



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

To: All Finance/Business/Real Estate/Travel Editors

FOR IMMEDIATE RELEASE

17 AUGUST, 2015

**THE HONGKONG AND SHANGHAI HOTELS, LIMITED**  
**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

**HIGHLIGHTS**

- Profit attributable to shareholders amounted to HK\$477 million, an increase of 6%, after including property revaluation gains (net of tax and non-controlling interests).
- Underlying profit attributable to shareholders declined by 10% to HK\$265 million.
- Total revenue declined by 1% to HK\$2,690 million.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 3% to HK\$642 million and the Group EBITDA margin remained the same at 24%.
- Earnings per share and underlying earnings per share of HK\$0.31 (2014: HK\$0.30) and HK\$0.17 (2014: HK\$0.19) respectively.
- Interim dividend of 5 HK cents per share (2014: 5 HK cents per share).
- Shareholders' funds as at 30 June 2015 amounted to HK\$36,215 million or HK\$23.59 per share (31 December 2014: HK\$35,901 million or HK\$23.67 per share).
- Adjusted net asset value as at 30 June 2015 amounted to HK\$39,849 million (HK\$25.96 per share).
- Gearing ratio at 7% (31 December 2014: 8%).
- The Grand Opening Party held in April for The Peninsula Paris was a great success for a hotel which had already gained widespread international recognition and established the Peninsula brand with a strong presence in Europe.
- Together with our partner Grosvenor, the formal planning application was submitted in July to Westminster City Council for the development of The Peninsula London, a 190-room landmark hotel located at 1-5 Grosvenor Place, Belgravia in London.
- In July we signed a conditional shareholders' agreement with our Turkish partners Doğuş Holding A.Ş., one of the leading business conglomerates in Turkey, and BLG Gayrimenkul Yatırımları ve Ticaret A.Ş., a private equity fund focused on real estate assets, for a proposed hotel development in Istanbul, Turkey. Subject to fulfilment of the conditions, the parties have agreed to jointly develop the property with an investment commitment of approximately €300 million (equivalent to approximately HK\$2,568 million), of which HSH will be responsible for 50% or approximately €150 million (equivalent to approximately HK\$1,284 million).
- We commenced the major rooms renovation at The Peninsula Chicago, with the first rooms delivered receiving excellent feedback from guests. Preparations have also been made for the major renovation at The Peninsula Beijing where we expect construction to begin in September.

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

*Hong Kong, 17 August 2015* – 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 first six months of 2015 has been a significant time for our Company’s long-term development.

The Grand Opening Party held in April for The Peninsula Paris was a great success for a hotel which had already gained widespread international recognition and established the Peninsula brand with a strong presence in Europe.

In London, we have made good progress with our partner Grosvenor and the formal planning application was submitted in July to Westminster City Council for the development of The Peninsula London. Also in July we signed a conditional shareholders’ agreement with our Turkish partners Doğuş Holding A.Ş., one of the leading business conglomerates in Turkey, and BLG Gayrimenkul Yatırımları ve Ticaret A.Ş., a private equity fund focused on real estate assets, for a proposed hotel development in Istanbul, Turkey.

We commenced the major rooms renovation at The Peninsula Chicago, with the first rooms delivered receiving excellent feedback from guests. Preparations have also been made for the major renovation at The Peninsula Beijing where we expect construction to begin shortly.

In terms of operating performance, we have faced challenges in some of our key hotel markets, with weaker tourist arrivals in Hong Kong, weak demand during the winter first quarter in Paris, New York and Chicago, and some rooms being taken out of commission ahead of the renovations at The Peninsula Beijing and The Peninsula Chicago. As a result, we have seen a mixed performance from our hotels division whereas the performance of our commercial property division has remained stable.

Overall, Group revenue declined by 1% as compared to last year, but with a focus on containing costs and driving margins, our Group EBITDA margin was maintained at 24%, the same as last year. The underlying profit of the Group amounted to HK\$265 million (a 10% decrease from last year) whereas the profit attributable to shareholders amounted to HK\$477 million (6% up from last year).

