

OPERATIONAL REVIEW

2019 was a challenging year for our group operational results, although we had some positive results among our diverse portfolio. We benefit 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 and other businesses offer stability against the cyclical nature of the hotel industry. The major negative impact on our financial results was caused by the social unrest in Hong Kong, combined with ongoing uncertainty over the US-China trade war, which affected our tourism-related businesses in our home market of Hong Kong. Our commercial properties, clubs and Peninsula hotel properties in the US and the rest of Asia were generally stable during the year.

At the time of writing, the outbreak of the COVID-19 coronavirus has resulted in widespread travel advisories and airline cancellations. This has significantly negatively impacted the group's tourism-related businesses in Hong Kong including the Peak Tram and Peak Tower, and particularly our three hotels in Hong Kong, Shanghai and Beijing. Other markets around the world are also being impacted. We are very concerned about the outlook for the first half of 2020.

Business Performance

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

Hotels Division

Hotels	Revenue	Variance	
	HK\$m	In HK\$	In Local Currency
Consolidated hotels			
The Peninsula Hong Kong	1,104	–18%	–18%
The Peninsula Beijing	323	–1%	3%
The Peninsula New York	716	–1%	–1%
The Peninsula Chicago	639	2%	2%
The Peninsula Tokyo	876	1%	0%
The Peninsula Bangkok	293	0%	–4%
The Peninsula Manila	235	–1%	–3%
Non-consolidated hotels			
The Peninsula Shanghai	539	–10%	–6%
The Peninsula Beverly Hills	593	–3%	–3%
The Peninsula Paris	578	–1%	4%



Operational Review

The Peninsula Hong Kong



2019 was an extremely challenging year for our flagship hotel, **The Peninsula Hong Kong**. Although the hotel was the market leader in average rate in the first half of 2019, this position slipped in the second half due to the social unrest and mass protests which took place in the city from June onwards. Government travel advisories from many countries including our key segments of the United States and Japan severely impacted tourist arrivals in Hong Kong, leading to an overall decline of 18.8% in overnight arrivals in the city and this negatively impacted our business. In response to the soft demand, we offered special “staycation” rates for the local market and incentives to corporate clients and partners, as well as implementing stringent cost control measures.

One of the highlights during the year was the inaugural *Art in Resonance* at The Peninsula Hong Kong in March 2019, coinciding with Art Basel Hong Kong, one of the world’s premier art fairs for modern and contemporary art. The Peninsula Hotels worked alongside respected curators to carefully select contemporary artists Janet Echelman, Iván Navarro, Timothy Paul Myers and the Shanghai-based architecture collective MINAX. The Gala event was well received in the art community and by global media.

We were delighted that *Gaddi’s* was awarded a Michelin star in December 2019, and our Cantonese restaurant *Spring Moon* achieved its Michelin star for the fourth consecutive year.



The Peninsula Office Tower was 96% occupied throughout 2019. The Peninsula Arcade occupancy was 84% and the overall environment in Hong Kong for luxury retail remained soft. We collaborated with a high-end luxury jewellery brand to design a bespoke Signature Afternoon Tea and to help promote the Arcade to guests.

It is thanks to the efforts of our colleagues that The Peninsula Hong Kong received many accolades including “Best Business Hotel in the World” by *Business Traveller UK*, “Best Business Hotel in Hong Kong” by *Business Traveller China* and “Number 2 Best City Hotel in Hong Kong” by *Travel + Leisure magazine*.



Operational Review

The Peninsula Shanghai

Revenue RMB476m

–6%

Average Room Rate

–6%

Occupancy

+1pp

RevPAR

–6%



The Peninsula Shanghai remains the market leader in average room rate in the city. It enjoys a unique location on the historic Bund and is the only hotel in China with two Michelin-starred restaurants. We were delighted to be named as the “No. 1 Best Hotel in Shanghai” by *Travel + Leisure* magazine and “Best Luxury Hotel in China” by *City Travel*.

Occupancy slightly increased year-on-year. However, the hotel reported a softer 2019 in terms of average rate and RevPAR, due to intense competition and increased supply of luxury hotels compared to 2018.

