



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

3 August 2018

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

- Revenue grew by 10% to HK\$2,850 million (2017: HK\$2,596 million) and EBITDA grew by 18% to HK\$664 million (2017: HK\$561 million)
- Including our share of associates and a joint venture, revenue and EBITDA amounted to HK\$3,118 million and HK\$720 million respectively (2017: HK\$2,847 million and HK\$630 million)
- Profit attributable to shareholders amounted to HK\$644 million (2017: HK\$519 million), inclusive of net property revaluation gain of HK\$391 million (2017: HK\$359 million)
- Earnings per share increased by 24% to HK\$0.41 (2017: HK\$0.33)
- Underlying profit* increased by 41% to HK\$255 million (2017: HK\$181 million)
- Our balance sheet remains strong with 12% net debt to total assets and we have 10.9 times cash interest cover
- Interim dividend of 5 HK cents per share (2017: 4 HK cents per share)
- Shareholders' funds as at 30 June 2018 amounted to HK\$38,610 million (31 December 2017: HK\$38,175 million) or HK\$24.03 per share (31 December 2017: HK\$24.02 per share)

* *Underlying profit is calculated by excluding the post-tax effects of unrealised property revaluation movements and other non-operating items*

HSH'S 2018 INTERIM RESULTS

Hong Kong, 3 August 2018

The Hongkong and Shanghai Hotels, Limited today announced its interim results for 2018.

We are pleased to report a positive set of results for the first half of 2018, with improvements recorded across most markets in which we operate and some strong operational performances, in particular in our key market of Hong Kong. We are optimistic for the overall outlook for the luxury travel and tourism sector for the remainder of 2018.

Our company continues to be steadfast in its commitment to the long term, improving and developing our assets and operations to ensure a sustainable future. The continued focus of our efforts is on enhancing the quality of our existing assets and operations whilst improving our overall financial performance. We have put an increased emphasis on digital marketing and technology transformation, and we are focused on the continued development of our new hotel projects in London, Istanbul and Yangon, as well as the expansion of the Peak Tram.

Our company is dedicated to further strengthening its brand and recognition as one of the world's finest luxury hotel groups. We are promoting our employer brand with the objective of hiring and training talented people who have the potential to become our future leaders. It is our people who are at the heart of our brand and who have helped us build and operate Peninsula hotels which are regarded as being among the best in the world, and I am most grateful for the continued efforts of my team.

Within the context of our long-term strategy and in the light of the global market uncertainties, the operating results for the period in review were pleasing. Group EBITDA increased by 18% to HK\$664 million for the first six months of 2018, and the Group's combined EBITDA, including its effective share of EBITDA of associates and joint ventures, increased by 14% from the previous year to HK\$720 million. Underlying profit increased by 41% to HK\$255 million.

Hotels Division

Hotels	Revenue 2018 HK\$m	Variance YoY	
		In HK\$	In Local Currency
Consolidated Hotels			
The Peninsula Hong Kong	660	+9%	+9%
The Peninsula Beijing	153	+65%	+53%
The Peninsula New York	331	+6%	+6%
The Peninsula Chicago	265	+6%	+6%
The Peninsula Tokyo	434	+8%	+4%
The Peninsula Bangkok	146	+27%	+15%
The Peninsula Manila	116	-2%	+3%
Non-consolidated Hotels			
The Peninsula Shanghai	306	+10%	+2%
The Peninsula Beverly Hills	296	-8%	-8%
The Peninsula Paris	280	+17%	+6%

Asia

The Peninsula Hong Kong		Variance YoY
Revenue	HK\$660m	+9%
Occupancy		-1pp
Average Room Rate		+23%
RevPAR		+22%

The Peninsula Hong Kong is celebrating its 90th anniversary in 2018 and we are delighted that the hotel was recognised as “Best City Hotel in Hong Kong” by *Travel + Leisure* 2018 World’s Best Awards. Overnight tourist arrivals to Hong Kong increased by 6% in the first half of 2018 and we believe the tourism market outlook is robust for the second half, which is Hong Kong’s traditional peak season. The Peninsula Hong Kong reported a significant increase in average rate and RevPAR for the first six months, driven by strong suite sales, guest direct business and changes to our rate strategy. Business from long-haul markets such as the US, UK and Middle East recorded solid year-on-year gains. Our food and beverage division performed strongly, with most restaurants enjoying increased patronage and higher average spend. *Spring Moon* has benefited from its Michelin star rating for the second year in a row and our signature Peninsula Afternoon Tea continued to attract queues on a daily basis in *The Lobby*. The luxury retail market is still recovering and recent momentum is positive. The Peninsula Arcade was 88% occupied with a number of new tenants and renewals successfully signed. We were honoured to host the “Botero Sojourn” from May 2018 until the end of the year, which is a collection of sixteen iconic paintings and sculptures from the famous Colombian artist Fernando Botero.

