



GENERAL MANAGERS'  
REPORTS





THE PENINSULA HONG KONG  
100% group-owned

Retail therapy at The Peninsula



## AWARDS

- Favourite Business Hotel in Readers Travel Choice Awards *Time (Asia/HK)*
- No. 2 in Top 5 Asian Hotels, Readers Choice Awards *Condé Nast Traveler*
- Awards for Excellence, No. 1 in Best Hotel Worldwide category *Gallivanter's Guide*
- No. 1 in Best Business Hotel in Hong Kong; No. 2 in Best Business Hotel in the World categories *Business Traveller (Asia Pacific)*
- No. 3 in list of Top 20 International City Hotels *Andrew Harper's Hideaway Report*

The promise of a strong year, based on exceptionally good occupancy in January and February compared to that of the previous four years, was blighted in the second quarter by the onset of the Iraq conflict and the impact of SARS.

- Stringent cost controls, acceleration of the planned renovation of the 5th and 6th Floor guestrooms, and creative marketing strategies helped prepare the hotel to meet the upturn in business after SARS.
- Innovative local residents' packages, 75th anniversary-related food and beverage offers, and cross-promotions with Cathay Pacific Airways generated an excellent response.
- To broaden its customer base and introduce a range of benefits to existing customers, The Peninsula partnered with American Express in the launch of a co-branded card. The hotel is the first in Hong Kong to make use of this marketing tool.
- The year-long 75th anniversary celebrations culminated in a Charity Gala that raised over HK\$4 million for five charitable organisations. A new lifestyle publication, The Peninsula magazine, was also introduced to coincide with the anniversary of the hotel.



From The American Bar at Felix



Dinner à deux

*The Peninsula Hong Kong is dedicated to maintaining the same level of impeccable service that it has provided over 75 years.*

- The hotel expanded its retail business with a newly opened boutique at Hong Kong International Airport and a franchise in Tokyo, selling a wide range of Peninsula chocolates.
- Rentals for The Peninsula Arcade and The Peninsula Office Tower continued to come under pressure as brand names sought larger, street-level premises and the over-supply of Grade A office space in Kowloon continued.
- Changes in business and leisure travel patterns and much shorter lead times for reservations are the twin challenges for the hotel and the hospitality industry.

The Peninsula Hong Kong	2003	2002	Change	Source of guests (%)	Guestrooms
Available rooms	300	300	-		
Average occupancy	53%	62%	(15%)		
Average room rate	HK\$2,337	HK\$2,670	(12%)		
Yield	HK\$1,234	HK\$1,655	(25%)		
Revenue (HK\$m)					
Hotel	361	463	(22%)		
Retail	26	39	(33%)		
Commercial	233	223	4%		
Office	28	34	(18%)		
	<b>648</b>	<b>759</b>	<b>(15%)</b>		



THE PENINSULA NEW YORK  
100% group-owned

*Taking in Manhattan - Fifth Avenue towards Central Park*



## AWARDS

- Retained AAA Five Diamond Award for fourth consecutive year
- No. 15 in the USA, No. 42 in the world, in annual readership survey *Institutional Investor*
- Highest Commitment to Quality – USA, Annual Quality Audit *Leading Hotels of the World*

The adverse effects of the Iraq conflict faded by May which enabled the hotel to stage a determined rebound that was maintained until year-end.

- Occupancy levels at The Peninsula New York exceeded those of the previous year, whilst rates, lagging until September, rallied steadily and finished strongly as international business returned.
- Marketing partnerships with American Express Platinum and Virtuoso, and cross-selling with The Peninsula Chicago, generated increased weekend business in the difficult first quarter.
- Further cross-selling initiatives between the Peninsulas in New York, Chicago and Beverly Hills have successfully targetted the entertainment sector.
- A series of “By Invitation Only” events to promote “Fives” restaurant have sold out and given the outlet significant exposure.

- Two new luxury hotels opened in New York during 2003, but have yet to challenge the established competitive set.
- Whilst positive economic trends for Wall Street and New York City will benefit the industry, a major issue in attracting international arrivals will be the new entry guidelines issued by government.

