

2010 Annual Results



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

Analysts Presentation

22 March 2011



THE HONGKONG AND SHANGHAI HOTELS, LIMITED
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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 2010

- ▣ Recovery in the global hospitality markets towards 2008 pre-crisis levels
- ▣ Inflationary pressures remain on operating and other costs, resulting in continued pressure on margins
- ▣ Performance has varied between different markets, with strength in Greater China but recovery lagging in some parts of the US and Japan
- ▣ Financial position as at 31 December 2010 remained strong with gearing lowered to 5%
- ▣ The Peninsula Shanghai held its grand opening gala in March 2010 and achieved no. 1 ARR and RevPAR in the city
- ▣ The Peninsula Paris commenced construction work in September 2010
- ▣ Phased renovation plans for major upgrades of The Peninsula Hong Kong and The Repulse Bay approved for 2011 - 2013



SUMMARY RESULTS

HK\$ million	2009 <i>(restated)</i>	2010	Increase
Turnover	4,218	4,707	12%
EBITDA	924	1,143	24%
EBITDA Margin	22%	24%	2pp
Operating profit	586	794	35%
Non-operating items	1,977	2,048	4%
Taxation	(96)	(225)	134%
Profit attributable to shareholders	2,660	3,008	13%
EPS (HK cents)	182	204	12%
Underlying profit	323	408	26%
Underlying EPS (HK cents)	22	28	27%

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



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INCOME STATEMENT

HK\$ million		2009 <i>(restated)</i>	2010	Change %
Revenue				
- Hotels		3,180	3,576	12%
- Commercial Properties		637	688	8%
- Clubs & Services		401	443	10%
		<u>4,218</u>	<u>4,707</u>	<u>12%</u>
		<u><u>4,218</u></u>	<u><u>4,707</u></u>	<u><u>12%</u></u>
	EBITDA margin			
EBITDA	2009	2010		
- Hotels	14%	17%	432	40%
- Commercial Properties	66%	65%	418	8%
- Clubs & Services	18%	20%	74	20%
	22%	24%	<u>924</u>	<u>24%</u>
			<u>1,143</u>	<u>24%</u>
Depreciation		(338)	(349)	3%
Operating Profit		586	794	35%
Net financing charges		(86)	(108)	26%
Share of net income of PSH		285	526	85%
Non-operating items		1,977	2,048	4%
		<u>2,762</u>	<u>3,260</u>	<u>18%</u>
Taxation		(96)	(225)	134%
		<u>2,666</u>	<u>3,035</u>	<u>14%</u>
Less: non-controlling interests		(6)	(27)	350%
Profit attributable to shareholders		<u>2,660</u>	<u>3,008</u>	<u>13%</u>
		<u><u>2,660</u></u>	<u><u>3,008</u></u>	<u><u>13%</u></u>



TAXATION

HK\$ million	2009 <i>(restated)</i>	2010	Change %
Current tax	120	140	17%
Deferred tax:			
Increase/(decrease) in net deferred tax liabilities in respect of valuation gains/(losses) of overseas investment properties	(46)	26	n/a
Increase in net deferred tax liabilities relating to other temporary differences	22	59	168%
	(24)	85	n/a
Net tax charge in the income statement	96	225	134%



UNDERLYING PROFIT

HK\$ million	2009 <i>(restated)</i>	2010
	<u> </u>	<u> </u>
Profit attributable to shareholders	2,660	3,008
Increase in fair value of investment properties	(1,998)	(1,938)
Reversal of impairment losses	-	(110)
Share of property valuation adjustment of a jointly controlled entity, net of tax	(315)	(614)
Other non-operating items	21	-
Tax and non-controlling interests attributable to non-operating items	<u>(45)</u>	<u>62</u>
Underlying profit	<u>323</u>	<u>408</u>
Underlying EPS (HK\$)	<u>0.22</u>	<u>0.28</u>

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



CASH FLOWS

HK\$ million	2009	2010	Change %
Net cash generated from operating activities	761	1,019	34%
Capital expenditure	(269)	(276)	3%
Net financing charges and dividends	(177)	(149)	(16%)
Recurring cash inflow after normal capex, financing charges and dividends	315	594	89%
Investment in the Paris project	(1,044)	-	n/a
Purchase of 7.5% non-controlling interest in PCH	(91)	-	n/a
Exchange and other movements	2	32	-
Net cash inflow/(outflow) before financing activities	(818)	626	n/a



CAPITAL EXPENDITURE 2010

HK\$ million	<u>2009</u>	<u>2010</u>
Hotels	159	180
Commercial properties	103	61
Clubs and services	<u>7</u>	<u>35</u>
Total	<u><u>269</u></u>	<u><u>276</u></u>



NET ASSET VALUE

	<u>As at 31/12/2009 (restated)</u>		<u>As at 31/12/2010</u>		<u>Change %</u>
	<u>HK\$m</u>	<u>Per share value (HK\$)</u>	<u>HK\$m</u>	<u>Per share value (HK\$)</u>	
Net assets	26,147	17.79	29,103	19.66	11%
Fair market value of hotels and golf courses, net of related deferred tax and non-controlling interests	<u>2,424</u>	<u>1.65</u>	<u>2,785</u>	<u>1.89</u>	<u>15%</u>
Adjustment net assets attributable to shareholders	<u>28,571</u>	<u>19.44</u>	<u>31,888</u>	<u>21.55</u>	<u>12%</u>



