

2009 ANNUAL RESULTS

Welcome



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

FORWARD-LOOKING STATEMENTS

The presentation may contain certain forward-looking statements with respect to the financial condition, results of operations and business of HSH. These forward-looking statements which include, without limitation, statements regarding future results of operations, financial condition or business prospects are based on current beliefs, assumptions, expectations, estimates or projections of Directors which are subject to known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expectations expressed or implied in such statements.

Past performance cannot be relied on as a guide to future performance.



OVERVIEW OF 2009

- ✦ First full year of the economic downturn triggered in September 2008
- ✦ Hotel industry significantly affected, with revenue down around 23% in January to August 2009 as compared to pre-crisis period
- ✦ Benefited from holding a diversified portfolio of hotel assets and other commercial and residential properties
- ✦ Financial results considered to be satisfactory in the light of the difficult market conditions
- ✦ The Peninsula Shanghai has soft-opened
- ✦ The Peninsula Paris project is underway
- ✦ Successful revitalisation of The Repulse Bay Arcade



2009 FINANCIAL HIGHLIGHTS

▣ HSH

- ▶ Turnover down 15% to HK\$4,218m
- ▶ EBITDA down 35% to HK\$924m - the hotels division accounted for 90% of the shortfall
- ▶ EBITDA margin reduced by 7 percentage points to 22%

▣ HOTELS

- ▶ Revenue and EBITDA down 17% and 52% to HK\$3,244m and HK\$410m respectively
- ▶ PSH soft opened on 18 October 2009

▣ COMMERCIAL PROPERTIES

- ▶ Revenue and EBITDA down by 6% and 9% to HK\$637m and HK\$418m respectively
- ▶ Revenue of TRB down by 10%, partly due to the revitalisation with the 2 restaurants and some shops closed temporarily
- ▶ Revaluation gain at \$1,998m

▣ CLUBS & SERVICES

- ▶ Revenue and EBITDA down by 5% and 6% to HK\$337m and HK\$96m respectively



SUMMARY RESULTS

HK\$ million	<u>2009</u>	<u>2008</u>	<u>Increase/ (decrease)</u>
Turnover	4,218	4,938	(15%)
EBITDA	924	1,425	(35%)
EBITDA Margin	22%	29%	(7pp)
Operating profit	586	1,051	(44%)
Non-operating items	1,977	(769)	-
Taxation	(458)	42	-
Profit attributable to shareholders	2,298	216	964%
EPS (HK cents)	157	15	947%
Underlying profit	315	807	(61%)
Underlying EPS (HK cents)	22	56	(61%)

Underlying profit represents profit attributable to shareholders excluding property revaluation movements and other non-operating items, including their related tax effects



INCOME STATEMENT

HK\$ million		2009	2008
Revenue			
- Hotels		3,244	3,905
- Commercial Properties		637	677
- Clubs & Services		337	356
		<u>4,218</u>	<u>4,938</u>
EBITDA			
	EBITDA margin		
- Hotels	13% 22%	410	863
- Commercial Properties	66% 68%	418	460
- Clubs & Services	28% 29%	96	102
	22% 29%	<u>924</u>	<u>1,425</u>
Depreciation		(338)	(374)
Operating Profit		586	1,051
Net financing charges		(86)	(68)
Share of net income of PSH		285	(5)
Non-operating items		1,977	(769)
		<u>2,762</u>	<u>209</u>
Taxation		(458)	42
		<u>2,304</u>	<u>251</u>
Less: Minority interests		(6)	(35)
Profit attributable to shareholders		<u>2,298</u>	<u>216</u>



NON-OPERATING ITEMS

HK\$ million	<u>2009</u>	<u>2008</u>
Gain/(loss) on revaluation of investment properties	1,998	(593)
Provision for impairment losses in respect of hotels and golf courses	-	(176)
Gain on disposal of investment property	18	-
Impairment loss on investment in associates	(15)	-
Closure costs for Quail Lodge Resort	<u>(24)</u>	<u>-</u>
	<u><u>1,977</u></u>	<u><u>(769)</u></u>



TAXATION

HK\$ million	<u>2009</u>	<u>2008</u>
Current tax	<u>120</u>	<u>185</u>
Deferred tax:		
Deferred taxation on non-operating items	308	(163)
Effect of reduced HK profits tax rate on deferred tax balances	-	(175)
Increase in net deferred tax liabilities relating to other temporary differences	<u>30</u>	<u>111</u>
	<u>338</u>	<u>(227)</u>
Net tax charge/(credit) in the income statement	<u><u>458</u></u>	<u><u>(42)</u></u>



UNDERLYING PROFIT

HK\$ million	2009	2008
Profit attributable to shareholders	2,298	216
(Increase)/decrease in fair value of investment properties	(1,998)	593
Net impairment provision adjustments for hotels, golf courses and other properties	-	176
Share of property valuation gain of a jointly controlled entity, net of tax	(315)	-
Other non-operating items	21	-
Tax and minority interests attributable to non-operating items	309	(178)
Underlying profit	315	807
Underlying EPS (HK\$)	0.22	0.56

Underlying profit represents profit attributable to shareholders excluding property revaluation movements and other non-operating items, including their related tax effects