The domestic Chinese mainland market continued to be our largest revenue driver and we enhanced our marketing activities on local platforms. We also recorded increasing arrivals from the Russia and Middle East markets. The US-China trade war negatively impacted corporate travel and groups business from the US market. We initiated a number of promotions at Yi

Long Court and *Sir Elly's*, as well as a newly themed The Peninsula Afternoon Tea to attract more food and beverage business.

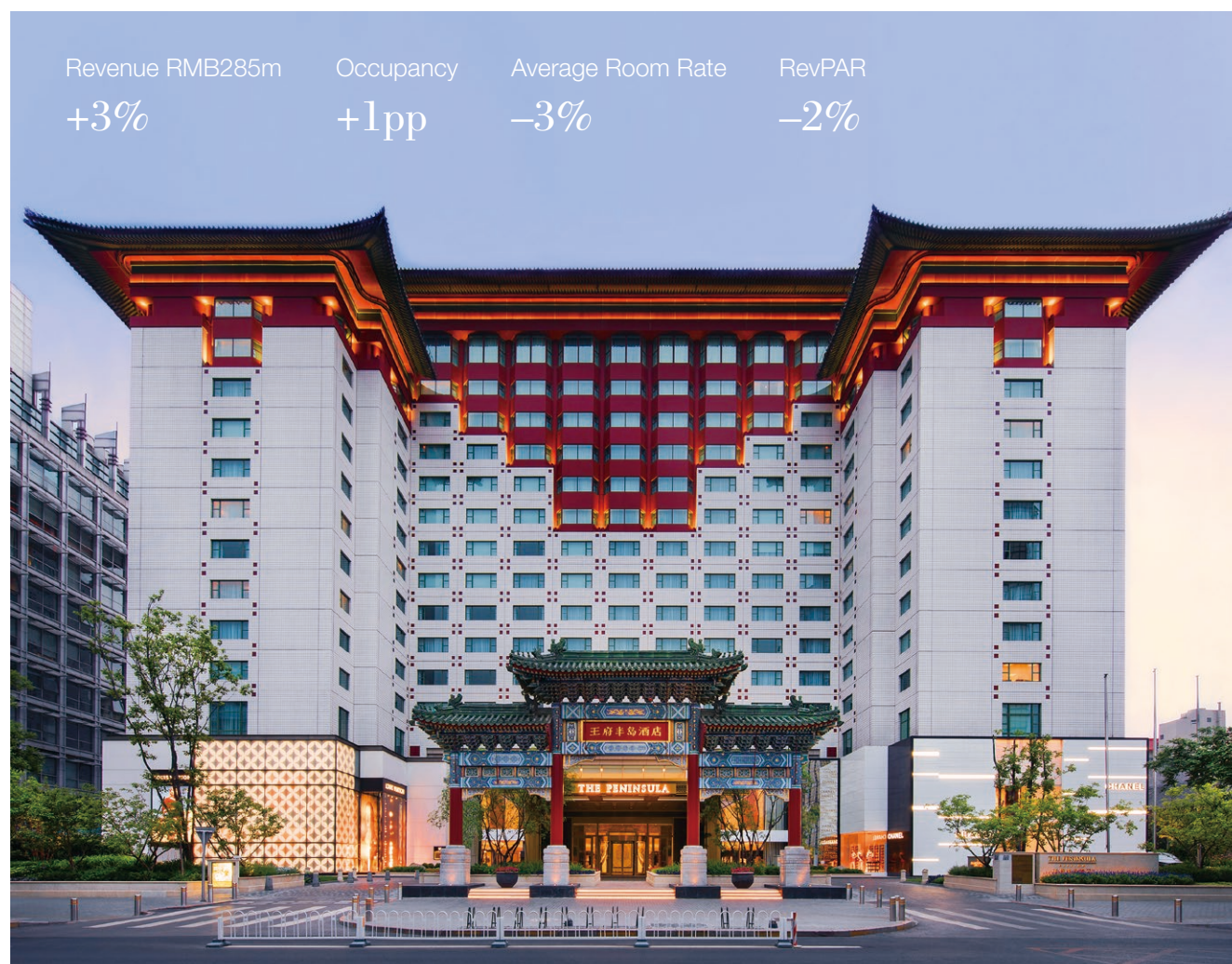
In June 2019, we were proud to partner with world-leading independent arts charity BAFTA (the British Academy of Film and Television Arts) on the launch of their new programme “BAFTA Breakthrough China” at No. 1 Waitanyuan, the property which we operate adjacent to the hotel. This is an initiative designed to identify and nurture the next generation of creative talent in Asia.

