



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

FOR IMMEDIATE RELEASE

24 JULY, 2003

**THE HONGKONG AND SHANGHAI HOTELS, LIMITED**  
**INTERIM RESULTS FOR THE SIX MONTHS TO 30TH JUNE, 2003**

*Hong Kong, 24 July 2003 –*

**FINANCIAL HIGHLIGHTS**

- Results significantly adversely affected by SARS and Iraq war
- Asian properties showing gradual improvement after SARS
- USA hotels now generally performing well
- The Palace Hotel Beijing in final phase of major upgrade; to be renamed The Peninsula Palace Beijing
- Quail Lodge Resort re-opened, expected to improve contribution to group profits
- Turnover was HK\$1,092 million, a decrease of 13% compared to the first half of 2002
- Cost containment: group's total operating costs (excluding results of The Palace Hotel Beijing) reduced by 18% in second quarter as compared to previous year (9% reduction in the six month period)
- A decrease of 44% in group operating profit to HK\$168 million
- Profit attributable to shareholders decreased by 82% to HK\$21 million, equivalent to earnings per share of 2 cents
- Shareholders' funds at June 30, 2003 amounted to HK\$11.5 billion or HK\$9.84 per share
- Net borrowings increased 5% to HK\$5.9 billion

**SMALL PROFIT ACHIEVED FOR HOTEL GROUP DESPITE SARS,  
DUE TO EFFECTIVE COST CONTAINMENT**

The unaudited interim results announced today by The Hongkong and Shanghai Hotels, Limited (HSH) reflect a very challenging business environment for the six months ended June

30, 2003. The war in Iraq followed by the unexpected outbreak of the SARS virus interrupted a strong start to the year and significantly adversely affected the results.

However, the impact was partly mitigated by implementing a rigorous cost-containment programme, including a voluntary unpaid leave scheme, which resulted in the group's total operating costs (excluding the results of The Palace Hotel Beijing, which were consolidated for the first time this year) reducing by 18% in the second quarter as compared to the previous year (9% reduction in the six month period).

The Company's turnover for the period decreased by 13% to HK\$1,092 million, despite the inclusion of The Palace Hotel Beijing in the consolidated figures. The operating profit of the group dropped by 44%. The profit attributable to shareholders decreased by 82% to HK\$21 million for the six months to June 30, 2003, equivalent to earnings per share of 2 cents.

Maintaining a prudent policy, the directors have decided to defer their 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, 2003 stood at HK\$11.5 billion or HK\$9.84 per share and net borrowings increased by 5% to HK\$5.9 billion.

"Despite the difficult environment, we remain fully committed to maintaining the quality of our hotels," said Clement Kwok, HSH's chief executive officer. "We were delighted that four of our properties were named among the best 20 hotels in the world in the recent Travel & Leisure magazine awards, including first place for The Peninsula Bangkok."

In Hong Kong, the SARS outbreak took its toll on both the numbers of overseas visitors and on local patronage, as residents chose not to dine outside their homes. In order to combat the effect of SARS, the Company undertook various strategies. In addition to cost containment, it developed an aggressive marketing campaign for implementation in stages once the threat of SARS receded; and it accelerated certain scheduled renovation and maintenance programmes, positioning the properties competitively to meet future demand. The group is presently reviewing with its insurers the possibility of making a claim under its business interruption policies.

The lifting of the WHO travel advisory in late May released some demand from the domestic sector. Regional traffic also improved as postponed meetings and incentives were rescheduled and attractive airline promotions boosted leisure travel. However, the long-haul market has been slower to recover.

Aggressive rooms and food and beverage promotions introduced by The Peninsula Hong Kong, aimed primarily at Hong Kong residents, have met with success. The hotel also brought forward planned renovation and maintenance work for rooms in the original building. Similarly, The Kowloon Hotel has stepped up its dining offers to attract back its loyal clientele, and it has also seen occupancies begin to grow.

Already under renovation at the onset of SARS, The Palace Hotel Beijing took the opportunity of accelerating the final phases of its major upgrade to rooms, restaurants and function space that will bring the hotel in line with other Peninsula products. The hotel will be renamed The Peninsula Palace Beijing upon completion of the HK\$237 million renovation programme in September 2003.

Although not as acutely affected as the Hong Kong and Beijing hotels, The Peninsula Bangkok suffered lower occupancy in April and May as international and regional travel was curtailed. However, business has rebounded quickly. The hotel is currently developing a Thai restaurant and enhanced riverside dining facilities.

In a continually challenging environment, The Peninsula Manila's occupancy was almost level with the same period in 2002, supported by demand from the domestic market.