FINANCING

HK\$ million	<u>2009</u>	<u>2010</u>
Total committed facilities	5,005	5,491
Utilised	<u>(3,825)</u>	<u>(4,332)</u>
Available bank facilities	1,180	1,159
Cash at banks and in hand	<u>1,835</u>	<u>2,658</u>
Available funding	<u>3,015</u>	<u>3,817</u>

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

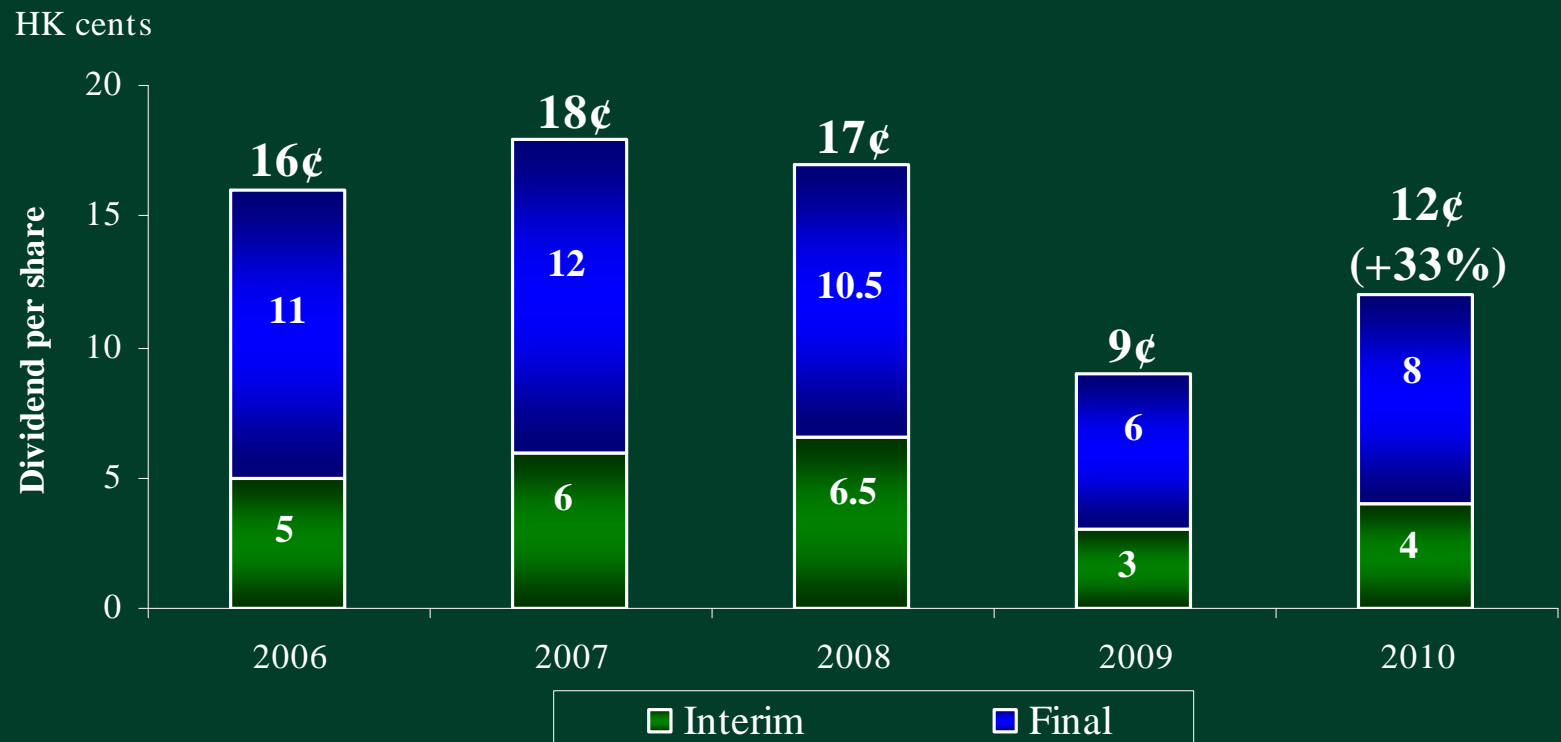