In addition to the hotel, The Peninsula Shanghai Complex also comprises a shopping arcade and a residential tower of 39 apartments. By the end of 2019, a total of 29 residential units have been sold (although no apartments were sold in 2019) and The Peninsula Arcade was 94% occupied, with recent leasing momentum remaining stable.



Operational Review

The Peninsula Beijing



The Peninsula Beijing reported positive revenue growth for 2019, although the recovery following the hotel's major transformation in 2018 has been slower than expected. The hotel was the rate leader in our competitive set for the year and we were delighted to be included in the Verified List for the "World's Best Hotel Rooms in 2019" by *Forbes Travel Guide* and No 2 "World's Best Hotels in Beijing" by *Travel + Leisure*.





As the only luxury all-suite hotel in the Chinese capital, we were proud to celebrate the hotel's 30th anniversary year in 2019 by inviting guests born in 1989, the hotel's opening year, to celebrate their 30th birthdays together with a range of promotions.

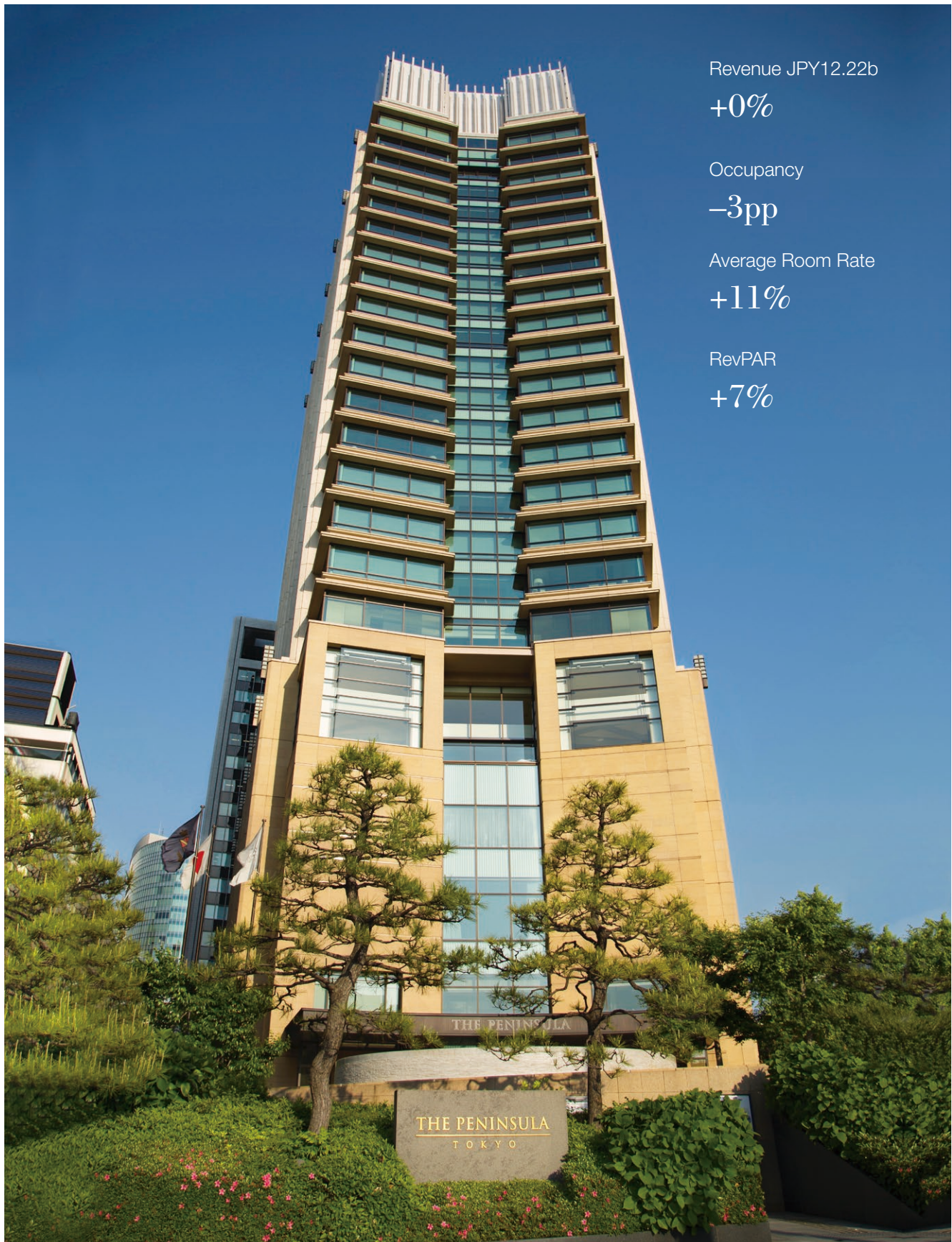
The Chinese mainland domestic market was the main driver of revenue; however the ongoing US-China trade war negatively impacted business from the United States. We are implementing a strategy to focus on diplomatic and group bookings for the coming year and are proud to have welcomed several heads of state during 2019.