The Peninsula Shanghai		Variance YoY
Revenue	RMB249m	+2%
Occupancy		0pp
Average Room Rate		+3%
RevPAR		+3%

The Peninsula Shanghai remained the RevPAR and average rate leader in our competitive set for the first half of 2018, driven by a large number of suite bookings and high-end groups, particularly during the Shanghai Film Festival which was held in June 2018. We have expanded our presence in Chinese social media to attract additional guests through online platforms, including WeChat and DianPing, and as a result we have seen strong growth from the domestic Chinese mainland market during the first half of 2018. We were delighted that *Sir Elly’s Terrace* at The Peninsula Shanghai was the only bar in mainland China to be recognised as one of “The 10 Best Rooftop Bars in the World” by *Condé Nast Traveler* in May 2018, and The Peninsula Shanghai remained the only hotel in mainland China to have two restaurants with Michelin stars. The Peninsula Arcade was 89% occupied in the first half and recent leasing momentum has been positive. No.1 Waitanyuan, the former British Consulate building located adjacent to the hotel which has been fully managed and operated by The Peninsula Shanghai since 2017, has diversified its service offerings and increased its food and beverage revenue.

The Peninsula Beijing		Variance YoY
Revenue	RMB124m	+53%
Occupancy		+14pp
Average Room Rate		-11%*
RevPAR		+16%

* compared to 110 rooms in 1H 2017

The Peninsula Beijing has undergone a complete transformation with an extensive renovation converting its previous 525 rooms into 230 elegant suites, which are the largest in Beijing and among the most spacious luxury hotel rooms in China. Following the renovation we were delighted to be included in the 2018 *Condé Nast Traveler Hot List*, an elite selection of the best hotel openings from the past year. The hotel’s RevPAR and occupancy showed positive growth year-on-year, and for the last several months we have been the rate leader in our competitive set. We are focusing on driving diplomatic and high-level groups business and have welcomed some heads of state to the hotel in the first six months. We have launched new marketing campaigns to promote our food and beverage business and in June 2018 the new rooftop bar *YUN Summer Lounge* opened, offering sweeping city views. The Peninsula Arcade has retained most of its top luxury tenants and has welcomed new luxury brands to the Arcade. We were delighted to receive the first-ever BREEAM “good” certification in Beijing for a newly renovated building, which is a significant achievement aligned with our strategy to promote sustainable luxury. 2018 marks Turkish Tourism Year in China and The Peninsula Beijing is supporting the occasion through our appreciation of art: over the course of the year, the hotel will be welcoming four renowned Turkish artists to take up residency at the hotel and showcase their work.

The Peninsula Tokyo		Variance YoY
Revenue	JPY6.01b	+4%
Occupancy		+2pp
Average Room Rate		+5%
RevPAR		+8%

The Peninsula Tokyo was awarded first place in the “Top 10 City Hotels” in the 2018 *Travel + Leisure World’s Best Awards* for the second consecutive year. The first six months of 2018 were positive with improved RevPAR positioning, average rates and increased occupancy. This was due to our strategy to drive suite occupancy, which was particularly successful during the peak *sakura* (cherry blossom) season in February and March. Domestic travel was slightly softer although this was offset by increased business from the US, United Arab Emirates and Thailand, and the Chinese mainland business also remained strong. *Peter* restaurant performed well, and we have implemented an exciting collaboration with four award-winning Japanese artisan chefs during a limited edition culinary series which was well received by guests.

The Peninsula Bangkok		Variance YoY
Revenue	THB592m	+15%
Occupancy		+11pp
Average Room Rate		-1%
RevPAR		+15%

The Peninsula Bangkok is celebrating its 20th anniversary in 2018 and is offering 20 immersive cultural experiences for guests throughout the year, ranging from a sunset helicopter journey and golf at Thai Country Club, to Thai wellness and spirituality experiences. The hotel reported a strong recovery in the first half of 2018 with double digit growth in RevPAR and occupancy, following the end of the one-year mourning period for His Majesty King Bhumibol Adulyadej of Thailand. We welcomed increasing numbers of visitors from the Chinese mainland, Japan, Singapore and Australia and our strategy continued to focus on driving MICE (Meetings, Incentives, Conferences and Exhibitions) business and suite bookings. Food and beverage performed well with double-digit revenue growth, with strong business at *Thiptara* and *the River Café & Terrace*.

