



GENERAL MANAGERS' REPORTS



## AWARDS

**No.1 in Hong Kong,  
in both the 500 Greatest  
Hotels in the World, and the  
World's Best Business Hotels  
readers' surveys**

*Travel + Leisure (USA)*

**No. 1 Best by Food**

*Condé Nast Traveler (USA)*

**No. 2 in Top Hotels in the World**

*Zagat Survey*

**No. 1 Hotel in Hong Kong,  
Top Hotels in Major Cities**

*Andrew Harper's  
Hideaway Report (USA)*

**Best in Asia – Commitment  
to Quality Award**

*Leading Hotels of the World*



The elegant staircase at The Lobby



Pre-flight check at the China Clipper

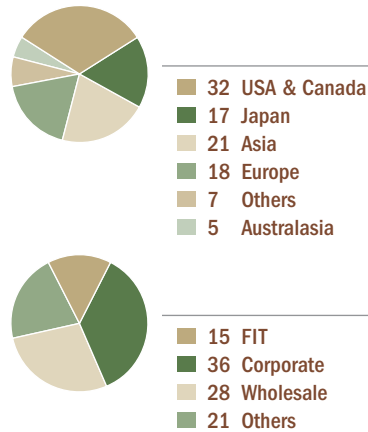


# THE PENINSULA HONG KONG

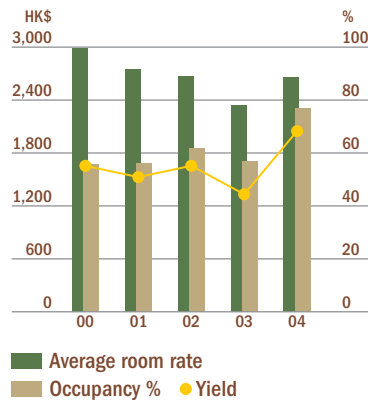
100% group-owned

2004 proved to be an extremely strong year for the hotel, with high season occupancies surpassing pre-1997 levels.

Source of guests (%)



Guestrooms



- ◆ The higher yielding market benefitted from the group-wide “Suite Experience” initiative, and contributed to the significantly better results.
- ◆ Extensive brand-based initiatives resulted in a dramatic shift in the geographic origin of guests, with business from the USA growing to 32% from 22% the previous year.
- ◆ Following a revival in the corporate meetings segment, the hotel positioned itself to capture a greater market share in this sector, using the company-wide “Meeting Expectations” programme.
- ◆ The Peninsula Priorities guest recognition programme helped the hotel to capitalise on the return of long-haul travellers from Japan, Europe and America.
- ◆ The “Best Chinese Food in the Air” joint promotion with Cathay Pacific Airways generated increased room occupancy from Southeast Asia and Australia as well as helping to develop the China and Taiwan markets.
- ◆ The American Express/Peninsula co-brand card continues to thrive, benefitting particularly the hotel’s food and beverage outlets.
- ◆ The hotel completed a major renovation programme of the guestrooms in the original building as well as refurbishing its 7th floor gymnasium.
- ◆ The demand for increased space from existing luxury brand tenants in the hotel’s shopping arcade has been offset somewhat by continued pressure on rates, a situation also affecting available office space in The Peninsula Tower.
- ◆ The challenges for 2005 include the opening of two new luxury hotels on Hong Kong Island.

The Peninsula Hong Kong	2004	2003	Change
Total number of rooms	300	300	-
Average occupancy*	77%	57%	35%
Average room rate	HK\$2,659	HK\$2,337	14%
Yield	HK\$2,048	HK\$1,332	54%
Revenue (HK\$m)			
Hotel	488	361	35%
Retail	32	26	23%
Commercial rentals	231	233	(1%)
Office rentals	24	28	(14%)
	<b>775</b>	<b>648</b>	<b>20%</b>

\* In 2004, due to renovation, the average number of rooms available was reduced to 269 (2003: 278).

## THE PENINSULA NEW YORK

100% group-owned

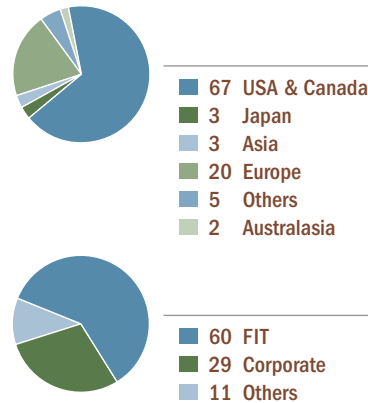
The Peninsula New York has become a pivotal hotel within the luxury environment against which competitors measure performance.

