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The Manager Companies
The Australian Stock Exchange
Limited
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20 Bridge Street
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Dear Sirs,

P&O SELLS AUSTRALIAN RESORTS BUSINESS

An announcement on the above subject is attached.

Yours faithfully,
for and on behalf of
THE PENINSULAR AND ORIENTAL
STEAM NAVIGATION COMPANY

R A Birdsall
Secretary
P&O Australia Ltd

7 July 2004

P&O SELLS AUSTRALIAN RESORTS BUSINESS

P&O announces that it has sold its Australian resorts business for approximately A\$210 million (£81 million). The business consists of six island resorts, two eco-lodges and a new 'outback experience' lodge. The buyer is Australian listed General Property Trust, together with its associated company Voyages Hotel & Resorts Pty Limited.

Contracts for the transaction have been signed and completion is expected to take place around the end of July. The sale is part of P&O's strategy to focus its capital on its high growth ports business and it contributes towards the company's target of £250 million net property sales in 2004.

Commenting on the sale, Robert Woods, Chief Executive of P&O, said "We are pleased to have reached agreement with GPT and Voyages. This is a further significant step in our property sales programme and follows our 1 July announcement of sales of £80 million in the US and Germany. We are firmly on track to meet our £250 million net sales target for 2004."

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Notes to editors:

1. The business being sold, P&O Australian Resorts, consists of the island resorts of Bedarra, Brampton, Dunk, Heron, Lizard and Wilson off the Queensland coast, the eco-lodges at Cradle Mountain in Tasmania and Silky Oaks in Queensland, and the new 'outback experience' lodge at Wrotham Park in Queensland. The resorts are some of the leading nature-based holiday destinations in the world. In 2003, some 100,000 guests visited the resorts. The business employs 650 staff. For more information visit www.poresorts.com.au
2. In the year ended 31 December 2003, P&O Australian Resorts contributed an operating profit of approximately A\$12 million (£5 million). The net assets of the business are approximately A\$140 million (£54 million). The gain on sale, after transaction costs, will be reported in P&O's group accounts within separately disclosable items for the second half of the current financial year. P&O will use the proceeds from the sale to reduce net debt.
3. On 1 July, P&O announced that it had sold part of its Boston Wharf portfolio in the US for approximately £51 million, and that the HTC partnership in Germany, in which P&O has a 47.5% interest, had sold a major phase of its office development in Hamburg, reducing P&O's joint venture and associate net debt by approximately £30 million.

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