



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

To: All Finance/Business/Travel Editors

FOR IMMEDIATE RELEASE

20 AUGUST, 2014

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

- On 1 August 2014, the Group's magnificent new property in France, The Peninsula Paris, opened.
- The Group has made significant progress with Grosvenor, its partner in London, on the design and planning for the future development of The Peninsula London.
- On 28 January 2014, the Group announced a definitive conditional shareholders' agreement with its partners Yoma Strategic Holdings Ltd. for the purpose of restoring the former Myanmar Railway Company headquarters into a hotel to be called The Peninsula Yangon.
- Underlying profit attributable to shareholders increased by 73% to HK\$293 million.
- Profit attributable to shareholders amounted to HK\$452 million, after including property revaluation gains (net of tax and non-controlling interests).
- Total revenue increased by 7% to HK\$2,718 million.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by HK\$105 million or 19% to HK\$660 million.
- Earnings per share and underlying earnings per share of HK\$0.30 (2013: HK\$0.56) and HK\$0.19 (2013: HK\$0.11) respectively.
- Interim dividend of 5 HK cents per share (2013: 4 HK cents per share).
- Shareholders' funds as at 30 June 2014 amounted to HK\$35,416 million or HK\$23.41 per share (31 December 2013: HK\$35,105 million or HK\$23.37 per share).
- The overall Group EBITDA margin was 24%.
- Adjusted net assets value as at 30 June 2014 amounted to HK\$38,914 million (HK\$25.72 per share).
- Gearing ratio at 10% (31 December 2013: 10%).

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

Hong Kong, 20 August 2014 – The Hongkong and Shanghai Hotels, Limited (HSH) announced its unaudited interim results today.

Overview

Mr Clement Kwok, Managing Director and Chief Executive Officer of HSH, commented: The past six months has been a very busy and exciting period for the Company's development. I am excited to announce that our magnificent new property in France, The Peninsula Paris, held its soft opening on 1 August 2014. It has taken us more than 20 years to identify an opportunity which we considered to be appropriate for Peninsula's first hotel in Europe and I am delighted that we are now making our entry in one of the most magical cities in the world - Paris.

“We have made significant progress with Grosvenor, our partner in London, on the design and planning for the future development of The Peninsula London. We are also expanding our global presence into one of the world's most exciting emerging markets - Myanmar. In January, we announced a definitive conditional shareholders' agreement with our partners Yoma Strategic Holdings Ltd. for the purpose of restoring the former Myanmar Railway Company headquarters into a hotel to be called The Peninsula Yangon.

Mr Kwok continued: “The operating results for the period were pleasing, with revenue increasing by 7% to HK\$2,718 million and EBITDA increasing by 19% from the previous year to HK\$660 million. Underlying profit increased 73% to HK\$293 million. These results were achieved despite challenging market conditions, with continued intense competition in many of our markets, political instability in Thailand and unusually severe winter weather in the northeast United States during the first quarter. We continue to face the challenge of rising costs, not only from inflation but also as we bring assets back into operation after renovation and expand our offerings and services to cater for increased demand and to continue providing delightful experiences for our guests.”

Outlook

Mr Kwok added: “The strength of our Group continues to emanate from our genuine commitment to the long-term future. This provides the vision and willingness to invest in assets for their long-term value creation and the staying power to ride through shorter-term cycles in the economy without compromising the quality of our products and services. In the volatile economic circumstances that we regularly encounter in today's environment, this commitment has enabled us to make investment and capital expenditure decisions with a very long-term outlook and to maintain our service quality and the continuity of our people. With this in mind, I remain optimistic that we are continuing to chart a course which will maximise the quality and value of our assets and deliver long-term returns to our shareholders.

“Our corporate development and investment strategy continues to focus on the enhancement of our existing assets, seeking opportunities to increase their value through new concepts or improved space utilisation, and the development of a small number of the highest quality Peninsula hotels in the most

prime locations with the objective of being a long-term owner-operator. This is the approach which we believe has enabled us to establish and sustain a brand which is now recognised as possibly the leading luxury hotel brand in the world, thereby creating value in each Peninsula hotel through both asset value appreciation and operational earnings growth.

