



GENERAL MANAGERS' REPORTS



Under challenging circumstances, The Peninsula outperformed its competitive set, being the only hotel in its class to improve on yield. PETER BORER, GENERAL MANAGER

THE PENINSULA HONG KONG

100% group-owned

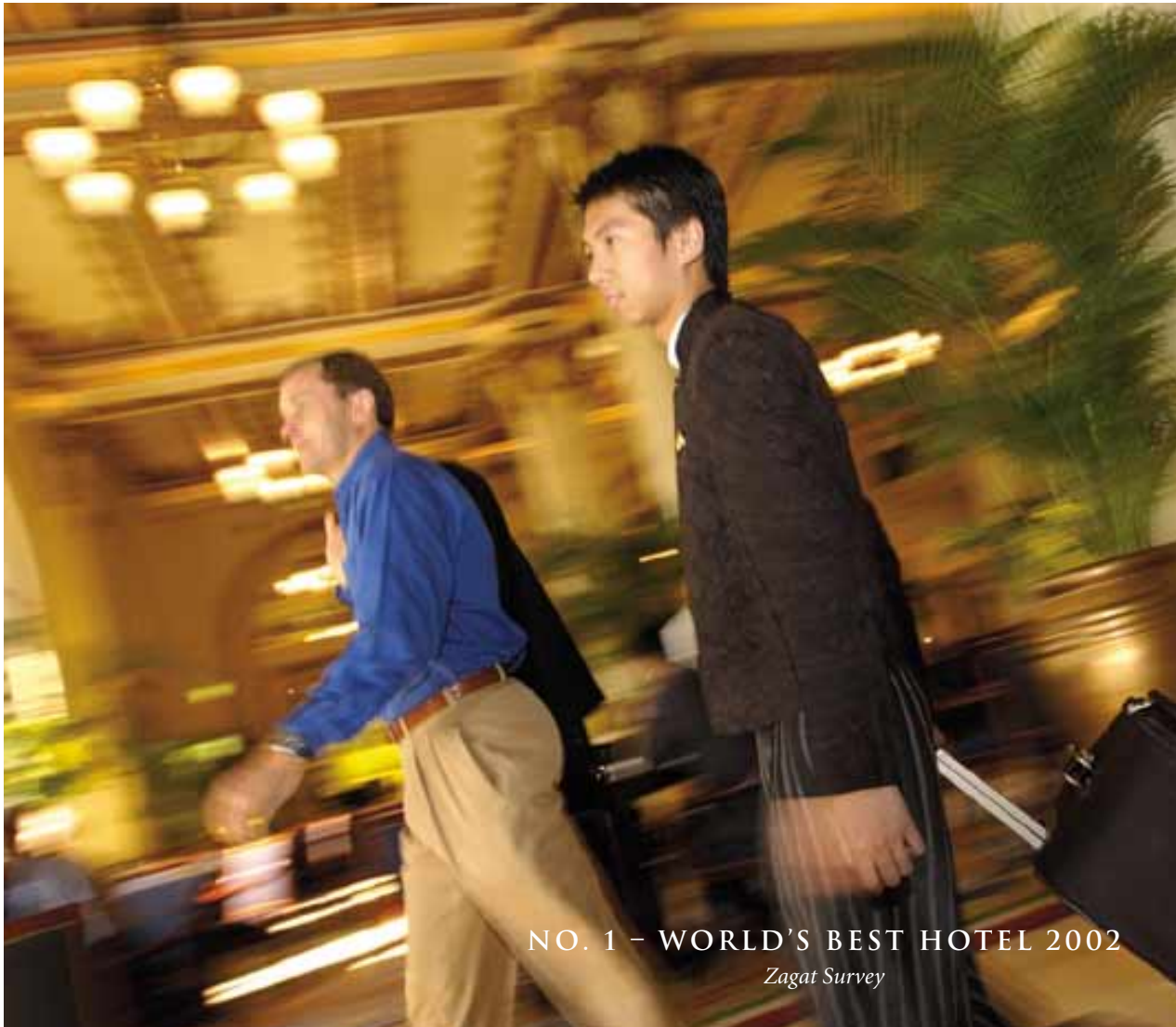
During 2002, The Peninsula maintained its top RevPAR position in Hong Kong, on improved occupancy and room rates almost on a par with the previous year.

- While the USA, Europe and Japan remain the most important markets for the hotel, increasing business came from the PRC, Korea and Taiwan.
- Food and beverage consumption continued to be affected by the depressed local economy. This was offset by good function business derived from companies and individuals seeking smaller, more intimate venues.
- Rentals in The Peninsula Arcade came under pressure as new developments opened in the hotel's immediate vicinity and brand names followed the trend of opening street-level flagship stores requiring greater floor space.
- The office rental market in Kowloon remains depressed due to an over-supply of Grade A office space.