CASH FLOW

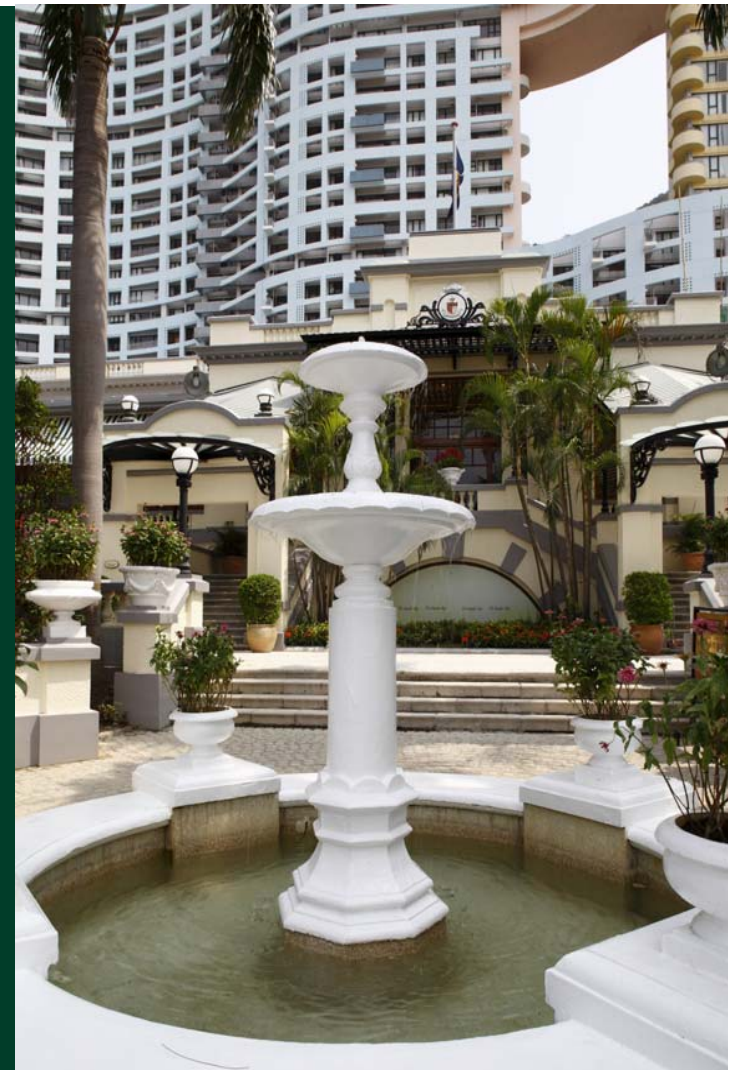
HK\$ million	<u>2009</u>	<u>2008</u>
Net cash generated from operating activities	761	1,208
CAPEX	(269)	(417)
Net financing charges and dividends	(177)	(194)
Recurring cash inflow after normal CAPEX, financing charges and dividends	315	597
Opening cash	<u>1,979</u>	<u>1,398</u>
	2,294	1,995
Investment in the Paris project	(1,044)	-
Purchase of 7.5% minority interest in PCH	(91)	-
Repurchase of shares	-	(50)
Net cash inflow from financing activities	681	22
Exchange and other adjustments	<u>(5)</u>	<u>28</u>
Cash at bank and in hand	<u><u>1,835</u></u>	<u><u>1,995</u></u>



CAPITAL EXPENDITURE 2009

HK\$ million

Hotels	151
Commercial properties	100
Clubs and services & HO	18
Total	269



NET ASSET VALUE

	As at 31/12/2009		As at 31/12/2008	
	HK\$m	Per share value (HK\$)	HK\$m	Per share value (HK\$)
Net assets	23,040	15.67	20,712	14.28
Deferred tax provision in respect of revaluation surplus on Hong Kong investment properties	3,077	2.10	2,723	1.88
Fair market value of hotels and golf courses, net of related deferred tax and minority interests	2,424	1.65	3,154	2.18
Adjusted net assets attributable to shareholders	28,541	19.42	26,589	18.34



FINANCING

HK\$ million	<u>2009</u>	<u>2008</u>
Total committed facilities	5,005	4,225
Utilised	<u>(3,825)</u>	<u>(3,193)</u>
Available bank facilities	1,180	1,032
Cash at banks and in hand	<u>1,835</u>	<u>1,995</u>
Available funding	<u>3,015</u>	<u>3,027</u>

Excluding debts for The Peninsula Shanghai and The Peninsula Beverly Hills, which are non-recourse