In 2014 to date, we have seen improvements in most of our key hotel markets, with the exception of the situation in Thailand, although room rates and margins continue to be under pressure from intense competition and increasing costs. We hope to see good pickup in the traditional autumn high season for many of our hotels.

We expect our second half results to be negatively affected by our share of the operating results of The Peninsula Paris following its soft opening on 1 August 2014, as we will open with a full staff establishment whereas it will take time to bring all the guestrooms into inventory and build up our revenues.

The Hong Kong residential sector, on which we rely for the bulk of revenue at The Repulse Bay, is facing a challenging environment this year, with reduced demand from finance professionals and expatriates. We expect this weaker demand to continue for the time being.

We have submitted a proposal to the Hong Kong Government to improve and enlarge the capacity of The Peak Tram for the long-term future. In the meantime, our right to operate The Peak Tram has been extended for another two years to the end of 2015. The long term operating right is under discussion with the government.

Overall, our Company remains in a strong financial position, with the Peninsula brand enjoying recognition as one of the best luxury brands in the world. With our long-term outlook and the exciting new projects we are developing, we remain confident and positive about the future, whilst being ready and able to ride out the shorter term fluctuations in the markets in which we operate.”

DETAILED OPERATING RESULTS ON FOLLOWING PAGES:

Hotels Division

THE PENINSULA HOTELS

Operating Statistics for the six months ended 30 June 2014

	Available Rooms		Occupancy %		ARR (HK\$)		RevPAR (HK\$)	
	2014	2013	2014	2013	2014	2013	2014	2013
Hong Kong (Note 1)	300	186	74	69	5,173	5,639	3,820	3,869
Other Asia (excluding Hong Kong)	1,941	1,941	63	64	2,187	2,131	1,376	1,369
United States of America	772	772	72	71	4,936	4,768	3,554	3,366
Total	3,013	2,899						
Average			66	66	3,282	3,113	2,177	2,062

1. The renovation in The Peninsula Hong Kong was completed in two phases, resulting in 135 rooms being removed from saleable inventory from January to September 2012, followed by 165 rooms from September 2012 to May 2013. This impacts the first half year of 2013 operating statistics in this report.
2. Occupancy rates, Average room rates and RevPAR are weighted averages for the hotels in each grouping.
3. The average room rates and RevPAR include undistributed service charge, which is levied at 10% in Hong Kong and at 15% in China and Japan.

ASIA

The Peninsula Hong Kong	
Revenue	+ 22%
Room Revenue	+ 58%
Available Rooms	+ 60%
RevPAR	- 1%

The Peninsula Hong Kong reported a significant increase in earnings with the hotel being fully operational during the period, as compared to last year when the rooms in the original building were under renovation and were not returned to saleable inventory until May 2013. Although there was a 60% increase in the number of rooms available in the current period as compared with last year, the hotel was able to maintain its RevPAR, resulting in an increase of 58% in room revenue. Our average room rate was the leader in the city during the first half of the year. The in-room technology enhancements that were installed during the renovations have been extremely well-received by guests. We are also making inroads to become established as a preferred hotel in the art community; the Tracey Emin neon installation “My Heart is with You Always”, that was displayed as a laser animation on the hotel facade as part of Art Basel Hong Kong, received significant global and local press coverage. The Office Tower and the Arcade remained fully let with leases being renewed favourably amidst a weakening property market in Hong Kong.