The Peninsula Manila		Variance YoY
Revenue	PHP771m	+3%
Occupancy		+5pp
Average Room Rate		+1%
RevPAR		+8%

The Peninsula Manila experienced an improved first half of 2018 with RevPAR, occupancy and average rates increasing over the same period last year. The country's economy continues to grow. We reported almost double the number of Chinese mainland visitors compared to the same period in 2017 and increased visitors year-on-year from the Japan, Australia, India and Korea markets. A shift in rate strategy focusing on guest direct and the domestic market has helped business during the first six months of the year. To celebrate biodiversity, organic local produce and sustainable seafood, our fine dining restaurant *Old Manila* partnered with local Holy Carabao Farms to create a series of signature dining experiences that celebrated the best of Philippine cuisine, which was well received by guests.

US

The Peninsula New York		Variance YoY
Revenue	US\$42m	+6%
Occupancy		+1pp
Average Room Rate		+4%
RevPAR		+5%

The Peninsula New York is celebrating its 30th anniversary in 2018 and has designed a series of 30 curated experiences for guests, including a partnership with Rolls-Royce Motor Cars to launch their new 2018 Phantom in April 2018, and a “Summer Social” at the hotel’s rooftop bar, *Salon de Ning*. The results for the first six months of 2018 were positive compared to the same period over the previous year, which is a creditable result in the light of intense competition in New York City. The Middle East market segment continues to be impacted by travel restrictions and this remains a concern for the second half of the year. We continued to drive food and beverage revenue and saw strong growth at *Clement* restaurant. Throughout the remainder of 2018, as part of the 30th anniversary celebrations, we will be displaying a curated art exhibition celebrating artists who were prominent in the 1980s. The exhibition, installed throughout the public spaces of the hotel, features a collection of original works of Andy Warhol, Francesco Clemente, Keith Haring, Jean-Michel Basquiat and Barbara Kreuger.

The Peninsula Chicago		Variance YoY
Revenue	US\$34m	+6%
Occupancy		+3pp
Average Room Rate		+5%
RevPAR		+11%

The Peninsula Chicago reported positive results in the first half of 2018, maintaining its position as RevPAR and average rate leader in its competitive set in the city, following the completion of the hotel’s major renovation in April 2016. We were delighted to open a stunning new rooftop bar, *Z Bar*, in June 2018, which brings together exciting new concepts, skilled industry leaders and expert hosting skills. The reaction from guests and media has been very positive.

We remain optimistic for the second half, when our hotel will continue its participation in EXPO Chicago, an annual international contemporary art exhibition which attracts thousands of visitors. Our “Keys to the City” programme, which provides guests with special access to Chicago’s top restaurants and tourist attractions, has proven popular with guests.

The Peninsula Beverly Hills		Variance YoY
Revenue	US\$38m	-8%
Occupancy		-5pp
Average Room Rate		-5%
RevPAR		-11%

We were delighted that **The Peninsula Beverly Hills** was once again voted “The Best Hotel in the US” by *Global Traveler* magazine and remains the only AAA Five Diamond and Forbes Five Star-rated hotel in Southern California, an accolade it has achieved every year since 1993. The hotel reported a drop in average rates, occupancy and RevPAR over the previous year, which was in line with the market and partially due to increased competition with the opening of a new five-star luxury hotel in the immediate vicinity of our hotel. However, we have a loyal clientele with a high rate of return and we will continue to nurture long-term relationships with our guests. The travel bans as well as political tension in the Middle East region has led to decreased business from this traditionally strong market. We are controlling costs and implementing strategies to attract group business from other markets such as Australia and Europe to counteract and minimise the impact. In April, we completed a redesign of the hotel’s 195 guest rooms and furnishings, and entered into a new partnership with BMW of North America which offers guests the use of a BMW vehicle during their stay. As part of our sustainability strategy, since April 2018, the hotel has offered complimentary valet parking to all drivers of zero-emission electric vehicles.

