

Coming into Bloom

Nurtured carefully, seedlings grow and flower



Hotel exterior,
The Peninsula

Deluxe harbour view suite bedroom,
The Peninsula



HONG KONG SAR

The Peninsula Hong Kong (100% group-owned)

General Manager – Peter Borer

Renewed confidence and economic growth have fuelled healthier returns in The Peninsula Hong Kong with an increase in overall revenue from the hotel operation of 12% compared to 1999.

A faster than expected recovery in the SAR and sustained improvement in the fortunes of its Asian neighbours have further propelled the demand for hotel accommodation. Although volume in the luxury market segment has grown, it does remain price sensitive and a discount mentality still lingers among some competitors. The average rate of growth has, therefore, been modest at 5%.

At The Peninsula, all geographic markets have recorded room night growth in 2000. Guests from the USA comprise the most important market at 30% of total room nights sold. The Japanese market has shown strong growth with seventeen thousand room nights sold, an almost 23% increase over 1999. Rooms revenue totalled HK\$199 million, 17% above 1999. The yield, at HK\$1,654, is 17% over 1999, the highest in the deluxe sector.

Expenditure on dining by local guests tracked Hong Kong's strengthening prospects. The hotel's food and beverage operations, up 9% over 1999, benefitted from the resurgence both in volume of covers and an increase in average checks. New initiatives have already proven successful and are expected to boost the revenues further. Total revenues of HK\$742 million were achieved for The Peninsula's various operations, HK\$64 million or 9% up on 1999.



| The Peninsula Hong Kong | 2000 | 1999 | % Change |
|--------------------------------|------------------|-------------|-----------------|
| Available rooms | 300 | 300 | — |
| Average occupancy | 55% | 50% | 10% |
| Average room rate | HK\$2,984 | HK\$2,834 | 5% |
| Yield | HK\$1,654 | HK\$1,419 | 17% |
| Revenue (HK\$m) | | | |
| Hotel | 468 | 417 | 12% |
| Retail | 46 | 37 | 25% |
| Commercial | 188 | 183 | 3% |
| Office | 40 | 41 | (3%) |
| | <u>742</u> | <u>678</u> | 9% |

During 2000, retail sales at the Peninsula Boutiques rebounded sharply with revenue at HK\$46 million, 25% up over the previous year. This leap may be attributed to the increase in visitors to Hong Kong, in particular those from Japan.

The commercial shopping arcade's business turned the corner during the year. A number of factors contributed – improved sentiment in the retail sector, demand for additional space from existing tenants, and positive lease reversions. In the currently fully let arcade, gross rentals increased to HK\$188 million, up 3% over 1999.

The Peninsula Office Tower held its own in a saturated market; fully let over the year, it realised HK\$40 million in revenue. Office rents, however, dipped slightly in 2000 due to an oversupply of grade A space and keen competition among landlords in Kowloon.

The hotel's guest services during 2000 were awarded first place in readership surveys in Gallivanter's Guide (UK); Travel and Leisure, Gourmet and Corporate Meetings and Incentives (USA); and Business Traveller (Asia). The Peninsula has refined a Customer Retention Programme aimed at generating loyalty among its most valued segment of repeat guests.

A particularly strong fourth quarter in 2000 ended the year on an optimistic note for the hotel sector.



Wan Loong Court restaurant,
The Kowloon Hotel

The Kowloon Hotel (100% group-owned)

General Manager – Rolf Pfisterer

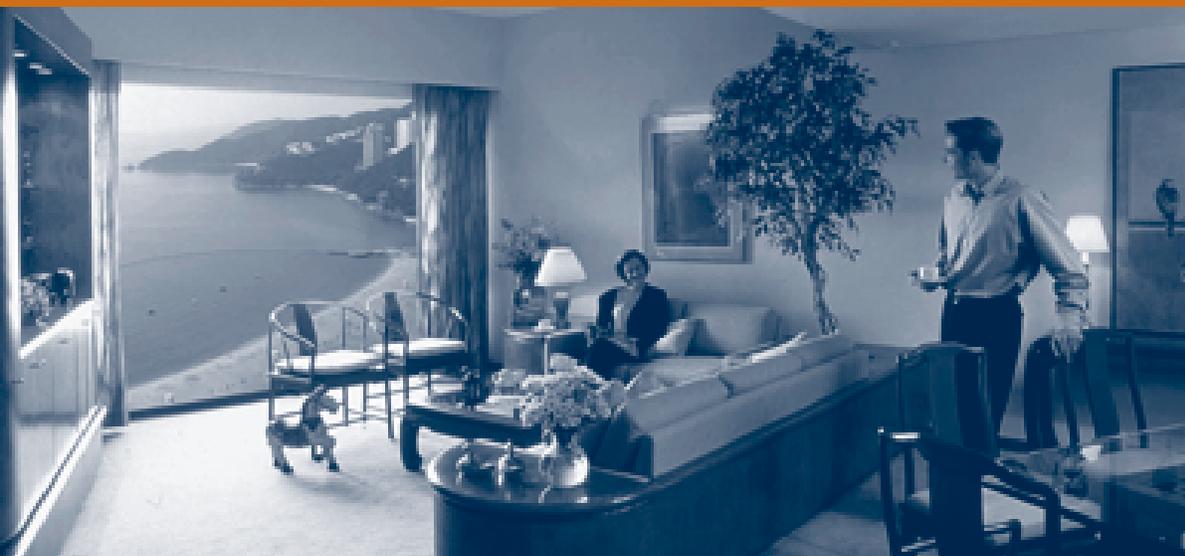
In contrast to the previous year, The Kowloon Hotel experienced a strong recovery during 2000, with particularly high demand for accommodation during peak seasons. The hotel achieved occupancy of 91% and an average room rate of HK\$540, increases of 6% and 12% respectively over 1999 results.