Felix

The Garden Suite



NO. 1 – WORLD'S BEST HOTEL 2002
Zagat Survey



- The hotel launched its year-long celebrations for its 75th Anniversary in December 2002 and will introduce further special marketing initiatives culminating in a Gala Evening in December 2003.
- The Peninsula continues to feature at the top of international awards.
- Plans for 2003 include renovation of rooms on the fifth and sixth floors.



Spring Moon



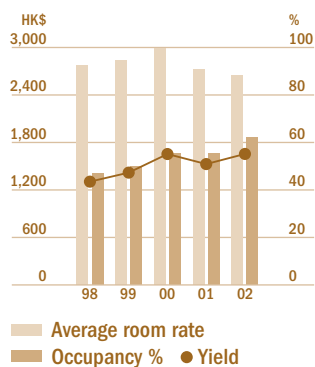
BBQ on The Sun Deck

Source of guests (%)



29 USA & Canada
27 Japan
21 Asia
15 Europe
5 Others
3 Australasia

Guestrooms



The Peninsula Hong Kong

	2002	2001	Change
Available rooms	300	300	-
Average occupancy	62%	56%	11%
Average room rate	HK\$2,670	HK\$2,749	(3%)
Yield	HK\$1,655	HK\$1,527	8%
Revenue (HK\$m)			
Hotel	463	444	4%
Retail	39	41	(5%)
Commercial	223	203	10%
Office	34	36	(6%)
	759	724	5%



THE PENINSULA NEW YORK

100% group-owned



Despite the difficult operating conditions amid economic and political uncertainty, the revenue for the year was the second best in the hotel's history.

NIKLAUS LEUENBERGER, GENERAL MANAGER

The Peninsula New York achieved first position in occupancy and second in RevPAR among its competitive set in 2002.

- Room rates have come under pressure from travellers' price-sensitivity in the current economic climate, and aggressive pricing from competitors.
- The hotel relaunched its main dining facility as "Fives" with the adjacent "Bar at Fives" in response to consumer demand for a more informal dining atmosphere, lighter menus and a choice of wines-by-the-glass.



Peninsula Bell-Girl



Faces at Fives



Deluxe Dreams

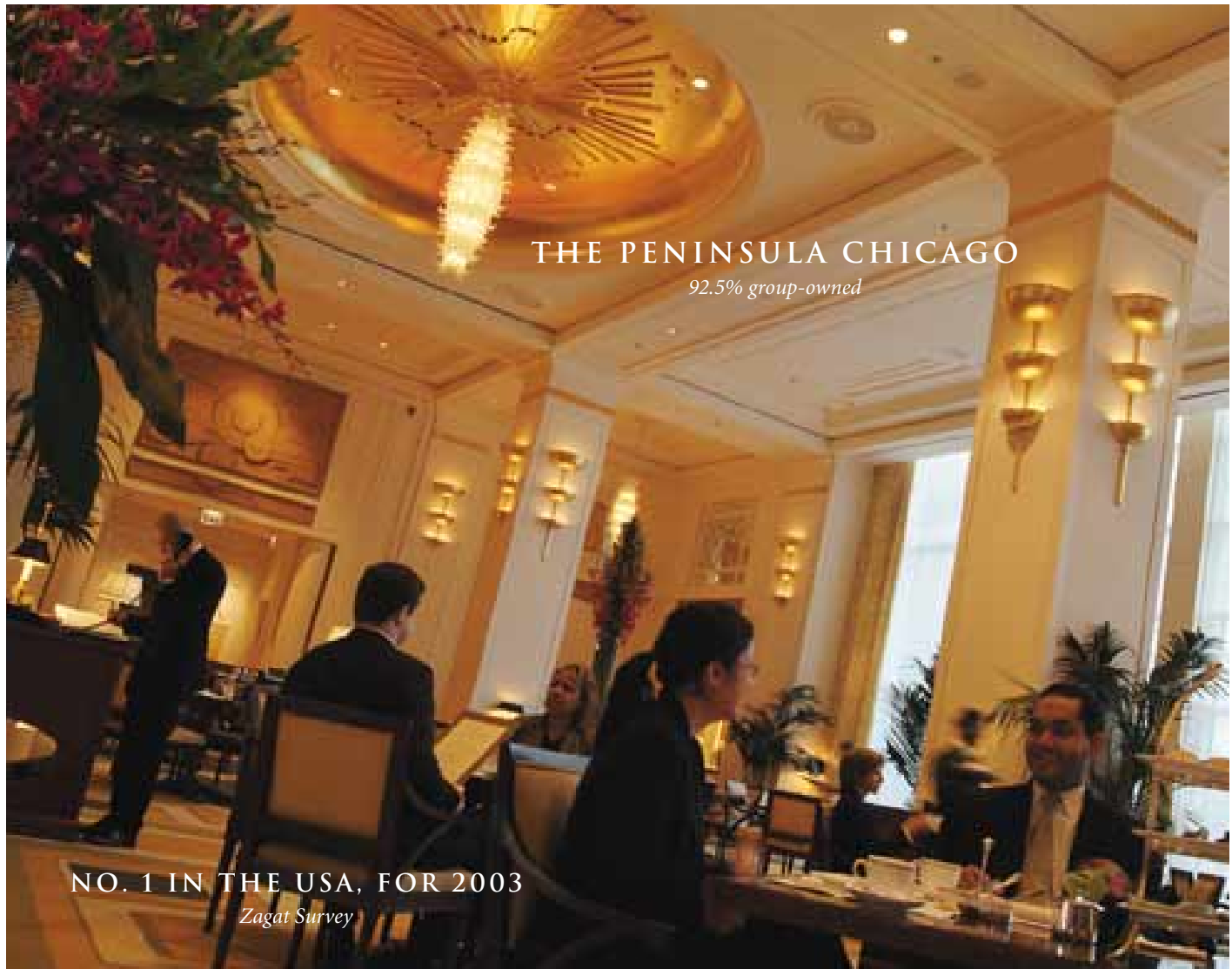
2003 AAA FIVE DIAMOND AWARD
American Automobile Association