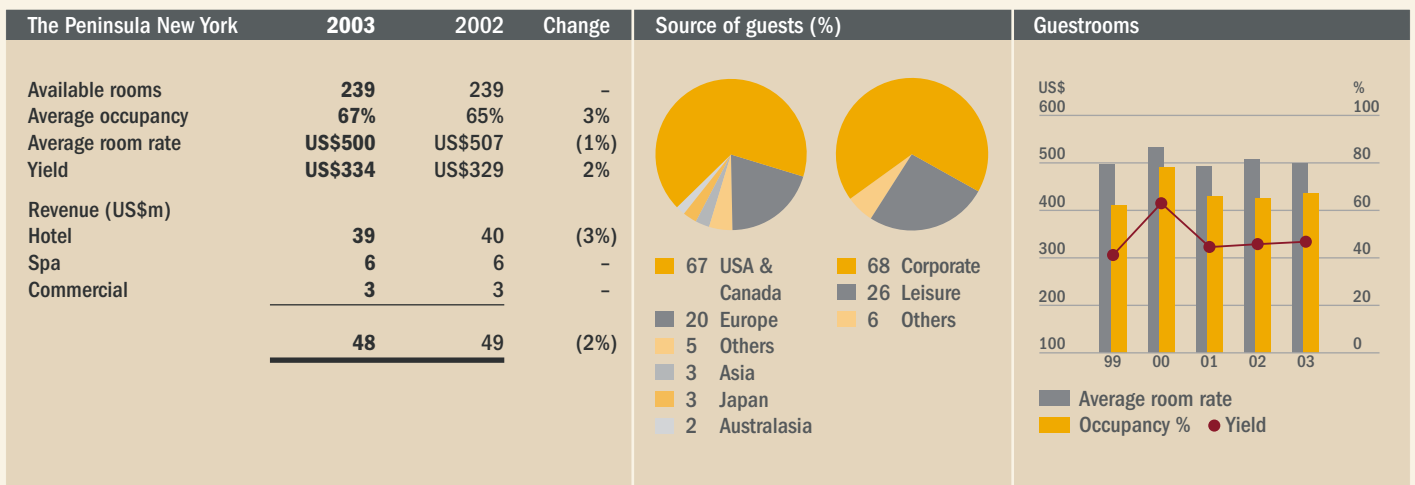


Welcome to New York



*The Peninsula New York's aim is to provide a haven of discretion, security and warmth for visitors to this vibrant city.*

Afternoon tea at The Gotham Lounge





## THE PENINSULA CHICAGO

92.5% group-owned

Shanghai Terrace



### AWARDS

- Retained Mobil Five Star and AAA Five Diamond ratings for second year
- Top Hotel in USA *Zagat's Survey*
- No. 1 Hotel in Chicago, No. 2 in the USA, No. 20 in Best Hotels in the World *Travel + Leisure*
- Gold List - No.1 Hotel in Chicago and No. 3 in the USA; Top 100 Readers' Choice - No. 3 in USA and No. 14 in the world *Condé Nast Traveler*

The Peninsula Chicago increased market share, average room rate and occupancy during 2003 and expects to maintain momentum in these areas.

- The hotel has captured significant food and beverage business both in catering and in dining outlets, increasing covers by 24% over 2003.
- In its first year of participating in the American Express Platinum programme, results achieved were above expectations; corporate business has expanded significantly during the year; and, vigorous marketing campaigns have been conducted to improve business from the incentive, conventions and exhibitions sectors.
- The Peninsula Chicago has maintained the product at its competitive peak. The "Perfect Room" programme implemented during 2003 included installation of Wi-Fi, wireless internet access throughout the hotel, and of a central humidifier to alleviate the effects of winter dry heated air in the guestrooms.
- With the best physical product in the city, the hotel has leveraged its key advantages of prime location, service standards, technology, spacious guestrooms, food and beverage outlets and full service Spa.



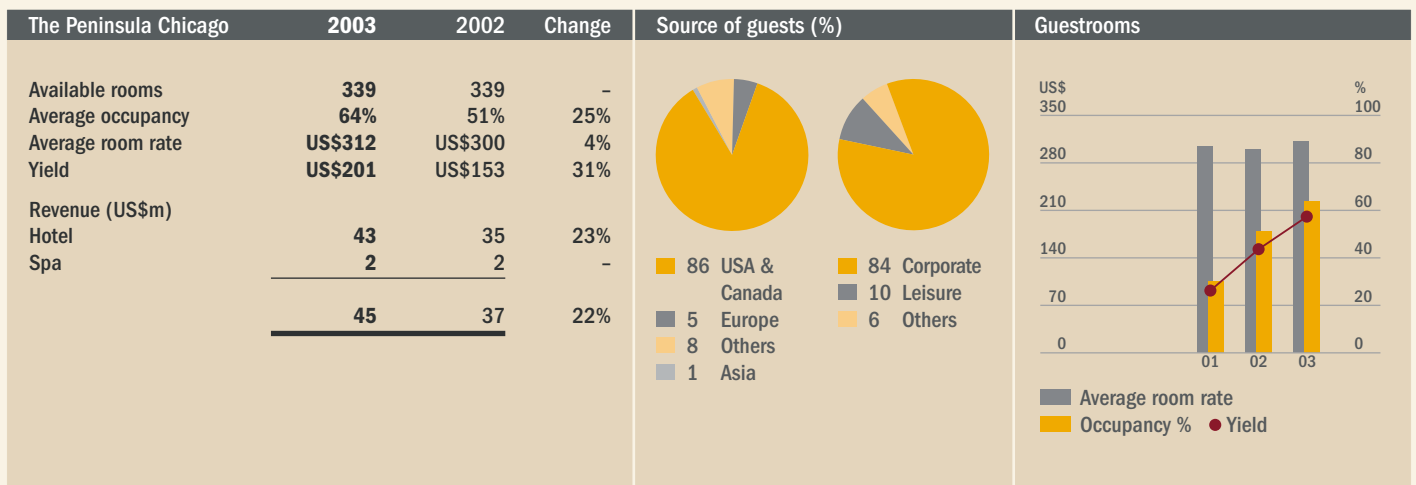
Yoga at The Peninsula Spa



*In the midst of this major business and cultural hub, guests find a tranquil retreat at The Peninsula Chicago.*