The Peninsula Shanghai	
Revenue	+ 8%
Occupancy	+ 0pp
Average Room Rate	+ 5%
RevPAR	+ 6%

The Peninsula Shanghai has had a positive first half of the year and maintained its position as the city’s market leader for both average room rate and RevPAR, despite intense competition. Domestic travel remained strong and sales initiatives have seen increased visitors from the Middle East. The hotel also achieved satisfactory growth in food and beverage revenue as high-end family banqueting, weddings and events remained strong. The hotel has initiated a variety of promotional and marketing activities with neighbouring buildings to further establish the Waitanyuan area as a destination within Shanghai, so as to increase foot traffic into the hotel outlets and The Peninsula Arcade. We are delighted that The Peninsula Shanghai has received many awards and accolades including the No. 1 Hotel in Mainland China by *Travel + Leisure* World’s Best Awards 2014.

As disclosed in our 2013 annual report, of the 39 apartments within the hotel complex, 19 apartment units were reclassified from “investment properties” to “assets held for sale” during 2013. During the first half of 2014, three apartment units were sold.

The Peninsula Beijing	
Revenue	- 3%
Occupancy	+ 8pp
Average Room Rate	- 14%
RevPAR	- 2%

The Peninsula Beijing is facing a challenging environment with oversupply of hotel rooms, declining international travel and continued impact from pollution. Occupancies overall in the city are growing but rates continue to decline with aggressive packages being offered by hotels at all levels. US visitors are declining although we are seeing an increase in visitors from the domestic markets, particularly Guangdong and Shanghai. Japanese visitors are also returning in increasing numbers. We are in the planning stages of a significant renovation to reconfigure our rooms to improve our competitiveness.

The Peninsula Tokyo	
Revenue	+ 9%
Occupancy	+ 5pp
Average Room Rate	+ 11%
RevPAR	+ 18%

The Peninsula Tokyo experienced a very positive first half. The government's financial stimulus policies continued to contribute to local economic recovery and the depreciation of the yen is making Tokyo more affordable for overseas visitors. There was a significant increase in transient family visitors, particularly from Thailand, Malaysia and Indonesia following visa relaxation policies for those regions. On 1 April 2014, the government announced an increase in consumption tax for the first time in 17 years but we are pleased to note that our property did not report any significant effects. Food and beverage performed strongly, with robust patronage from the local market particularly at weekends. Corporate business has continued to thrive with many visitors from the construction industry visiting Tokyo due to increasing infrastructure development in the city ahead of the 2020 Olympics. With such booming inbound tourism, we are optimistic about Tokyo's outlook in the coming year.

The Peninsula Bangkok	
Revenue	- 32%
Occupancy	- 20pp
Average Room Rate	- 4%
RevPAR	- 38%

The Peninsula Bangkok is seeing some return to normality from mid-July after a very challenging start to the year due to the political unrest. Most government travel warnings have now been relaxed but martial law remains in place which has deterred some overseas visitors and has seen our MICE (Meetings, Incentives, Conferences and Exhibitions) business dropping significantly. We are working together with the eight hotels along the river to collaborate and promote Bangkok Riverside as a destination for tourists and MICE. Construction has started on a high-end multipurpose shopping mall, Icon Siam, next door to our property which we believe will enhance our guests' retail experiences when it is completed in 2017. We were delighted to receive strong recognition from *Travel + Leisure* magazine as the No. 2 hotel in Asia in their World's Best 2014 Awards.

The Peninsula Manila	
Revenue	- 7%
Occupancy	- 2pp
Average Room Rate	- 6%
RevPAR	- 9%

The Peninsula Manila reported a stable first six months, with revenue in local currency terms level with the same period last year. Various bans on local airlines were lifted for the EU and US and new routes opened up to Australia and the Middle East, significantly boosting traffic. Japan tourist arrivals to the Philippines are increasing rapidly. The Hong Kong travel ban was recently lifted after being implemented following the Manila hostage tragedy in 2010. The rise of the middle class in the Philippines is having a significant effect on our business as domestic travellers now make up our second largest group. Major conferences such as The World Economic Forum were held in Manila, boosting investor confidence. Our corporate responsibility and sustainability activities are very strong and we are delighted to report that The Peninsula's global campaign for charity, *Hope for the Philippines*, raised more than US\$900,000. Renovations have taken place in the club lounge, and we are currently renovating the Old Manila fine dining restaurant.

