

## CHAIRMAN'S STATEMENT



*Dear Shareholder*

*Looking back on our 140th year of operation, I am proud of the footprint which the Company has made in the sands of Hong Kong's history. At the same time, I am mindful of what this Company stands for: qualities known and appreciated by our guests and our investors alike, which are vision, innovation, service and value.*

The year 2006 has once again demonstrated the Company's innovation. In November we unveiled a fresh face for one of Hong Kong's most recognisable landmarks, the new Peak Tower, which has been completely renovated. An elevated Viewing Terrace brought a new perspective to this property while the much expanded areas were fully let at opening, reflecting healthy retailer confidence in this asset. By all accounts, the new Peak Tower has increased its popularity among both the local community and visitors who have embraced its new look.

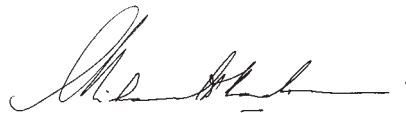
Our initiatives have encompassed The Peninsula Beijing, which completed its re-branding exercise following a successful renovation carried out over the past few years; and the Peninsula Manila, which had a double celebration – the completion of its renovation together with its 30th anniversary. The Peninsula Manila remains as graceful as ever as she enters her fourth decade, our first Peninsula to be built overseas.

Improving our existing assets remains a key strategy in favourably positioning the Company in today's keenly competitive environment. The new Peninsula spa concept has been showcased with the openings of the spas at The Peninsula Hong Kong and The Peninsula Bangkok, which have generated a most favourable reaction from our guests. In addition, towards the end of 2006 we welcomed the arrival of 14 new Rolls Royce extended wheelbase Phantoms to The Peninsula Hong Kong, the largest order of such a fleet in the world. These improvements reflect the Company's continual commitment to providing excellent value in terms of products and services to our increasingly sophisticated guests.

We continue to make progress on our other important goals, which are to expand into key destinations through ownership together with management of select projects in prime locations. The Peninsula Tokyo, which is situated in one of the city's most prestigious locations overlooking the Imperial Palace and its gardens, is undergoing the final phase of interior fit out. The new management team is in place and we expect to open this hotel in the autumn of 2007. Our commitment to innovation will lend new expression to this property, where guests will be able to enjoy the latest exclusively-Peninsula technology throughout the premises. Meanwhile, The Peninsula Shanghai is making good progress and construction has begun.

As we move into 2007, the outlook continues to be good. Business confidence is strong in most markets where we operate, witnessed by the healthy occupancies and average room rates reported by the hotels, and high occupancies in our offices, commercial arcades and apartments. Buoyed by Hong Kong's position as Asia's financial hub and mainland China's gateway to the international financial markets, our share price has appreciated considerably during the year, reflecting healthy investor interest. Challenges are to be expected: the hotel scene in Beijing is heating up as the city gears itself for the 2008 Beijing Olympic Games; and the outlook in Thailand may continue to be uncertain after last year's political changes. We remain, however, optimistic as the Company continues with its expansion plans.

We have been fortunate in achieving excellent results through the full support of a very dedicated team. I speak for the Board when I express my gratitude to all our staff around the world, who share our heritage and vision and unfailingly give value to our loyal guests. Through their efforts, awards and accolades have come our way. It is the staff who are the real custodians and protectors of our brand integrity. They are, truly, the Peninsula Ambassadors who put the face to our name.

A handwritten signature in black ink, appearing to read 'Michael Kadoorie', with a horizontal line underneath the signature.

The Hon. Sir Michael Kadoorie  
15 March 2007