Cocktails at The Bar

- Already an assured weekend destination for the Mid-west, the hotel intends to develop further its family and shopping packages as well as group corporate business.
- The major challenge facing the city and the industry is a softening of convention business already on the books for 2004.







## THE PENINSULA BEVERLY HILLS

20% group-owned

*Preparing The Belvedere Private Dining Room*



### AWARDS

- Mobil Five Star and AAA Five Diamond hotel ratings retained for eleventh year
- AAA Five Diamond rating retained for The Belvedere restaurant for ninth year
- No. 1 hotel in USA, World's Best Hotels survey;  
No. 1 hotel restaurant in USA, World's Best Hotel Restaurants *Travel + Leisure*
- No. 1 hotel in Southern California *Condé Nast Traveler*
- No. 6 in world, No. 3 in the USA in annual survey *Institutional Investor*

**T**he Peninsula Beverly Hills enjoyed robust growth, outperforming its competitive set yet again, and consolidating its position as market leader.

- Performance, demonstrated by increases in occupancy, room rate, yield, food and beverage and Health Spa revenues, reflected the management team's ability to identify, attract and retain new, profitable customers as well as maintain a loyal customer base.
- The hotel identified an emerging corporate travel market segment – the “unmanaged traveller” – defined as a key decision maker who dictates corporate travel policies but is not governed by them. This differentiated sector now represents a substantial part of the hotel's business.
- To fully exploit this new market segment and to maintain its competitive advantage, the hotel has continued its renovation of the Grand Deluxe rooms and upgrade of the Deluxe rooms with the introduction of new soft goods, fresh colour schemes and sophisticated entertainment systems. It has also made improvements to The Roof Garden restaurant and the poolside Cabanas, as well as further technological enhancements to the Spa and gymnasium facilities.



