

2010 Interim Results



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

Analysts Presentation

25 August 2010



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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.



FINANCIAL HIGHLIGHTS

■ HSH

- ▶ Turnover up 11% to HK\$2,176m
- ▶ EBITDA up 19% to HK\$490m and EBITDA margin increased by 2% to 23%

■ HOTELS

- ▶ Revenue and EBITDA up 13% and 38% to HK\$1,650m and HK\$227m respectively

■ COMMERCIAL PROPERTIES

- ▶ Revenue and EBITDA both up by 4% to HK\$335m and HK\$227m respectively
- ▶ Revaluation gain at HK\$547m

■ CLUBS & SERVICES

- ▶ Revenue and EBITDA up by 8% and 33% to HK\$191m and HK\$36m respectively



SUMMARY RESULTS

HK\$ million	For the 6 months ended		Increase/ (decrease)
	30 Jun 2010	30 Jun 2009	
Turnover	2,176	1,962	11%
EBITDA	490	411	19%
EBITDA Margin	23%	21%	2pp
Profit before non-operating items and taxation	251	182	38%
Non-operating items	547	398	37%
Taxation	(179)	(116)	54%
Profit attributable to shareholders	605	462	31%
EPS (HK cents)	41	32	28%
Underlying profit	142	113	26%
Underlying EPS (HK cents)	10	8	25%

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	For the 6 months ended		Increase/ (decrease)
	30 Jun 2010	30 Jun 2009	
Revenue			
- Hotels	1,650	1,464	13%
- Commercial Properties	335	321	4%
- Clubs & Services	191	177	8%
	<u>2,176</u>	<u>1,962</u>	11%
EBITDA			
	EBITDA margin		
- Hotels	14%	11%	227
- Commercial Properties	68%	68%	227
- Clubs & Services	19%	15%	36
	23%	21%	<u>490</u>
			<u>411</u>
			19%
Depreciation	(170)	(182)	(7%)
Operating Profit	<u>320</u>	<u>229</u>	40%
Net financing charges	(52)	(37)	41%
Share of results of PSH	(17)	(10)	70%
Non-operating items	<u>547</u>	<u>398</u>	37%
	<u>798</u>	<u>580</u>	38%
Taxation	(179)	(116)	54%
	<u>619</u>	<u>464</u>	33%
Less: Non-controlling interests	(14)	(2)	600%
Profit attributable to shareholders	<u>605</u>	<u>462</u>	31%



UNDERLYING PROFIT

HK\$ million	For the 6 months ended	
	30 Jun 2010	30 Jun 2009
Profit attributable to shareholders	605	462
Increase in fair value of investment properties	(547)	(413)
Share of property valuation adjustment of a jointly controlled entity, net of tax	(18)	-
Other non-operating items	-	15
Tax and non-controlling interests attributable to non-operating items	102	49
Underlying profit	142	113
Underlying EPS (HK\$)	0.10	0.08

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	For the 6 months ended	
	30 Jun 2010	30 Jun 2009
Net cash generated from operating activities	366	258
Purchase of fixed assets	(103)	(106)
Net financing charges and dividends	(75)	(86)
Recurring cash inflow after normal CAPEX, financing charges and dividends	188	66
Opening cash	1,835	1,995
	2,023	2,061
Less: Investment in the Paris project	-	(1,044)
Net drawdown/(repayment) of borrowings and exchange adjustment	110	(13)
Closing cash	2,133	1,004



CAPITAL EXPENDITURE

HK\$ million	For the 6 months ended	
	<u>30 Jun 2010</u>	<u>30 Jun 2009</u>
Hotels	56 (1)	79
Commercial Properties	42 (2)	21
Clubs and Services	<u>5</u>	<u>6</u>
Total	<u><u>103</u></u>	<u><u>106</u></u>

(1) Principally for renovation works incurred by The Peninsula New York and The Peninsula Manila

(2) Principally for the revitalisation of the commercial arcade at The Repulse Bay



NET ASSET VALUE

	As at 30 Jun 2010		As at 31 Dec 2009	
	HK\$'m	Per share value (HK\$)	HK\$'m	Per share value (HK\$)
Net assets	23,461	15.89	23,040	15.67
Deferred tax provision in respect of revaluation surplus on Hong Kong investment properties	3,164	2.15	3,077	2.10
Fair market value of hotels and golf courses, net of related deferred tax and non-controlling interests	2,720	1.84	2,424	1.65
Adjusted net assets attributable to shareholders	29,345	19.88	28,541	19.42