USA

The Peninsula New York	
Revenue	+ 10%
Occupancy	+ 1pp
Average Room Rate	+ 3%
RevPAR	+ 4%

The Peninsula New York experienced a challenging start to the year with unusually severe winter weather and snowstorms, which dampened both business and leisure travel significantly. However, we were able to recover in the second quarter with a general relaxation in ten-year visa applications which attracted more visitors from Europe and the Middle East and led to New York being considered as a top city destination for families. We are planning for the construction of an additional Grand Suite to be able to attract more business delegations and celebrities who require these larger suites. Our corporate business has seen a satisfactory rebound with good business from the banking industry. We are pleased to report that the new *Clement* restaurant has received several very positive reviews from New York's top restaurant critics.

The Peninsula Chicago	
Revenue	- 5%
Occupancy	- 0pp
Average Room Rate	- 4%
RevPAR	- 4%

The Peninsula Chicago had a challenging start to the year, with the city suffering from the coldest winter in its history and more than 15,000 flights having to be cancelled in the first two months. High demand in the second quarter was offset by the weaker performance in average room rates and

the additional 2,000 new hotel rooms in the market compared to last year, which also affected occupancy rates. We opened a Sky Rink for the second year which proved very popular and helped to raise more than US\$20,000 for two children’s charities from skaters’ donations. Disney on Ice partnered with the hotel and with Oprah Winfrey’s chef Art Smith as part of First Lady Michelle Obama’s “Let’s Move” campaign to teach young children about the importance of healthy eating and staying active. The Peninsula Chicago’s renovation, which includes the latest generation of in-room technology systems, is projected to commence in mid-December 2014.

The Peninsula Beverly Hills	
Revenue	+ 13%
Occupancy	+ 5pp
Average Room Rate	+ 8%
RevPAR	+ 14%

The Peninsula Beverly Hills had a tremendous first half of the year, with very strong occupancy, increased average room rate and further strengthening of the hotel’s position as No. 1 in RevPAR in the city. These results are particularly impressive coming after a record year in 2013. The international travel market was robust, with a significant percentage of guests coming from the Middle East and Australia. The Peninsula Beverly Hills has gained market share in the fashion and entertainment segments as we have been focusing on attracting new customers from these industries. We are particularly pleased that the hotel has been able to grow market share given its already very strong RevPAR position. We were delighted to have been voted as the No. 1 Hotel in California by Travel + Leisure’s World’s Best Awards 2014.

Commercial Properties Division

Commercial Properties		
The Repulse Bay Complex	Revenue	+ 5%
The Peak Tower	Revenue	+ 18%
St. John's Building	Revenue	+ 18%
The Landmark	Revenue	- 6%
1-5 Grosvenor Place	Revenue	n/a
21 avenue Kléber	Revenue	n/a

The Repulse Bay Complex is a premier residential property and offers one of the finest and most enjoyable living environments in Hong Kong. In the first six months, The Complex reported 5% higher revenue due to increased rental income following the renovation of the de Ricou apartment tower. This tower now comprises 34 unfurnished apartments and 15 serviced apartments with significantly improved layouts and interior design, and was the first in Hong Kong to be awarded the prestigious LEED Gold Award in the Alteration and Addition category. The operating results were pleasing in light of the general weakening of the property market in Hong Kong. It is expected that the high-end residential property market will continue to see weaker demand, especially from the finance sector and other corporate clients. We were delighted that The Repulse Bay was voted Best Residential Complex in *Southside Magazine* Readers Choice Awards, with reasons cited as “fabulous view, convenient location 15 minutes’ drive from the city and five minutes’ walk from the beach, and award-winning restaurants and services”.

The Peak Tower and **St. John's Building** were fully let during the period and both properties reported revenue growth of 18%. The Peak Tower generates most of its revenue from commercial leasing, with additional revenue coming from tourist entrance fees to the open-air rooftop attraction of Sky Terrace 428 with its panoramic views of Hong Kong. In May, we launched a new promotional campaign video titled "Rendezvous at the Peak" to encourage more local residents to visit.