Europe

The Peninsula Paris		Variance YoY
Revenue	EUR30m	+6%
Occupancy		+3pp
Average Room Rate		-2%
RevPAR		+5%

The Peninsula Paris reported a better first half of 2018, with increased RevPAR and occupancy over the previous year, despite intense competition in the luxury sector. Food and beverage revenue was robust, particularly from the rooftop restaurant *L’Oiseau Blanc* which offers 360-degree views over Paris and is the location for numerous high-profile events, as well as *Le Bar Kléber*. The recent geopolitical developments in the Middle East have added uncertainty to our business from that region although we welcomed increasing business from Qatar and United Arab Emirates to offset the decline from Saudi Arabia. In collaboration with The Peninsula Beverly Hills, The Peninsula Paris initiated a “Made in California” culinary adventure for summer 2018, taking inspiration from healthy Californian culinary trends and healthy eating principles.

Commercial Properties Division

Commercial Properties	Revenue HK\$m	Variance YoY	
		In HK\$	In Local Currency
The Repulse Bay Complex	313	+1%	+1%
The Peak Tower	100	+3%	+3%
St. John's Building	27	+3%	+3%
The Landmark	20	+1%	+1%
21 avenue Kléber	12	n/a	n/a

The Repulse Bay Complex performed satisfactorily in the first six months of 2018 as we saw a stabilisation of the luxury residential market in Hong Kong. We believe The Repulse Bay, with its beautiful ocean views and convenient access to the city, is one of the finest luxury residential properties in Hong Kong, and we have seen satisfactory rental renewals despite the soft market across the city. Food and beverage revenue remained flat in the first half and we are implementing summer promotions and packages to drive business. We opened a new outdoor terrace, *breeze*, in early 2018 to take advantage of beautiful views across the bay. We are also exploring a variety of collaborations together with The Peninsula Hong Kong to drive revenue.

The Repulse Bay Shopping Arcade, which offers an eclectic blend of lifestyle amenities, health and wellness facilities and boutiques, was 88% occupied. We are actively seeking the right mix of tenants to suit the residential community and we have taken positive steps to fill the vacant spaces.

The Peak Tower was almost fully leased in the first six months of 2018 and revenue grew by 3%. The Peak Tower generates its revenue from commercial leasing and from admission fees to the open-air rooftop attraction Sky Terrace 428 with its panoramic views of Hong Kong. Visitor numbers to Sky Terrace 428 performed strongly in the first half.

St John's Building, located at the lower terminus of the Peak Tram, was fully let during the first half and revenue increased by 3% over the same period last year.

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 an increase in revenue in local currency terms, despite a highly competitive market situation in Ho Chi Minh City.

The renovation of **21 avenue Kléber** was completed in 2017. The property offers a convenient location immediately adjacent to The Peninsula Paris on Avenue Kléber, in a chic neighbourhood a short walk from the Arc de Triomphe. The building has been restored in keeping with its heritage, preserving the spacious terraces and a large courtyard while opening up and modernising the internal space into contemporary offices. The property has achieved international BREEAM Excellent and HQE Outstanding environmental certifications which are the highest level of sustainable building assessments in Europe. We have successfully leased the entire office and one of the two retail spaces to tenants and the search for the remaining commercial tenant is in progress.

Clubs and Services Division

Clubs and Services	Revenue HK\$m	Variance YoY	
		In HK\$	In Local Currency
Peak Tram	67	+7%	+7%
Thai Country Club	35	+16%	+6%
Quail Lodge & Golf Club	56	+7%	+7%
Peninsula Clubs & Consultancy Services	2	-6%	-6%
Peninsula Merchandising	32	+6%	+6%
Tai Pan Laundry	27	+1%	+1%

The Peak Tram is one of Hong Kong's most popular tourist attractions and is celebrating its 130th anniversary in 2018 with a variety of promotional initiatives and community outreach. Revenue increased 7% in the first half, driven by improving tourist arrivals, particularly from India, Thailand and the Philippines, as well as a strategy to sell "combination" tickets for the Peak Tram and Sky Terrace 428. The Peak Tram is a unique experience for visitors, however, we recognise the long queues to board during peak hours can be a source of frustration for visitors and we are working to improve their experience and comfort. To further enhance passengers' experience and reduce waiting time, we are investing in a new ticketing system and a full upgrade of the Peak Tram system and facilities. Extensive planning, design and preparation has already been carried out with the support of numerous consultants and the Hong Kong Government. Full details of the upgrade plan, which involves an investment of HK\$680m, are expected to be released later this year, subject to approval by the Hong Kong Government.