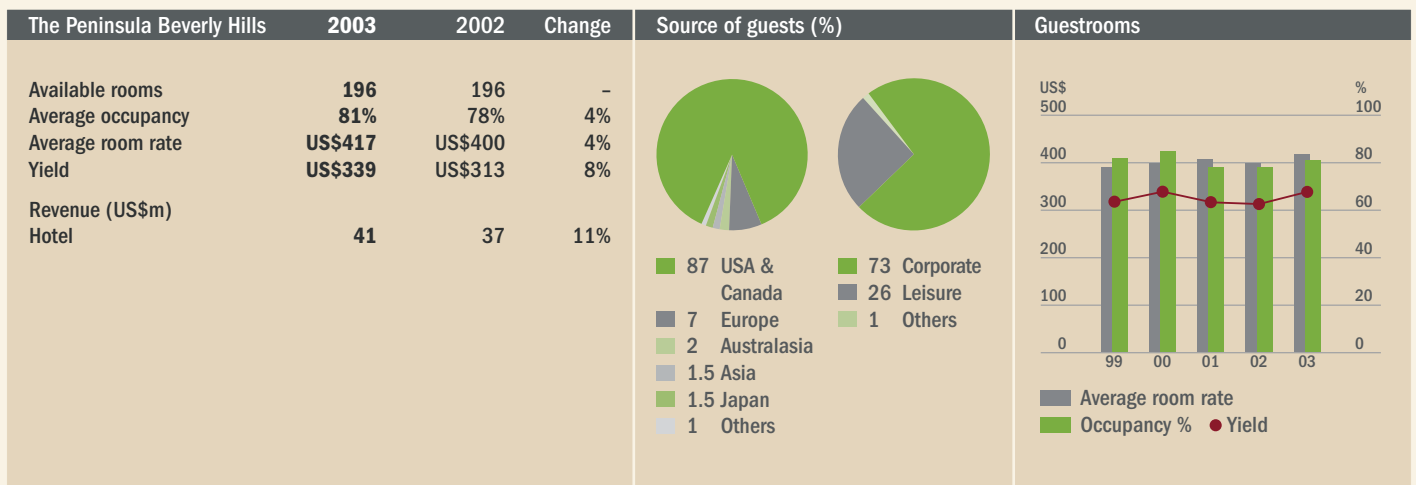
The Club Bar

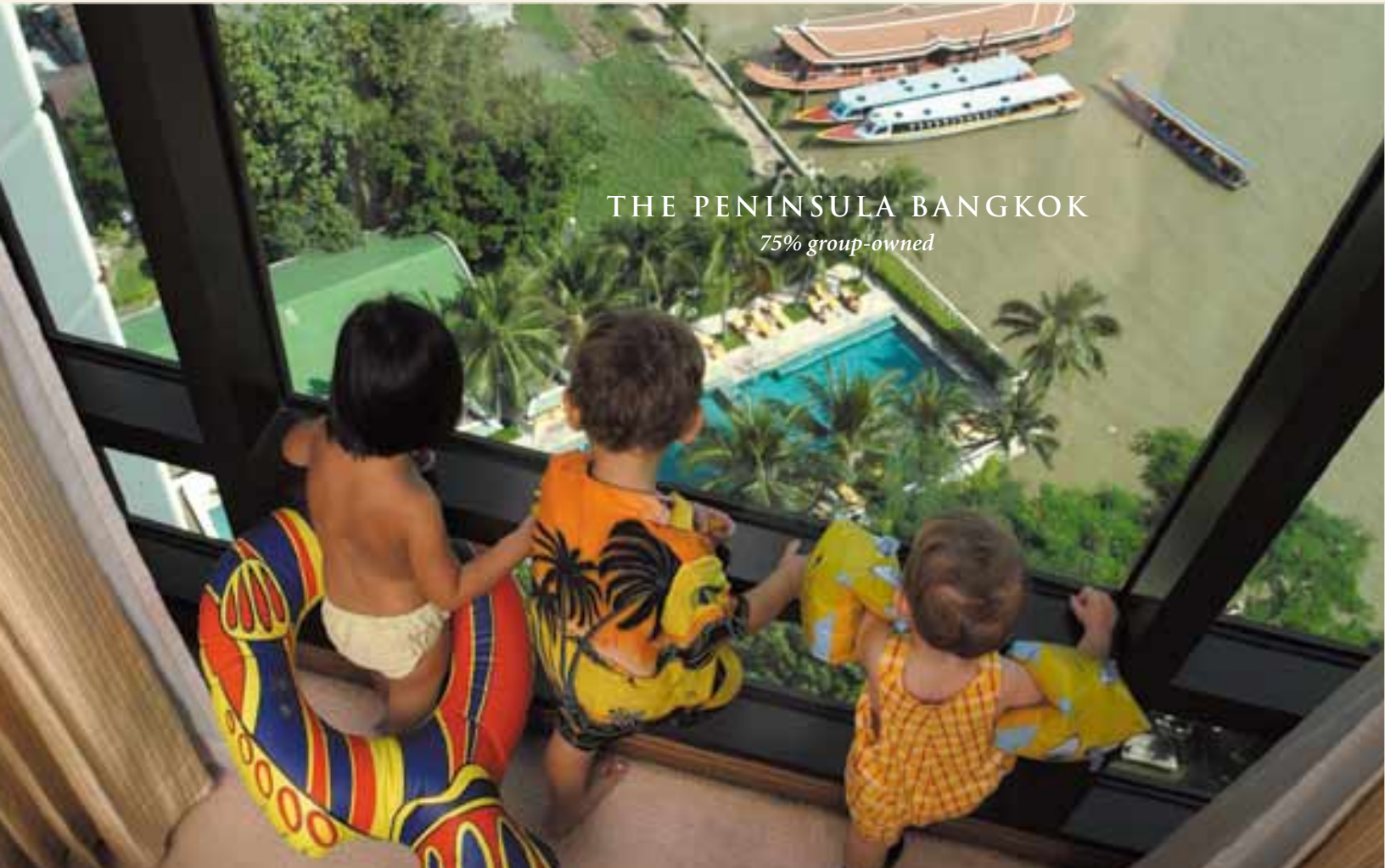


Checking into suite luxury

*The Peninsula Beverly Hills has raised the bar in its approach to personal service and attention to detail.*

- Barring unforeseen external factors, early indicators for 2004 are positive, supporting the views of analysts that business confidence is rebounding.
- Challenges facing the industry include less predictable booking patterns, more demanding consumers, and cost control. Most significant is intensifying competition that may further exacerbate the current price war amongst competitors. The hotel's proactive rate strategy and targeted marketing should help position the property to withstand this competition.





## THE PENINSULA BANGKOK

75% group-owned

*The pool beckons*



## AWARDS

- Best Hotel in the World;  
Best Hotel Restaurants – Asia  
*Travel + Leisure*
- Best Asian Hotel – Readership  
Survey; Gold List – Best By  
Service, Best by Design, Best by  
Rooms *Condé Nast Traveler*
- Highest Commitment to  
Quality – Asia, Annual  
Quality Audit *Leading Hotels  
of the World*

The major challenge for the hotel, in common with the rest of the industry, was to attract the return of key long-haul leisure and incentive markets whose travel patterns had been disrupted by the Iraq conflict and SARS.

