



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
INTERIM RESULTS FOR SIX MONTHS TO 30TH JUNE, 2002

Hong Kong, 25 July 2002 –

FINANCIAL HIGHLIGHTS

- Reasonable recovery in room rates and occupancies
- Hotel room yields close to, and in some cases exceeding, those in the same period last year
- Staff and other costs well contained, though the figures reflect a full six months of operation in Chicago
- Profit attributable to shareholders decreased by 14% to HK\$121 million, compared to HK\$140 million in the same period in 2001
- A decrease of 14% in group operating profit to HK\$299 million
- Earnings per share decreased to 10 cents
- Shareholders' funds at June 30, 2002 amounted to HK\$12.0 billion or HK\$10.26 per share
- Net borrowings decreased by 1.7% to HK\$5.6 billion

**HOTEL GROUP'S HALF YEAR RESULTS
REFLECT PACED ECONOMIC RECOVERY**

The unaudited interim results announced today by The Hongkong and Shanghai Hotels, Limited (HSH) reflect a reasonable recovery from the adverse effects of the terrorist attacks on September 11, 2001. The Company said that hotel room rates and occupancies had recovered to close to, and in some cases exceeding, the levels of the same period last year.

The operating profit of the group declined by 14% from the same period last year to HK\$299 million, largely due to the losses incurred at the recently opened Peninsula Chicago hotel. The profit attributable to shareholders also decreased by 14% to HK\$121 million for the six months to June 30, 2002 compared to HK\$140 million for the same period in 2001.

Earnings per share decreased to 10 cents. Maintaining a prudent policy, the directors have elected to defer a decision on the payment of dividends until they have reviewed the full year's results. Consequently, they have resolved not to declare an interim dividend.

Shareholders funds at June 30, 2002 stood at HK\$12.0 billion or HK\$10.26 per share and net borrowings decreased by 1.7% to HK\$5.6 billion.

"The Company's results reflect a reasonable recovery in our hotel properties although revenue from our major residential investment property in Hong Kong, The Repulse Bay complex, came under pressure due to weak corporate demand," said Clement Kwok, HSH chief executive officer.

"We have done a good job of containing staff and other costs although some costs have increased due to having a full six months of operation in Chicago as compared to one month last year."

In Hong Kong, a gradual recovery in visitor numbers lifted the occupancy levels at The Peninsula Hong Kong and The Kowloon Hotel to above the same period last year, although room rates remained below last year's. The Peninsula Hong Kong has maintained its position of achieving the highest average room rate and yield in Hong Kong.

Although the competitive market and a renovation of the hotel's public areas affected The Palace Hotel Beijing, the upgraded shopping arcade has maintained the hotel's position as a premier shopping destination in the city and the opening of the new restaurant, Jing, has attracted notice and patronage. A new phase of renovation of rooms is planned for the second half of the year, subject to finalisation of the restructuring of the joint venture agreement, which is progressing.

The Peninsula Bangkok has continued to improve its market position despite increased competition within the city. Occupancy has held relatively steady while room rates and yield have both improved. The hotel has now established itself firmly among the leading luxury hotels in Bangkok.

Amid continuing economic uncertainty, The Peninsula Manila has had to reduce its room rates in order to increase its occupancy and thereby maintain its yield.

Although not entirely free from the effects of the economic downturn and 9/11, the USA market has staged a reasonable recovery. The Peninsula New York and The Peninsula Beverly Hills are slightly behind in both occupancy and average room rate compared to the first half of 2001.

The Peninsula Chicago has begun to achieve better occupancy after its entry into the market at a particularly difficult period. Although the hotel is currently operating at a loss, the quality of its services and facilities, especially the restaurants, has attracted considerable national and international attention. The results at Quail Lodge Resort have remained disappointing although enhancements to the property are in hand.

We have suffered a drop in both rental rates and occupancies at The Repulse Bay complex in line with weak levels of corporate demand for luxury residential accommodation in Hong Kong. In the office sector, The Peninsula Tower was fully occupied year-to-date while St John's Building experienced a decline. Commercial space has shown the most resilience. At

The Peninsula Hong Kong, the shopping arcade has performed well, with increased turnover compared to the same period in 2001. Occupancy has improved at The Kowloon Hotel shopping arcade and remained steady at The Peak Tower. Outside Hong Kong, occupancy in The Landmark in Ho Chi Minh City rose for both its residential and office space.

In terms of expansion, the group has continued to seek new development where opportunities can be identified for a Peninsula branded hotel. Progress has been made with Mitsubishi Estate Company, Limited for the development of a Peninsula hotel in Tokyo and the period of exclusivity for finalising an agreement has been extended.

"Our immediate strategies will be to seek improvements in operating margins without compromising service quality; to pursue conservative expansion using the strength of the Peninsula brand name; to review the utilisation of our existing assets; and to focus on staff training and development," Mr Kwok concluded.

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; the hotel management arm is The Peninsula Hotels.

Contact Information

Ms Irene Lau, Manager, Corporate Affairs

The Hongkong and Shanghai Hotels, Limited

8/F St George's Building

2 Ice House Street

Central, Hong Kong

Tel No: (852) 2840 7788

Fax No: (852) 2840 7567

E-mail: irenelau@peninsula.com

Investor relations: ir@hshgroup.com

Website: <http://www.hshgroup.com/ir>

For general information, please see:

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

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