



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

FOR IMMEDIATE RELEASE

14 SEPTEMBER, 2006

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
INTERIM RESULTS FOR THE SIX MONTHS TO 30TH JUNE, 2006

Hong Kong, 14 September 2006 –

HIGHLIGHTS

Key Financial Results

- EBITDA increased by 18% to HK\$583 million
- Profit before non-operating items up 40% to HK\$398 million
- Profit attributable to shareholders amounted to HK\$728 million (2005: HK\$1,268 million). Profit attributable to shareholders in 2005 included a one-off gain from sale of The Kowloon Hotel
- Shareholders funds as at 30 June 2006 amounted to HK\$15.6 billion (HK\$11.0 per share)
- Earnings per share excluding non-operating items increased by 36% to 19 cents
- Gearing ratio reduced to 12.8%
- Interim dividend of 5 cents per share

Key Developments

- Construction phase of The Peak Tower revitalisation completed and premises handed over to tenants for fit-out and phased re-opening
- The new Peninsula Spa at The Peninsula Hong Kong opened
- The Peninsula Tokyo building topped out
- Schematic designs approved for The Peninsula Shanghai and application made for the project planning permit; foundation contract and interior design contract awarded
- Phased renovation programme commenced at The Peninsula Manila

BUOYANT HALF-YEAR OPERATING RESULTS FOR HSH

Hong Kong, September 14, 2006 – The unaudited interim results announced today by The Hongkong and Shanghai Hotels, Limited (HSH), owner of The Peninsula Hotels, reflect the strong operating performance of the company both in its hotels and non-hotel properties businesses.

The turnover for the period increased by 12% to HK\$1,710 million and EBITDA (earnings before interest, tax, depreciation and amortisation) increased by 18% to HK\$583 million.

Profit before non-operating items, which the company considers to be the best measure of performance of its ongoing business operations, increased by 40% to HK\$398 million. This strong growth was helped by a reduction in financing charges payable by the group, which were 22% lower than in the same period in 2005, mainly due to the lower average indebtedness of the group.

Profit attributable to shareholders for the six months was HK\$728 million compared to HK\$1,268 million for the same period in 2005. To put the comparative figures in context, profit attributable in 2005 included a one-off gain from the sale of The Kowloon Hotel amounting to HK\$945 million, whilst in 2006 there was an increase in fair value of investment properties of HK\$546 million. Equally, taxation incurred of HK\$201 million from HK\$59 million is largely as a result of the increase in deferred taxation.

Earnings per share were 51 cents (2005: 90 cents). Excluding non-operating items and the related tax and minority interests effects, earnings per share increased by 36% to 19 cents (2005: 14 cents).

Shareholders funds stood at HK\$15.6 billion or HK\$11.0 per share. Net borrowings were HK\$2.3 billion and the company's gearing ratio has been reduced to 12.8%.

The directors have resolved to pay an interim dividend of 5 cents per share (2005: 4 cents) which, as with the final dividend last year, shareholders may opt to receive in scrip or cash.

Clement Kwok, HSH's chief executive officer, commented, "There has been a significant increase in the volume of corporate travel which in turn has benefitted hotel revenues. A number of our food and beverage outlets have also benefitted from better domestic consumption. Equally, more international business activity has created demand for quality office space and residential accommodation in Hong Kong, thereby pushing up rental rates."

In Asia, the picture for the hotels remains positive. Hong Kong's economy has been strong and the notable increase in the volume of corporate travelers has enabled the luxury hotel segment, including The Peninsula Hong Kong, to achieve higher room rates and maintain healthy occupancy levels. Response has been positive to the launch of the hotel's 12,000 square foot spa in May. Demand also continues for space in the hotel's shopping arcade with some tenants such as Louis Vuitton expanding their premises into double-height spaces. The Peninsula Bangkok has continued to turn in a solid performance, maintaining its position as a RevPAR leader in the city. A three-storey, free-standing spa is under construction in the hotel's grounds and is expected to open in December 2006. In the PRC, The Peninsula Beijing has continued to achieve growth in RevPAR and has attracted significant corporate and leisure business and

international meetings since its upgrade. The Peninsula Manila has embarked on a phased renovation programme with work scheduled for completion before the end of 2006.

In the USA, The Peninsula New York has increased its RevPAR in a generally strong market. In this competitive market, where continual improvement is required to the physical product, the company has approved a renovation of the spa, health club and swimming pool areas located on the top floors of the building. At The Peninsula Chicago, which is the RevPAR leader in its competitive set, a renovation of its spa has created a fresh look and added two treatment suites and a new relaxation area. On the west coast, The Peninsula Beverly Hills is the market leader in occupancy, rate and RevPAR, achieving record revenues for the first six months. The renovation of its spa in 2005 has been complemented by upgrades to the adjoining Roof Terrace and pool area. In Carmel, the company has resumed direct management of Quail Lodge Resort, appointing a new general manager who has been given the scope to restructure the management team, re-invigorate the marketing and sales initiatives and make necessary changes to hotel services.

