



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

FOR IMMEDIATE RELEASE

26 JULY, 2004

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
INTERIM RESULTS FOR THE SIX MONTHS TO 30TH JUNE, 2004

Hong Kong, 26 July 2004 –

FINANCIAL HIGHLIGHTS

Key Financial Results

- Total turnover was HK\$1,427 million, an increase of 31% compared to the first half of 2003
- Revenue from hotels was up by 39%
- Group operating profit of HK\$367 million, an increase of 118%
- Profit attributable to shareholders increased by 843% to HK\$198 million, compared to HK\$21 million in 2003
- Shareholders' funds at June 30, 2004 amounted to HK\$13.5 billion or HK\$9.65 per share
- Earnings per share increased to 14 cents
- Net borrowings decreased by 3% to HK\$4.5 billion
- Interim dividend of 3 cents per share

Key Developments

- The Peninsula Tokyo is on schedule, with ground-breaking planned for last quarter 2004
- Negotiations for potential Peninsula hotel in Shanghai have progressed, with a project agreement entered into in May 2004 to acquire the land use rights for the designated site
- Renovations of The Repulse Bay apartments continue
- Spa planned for The Peninsula Bangkok

- Plans for redevelopment of The Peak Tower under review
- Four Peninsulas in top 20 of World's Best Hotels list in Travel + Leisure readership survey

SIGNIFICANTLY IMPROVED RESULTS FOR HOTEL GROUP ON SUSTAINED INDUSTRY AND ECONOMIC RECOVERY

The unaudited interim results announced today by The Hongkong and Shanghai Hotels, Limited (HSH), owner of The Peninsula Hotels, reflect the continuing strength of the recovery in the global hospitality industry and an improving Hong Kong economy.

The company's turnover for the period increased by 31% to HK\$1,427 million, most of which was derived from hotel contributions. The operating profit of the group rose by 118% to HK\$367 million. The profit attributable to shareholders increased by 843% to HK\$198 million for the six months to June 30, 2004, equivalent to earnings per share of 14 cents.

As a reflection of this improved performance and outlook, the directors have resolved to pay an interim dividend for the period of 3 cents per share (2003: nil).

Shareholders' funds at June 30, 2004 stood at HK\$13.5 billion or HK\$9.65 per share and net borrowings decreased by 3% to HK\$4.5 billion (2003: HK\$4.7 billion).

"The recovery in our hotel businesses, which started in the second half of 2003, continued strongly with all our hotels achieving meaningful increases in room yield," said Clement Kwok, HSH's chief executive officer. "In our non-hotel property businesses, the luxury residential lettings sector has not yet recovered sufficiently although we continue to derive a stable stream of income from these properties."

In Hong Kong, The Peninsula Hong Kong continues to be recognised as one of the best hotels in the world, as well as the RevPAR leader in Hong Kong. During the period, the hotel experienced strong occupancy levels with increased demand across all sectors of its customer base. Food and beverage revenues have benefitted from higher occupancy and from strong domestic demand. Marketing efforts have been further expanded through promotional partnerships with Cathay Pacific Airways and American Express, as well as through direct mail initiatives. Some rooms renovation in the original wing of the hotel is expected to be completed by September in time for the high season.

Since the renovation and relaunch of The Peninsula Palace Beijing last year, the hotel has raised its market position with new clients being attracted, especially on the corporate side, resulting in a significant increase in average room rate. The hotel's two signature restaurants, Jing and Huang Ting, have gained favourable global reviews and increased profile, thus generating increased patronage. The very small number of cases of SARS in Beijing, although quickly contained, resulted in lost bookings in May but occupancy levels have since recovered and are expected to strengthen further.

Voted for the second successive year as the No. 1 Hotel in Asia by readers of Travel + Leisure, The Peninsula Bangkok has maintained its solid performance despite being affected by the avian flu outbreak and very slightly by some unrest in the country during this period.

The new Thai restaurant and the renovated riverside dining facilities have contributed to the overall success of the hotel. The addition of a new Spa facility in 2006 is expected to enhance the hotel's attractions.

The Peninsula Manila has done well to achieve increased occupancy and average room rate in a highly competitive and price sensitive market. The hotel has targetted the corporate market aggressively and been successful in capturing new accounts.

The Peninsula New York has had a very busy half year, with a strong performance in both occupancy and rates. It is now the RevPAR leader in New York, with a strong base of corporate and entertainment industry clients. Its recently renovated Pen-Top Bar has successfully enhanced its popularity and revenues. The Peninsula Chicago, most recently voted the No.1 Hotel in North America by Travel + Leisure readers, has continued to improve its performance. Already the RevPAR leader in its market, The Peninsula Beverly Hills has achieved a further significant increase in its occupancy, room rate and yield over the same period last year. Quail Lodge has achieved higher room rates and marketing activities are being stepped up in order to capture a higher market share, as the property continues to be repositioned in the marketplace.