- ◆ The Peninsula New York continues to be one of the top hotels in its competitive set, posting a healthy performance in room yield.
- ◆ Average rates increased by a healthy 6% over 2003, with strong growth in international arrivals.
- ◆ The hotel continued to build upon its key partnership initiatives with American Express Platinum Fine Hotels and Resorts, Andrew Harper's Q Club and Virtuoso, generating substantial incremental revenue.
- ◆ A first quarter campaign aimed at families, and celebrating the hotel's 15th anniversary, stimulated weekend business. The Peninsula New York ended the year as one of the leaders in weekend occupancy among its peer group.
- ◆ A complete interior renovation of *The Pen-Top Bar* and new flooring for the outdoor *Terrace* have given the popular venue a contemporary look, and maintained its attractiveness as the cocktail lounge of choice.

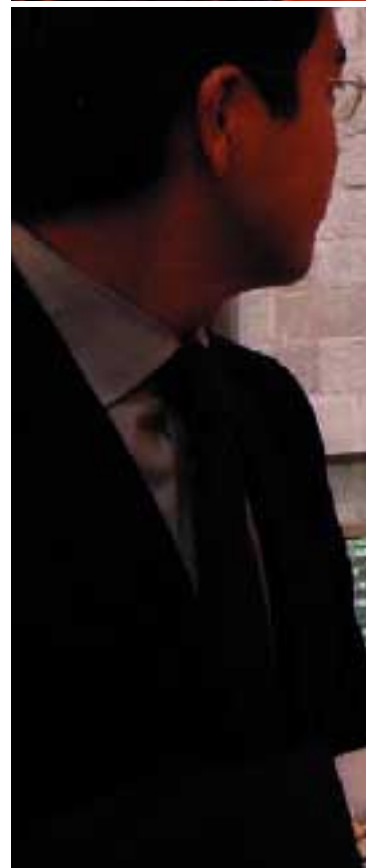
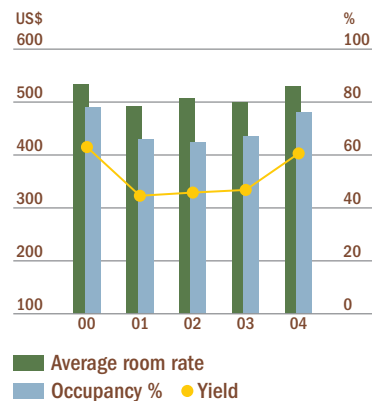
The Peninsula New York	2004	2003	Change
Total number of rooms	239	239	-
Average occupancy	76%	67%	13%
Average room rate	US\$530	US\$500	6%
Yield	US\$403	US\$334	21%
Revenue (US\$m)			
Hotel	47	39	21%
Spa	6	6	-
Commercial rentals	4	3	33%
	<b>57</b>	<b>48</b>	<b>19%</b>

- ◆ All Deluxe and Grand Luxe Rooms have been fitted with 42-inch flat-screen plasma televisions, DVD players and digital memory card-readers, all housed in custom-designed armoires.
- ◆ Key indicators of the continued upward trend in business and leisure travel in 2005 are positive, with consumer and business confidence, disposable income, and an appreciation of value in luxury goods and services on the rise.

Source of guests (%)