FUNDS AVAILABLE

HK\$ million	<u>As at 30 Jun 2010</u>	<u>As at 31 Dec 2009</u>
Total committed bank facilities*	5,285	5,005
Utilised	<u>(4,021)</u>	<u>(3,825)</u>
Available bank facilities	1,264	1,180
Cash at banks and in hand	<u>2,133</u>	<u>1,835</u>
Funds available	<u><u>3,397</u></u>	<u><u>3,015</u></u>

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



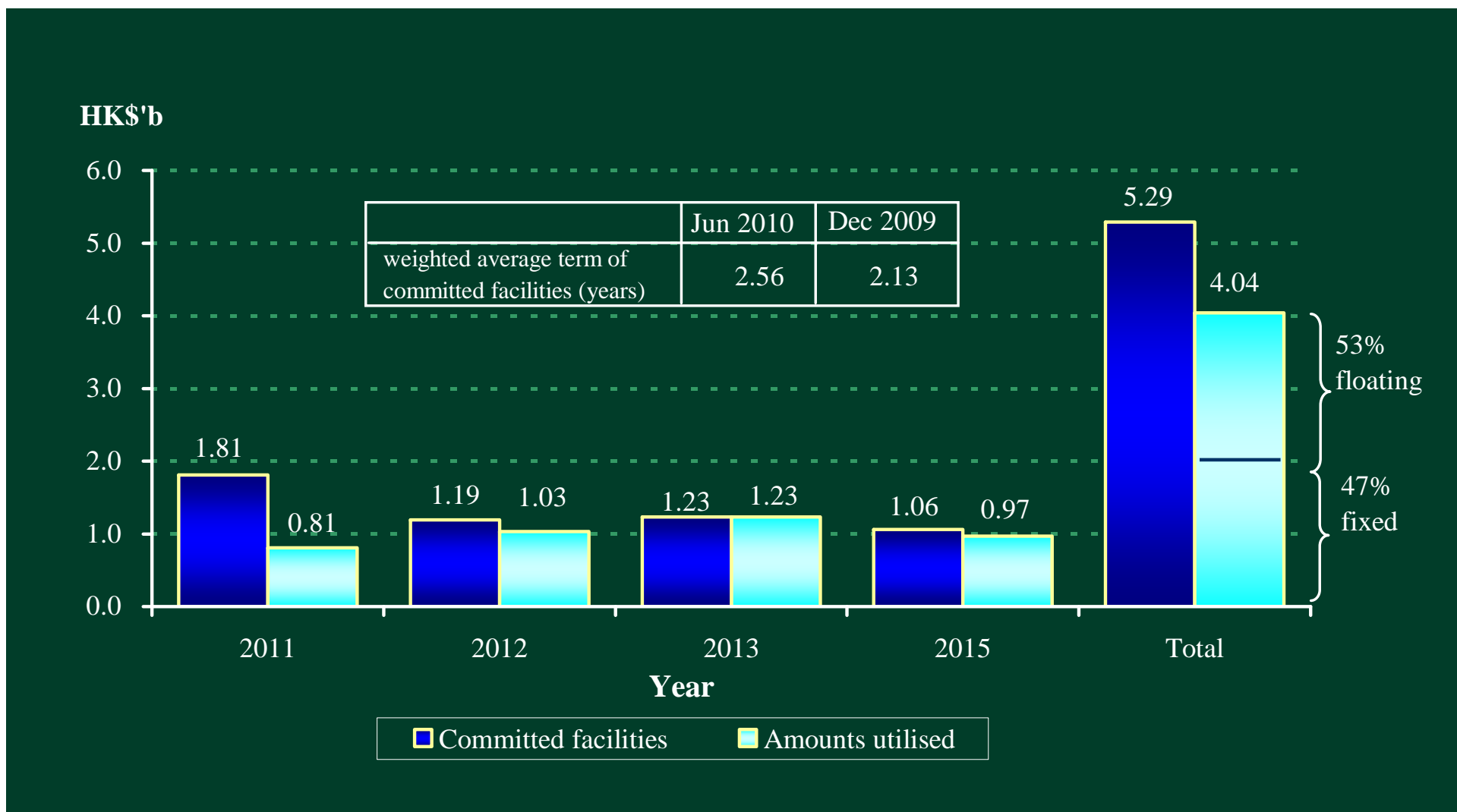
FINANCIAL RATIOS

HK\$ million	As at <u>30 Jun 2010</u>	As at <u>31 Dec 2009</u>
Gross borrowings*	4,021	3,825
Less: Cash at banks & in hand	<u>2,133</u>	<u>1,835</u>
Net borrowings	<u><u>1,888</u></u>	<u><u>1,990</u></u>
 Net debt to EBITDA (annualised)	 1.9 times	 2.4 times
 Gearing	 7%	 8%
 Weighted average gross interest rate	 3.2%	 3.2%

