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

FOR IMMEDIATE RELEASE **25 AUGUST 2010**

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

Key financial results

- Earnings before interest, tax, depreciation and amortisation increased by 19% to HK$490 million.
- Underlying profit attributable to shareholders increased by 26% to HK$142 million.
- Profit attributable to shareholders increased by 31% to HK$605 million, after including property revaluation gains (net of tax and non-controlling interests).
- Earnings per share and underlying earnings per share of HK$0.41 (2009: HK$0.32) and HK$0.10 (2009: HK$0.08) respectively.
- Shareholders' funds as at 30 June 2010 amounted to HK$23,461 million or HK$15.89 per share (31 December 2009: HK$23,040 million or HK$15.67 per share).
- Adjusted net asset value as at 30 June 2010 amounted to HK$29,345 million (HK$19.88 per share).
- Gearing ratio decreased to 7% (31 December 2009: 8%).
- Interim dividend of 4 HK cents (2009: 3 HK cents) per share.

Milestones

- The Peninsula Shanghai held its grand opening ceremony on 18 March 2010, marking the return of HSH to one of its founding cities after an absence of 55 years. The grand opening of the Arcade within The Peninsula Shanghai was held on 1 July 2010.
- The Peninsula Paris project made steady progress in the first half year and the hotel is expected to open in 2012.
- In May 2010 the Company, through its wholly-owned subsidiary Peninsula of Tokyo Limited, signed bilateral loans of JPY 6 billion each with two international banks. The five-year term loans are principally to refinance the original construction loans for The Peninsula Tokyo, which was opened in 2007.

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THE HONGKONG AND SHANGHAI HOTELS, LIMITED FIRST HALF YEAR OPERATING RESULTS

Hong Kong, 25 August 2010 – The unaudited interim results announced today by The Hongkong and Shanghai Hotels, Limited (HSH) showed positive results for the Group in the first six months of 2010.

Commenting on the Group's interim results, **Managing Director and Chief Executive Officer Mr. Clement K.M. Kwok** said: "The highlight of the first half of 2010 was undoubtedly the grand opening of The Peninsula Shanghai on 18 March 2010. Standing on a magnificent location directly fronting the famous Bund and adjacent to the former British Consulate buildings, the 92,160 square metre complex comprises 235 guestrooms, extensive restaurant, banqueting and other facilities, a high-end retail arcade and a hotel apartment building and provides our Company with a most fitting return to one of its founding cities after an absence of 55 years.

"The Hotels division recorded a 13% increase in revenue compared with the first half of 2009, while occupancies at all of the Peninsula hotels improved as compared to last year. In the Commercial Properties division, occupancies at the Group's principal assets remained largely at full capacity. The various businesses in the Clubs and Services division have all shown improved performance as compared to the same period last year."

The total turnover for the period amounted to HK$2,176 million, up 11% over the same period in 2009. EBITDA (earnings before interest, tax, depreciation and amortisation) increased by 19% to HK$490 million.

After taking into account the increase in fair value of investment properties of HK$547 million (2009: HK$413 million) and the current and deferred tax charges of HK$179 million (2009: HK$116 million), profit attributable to shareholders in the six months amounted to HK$605 million. Our underlying profit attributable to shareholders, which we have calculated by excluding the post-tax effects of the property revaluation surplus and other non-operating items, amounted to HK$142 million (2009: HK$113 million).

Earnings per share and underlying earnings per share were HK$0.41 (2009: HK$0.32) and HK$0.10 (2009: HK$0.08) respectively.

Shareholders' funds increased to HK$23,461 million or HK$15.89 per share. Net borrowings decreased to HK$1,888 million and the Group's gearing ratio decreased to 7%. The Company has also provided a calculation of the adjusted net assets attributable to shareholders, which after taking into account the fair market valuations of hotel properties and golf courses and a write-back of deferred taxation on property revaluation surpluses arising in Hong Kong, amounted to HK$29,345 million or HK$19.88 per share.