Thai Country Club, which is located near Bangkok, recorded a positive first half of the year due to increasing visitors, strong food and beverage revenue and increasing sales of memberships, as well as a strategy to control expenses. We were delighted to host the Thailand Open again in June 2018 which has helped to maintain the club's exposure and recognition. We have implemented some cross-marketing initiatives with The Peninsula Bangkok to drive awareness of the club.

Quail Lodge & Golf Club reported a positive first half of the year with revenue increasing by 7%. This was due to marketing strategies to drive strong last-minute bookings, as well as improved golf membership sales and golf rounds. *The Quail Motorcycle Gathering*, a Peninsula Signature event, continues to grow in popularity with more than 2,000 visitors in May. This complements the very successful *The Quail: A Motorsports Gathering* event, which occurs in August and has become one of the world's leading events for classic car aficionados. *The Quail: A Motorsports Gathering* attracts more than 5,000 visitors and brings the Peninsula brand to the attention of car collectors and enthusiasts.

Peninsula Clubs & Consultancy Services manages prestigious clubs in Hong Kong including The Hong Kong Club, Hong Kong Bankers Club and The Refinery (formerly Butterfield's). The Refinery opened at the end of 2017 after a significant renovation.

Revenue at **Peninsula Merchandising** was 6% higher than the same period last year, driven by new marketing campaigns, increased business at The Peninsula Boutique at Hong Kong International Airport and various pop-up promotions in leading retail outlets in Hong Kong. Peninsula Merchandising has implemented a strategy of a broader product range and seasonal promotions, which requires an initial investment in operating costs but is expected to lead to a long-term increase in earnings as well as a broader earnings base. In June 2018 we undertook a new brand relaunch, "A Journey to Treasure", which we expect will improve brand awareness and help drive sales.

Tai Pan Laundry reported a small increase of revenue year-on-year to HK\$27 million, although higher diesel costs impacted the business overall. The division has implemented a number of new marketing initiatives and sales approaches to drive corporate business.

Projects

The Peninsula London

In 2013, our group purchased a 50% interest in the lease of 1-5 Grosvenor Place in Belgravia, central London, for a cash consideration of £132.5 million. In 2016 HSH acquired the remaining 50% from our partner Grosvenor Estates for an additional cash consideration of £107.5 million, thereby assuming 100% ownership. Grosvenor will remain as the landlord under the 150-year lease.

This property is in a spectacular location overlooking Hyde Park Corner, the Wellington Arch, Green Park and the gardens of Buckingham Palace. We are developing a high-quality 189-room hotel and 26 luxury residential apartments. The final project budget is in the region of £650 million.

Construction is well underway on the site, with demolition complete and a number of cranes on site working on the foundations and superstructures. The hotel and apartments will set new standards for luxury and service and we believe they will be the finest in the London market when complete, currently scheduled for 2021. Preparation for the sales of the 26 luxury residential apartments in London are underway.

The Peninsula Istanbul

In July 2015, we entered into a joint venture partnership with Doğu Holding and BLG, of which HSH has a 50% share, for a proposed hotel development in Istanbul, Turkey.

The partners agreed to jointly develop the property with an investment commitment of approximately €300 million, of which HSH is responsible for 50% or approximately €150 million. Construction is in progress and with the challenges of dealing with the heritage buildings and some unforeseen site conditions, the expected construction completion date is now scheduled for end 2020.

There will be approximately 180 rooms in this waterfront property, most of which will have sweeping views of the Bosphorus, as well as views across to Istanbul's famous old town. The Peninsula Istanbul will form part of the wider Galataport project being developed by our partners, which incorporates a promenade, museums, art galleries, restaurants, boutiques, retail units, parks and public spaces for the local community as well as a cruise passenger terminal with global standards.

We believe Istanbul is a destination with exciting long-term growth potential for business and leisure travel. However, we continue to monitor the economic, political and security situation in Turkey in the short term.

The Peninsula Yangon

The Company entered into an agreement with Yoma Strategic Holdings in January 2014 to acquire a 70% majority interest for a proposed hotel development on the site of the former headquarters of the Myanmar Railway Company in central Yangon, Myanmar with all conditions satisfied in February 2017. The hotel will be renovated to become The Peninsula Yangon and will be adjacent to a mixed-use development called Yoma Central, previously known as the Landmark Development. We will also receive fees on the sale and management of The Peninsula Residences Yangon, the luxury residential apartments being developed by our partners, adjacent to the hotel.