Although yields remain under pressure at The Repulse Bay complex, the group has continued its phased renovation programme. During this period, renovations have temporarily impacted occupancy levels, with some disruption to tenants whilst work is in progress. The Company has, however, been encouraged by the strong demand for the renovated apartments and to capitalise on this trend, more units have been identified for renovation.

On expansion, progress on the development of The Peninsula Tokyo is on schedule for the opening of the hotel in 2007. The existing building on the site is currently being demolished and ground-breaking for the new construction is expected to take place in the last quarter of 2004. The group has also taken forward its negotiations for a potential Peninsula hotel in Shanghai by entering into a project agreement in May 2004 to acquire, subject to planning and other conditions being met, the land use rights for a designated site in the Waitanyuan area of the city, which is situated near the old British Consulate at the northern end of the Bund.

"Based on our forward bookings and recent industry trends, our outlook for the hotel business is positive for the second half of the year," said Mr Kwok. "We believe that there is potential for further growth in most of our hotels which have either been recently opened or renovated or are operating in markets with a growing or recovering economy."

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; it is the owner and operator of The Peninsula Hotels.

KEY STATISTICS FOR THE SIX MONTHS ENDED JUNE 30, 2004

HOTELS

**Attributable Year-to-Date Occupancy
Interest %**

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		2004	2003
The Peninsula Hong Kong*	100	70%	38%
The Peninsula New York	100	74%	60%
The Peninsula Chicago	92.5	64%	59%
The Peninsula Beverly Hills	20	85%	82%
The Peninsula Bangkok	75	75%	59%
The Peninsula Palace Beijing**	42.1	54%	51%
The Peninsula Manila	40	70%	59%
The Kowloon Hotel	100	93%	49%
Quail Lodge Resort***	100	48%	N/A

Year-to-Date Average Room Rate

	2004	2003
The Peninsula Hong Kong*	HK\$ 2,527	HK\$ 2,560
The Peninsula New York	US\$ 484	US\$ 462
The Peninsula Chicago	US\$ 311	US\$ 298
The Peninsula Beverly Hills	US\$ 467	US\$ 412
The Peninsula Bangkok	US\$ 146	US\$ 130
The Peninsula Palace Beijing**	US\$ 119	US\$ 88
The Peninsula Manila	US\$ 73	US\$ 70
The Kowloon Hotel	HK\$ 561	HK\$ 496
Quail Lodge Resort***	US\$ 279	N/A

* In 2004, due to renovation, the average number of rooms available for the period was reduced to 275. In 2003, due to renovation, the average number of rooms available was reduced to 280.

** Due to renovation, the average number of rooms available in 2003 was reduced to 198.

*** Quail Lodge Resort was closed for renovation throughout most of first half of 2003.

PROPERTIES

		Attributable Interest %	Year-to-Date Occupancy
		2004	2003
Residential			
The Repulse Bay (Unfurnished)	100	74%	74%

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The Repulse Bay (Serviced)	100	69%	76%
The Landmark, Ho Chi Minh City	70	96%	94%
<i>Commercial</i>			
The Peninsula Hong Kong	100	93%	96%
The Peninsula New York	100	100%	100%
The Peninsula Bangkok	75	100%	100%
The Peninsula Palace Beijing	42.1	99%	95%
The Kowloon Hotel	100	94%	93%
The Repulse Bay	100	99%	100%
The Peak Tower	100	100%	98%
<i>Office</i>			
The Peninsula Hong Kong	100	89%	83%
St. John's Building	100	84%	75%
The Landmark, Ho Chi Minh City	70	99%	100%

Year-to-Date Average Yield (pnasf*)

	2004	2003
<i>Residential</i>		
The Repulse Bay (Unfurnished)	HK\$ 24	HK\$ 26
The Repulse Bay (Serviced)	HK\$ 25	HK\$ 27
The Landmark, Ho Chi Minh City	US\$ 2.06	US\$ 1.94
<i>Commercial</i>		
The Peninsula Hong Kong	HK\$ 254	HK\$ 252
The Peninsula New York	US\$ 37	US\$ 36
The Peninsula Bangkok	US\$ 7.49	US\$ 6.59
The Peninsula Palace Beijing	US\$ 9.89	US\$ 9.48
The Kowloon Hotel	HK\$ 44	HK\$ 41
The Repulse Bay	HK\$ 61	HK\$ 67
The Peak Tower	HK\$ 37	HK\$ 29
<i>Office</i>		
The Peninsula Hong Kong	HK\$ 26	HK\$ 28
St. John's Building	HK\$ 15	HK\$ 15

The Landmark, Ho Chi Minh City

US\$ 2.10

US\$ 2.10

* "Pnashf" means per net available square foot.

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

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