Following the renovation of our dining outlets and new positioning of Jing, we have launched new marketing campaigns to drive our food and beverage business.

The Peninsula Arcade was 67% occupied and has welcomed a number of new luxury brands to the Arcade which have been well received by guests.

Operational Review

The Peninsula Tokyo





We were delighted to report a strong year for rooms business at **The Peninsula Tokyo** with double digit growth in average rates and increased RevPAR. The peak *sakura* (cherry blossom) season was particularly robust and we reported increasing arrivals from the US, Chinese mainland and the domestic Japanese market. The Middle East market continues to grow at a healthy pace.

Food and beverage revenue was soft compared to the same period last year, due to weak demand from the wedding market and the general Meetings, Incentives, Conferences and Exhibitions (MICE) market. We launched a number of marketing initiatives to boost revenue. In April 2019 we welcomed a new tenant restaurant, *Sushi Wakon*, featuring two Michelin-starred Chef Rei Masuda. We also launched an exclusive high-end, limited-edition Peninsula whisky which sold out within months of its release. In November and December, our signature contemporary grill restaurant, *Peter*, partnered with Blue Note Tokyo, the city's premier location for live jazz performances, which proved highly popular with guests.

We continued our efforts to drive family business by expanding our children's programme in a collaboration with The Pokémon Company, a long-time partner of the hotel. The Peninsula Spa revenue continues to remain strong due to the launch of an exclusive line of treatments and retail products.

Our "Keys to the City" programme offers The Peninsula Tokyo guests insider access to "Only-in-Tokyo" moments and experiences.



Operational Review

The Peninsula Bangkok

Revenue THB1,154m

−4%

Occupancy

−5pp

Average Room Rate

+10%

RevPAR

+2%





The Peninsula Bangkok experienced mixed results in 2019, impacted by a slower economy and uncertainty over the country's first elections since 2014. Our hotel was also negatively affected by extensive roadworks adjacent to our property which impacted our food and beverage and catering business, although in the long term this will benefit our hotel as the construction relates to a new monorail station to access ICONSIAM, one of Bangkok's largest shopping malls.

Despite these challenges, the hotel reported positive growth in average rates. Our strategy continued to focus on driving MICE business and suite bookings. We were delighted to position the hotel at the forefront of Thailand's thriving arts scene by becoming the first luxury hotel in Bangkok to offer an Artist in Residence programme, which welcomed Thai and international artists to live and work for two months in a custom-created studio at the hotel. In summer, we launched an innovative "The Art and Augmented Reality (AR) Afternoon Tea".

A legal dispute between HSH and the Phataraprasit shareholders, who own 50% of the property, is ongoing. The partners have been taking legal and other actions with the objective of terminating Peninsula's management of The Peninsula Bangkok. HSH will vigorously defend its rights in this dispute. Pending the outcome of the appeal and other legal processes which are ongoing, The Peninsula Bangkok continues to be operated by The Peninsula under the hotel management agreement which continues to be legally binding.



Operational Review

The Peninsula Manila



The Philippines experienced a 15.2% increase in foreign tourist arrivals year-on-year, with the Korean market remaining No 1 and the Chinese mainland being the fastest-growing inbound market with a double-digit year-over-year growth. The re-opening of Boracay Island further boosted tourism into the Philippines for 2019, highlighting “sustainable tourism” as a key focus.