- The hotel continues to seek innovative partnership programmes to broaden its access to target markets, such as the introduction of "by invitation only" events with Departures Magazine, to promote the hotel and Fives.
- The property has retained its AAA Five Diamond award for the fourth consecutive year and continues to feature in the top tier of hotels in North America in prestigious readership survey awards.
- In 2003, The Peninsula New York will introduce, among other initiatives, joint low-season promotions with its sister hotel The Peninsula Chicago to maximise exposure for both hotels and achieve economies of scale in advertising and direct mail.



Bar at Fives

The Peninsula New York	2002	2001	Change	Guestrooms		Source of guests (%)
Available rooms	239	238	-			
Average occupancy	65%	66%	(2%)			
Average room rate	US\$507	US\$492	3%			
Yield	US\$329	US\$323	2%			
Revenue (US\$m)						
Hotel	40	39	3%	66 USA & Canada		
Spa	6	6	-	22 Europe		
Commercial	3	3	-	4.5 Others		
	49	48	2%	3 Asia		
				3 Japan		
				1.5 Australasia		



THE PENINSULA CHICAGO

92.5% group-owned

NO. 1 IN THE USA, FOR 2003

Zagat Survey

In 2002, The Peninsula Chicago achieved a RevPAR level with other luxury hotels in its competitive set.

- In under 18 months of operations, the hotel has achieved both the AAA Five Diamond and the Mobil Five Star Awards, and was named top USA hotel in the 2003 Zagat Hotel Survey. Separately, its restaurants have also won significant accolades.
- The leisure market for the hotel has been lively, fuelled by the Midwest drive-in market and strong weekend business. The family segment has developed well and transient corporate business has also increased.
- The hotel's function business has improved substantially; the property has become the venue of choice for society events and weddings.
- The introduction of weekend "Jazz at The Pen" evenings in the Lobby and the establishment of a central reservations system for Holiday Brunches have generated a marked increase in covers and revenue.
- In 2003, The Peninsula Chicago will aggressively target new industry segments in the domestic market as well as make inroads into promising new international markets. It will also pursue beneficial partnership programmes with organisations such as American Express.

In a short period of time, the hotel has received numerous accolades from national and local organisations and media for its facilities, service and culinary excellence.

MARIA RAZUMICH-ZEC, GENERAL MANAGER



Concierge Services

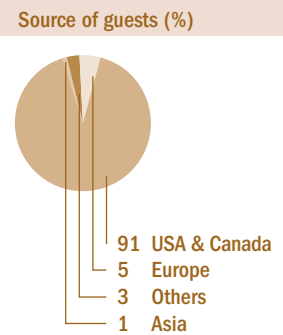
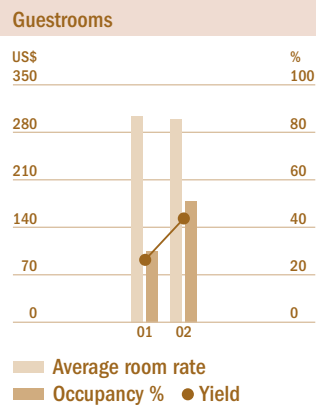


The Bar



Grand Deluxe Suite

The Peninsula Chicago	2002	2001	Change
Available rooms	339	338	-
Average occupancy	51%	30%	70%
Average room rate	US\$300	US\$304	(1%)
Yield	US\$153	US\$92	66%
Revenue (US\$m)			
Hotel	32	12	167%
Spa	5	1	400%
	37	13	185%





The Peninsula Beverly Hills has managed to generate robust revenues in 2002 in spite of the depressed economic conditions and intense geopolitical situation. ALI KASIKCI, GENERAL MANAGER

THE PENINSULA BEVERLY HILLS

20% group-owned

A swift switch of focus towards the regional Californian and US domestic markets enabled The Peninsula Beverly Hills to mitigate the decline in international travel.

