

2011 Annual Results



THE HONGKONG AND SHANGHAI HOTELS, LIMITED
香港上海大酒店有限公司

Analysts Presentation

30 March 2012



THE HONGKONG AND SHANGHAI HOTELS, LIMITED
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FORWARD-LOOKING STATEMENTS

The presentation may contain certain forward-looking statements with respect to the financial condition, results of operations and business of HSH. These forward-looking statements which include, without limitation, statements regarding future results of operations, financial condition or business prospects are based on current beliefs, assumptions, expectations, estimates or projections of Directors which are subject to known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expectations expressed or implied in such statements.

Past performance cannot be relied on as a guide to future performance.



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OVERVIEW OF 2011

- Interest in The Peninsula Beijing increased from 42.13% to 76.6% (100% effective economic interest) with a net gain of HK\$135m recorded as equity movement
- Performance of the Hotels Division varied between markets, with strong business growth in HK and some signs of recovery in US
- In Tokyo and Bangkok, our hotels were affected by the earthquake and flooding
- The Commercial Properties Division and Clubs and Services Division performed well with stable income contribution to the Group's earnings
- Financial position remained strong, with gearing at a conservative level of 7%
- Structural work for The Peninsula Paris is almost complete with fit-out underway
- Major renovation works at The Peninsula HK and The Repulse Bay are underway



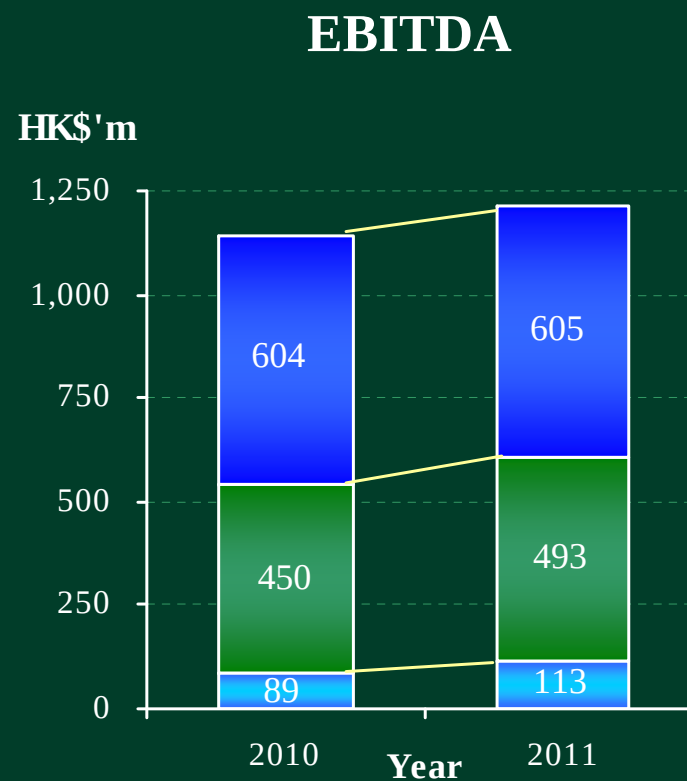
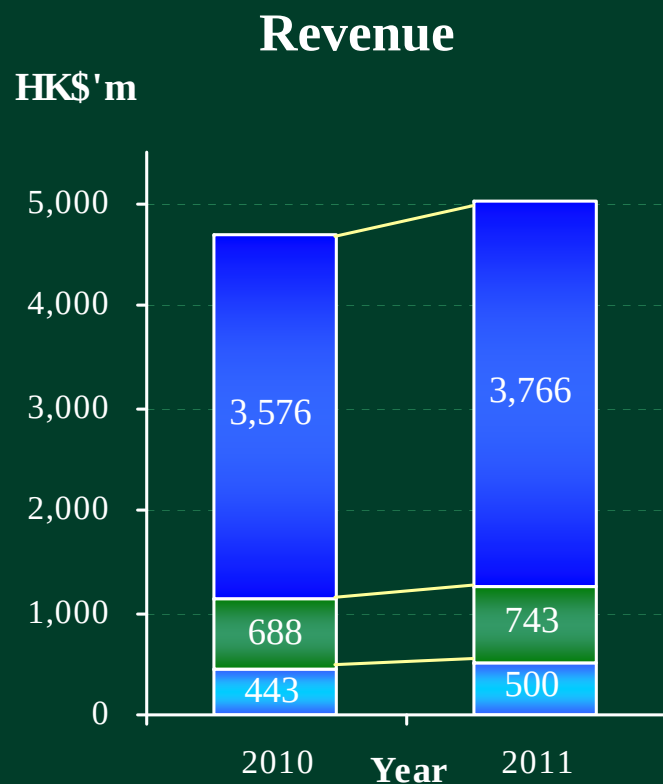
SUMMARY RESULTS