FINANCIAL RATIOS

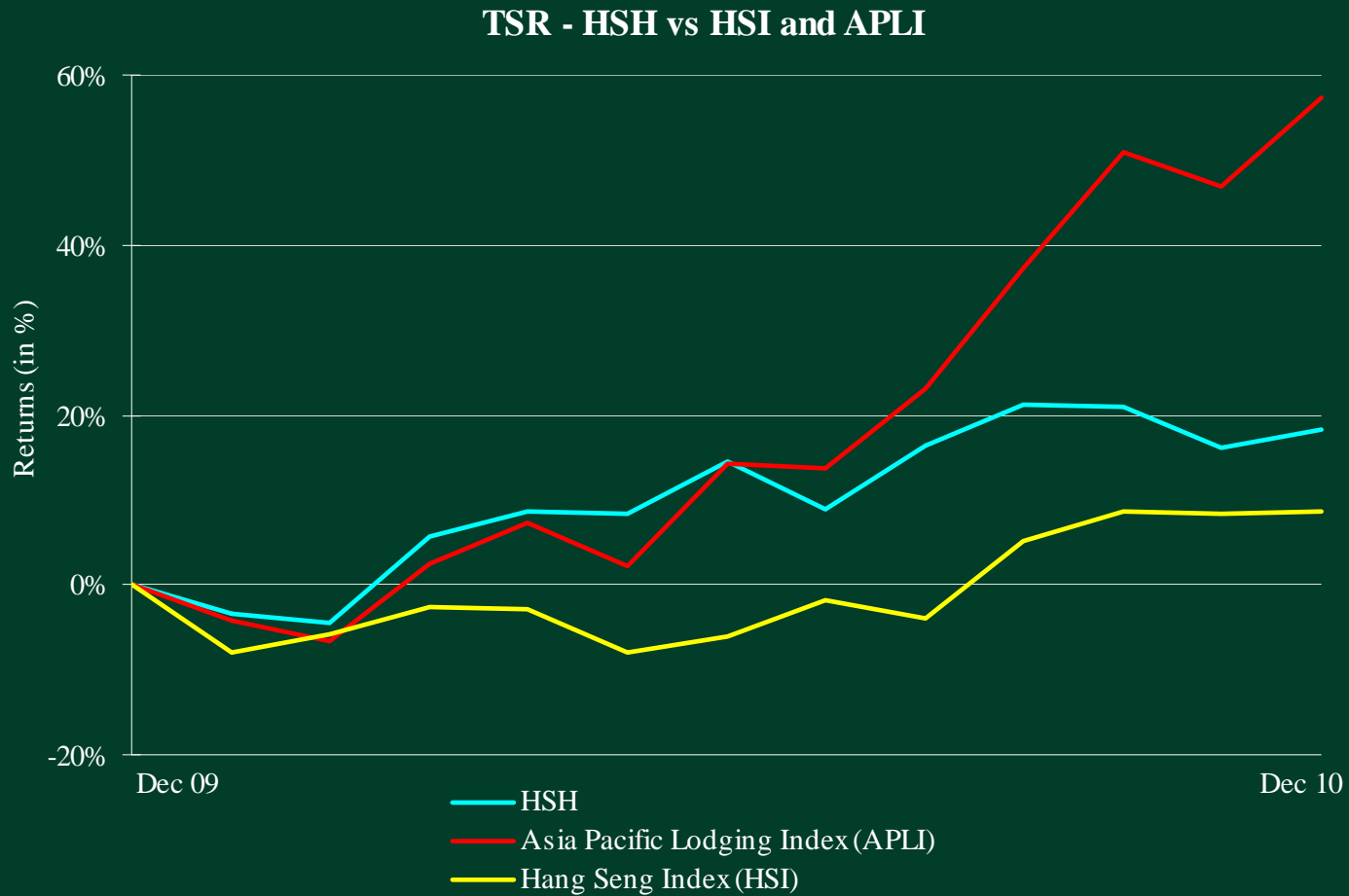
HK\$ million	2009	2010
Gross borrowing	3,825	4,332
Cash at banks & in hand	1,835	2,658
Net borrowing	1,990	1,674
 Net debt: EBITDA	 2.2 times	 1.5 times
 Net gearing	 7%	 5%
 Weighted average gross interest rate	 3.2%	 3.2%
 Interest cover		
- Gross	5.8 times	6.0 times
- Net	6.8 times	7.4 times