Guestrooms







The grand entrance



## AWARDS

The AAA Five  
Diamond Rating

One of the 500 Greatest  
Hotels in the World

*Travel + Leisure (USA)*

Rated in the Top 75 USA  
Hotels, in the 2004 Readers  
Choice Awards

*Condé Nast Traveler (USA)*



View from Fives





## AWARDS

Mobil Five Star Award for 2005

AAA Five  
Diamond Award 2005

No. 1 Hotel in Continental  
USA and Canada,  
No. 14 in World

*Travel + Leisure*

Top Hotel in the USA  
*Zagat's Survey*

No. 1 Hotel in N. America  
*World's Best Service Award*



The Bar



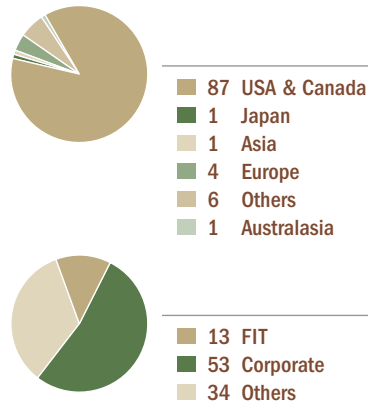
Breakfasting in The Lobby

## THE PENINSULA CHICAGO

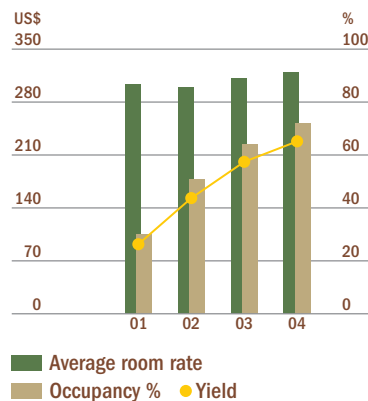
92.5% group-owned

The Peninsula Chicago has established itself as the leader in the high-end luxury market, surpassing its competitive set in average rate.

Source of guests (%)



Guestrooms



- ◆ The Peninsula Chicago achieved positive growth in occupancy and yield, both up by 13%.
- ◆ The food and beverage division has matched this success with increased revenues generated by the restaurants, bar and banqueting. The hotel expects to capture further market share by extending its innovative events.
- ◆ The popular *Shanghai Terrace* is undergoing a three-month renovation programme that will increase the seating capacity by 30%; the restaurant will re-open in April 2005.
- ◆ As well as increasing corporate and convention business, the hotel continues to develop and market family, spa, shopping and other high-end packages that are driving rate and occupancy.
- ◆ Participation in the American Express Platinum Fine Hotels and Resorts programme has generated substantial room bookings and revenues, up 15% and 13% respectively on those of 2003.

The Peninsula Chicago	2004	2003	Change
Total number of rooms	339	339	-
Average occupancy	72%	64%	13%
Average room rate	US\$319	US\$312	2%
Yield	US\$228	US\$201	13%
Revenue (US\$m)			
Hotel	50	43	16%
Spa	3	2	50%
	<b>53</b>	<b>45</b>	<b>18%</b>

- ◆ Product improvements include equipping all guestrooms and suites with DVD players and providing high-speed wireless internet capability throughout the hotel.
- ◆ The outlook for the corporate travel segment is favourable with travel budgets expected to rise.
- ◆ In Chicago, there is aggressive price cutting among other luxury hotels, although The Peninsula Chicago's strategy is to maintain rate integrity and provide value at that rate.
- ◆ No new properties are due on the market until 2007.



## THE PENINSULA BEVERLY HILLS

20% group-owned

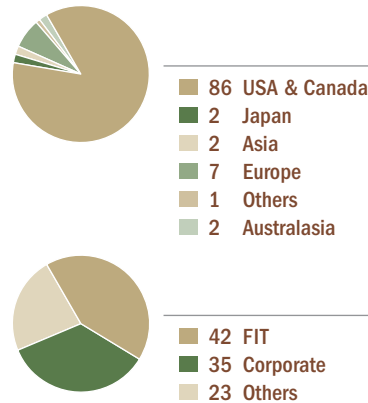
The Peninsula Beverly Hills achieved record revenues, room rates and yields together with a cache of awards.

- ◆ In a year when the hospitality industry in Southern California has enjoyed a rebound, the hotel has achieved exceptional growth in average room rate, up US\$49 per night over 2003, as well as increased occupancy.
- ◆ In the corporate sector, The Peninsula Beverly Hills has focussed its strategy successfully on financially independent or “unmanaged” travellers with greater discretionary spend.
- ◆ As part of the hotel’s customer intimacy programme, direct marketing campaigns have generated significant response from existing customers as well as nurturing new relationships.
- ◆ Alliances and marketing initiatives undertaken with Nieman Marcus, Sharper Image and Lexus of North America have enabled the hotel to offer value-added elements to customers and have proved particularly effective in achieving record occupancies during shoulder periods.

