

# CHAIRMAN'S STATEMENT



*Dear Shareholders,*

*Whilst we can claim to be the oldest hotel company in Asia, we do not rest on the laurels of history. Our business growth and expansion into key destinations has continued to move ahead over the past 12 months with both new hotel developments and improvements to existing facilities. At the same time, our philosophy of providing luxury facilities and accommodation, coupled with personalised services attuned to the demands of the 21st century clientele, remains paramount.*

The highlight of the year 2007 was undoubtedly the opening of The Peninsula Tokyo. This proud new addition to the Peninsula brand overlooks the Imperial Palace and Hibiya Park, and combines traditional Japanese craftsmanship with contemporary design, unique works of art and leading edge technology. It is already proving to be a strong attraction to Japan-based visitors as well as our international guests.

At the same time, the construction of The Peninsula Shanghai with its frontage onto the historic Bund is progressing on schedule and I am confident that towards the end of 2009 we will be ready to open this hotel and hotel apartment complex to guests. By then, we will have a Peninsula presence in nine gateway cities in China, Japan, Thailand, the Philippines and the United States.

The improvement of our existing assets continues to be a key element in our business strategy. The first phase of our renovation programme at The Peninsula Manila has been well received and room rates and revenue at the Makati Tower continued to grow.

The construction of a new spa at The Peninsula Beijing will be completed in May 2008, in time for the influx of visitors we expect the 2008 Olympics to bring to the capital. We will also move forward with plans that involve upgrades and improvements to our hotels in Hong Kong, New York and Beverly Hills.

In Hong Kong, we have received Government planning approval for a revitalisation project to be undertaken at the Repulse Bay Complex. This refit will cover restaurants and retail facilities within the Complex.

To celebrate 120 years of operation by the Peak Tram in Hong Kong in 2008, we have opened The Peak Tram Historical Gallery. Situated at the foot of the tram line, the Gallery pays tribute to both the Tramway and to Hong Kong's own colourful heritage.

The year 2007 has also been a year of industry-wide recognition for our hotels and their management teams and staff. The Peninsula Chicago was ranked the top city hotel in the United States by the highly regarded Andrew Harper's Hideaway Report. All the other Peninsula Hotels also received prestigious awards during the year.

Whilst we are proud of our achievements in 2007, we know we must be prepared for future challenges. That is the nature of our industry and that is why we place great importance on the loyalty and experience of all our staff.

The Beijing Olympics, for example, has attracted many new entrants in the city's luxury hotel sector, which will increase competition in that market. Our response is to look to develop a programme of constant facility

improvement and, from a human resource perspective, retain and re-train top staff to ensure we stay ahead of our competitors by offering the finest elements of hotel services. It is also likely that challenges will arise from the general economic and financial markets' uncertainty that we are seeing as we enter into 2008.

For the Group, 2008 will be a special year of anniversaries and celebrations. The Peninsula Hong Kong will turn 80; The Peninsula Bangkok will commemorate its 10th anniversary; The Peninsula New York will mark its 20th year under the Peninsula flag; and Hong Kong's Peak Tramways will celebrate 120 years of history.

Our results and achievements continue to reflect the dedication and commitment of our teams, across all countries, cities and sectors of our business. On behalf of the Board, I thank our staff for sharing our vision, understanding our philosophy, representing our culture and unfailingly delivering a world class service to our clientele.



The Hon. Sir Michael Kadoorie  
19 March 2008