HK\$ million	2010	2011	Change
Turnover	4,707	5,009	6%
EBITDA	1,143	1,211	6%
EBITDA Margin	24%	24%	-
Operating profit	794	834	5%
Non-operating items	2,048	1,821	(11%)
Taxation	(225)	(203)	(10%)
Profit attributable to shareholders	3,008	2,259	(25%)
EPS (HK cents)	204	152	(25%)
Underlying profit	408	464	14%
Underlying EPS (HK cents)	28	31	11%



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CONSOLIDATED REVENUE & EBITDA



■ Clubs & Services ■ Commercial Properties ■ Hotels



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UNDERLYING PROFIT

HK\$ million	2010	2011
Profit attributable to shareholders	3,008	2,259
Increase in fair value of investment properties	(1,938)	(1,841)
Provision for / (reversal of) impairment losses	(110)	20
Share of property valuation adjustment of a jointly controlled entity, net of tax	(614)	-
Tax and non-controlling interests attributable to non-operating items	62	26
Underlying profit	408	464
Underlying EPS (HK\$)	0.28	0.31



INTEREST IN THE PENINSULA BEIJING (NOW 76.6% HELD)

- Acquisition of additional interest of 34.47% completed in September 2011
- The Group now owns 100% effective interest in the business of The Peninsula Beijing
- Cash consideration of HK\$578m fully funded by the Group's surplus cash
- Non-controlling interest reduced by HK\$713m
- Gain of HK\$135m credited to Statement of Changes in Equity



CASH FLOWS

HK\$ million	2010	2011	Change %
EBITDA	1,143	1,211	6%
Change in working capital and other adjustments	31	(65)	n/a
Net tax paid	(154)	(146)	(5%)
Purchase of fixed assets	(276)	(312)	13%
Net financing charges and dividends	(149)	(144)	(3%)
Recurring cash inflow after normal capex, financing charges and dividends	595	544	(9%)
Loan to an associate and a jointly controlled entity	(27)	(580)	2048%
Purchase of additional interest in a subsidiary	-	(578)	n/a
Net cash inflow/(outflow) from financing activities	(336)	902	n/a
Net cash inflow for the year	<u>232</u>	<u>288</u>	24%