**OUTLOOK**

The philosophy and strategy of our Group is focused on the development and maintenance of the highest quality portfolio of hotels and other property assets for the long term, as well as providing the products and services to sustain one of the top global luxury hotel brands. Given the nature of our business, shareholder value is created over time through asset value appreciation and an increased operation yield on our assets. We believe this approach has created significant value over the years as shown by the continued increase in our net asset value.

Over the short term, the yield on our assets is relatively low due to high entry prices into the exceptional locations that we seek, high construction costs of our super luxury assets, intense competition in the luxury hotel sector in many of our key markets, and the low yield in the initial years of operation of our more recently opened hotels.

Within this context, it is a constant challenge to drive revenues, control costs and maintain or improve our operating margins. The first half of this year has seen mixed conditions in some of our key hotel markets. However, our hotels remain well-placed in the markets that they operate and we expect to perform in line with expectations in the traditional autumn high season in many of our markets.

It should be noted that our earnings at The Peninsula Beijing and The Peninsula Chicago will be affected in the remainder of this year by rooms being taken out of commission for their renovation projects.

Hong Kong remains the key source of income for us, from commercial and residential lettings as well as our hotel operations. Despite some mixed impressions about the recent business environment in Hong Kong, our commercial and residential leasing activities at The Peninsula Hong Kong, The Repulse Bay Complex and The Peak Complex remain stable.

Overall, our company remains in a strong financial position, with high quality and conservatively valued assets in its balance sheet and a modest level of gearing. 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.”

## **DETAILED OPERATING RESULTS ON FOLLOWING PAGES:**

### **Hotels Division**

#### **THE PENINSULA HOTELS**

Operating Statistics for the six months ended 30 June 2015

	Occupancy %		ARR (HK\$)		RevPAR (HK\$)	
	2015	2014	2015	2014	2015	2014
<b>Hong Kong</b>	<b>72</b>	74	<b>4,792</b>	5,173	<b>3,439</b>	3,820
<b>Other Asia</b> (excluding Hong Kong)	<b>70</b>	63	<b>2,233</b>	2,187	<b>1,558</b>	1,376
<b>United States of America and Europe</b> (Note 1)	<b>65</b>	72	<b>5,721</b>	4,936	<b>3,735</b>	3,554
<b>Average</b>	<b>69</b>	66	<b>3,589</b>	3,282	<b>2,459</b>	2,177

1. The 2015 figures include the results of The Peninsula Paris which opened on 1 August 2014.
2. 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

<b>The Peninsula Hong Kong</b>	
Revenue	0%
Occupancy	- 2 pp
Average Room Rate	- 7%
RevPAR	- 10%

The market in Hong Kong was a challenging one for tourism in the first half of the year, which was reflected in the reduced RevPAR of **The Peninsula Hong Kong**. Overnight stays in Hong Kong declined year-on-year, mainly due to fewer numbers of mainland Chinese and Japanese visitors. The Offices and the Commercial Arcade remained fully let, demonstrating that our tenants continue to value having a commercial space in The Peninsula Hotel. Food and beverage and spa revenues increased in the first half due to increased patronage from local clientele. The hotel's three-year collaboration with Britain's prestigious Royal Academy of Arts, *Love Art at The Peninsula*, generated significant positive media coverage with a full-sized replica of a coach teetering on the Sun Terrace in an artwork by renowned British Sculptor Richard Wilson. Throughout June, *National Geographic* broadcast a promotional documentary about the hotel's 85<sup>th</sup> anniversary celebration, titled *The Making of a Gala*.

<b>The Peninsula Shanghai</b>	
Revenue	- 1%
Occupancy	+ 1 pp
Average Room Rate	- 1%
RevPAR	0%
Proceeds from sale of apartments	HK\$ 173m

**The Peninsula Shanghai** had a stable first half of the year with occupancy slightly above last year. The hotel remains the market leader in RevPAR in the city amidst stiff competition and continuing austerity measures by the Chinese government. All food and beverage businesses located on the Bund were impacted when the government boarded up the area and reduced street lighting following the tragic events on the Bund on New Year's Eve, which affected our revenue in the first quarter. The domestic Chinese market remained strong and we saw increasing numbers of arrivals from Australia, the Middle East, South Africa and Russia. We were delighted to receive the accolade of Number 1 in Asia and Number 8 in the world of The World's Best Hotels by *Travel + Leisure* magazine. Of the 39 apartments within the hotel complex, 19 apartment units were made available for sale in 2014. During the first half of 2015, two more apartment units were sold, making a total number of 13 units sold as at 30 June 2015.