- With occupancy fractionally better than 2001, and marginal declines in room rate and yield, the hotel outperformed its sector; the industry trend in California, according to PKF, was a rate decline of over 11%.
- The hotel responded to the trend for combined business and leisure travel by tailoring specific promotions, including leveraging the Spa appeal, and aggressively marketing to this emerging sector.
- The hotel has cultivated a growing segment of independent travellers through its strategic partnerships with organisations such as American Express Platinum Travel Services, Andrew Harper's Q-Club and Virtuoso.
- In 2003, the hotel will continue its soft goods refurbishment of the remaining 20 Deluxe Rooms and move forward with the soft goods refurbishment of the 35 Grand Deluxe Rooms.



The Swimming Pool and Cabanas



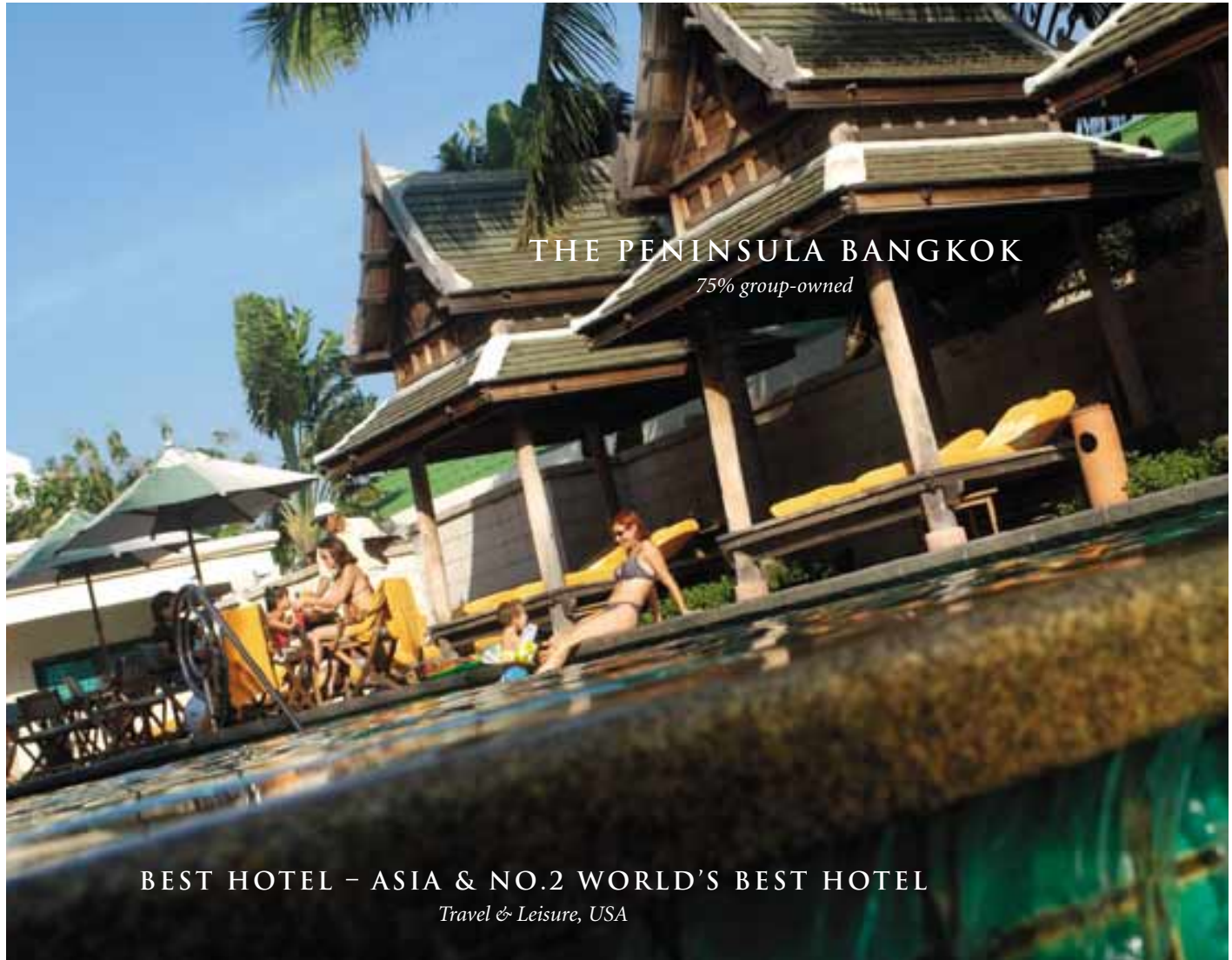
The Living Room



NO. 1 HOTEL IN THE USA

Travel & Leisure

The Peninsula Beverly Hills	2002	2001	Change	Guestrooms	Source of guests (%)
Available rooms	196	196	-		
Average occupancy	78%	78%	-		
Average room rate	US\$400	US\$408	(2%)		
Yield	US\$313	US\$317	(1%)		
Revenue (US\$m) Hotel	37	38	(3%)		
	<u>37</u>	<u>38</u>	(3%)	<ul style="list-style-type: none"> 86 USA & Canada 7 Europe 3 Australasia 1.5 Asia 1.5 Japan 1 Others 	