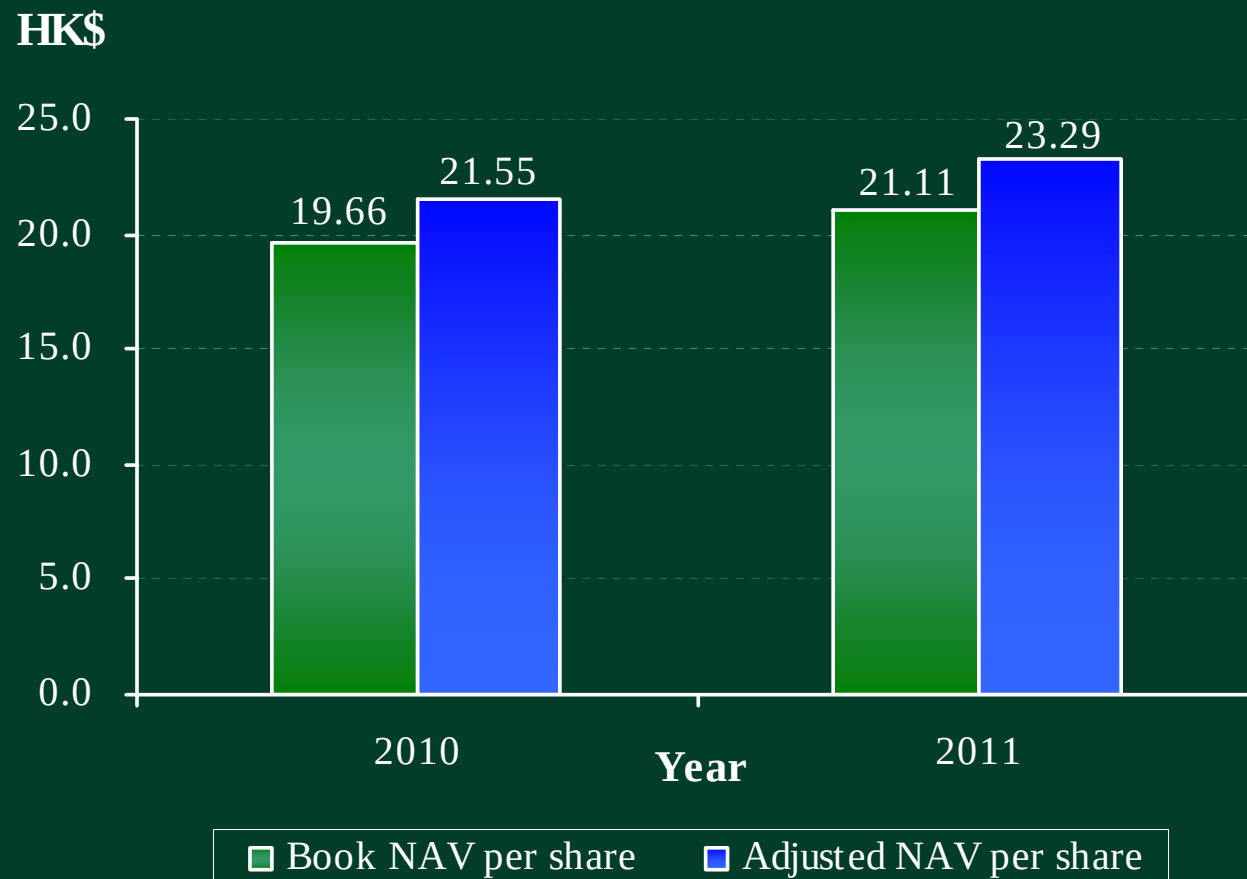


CAPITAL EXPENDITURE 2011

HK\$ million	2010	2011
Hotels	180	214
Commercial properties	61	82
Clubs and services	35	16
Total CAPEX	276	312
CAPEX as a percentage to revenue	6%	6%



NET ASSET VALUE PER SHARE



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FUNDS AVAILABLE

HK\$ million	<u>2010</u>	<u>2011</u>
Total available facilities	5,797	4,901