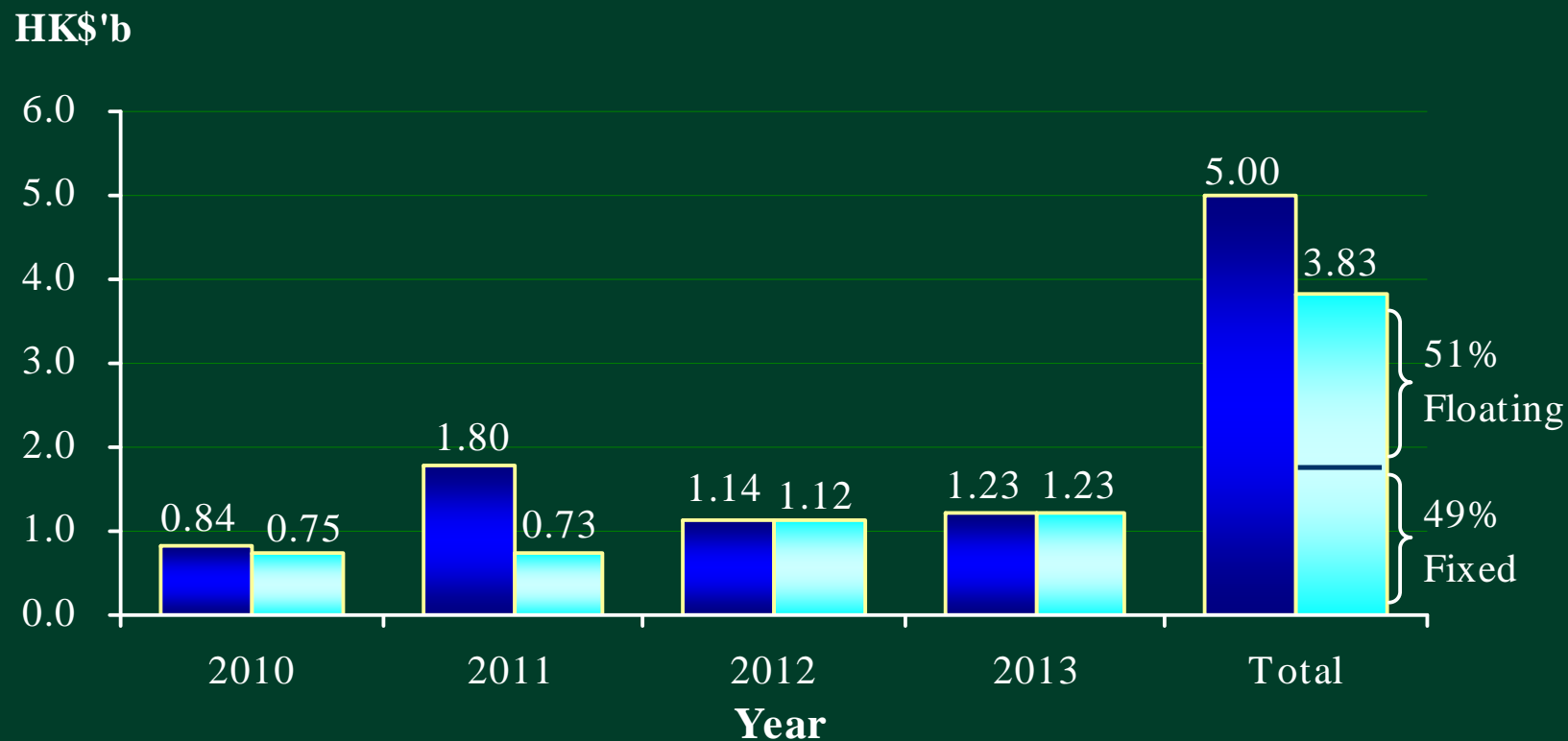


FINANCIAL RATIOS

HK\$ million		
Gross borrowing	3,825	3,193
Cash at banks & in hand	1,835	1,995
Net borrowing	1,990	1,198
Net debt: EBITDA	2.2 times	0.8 times
Net gearing	8%	5%
Weighted average gross interest rate	3.2%	3.4%
Interest cover		
- Gross	5.8 times	9.7 times
- Net	6.8 times	15.5 times



COMMITTED FACILITIES – MATURITY PROFILE

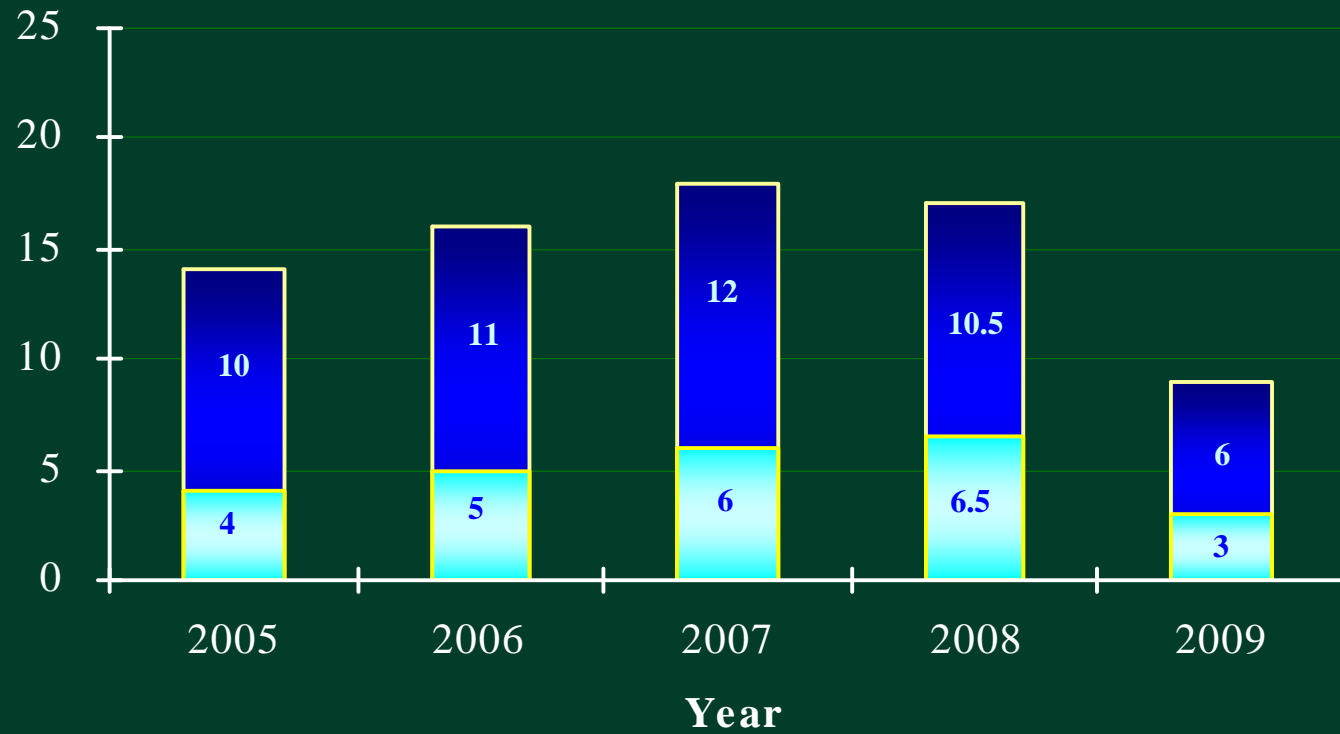


■ Committed facilities
 ■ Amounts utilised



DIVIDEND HISTORY

HK cents



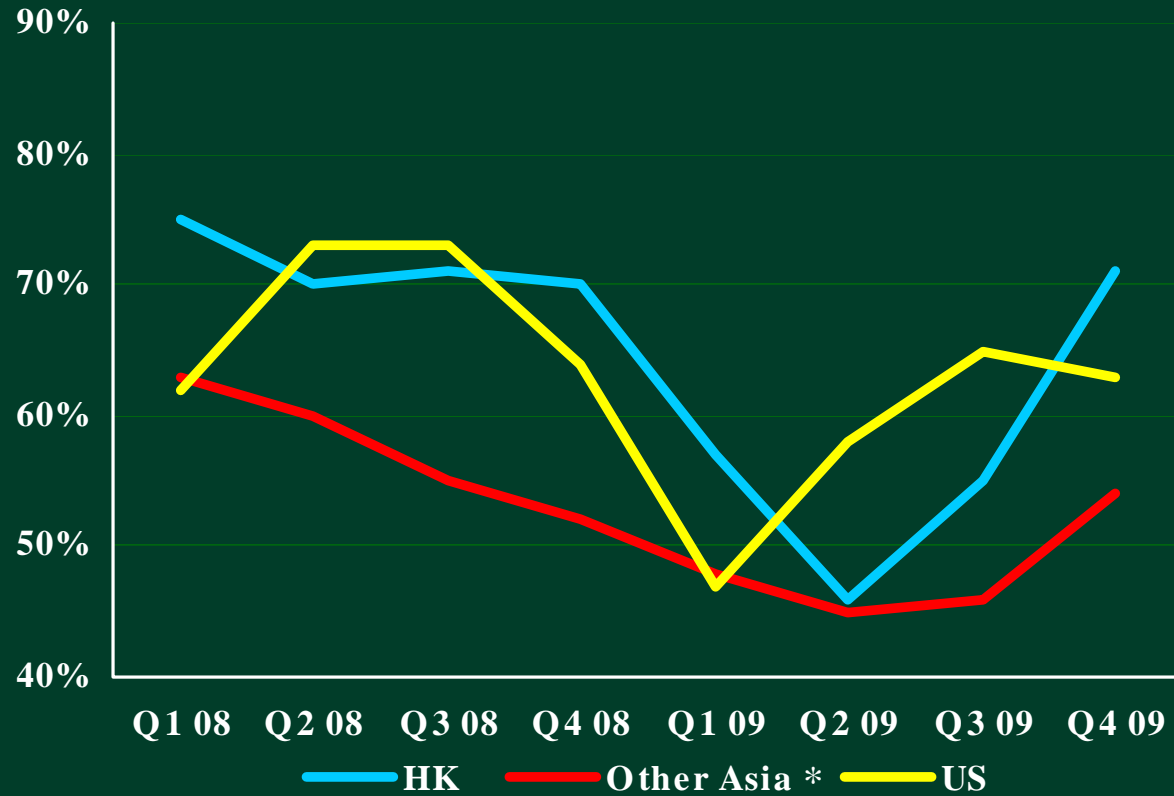
■ Dividend/share (Final)

