



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

FOR IMMEDIATE RELEASE

28 JULY, 2005

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
INTERIM RESULTS FOR THE SIX MONTHS TO 30TH JUNE, 2005

Hong Kong, 28 July 2005 –

FINANCIAL HIGHLIGHTS

Key Financial Results

The Interim Results as well as the comparative figures for the same period last year have been prepared under the new accounting standards adopted by the company.

- Total turnover for the group up 7% to HK\$1,529 million
- Revenue from hotels up 8% to HK\$1,243 million
- EBITDA was HK\$492 million, a rise of 18%
- Profit attributable to shareholders increased by 898% to HK\$1,268 million
- Shareholders' funds as at June 30, 2005 amounted to HK\$15.5 billion (HK\$10.9 per share) on the basis of the hotels being carried at cost less depreciation
- Earnings per share increased by 900% to 90 cents
- Net borrowings decreased by 37% to HK\$2.7 billion, giving rise to a gearing ratio of 15%
- Interim dividend of 4 cents per share

Key Developments

- The Kowloon Hotel sale completed in February 2005
- HSH now owns 71.68% of the shares of Manila Peninsula Hotel, Inc.
- The construction of The Peninsula Tokyo progressing on schedule
- Site for The Peninsula Shanghai substantially cleared

- Renovation of The Peak Tower commenced in April 2005
- Final phase of The Peninsula Palace Beijing renovation completed in first quarter 2005
- Last phase of apartment renovation at The Repulse Bay to be completed over summer

STRONG OPERATING RESULTS FOR HSH MOMENTUM IN ROOM RATES AND OCCUPANCY MAINTAINED

Hong Kong, July 28, 2005 – The unaudited interim results announced today by The Hongkong and Shanghai Hotels, Limited (HSH), owner of The Peninsula Hotels, reflect a strong underlying performance by the company, benefitting from its strong market position in its key city hotels.

This is the first set of results to be announced by the company under the new accounting standards adopted following the recent changes to the Hong Kong accounting standards. The company has complied with the new accounting standards other than in relation to two aspects that the directors consider to be inappropriate. These relate to a) not providing for deferred tax on the revaluation surplus on our investment properties in Hong Kong as these are held for the long term with no intention to sell, and in any case any capital gain arising on a sale would not be taxable in Hong Kong, and b) not valuing our investment properties on a twice yearly basis as this may give rise to significant earnings volatility in relation to assets which are held for the long term. The Interim Results as well as the comparative figures for the same period last year have been prepared under the new accounting standards adopted by the company.

The company's turnover for the period was HK\$1,529 million, representing an increase of 7% as compared to 2004. Earnings before interest, tax, depreciation and amortisation (EBITDA) were HK\$492 million, which represents an increase of 18%.

The profit attributable to shareholders for the period was HK\$1,268 million, an increase of 898% as compared to the same period in 2004. Earnings per share increased from 9 cents to 90 cents.

Shareholders' funds stood at HK\$15.5 billion, or HK\$10.9 per share, on the basis of the hotels being carried at cost less depreciation. Net borrowings decreased by 37% to HK\$2.7 billion (2004: HK\$4.3 billion), giving rise to a gearing ratio of 15%.

As a reflection of the strong performance and generally positive outlook, the directors have resolved to pay an interim dividend of 4 cents per share (2004: 3 cents), which, as with the final dividend last year, shareholders may opt to receive in scrip or cash.

Clement Kwok, HSH's chief executive, commented, "We have been able to reap the benefits of our long-term strategy and commitment to quality in our hotels and other properties during this first half year. As the markets continued to strengthen in both business and leisure travel in our key cities, our hotels re-affirmed and consolidated their positions at the top of their markets and were able to achieve premium rates at healthy occupancies."

In Asia, The Peninsula Hong Kong has maintained its position as the RevPAR (revenue per available room) leader in the city. The average occupancy has reached a record level for recent years. The renovation and brand repositioning of The Peninsula Palace Beijing has continued to be reflected in significantly higher room rates and increased occupancy. The Peninsula Bangkok achieved a steady performance, with an 15% increase in average room rate

compensating for a drop in occupancy levels following the December tsunami and the intermittent bouts of political unrest in the south of the country. In the Philippines, The Peninsula Manila's occupancy and average room rates have both improved.

In the USA, where the hospitality industry is enjoying strong growth, The Peninsula New York's occupancy remains healthy and its average room rate for the first half of 2005 reached record levels, achieving an increase of 19% over the same period in 2004. The Peninsula Chicago, with the highest room rate in the city, is the RevPAR leader in its competitive set. Its popular Shanghai Terrace restaurant has added extra seating capacity following renovation. The Peninsula Beverly Hills is the market leader in Los Angeles on room rate, occupancy and yield and has continued with its room renovation programme. Quail Lodge Resort's occupancy has improved although room rates still lag; marketing initiatives are underway to capture higher market share.

