



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

FOR IMMEDIATE RELEASE

26 FEBRUARY, 2004

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2003

Hong Kong, 26 February 2004 –

FINANCIAL HIGHLIGHTS

Key financial results

- Revenue from hotel operations up 2% to HK\$1,973 million
- Group operating profit of HK\$618 million, a decrease of 3% as compared to 2002
- Profit attributable to shareholders increased to HK\$351 million, compared to HK\$293 million in 2002
- Shareholders' funds at December 31, 2003 increased by 16% and stood at HK\$13.4 billion or HK\$9.59 per share
- Earnings per share increased to 29 cents
- Net borrowings decreased by HK\$922 million to HK\$4.7 billion
- Proposed final dividend maintained at 8 cents per share
- Excluding The Peninsula Palace Beijing, operating expenses reduced by 4% overall

Results impacted favourably by

- Insurance settlement of HK\$95 million for claim against SARS business interruption
- Revaluation of assets
- Consolidated accounts include The Peninsula Palace Beijing for the first time
- Company's balance sheet strengthened by proceeds of the HK\$1,135 million share placement

STRONG REBOUND IN HOSPITALITY INDUSTRY BENEFITS HSH RESULTS

The Hongkong and Shanghai Hotels, Limited (HSH) achieved a group operating profit of HK\$618 million for the year ended December 31, 2003, which represents a similar level to 2002. This was based on a strong rebound in the hospitality industry in the second half of the year, following the end of the SARS crisis.

After taking into account the adjustments for various non-operating items, profit attributable to shareholders for 2003 amounted to HK\$351 million as compared to HK\$293 million in 2002. Shareholders' funds stood at HK\$13.4 billion, or HK\$9.59 per share, after incorporating the year-end asset revaluations, an increase of 16% as compared to 2002.

No interim dividend was paid during the year 2003 (2002: nil). Although the Company has achieved a satisfactory increase in profit attributable to shareholders for 2003, the directors consider it prudent to retain a significant portion of the earnings within the Company in light of the group's ongoing capital expenditure requirements. The directors therefore recommend to shareholders that the final dividend should be maintained at 8 cents per share (8 cents in 2002).

Clement Kwok, HSH's chief executive officer, commented, "2003 was an extremely challenging year for the Company. In the midst of the SARS crisis we took clear decisions to cut costs wherever possible but maintain our staffing without any layoffs; put in place marketing plans to capture business aggressively once the SARS outbreak ended; and make use of the quiet period to proceed with renovation plans in Beijing and Hong Kong.

"Our staff also contributed by taking voluntary unpaid leave to ease payroll costs during that period. I am delighted that these strategies have paid off."

In the hotel operations, The Peninsula Hong Kong experienced an extraordinary business rebound after the SARS crisis subsided, helped by marketing initiatives such as the "Three Peninsula Wishes" and the "75 for 75" rooms and food and beverage offers. Both The Kowloon Hotel and The Peninsula Bangkok returned to normal business levels by the end of the year. Since the completed renovation of The Palace Hotel and its relaunch as The Peninsula Palace in September 2003, the hotel has seen a significant increase in room rate. The loss of income due to SARS in Hong Kong was mitigated by a successful business interruption insurance claim, which recovered HK\$95 million.

In the USA, The Peninsula New York had a difficult first half year, amidst security fears in the city during the Iraq conflict, but ended on a high note, with a record operating profit for December. Both The Peninsula Chicago and The Peninsula Beverly Hills were relatively unaffected by the conflict and performed well, with The Peninsula Chicago increasing its revenue by some 22%. Quail Lodge, closed for almost five months for major renovation, re-opened during the summer with a much more attractive product and has been rebuilding its business at higher room rates.

The yield on the Company's major Hong Kong properties – The Repulse Bay complex, The Peak Tower and St John's Building – continued to decline during the year as demand remained weak in the light of Hong Kong's uncertain economy and outlook. The improvement in sentiment towards the end of the year, particularly in the luxury residential sector has not yet flowed through into the results. Elsewhere, The Landmark in Ho Chi Minh City, the Thai Country Club and the group's club and consultancy operations have performed well. The franchise to operate the Peak Tram has been extended for another 10 years until 2013.

On development, significant progress has been made during the year on the hotel project in Tokyo. Working with Mitsubishi Estate Company, the group has advanced its detailed designs to the point of shortly inviting tenders from contractors. Construction of the hotel is expected to commence before the end of 2004.