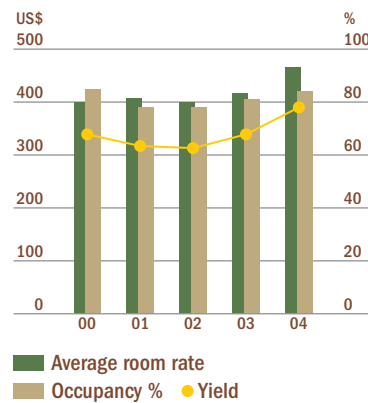
The Peninsula Beverly Hills	2004	2003	Change
Total number of rooms	196	196	-
Average occupancy	84%	81%	4%
Average room rate	US\$466	US\$417	12%
Yield	US\$390	US\$339	15%
Revenue (US\$m)			
Hotel	45	41	10%
	<b>45</b>	<b>41</b>	<b>10%</b>

- ◆ Investing in maintaining the quality of the product is key to retention of the higher-rated market. A further 50 deluxe rooms have been renovated, and technology has been upgraded in all guestrooms to include LCD television monitors, whilst 60-inch rear-projection monitors have been installed in the top suites.
- ◆ The main challenge for the hotel comes from within – how to better its 2004 performance in 2005.

Source of guests (%)



Guestrooms







Al fresco dining at The Belvedere



The Living Room

## AWARDS

**No. 1 City Hotel in the USA,  
Readers' Survey**

*Departures*

**No. 1 City Hotel in the USA**  
*Andrew Harper's  
Hideaway Report*

**No. 1 Hotel in  
Southern California**  
*Zagat Survey*

**Mobil Five-Star & AAA Five  
Diamond Awards – Hotel**

**AAA Five Diamond Award  
– Belvedere restaurant**







## AWARDS

**No. 1, Editor's Choice Award**  
*Gallivanter's Guide*

**Best Hotel in Asia, Best  
Business Hotel – Asia,  
World's Best Hotel Value**  
*Travel + Leisure*

**Best Hotel in Asia**  
*Condé Nast Traveler*

**Best Chinese Restaurant  
in Bangkok**  
*Bangkok Dining & Entertainment*

**Excellent City Hotel**  
*Tourism Authority of Thailand*



Lazing at the swimming pool



Jesters restaurant

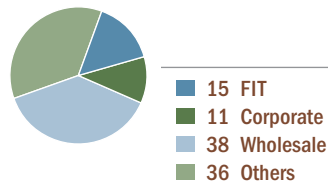
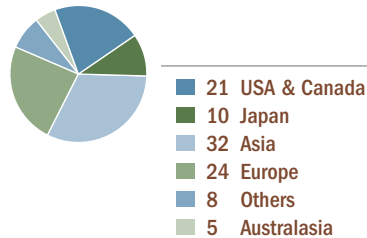


## THE PENINSULA BANGKOK

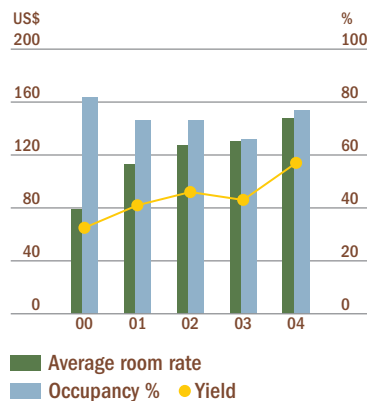
75% group-owned

The Peninsula Bangkok continued with its trend of revenue and profitability growth, achieving excellent all round results and garnering more international awards.

Source of guests (%)



Guestrooms



- ◆ The Peninsula Bangkok increased its RevPAR by 33% in 2004, consolidating its position as one of the top two hotels in the market.
- ◆ Regional leisure and corporate business, and the international AIDS Conference staged in the city, helped to boost occupancies over the traditionally slow summer months.
- ◆ Long haul, high-yield business has been returning steadily since September 2001, and the hotel's initiatives on the honeymoon and family markets from Latin and South America have generated positive results.
- ◆ Local conference and wedding business remained buoyant throughout the year.
- ◆ The food and beverage department performed well, with improved contributions resulting from the full year's operation of *Thiptara* and the *River Café and Terrace*. *Thiptara* has received excellent reviews, and is perceived as a welcome enhancement to the hotel.