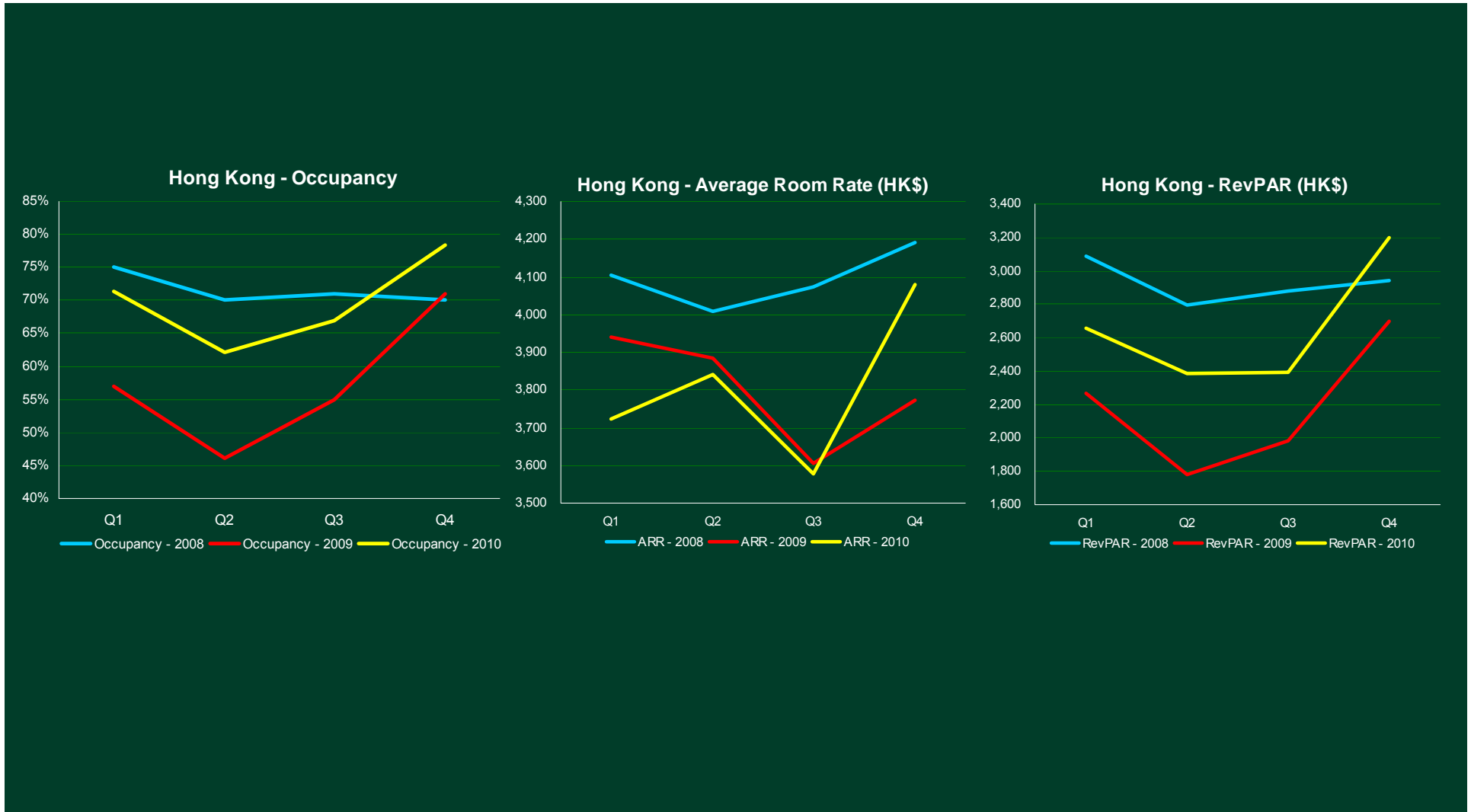
DIVIDEND HISTORY



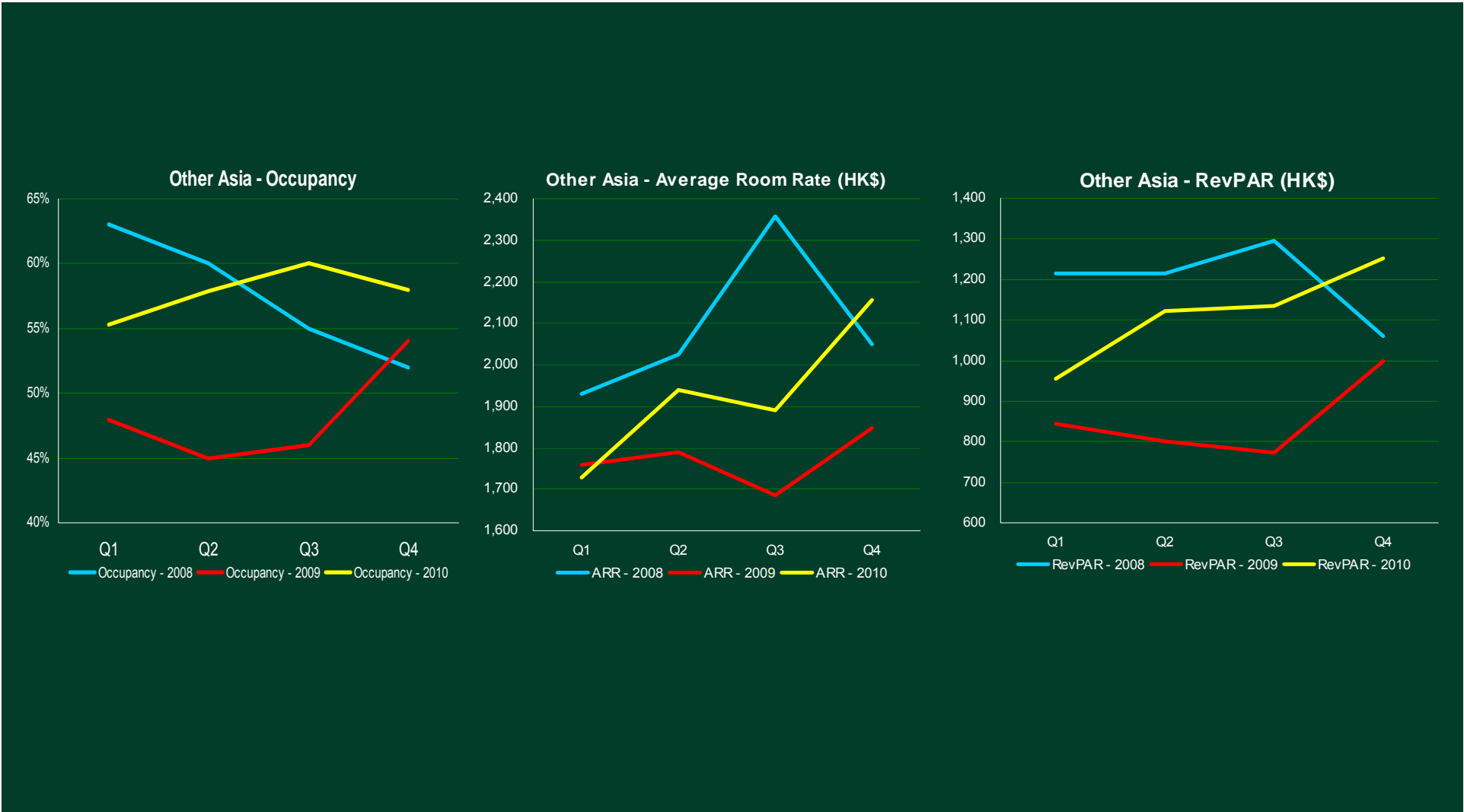
TOTAL SHAREHOLDER RETURN



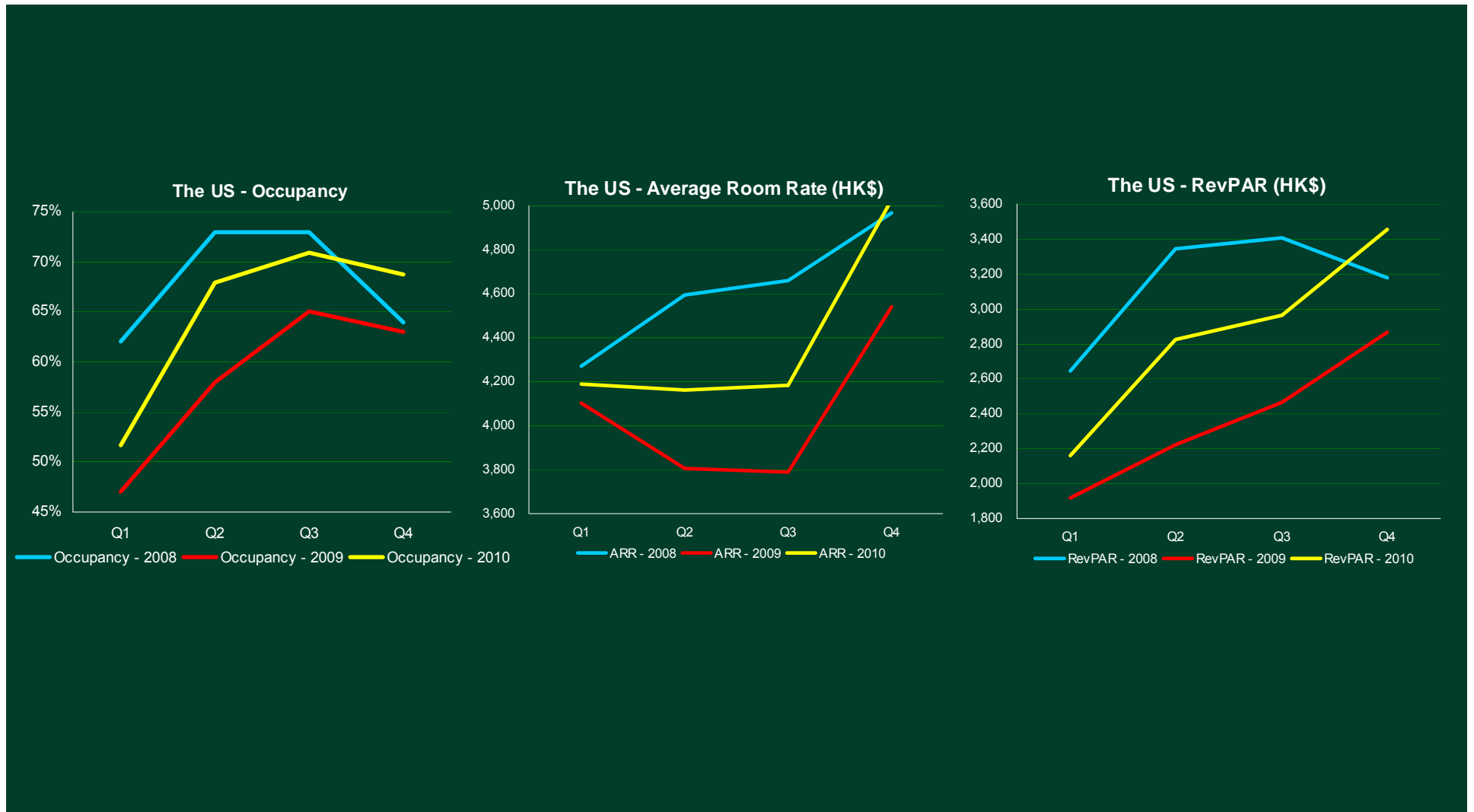
HOTEL PERFORMANCE – HONG KONG



HOTEL PERFORMANCE – OTHER ASIA

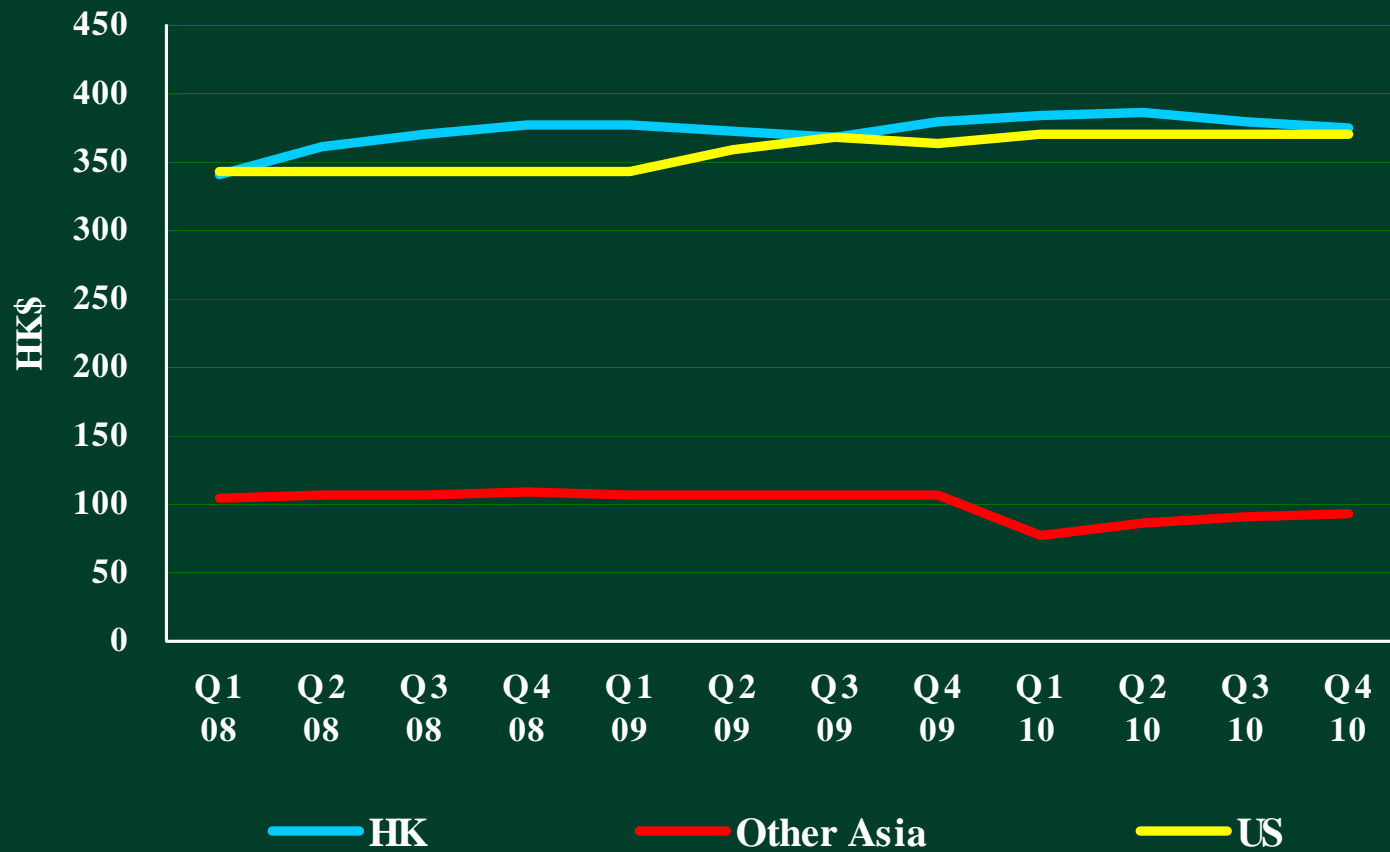


HOTEL PERFORMANCE - USA



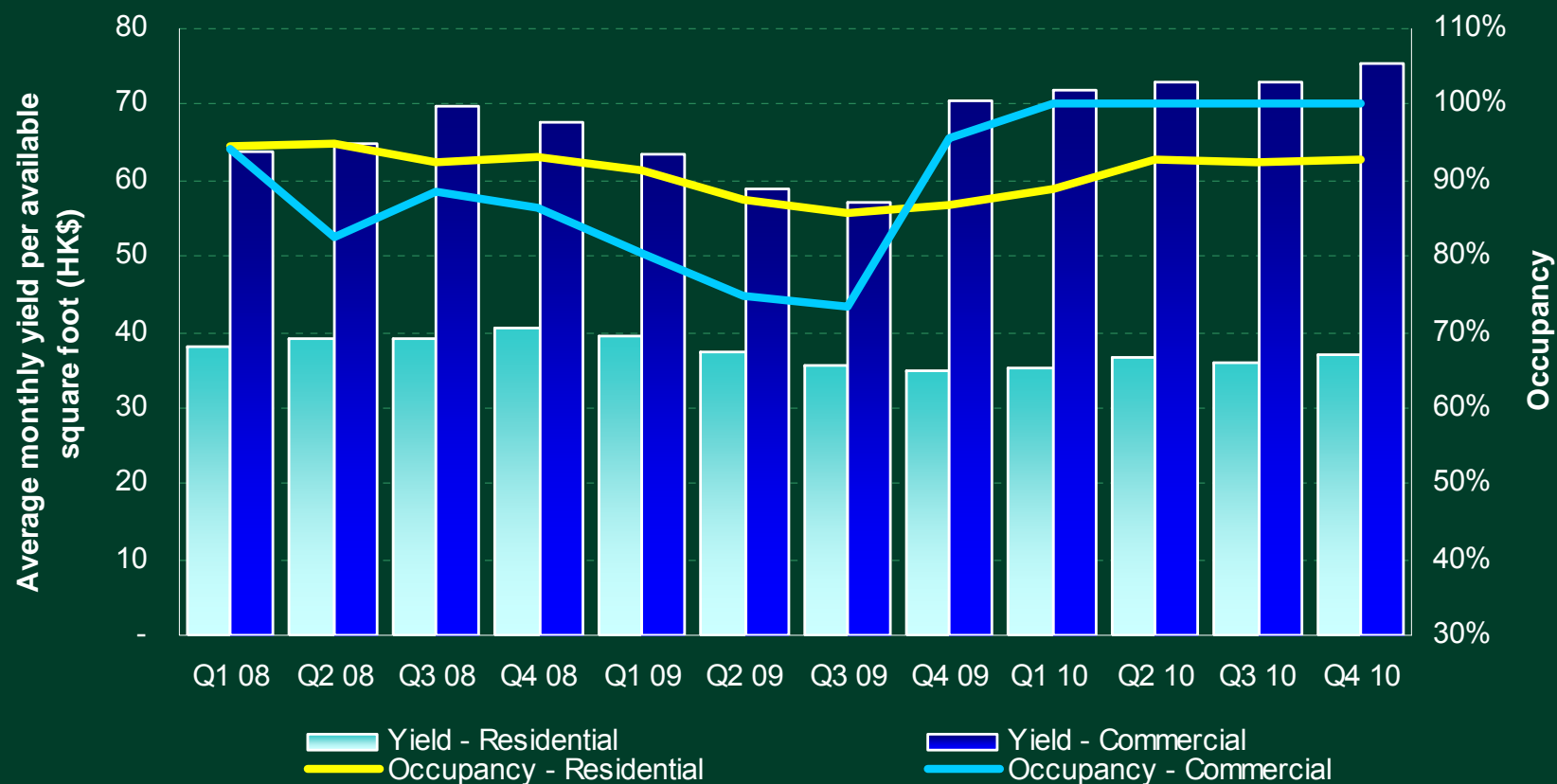
HOTEL SHOPPING ARCADES

Average yield per available square foot



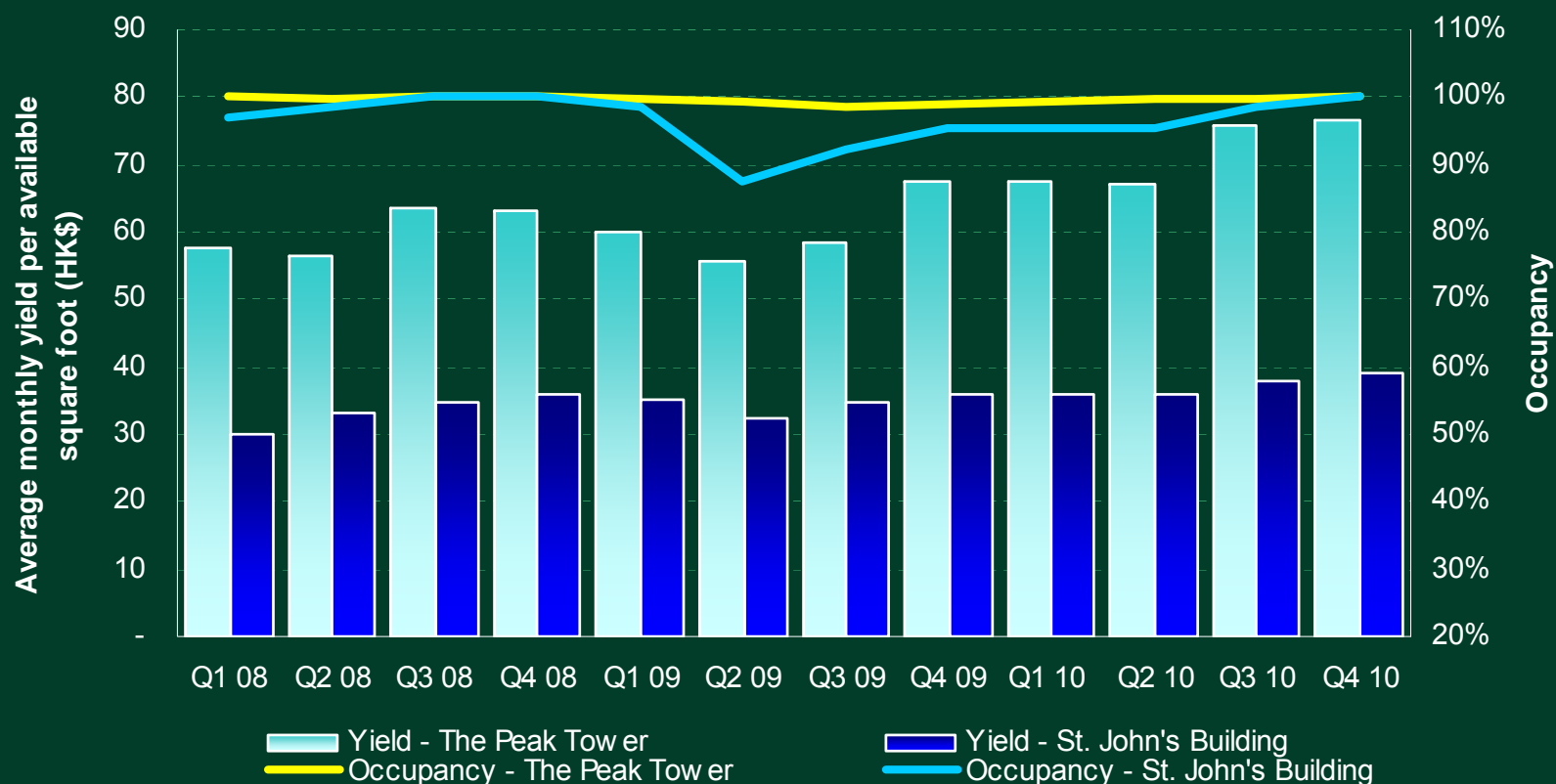