Utilised	<u>(4,332)</u>	<u>(4,319)</u>
Available bank facilities	1,465	582
Cash at banks and in hand	<u>2,658</u>	<u>1,984</u>
Funds available	<u>4,123</u>	<u>2,566</u>

Excluding debts for The Peninsula Shanghai and The Peninsula Beverly Hills, which are non-recourse



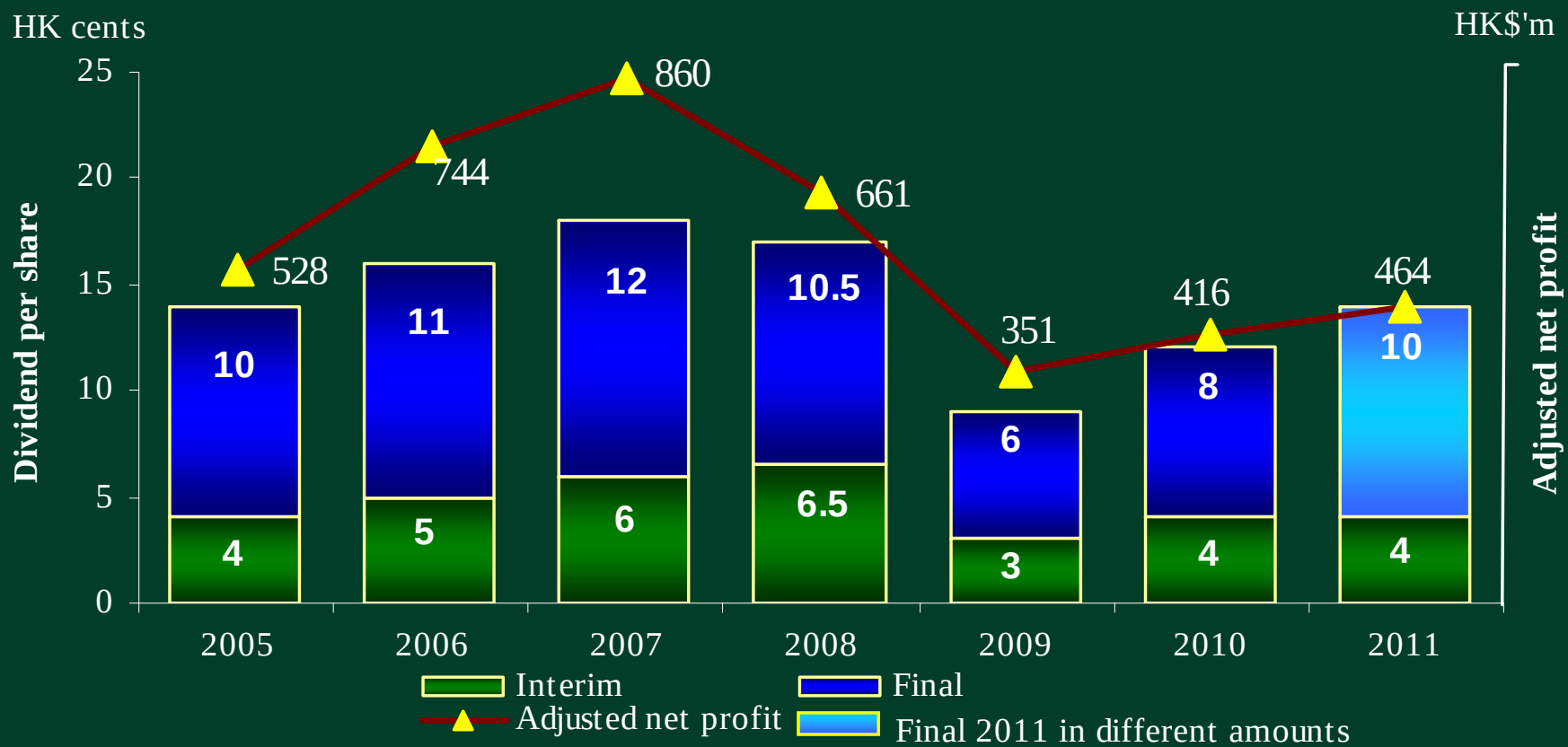
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FINANCIAL RATIOS