The Directors have resolved to pay an interim dividend of 4 HK cents per share (2009: 3 HK cents per share).

Business Overview

Hotels Division

Revenue for the Hotels division in the first six months of 2010 was 13% above the same period last year. Most of the hotels recorded revenue increases exceeding 10%, with the highest increases of 28% and 23% being achieved by The Peninsula Manila and The Peninsula Beijing respectively. Revenue growth was more modest for The Peninsula Chicago and The Peninsula Bangkok, at 3% and 9% respectively.

In Asia, The Peninsula Hong Kong achieved a revenue increase of 12% over the same period last year, driven by higher occupancy and increased business from the corporate and wholesale sectors. The Peninsula Shanghai enjoyed robust business in its rooms and food and beverage operations; the World Expo helped to drive additional business to the hotel. Most of the retail tenants had opened their shops by June, in time for the Peninsula Arcade's formal opening on 1 July 2010. At The Peninsula Beijing, revenue increased by 23% and RevPAR also increased by 35% over the same period last year. Commercial revenues from the Arcade remained strong. In Japan, The Peninsula Tokyo recorded a revenue improvement of 12% with higher occupancy than the same period last year. In Thailand, revenue recorded at The Peninsula Bangkok for January and February 2010 was 25% above the same period last year but business was severely impacted by the political unrest, resulting in a drop in occupancy and average room rates. However, the hotel was able to achieve a 9% increase in year-on-year revenue, helped by strong banquet demand. In The Peninsula Manila, the hotel recorded significant revenue growth of 28% over the same period last year, following completion of renovation in most of the guestrooms and public areas.

In the United States, The Peninsula New York enjoyed a strong second quarter of 2010, resulting in a year-on-year revenue increase of 15%. Business at The Peninsula Chicago saw some improvement also in the second quarter and the hotel ended the first half with a 3% increase in revenue over the same period last year. The Peninsula Beverly Hills saw revenue improved by 16% year-on-year at the hotel, with higher occupancies and improved food and beverage income.

Commercial Properties Division

Turnover from this division was 4% higher than in the first six months of 2009. The HK$28 million revenue increase from the Repulse Bay Arcade, Peak Tower and The Landmark was sufficient to offset the reduced revenue in other residential and office properties. The residential leasing market in Hong Kong continues to consolidate and demand for leasing of The Repulse Bay apartments remains positive.

At The Repulse Bay Complex, turnover was 2% higher than the same period last year. The completion of the Arcade's revitalisation in August 2009 has resulted in an increase in commercial revenue as compared with last year.

At The Peak Complex, turnover from the Peak Tower and St. John's Building increased by 26% and 5% respectively over the same period last year. The Peak Tower remained fully let with higher average rental rates and higher turnover rental than last year. Demand from visitors for the Sky Terrace continued to be strong.

Clubs & Services Division

Revenue from the Clubs and Services division was 8% above the same period in 2009, with higher revenue in all areas. The Peak Tram recorded a 20% higher turnover and 10% more passengers than last year. An increase in visitor arrivals to Hong Kong and an expansion of ticket sales network resulted in passenger numbers increasing to 2.5 million in the first six months of 2010, from 2.3 million in the same period last year.

Revenue from Peninsula Clubs and Consultancy Services was 12% higher than the same period in 2009, with increased revenue from management fees, consultancy fees and Cathay Pacific Lounges, as passenger numbers to the airport lounges have increased.

There has been a 19% increase in revenue in Peninsula Merchandising, which has wholesale and retail merchandise operations in Hong Kong, Japan and other countries. Revenue of Tai Pan Laundry increased by 11% compared to 2009, as lower diesel oil prices and controlled costs have resulted in higher profit levels than in the same period in 2009.

Peninsula Paris Project

The Peninsula Paris, which is 20% owned by the Group in joint venture with Qatari Diar Real Estate Investment Company, is being developed in a century old Beaux Art building located on Avenue Kleber, near the Arc de Triomphe.