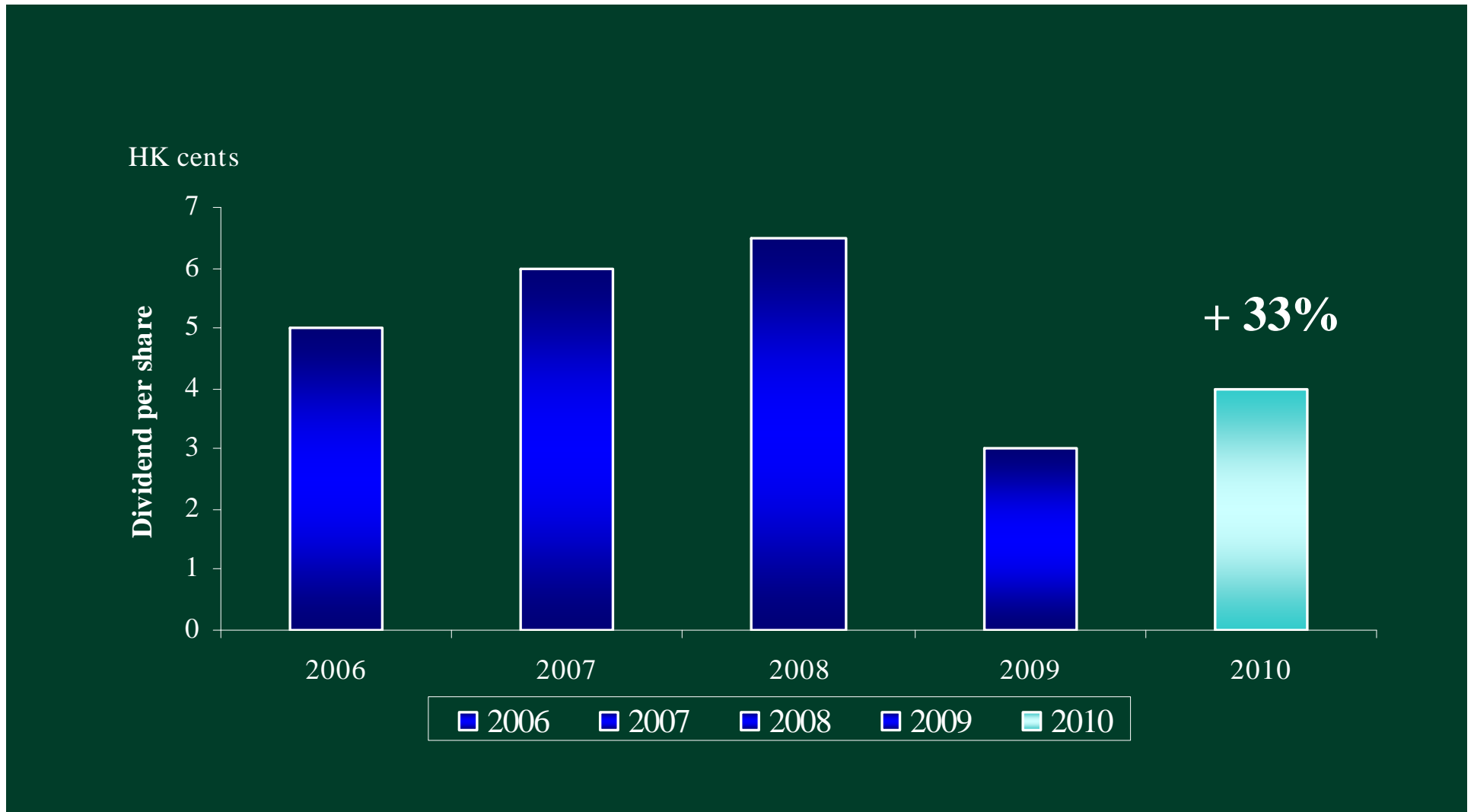
* Net of unamortised fees



COMMITTED FACILITIES – MATURITY PROFILE



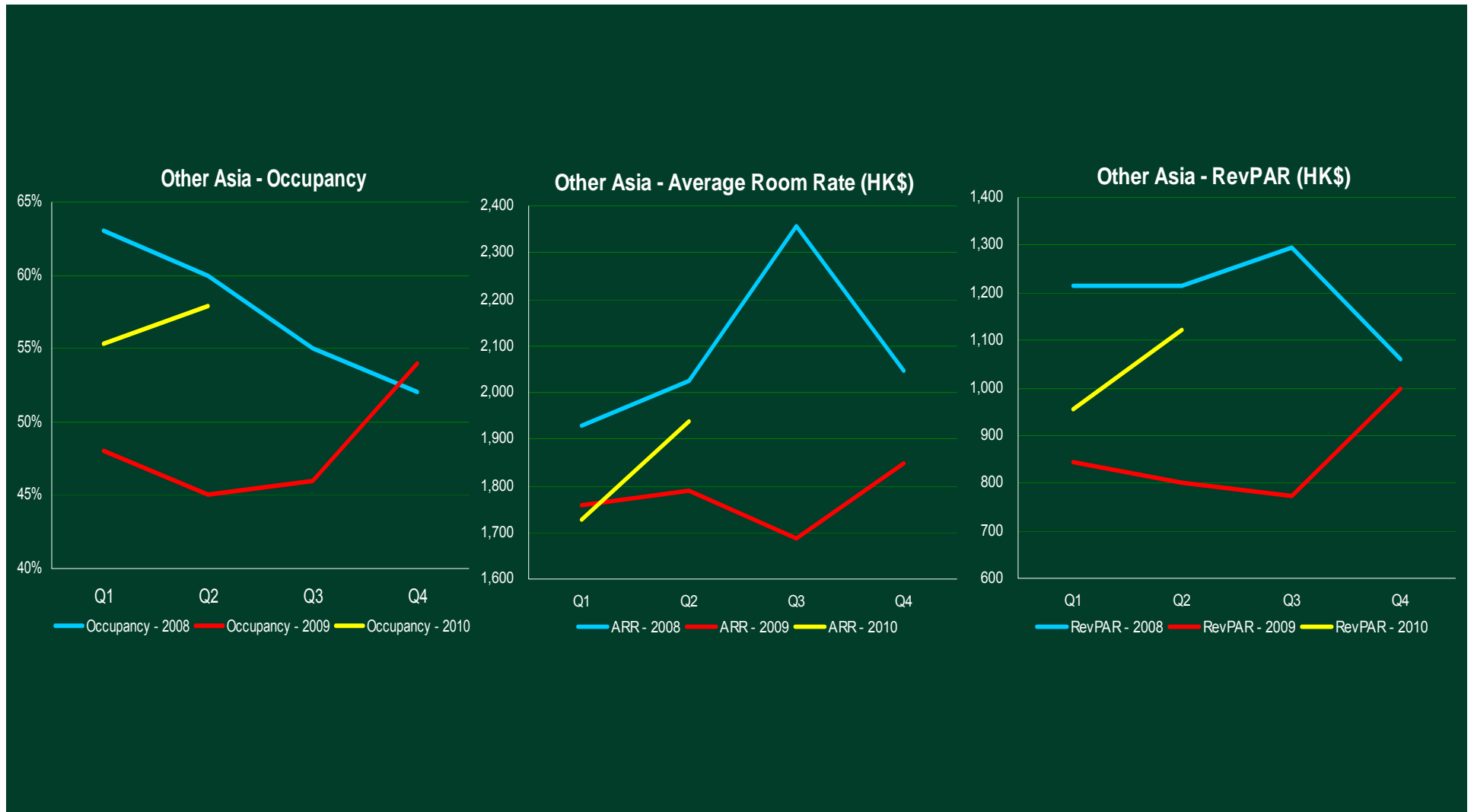
DIVIDEND HISTORY



HOTEL PERFORMANCE – HONG KONG



HOTEL PERFORMANCE – OTHER ASIA

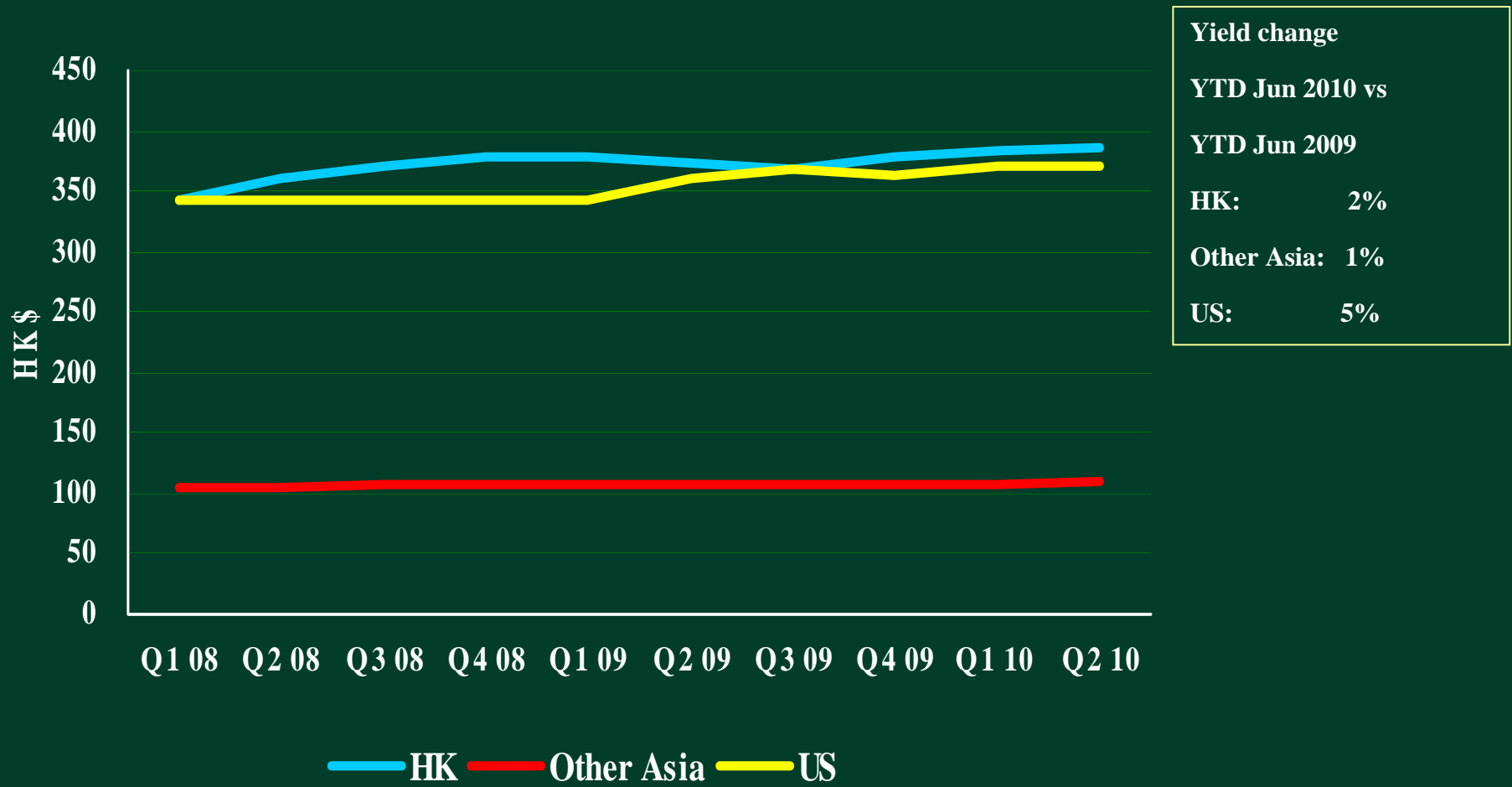


HOTEL PERFORMANCE – USA