In the non-hotel property businesses, an influx of international business executives to Hong Kong has fuelled demand for luxury residential accommodation. The Repulse Bay has seen higher occupancy and yields for the unfurnished apartments whilst the serviced apartments, in a more competitive situation, are showing some signs of growth. The construction phase of The Peak Tower revitalisation, begun in April 2005, has been completed. The handover to tenants for fit-out commenced in May 2006, and the first retail outlets soft-opened in early July. All outlets, including the restaurants, are expected to be open in the autumn.

Progress has also been made on the company's two major hotel projects currently under development. On schedule for opening in late 2007, The Peninsula Tokyo's building was topped out in early July, the pre-opening office has been established, fit-out of the interiors has begun and the general manager and director of marketing are already in place. In addition to receiving approvals from the relevant authorities for the schematic designs, application has now been made for the project planning permit for The Peninsula Shanghai. The foundation contract has been awarded, allowing the company to apply for the construction permit, receipt of which will enable piling to commence in the autumn. A ground-breaking ceremony is planned to take place in the last quarter of the year.

Looking ahead, Mr Kwok said, "In many of our markets, the second half of the year is traditionally the busiest period and we believe that the outlook remains positive for the remainder of the year. Likewise, in our non-hotel properties, business sentiment remains good with continued demand for residential, office and commercial space. We are particularly pleased with the response to The Peak Tower which has translated into higher occupancy and rental rate levels."

Incorporated in 1866 and listed on the Hong Kong stock exchange, The Hongkong and Shanghai Hotels, Limited is a holding company whose subsidiaries are engaged in the ownership and management of prestigious hotel, commercial and residential properties in key destinations in Asia and the USA. The hotel portfolio comprises The Peninsula Hong Kong, The Peninsula New York, The Peninsula Chicago, The Peninsula Beverly Hills, The Peninsula Bangkok, The Peninsula Beijing, The Peninsula Manila and The Peninsula Tokyo (opening in 2007), and Quail Lodge Resort and Golf Club, Carmel, California.

KEY STATISTICS FOR THE SIX MONTHS ENDED 30 JUNE 2006

HOTELS

	Attributable Interest %	Year-to-Date Occupancy %	
		2006	2005
The Peninsula Hong Kong	100	81	81
The Peninsula New York	100	70	74
The Peninsula Chicago	92.5	65	65
The Peninsula Beverly Hills	20	85	83
The Peninsula Bangkok	75	73	68
The Peninsula Palace Beijing*	42.1	63	75
The Peninsula Manila**	76.1	83	79
Quail Lodge Resort	100	56	59

	Year-to-Date Room Rate		% Change in RevPAR
	2006	2005	
The Peninsula Hong Kong	HK\$3,119	HK\$2,810	11
The Peninsula New York	HK\$5,057	HK\$4,504	6
The Peninsula Chicago	HK\$3,202	HK\$2,731	17
The Peninsula Beverly Hills	HK\$4,574	HK\$4,073	15
The Peninsula Bangkok	HK\$1,430	HK\$1,312	17
The Peninsula Palace Beijing*	HK\$1,397	HK\$1,143	3
The Peninsula Manila**	HK\$ 687	HK\$ 626	15
Quail Lodge Resort	HK\$2,081	HK\$2,044	(3)

* In 2005, due to renovation, the average number of rooms available for the period was reduced to 442.

** In 2006, due to renovation, the average number of rooms available for the period was reduced to 464.

PROPERTIES

	Attributable Interest %	Year-to-Date Occupancy %	
		2006	2005

Residential

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The Repulse Bay (Unfurnished)	100	93	83
The Repulse Bay (Serviced)	100	62	58
The Landmark, Ho Chi Minh City	70	97	94

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	98	100
The Peninsula Manila	76.1	64	61
The Repulse Bay	100	100	100

Office

The Peninsula Hong Kong	100	100	100
St. John's Building	100	98	88
The Landmark, Ho Chi Minh City	70	99	94

Year-to-Date Average Yield (pnasf*)

2006 2005

Residential

The Repulse Bay (Unfurnished)	HK\$ 33	HK\$ 26
The Repulse Bay (Serviced)	HK\$ 23	HK\$ 21
The Landmark, Ho Chi Minh City	HK\$ 17	HK\$ 16

Commercial

The Peninsula Hong Kong	HK\$ 288	HK\$ 261
The Peninsula New York	HK\$ 346	HK\$ 291
The Peninsula Bangkok	HK\$ 55	HK\$ 55
The Peninsula Palace Beijing	HK\$ 83	HK\$ 81
The Peninsula Manila	HK\$ 13	HK\$ 11
The Repulse Bay	HK\$ 67	HK\$ 65

Office

The Peninsula Hong Kong	HK\$ 23	HK\$ 22
St. John's Building	HK\$ 19	HK\$ 15
The Landmark, Ho Chi Minh City	HK\$ 18	HK\$ 16

* "Pnashf" denotes "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>