HK\$ million	2010	2011
Gross borrowings	4,332	4,319
Net borrowings	1,674	2,335
Net debt: EBITDA	1.5 times	1.9 times
Net gearing	5%	7%
Weighted average gross interest rate	3.2%	3.1%
Interest cover		
- Gross	6.0 times	6.1 times
- Net	7.4 times	9.5 times

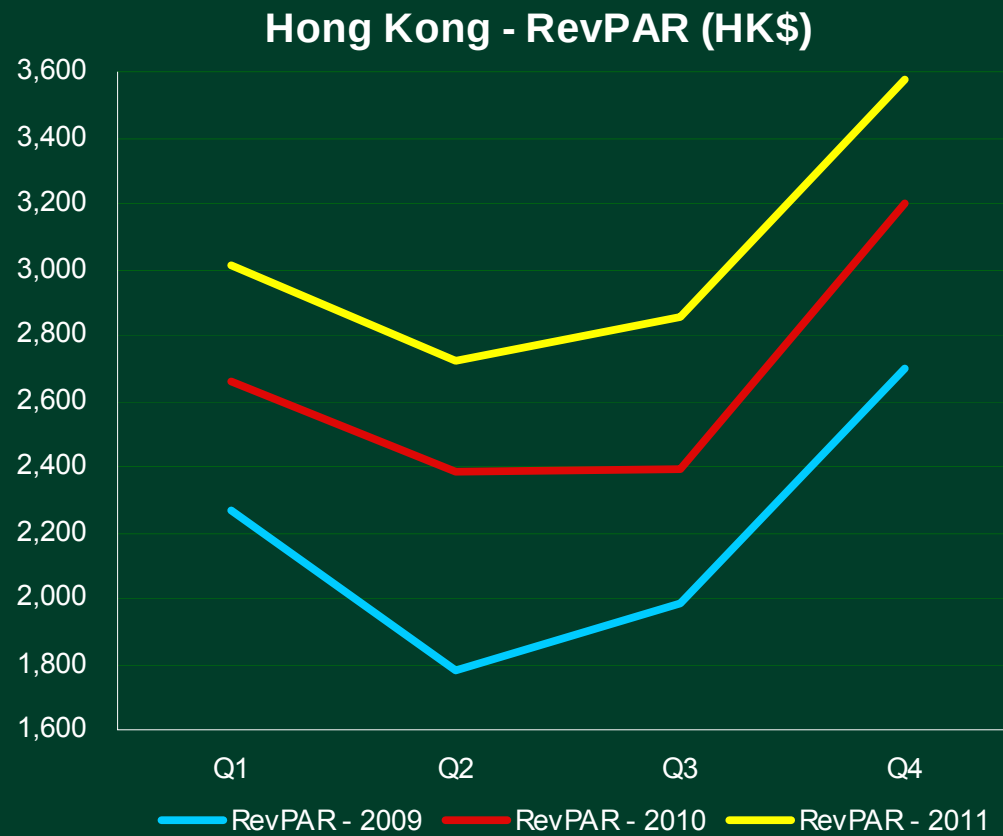