<b>The Peninsula Beijing</b>	
Revenue	- 24%
Available Rooms	- 42%
Occupancy	+ 6 pp
Average Room Rate	+ 3%
RevPAR	+ 12%

The Beijing market was relatively steady and occupancies improved across the city, although rates were still under pressure due to heavy competition. Consumer spending remained slow due to the continued government austerity programme, which had an impact on both food and beverage and the shopping arcade at **The Peninsula Beijing**. The Peninsula Beijing continued its strategy of focusing on the domestic market which is growing at an impressive rate. In preparation for the extensive renovation of The Peninsula Beijing, some areas were closed and we did not accept the usual level of group bookings, resulting in lower revenues for the hotel for the period. The hotel's room count was reduced as rooms were taken out of inventory in preparation for construction, which will begin in September. This renovation will significantly increase the room sizes and enhance the quality of the guestrooms and in-room technology to current Peninsula standards.

<b>The Peninsula Tokyo (JPY)</b>	
Revenue	+ 5%
Occupancy	+ 3 pp
Average Room Rate	+12%
RevPAR	+ 16%

**The Peninsula Tokyo** enjoyed a strong first half of the year. The government's financial stimulus policies continued to contribute to local economic recovery and the weak yen is making Tokyo more affordable for overseas visitors, with both regional and long-haul markets recording robust growth, and with RevPAR in Japanese yen terms recording an increase of 16% over the same period last year. Food and beverage performed strongly, with increasing patronage from the local market particularly at weekends. Corporate events have increased with more business travellers attending conferences in Tokyo. With forward bookings we are optimistic about Tokyo's outlook for the remainder of the year.

<b>The Peninsula Bangkok</b>	
Revenue	+ 33%
Occupancy	+ 21 pp
Average Room Rate	- 7%
RevPAR	+ 46%

**The Peninsula Bangkok** continued to recover with revenue increasing 33% and RevPAR up 46% over the previous year, with business particularly strong during Chinese New Year. In the second

quarter, the Thai Government ended martial law which was positive news for our MICE (Meetings, Incentives, Conferences and Exhibitions) business. The second quarter, which is traditionally slow in Bangkok, enjoyed its strongest year since 2008. The regional visitor market is increasing although traditional long-haul markets from Europe and Australia have softened due to their weaker currencies. Group marketing initiatives during the first half were particularly focused on promoting Thailand and The Peninsula Bangkok, including the global *Peninsula Wellness* programme launched at The Peninsula Bangkok Spa. Highlights included a Thai massage programme in collaboration with Wat Pho Temple, new treatments and product lines, and *Tastefully Thai*, a group-wide three-month celebration of Thai cuisine, culture, art and wellness.

<b>The Peninsula Manila</b>	
Revenue	+ 3%
Available Rooms	- 5%
Occupancy	+ 2 pp
Average Room Rate	+ 9%
RevPAR	+ 13%

**The Peninsula Manila** reported a positive first six months, with revenue increasing 3% and RevPAR up 13% over the same period last year, partially due to consolidation in the local market with some competitor set hotels closing and others under renovation. Various bans on local airlines were lifted for the EU and US and new routes opened up to Russia, significantly boosting traffic. Cruise ship arrivals to the Philippines are increasing rapidly. The rise of the middle class in the Philippines is having a significant effect on our business with domestic travellers now comprising our second largest group after the US. Madrid Fusion Manila, a gastronomic event held in April, attracted a significant number of international and local visitors and celebrity chefs to our food and beverage outlets. The Peninsula Manila's corporate responsibility and sustainability activities are very proactive and we are delighted to report that The Peninsula's global campaign for charity, *Hope for the Philippines*, has started to build a complex of 75 houses, classrooms and a community centre for people displaced after Typhoon Yolanda in 2013.