■ Dividend/share (Interim)



HOTELS OCCUPANCY

Occupancy (by region)

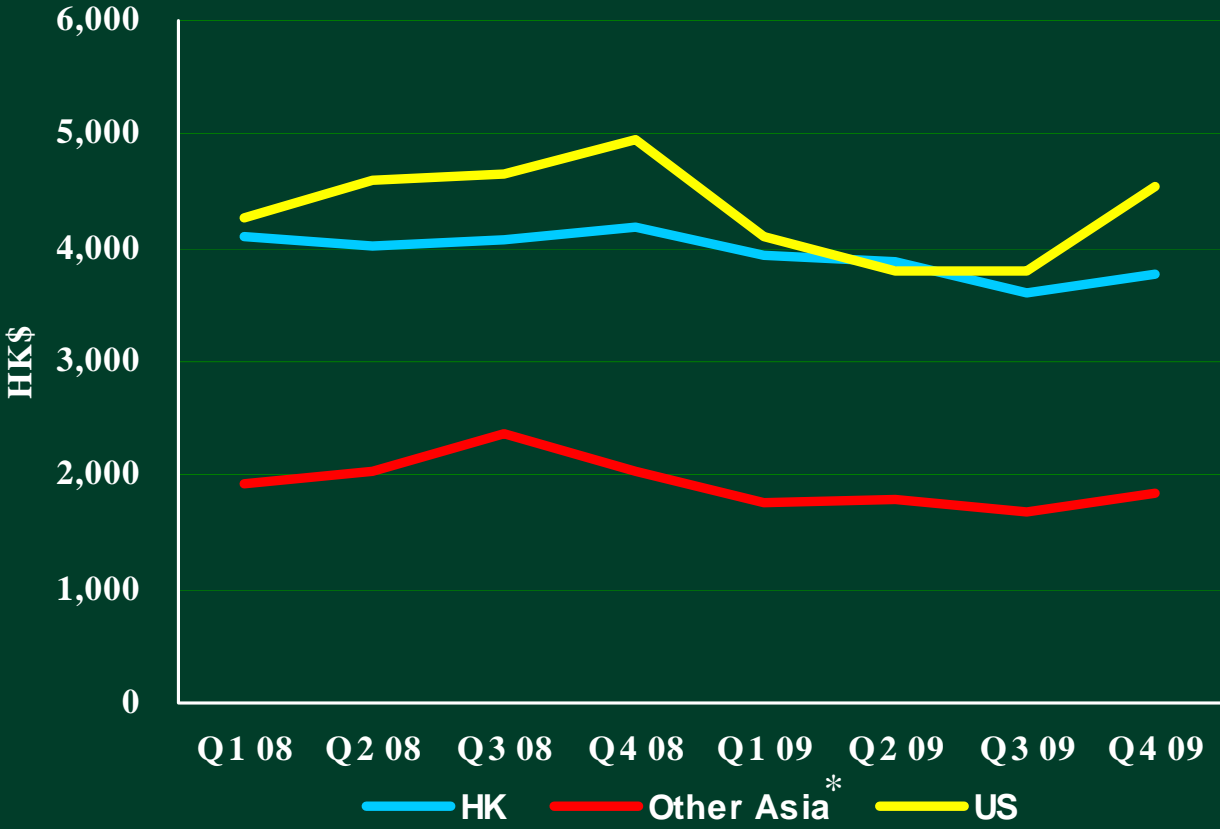


* Including the occupancy % of PSH which soft-opened on 18 October 2009



HOTELS AVERAGE RATE

Average room rate (by region)