- A high-volume/low rate summer strategy, put in place at the beginning of the year to take account of the Iraq conflict and construction on the hotel's Riverfront Project, was aimed at capturing regional leisure, family and corporate meetings. It proved to be an ideal catalyst for the strong post-SARS recovery in regional travel.
- Despite the opening of new luxury hotels and a return to full inventory of two properties under renovation, The Peninsula Bangkok normalised its high-season rate structure in key markets, resulting in an excellent fourth quarter yield to match the first ten weeks of the year.
- Buoyant local wedding and conference business offset, to some extent, the loss of food and beverage revenues related to the downturn in occupancy levels.



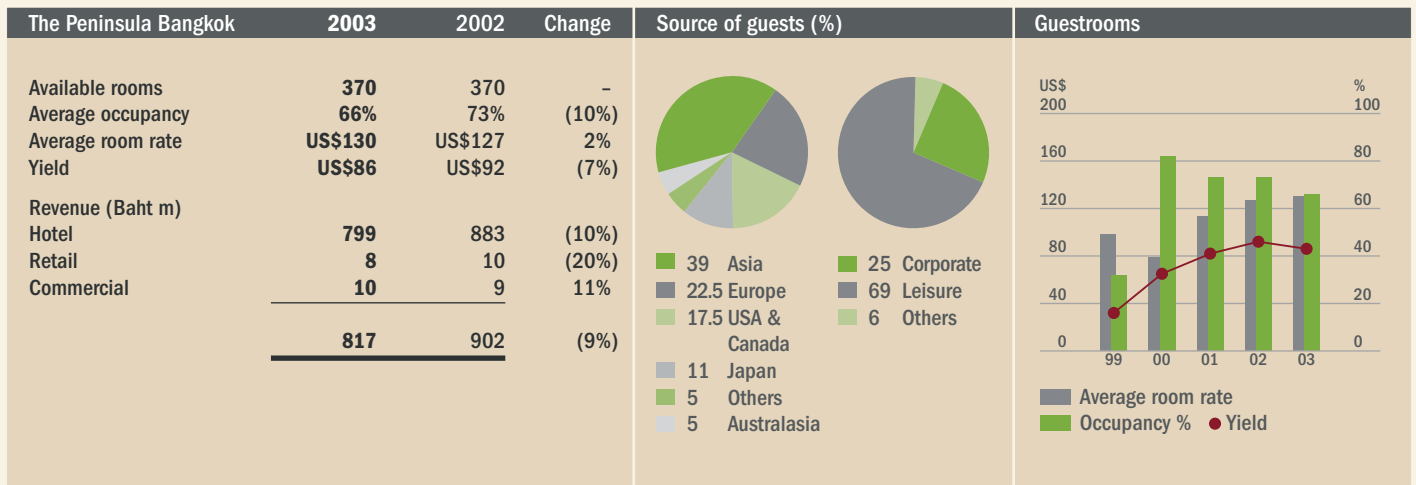
The River Bar



*The Peninsula Bangkok is the perfect luxury hideaway in a busy city – calm, relaxed, welcoming, yet sophisticated and accessible.*

Thai cuisine at Thiptara

- The Peninsula Bangkok has enhanced its competitiveness with the addition of a stylish Thai garden restaurant – *Thiptara* – and redevelopment of its riverside dining facilities.
- Free-to-guest Broadband services were installed in all guestrooms and a fleet of 12 new Mercedes S-class limousines was introduced.