The Peninsula Manila increased its occupancy and RevPAR during the year despite intense and increasing competition in a highly price-sensitive market, albeit with a reduced room inventory as part of its renovation programme. We commenced our room refurbishment in April 2019, with refreshed décor in our guest rooms and suites and The Peninsula’s most updated in-house

technology. We unveiled *The Gallery Club Lounge*, a new 90-seat guest lounge accessible to suite guests, featuring a range of food and live music.

Manila continues to develop as a high-end culinary destination. We launched a partnership with three of Manila’s top chefs who will bring 15 of Asia’s Top Chefs for a series of luxury dinners throughout the year. Our food and beverage operations performed satisfactorily with nearly all outlets achieving positive revenue growth as compared to last year. We were delighted to receive the accolade of “World’s Best Hotel Bars” by *Forbes Travel Guide* for *The Bar*, which was the only bar in the Philippines to achieve such an award.



Operational Review

The Peninsula New York



New York City reported a strong year in term of tourist arrivals in 2019, mostly coming from the US domestic market, Canada, Chinese mainland and the UK. However, the Middle East market segment overall continues to be impacted by the US Administration's travel restrictions and geopolitical tensions, and this also impacted our hotel business, although corporate business from other markets was stable. Overall, The **Peninsula New York** had a challenging rooms business in 2019 with a slight decline in RevPAR.

The Peninsula New York's food and beverage performance improved in 2019 over the previous year. In *Gotham Lounge* we introduced a limited-edition collaboration with Ladurée Paris to enhance our signature Afternoon Tea. The hotel's rooftop bar, *Salon de Ning*, reported increased revenue from a glamorous new feature, *Chalet de Ning*, which was launched in

November and comprised two chalet-inspired heated domes, which proved popular with guests and attracted significant positive media coverage.

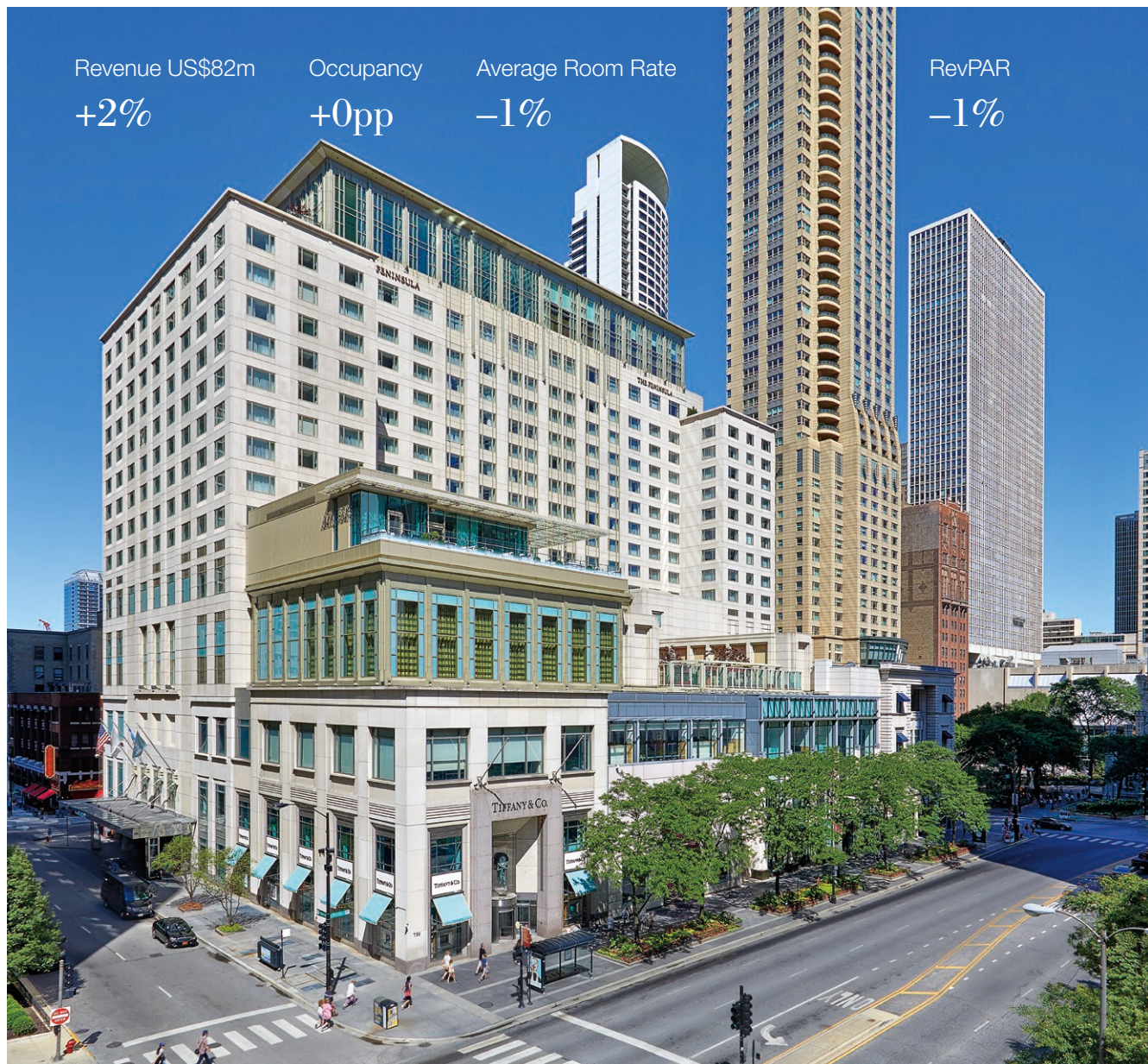
In April 2019, we presented *Home*, an art exhibition honoring the notions of home, identity and community, as an ode to The Peninsula's larger commitment to celebrating family and heritage. The exhibition featured a curated selection of original works by artists including Do Ho Suh, Catherine Opie, Angel Otero, Ashley Bickerton and Heidi Bucher, among others.

