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

TO: ALL BUSINESS/TRAVEL EDITORS

For Immediate Release

1Q 2006 PERFORMANCE STRONG FOR HOTELS, PROPERTIES IN HSH PORTFOLIO

Hong Kong, May 18, 2006 – The hotel and property divisions of The Hongkong and Shanghai Hotels, Limited (HSH) have performed strongly during the first quarter of 2006, with occupancies and average yields maintaining the upward momentum of 2005.

Commenting on the first quarter statistics, HSH's chief executive officer, Clement Kwok, said, "Following last year's positive results, we are pleased to see a further strengthening of both occupancies and RevPAR in the first three months of 2006. Most of our hotels have improved their results over the same period in 2005. At the same time, we have maintained very high service levels."

In Asia, The Peninsula Hong Kong benefitted from a number of major trade fairs, international sporting events and vibrant leisure business, with occupancy year-to-date at 83%, compared to 82% in the same period last year, and average room rate rising by 10% to HK$3,067. At The Peninsula Palace Beijing, room rate showed a significant increase, up 30% to HK$1,273, whilst occupancy improved slightly to 50% for this winter low season. Despite the demonstrations in Bangkok, The Peninsula Bangkok improved its occupancy for the first quarter to 79% compared to 73% in 2005 and saw the average room rate lift to HK$1,519, an increase of 7%. Similarly, The Peninsula Manila experienced some minor interruption to its business during recent periods of uncertainty but has recovered well, with occupancy and average room rate both rising by 6%, to 82% and HK$676 respectively for the quarter.

In the USA, all The Peninsulas have performed satisfactorily. Although The Peninsula New York's occupancy dropped to 61% (71% in 1Q 2005), its average room rate soared to HK$4,953, a 21% increase. In Chicago, also in its winter low season, the hotel raised its occupancy to 58%, up 9% from the previous year, with average rate increasing by 19%, and we believe it remains the RevPAR leader among its competitive set. Also leading its market is The Peninsula Beverly Hills with a 14% increase in average rate on occupancy only marginally behind that of 1Q 2005. Quail Lodge Resort has had a disappointing quarter with a 15% drop in occupancy although at an improved average rate. However, with a new general manager at the helm, and a refreshed marketing strategy, we believe this property will begin to show improved results.

The shopping arcades at The Peninsula Hong Kong and The Peninsula Palace Beijing both reflect the health of the retail sector and demand from premier brands for space. Occupancy stands at 95% in Hong Kong, equal to that of 2005, but at a much improved yield, up 11% year-on-year. In Beijing, running at 100% occupancy, yield is up 8%.

In the residential and office sector, all the company's holdings are showing improvement. The unfurnished apartments at The Repulse Bay have increased occupancy by 13% to 93% whilst the serviced apartments have also improved occupancy slightly. Yields have also kept pace, increasing by 23% and 10% for the unfurnished and serviced apartments respectively. The commercial segment at the complex is 100% tenanted and has improved yield by 3%.

Occupancy at St John's Building is at 97%, up 10% compared to 2005, with average yield increasing by 29%. The office tower at The Peninsula Hong Kong is fully let, and yield is up by 5%. In Ho Chi Minh City, the office segment of The Landmark is almost full at improved yield and the residential segment is holding steady.

In the second half of the year, the revitalised Peak Tower will re-open, contributing a revenue stream that has been on hold since April 2005. Letting has been brisk, and negotiations are in progress for the few remaining spaces. Whilst the renovations have been under way, the Peak Tram has continued to operate, with patronage up 5% at 984,731 passengers for the first quarter.

In addition to existing operations, steady progress is being made on both The Peninsula Tokyo and The Peninsula Shanghai projects. Construction of the former is now on the upper floors and the exterior finishes being completed on the lower floors point to how the building will look. Appointments of the general manager and the director of marketing have already been made in preparation for pre-opening activities. On the Shanghai project, the conceptual design has won approval from the Planning Department and the schematic designs have been submitted for approval process.

Important initiatives are also underway to improve existing assets, aimed at maintaining competitiveness and providing comprehensive facilities for guests. The renovation programme for The Peninsula Manila will commence shortly, involving upgrading the guestrooms in the Makati Tower as well as improvements to public areas. The company has also embarked on a group-wide spa enhancement programme, including most recently the opening of the new spa in The Peninsula Hong Kong and the rollout of the Peninsula Wellness programme. The Peninsula Chicago's spa is currently being upgraded and a new, stand-alone facility will open in The Peninsula Bangkok in December.

"We are pleased with the progress that the company is making, in both the operating results as well as on new hotel projects and on adding value to our current assets. Our financial position remains strong and readies us to take advantage of new opportunities that may arise," concluded Mr Kwok.

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), and Quail Lodge Resort and Golf Club, Carmel, California.

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Key Statistics for the First Quarter Ended 31st March 2006

HOTELS

	Attributable Interest %	Year-to-Date Occupancy 2006	2005	Year-to-Date Average Room Rate 2006	2005
The Peninsula Hong Kong	100	**83%**	82%	**HK$3,067**	HK$2,794
The Peninsula New York	100	**61%**	71%	**HK$4,953**	HK$4,087
The Peninsula Chicago	92.5	**58%**	53%	**HK$2,955**	HK$2,483
The Peninsula Beverly Hills	20	**86%**	87%	**HK$4,655**	HK$4,092
The Peninsula Bangkok	75	**79%**	73%	**HK$1,519**	HK$1,417
The Peninsula Palace Beijing	42	**50%**	49%	**HK$1,273**	HK$ 980
The Peninsula Manila	76	**82%**	77%	**HK$ 676**	HK$ 638
Quail Lodge Resort	100	**45%**	53%	**HK$2,024**	HK$1,902

PROPERTIES

	Attributable Interest %	Year-to-Date Occupancy 2006	2005	Year-to-Date Average Yield (pnasf) 2006	2005
Residential					
The Repulse Bay (Unfurnished)	100	**93%**	82%	**HK$ 32**	HK$ 26
The Repulse Bay (Serviced)	100	**62%**	60%	**HK$ 23**	HK$ 21
The Landmark, Ho Chi Minh City	70	**96%**	97%	**HK$ 16**	HK$ 16
Commercial					
The Peninsula Hong Kong	100	**95%**	95%	**HK$285**	HK$257
The Peninsula New York	100	**100%**	100%	**HK$349**	HK$291
The Peninsula Bangkok	75	**100%**	100%	**HK$ 55**	HK$ 56
The Peninsula Palace Beijing	42	**100%**	100%	**HK$ 85**	HK$ 79
The Peninsula Manila	76	**60%**	63%	**HK$ 12**	HK$ 12
The Repulse Bay	100	**100%**	100%	**HK$ 67**	HK$ 65
The Peak Tower*	100	-	40%	-	HK$ 22
Office					
The Peninsula Hong Kong	100	**100%**	100%	**HK$ 23**	HK$ 22
St John's Building	100	**97%**	88%	**HK$ 18**	HK$ 14
The Landmark, Ho Chi Minh City	70	**98%**	92%	**HK$ 17**	HK$ 16

** Figures for 2005 reflect the gradual vacating of premises over the quarter, prior to renovation work commencing on The Peak Tower. The revitalised entertainment, dining and retail venue will re-open in July 2006.*