## USA

<b>The Peninsula New York</b>	
Revenue	- 5%
Available Rooms	- 1%
Occupancy	- 4 pp
Average Room Rate	- 3%
RevPAR	- 8%

**The Peninsula New York** had a challenging start to the year due to a severe winter and snowstorms affecting the city which heavily impacted domestic travel. The hotel was also negatively impacted by a short-term decline in our Middle East diplomatic business. The European market has remained flat and the Brazilian and American domestic market have not been as strong as previous years. In

response to demand particularly from the Middle East, the hotel will create an additional theme suite by combining five existing guest rooms, which will open in December.

<b>The Peninsula Chicago</b>	
Revenue	0%
Occupancy	- 5 pp
Average Room Rate	+ 10%
RevPAR	+ 2%

The Chicago market experienced a positive first six months, despite unusually cold summer weather after a very cold winter, and increased supply in the market. **The Peninsula Chicago** commenced its major rooms renovation and the new rooms delivered so far, together with the new in-room technology, are receiving positive feedback from guests. There was a small impact on occupancy and revenue as the hotel could not accept its usual level of large group bookings and catering business was affected. However the hotel renovation programme is being well-managed to ensure minimal displacement of our rooms business.

<b>The Peninsula Beverly Hills</b>	
Revenue	+ 7%
Occupancy	0 pp
Average Room Rate	+ 9%
RevPAR	+ 9%

**The Peninsula Beverly Hills** had a positive first half of the year, remaining number one in RevPAR with increased market share although occupancy was flat to the previous year, albeit from a very high base. Average room rates remained strong with an increase of 9% due to a revenue maximising strategy of promoting suites. The Belvedere restaurant will be renovated from September which will impact revenue in the third and fourth quarters. We are delighted that the hotel was ranked as a finalist in Virtuoso's Most Innovative Guest Experience.

## **Europe**

After its soft opening in August 2014, **The Peninsula Paris** held a dazzling Grand Opening Party in April 2015 attracting international stars and guests from France and around the world. Since its opening, this hotel has garnered a high level of acclaim from guests, media and the industry. However, the general Paris market had a very challenging first quarter of the year due to the terrorist attacks in January, short-term decline in Middle East diplomatic business, and a substantial drop in Russian business. Pickup has been much better in the second quarter and we are seeing a large number of guests arriving from regional European markets, the US and China. The food and beverage outlets at The Peninsula Paris are performing well and attracting a large percentage of local clients as well as hotel guests. We are optimistic for the second half of the year.

## Commercial Properties Division

Commercial Properties	Revenue
The Repulse Bay Complex	+ 11%
The Peak Tower	+ 1%
St. John's Building	+ 4%
The Landmark	+ 8%
1-5 Grosvenor Place	- 4%
21 avenue Kléber	- 92%

**The Repulse Bay Complex** is a premier residential property offering one of the finest and most enjoyable living environments in Hong Kong. In the first six months, The Complex reported 11% higher revenue due to buoyant rental income from de Ricou apartment tower after its renovation in 2013 and a slight increase in rents from our other apartment towers at 101 and 109 Repulse Bay Road. The operating results were pleasing in light of the general uncertainty in the high-end property leasing market in Hong Kong.

**The Peak Tower** remained fully occupied in the first six months and has undertaken some retail restructuring during the first half, which will lead to improvement in rental income. This property generates most of its revenue from commercial leasing, with additional revenue coming from admission fees to the open-air rooftop attraction of Sky Terrace 428 with its unparalleled views of Hong Kong. **St. John's Building**, located at the lower terminus of the Peak Tram, was also fully let with revenue growth of 4%.

**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 8% increase in revenue despite a highly competitive market situation in the city. The complex celebrated its 20<sup>th</sup> anniversary at the end of 2014. We are pleased to have secured some more long-term tenants due to the high quality of management and very competitive service offered.