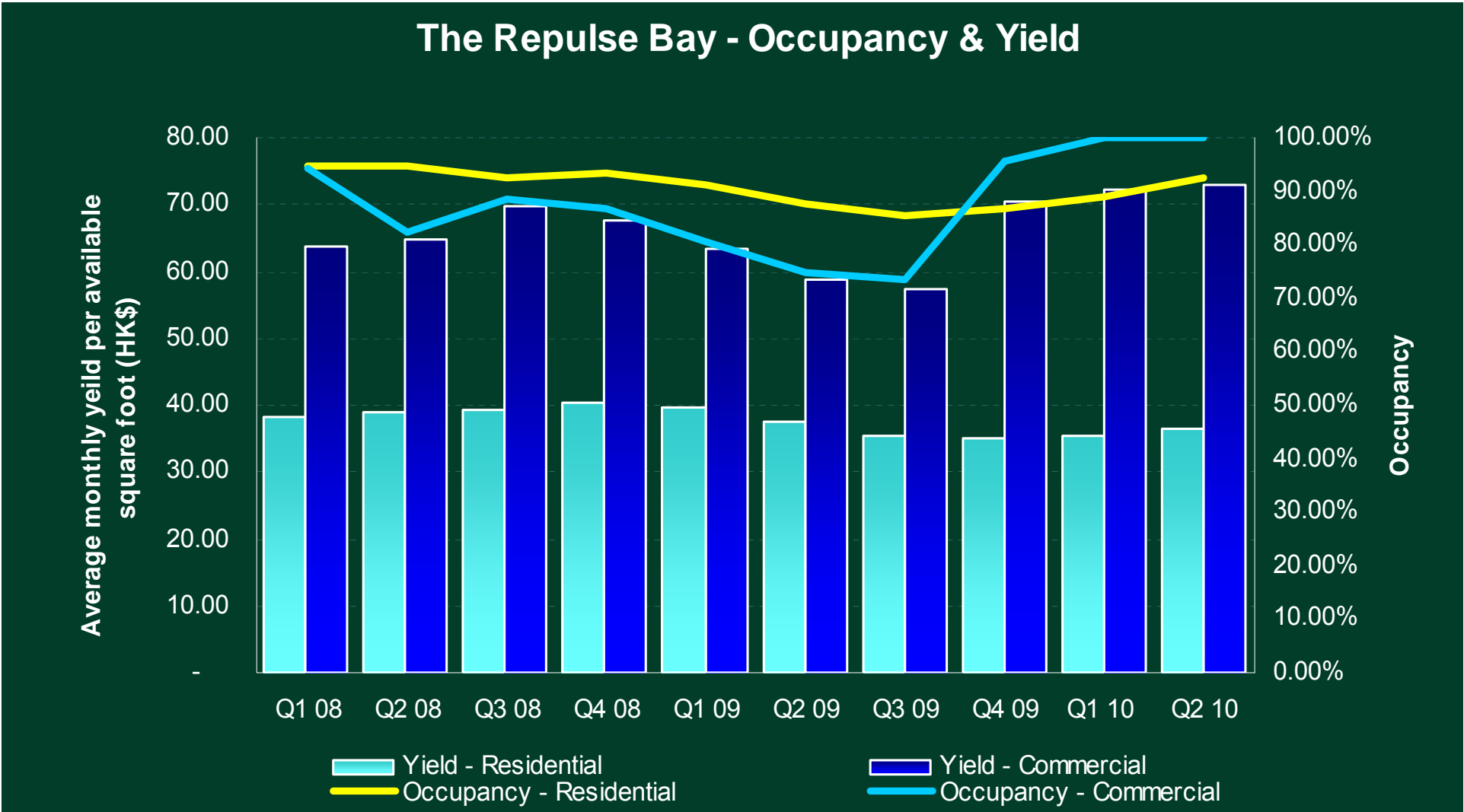


HOTEL COMMERCIAL ARCADES

Average yield per available square foot

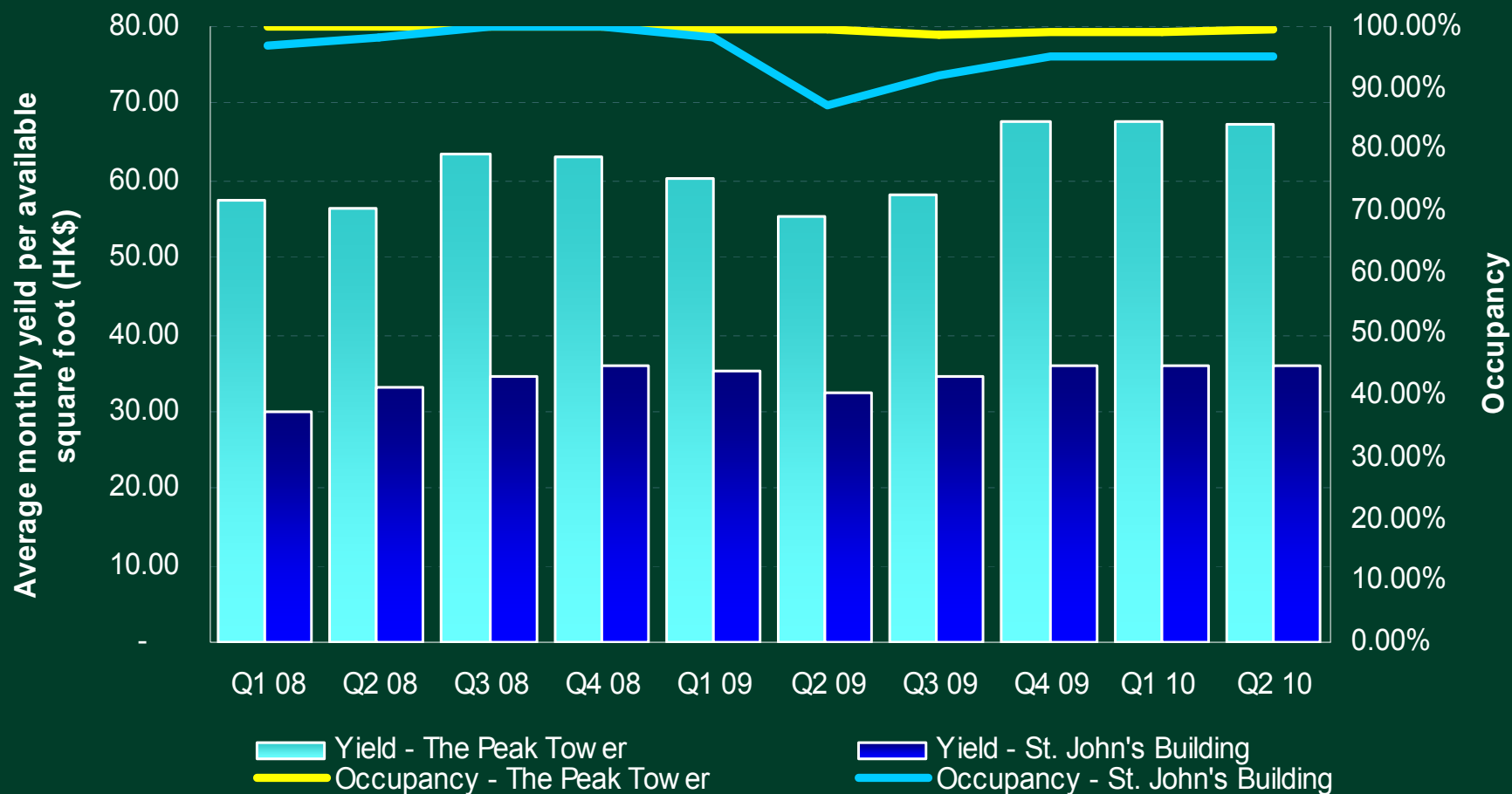


COMMERCIAL PROPERTIES – TRB



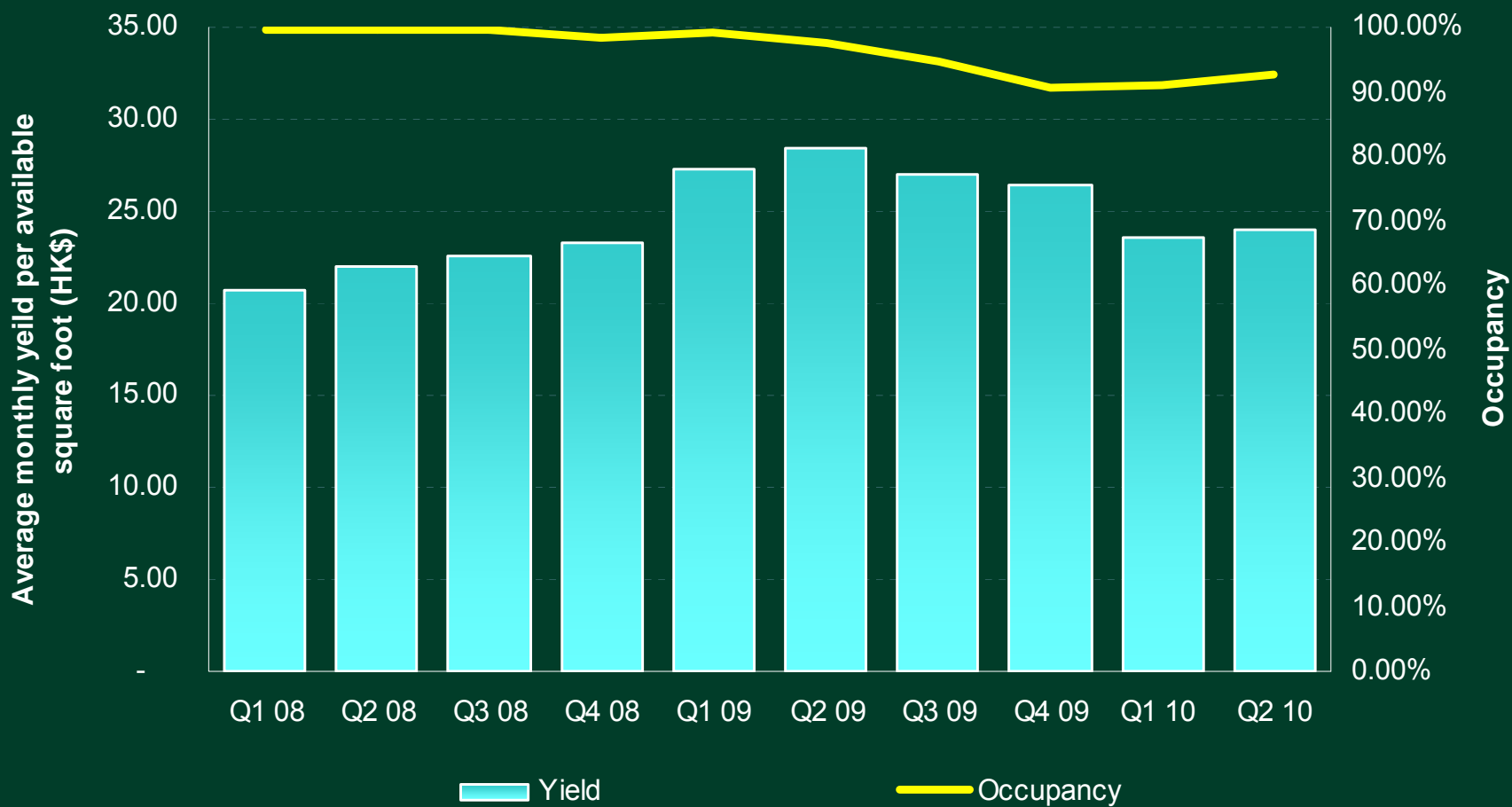
COMMERCIAL PROPERTIES – PEAK

The Peak Complex - Occupancy & Yield