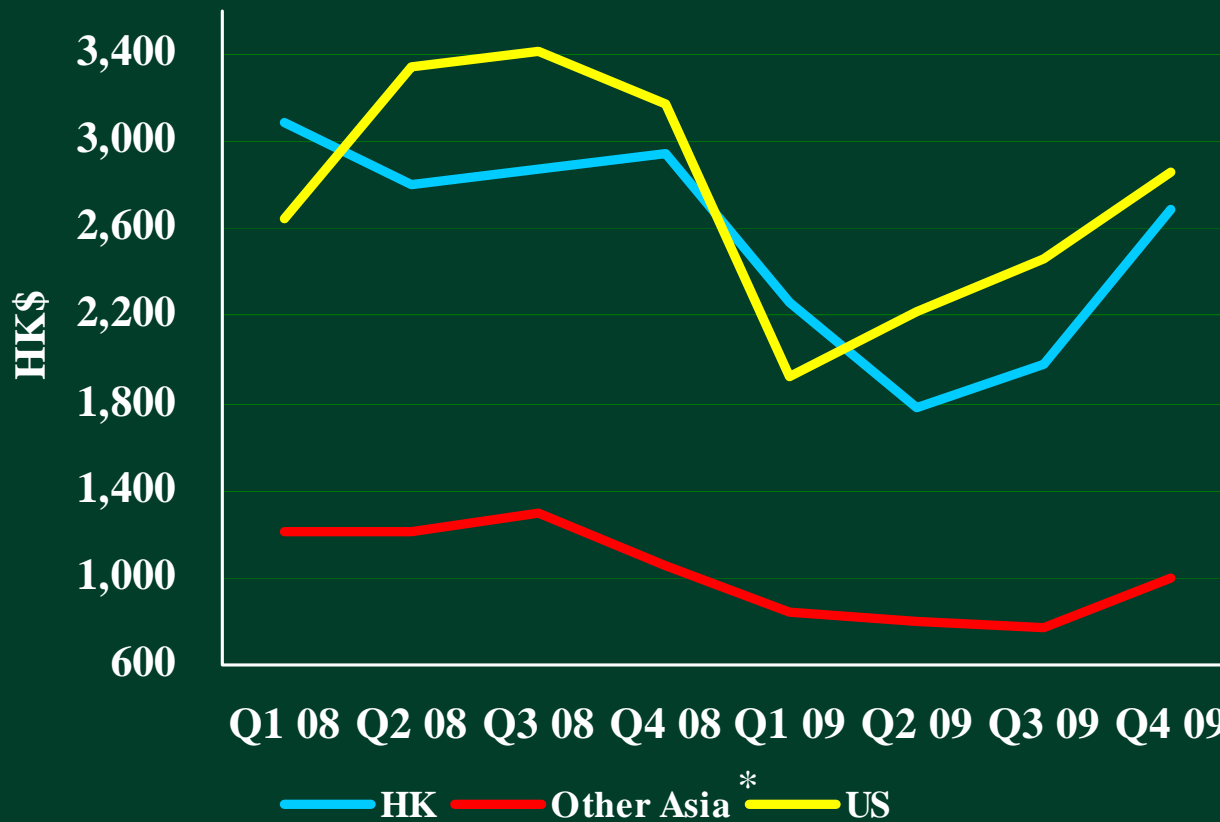
ARR change
2009 vs 2008

HK:	-7%
Other Asia:	-15%
US:	-12%

* Including the ARR of PSH which soft-opened on 18 October 2009

HOTELS RevPAR

RevPAR (by region)