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. Amongst other accolades, we were delighted to achieve the 2019 Positive Luxury Award for "Excellence in Sustainability".



Operational Review

The Peninsula Chicago



Chicago is a city that is highly dependent on the convention industry which tends to move in biannual cycles. In 2019 the city experienced a slowdown in large-scale events, with group business declining 7.3% in overall occupancy year-on-year, although this is expected to pick up again in 2020. Choose Chicago, the official tourism organisation for Chicago, relaunched its website and increased its focus on attracting international and LGBT visitors to the city, which is usually heavily

dependent on the domestic US market. Chicago supply continued to increase with the additions of luxury and popular boutique hotels entering the market creating a 3.6% growth in supply. Over the past five years Chicago has seen an 11% growth in room supply to the city.

Despite the challenging environment, **The Peninsula Chicago** reported a stable year, achieving #1 RevPAR and average rate leader amongst our competitive set, despite the significant new supply in the city.



We were delighted to receive many accolades throughout the year, including “No 1 Best Luxury Hotel in the US” by *Tripadvisor*, “No 2 Best Hotel in the US” by *Global Traveler* as well as “No 1 hotel in Illinois” and “No 2 in the United States” from *U.S. News and World Report* respectively, which is a testament to the popularity of the hotel following its extensive renovation in 2016. Our rooftop bar *Z Bar* which opened in 2018 was awarded “The World’s Best Hotel Bars” by *Forbes Travel Guide*.

For the fifth consecutive year, we hosted a contemporary art exhibition that coincided with Expo Chicago, the International Exposition of Contemporary & Modern Art. We partnered with three extraordinary artists, James Nares, Ivan Navarro, and Naama Tsabar, whose practices explore movement, sound, and electricity, engaging with the rhythm and structure of the urban environment.



Operational Review

The Peninsula Beverly Hills



The Peninsula Beverly Hills achieved a plethora of recognition in 2019 including “The Best Hotel in the US” by *Global Traveler* magazine in 2019, “No. 1 hotel in Los Angeles” by *Tripadvisor*, “No. 1 Best City Hotel in Greater Los Angeles” by *Travel + Leisure*, and achieved the accolade of “World’s Best Hotel Bars – The Club Bar” by *Forbes Travel Guide*. The hotel has achieved AAA Five Diamond and Forbes Five Star ratings every year since 1993.

