quail Lodge & Golf Club** was reopened in March 2013 after a three-year closure and a complete refurbishment. In March 2013 a celebratory Open House welcomed approximately 500 community leaders, customers, business partners and residents to showcase Quail Lodge's renovations. The grand opening of the Lodge took place in August with over 1,000 attendees.



Quail Lodge & Golf Club

Peninsula Clubs and Consultancy Services

Revenue HK\$172m **+12%**

Peninsula Merchandising

Revenue HK\$153m **+21%**

Quail Lodge & Golf Club

Revenue HK\$99m **+77%**



Thai Country Club

Thai Country Club

Revenue
HK\$65m

-2%

Tai Pan Laundry

Revenue
HK\$48m

+9%

The association with specialist managers Kemper Sports resulted in a notable improvement in revenue at the Golf Club. Total revenue of Quail Lodge & Golf Club was HK\$43 million (77%) higher than 2012, of which HK\$32 million was contributed by the Lodge.

Quail Lodge & Golf Club hosted the very successful annual *The Quail, A Motorsports Gathering* in August, with more than 4,000 enthusiasts participating in 2013, while *The Quail Motorcycle Gathering* in May drew over 2,000 motorcycle enthusiasts. These events are very popular and provide a unique opportunity for the promotion of our Lodge and golf courses. Revenue from

these events continued to increase due to successful strategies for ticket sales and sponsorships.

Thai Country Club continues to be recognised as one of the premier golf courses in Asia, receiving notable awards within the golf course and club house categories of the Asia Pacific Golf Group. Total revenue of the Thai Country Club was similar to 2012, which is an acceptable result given the negative impact of political unrest in the latter part of 2013.

As a result of the increased volume of laundry, **Tai Pan Laundry's** revenue was HK\$48 million, an increase of HK\$4 million over 2012.

PROJECTS AND DEVELOPMENTS

The focus of the Company's projects and development activities is to establish a small and select number of new Peninsula hotels in key international gateway cities, and continually enhance our existing hotels and other properties to increase their long-term value.

In July 2013, we purchased a 50% economic interest in **1-5 Grosvenor Place**, Belgravia, London for approximately HK\$1,564 million (£132.5 million), exclusive of transaction costs, stamp duty, land tax and other applicable taxes. The site is a spectacular location at the entrance to Belgravia, opposite the Wellington Arch at Hyde Park Corner with views across to the gardens of Buckingham Palace. A detailed study and design process is being undertaken to determine the total redevelopment cost and to seek requisite planning approvals to turn the site into a luxury mixed-use hotel and residential complex. Proceeding with the redevelopment is subject to mutual agreement between the partners. We target to commence demolition and construction by 2016. The hotel portion will be named **The Peninsula London**, and managed by the Company as operator for an initial period of 50 years with two automatic renewals of 50 years.

The opportunity to establish our presence in **Yangon, Myanmar** arose in 2013. We have entered into a deal with our main partner Yoma Strategic Holdings Ltd to restore the heritage building that is the former Myanmar Railway Company headquarters, to be redeveloped as **The Peninsula Yangon**. A non-binding heads of agreement was signed in April 2013 and definitive agreements signed in January 2014. HSH has a 70% interest in the redevelopment of the historic building based on an agreed land valuation of approximately HK\$117 million (US\$15 million).

As previously reported, **The Peninsula Paris** has encountered a number of challenges during its construction, resulting in overall delays and cost increases. A considerable amount of time was spent in the first half of 2013 in negotiations with the lead contractor and sub-contractors to mitigate the cost overruns. As a result we and our partners Katara Hospitality agreed with the lead contractor a revised fixed-price construction contract with an increased budget of approximately HK\$4,592 million (€429 million) excluding contingency, for which we are responsible for our 20% proportional interest. In 2013, significant construction progress was made. Pre-opening plans are underway and The Peninsula Paris is expected to have its soft opening in 2014.



The Peninsula Paris