**RevPAR change
2009 vs 2008**

HK: -25%

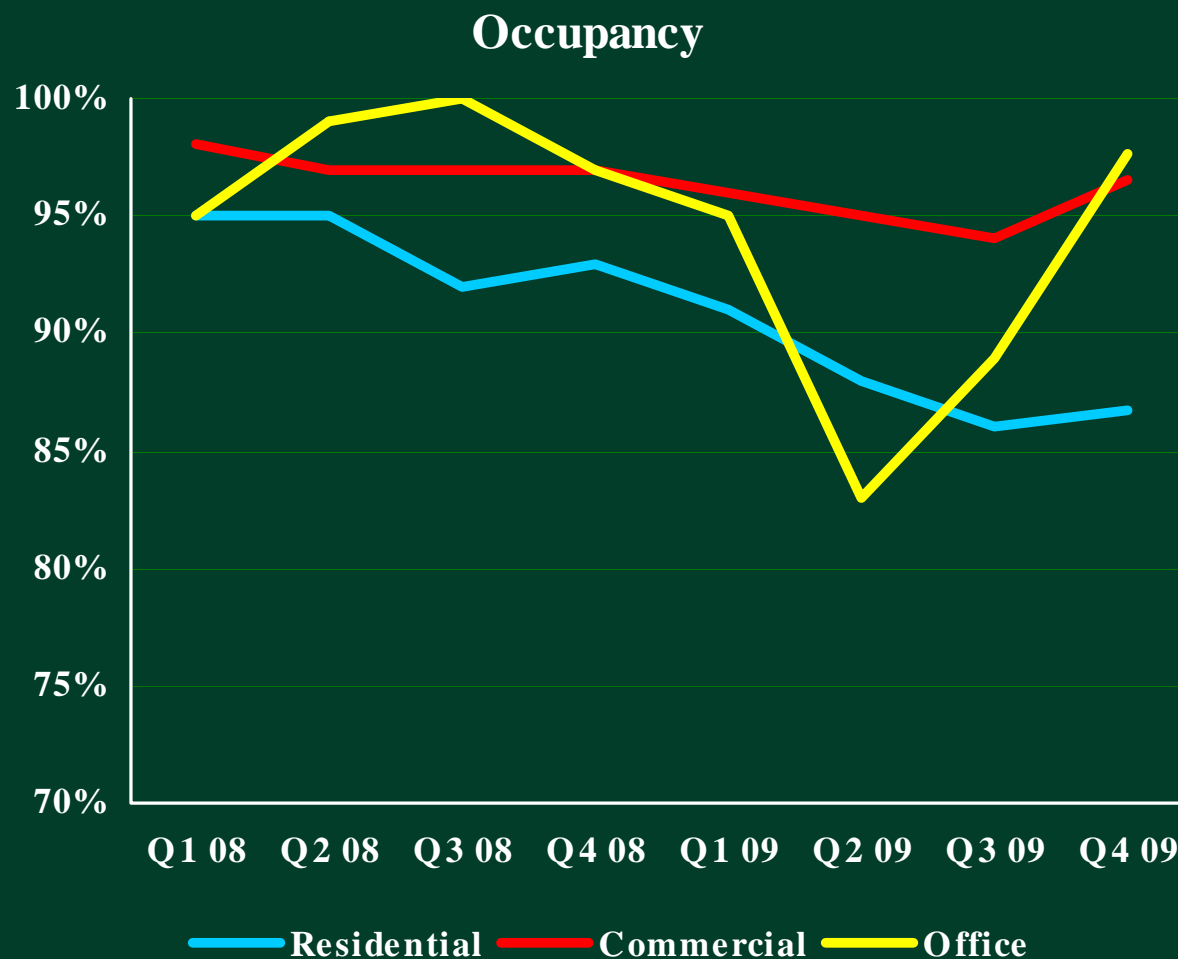
Other Asia: -28%

US: -25%

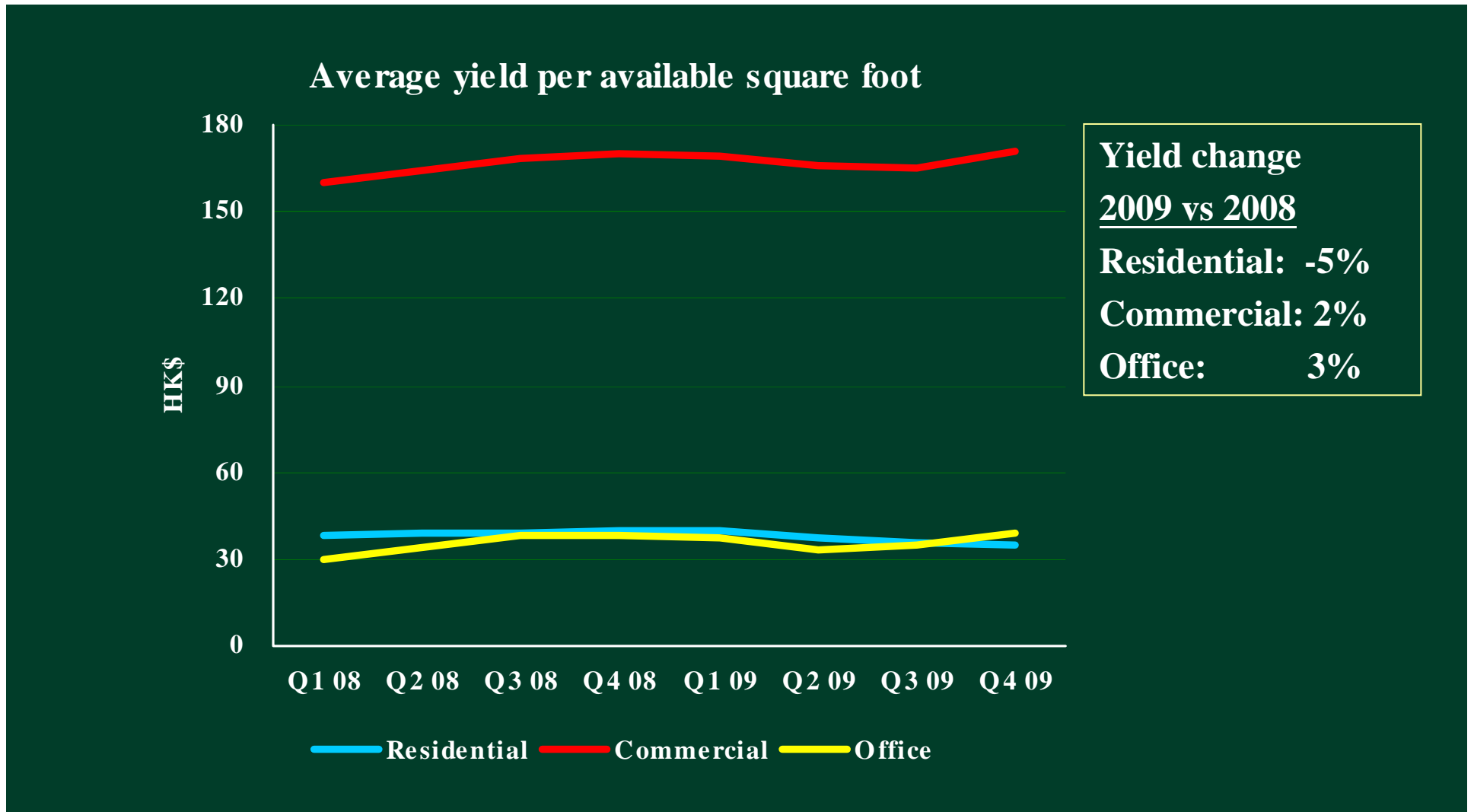
* Including the RevPAR of PSH which soft-opened on 18 October 2009



COMMERCIAL PROPERTIES - OCCUPANCY



COMMERCIAL PROPERTIES – AVERAGE YIELD



CLUBS AND SERVICES DIVISION

- ▣ **The Peak Tram: revenue down 2% to HK\$79 million, with number of passengers reduced by 3% to 4.4 million**
- ▣ **Cathay Pacific Lounges: annual patronage reduced by 6%, revenue decreased by 2%**
- ▣ **Peninsula Merchandising: revenue reduced by 7% to HK\$75 million**
- ▣ **Tai Pan Laundry: revenue reduced by 12% to HK\$29 million**
- ▣ **Thai Country Club: revenue decreased 10% to HK\$52 million**



DEVELOPMENT – EXISTING ASSETS

Renovation at The Peninsula New York completed in phases



DEVELOPMENT – EXISTING ASSETS

Revitalisation of the commercial arcade at The Repulse Bay completed



DEVELOPMENT – EXISTING ASSETS

Nielsen's restaurant at The Peninsula Manila renamed as Escolta following the completion of renovation



THE PENINSULA SHANGHAI

- **The only new build with a frontage at the Bund**
- **A 235-key hotel with 44 suites, 5 restaurants and bars and a Peninsula Spa**
- **All guestrooms are finished with Paris-based designed fittings with subtle Chinese accents**
- **Commercial arcade with 25 international luxury brands**
- **Soft-opened on 18 October 2009**
- **Grand opening on 18 March 2010**