COMMERCIAL PROPERTIES – THE REPULSE BAY

The Repulse Bay - Occupancy & Yield



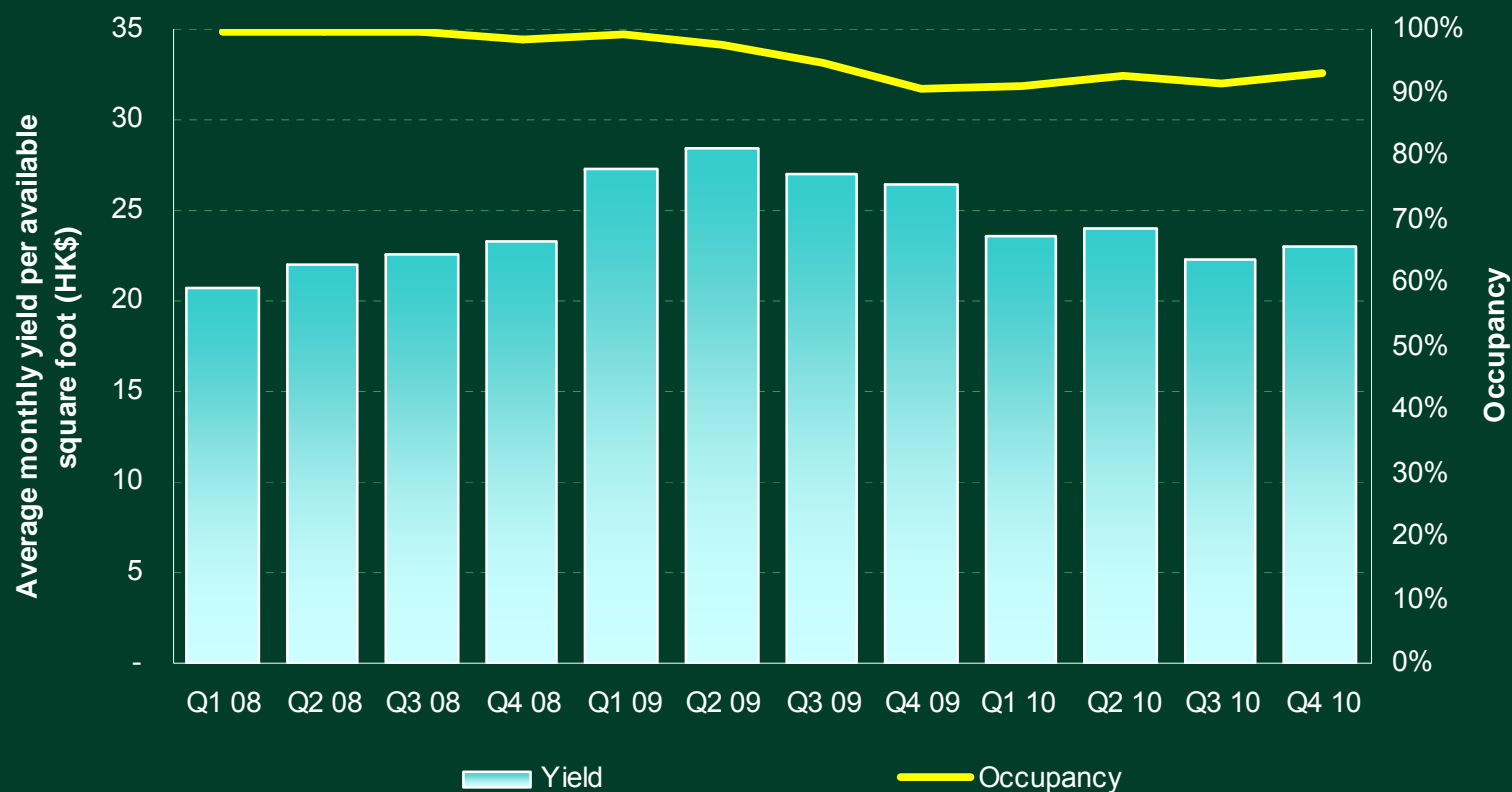
COMMERCIAL PROPERTIES – THE PEAK COMPLEX

The Peak Complex - Occupancy & Yield



COMMERCIAL PROPERTIES – THE LANDMARK

The Landmark, Vietnam - Occupancy & Yield



CLUBS AND SERVICES DIVISION

- ▣ **The Peak Tram: revenue up 20% to HK\$95 million, with number of passengers increased by 11% to 5.4 million**