DIVIDEND HISTORY



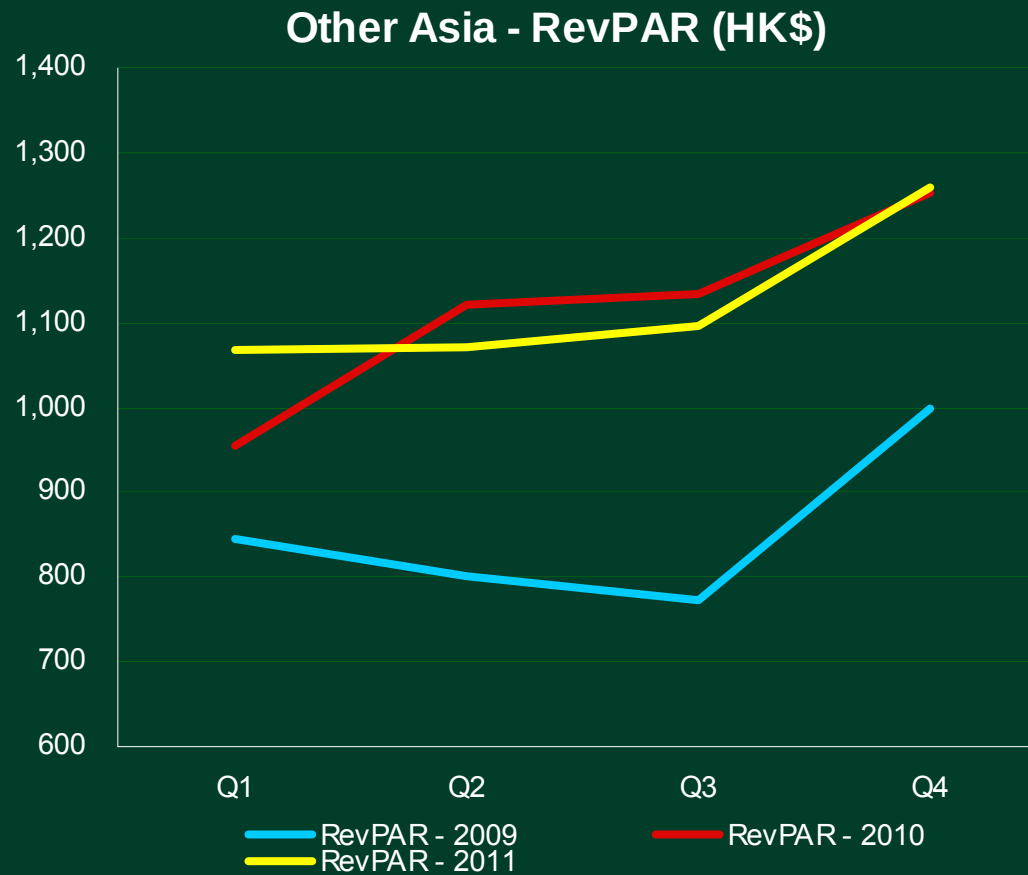
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HOTEL PERFORMANCE – HONG KONG



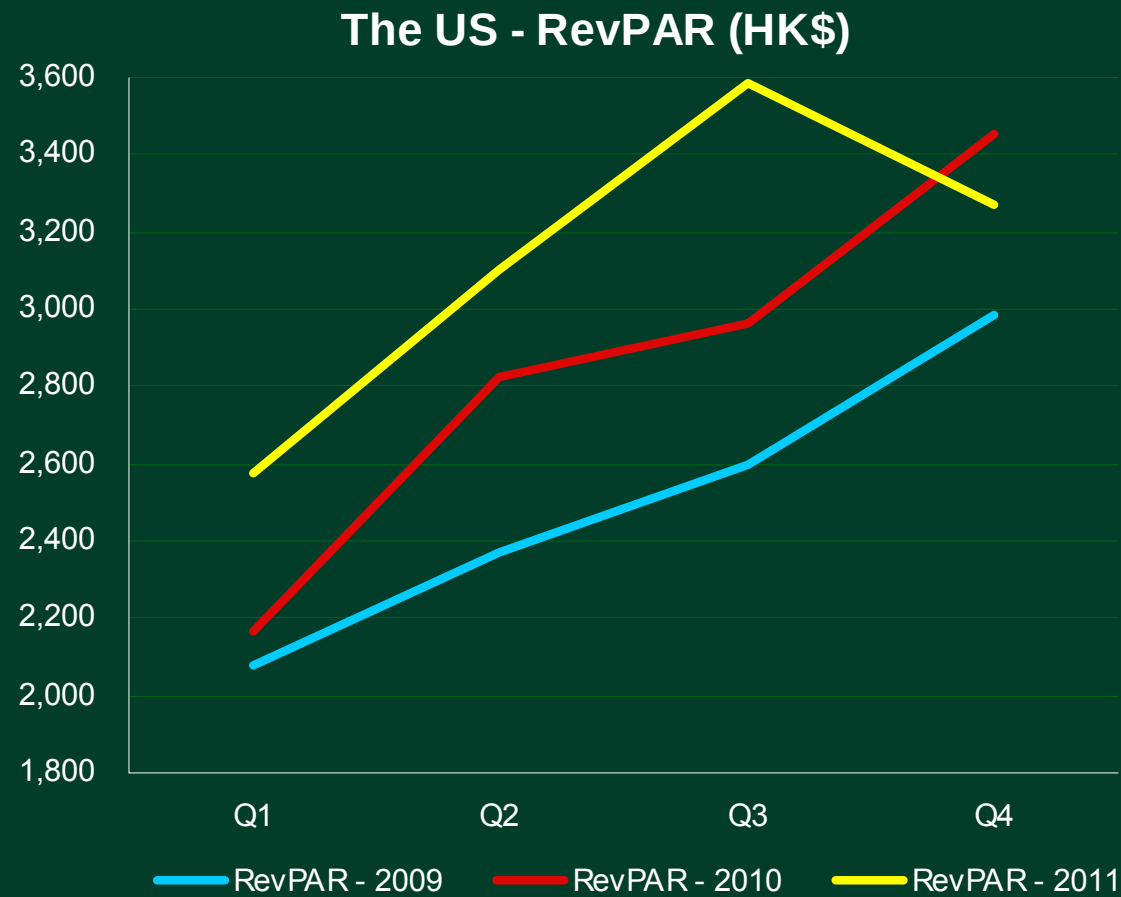
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HOTEL PERFORMANCE – OTHER ASIA