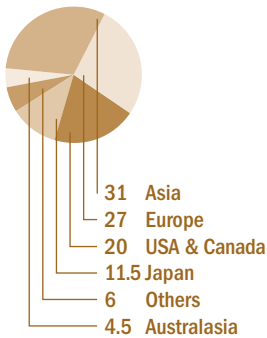
THE PENINSULA BANGKOK

75% group-owned

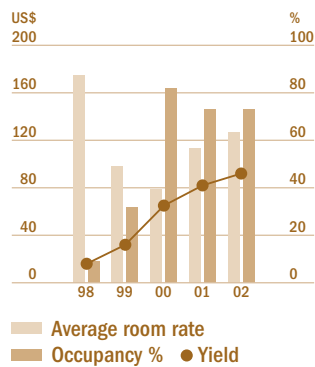
BEST HOTEL – ASIA & NO.2 WORLD'S BEST HOTEL

Travel & Leisure, USA

Source of guests (%)



Guestrooms



The Peninsula Bangkok

	2002	2001	Change
Available rooms	370	370	-
Average occupancy	73%	73%	-
Average room rate	US\$127	US\$113	12%
Yield	US\$92	US\$82	12%
Revenue (Baht m)			
Hotel	883	823	7%
Retail	10	10	-
Commercial	9	8	12%
	902	841	7%

Significant gains in yield and operating profits, coupled with a ranking of Number 2 Hotel in the World in the Travel & Leisure survey, made 2002 an exceptional year.

IAN MICHAEL COUGHLAN, GENERAL MANAGER



The Peninsula Bangkok had a banner year in 2002, pulling away from its closest competitor in occupancy and reversing the industry trend by increasing its average room rate. It is now number two in yield in the luxury sector in Bangkok.

- A cutback in corporate travel and regional meetings business and new room inventory in the luxury segment have been the twin challenges for the hotel. This situation is likely to continue in 2003.



Friends



Peninsula Shuttle Boats



The Bar

- Guests from the USA and UK markets are back to pre-9/11 levels, the hotel increased its share of the Japanese market despite an overall decline in in-bound figures, and the South American market showed positive annual growth.
- Despite the general weakness in personal and corporate spending, food and beverage revenues were 2% ahead of 2001; function business was buoyant as the hotel has become the wedding venue of choice; and the signature Jesters restaurant continues to garner accolades.
- In 2003, the hotel plans to build a new Thai restaurant and will significantly upgrade the River Terrace dining facilities.



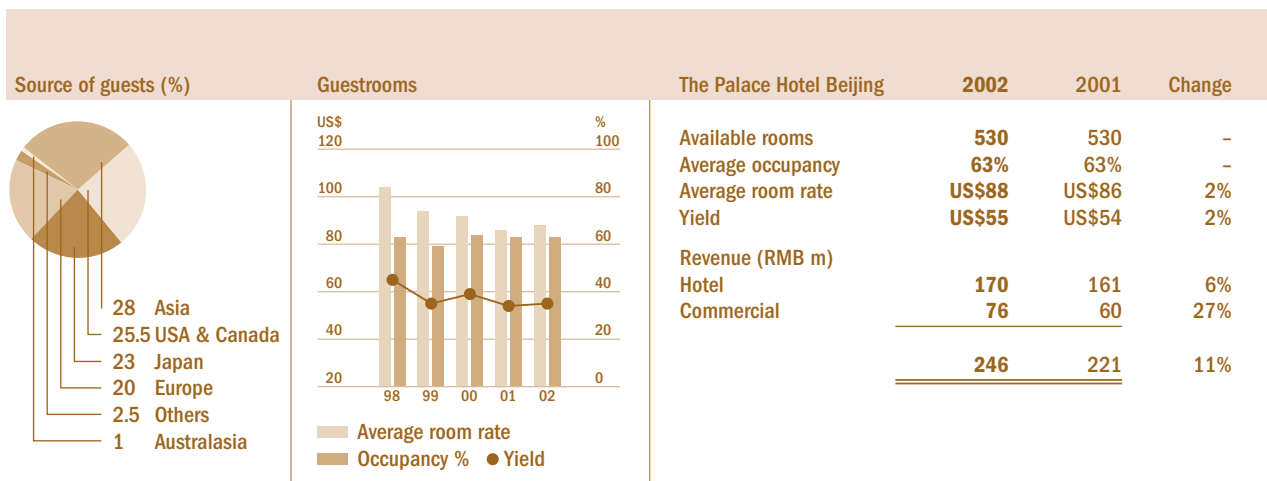
Arguably the most famous hotel in the capital of China, it is being renewed in a fashion that represents a careful blend of sophistication and innovation. DONALD HARRINGTON, GENERAL MANAGER

THE PALACE HOTEL BEIJING

42% group-owned

The attraction of China as a long-term, high-frequency destination and the promise of the 2008 Beijing Olympics has been drawing major hotel groups to the country. The Palace Hotel has held its own in this increasingly competitive arena.