The Company's USA properties have continued on a path of recovery. The Peninsula New York experienced a steep drop in occupancy as corporate travel to the city declined during the conflict but has since recovered some lost ground. The Peninsula Chicago has significantly improved its occupancy and yield as compared to the previous period and has won a number of prestigious industry and consumer awards. The Peninsula Beverly Hills sustained strong business during the period with its occupancy, room rate and yield all showing improvement. Quail Lodge's HK\$179 million renovation programme is largely complete, making the hotel, which re-opened on July 1, a much more competitive product.

The group's residential properties, on a longer leasing cycle, have been less vulnerable to the effects of SARS and the Middle East conflict. Rental income from The Repulse Bay complex has been reasonably steady in a difficult corporate market, which experienced a temporary lull in new international arrivals during the period. The group continues to look at possibilities for refurbishing and enhancing its existing assets.

As to development, significant progress has been made on the detailed design plans for The Peninsula Tokyo, scheduled to open in 2007. The group has continued to explore and progress opportunities for other new hotel developments.

"The scale of the impact of the SARS outbreak on the hotel industry in Asia is unprecedented, making it difficult to predict when business levels will fully recover," said Mr Kwok. "However, we are confident that with our cost containment measures and marketing promotions, we will be able to benefit from continued recovery in business and leisure travel."

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.

## **KEY STATISTICS FOR THE SIX MONTHS ENDED JUNE 30, 2003**

### **HOTELS**

	<b>Attributable Interest %</b>	<b>Year-to-Date Occupancy</b>	
		<b>2003</b>	<b>2002</b>
The Peninsula Hong Kong	100	<b>35%</b>	61%
The Peninsula New York	100	<b>60%</b>	64%

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The Peninsula Chicago	92.5	<b>59%</b>	46%
The Peninsula Beverly Hills	20	<b>82%</b>	80%
The Peninsula Bangkok	75	<b>59%</b>	73%
The Palace Hotel Beijing*	42.1	<b>51%</b>	63%
The Peninsula Manila	40	<b>59%</b>	60%
The Kowloon Hotel	100	<b>49%</b>	92%
Quail Lodge Resort**	100	<b>N/A</b>	59%

**Year-to-Date Average Room Rate**

	<b>2003</b>	2002
The Peninsula Hong Kong	<b>HK\$ 2,560</b>	HK\$ 2,632
The Peninsula New York	<b>US\$ 462</b>	US\$ 492
The Peninsula Chicago	<b>US\$ 298</b>	US\$ 290
The Peninsula Beverly Hills	<b>US\$ 412</b>	US\$ 404
The Peninsula Bangkok	<b>US\$ 130</b>	US\$ 126
The Palace Hotel Beijing*	<b>US\$ 88</b>	US\$ 82
The Peninsula Manila	<b>US\$ 70</b>	US\$ 82
The Kowloon Hotel	<b>HK\$ 496</b>	HK\$ 499
Quail Lodge Resort**	<b>N/A</b>	US\$ 223

*\*Figures for 2003 reflect the reduced average availability of 198 rooms due to renovation.*

*\*\*Quail Lodge Resort was closed for renovation throughout most of this period.*

**PROPERTIES**

	<b>Attributable Interest %</b>	<b>Year-to-Date Occupancy (pnasf)</b>	
		<b>2003</b>	2002
<b><i>Residential</i></b>			
The Repulse Bay (Unfurnished)	100	<b>74%</b>	81%
The Repulse Bay (Serviced)	100	<b>76%</b>	61%
The Landmark	70	<b>94%</b>	94%
<b><i>Commercial</i></b>			
The Peninsula Hong Kong	100	<b>96%</b>	97%
The Peninsula New York	100	<b>100%</b>	100%

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The Kowloon Hotel	100	<b>93%</b>	92%
The Repulse Bay	100	<b>100%</b>	99%
The Peak Tower	100	<b>98%</b>	98%

***Office***

The Peninsula Hong Kong	100	<b>83%</b>	100%
St. John's Building	100	<b>74%</b>	88%
The Landmark	70	<b>100%</b>	100%

**Year-to-Date Average Yield (pnasf)**

**2003**                      2002

***Residential***

The Repulse Bay (Unfurnished)	<b>HK\$ 26</b>	HK\$ 30
The Repulse Bay (Serviced)	<b>HK\$ 27</b>	HK\$ 22
The Landmark	<b>US\$ 1.94</b>	US\$ 1.90

***Commercial***

The Peninsula Hong Kong	<b>HK\$ 252</b>	HK\$ 242
The Peninsula New York	<b>US\$ 52</b>	US\$ 49
The Kowloon Hotel	<b>HK\$ 41</b>	HK\$ 46
The Repulse Bay	<b>HK\$ 45</b>	HK\$ 51
The Peak Tower	<b>HK\$ 29</b>	HK\$ 37

***Office***

The Peninsula Hong Kong	<b>HK\$ 28</b>	HK\$ 33
St. John's Building	<b>HK\$ 15</b>	HK\$ 19
The Landmark	<b>US\$ 2.10</b>	US\$ 1.97

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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>