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HOTEL PERFORMANCE - USA

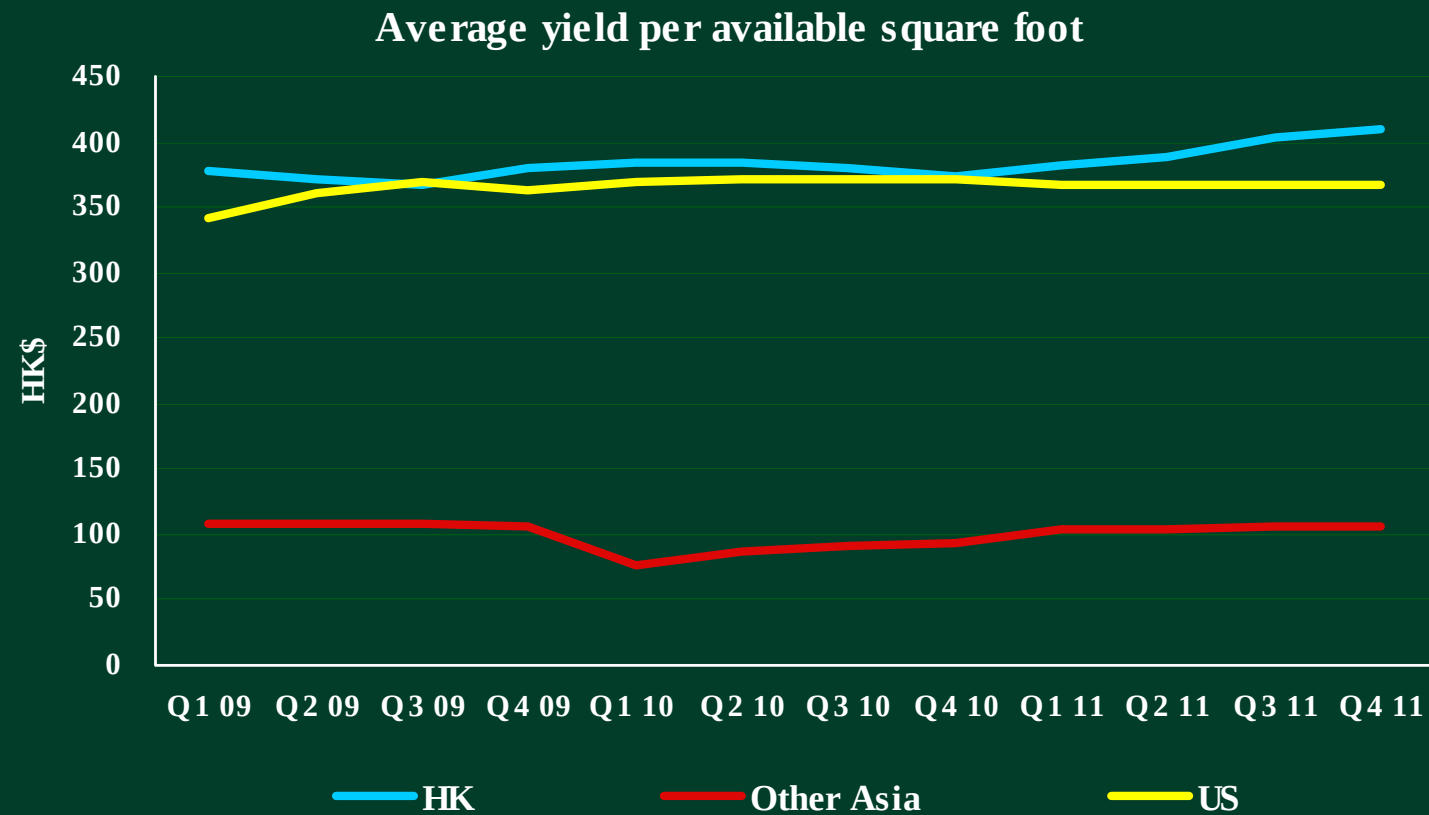


Note: Quail Lodge was included until Q4 2009



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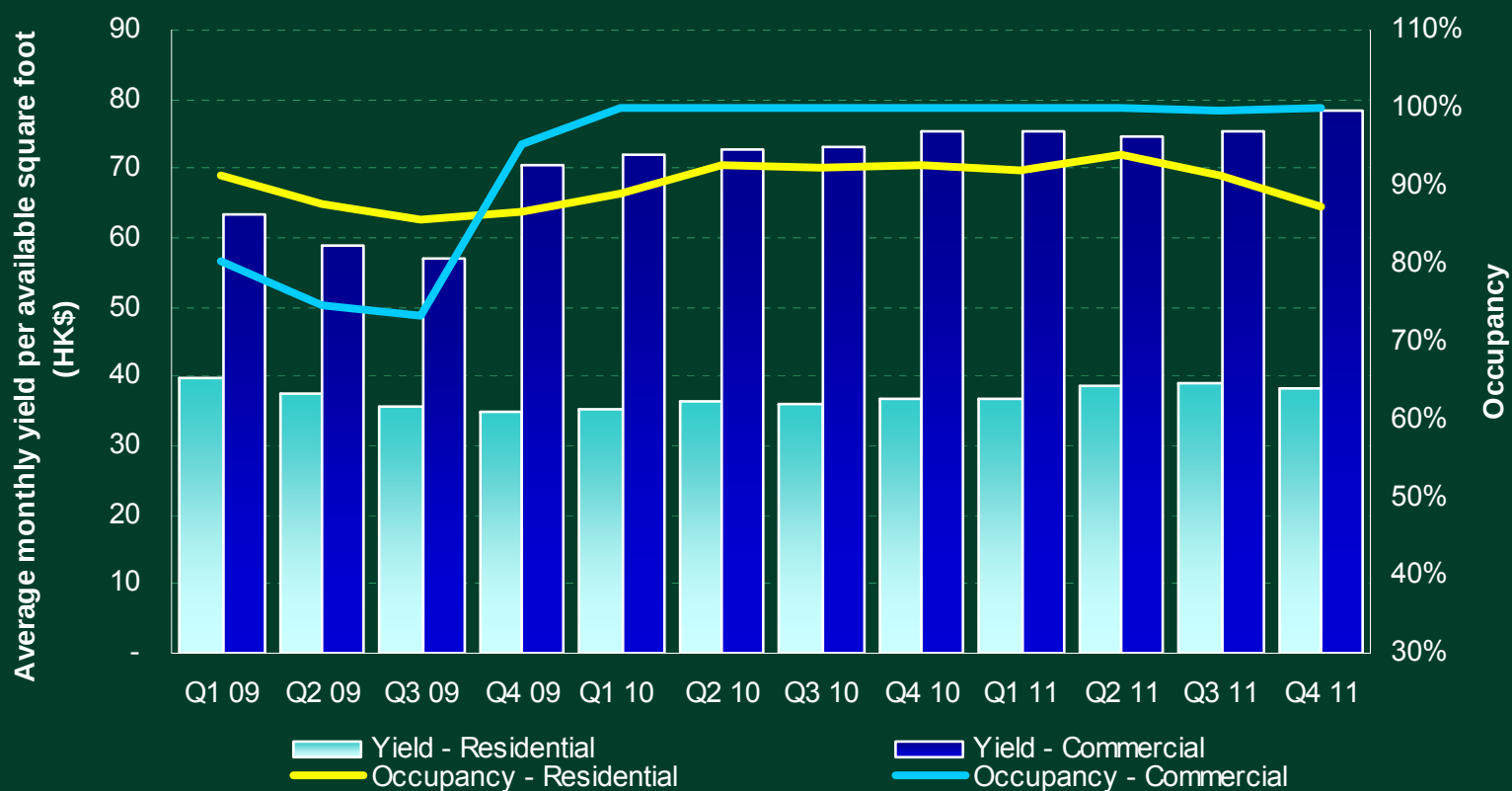
HOTEL SHOPPING ARCADES



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COMMERCIAL PROPERTIES – THE REPULSE BAY