- The launch of “Jing”, the hotel’s new, avant garde restaurant, was greeted with enthusiasm. Together with a new Business Centre, Lobby Lounge and expanded arcade that is home to many top retail brand names, the first phase of renovation signalled the hotel’s intention to be the pre-eminent venue in the city.
- With the formal completion of the joint venture restructuring, The Palace Hotel has embarked on a new, significant phase of renovation designed to set the standard for hotels in the capital as well as align it with its sister Peninsula hotels.
- Cross-exposure for the hotel’s staff at The Peninsula Hong Kong, and comprehensive training programmes across every employee level provide a platform for long-term career development.
- As phases 2 and 3 of the renovation are completed in 2003, the hotel will implement aggressive marketing initiatives to promote a virtually new product.





CONDE NAST TRAVELER GOLD LIST



The Shopping Arcade



Lift Lobby



Jing



In a discount environment, The Peninsula Manila increased its occupancy, and revenues in food and beverage and banqueting, but gave ground on room rate. DAVID BATCHELOR, GENERAL MANAGER

THE PENINSULA MANILA

40% group-owned

The Peninsula Manila's year-end market share increased even as a rate war raged among the five-star hotels in the Makati district.

- Revenues generated by the total group segment, banqueting, and food and beverage all rose compared to those achieved in 2001. The Conservatory has received a soft furnishings make-over and is open 6 days a week.
- Substantial growth in business from the domestic market (up 48%) was achieved and looks set to continue.
- The emerging markets of China, Korea and Thailand have shown great potential for the hotel.
- Among the challenges The Peninsula faces are room renovations, new spa, and refurbished Club floors at competitor hotels. Apartment hotels also have been aggressively pursuing transient business, while on the food and beverage front, more informal, independent restaurants have opened in the vicinity.
- In 2003, the hotel will install Broadband in all guestrooms with free of charge access for guests. It will improve lighting and carpeting in rooms and corridors, and will upgrade the Boardroom substantially.