The Peninsula Bangkok	2004	2003	Change
Total number of rooms	370	370	-
Average occupancy	77%	66%	17%
Average room rate	US\$148	US\$130	14%
Yield	US\$114	US\$86	33%
Revenue (Baht m)			
Hotel	1,022	799	28%
Retail	10	8	25%
Commercial rentals	10	10	-
	<b>1,042</b>	<b>817</b>	<b>28%</b>

- ◆ The Peninsula Spa, planned to open in 2006, will further position the hotel as a top luxury product.
- ◆ Managing external perceptions of political unrest and a possible return of avian flu will continue to be a challenge, although there has been no material impact to the industry currently.
- ◆ In the competitive set, several hotels plan room renovations and expanded spa facilities.

## THE PENINSULA PALACE BEIJING

42% group-owned

2004 marked the first complete year of operations following substantial renovations and rebranding under the Peninsula name.

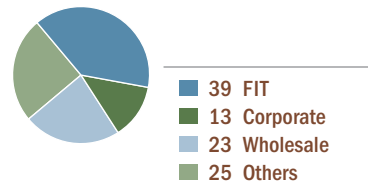
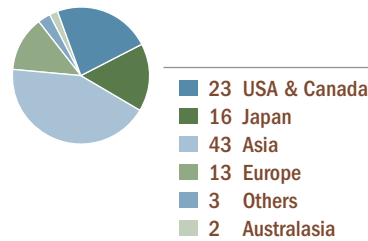
- ◆ Significant average room rate gains have been achieved; using the pre-SARS year of 2002 as a more normal benchmark, average rates have risen by over 40%.
- ◆ Corporate sector business experienced strong growth throughout 2004, attracted by a competitive product.
- ◆ The second half of the year was marked by the return of international leisure business; proximity to The Forbidden City and Tiananmen Square makes The Peninsula Palace the hotel of choice for upscale visitors.

The Peninsula Palace Beijing	2004	2003	Change
Total number of rooms	530	530	-
Average occupancy*	62%	49%	27%
Average room rate	US\$129	US\$107	21%
Yield	US\$80	US\$53	51%
Revenue (RMB m)			
Hotel	221	88	151%
Commercial rentals	86	83	4%
	<b>307</b>	<b>171</b>	<b>80%</b>

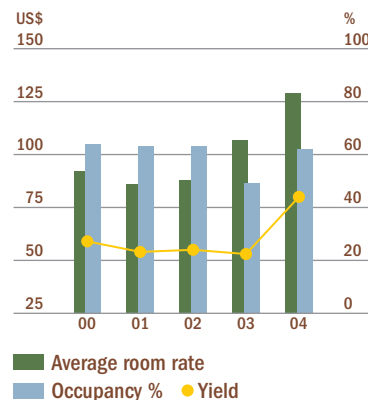
\* In 2004, due to renovation, the average number of rooms available was reduced to 500 (2003: 287).

- ◆ The newly redesigned, 600-square metre Peninsula Suite debuted in September, setting a benchmark in the city for its blend of sophistication, technology, elegance, and cultural resonance.
- ◆ The final phase of renovation of remaining guestrooms and suites on four floors of the hotel commenced in November and is expected to be complete in March 2005.
- ◆ An unparalleled shopping experience is offered at The Peninsula Palace Arcade, established as the premier address for luxury goods in the city, with over 50 top brands occupying the space.
- ◆ The Peninsula Boutique will open within the hotel in the first quarter of 2005.

Source of guests (%)



Guestrooms







Jing



Tea tasting at Huang Ting

## AWARDS

**No. 1 Hotel in the PRC  
– The 500 Greatest Hotels  
in the World**

*Travel + Leisure*

**No. 1 Hotel in Beijing**

*Andrew Harper's  
Hideaway Report*

**Gold List**

*Condé Nast Traveler (USA)*

**No. 1 Hotel in Beijing,  
Top 50 Hotels in Asia**

*Condé Nast Traveler (USA)*



## THE PENINSULA MANILA

40% group-owned

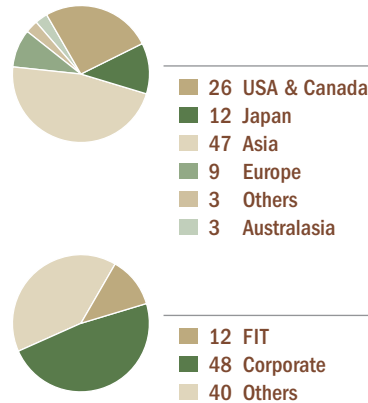
The Peninsula Manila has returned to profitability in an improved business environment, with yield up 23% over 2003.