## THE PENINSULA PALACE BEIJING

42% group-owned

*Taking reservations at Huang Ting*



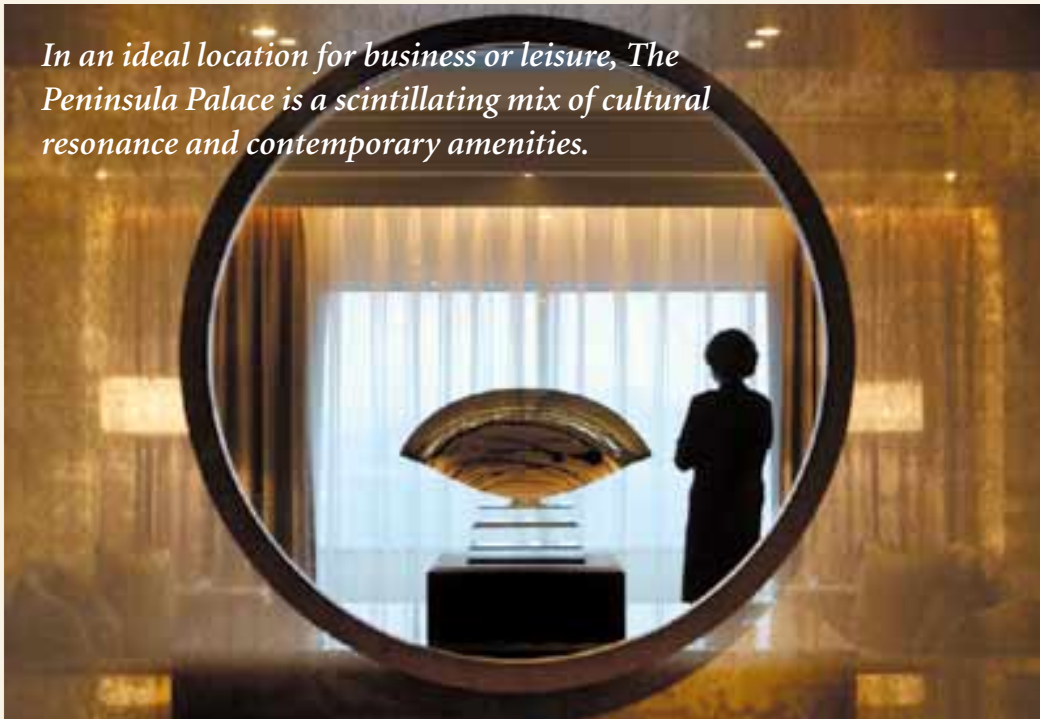
### AWARDS

- Best Business Hotel in Beijing; only hotel in Beijing in list of the Top 25 Hotels in Asia Pacific; highest score in Beijing in World's Top 500 List of 2003 *Travel + Leisure*
- JING was the only restaurant in the PRC to be included in the magazine's list of 75 World's Top New Restaurants *Condé Nast Traveler*

Relaunched in September 2003 as “The Peninsula Palace Beijing”, the incorporation of the Peninsula brand in the hotel’s name will enable the property to raise its profile internationally.

- The rebranding of the hotel marked the culmination of a major financial restructuring and subsequent multi-million dollar renovation programme.
- The hotel has redesigned its guestrooms and suites with a careful blend of innovation and sophistication. In addition, it has a new Club Lounge; enhanced meeting and banquet facilities; two exciting new restaurants in *JING* and *Huang Ting*; an expanded Peninsula Arcade; and, a completely new hotel frontage. Subsequent to its redesign, the hotel is positioned prominently as a top choice in Beijing for both corporate and leisure travellers.
- Lower revenues had been anticipated due to the hotel’s renovations, but the SARS crisis had a further significant impact. Accordingly, the renovations were accelerated during the affected period to allow the hotel to be ready for the upturn in business.

- In common with the other Asian markets, long haul travel, particularly upscale leisure business, has been slower to return than the corporate sector. Nevertheless, the hotel has been successful in attracting significant regional business, which has partially offset the shortfall.
- Commercial operations were strong in 2003. The Peninsula Arcade now has 50 brands and remains the premier shopping venue for luxury goods in the city.
- A return to normal travel patterns is hoped for by the second quarter of 2004.



Window on a Beijing Suite

The art of business

The Peninsula Palace Beijing				Source of guests (%)		Guestrooms	
	2003	2002	Change			US\$	%
Available rooms	530	530	-				
Average occupancy	49%	63%	(22%)				
Average room rate	US\$107	US\$88	22%				
Yield	US\$53	US\$55	(4%)				
Revenue (RMB m)							
Hotel	88	170	(48%)				
Commercial	83	76	9%				
	<b>171</b>	<b>246</b>	<b>(30%)</b>				

Year	Average room rate (US\$)	Occupancy %	Yield (US\$)
99	~90	~55	~50
00	~88	~58	~51
01	~82	~55	~45
02	~85	~58	~48
03	~105	~65	~68



THE PENINSULA MANILA  
*40% group-owned*

*Relaxing at The Bar*



## AWARDS

- Gold List, only hotel in Manila to make the list; No. 64 in Readers' Choice Awards for Top 100 Best Hotels in the World *Condé Nast Traveler*
- No. 2 Best Business Hotel in Manila in Readers' Poll *Business Traveller (Asia Pacific)*

**F**rom a first half year defined by conflict, political upheaval and infection to a strong recovery in the second half, the hotel ended 2003 with its highest occupancy figures in five years, and particularly good revenues for the months of November and December.

- Significant growth in the North American market was achieved thanks to the emergence of call centres, which boosted the long staying guest business.
- Joint promotions with high-end brand names such as Cartier, Gucci and Mouton Rothschild have been successful, as have creative local residents' packages, in generating revenue and attracting repeat custom.
- A No Smoking Ordinance implemented in Makati has affected revenues in the hotel's restaurants, particularly in the Lobby. The hotel has converted a guestroom on the Club floor to a smoking lounge to accommodate preferences of in-house guests.

- 2004 will bring challenges, including a rate war that remains fierce among the five-star Makati hotels; uncertainty surrounding the impact of the 2004 presidential election on investment decisions by overseas and local companies; and, international geopolitical developments.