The Company has also pursued discussions in Shanghai with the aim of developing a Peninsula hotel on a site in the Waitanyuan area of the Bund, close to the old British Consulate. A framework agreement was signed in November 2003 to further discussions on the acquisition of this site, in conjunction with a Shanghai developer.

On existing assets, the major renovations at The Peninsula Palace Beijing and Quail Lodge Resort have breathed new life into these properties. The new Thai restaurant, Thiptara, and the River Cafe have enhanced the dining facilities at The Peninsula Bangkok and The Pen-Top Bar in The Peninsula New York will shortly be renovated. Guestroom refurbishments have also taken place in the Peninsulas in Hong Kong and Beverly Hills.

The Company has also focussed attention on its property assets at The Repulse Bay complex, where a programme to refurbish existing apartments has commenced and the residents' clubhouse continues to undergo improvements; and at The Peak Tower, where management is studying a major renovation scheme that would create a new layout with improved retail and restaurant concepts.

"I never imagined, during the SARS outbreak, that we would be able to end the year on such a positive note," said Mr Kwok. "Our group takes a very long-term view on business and the short-term effects of SARS have not altered our vision or strategies.

"We believe that all our hotels are well placed to compete in their respective markets and we are positive about the prospects for The Peninsula Palace and Quail Lodge with the renovated products there.

"In the longer term, we believe that the efforts which we continue to make to enhance our existing properties, as well as the new developments in Tokyo and possibly in Shanghai, will bring increased 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, 2003

HOTELS

	Attributable Interest %	Occupancy	
		2003	2002
The Peninsula Hong Kong	100	53%	62%

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The Peninsula New York	100	67%	65%
The Peninsula Chicago	92.5	64%	51%
The Peninsula Beverly Hills	20	81%	78%
The Peninsula Bangkok	75	66%	73%
The Peninsula Palace Beijing	42.1	49%*	63%
The Peninsula Manila	40	62%	59%
The Kowloon Hotel	100	69%	92%
Quail Lodge Resort	100	46%**	54%

Average Room Rate

	2003	2002
The Peninsula Hong Kong	HK\$ 2,337	HK\$ 2,670
The Peninsula New York	US\$ 500	US\$ 507
The Peninsula Chicago	US\$ 312	US\$ 300
The Peninsula Beverly Hills	US\$ 417	US\$ 400
The Peninsula Bangkok	US\$ 130	US\$ 127
The Peninsula Palace Beijing	US\$ 107	US\$ 88
The Peninsula Manila	US\$ 71	US\$ 79
The Kowloon Hotel	HK\$ 512	HK\$ 525
Quail Lodge Resort	US\$ 284	US\$ 240

**Figures for 2003 are based on the reduced average availability of 287 rooms during the renovation period.*

***Figures for 2003 exclude the renovation period from early February to June 2003 as the Resort was closed.*

PROPERTIES

		Attributable Interest %	Occupancy
		2003	2002
<i>Residential</i>			
The Repulse Bay (Unfurnished)	100	74%	79%
The Repulse Bay (Serviced)	100	71%	67%
The Landmark, Ho Chi Minh City	70	94%	93%

Commercial

The Peninsula Hong Kong	100	96%	96%
The Peninsula New York	100	100%	100%
The Peninsula Bangkok	75	100%	100%
The Peninsula Palace Beijing	42.1	96%	94%
The Kowloon Hotel	100	93%	93%
The Repulse Bay	100	99%	98%
The Peak Tower	100	99%	97%

Office

The Peninsula Hong Kong	100	86%	96%
St. John's Building	100	78%	83%
The Landmark, Ho Chi Minh City	70	100%	100%

Average Yield (pnsf)

2003 2002

Residential

The Repulse Bay (Unfurnished)	HK\$ 25	HK\$ 29
The Repulse Bay (Serviced)	HK\$ 25	HK\$ 24
The Landmark	US\$ 1.97	US\$ 1.89

Commercial

The Peninsula Hong Kong	HK\$ 258	HK\$ 252
The Peninsula New York	US\$ 36	US\$ 36
The Peninsula Bangkok	US\$ 7	US\$ 6
The Peninsula Palace Beijing	US\$ 10	US\$ 9
The Kowloon Hotel	HK\$ 41	HK\$ 46
The Repulse Bay	HK\$ 62	HK\$ 76
The Peak Tower	HK\$ 33	HK\$ 38

Office

The Peninsula Hong Kong	HK\$ 26	HK\$ 31
St. John's Building	HK\$ 14	HK\$ 17
The Landmark, Ho Chi Minh City	US\$ 2.09	US\$ 1.98

Contact Information

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

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