COMMERCIAL PROPERTIES – LANDMARK

The Landmark, Vietnam - Occupancy & Yield



CLUBS AND SERVICES DIVISION

- ▣ **The Peak Tram: revenue up 20% to HK\$44 million, with number of passengers increased by 10% to 2.5 million**
- ▣ **Cathay Pacific Airport Lounges: 6 months' patronage increased by 13%, revenue increased by 8%**
- ▣ **Peninsula Merchandising: revenue up 19% to HK\$32 million**
- ▣ **Tai Pan Laundry: revenue grew by 11% to HK\$16 million**
- ▣ **Thai Country Club: revenue up 10% to HK\$28 million**



THE PENINSULA PARIS

- ❑ Soft demolition work completed in April 2010
- ❑ Consultants for lighting, landscaping, acoustic, signage, purchasing and health & safety appointed
- ❑ Interior design works in progress
- ❑ General contractor appointed for ground and structural works to commence in autumn
- ❑ Expected to open in 2012



OUTLOOK

- ▣ A healthy pick-up was seen in the first half of 2010
- ▣ The outlook for the remainder of 2010 remains uncertain for a possible ‘double-dip recession’
- ▣ The bulk of our assets and earnings continue to be based in and derived from Hong Kong
- ▣ The newly opened Peninsula Shanghai is experiencing strong bookings



Thank You



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