The Landmark in Ho Chi Minh City, Vietnam, which is a mixed-use commercial building comprised of serviced apartments and office and retail space, reported a decline in revenue of 6% due to increasing competition in the market and partly due to the renovation which temporarily resulted in fewer available apartments in the Complex. With around 4,200 new units planned to enter the market in the next five years, we expect the Vietnam serviced apartment market to remain challenging.

The Group's new commercial properties of **1-5 Grosvenor Place** in London and **21 avenue Kléber** in Paris, which were acquired during 2013, contributed revenues of HK\$20 million and HK\$10 million respectively. Together with Grosvenor, we are seeking planning permission to demolish the existing building of 1-5 Grosvenor Place and redevelop it into The Peninsula London hotel and residential complex. We target to commence demolition and construction during 2016. We are currently evaluating the best use for 21 avenue Kléber as the current tenant will be vacating at the end of the year.

Clubs and Services Division

Clubs & Services		
The Peak Tram	Revenue	+ 5%
The Peak Tram	Patronage	+ 3%
Thai Country Club	Revenue	- 23%
Quail Lodge & Golf Club	Revenue	+ 36%
Clubs & Consultancy	Revenue	+ 0%
Peninsula Merchandising	Revenue	- 19%
Tai Pan Laundry	Revenue	+ 13%

The various businesses in the Clubs and Services division showed mixed performances for the six months ended 30 June 2014.

The Peak Tram revenue was 5% higher than the same period last year and patronage increased by 3%. Revenue at **Peninsula Merchandising** was 19% lower than the same period last year, owing to lower retail volumes in Hong Kong in general and a reduced number of Japanese travellers. The **Thai Country Club** was affected by political instability and travel advisories by various governments, resulting in revenue declining by 23% over the same period last year.

Peninsula Clubs & Consultancy Services revenue was in line with the same period last year due to the renovation of parts of the Cathay Pacific lounge portfolio at Hong Kong International Airport.

The hotel portion of **Quail Lodge & Golf Club** re-opened in March 2013 after a three-year closure and a complete refurbishment. It continues to build its rooms business and we are delighted to report

an increase in revenue of 36% over the same period last year. The Quail Motorcycle Gathering has become a mecca for the motorcycling industry with more than 2,000 visitors in May and we are looking forward to the property's 50th anniversary and The Quail: A Motorsports Gathering to be held later in the summer.

Tai Pan Laundry's revenue increased 13% over the same period last year as a result of the increased volume of laundry.

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About The Hongkong and Shanghai Hotels, Limited (HSH)

Incorporated in 1866 and listed on the Hong Kong Stock Exchange (00045), The Hongkong and Shanghai Hotels, Limited is the holding company of a Group which is engaged in the ownership, development, and management of prestigious hotels and commercial and residential properties in key locations in Asia, the United States and Europe, as well as the provision of tourism and leisure, club management and other services. The Peninsula Hotels portfolio comprises The Peninsula Hong Kong, The Peninsula Shanghai, The Peninsula Beijing, The Peninsula Tokyo, The Peninsula Bangkok, The Peninsula Manila, The Peninsula New York, The Peninsula Chicago, The Peninsula Beverly Hills, and The Peninsula Paris. Projects under development include The Peninsula London and The Peninsula Yangon. The property portfolio of the Group includes The Repulse Bay Complex, The Peak Tower and St. John's Building in Hong Kong; The Landmark in Ho Chi Minh City, Vietnam; 1-5 Grosvenor Place in London, UK, and 21 avenue Kléber in Paris, France. The clubs and services portfolio of the Group includes The Peak Tram in Hong Kong; Thai Country Club in Bangkok, Thailand; Quail Lodge & Golf Club in Carmel, California; Peninsula Clubs and Consultancy Services, Peninsula Merchandising, and Tai Pan Laundry in Hong Kong.

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