



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

FOR IMMEDIATE RELEASE

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THE HONGKONG AND SHANGHAI HOTELS, LIMITED
ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2001

Hong Kong, 28 February 2002 –

FINANCIAL HIGHLIGHTS

- Revenue from hotels and other operations was a marginal 1% less than 2000 at HK\$2,371 million
- Group operating profit of HK\$584 million, a decrease of 29% over 2000
- Shareholders' funds at December 31, 2001 decreased by 9% and stood at HK\$11.9 billion or HK\$10.2 cents per share
- Profit attributable to shareholders, after charging revaluation deficits, decreased to HK\$33 million, compared to HK\$85 million in the same period in 2000
- Earnings per share decreased to 3 cents
- Net borrowings decreased by HK\$40 million
- Proposed final dividend of 5 cents per share
- Costs controlled
- Further rationalisation of non-core assets

**HOTEL GROUP'S RESULTS DEPRESSED BY
GLOBAL MARKET CONDITIONS, ASSET REVALUATIONS**

Hong Kong, 28 February, 2002 – The Hongkong and Shanghai Hotels, Limited today announced a group operating profit of HK\$584 million for the year ended December 31, 2001. Shareholders' funds stood at HK\$11.9 billion, a decrease of HK\$1.2 billion or 9% as compared to 2000.

The positive trends in the hospitality industry experienced in the first quarter dissipated as the slowdown in the USA economy began to affect global markets. Compounding this event, the 9/11 attacks had an immediate and sharp impact on business and leisure travel, especially on traffic to and from North America.

Profit attributable to shareholders for the year was HK\$33 million, after charging valuation deficits on certain of the group's hotel properties amounting to HK\$98 million.

No interim dividend was paid in respect of the six months ended June 30, 2001 (2000:nil). The directors propose that a final dividend be declared of 5 cents per share (5 cents in 2000).

Commenting on the results, HSH's newly-appointed chief executive officer Clement Kwok said, "While our hopes for a sustained recovery in 2001 were not realised, our businesses have shown some resilience to the downturn since September 11 and recent trends have improved. Peaks and troughs are nothing new to a company that has been operating since 1866. We will continue to pursue a prudent course."

Mr Kwok pointed out that the strategy of timely rationalisation of non-core assets had continued with the disposal of 208 Wireless Road in Bangkok; Opera Quays, the retail component of Bennelong, Sydney; and the remaining 30% equity in Lucullus, a food manufacturer and retailer.

"The Peninsula Chicago, the group's ninth hotel, opened on June 1, 2001, just 22 months after construction began. It was unfortunate that the hotel's Grand Opening celebrations, scheduled for September 20, had to be cancelled. Although the operating environment for weekday business has been tough, the hotel has been attracting good weekend leisure traffic and has begun to establish a strong reputation in the luxury sector."

In terms of future expansion, the Company has continued its discussions on the development of a Peninsula hotel in Tokyo. The group has also restructured its joint venture interests in Thailand, which will give it a 90% equity share, with options extended to the Thai partner to rebuild its equity to the original 50% during 2002 and until 2016. The restructuring of The Palace Hotel Beijing joint venture is expected to complete shortly.

Reviewing the group's operations, Clement Kwok noted, "The performance of our Hong Kong hotel operations was dented in the traditionally strong second half of the year by the decrease in traffic, especially from the USA and Japan, although we sought to mitigate the events by quickly developing and implementing switches in marketing strategies and target audiences."

The Peninsula Hong Kong's occupancy increased by 2% over 2000 to 56% but at the expense of a drop in average room rate to HK\$2,749 (2000:HK\$2,984). Nevertheless, both the hotel's room rate and yield continue to lead the peer group. The Kowloon Hotel maintained a creditable performance with occupancy at 90% (91% in 2000); its room rate suffered slightly, decreasing by 2% to HK\$527.

The Peninsula Bangkok had another robust year, buoyed by strong regional support from the leisure sector. Although the hotel's occupancy dropped to 73% compared to 82% in 2000, the average room rate improved considerably, up 43% over the previous year to US\$113. Yield also increased 26% year on year.

The Palace Hotel Beijing held its own in an unsettled market; completion of the first phase of an extensive renovation programme is expected to boost the hotel's competitiveness. In a difficult domestic economic and political environment, The Peninsula Manila's prospects were further dimmed by the global recession.

In an already softening market, the hotels in the USA bore the brunt of the immediate collapse in business following the 9/11 attacks. Rapid switches in marketing tactics enabled the properties to recover occupancy and room rates towards the end of the year albeit at somewhat lower levels.

The Peninsula New York achieved 66% occupancy (2000: 78%) and an average room rate of US\$492 (US\$533 in 2000). The Peninsula Beverly Hills finished the year at 78% occupancy at an average room rate of US\$408, compared to 85% and US\$399 last year. A new resort management company owned by HSH in partnership with Baylaurel, LLC will bring fresh impetus to the marketing and management of Quail Lodge within the resort niche.

Luxury residential and commercial property, on the other hand, fared better during the year with occupancy and rental rates firming. The unfurnished and serviced apartments in The Repulse Bay complex both increased occupancy to 93% and 65% respectively.

By the end of the year, the shopping arcades in both The Repulse Bay and The Peninsula Hong Kong were fully let with no sign of demand easing for space, especially in the latter, in spite of a difficult fourth quarter for the retail sector. The Kowloon Hotel also improved its occupancy and rental rates.

The Office Tower at The Peninsula, however, remains under pressure from new grade-A supply in Tsim Sha Tsui and from a weaker economy and although occupancy was relatively high at 95%, it was at the expense of average rents, which declined 11% year on year.

"There is no doubt that we still face uncertainties in 2002, although some signs of recovery are appearing," said Mr Kwok. "We have the resolve to meet the challenges ahead, and the flexibility to respond to opportunities as they arise."

Incorporated in 1866, The Hongkong and Shanghai Hotels, Limited, formerly The Hongkong Hotel Company, Limited, was one of the first stocks to be listed on the Hong Kong stock exchange. Its principal business comprises the ownership and management of prestigious hotel, commercial and residential properties in key destinations in Asia and the USA; its hotel management arm is The Peninsula Hotels.

For general information, please see:

Investor relations internet site at <http://www.irasia.com/listco/hk/hsh>

The HSH corporate internet homepage: <http://www.hshgroup.com/>

The Peninsula Hotels internet homepage: <http://www.peninsula.com/>

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