In the non-hotel property businesses, the luxury residential lettings sector has begun a cycle of recovery in Hong Kong, in response both to a surge in demand from the corporate sector and to our much-improved product at The Repulse Bay following renovation of the apartments. Similarly, demand for office space, particularly in Central, has begun to rise, leading to increased occupancy in St John's Building. There is already strong leasing interest in the new Peak Tower, which is undergoing a major renovation programme, construction of which commenced in April and is due for completion in mid-2006.

In terms of expansion, construction of The Peninsula Tokyo has progressed in parallel with refinements to the interior design of guestrooms and public areas. A number of providers of commercial services and facilities that the hotel will provide have been appointed. The site of The Peninsula Shanghai has been substantially cleared and local authority approvals are being progressed for the designs of the complex that, in addition to the hotel, will include a small number of serviced apartments, and retail space.

"I am pleased with the progress made by our businesses during this first six months," said Mr Kwok. "The operational results are pleasing; The Kowloon Hotel's disposal has enabled us to focus on our core Peninsula brand; and now that we control The Peninsula Manila, we are examining ways of improving the yield on this asset. Our strategy of enhancing existing assets continues, and its efficacy is demonstrated by the significantly improved performance of The Peninsula Palace Beijing."

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). Quail Lodge Resort and Golf Club, Carmel, California is managed by Valley Resort Management, LLC.

KEY STATISTICS FOR THE SIX MONTHS ENDED 30 JUNE 2005

HOTELS

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

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		2005	2004
The Peninsula Hong Kong*	100	81%	70%
The Peninsula New York	100	74%	74%
The Peninsula Chicago	92.5	65%	64%
The Peninsula Beverly Hills	20	83%	85%
The Peninsula Bangkok	75	68%	75%
The Peninsula Palace Beijing**	42.1	75%	54%
The Peninsula Manila	40	79%	70%
The Kowloon Hotel	100	95%	93%
Quail Lodge Resort***	100	59%	48%

Year-to-Date Average Room Rate

	2005	2004
The Peninsula Hong Kong*	US\$ 360	US\$ 324
The Peninsula New York	US\$ 577	US\$ 484
The Peninsula Chicago	US\$ 350	US\$ 311
The Peninsula Beverly Hills	US\$ 522	US\$ 467
The Peninsula Bangkok	US\$ 168	US\$ 146
The Peninsula Palace Beijing**	US\$ 147	US\$ 119
The Peninsula Manila	US\$ 80	US\$ 73
The Kowloon Hotel	US\$ 93	US\$ 72
Quail Lodge Resort***	US\$ 262	US\$ 279

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

** In 2005, due to renovation, the average number of rooms available for the period was reduced to 422.

*** The sale of The Kowloon Hotel was completed on 1 February 2005.

PROPERTIES

	Attributable Interest %	Year-to-Date Occupancy	
		2005	2004
<i>Residential</i>			
The Repulse Bay (Unfurnished)	100	83%	74%

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The Repulse Bay (Serviced)	100	58%	69%
The Landmark, Ho Chi Minh City	70	94%	96%

Commercial

The Peninsula Hong Kong	100	96%	93%
The Peninsula New York	100	100%	100%
The Peninsula Bangkok	75	100%	100%
The Peninsula Palace Beijing	42.1	100%	99%
The Peninsula Manila	71.68	61%	63%
The Kowloon Hotel**	100	95%	94%
The Repulse Bay	100	100%	99%
The Peak Tower***	100	24%	100%

Office

The Peninsula Hong Kong	100	100%	89%
St. John's Building	100	88%	84%
The Landmark, Ho Chi Minh City	70	94%	99%

Year-to-Date Average Yield (pnasf*)

2005 2004

Residential

The Repulse Bay (Unfurnished)	HK\$ 26	HK\$ 23
The Repulse Bay (Serviced)	HK\$ 21	HK\$ 25
The Landmark, Ho Chi Minh City	HK\$ 16	HK\$ 16

Commercial

The Peninsula Hong Kong	HK\$ 261	HK\$ 254
The Peninsula New York	HK\$ 291	HK\$ 286
The Peninsula Bangkok	HK\$ 55	HK\$ 58
The Peninsula Palace Beijing	HK\$ 81	HK\$ 77
The Peninsula Manila	HK\$ 11	HK\$ 10
The Kowloon Hotel**	HK\$ 59	HK\$ 44
The Repulse Bay	HK\$ 65	HK\$ 61
The Peak Tower***	HK\$ 13	HK\$ 37

Office

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The Peninsula Hong Kong	HK\$ 22	HK\$ 26
St. John's Building	HK\$ 15	HK\$ 15
The Landmark, Ho Chi Minh City	HK\$ 16	HK\$ 16

* "Pnasf" denotes "per net available square foot".

** The sale of The Kowloon Hotel was completed on 1 February 2005.

*** Renovation of the premises commenced in April 2005.

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

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