In terms of financial results, 2019 was a challenging year and the hotel reported softer rates, occupancy and RevPAR over the previous year. *The Belvedere* and *The Club Bar* performed well.



The weaker performance was partly due to the decreasing arrivals from the Middle East and the UK, partly due to the political uncertainty in those regions. We also noted increased supply in the Beverly Hills area from online accommodation aggregators. Unseasonably cold weather was also a factor impacting leisure travel arrivals to Los Angeles.

To manage the challenging year we implemented cost controls and implemented new marketing strategies, with a focus on groups business. In May 2019 we redesigned the award-winning Peninsula Spa and introduced a new high-end product line which has been well received by guests. We launched an Emerging Artist Series on the Terrace to celebrate vibrant LA street art, with proceeds donated to an LGBT-focused mental health charity, The Trevor Project.

As the epitome of Hollywood glamour, we remain the hotel of choice for celebrities, particularly during awards season and our guest return rate is very high.

Operational Review

The Peninsula Paris



In 2019, the city of Paris continued to be negatively impacted by the gilets jaunes protests which started in 2018. This impacted our operating results in the early part of 2019, as some of the protests occurred in the immediate vicinity of our hotel, although business improved in the remainder of the year.

Overall **The Peninsula Paris** reported improved RevPAR, occupancy although we saw a slight decline in average rates. We have focused on promoting groups and MICE business and we were honoured to welcome several diplomatic groups including a high-level state visit during the first half of the year. Food and beverage revenue was satisfactory, particularly from the rooftop restaurant *L'Oiseau Blanc* which offers spectacular views

from Sacre-Coeur to the Eiffel Tower and has become well established among Parisian celebrities and high society. We were delighted to receive a Michelin star for *L'Oiseau Blanc* in early 2020. *Le Bar Kléber* also performed well and we are implementing new marketing initiatives and positioning for our Chinese restaurant *Lili*.

We hosted The Peninsula Classics Best of the Best Award in February 2019 which was well attended by classic car aficionados and celebrities and received extensive press coverage.



Operational Review

Commercial Properties Division

Commercial Properties	Revenue	Variance	
	HK\$m	In HK\$	In Local Currency
The Repulse Bay Complex	661	+4%	+4%
The Peak Tower	154	-26%	-26%
St. John's Building	56	+3%	+3%
The Landmark	40	+5%	+4%
21 avenue Kléber	23	—	+5%



Our largest residential property, **The Repulse Bay Complex**, reported a positive year in 2019 with revenue increasing by 4% over the previous year despite a very challenging 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 increased in the first half due to 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. *The Verandah* continues to attract excellent wedding business given the spectacular location and views of Repulse Bay. *Breeze*, our new outdoor venue which opened in 2018, has been popular with residents and visitors. We launched our first-ever public art exhibition to coincide with Art Basel, titled *Art @the Bay: Time and Transformation* featuring two sculptures and seven installations by Hong Kong artist Matthew Tsang.

The Repulse Bay Shopping Arcade, which offers an eclectic blend of lifestyle amenities, health and wellness facilities and boutiques, was 94% occupied for most of the year.



The Peak Tower was fully leased for most of the year and although rental revenue only slightly declined, overall revenue decreased by 26% due to a significant decline in visitors to Sky Terrace 428 as a result of the social unrest in Hong Kong.



Operational Review



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 in 2019.

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, and 100,000 square feet of first-class office space for leasing. Revenue increased by 4% year-on-year despite intense competition in the city. 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 retail spaces.

Clubs and Services Division

Clubs and Services	Revenue	Variance	
	HK\$m	In HK\$	In Local Currency
The Peak Tram	76	–46%	–46%
The Thai Country Club	70	–	–4%
Quail Lodge & Golf Club	185	+4%	+4%
Peninsula Clubs & Consultancy Services	6	+2%	+2%
Peninsula Merchandising	253	–3%	–3%
Tai Pan Laundry	50	–8%	–8%

The Peak Tram is one of Hong Kong's most popular tourist attractions with a long history of more than 130 years in operation. From April to July 2019 we temporarily suspended the service of the Peak Tram to enable us to carry out construction work as part of the previously announced upgrade project, which was approved by the Hong Kong Government in 2018. 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 fully funded by HSH.