*To stay at The Peninsula Manila is to meet the city and to experience the best of its lifestyle.*

Meeting at The Lobby



Nielsen's

The Peninsula Manila	2003	2002	Change	Source of guests (%)	Guestrooms
Available rooms	498	498	-		US\$ 150
Average occupancy	62%	59%	5%		% 100
Average room rate	US\$71	US\$79	(10%)		125
Yield	US\$44	US\$47	(6%)		100
Revenue (Pesos m)					75
Hotel	952	960	(1%)		50
Retail	31	34	(9%)		25
Commercial	14	16	(13%)		99
	<b>997</b>	<b>1,010</b>	<b>(1%)</b>		00
					01
					02
					03





THE KOWLOON HOTEL  
*100% group-owned*

*Winning menu at The Pizzeria*



AWARDS

- The Wan Loong Court and The Pizzeria restaurants were listed in the magazine's survey, "Best Hong Kong Restaurants 2003" *Hong Kong Tatler*

A flying start, an abrupt halt in mid-March lasting until June, and a strong rebound in the last five months of 2003 characterised the hotel's year.

- By July, pent-up demand from the business sector, the effects of promotional activities, and easing travel regulations for mainland visitors began to fuel the speed of the recovery.
- Business from the PRC has increased 128% over 2002.
- Trade fair and exhibition business returned in strength in the last quarter, helping to maintain high occupancy levels.
- Revenues from food and beverage, more dependent on local patronage, were slower to bounce back but began improving in the third quarter as positive sentiment returned, helped also by aggressive value-added promotions.
- Joint marketing initiatives with major airlines reaped a strong response from the corporate market, as did a loyalty reward scheme aimed at booking handlers.

- Opportunities to expand the hotel's distribution networks through new channels such as internet travel portals were explored, and contracts have been signed with leading exponents in the USA and in China.
- Challenges for 2004 will be to increase room rates in a highly competitive, price sensitive sector, as well as grow corporate business and tap into the vast PRC market more effectively.



*At The Kowloon Hotel, guests are at the heart of Hong Kong, the perfect location for pursuing business or leisure activities.*

*World news delivered on demand*

The Kowloon Hotel	2003	2002	Change	Source of guests (%)	Guestrooms
Available rooms	736	736	-		
Average occupancy	69%	92%	(25%)		
Average room rate	HK\$512	HK\$525	(2%)		
Yield	HK\$353	HK\$484	(27%)		
Revenue (HK\$m)					
Hotel	197	257	(23%)		
Commercial	24	26	(8%)		
	<b>221</b>	<b>283</b>	<b>(22%)</b>		



## QUAIL LODGE RESORT AND GOLF CLUB, CARMEL

*100% group-owned*

*Viewing the Driving Range from the terrace*



## AWARDS

- AAA Four Diamond Award
- Mobil Four Star Award
- Listed as one of the Top 75 North American Resorts in the Readers' Choice poll *Condé Nast Traveler*

Quail Lodge's extensive renovation, achieved in under five months, has made the property a significantly more competitive product and has substantially enhanced the services and facilities offered by the resort.

- Elements incorporated into the redesigned rooms include improved bathrooms, air-conditioning, plasma televisions, high-speed internet access and WiFi capability, oversized decks and balconies.
- The Clubhouse enjoys an elegant new sports bar and restaurant, *Edgar's*, extended Spa facilities, a Wellness Centre offering a range of fitness and health evaluations and therapies, and a new fitness centre.
- A nine-hole executive putting course and Bocce courts have been added to the lodge site, and walking and hiking trails have been completed on the adjacent hillside property, the location for a future 40-room expansion.

- New rate categories commensurate with the upgraded property combined with aggressive marketing strategies have already begun to show signs of improving Quail Lodge's contribution to group revenues.
- Major events introduced in 2003 such as The Haber Cup charity golf tournament and The Quail, a classic car event, have succeeded in attracting a high-end market.