- ◆ Special initiatives such as the “Peninsula Advantage” and “Pen Affordables” packages were introduced to target the corporate segment, the mainstay in the hotel’s market mix. The “Discovering The Pen” programme was introduced to orient key contacts on the hotel’s facilities and services.
- ◆ With the influx of call centre businesses and companies’ back office operations, a major focus of marketing and sales efforts has become the long staying guest programme, as well as a creative “flexi-meal” programme to accommodate markets with unusual working hours.
- ◆ Domestic tourism is also growing, and the hotel has continued its thrust in this direction with the introduction of local resident rates for weekday and weekend stays.
- ◆ Relationships and co-promotions with luxury brands such as Gucci, Cartier and other premium houses have been enhanced, raising further the profile of the hotel as a social hub.

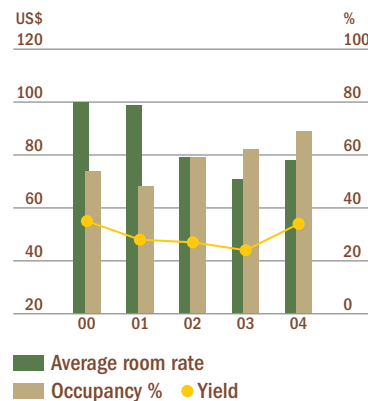
The Peninsula Manila	2004	2003	Change
Total number of rooms	498	498	-
Average occupancy	69%	62%	11%
Average room rate	US\$78	US\$71	10%
Yield	US\$54	US\$44	23%
Revenue (Pesos m)			
Hotel	1,072	952	13%
Retail	34	31	10%
Commercial rentals	10	14	(29%)
	<b>1,116</b>	<b>997</b>	<b>12%</b>

- ◆ A partial general offer was extended by the company to the Filipino shareholders of the hotel. The offer has been successful, and will result in the company becoming the majority shareholder. This will enable management to review refurbishment programmes for commencement in 2005, aimed at improving the physical product, increasing efficiency and maximising yield.
- ◆ The political environment has stabilised following a successful election as well as efforts to control insurgencies. There is the beginning of a revival of interest from Europe in the destination.
- ◆ The major challenge remains the competitive pricing in the luxury sector.

Source of guests (%)



Guestrooms







A welcome at The Lobby



## AWARDS

**Best by Service – Asia Pacific,  
Gold List**

*Condé Nast Traveler (USA)*

**No. 2, Best Business  
Hotel – Manila**

*Business Traveller  
Asia Pacific Awards*



## QUAIL LODGE RESORT AND GOLF CLUB, CARMEL

100% group-owned

Following the extensive renovation, Quail Lodge is seeking to re-establish itself as a top resort destination in Central California.

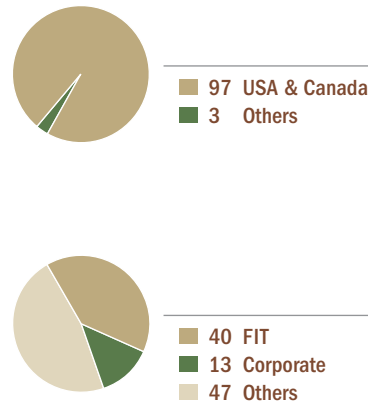
- ◆ Quail Lodge has increased its average room rate over 2003 levels, although overall performance has been impacted by lower than expected occupancy.
- ◆ Whilst the leisure market continues to be rate sensitive, and booking patterns have short lead times, travel enquiries from the sector are improving.
- ◆ Due to a better economic outlook in the Silicon Valley and San Francisco Bay areas, group business has begun to increase, helped also by the more positive business climate in the immediate vicinity of the Monterey peninsula. Occupancy from the whole region accounts for 60% of the hotel's total.