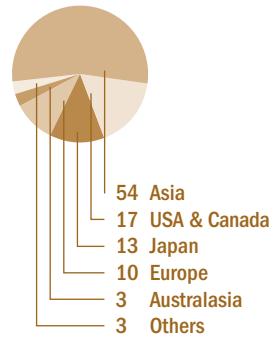
Spices

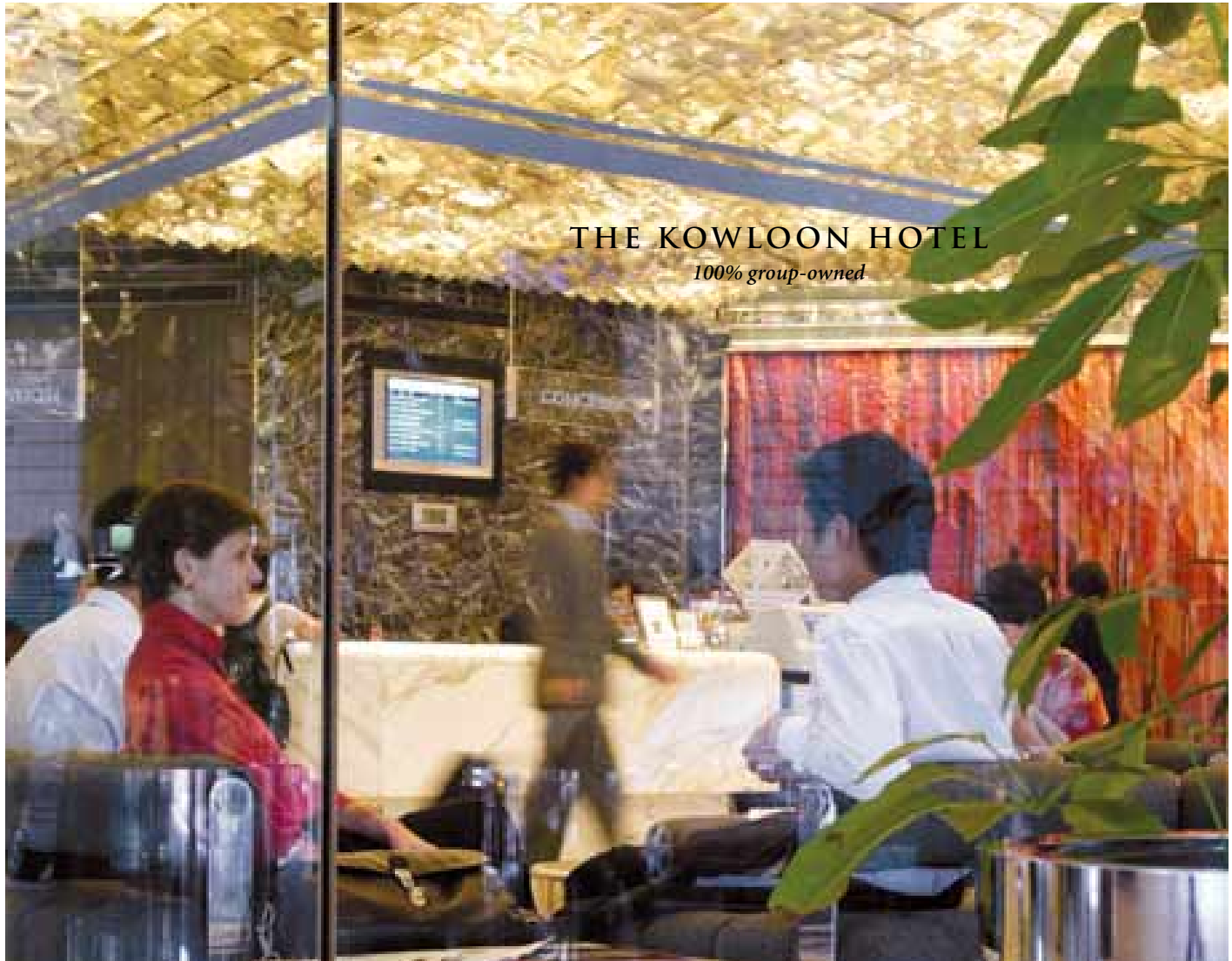
Arrival

The Conservatory

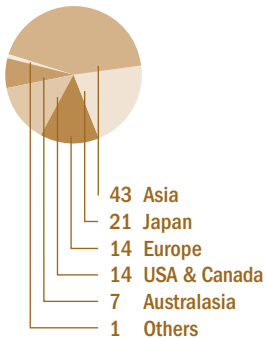


The Peninsula Manila	2002	2001	Change	Guestrooms	Source of guests (%)
Available rooms	498	498	-		
Average occupancy	59%	48%	23%		
Average room rate	US\$79	US\$99	(20%)		
Yield	US\$47	US\$48	(2%)		
Revenue (Pesos m)					
Hotel	960	964	-		
Retail	34	34	-		
Commercial	16	16	-		
	1,010	1,014	-		

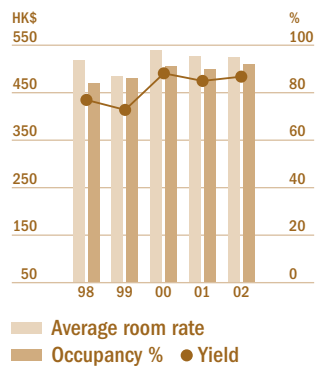




Source of guests (%)



Guestrooms



The Kowloon Hotel

	2002	2001	Change
Available rooms	736	736	-
Average occupancy	92%	90%	2%
Average room rate	HK\$525	HK\$527	-
Yield	HK\$484	HK\$475	2%
Revenue (HK\$m)			
Hotel	257	248	4%
Commercial	26	25	4%
	283	273	4%

A surprisingly good year with encouraging signs for a bright future.

ROLF PFISTERER, GENERAL MANAGER



Overall business sentiment was positive with the year ending on a high note on strong occupancy. The hotel was able to retain and slightly increase high yield business.

- Revenues from food and beverage exceeded expectations, rising 6% over 2001.
- The hotel has installed a sophisticated Revenue Management System in order to maximise revenues.
- Trends in this highly competitive sector have shown an increase in business from the Asian market and slowly rising average rates.
- The main challenge for the hotel has come from increasing room inventory in the sector with the opening of a new hotel and serviced apartments complex relatively close by.



Middle Row Lounge and Bar



Wan Loong Court



Quail Lodge's renovations and repositioning together with a strategic marketing alliance with Bernardus Lodge will give us a greater competitive advantage and secure better market share.

JIM CECIL, GENERAL MANAGER, VALLEY RESORT MANAGEMENT

QUAIL LODGE RESORT AND GOLF CLUB, CARMEL

100% group-owned

The formation of Valley Resort Management LLC to market both Quail Lodge and Bernardus Lodge has created a stronger platform to capture increased market share as well as reduce management costs.

