



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

FOR IMMEDIATE RELEASE

01 MARCH, 2005

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2004

Hong Kong, 01 March 2005 –

FINANCIAL HIGHLIGHTS

Key Financial Results

- Total turnover for the group up 24% to HK\$3,112 million
- Revenue from hotels up 28% to HK\$2,524 million
- EBITDA up 36% to HK\$986 million
- Profit attributable to shareholders increased to HK\$574 million, a rise of 64% as compared to 2003
- Shareholders' funds at December 31, 2004 increased by 29% and stood at HK\$17.4 billion or HK\$12.40 per share
- Earnings per share increased to 41 cents
- Net borrowings decreased by HK\$415 million to HK\$4.3 billion, with gearing level reducing to 20%
- Proposed final dividend of 9 cents per share, making total dividends of 12 cents for the year, a 50% increase over 2003

Key Developments

- Groundbreaking ceremony and commencement of construction of The Peninsula Tokyo
- Land grant contract signed for The Peninsula Shanghai
- Sale of The Kowloon Hotel
- Partial general offer made to purchase shares of Manila Peninsula Hotel, Inc.

- The Peak Tower to be revitalised
- Significant apartment renovation at The Repulse Bay
- New Peninsula advertising campaign developed and launched

STRONG OCCUPANCIES AND ROOM RATES IN HOTELS DRIVE EXCELLENT HSH RESULTS

Hong Kong, March 1, 2005 – The total turnover for The Hongkong and Shanghai Hotels, Limited (HSH) was HK\$3,112 million for the year ended December 31, 2004, representing an increase of 24% as compared to 2003. Earnings before interest, taxation, depreciation and amortisation (EBITDA) were HK\$986 million, a rise of 36% over 2003. The increase was driven primarily by the improvement in the contribution from the hotels division.

Profit attributable to shareholders for 2004 was HK\$574 million in 2004, compared to HK\$351 million in 2003, an increase of 64%. Shareholders' funds stood at HK\$17.4 billion, or HK\$12.40 per share, after incorporating the year-end asset revaluations, an increase of 29% as compared to 2003.

An interim dividend of 3 cents was paid during the year 2004 (2003: nil). To balance the company's improved operating performance with its future commitments to the Tokyo and Shanghai projects, the directors are recommending to shareholders that the final dividend be set at 9 cents per share (8 cents in 2003), representing a total dividend for 2004 of 12 cents per share. Shareholders will also be given the option to receive their dividend in the form of scrip rather than cash.

Clement Kwok, HSH's chief executive officer, commented, "At the end of 2003, our businesses were still recovering from the aftermath of the SARS outbreak that year. In 2004, this recovery gathered pace, and I am delighted to report a strong set of operating results for the year as well as pleasing progress being achieved in our major development projects."

In Asia, the company's hotels benefitted from increased economic activity in Hong Kong and China, as well as from the continuing growth of travellers from mainland China and the general resurgence of long haul tourist travel to the region. The Peninsula Hong Kong recorded its highest annual revenue since 1997 and The Peninsula Palace Beijing continued to benefit from its renovation, increasing average room rate by 21% from the previous year. The Peninsulas in Bangkok and Manila and The Kowloon Hotel all performed well above 2003 levels. Demand from the top fashion brands continues to be strong for prime space in the hotel retail arcades in Hong Kong and Beijing, which have occupancies of 93% and 100% respectively.

In the USA, the strongest growth as compared to 2003 was achieved in New York, with a resurgence both of financial markets activity and visitors to the city. The Peninsula Chicago continued to establish itself as the leading hotel in the city and one of the RevPAR leaders. The Peninsula Beverly Hills increased its average room rate by US\$49 to US\$466 whilst maintaining over 80% occupancy, despite already being RevPAR leader in its locale. Performance at Quail Lodge has been disappointing following renovation and therefore re-focussing our market positioning and marketing strategies for the Lodge has been, and will continue to be, a high priority.

There has been a rebound in the high-end residential lettings market in Hong Kong, with more a bullish property market and increased lettings demand from multinational corporations. This has been reflected in the increase in occupancy of the apartments at 101 Repulse Bay from 75% to 86%. Occupancy has been lower at 109 Repulse Bay due to the ongoing apartment renovation. The strength of demand for the renovated apartments has confirmed both the recent trend of recovery and the appeal of the product.

Of the other non-hotel assets, The Peak Tower, St John's Building, The Landmark in Ho Chi Minh City and the Thai Country Club have performed solidly for the year. The Peak Tram enjoyed strong growth in patronage, increasing its average daily ridership from 8,471 to 11,222 passengers. The company's management of The Hong Kong Club and of other clubs, as well as the Cathay Pacific lounges at Hong Kong International Airport continues to be highly regarded.

On development, The Peninsula Tokyo project remains on track for the hotel opening in late 2007. During the year, demolition of the previous Hibiya Park Building was completed and the groundbreaking ceremony for the new hotel was held in October 2004. The Peninsula Shanghai project, in which the company has a 50% interest, is now committed, following the signing of the Land Grant contract in October 2004 with the Shanghai Real Estate Resources Administration Bureau, for the acquisition of a prime site with frontage onto the famous Bund. Construction is expected to commence in 2006 for completion by 2009. The group is also in the process of developing a new line of Peninsula Spas.