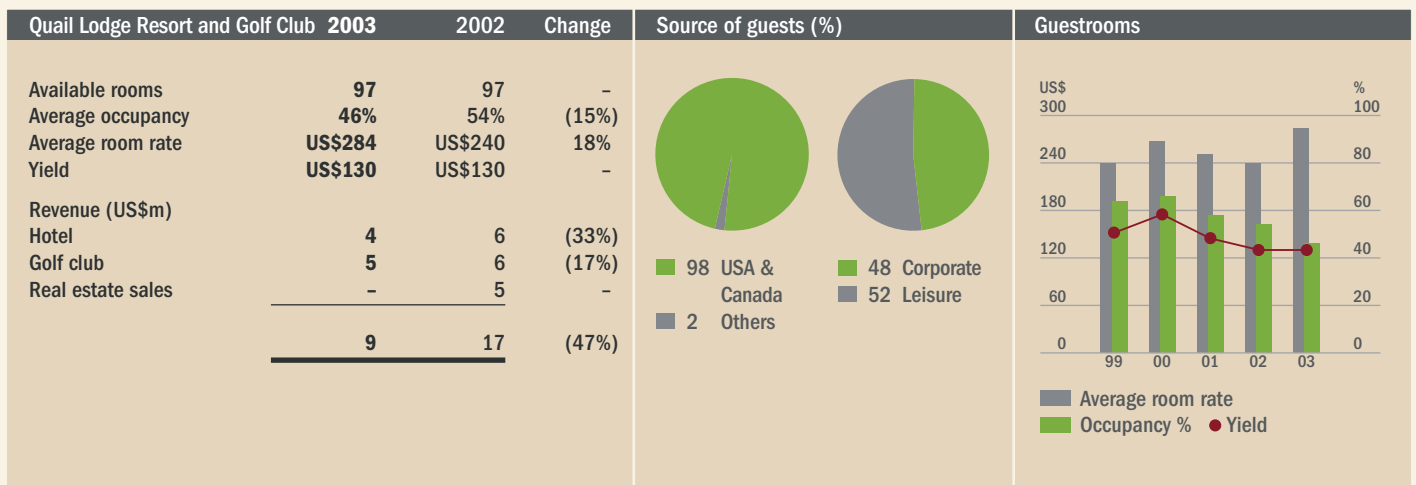


Sundowners at the spa



Edgar's sports bar and restaurant

*A resort for all reasons, Quail Lodge is the perfect base for leisure breaks, business meetings, and exploring the region.*





## PROPERTIES AND CLUBS

*100% group owned*

*Dancing to The Verandah tune*



## AWARDS

- Thai Country Club voted "Best Course in Thailand"; "Best Clubhouse in Asia" *Asian Golf Monthly*
- The Landmark voted "Best Business Serviced Apartments" *Vietnam Economic Times*

The residential property market in Hong Kong faced tremendous pressure as international companies shelved expansion or executive replacement plans as a result of the impact of the Iraq conflict and SARS on business performance and outlook.

- To combat the new supply of luxury units coming into the market, the strategy for The Repulse Bay focused on enhancing the product and developing a flexible pricing policy.
- Refurbishment of the serviced apartments and upgrading and layout redesign of the unfurnished apartments are expected to boost demand.
- A feasibility study on revitalising the commercial arcade will be implemented in 2004, and further improvements in the Club are in prospect.
- The Peak Tower, Peak Tram and Peak Entertainment began and ended 2003 strongly, but were all badly affected in the middle of the year as the number of visitors to Hong Kong dropped substantially. Growth in the number of independent mainland tourists has helped bridge the loss of business during the SARS period.

- The Peak Tram's operating licence was renewed for a further ten years, and management has undertaken a complete review of The Peak Tower with a view to adding value to the current asset.
- St John's Building maintained respectable occupancy and rates during 2003 given the highly competitive commercial leasing market in the Central district.



*Riding to the Peak Entertainment*

The Repulse Bay complex	2003	2002	Change	Other operations (Hong Kong)	2003	2002	Change
<b>Unfurnished apartments</b>	<b>353</b>	353	-	Revenue (HK\$m)			
Average occupancy	74%	79%	(6%)	Peak Tram	45	54	(17%)
Average rental (pnsf)	HK\$25	HK\$29	(14%)	The Peak Tower	20	23	(13%)
<b>Serviced apartments</b>	<b>68</b>	68	-	Peak Entertainment	3	4	(25%)
Average occupancy	71%	67%	6%	St John's Building	16	18	(11%)
Average rental (pnsf)	HK\$25	HK\$24	4%	Tai Pan Laundry	32	36	(11%)
Revenue (HK\$m)				Peninsula Clubs and Consultancy Services	6	7	(14%)
Residential	266	298	(11%)		<u>122</u>	<u>142</u>	(14%)
Club	11	11	-				
Commercial	32	32	-				
Food & beverage	40	41	(2%)				
	<u>349</u>	<u>382</u>	(9%)				

- The Thai Country Club enjoyed a record year in patronage, membership and financial results. The golf course remains in pristine condition thanks to constant upgrading of the drainage system and investment in new golf machinery. Members now have access to a new fleet of 100 golf carts and hand-held global positioning systems.
- The Landmark in Ho Chi Minh City enjoyed a strong year in occupancies and rates, improving its financial results in a competitive market, and achieving greater market share in both the residential and office sectors.

Other operations (Thailand)	2003	2002	Change	Other operations (Vietnam)	2003	2002	Change
Revenue (Baht m)				Revenue (US\$m)			
Thai Country Club	<b>187</b>	159	18%	The Landmark (Office)	<b>2</b>	2	-
				The Landmark (Residential)	<b>1</b>	1	-
					<b>3</b>	3	-

OTHER CORPORATE  
INFORMATION