The Peninsula Yangon will have 88 guestrooms and suites with high ceilings, surrounded by garden terraces and tropical landscaped gardens with an outdoor swimming pool.

The Group's overall investment will be around US\$126 million, including the value of the leasehold interest and estimated development costs. We look forward to continuing to work with our partners to complete this project by 2021.

Human Resources

Attracting talent and developing our people is a key focus for HSH. As part of our Human Resources five-year strategy, one of our key priorities in 2018 is to continue to attract and develop talent, and with this in mind we are placing an increased emphasis on developing our employer brand for the Group. We continued to improve employee experience and engagement, including a focus on wellness and mindfulness in the workplace with a new "WOW" (Wisdom on Wellness) campaign. We are proud to have a family culture that inspires loyalty and long service, and in the first half of 2018 we reported a voluntary staff turnover rate of 10% which compared favourably with the industry. We are continually striving to reduce the turnover rate amongst our "millennial" (under-30) staff through better onboarding programmes and bespoke development opportunities, including work cross-exposure in our global properties. Our Corporate Management Trainee programme is designed to attract talented hospitality and business graduates who have shown potential to become our future leaders.

As of 30 June 2018, there were 7,598 full time employees in the Group.

Sustainable Luxury

We recognise that there is a perceived divide between the notion of luxury and the principles of sustainability. To bridge this divide can be challenging. However, we believe that attention to detail and quest for quality will help us to innovate by making sustainability part of the appeal of our luxury offering. We continue to witness longer-term trends such as environmental and social impacts becoming more significant in the eyes of our stakeholders. It is essential that we address these challenges strategically. Our global Sustainable Luxury Vision 2020 is in response to this, emphasising the need to have a positive social, economic and environmental benefit on the local communities in which we operate, and we believe businesses have a responsibility to take action. In line with this strategy, we were delighted to announce that we are banning plastic straws in our operations from November 2018. This is a step in our strategy to transition away from single-use plastics by 2020 through reduction, replacement with sustainable alternatives and increased recycling. Overall, we saw good progress, achieving over 80% of our commitments, as we continued to focus our efforts in the three key areas of "Our Guests, Our People, and Our Cities".

Outlook

The strength of our group continues to emanate from our genuine focus and commitment to long-term value creation. This provides the vision and willingness to make decisions that are in the best long-term interests of the Company and its shareholders and the staying power to ride through shorter-term cycles in the economy. In the volatile economic, political and social circumstances that we see today, this approach 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 pursue a course which will maximise the value of our assets and operations and deliver appropriate risk-adjusted returns to our shareholders over time.

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 terms of shorter-term outlook, in our core market of Hong Kong, the tourism and high-end retail markets are improving and the high-end residential leasing market is stable. We continue to seek to strengthen these businesses by providing high quality products and services and we believe this differentiation, together with our long-term relationships with many of our guests and tenants, will support our business. We remain cautiously optimistic for the remainder of the year.

We are also seeing a relatively stable outlook in the US, Japan and the Chinese mainland. We are committed to maximising the growth potential of The Peninsula Beijing following its major renovation which has transformed the hotel into a completely new product. We are, however, watching the impact of travel policies and geopolitical developments on our business from the Middle East which has been affecting our US properties. It continues to be a challenge to manage our cost base and profit margins while maintaining and enhancing the quality of both our physical assets and our services. This is a balance that we constantly work on with good support and understanding from our operational managers.

Looking to the longer term, according to the World Travel and Tourism Council (WTTC) the global travel and tourism industry is expected to grow at above global GDP rates for the next decade. This is in spite of an uncertain global economy, political uncertainty, and increasing competition for the hotel industry in the form of private accommodation online aggregators. To remain competitive against such aggregators, we are taking steps to enhance our appeal to discerning guests who are searching for a bespoke, tailored travel experience. We will also continue to monitor uncertainties in the markets in which we operate in the short to medium term.

Overall, our company remains in a strong financial position, and the core operations are performing satisfactorily. With our long-term outlook and the exciting new projects that 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.

About The Hongkong and Shanghai Hotels Limited (HSH)

Incorporated in 1866 and listed on The Stock Exchange of Hong Kong (00045), HSH is the holding company of a Group which is 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 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 New York, The Peninsula Chicago, The Peninsula Beverly Hills, The Peninsula Paris, The Peninsula Bangkok, and The Peninsula Manila. Projects under development include The Peninsula London, The Peninsula Istanbul 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; 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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