This suspension had a significant impact on our group earnings as forewarned in the 2018 annual report and the profit alert announcement in June 2019. Overall revenue for the year decreased by 46%, due to the impact of the suspension of the Tram, combined with the social unrest in the second half which significantly impacted tourist arrivals in Hong Kong.



Operational Review

The Thai Country Club, which is located near Bangkok, recorded a challenging 2019 with a decline in overseas visitors. We hosted the Thai Open in November which had originally been scheduled for March and this impacted revenue as this was our traditional high season, although it attracted significant positive publicity for the club. We have also continued to develop cross-marketing initiatives with The Peninsula Bangkok to drive further awareness of the club.



Quail Lodge & Golf Club had a strong year with revenue increasing by 4%. 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 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 2019 we welcomed more

than 5,000 visitors to the event, bringing the Peninsula brand to the attention of leading car enthusiasts.

In June, we were granted permission by the County of Monterey to build a state-of-the-art solar facility, which will reduce our property's carbon footprint by half and represents our company's continued efforts in minimising our effect on the environment. This project will contribute to the California Green Act which aims to push the state to become 100% powered by renewable energy and carbon neutral by 2045.



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 Bankers Club will move from its current location in the Landmark, Central to Nexxus Building on Connaught Road, Central in October 2020.

Revenue at **Peninsula Merchandising** declined by 3% over the same period last year, with retail sales having been impacted by the weak market situation in Hong Kong. This division produces the very popular Peninsula Mooncakes, although sales were softer this year due to reduced demand during the protests. However, we continued to focus on business expansion and driving brand awareness and we opened two new Peninsula boutiques in the Chinese mainland, in Shenzhen and

Guangzhou. We also opened new locations in Taiwan and operated a successful Mid-Autumn pop-up in Central Hong Kong. In addition to our boutique at Hong Kong International Airport, we have also opened retail locations at West Kowloon high speed train station and Guangzhou airport. Looking forward to 2020, we will continue to open new boutiques in the Chinese mainland as well as entering the Japanese market. We will continue to focus on key seasonal promotions and launch a range of new gift items to drive revenue and build awareness across Greater China.

Tai Pan Laundry revenue declined 8% during 2019 to HK\$50 million, due to decreased hotels business which was negatively impacted by the social unrest in Hong Kong.

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 or 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.

As we disclosed in our interim report, the development budget for this project was under review. That review has been completed and the revised budget for the project has increased from the previously reported £650 million to approximately £800 million. The increase in the budget can be attributed to an increase in the size

of the hotel as we added an additional basement level as well as enhanced functional areas; additional costs associated with mitigating the supply chain from Brexit risks; unfavourable foreign currency movements relative to the British Pound; higher residential development costs (partially offset by higher residential sales values); and general cost pressures as the market in London for certain construction trades remains tight.

Construction of the project is progressing well and the topping out of the building was held in June 2019. The superstructure has now been completed and the basement is making good progress. Works have commenced fitting out the hotel rooms at the lower levels and the installation of the façade panelling has commenced.

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 the third quarter of 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 is currently tracking within budget.

The project has encountered some unforeseen site conditions and challenges with the heritage buildings which have caused some delays, although construction progress has improved over the last quarter. Excavation works are now completed and works to the heritage façades of two heritage buildings continue, whilst interior fit out works are also under preparation. Building

superstructure is progressing in the third heritage building and topping out of the last new building is expected to finish by early April 2020.

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. (Yoma) and First Myanmar Investment Public Company Limited (FMI) 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 adjacent to the hotel by Meeyahta Development Limited which is a joint venture between our partners Yoma and FMI, Mitsubishi Corporation, Mitsubishi Estate Corporation, Asian Development Bank and International Finance Corporation.

Construction progress was delayed during 2018 due to the collapse of a small portion of the heritage building façade wall. We took immediate action in response to this issue, including claiming insurance, performing a peer review of the construction methodology and dealing with the relevant authorities. With excavation complete, the shell and core construction works continue to progress. Preparation for the installation of mechanical, electrical and plumbing equipment is underway and working drawings for fit-out works are being reviewed to ensure the best value is achieved prior to commencement in 2020.

The Peninsula Yangon will have 88 magnificent guestrooms with high ceilings, surrounded by tropical landscaped gardens with an outdoor swimming pool. We are expecting the project to be completed in 2021.

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