THE PENINSULA SHANGHAI



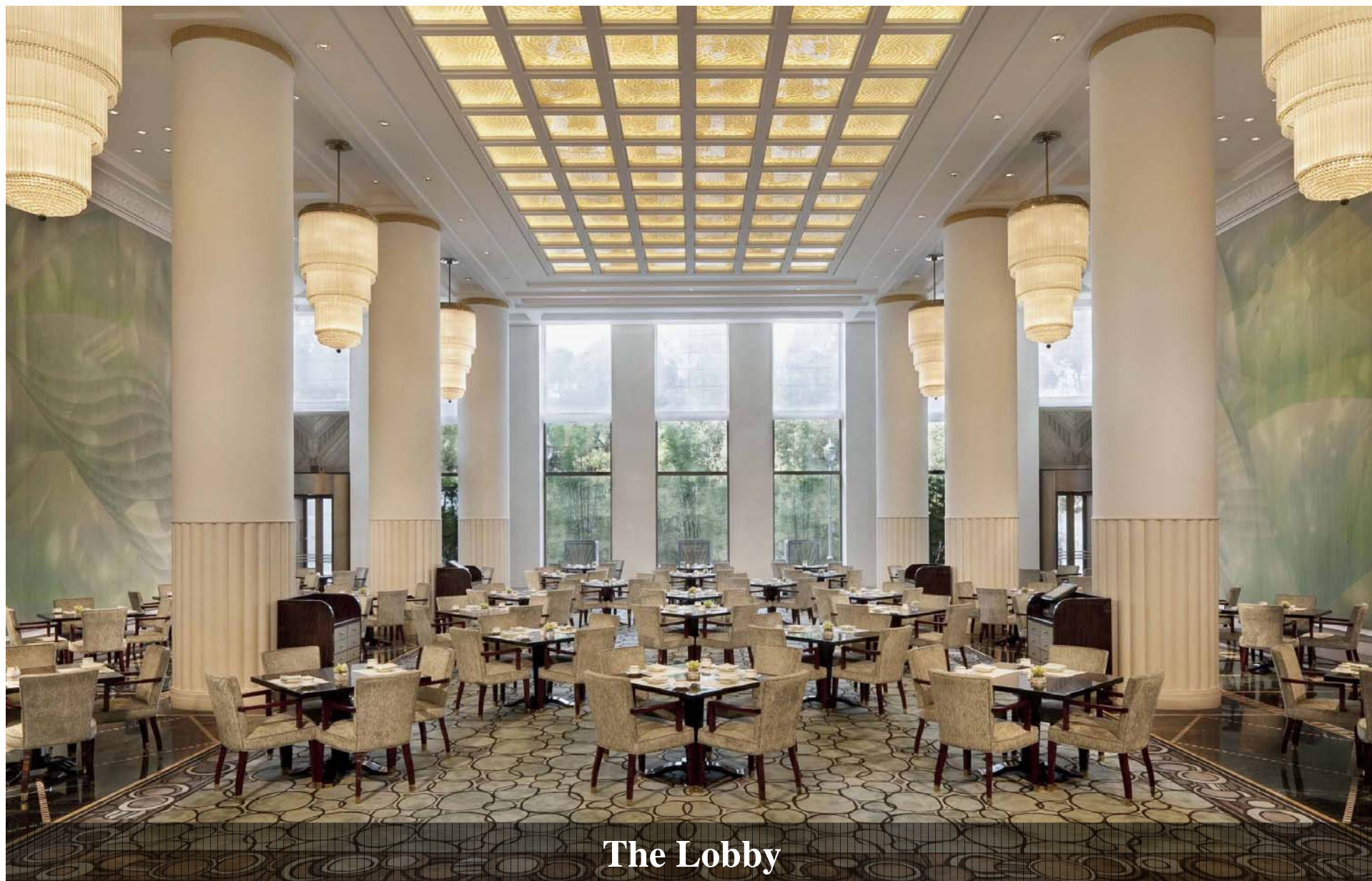
The Newest Jewel on the Bund

THE PENINSULA SHANGHAI



Welcome

THE PENINSULA SHANGHAI



The Lobby

THE PENINSULA SHANGHAI



Reception

THE PENINSULA SHANGHAI



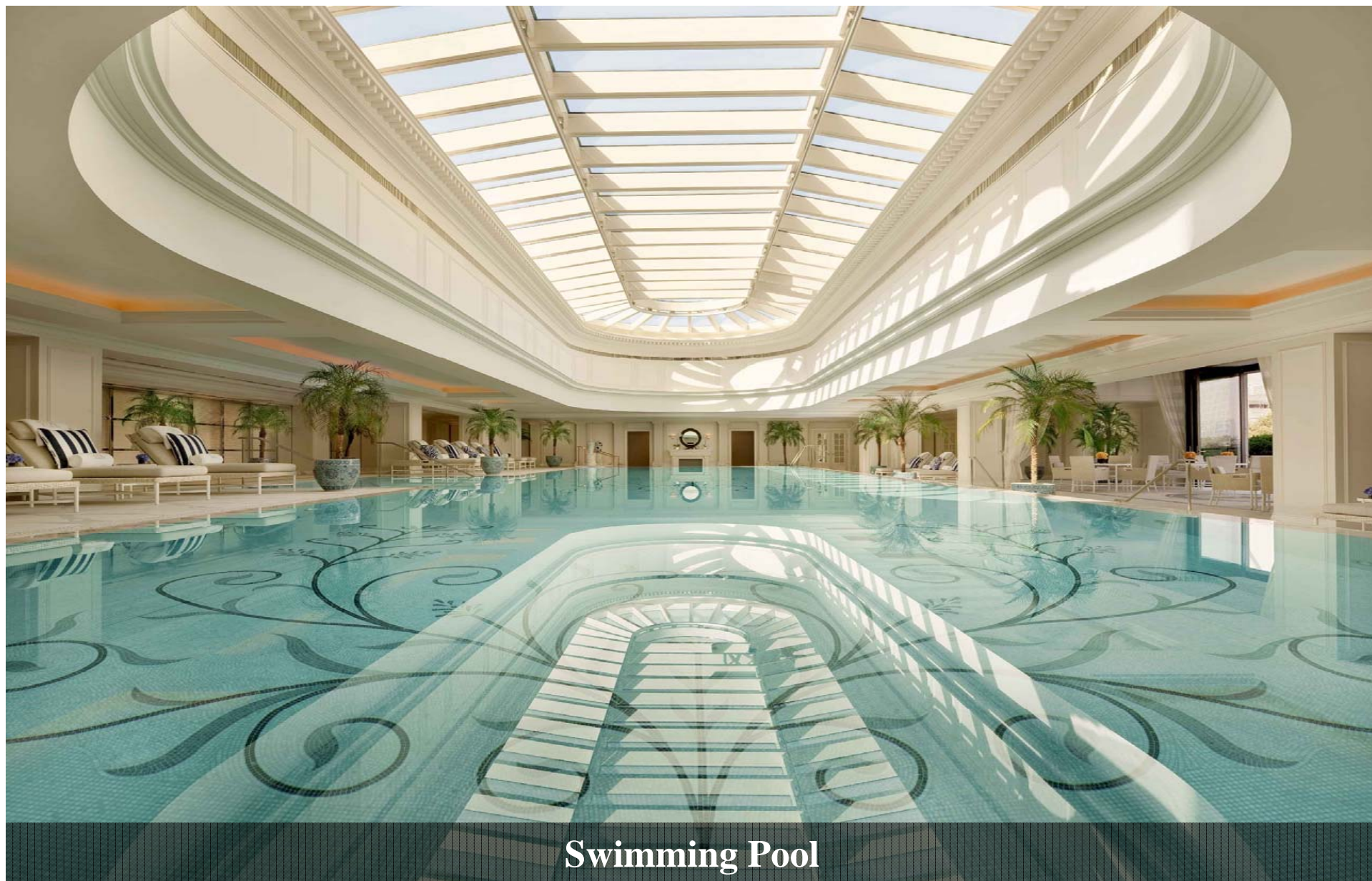
Deluxe River Room

THE PENINSULA SHANGHAI



Grand Deluxe Suite

THE PENINSULA SHANGHAI



Swimming Pool

THE PENINSULA SHANGHAI



Spa

THE PENINSULA SHANGHAI



Salon de Ning

THE PENINSULA SHANGHAI



Yi Long Court

THE PENINSULA SHANGHAI



Sir Elly's

THE PENINSULA SHANGHAI



Rosamonde Aviation Lounge

THE PENINSULA SHANGHAI



Sir Elly's 14.5 Terrace

THE PENINSULA PARIS

- ▣ Formal agreement signed on 20 January 2009
- ▣ Building permit obtained in September 2009
- ▣ Appointment of architect, interior designer and project manager completed
- ▣ Light demolition works underway
- ▣ Scheduled completion in the fall of 2012



MAJOR AWARDS

▣ The Peninsula Group

- ▶ 2009 International Hotel Chains No. 1 (Conde Nast Traveler, USA)
- ▶ 2009 Best Luxury Hotel Brand – Hotel Chains (TTG Travel Awards, UK)

▣ The Peninsula Hong Kong

- ▶ Best Overseas Hotel in the World, Gold List 2009 (Luxury Travel Magazine, Australia)
- ▶ T+L 500 World's Best Hotels No. 1 in Hong Kong and China (Travel & Leisure, USA)

▣ The Peninsula Shanghai

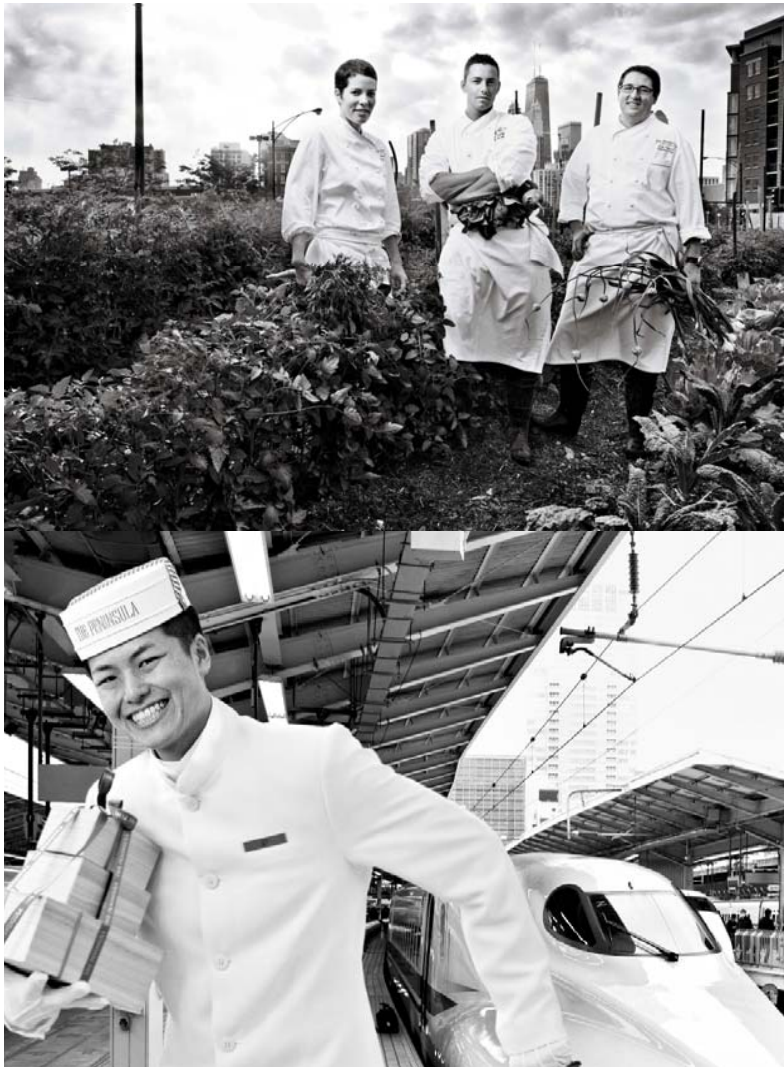
- ▶ 2009 Top Service in the Hotel Industry (World Traveller, China)

▣ The Peninsula Beijing

- ▶ 2009 Gold List (Conde Nast Traveler, USA)
- ▶ No. 1 in Beijing (Travel + Leisure, USA)



MAJOR AWARDS