Quail Lodge Resort and Golf Club	2004	2003	Change
Total number of rooms	97	97	-
Average occupancy*	54%	46%	17%
Average room rate	US\$293	US\$284	3%
Yield	US\$158	US\$130	22%
Revenue (US\$m)			
Hotel	10	4	150%
Golf club	4	5	(20%)
	<b>14</b>	<b>9</b>	<b>56%</b>

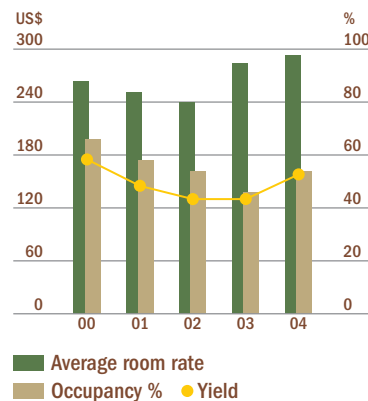
\* Figures for 2003 exclude the renovation period from early February to June 2003, as the resort was closed for renovation.

- ◆ The completion of the Spa Treatment Suites in March marked the end of the renovation and construction programmes begun in January 2003.
- ◆ Quail Lodge has become a desirable venue for prestigious classic car events, enabling it to increase awareness in a different market segment. In addition to the resort's own "The Quail", a world class motorsports gathering, the hotel has hosted events for the Porsche and Ferrari marques.
- ◆ The performance of Quail Lodge since its renovation has so far been disappointing and steps are in hand to improve its performance.

Source of guests (%)



Guestrooms







On course at Quail Lodge



## AWARDS

AAA Four Diamond Award

Top 500 Hotels in the World  
*Travel + Leisure*

Gold List  
*Condé Nast Traveler*

Award of Excellence  
*Wine Spectator*



Relaxing at the Spa





## AWARDS

**Wastewi\$e Logo,  
for environmental  
protection efforts**  
*Hong Kong Productivity Council  
2004 Eco-Business Awards*



The Lobby



Middle Row Lounge and Bar

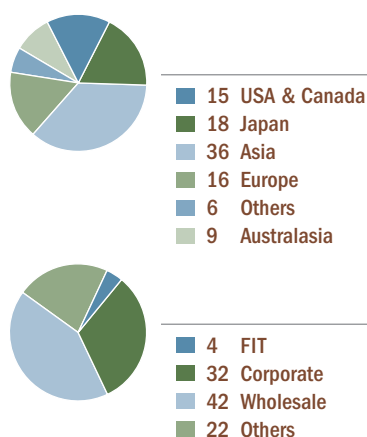


## THE KOWLOON HOTEL

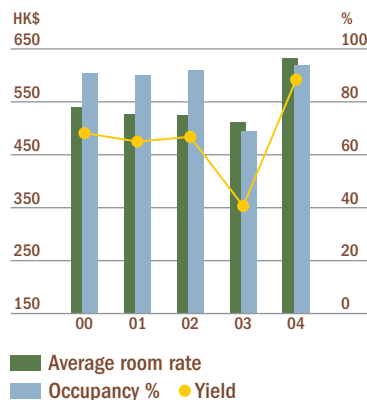
100% group-owned (until 1/2/05)

The Kowloon Hotel has been sold as of 1 February, 2005 at a value of HK\$1.93 billion (subject to adjustments) and will no longer be part of the company's portfolio.

Source of guests (%)



Guestrooms



- ◆ Although the percentage of mainland visitors remained constant, there was a noticeable switch from low-yield tour group business to a larger proportion of higher-yield independent travellers.
- ◆ Corporate business increased to 41% of the hotel's market mix, up 32% over 2003.
- ◆ Reservations booked through electronic channels registered 15% of the hotel's total room occupancy, up from 6% in 2003.
- ◆ Internet travel portals, a target for business generation in 2004, produced 6% of total room occupancy for the year, from a zero base.

The Kowloon Hotel	2004	2003	Change
Total number of rooms	736	736	-
Average occupancy	94%	69%	36%
Average room rate	HK\$633	HK\$512	24%
Yield	HK\$592	HK\$353	68%
Revenue (HK\$m)			
Hotel	285	197	45%
Commercial rentals	25	24	4%
	<b>310</b>	<b>221</b>	<b>40%</b>



## AWARDS

Thai Country Club voted  
“Best Course in Thailand”,  
“Best Clubhouse in Asia”,  
readers’ survey

*Asian Golf Monthly*



Tea on The Verandah



The boxing room, The Club



## PROPERTIES AND CLUBS

*100% group-owned*

With the property market recovering in the second quarter, The Repulse Bay has registered positive rental growth.