The Repulse Bay - Occupancy & Yield



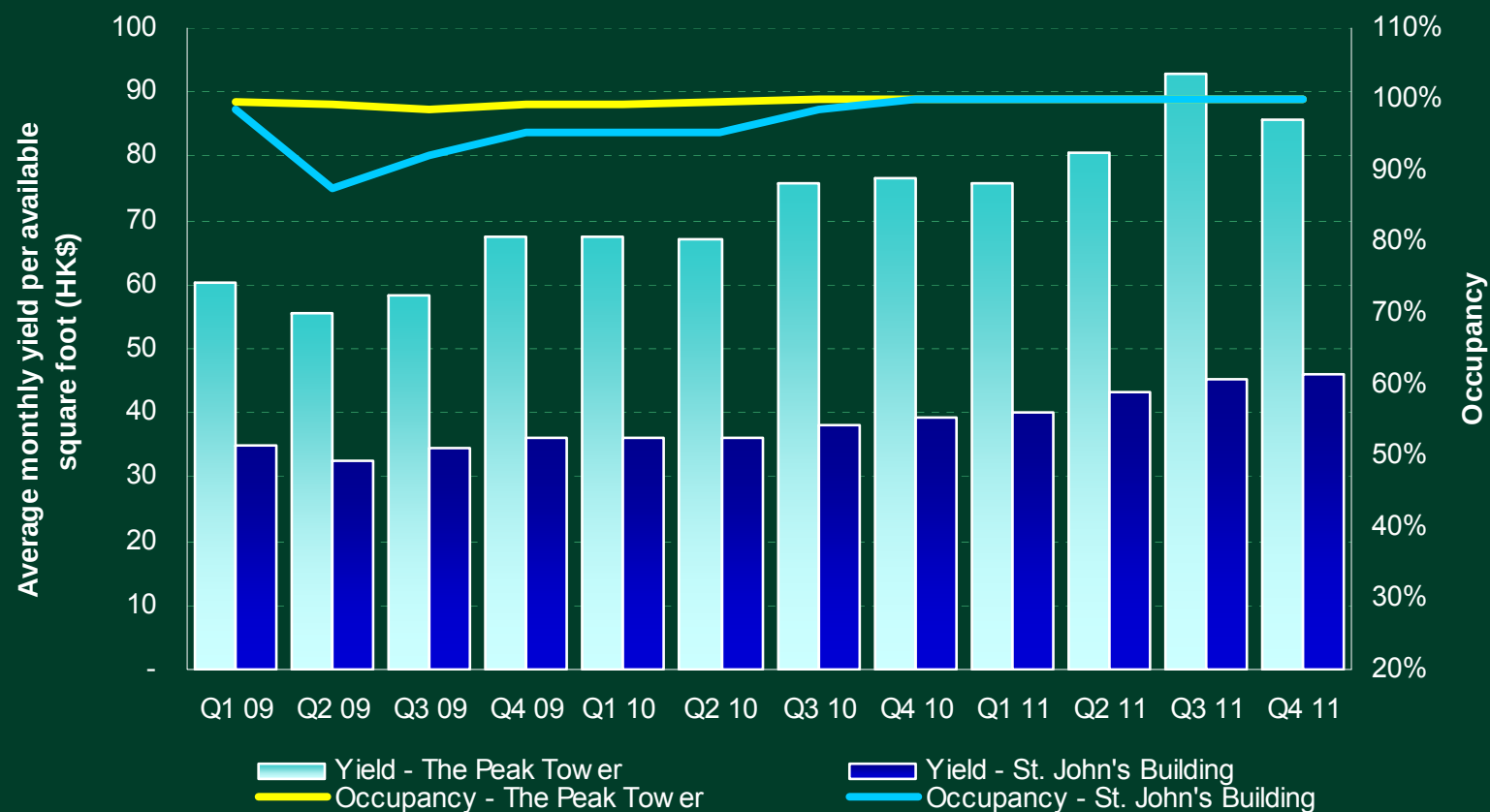
Note: Commercial Arcade was renovated from March to July 2008 and February to August 2009



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COMMERCIAL PROPERTIES – THE PEAK COMPLEX

The Peak Complex - Occupancy & Yield



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CLUBS AND SERVICES DIVISION

(HK\$m)	2010	2011	2011 vs 2010
Clubs and Consultancy Services	115	131	14%
Peninsula Merchandising	95	116	22%
Peak Tram	95	108	14%
Thai Country Club	58	60	3%
Quail Lodge Golf Club	47	47	-
Tai Pan Laundry	33	38	15%
	<u>443</u>	<u>500</u>	13%



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DEVELOPMENT – PLANNED ENHANCEMENTS



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DEVELOPMENT – PLANNED ENHANCEMENTS

■ The Repulse Bay Complex

- ▶ Residential public area upgrade and de Ricou reconfiguration of HK\$731 million
- ▶ Expected completion in 2014



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THE PENINSULA PARIS

- ❖ Construction commenced in September 2010
- ❖ Interior designs for public areas and guestrooms at advanced stage
- ❖ Banking facility of €220 million signed in November 2011
- ❖ Interior fit out work to begin in 2012
- ❖ Scheduled to open in late 2013



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SUSTAINABLE DEVELOPMENT

Environmentally responsible luxury

	2011	vs 2006-08 base year
Total energy consumption	837,000 GJ	↓ 4 %
Energy intensity	1,422 MJ / m ²	↓ 15.5 %
Carbon intensity	0.2 tCO ₂ e / m ²	↓ 6.1 %
Total water consumption	1.82 million / m ³	↓ 5.0 %
Water intensity		
- Hotel division (litres / guest night)	1,320	↓ 6.4 %
- Commercial properties division (litres / m ²)	1,988	↑ 16.0 %
Waste diversion rate	14.5 %	



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OUTLOOK

- **Current business trends in most of our hotels are positive**
- **The Peninsulas in Tokyo and Bangkok are experiencing recovery**
- **Further growth potential for China business**
- **Demand for high-end residential and commercial properties in Hong Kong remains strong**
- **Our 2012 earnings will be impacted by the renovations at The Peninsula Hong Kong and the de Ricou serviced apartment tower at The Repulse Bay**



Thank You



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