- A major renovation programme has begun which is aimed at making the property the most complete destination golf resort in the area.
- Among the planned enhancements are a new 18-hole, par 71 putting course, a new Wellness Centre and extension of the Spa facilities aimed at capturing the growing spa programme sector.
- Among the challenges facing the hotel are aggressive rate cutting by competitors, completed renovations to other hotels in the area and the offer of new golf club memberships for sale, which have affected the marketplace.
- Bookings in leisure travel are very short term, making it difficult to predict occupancy. Corporate travel remains affected by the depressed Silicon Valley catchment area.
- The renovation works that began in December require the closure of the property, excluding the golf course, from February 2003. However, an intensive marketing drive is in place and will culminate in the grand re-opening of the entire property in July 2003.



Concierge Service



Garden Suite



Jogging Trails



The Driving Range

Quail Lodge Resort and Golf Club, Carmel	2002	2001	Change	Guestrooms	Source of guests (%)
Available rooms	97	97	-		
Average occupancy	54%	58%	(7%)		
Average room rate	US\$240	US\$251	(4%)		
Yield	US\$130	US\$145	(10%)		
Revenue (US\$m)					
Hotel	6	7	(14%)		
Golf Club	6	7	(14%)		
Real estate sales	5	2	150%		
	<u>17</u>	<u>16</u>	6%		

PROPERTIES AND CLUBS

100% group-owned



de Ricou Serviced Apartments

The Repulse Bay complex	2002	2001	Change	Other operations (Hong Kong)	2002	2001	Change
Unfurnished apartments	353	353	-	Revenue (HK\$m)			
Average occupancy	79%	93%	(15%)	Peak Tramways	54	52	4%
Average rental (pnsf)	HK\$29	HK\$34	(15%)	The Peak Tower	23	22	5%
Serviced apartments	68	68	-	Peak Entertainment	4	4	-
Average occupancy	67%	65%	3%	St John's Building	18	22	(18%)
Average rental (pnsf)	HK\$24	HK\$23	4%	Tai Pan Laundry	36	44	(18%)
Revenue (HK\$m)				Peninsula Clubs and Consultancy Services	7	11	(36%)
Residential	298	349	(15%)		<u>142</u>	<u>155</u>	(8%)
Club	11	5	120%				
Commercial	32	33	(3%)				
Food & beverage	41	41	-				
	<u>382</u>	<u>428</u>	(11%)				

The Repulse Bay has felt the effect of the significant property downturn in Hong Kong and has striven throughout the year to balance its rate and occupancy.

MARTYN SAWYER, GENERAL MANAGER



New inventory coupled with corporate downsizing are the two main challenges facing the entire property sector in Hong Kong.

- The Repulse Bay has used the period to refurbish the serviced apartments and enhance other areas such as the children's adventure playground, indoor play area, entry level and lift lobbies of The Repulse Bay Apartments.
- A new 4-bedroomed apartment configuration has been created at 101, Repulse Bay Apartments, to meet demand. The garage at 60 Repulse Bay Road has been leased to Mercedes Benz.
- To remain competitive in a declining market, in 2003, the management is undertaking a review and evaluation of the commercial complex as well as implementing major renovations to the apartments and the clubhouse facilities.
- The Peak remains one of Hong Kong's top destination attractions. Thanks to an increase in visitors, in particular from the PRC, Korea and Taiwan, The Peak Tower, the Peak Tramways and Peak Entertainment all showed positive growth.
- A considerable amount of new grade-A office space was introduced in Central and the vicinity, depressing the commercial market significantly, and directly impacting occupancy levels and rentals in St John's Building. The situation is likely to persist for a number of years.
- The Thai Country Club has enjoyed a particularly good year, continuing to increase memberships and make improvements to the facilities, in the shape of two new fairway practice bunkers, a unique feature to the Club.



View over Repulse Bay



The Verandah

- The Club has won the title of Best Course in Thailand, Best Clubhouse and Best Par Three in the Asian Golf Monthly Annual Awards.
- On a more positive note, The Landmark in Ho Chi Minh City improved its occupancy and rental levels in both the residential and office segments in a healthy market. Demand has outstripped supply and with no new inventory in prospect for the foreseeable future, rentals are likely to gradually increase on reversions.
- During 2002, Peninsula Clubs and Consultancy Services consolidated the number of private members' clubs in Hong Kong that it managed. This was offset by its increased involvement in operating The Wing and The Pier, Cathay Pacific Airways' first and business class departure lounges at Hong Kong International Airport.



Surfing at The Peak Tower



Ripley's Odditorium



The Peak Tram

Other operations (Thailand)	2002	2001	Change	Other operations (Vietnam)	2002	2001	Change
Revenue (Baht m)				Revenue (US\$m)			
208 Wireless Road	-	41	(100%)	The Landmark (Office)	2	2	-
Thai Country Club	159	145	10%	The Landmark (Residential)	1	1	-
	<u>159</u>	<u>186</u>	(15%)		<u>3</u>	<u>3</u>	-