Revenue from hotel operations was HK\$263 million, an increase of 8% over the previous year. Revenues from food and beverage showed a slight increase but remain hostage in the short-term to the price-sensitive local market the hotel serves.

Maximising revenue was a consistent theme throughout 2000, as the hotel implemented a new yield management programme that has contributed to improved revenues. In tandem, the physical product was upgraded with 237 rooms completely refurbished, as well as improvement in and expansion of the sophisticated in-room electronic and communications technology.

| The Kowloon Hotel | 2000 | 1999 | % Change |
|--------------------------|-------------|-------------|-----------------|
| Available rooms | 736 | 736 | – |
| Average occupancy | 91% | 86% | 6% |
| Average room rate | HK\$540 | HK\$484 | 12% |
| Yield | HK\$491 | HK\$414 | 19% |
| Revenue (HK\$m) | | | |
| Hotel | 263 | 243 | 8% |
| Commercial | 23 | 31 | (26%) |
| | <u>286</u> | <u>274</u> | 5% |

The outlook for 2001 is positive, with demand for rooms remaining strong. Improved retail sentiment led to increased demand in the last quarter for space in the commercial shopping arcade.



The Repulse Bay

The Repulse Bay complex (100% group-owned)

General Manager – Martyn Sawyer

In line with market trends in Hong Kong, the latter half of 2000 showed positive growth in occupancy at The Repulse Bay complex as the residential leasing market gradually firmed. However, sensitivity to rental rates remains. Gross rental revenue from the apartments totalled HK\$327 million, compared to HK\$328 million in 1999.



The 353 unfurnished apartments in the complex achieved 88% occupancy with average rental yield maintained at HK\$32 per net square foot. The 68 serviced apartments achieved an occupancy level of 64%. The average rental yield decreased from HK\$26 per net square foot in 1999 to HK\$23 per net square foot in 2000.

A marked increase in discretionary spending power led to better revenues and numbers of covers in most food and beverage outlets; these generated HK\$49 million. This represented growth of 11% over the previous year excluding the Hei Fung Terrace Chinese restaurant which was closed in December 1999.

The shopping arcade and ancillary commercial space achieved total gross revenue of HK\$31 million in 2000, 5% below the HK\$32 million recorded in 1999.

| The Repulse Bay complex | 2000 | 1999 | % Change |
|--------------------------------|---------------|-------------|-----------------|
| Unfurnished apartments | 353 | 353 | — |
| Average occupancy | 88% | 78% | 13% |
| Average rental (pnsf) | HK\$32 | HK\$32 | — |
| Serviced apartments | 68 | 68 | — |
| Average occupancy | 64% | 62% | 3% |
| Average rental (pnsf) | HK\$23 | HK\$26 | (12%) |
| Revenue (HK\$m) | | | |
| Residential | 327 | 328 | — |
| Club | 5 | 5 | (1%) |
| Commercial | 31 | 32 | (5%) |
| Food and beverage | 49 | 67 | (26%) |
| | 412 | 432 | (5%) |

A new rental cycle beginning in 2001, demand for luxury accommodation from new entrants into the market, and firming prices are expected to have a positive impact on The Repulse Bay. To maintain competitive edge and improve the rate and occupancy of the serviced apartments, a refurbishment programme will commence in 2001. Alternative tenants are being sought for the vacated restaurant and The Repulse Bay Garage; every effort is being made to select services that will enhance the distinctive lifestyle of the complex as well as generate revenues.

A strengthened management team will continue to assure a quality product and services, as well as implement a focussed, strategic marketing plan to attract top sector residential and commercial tenants.

| Other Operations | 2000 | 1999 | % Change |
|---|-------------|-------------|-----------------|
| Revenue (HK\$m) | | | |
| The Peak Tramways | 52 | 46 | 14% |
| The Peak Tower | 21 | 23 | (6%) |
| Peak Entertainment | 4 | 9 | (61%) |
| St. John's Building | 20 | 21 | (3%) |
| Tai Pan Laundry | 47 | 43 | 8% |
| Peninsula Clubs and Consultancy Services | 14 | 14 | - |
| | 158 | 156 | 1% |

The Peninsula Suite second bedroom, The Peninsula New York