In order to focus resources on the core Peninsula brand, the group sold The Kowloon Hotel for a cash consideration of HK\$1.93 billion. Completion of the transaction took place on February 1, 2005. The net proceeds will be used to help fund the development of the company's new hotels and continuing refurbishment or renovation of some of the group's existing hotel and other property interests.

Considerable effort and attention continues to be applied towards pursuing opportunities to enhance existing assets. Major projects now under way include the continuing renovations of apartments at The Repulse Bay, the final phase of room renovations at The Peninsula Palace Beijing and the enlargement of the Shanghai Terrace restaurant at The Peninsula Chicago. In addition, the group is revitalising The Peak Tower, which will close in March 2005 on commencement of the works.

"Although our company has a long history, our current portfolio of hotel properties is relatively young, with many of the hotels either recently opened or renovated. We therefore continue to see the potential for these hotels to gain market share," said Mr Kwok. "Similarly, the current outlook for the Hong Kong property market is positive and we believe that our apartment renovation programme at The Repulse Bay is well-timed to capitalise on the demand for the newly renovated apartments.

"While 2005 has started with a positive outlook for our hotel and property businesses, it will be a challenge for our staff to maintain those growth trends in 2005. There will also be challenges from the openings of competitor hotels in some of our markets and the environment surrounding The Peninsula Hong Kong will continue to be disrupted by railway construction work. To overcome these challenges, we continue to be focussed on maintaining and improving our service standards and the unique Peninsula guest experience."

Incorporated in 1866 and listed on the Hong Kong stock exchange, The Hongkong and Shanghai Hotels, Limited's 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. The hotel portfolio comprises The Peninsula Hong Kong, The Peninsula New York, The Peninsula Chicago, The Peninsula Beverly Hills, The Peninsula Bangkok, The Peninsula Palace Beijing, The Peninsula Manila and The Peninsula Tokyo (opening in 2007) under the brand name. Quail Lodge Resort and Golf Club, Carmel, California is managed by Valley Resort Management, LLC.

KEY STATISTICS FOR THE YEAR ENDED DECEMBER 31, 2004

HOTELS

	Attributable Interest %	Year-to-Date Occupancy	
		2004	2003
The Peninsula Hong Kong*	100	77%	57%
The Peninsula New York	100	76%	67%
The Peninsula Chicago	92.5	72%	64%
The Peninsula Beverly Hills	20	84%	81%
The Peninsula Bangkok	75	77%	66%
The Peninsula Palace Beijing**	42.1	62%	49%
The Peninsula Manila	40	69%	62%
The Kowloon Hotel	100	94%	69%
Quail Lodge Resort***	100	54%	46%

	Year-to-Date Average Room Rate	
	2004	2003
The Peninsula Hong Kong*	HK\$ 2,659	HK\$ 2,337
The Peninsula New York	US\$ 530	US\$ 500
The Peninsula Chicago	US\$ 319	US\$ 312
The Peninsula Beverly Hills	US\$ 466	US\$ 417
The Peninsula Bangkok	US\$ 148	US\$ 130
The Peninsula Palace Beijing**	US\$ 129	US\$ 107
The Peninsula Manila	US\$ 78	US\$ 71
The Kowloon Hotel	HK\$ 633	HK\$ 512
Quail Lodge Resort***	US\$ 293	US\$ 284

* In 2004, due to renovation, the average number of rooms available was reduced to 269 (2003: 278 rooms).

** In 2004, due to renovation, the average number of rooms available was reduced to 500 (2003: 287 rooms).

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

PROPERTIES

	Attributable Interest %	Year-to-Date Occupancy	
		2004	2003
<i>Residential</i>			
The Repulse Bay (Unfurnished)	100	78%	74%
The Repulse Bay (Serviced)	100	66%	71%
The Landmark, Ho Chi Minh City	70	95%	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	100%	96%
The Kowloon Hotel	100	95%	93%
The Repulse Bay	100	100%	99%
The Peak Tower	100	100%	99%
<i>Office</i>			
The Peninsula Hong Kong	100	81%	86%
St. John's Building	100	87%	78%
The Landmark, Ho Chi Minh City	70	98%	100%
		Year-to-Date Average Yield (pnasf*)	
		2004	2003
<i>Residential</i>			
The Repulse Bay (Unfurnished)		HK\$ 25	HK\$ 25
The Repulse Bay (Serviced)		HK\$ 24	HK\$ 25
The Landmark, Ho Chi Minh City		US\$ 2.06	US\$ 1.97

Commercial

The Peninsula Hong Kong	HK\$ 254	HK\$ 258
The Peninsula New York	US\$ 38	US\$ 36
The Peninsula Bangkok	US\$ 7	US\$ 7
The Peninsula Palace Beijing	US\$ 10	US\$ 10
The Kowloon Hotel	HK\$ 45	HK\$ 41
The Repulse Bay	HK\$ 63	HK\$ 62
The Peak Tower	HK\$ 39	HK\$ 33

Office

The Peninsula Hong Kong	HK\$ 21	HK\$ 26
St. John's Building	HK\$ 15	HK\$ 14
The Landmark, Ho Chi Minh City	US\$ 2.07	US\$ 2.09

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

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