- **The Peninsula New York**
 - ▶ 2009 AAA Five Diamond Award (USA)
 - ▶ 2010 Five Star Award (Forbes Traveler, USA)
- **The Peninsula Chicago**
 - ▶ T+L 500 World's Best Hotels No. 1 in Chicago (Travel & Leisure, USA)
- **The Peninsula Beverly Hills**
 - ▶ No. 1 in North America (Luxury Travel Advisor, USA)
 - ▶ 2009 Five Star Award (Forbes)
- **The Peninsula Tokyo**
 - ▶ No. 7 - 2009 The World's Best Hotels (Institutional Investor, UK)
 - ▶ Hei Fung Terrace, One Michelin Star (2010 Tokyo Michelin Guide, Japan)
- **The Peninsula Bangkok**
 - ▶ No. 1 Best City Hotel (2008 Gallivanter's Awards for Excellence, UK)



OUTLOOK

- ▣ **Signs of recovery seen towards the end of 2009, especially in HK**
- ▣ **Balance between revenues and costs continues to be a challenge**
- ▣ **Growth prospects expected from the hotels division**
 - ▶ Hotels well positioned in their respective markets
 - ▶ The Peninsula Shanghai - first full year of operation in 2010
 - ▶ The Peninsula Tokyo - advancing to its third full year of operation
 - ▶ The Peninsulas in New York and Manila - well prepared following their extensive renovations
- ▣ **Stabilised contribution from the commercial properties division**
 - ▶ Retail spaces at The Repulse Bay Arcade completely filled following its revitalisation



STRATEGY

- ▣ Sustainable growth and development
- ▣ Human resource development
- ▣ Enhancement of existing assets
- ▣ Development of a small number of iconic Peninsula hotels
- ▣ Long term owner operation and value creation



Thank You



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