The Group's commercial properties of **1-5 Grosvenor Place** in London and **21 avenue Kléber** in Paris, which were acquired during 2013, saw a revenue decline in their local currencies of 4% and 92% respectively, due to lower rental income as we prepare the buildings for renovation. Together with Grosvenor, we have submitted planning approval to Westminster City Council to demolish the existing building of 1-5 Grosvenor Place and redevelop it into The Peninsula London hotel and residential apartments. We target to commence demolition and construction during 2017. We are currently undertaking a renovation of 21 avenue Kléber, which is located immediately adjacent to The Peninsula Paris, to prepare it for future leasing to tenants.



## Clubs and Services Division

Clubs & Services		
Peak Tram	Revenue	-3%
Peak Tram	Patronage	-1%
Thai Country Club	Revenue	+15%
Quail Lodge & Golf Club	Revenue	+16%
Peninsula Clubs & Consultancy Services	Revenue	+7%
Peninsula Merchandising	Revenue	-4%
Tai Pan Laundry	Revenue	+8%

**The Peak Tram** is one of Hong Kong's most popular tourist attractions. Revenue remained relatively flat in the first half as we did not increase fares in 2015. We saw decreased patronage of 1% due to lower overall visitor numbers in Hong Kong.

**Thai Country Club** had a positive six months with an increase of 15% in revenue and strong business levels as Thailand's economy recovered, compared to last year's political uncertainty.

**Quail Lodge & Golf Club** had a stronger first half of the year with revenue increasing by 16% and increased occupancy rates due to a successful marketing strategy to attract business from online travel agents. The renovated golf course was officially opened in May after 6 months of renovation. *The Quail Motorcycle Gathering* continues to grow in popularity with more than 2,000 visitors in May including celebrities and international guests.

**Peninsula Clubs & Consultancy Services** manages prestigious clubs in Hong Kong including The Hong Kong Club, The Hong Kong Bankers Club and Butterfield's. PCCS revenue increased by 7% over the previous year.

Revenue at **Peninsula Merchandising** was 4% lower than the same period last year, owing to lower retail volumes in Hong Kong in general, partly due to the reduced number of Japanese visitors.

**Tai Pan Laundry** increased revenue by 8% due to the increased volume of laundry from its non-hotel customers.

## Projects

### 1-5 Grosvenor Place, London

Together with our partner, Grosvenor, the Group is planning to develop a mixed-use building designed by British-based Hopkins Architects which comprises The Peninsula London – a 190-room luxury hotel, and residential apartments, located at 1-5 Grosvenor Place, Belgravia. The new building will replace existing offices at the site, which were built in the 1960s, with a design that responds to the heritage of its immediate neighbours, providing a new focal point and vibrancy to Hyde Park Corner. After an intensive period of design and planning work, the formal planning application was submitted to Westminster City Council in July 2015. Subject to obtaining planning approvals, we are targeting to commence demolition and construction by 2017.

### **The Peninsula Yangon**

Progress continues to be made together with our partners Yoma Strategic Holdings Ltd. and First Myanmar Investment Co., Ltd. for the development of the former Myanmar Railway Headquarters into a hotel to be called The Peninsula Yangon. The agreement, subject to conditions and approval, will seek to redevelop and restore the heritage building, which dates from the 1880s and is one of the oldest existing colonial buildings in Yangon. We continue to work on obtaining the necessary approvals in order to fulfil the conditions in our agreement.

### **Proposed hotel development in Istanbul**

The Group signed a conditional shareholders' agreement with our Turkish partners Doğu Holding A.Ş., one of the leading business conglomerates in Turkey, and BLG Gayrimenkul Yatırımları ve Ticaret A.Ş., a private equity fund focused on real estate assets, for a proposed hotel development in Istanbul, Turkey. Istanbul is a vibrant, beautiful city that embodies both ancient and modern cultures and has become one of the world's most popular tourist destinations. We are excited to develop this project in such a unique location, overlooking the Bosphorus, which is consistent with our Group's long-term strategy to invest and operate Peninsula hotels in strategically selected cities. Subject to fulfilment of the conditions, the parties have agreed to jointly develop the property with an investment commitment of approximately €300 million (equivalent to approximately HK\$2,568 million), of which HSH will be responsible for 50% or approximately €150 million (equivalent to approximately HK\$1,284 million).

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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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