- ▣ **Clubs and consultancies: revenue up 13%, mainly due to increased number of passengers at the Cathay Pacific Lounges**
- ▣ **Peninsula Merchandising: revenue up 27% to HK\$95 million**
- ▣ **Tai Pan Laundry: revenue up 14% to HK\$33 million**
- ▣ **Thai Country Club: revenue increased 12% to HK\$58 million**



DEVELOPMENT – PLANNED ENHANCEMENTS

▣ The Peninsula Hong Kong

- ▶ Guestrooms refurbishment of HK\$450 million
- ▶ Expected completion in the 1st quarter of 2013

▣ The Repulse Bay Complex

- ▶ Residential public area upgrade and de Ricou reconfiguration of HK\$731 million
- ▶ Expected completion by the 3rd quarter of 2013



THE PENINSULA PARIS

- ❑ Soft demolition work completed in April 2010
- ❑ General contractor appointed in July 2010
- ❑ Interior designs for public areas and guestrooms at advanced stage
- ❑ Scheduled for completion in 2013



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OUTLOOK

- ▣ **Long term commitment to asset value enhancement**
- ▣ **Continued recovery in some markets, especially HK and China where the bulk of our assets are based**
- ▣ **Balance between revenues and costs continues to be a challenge**
- ▣ **Significant efforts will be made in improving service quality and efficiency**
- ▣ **Emphasis on sustainable development**
- ▣ **Earthquake in Japan**



Thank You



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