- ◆ The market's response to the renovated apartments at 109 Repulse Bay has been very positive, with 100% of the renovated units committed to date. Apartment renovations will continue in 2005 in order to increase both occupancy and rental revenues.
- ◆ 49 of the 68 serviced apartments in de Ricou have had a soft refurbishment. Occupancy of the serviced apartments has been impacted by apartments being made available to long-term tenants affected by the renovation programme.
- ◆ The second and final phase of the enhancement project for The Club, the residents' leisure facility, was completed, covering the gymnasium, changing rooms, and the addition of spin cycle and boxing rooms.
- ◆ Food and beverage outlets performed well, particularly banqueting business, with significant growth in the wedding sector. The commercial arcade was fully let.
- ◆ In light of a shortfall in the supply of luxury apartments for lease as well as increasing demand, the outlook is positive.

<b>The Repulse Bay complex</b>	<b>2004</b>	<b>2003</b>	<b>Change</b>
<b>Unfurnished apartments</b>	<b>353</b>	<b>353</b>	-
Average occupancy	<b>78%</b>	74%	5%
Average rental (pnsf)	<b>HK\$25</b>	HK\$25	-
<b>Serviced apartments</b>	<b>68</b>	<b>68</b>	-
Average occupancy	<b>66%</b>	71%	(7%)
Average rental (pnsf)	<b>HK\$24</b>	HK\$25	(4%)
Revenue (HK\$m)			
Residential	<b>261</b>	266	(2%)
Club	<b>11</b>	11	-
Commercial rentals	<b>35</b>	32	9%
Food & beverage	<b>43</b>	40	8%
	<b>350</b>	<b>349</b>	-

- ◆ Improved business sentiment and demand for office space in Central has boosted occupancy in St John's Building to 87% for the year while rates remained stable; a number of key tenancies were renewed in 2004.
- ◆ Thanks to a strong surge in the number of mainland tourists and a gradual rebound of visitors from international markets, the Peak Tram and Peak Entertainment achieved significant growth with patronage exceeding the benchmark pre-SARS year of 2002.
- ◆ The Peak Tower also had a good year in achieved occupancy and rates. In March 2005 it will be closed to allow the company to proceed with a major revitalisation programme that will enhance its asset value, maximise returns, and ensure that Hong Kong's premier visitor destination stays ahead of the needs and expectations of visitors. It is scheduled to re-open in mid-2006.
- ◆ The Peak Tram, which will remain in operation during the Tower's renovation period, will be subject to a signalling system upgrade, and improvements to tramcar ventilation and to the stations in 2005.

<b>Other operations (Hong Kong)</b>	<b>2004</b>	<b>2003</b>	<b>Change</b>
Revenue (HK\$m)			
Peak Tram	59	45	31%
The Peak Tower	23	20	15%
Peak Entertainment	5	3	67%
St John's Building	17	16	6%
Tai Pan Laundry	35	32	9%
Peninsula Clubs and Consultancy Services	12	6	100%
	<b>151</b>	<b>122</b>	<b>24%</b>

- ◆ The Thai Country Club enjoyed its best year ever in 2004 in terms of patronage and financial results, and it remains one of the region's leading golf courses. Re-grassing of the greens began in 2004, with five being completed by December, and the remainder to be completed in 2005.
- ◆ The Landmark captured a greater market share in the residential sector, which, combined with a stable performance in the commercial sector and reduced costs, contributed to an increase of 8% in net profit.

<b>Other operations (Thailand)</b>	<b>2004</b>	<b>2003</b>	<b>Change</b>	<b>Other operations (Vietnam)</b>	<b>2004</b>	<b>2003</b>	<b>Change</b>
Revenue (Baht m)				Revenue (US\$m)			
Thai Country Club	218	187	17%	The Landmark (Office)	2	2	-
				The Landmark (Residential)	1	1	-
					<b>3</b>	<b>3</b>	-