



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

FOR IMMEDIATE RELEASE

27 FEBRUARY, 2003

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2002

Hong Kong, 27 February 2003 –

FINANCIAL HIGHLIGHTS

- Revenue from hotel operations up 14% to HK\$1,941 million
- Group operating profit of HK\$637 million, an increase of 9% over 2001
- Profit attributable to shareholders increased to HK\$308 million, compared to HK\$33 million in the same period in 2001
- Shareholders' funds at December 31, 2002 decreased by 2% and stood at HK\$11.7 billion or HK\$10.03 per share
- Earnings per share increased to 26 cents
- Net borrowings decreased by HK\$45 million to HK\$5.6 billion
- Proposed final dividend increased to 8 cents per share
- Costs controlled, although the figures reflect a full year of operation in Chicago

IMPROVED HOTELS PERFORMANCE BOOSTS HSH OPERATING RESULTS

The Hongkong and Shanghai Hotels, Limited (HSH) achieved a group operating profit of HK\$637 million for the year ended December 31, 2002 on better financial results from the hotels.

After taking into account the adjustments for various non-operating items, profit attributable to shareholders for 2002 amounted to HK\$308 million as compared to HK\$33 million in 2001. Shareholders' funds stood at HK\$11.7 billion or HK\$10.03 per share, after incorporating the year-end asset revaluations, a decrease of 2% as compared to 2001.

No interim dividend was paid during the year 2002 (2001: nil). Although the Company has achieved a satisfactory increase in both operating profit and profit attributable to shareholders

for 2002, the directors consider it prudent to retain a significant portion of the earnings within the Company, in the light of the group's ongoing capital expenditure requirements as well as the uncertainties arising from the possibility of further conflict in the Middle East. The directors therefore recommend to shareholders that a final dividend of 8 cents per share (5 cents in 2001) be declared out of the earnings of 26 cents per share.

Clement Kwok, HSH's chief executive officer, commented, "In 2002, progress has been made in a number of different areas amidst the continuing difficult environment which our businesses face.

"The group's hotels in Asia performed strongly in 2002 with all hotels other than The Peninsula Manila achieving increases in both turnover and operating profits. In the USA, the operating results were somewhat mixed. The Peninsula Chicago, in its first full year of business, received numerous accolades for the quality of its operation but is still in the process of establishing increased corporate business in a competitive market. The Peninsulas in New York and Beverly Hills both achieved similar RevPAR levels to 2001 whilst retaining their strong reputations for quality."

The flagship Peninsula Hong Kong and The Peninsula Bangkok, which has firmly established itself as one of the leading hotels in that market, both contributed strongly to the increase in operating profits. The shopping arcades in The Peninsula Hong Kong and The Palace Hotel Beijing, which house many of the top retail brand names, continue to perform well.

With the bulk of the group's properties concentrated in Hong Kong, which has continued to suffer from poor economic sentiment, the property business faces a challenging environment. The largest property asset, comprising around 1 million square feet of luxury residential apartments, is at Repulse Bay where declining expatriate trends in Hong Kong have had a significant, adverse effect on both occupancy levels and rentals.

The office rental market in Hong Kong also continues to suffer, as evidenced by the performance of St John's Building. On the other hand, business has held up well at The Peak Tower and the Peak Tramways, The Landmark in Ho Chi Minh City and the Thai Country Club.

The Company signed an agreement with Mitsubishi Estate Company Limited to develop The Peninsula Tokyo on a prime site in the prestigious Marunouchi business area of the city, for opening in 2007.

With the completion of the restructuring of The Palace Hotel, which has given HSH a controlling interest, the Company has embarked on a further phase of its renovation programme that is expected to bring the standards of the hotel in line with other Peninsula products.

Work has recently begun on a renovation programme for Quail Lodge, which, upon completion, is expected to enhance its status as a premier golfing and resort destination in the upmarket Carmel area in California.

Besides these major investments, the Company has continued to place emphasis on maintaining and enhancing the quality and value of existing assets. Guestroom and public area refurbishments continue to take place at a number of the group's hotels; a new restaurant

concept was created in The Peninsula New York and a new Thai restaurant and improved riverside dining are being developed at The Peninsula Bangkok.

On the property side, refurbishments of certain apartments and the clubhouse are taking place at The Repulse Bay. Studies are under way to examine the potential for the possible redevelopment, reconfiguration or re-theming of certain properties where the Company believes these might add value.

"As well as continuing to seek improvements to our operating results through revenue enhancement and cost efficiency initiatives, we are actively seeking opportunities to create additional value for our shareholders," said Mr Kwok.

"As we continue to look towards an uncertain future, it is reassuring to reflect on the recent launch of the celebrations for the 75th anniversary of The Peninsula Hong Kong. This serves as a strong reminder of how the unending pursuit of quality and integrity will overcome short-term uncertainties and result in the creation of substantial long-term value."

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.

KEY STATISTICS FOR THE YEAR ENDED 31 DECEMBER, 2002

HOTELS

	Attributable Interest %	Occupancy	
		2002	2001
The Peninsula Hong Kong	100	62%	56%
The Peninsula New York	100	65%	66%
The Peninsula Chicago	92.5	51%	30%*
The Peninsula Beverly Hills	20	78%	78%
The Peninsula Bangkok	75	73%	73%
The Palace Hotel Beijing	42.1	63%	63%
The Peninsula Manila	40	59%	48%
The Kowloon Hotel	100	92%	90%
Quail Lodge Resort	100	54%	58%

	Average Room Rate	
	2002	2001
The Peninsula Hong Kong	HK\$ 2,670	HK\$ 2,794

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The Peninsula New York	US\$ 507	US\$ 492
The Peninsula Chicago	US\$ 300	US\$ 304
The Peninsula Beverly Hills	US\$ 400	US\$ 408
The Peninsula Bangkok	US\$ 127	US\$ 113
The Palace Hotel Beijing	US\$ 88	US\$ 86
The Peninsula Manila	US\$ 79	US\$ 99
The Kowloon Hotel	HK\$ 525	HK\$ 527
Quail Lodge Resort	US\$ 240	US\$ 251

** Based on available room inventory and seven months occupancy by December 2001*

PROPERTIES

		Attributable Interest %	Occupancy
			2002 2001
<i>Residential</i>			
The Repulse Bay (Unfurnished)	100	79%	93%
The Repulse Bay (Serviced)	100	67%	65%
The Landmark	93%	87%	83%
<i>Commercial</i>			
The Peninsula Hong Kong	100	96%	100%
The Peninsula New York	100	100%	100%
The Kowloon Hotel	100	93%	91%
The Repulse Bay	100	98%	95%
The Peak Tower	100	97%	99%
<i>Office</i>			
The Peninsula Hong Kong	100	96%	95%
St. John's Building	100	83%	97%
The Landmark	70	100%	98%

Average Yield (pnsf)

2002 2001

Residential

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The Repulse Bay (Unfurnished)	HK\$ 29	HK\$ 34
The Repulse Bay (Serviced)	HK\$ 24	HK\$ 23
The Landmark	US\$ 1.89	US\$ 1.84

Commercial

The Peninsula Hong Kong	HK\$ 252	HK\$ 224
The Peninsula New York	US\$ 52	US\$ 46
The Kowloon Hotel	HK\$ 46	HK\$ 44
The Repulse Bay	HK\$ 51	HK\$ 52
The Peak Tower	HK\$ 38	HK\$ 37

Office

The Peninsula Hong Kong	HK\$ 31	HK\$ 33
St. John's Building	HK\$ 17	HK\$ 22
The Landmark	US\$ 1.98	US\$ 1.99

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For general information, please see:

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

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