This project made steady progress in the first six months of the year. Soft demolition work, which began in June 2009, was completed in April 2010. This was followed by the appointments of design consultants for key areas such as lighting, landscaping, acoustic, signage and purchasing, as well as health and safety. Design of the hotel's interiors, including the public areas, spa and guestrooms, are in progress.

The general contractor for the project has been appointed and major re-development work including installation, ground and structural works will begin in the autumn of this year. The Peninsula Paris is expected to open in 2012 and will be the Group's first hotel in Europe.

Outlook

As previously reported, the occupancies and room rates at all of our Peninsula hotels were significantly adversely affected by the global economic crisis which started in September 2008. By the second half of 2009, our business had started to stabilise and improve and this gradual recovery has continued in the first six months of 2010. Although also affected by the global economic downturn, our commercial properties, which are mainly located in Hong Kong, remained relatively stable during the downturn and their stability has been maintained in the first half of this year.

While we have seen a general improvement across all our businesses in the first half of the year, the outlook for the remainder of 2010 remains uncertain with general concerns about a possibility of a ‘double-dip recession’ and different economic conditions and outlook in the various markets in which we operate.

The bulk of our assets and earnings continue to be based in and derived from Hong Kong, where the economy has remained strong and our trading prospects remain positive due to the proximity of Hong Kong to mainland China. The Peninsula Hong Kong has recovered to trading levels not too far below the same period before the financial crisis in 2008. The Repulse Bay Complex continues to experience a robust level of demand from tenants. Both the Peak Tram and the Peak Tower have maintained a positive momentum of business from inbound tourists.

The Peninsula Shanghai has already been widely recognised as an hotel of exceptional quality and is experiencing strong business, with reservations on the books which indicate this will continue at least until the World Expo finishes at the end of October. The Peninsula Beijing has recovered to a more stable level of business although the luxury hotels market in this city remains over-supplied. The economics of The Peninsula Beijing are strongly supported by its highly successful high-end retail arcade, which as in The Peninsula Hong Kong and The Peninsula Shanghai, is usually fully occupied with the top retail brand names.

Elsewhere in Asia, The Peninsula Tokyo continues to be recognised for its superb product and has improved its business, although room rates continue to be depressed due to the Japanese economy. The Peninsula Manila appears to be heading into a stable economic environment following the recent presidential elections in the Philippines. The Peninsula Bangkok has of course been significantly adversely affected by the political troubles in the country and the emergency rule in Bangkok which remains in place.

In the US, The Peninsula Beverly Hills has recovered to a remarkably strong level of business over the summer. The Peninsula New York has shown some improvement with returning international and financial markets-related business. However, The Peninsula Chicago, which is more dependent on US domestic business, remains well below the pre-crisis levels. Generally, the issue of labour costs remains a major concern in the US, posing challenges for the profitability and margins of our businesses.

In overall terms, our Group remains well-placed to address the economic downturn, with our focus remaining on growing the long term value of our assets. The Peninsula hotels have all been maintained and enhanced to an excellent physical condition and are highly competitive at the top end of the markets which they serve. Our Company remains in a strong financial position with a low level of gearing and we have the resources to grow our brand on the highly selective basis in line with our philosophy.

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About The Hongkong and Shanghai Hotels, Limited (HSH)

Incorporated in 1866 and listed on The Stock Exchange of Hong Kong (00045), HSH is a holding company whose subsidiaries, associates and jointly controlled entity are engaged in the ownership, development and management of prestigious hotel, commercial and residential properties in key locations in Asia, the United States and Europe, as well as the provision of transport, club management and other services. The hotel portfolio of the Group comprises The Peninsula Hotels in Hong Kong, Shanghai, Beijing, New York, Chicago, Beverly Hills, Tokyo, Bangkok, Manila and Paris (opening in 2012). The property portfolio of the Group includes The Repulse Bay Complex, The Peak Tower and The Peak Tramways, St. John's Building, The Landmark in Ho Chi Minh City, Vietnam and the Thai Country Club in Bangkok, Thailand.

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