



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 MARCH 2015

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

Key financial results

- Turnover and EBITDA increased by 6% and 17% to HK\$5,838 million and HK\$1,528 million respectively
- Underlying profit attributable to shareholders increased by 57% to HK\$804 million
- Profit attributable to shareholders amounted to HK\$1,146 million, after including property revaluation gains, net of tax and non-controlling interests (2013: HK\$1,712 million)
- Earnings per share and underlying earnings per share of HK\$0.76 (2013: HK\$1.14) and HK\$0.53 (2013: HK\$0.34) respectively
- Final dividend of 18 HK cents per share, making a total dividend of 23 HK cents per share for 2014 (2013: 16 HK cents per share)
- Shareholders' funds as at 31 December 2014 amounted to HK\$35,901 million or HK\$23.67 per share (2013: HK\$35,105 million or HK\$23.37 per share)

Key developments

- Our first hotel in Europe, The Peninsula Paris, opened on 1 August 2014 and has garnered a high level of acclaim from guests and from the industry
- Progress has been made in partnership with Grosvenor to develop The Peninsula London in an exceptional location in Belgravia overlooking Hyde Park Corner
- In January 2014 we signed a conditional shareholders' agreement with Yoma Strategic Holdings Ltd. and First Myanmar Investment Co., Ltd. to develop The Peninsula Yangon in the former Myanmar Railway Company headquarters building in the centre of Yangon, Myanmar
- We have commenced major renovation projects for The Peninsula Beijing and The Peninsula Chicago, with construction of both scheduled to start in 2015

DETAILS - 2014 ANNUAL RESULTS

	2014	2013	Variance
	HK\$m	HK\$m	
Revenue			
Hotels	4,260	4,044	5%
Commercial Properties	901	806	12%
Clubs and Services	677	658	3%
	<u>5,838</u>	<u>5,508</u>	6%
EBITDA			
Hotels	818	649	26%
Commercial Properties	582	521	12%
Clubs and Services	128	136	-6%
	<u>1,528</u>	<u>1,306</u>	17%

The Hongkong and Shanghai Hotels, Limited today announced an underlying profit attributable to shareholders for 2014 of HK\$804 million, an increase of 57% over 2013.

Mr Clement K.M. Kwok, Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited (HSH) commented:

“A significant milestone is reached in 2014 for the Company when, after almost 150 years of operations, we opened our first hotel in Europe, The Peninsula Paris. Since the hotel’s opening on 1 August 2014, I am delighted that it has garnered a high level of acclaim from our guests and from the industry.

“The Peninsula Paris project is a good example of our Company’s philosophy towards development. We focus on undertaking only a very small number of projects, but seek to do so as an owner-operator in exceptional locations where we believe we can create hotels that can rank among the world’s best. Being an owner, in the case of The Peninsula Paris in partnership with Katara Hospitality, means that we are able to take a long-term view on the property investment and the hotel’s operations. Our ultimate goal is to develop and hold the highest possible quality portfolio of hotel and other property assets for the long term, in order to benefit from both operational yields and asset value appreciation over time.

“In line with this objective, we are working in partnership with Grosvenor to develop The Peninsula London in an exceptional location in Belgravia overlooking Hyde Park corner, and in partnership with Yoma and First Myanmar Investment to develop The Peninsula Yangon in the former Myanmar Railway Company headquarters building in the centre of Yangon, Myanmar.

“It is an important strand of our business strategy to continually improve and upgrade our existing assets. In this respect, we have commenced major renovation projects for The Peninsula Beijing and The Peninsula Chicago, with construction of both scheduled to start in 2015, as well as a renovation of our recently acquired investment property at 21 avenue Kléber, Paris.

Mr Kwok continued: “In 2014, despite challenges to our business coming from the political uncertainty in Thailand, unusually severe winter weather in the US and continued oversupply in a number of our markets, I am delighted to report a substantial increase of 57% as compared to the previous year in our underlying profit attributable to shareholders to HK\$804

million. This result was achieved through the enhanced earnings of the Peninsula Hong Kong in its first full year of operations following its extensive rooms renovation project completed in May 2013, the continued improvement of the results of The Peninsula Tokyo and our overall efforts to drive revenues and contain costs around the Group.

“Our hotels division revenue increased by HK\$216 million (5%) over 2013 to HK\$4,260 million. The highest revenue growth was achieved by our flagship hotel, The Peninsula Hong Kong, where revenue was HK\$168 million (14%) higher than 2013. The Commercial Properties Division continues to provide a stable income contribution to the Group’s earnings, counter-balancing the more cyclical nature of hotel earnings. Total revenue from this division increased by HK\$95 million (12%) over 2013 to HK\$901 million. The Group’s diverse portfolio is complemented by our Clubs and Services division, which reported an increase in total revenue of 3% to HK\$677 million in 2014.”

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

HSH is committed to putting sustainability at the heart of our business model and brand. Mr Kwok explained, “Our Sustainable Luxury Vision 2020 sets out a blueprint for sustainable growth and our ambition to achieve a new level of sustainable luxury. As the first full year of our journey towards Vision 2020, our focus in 2014 was on laying the foundations for achieving our long-term goals. This involved developing action plans and implementation guides to drive success, enhancing our reporting system to track our progress, and embedding Vision 2020 into our management decision processes.”

HSH was one of the first companies in the world to comply with the new Global Reporting Initiative (GRI) G4 reporting standards starting in 2013 and to be verified by GRI on our report’s Materiality Disclosures. GRI is a globally-recognised best practice for sustainability reporting. HSH became part of the Climate Disclosure Leadership Index for Asia (ex-Japan). This annual index run by Carbon Disclosure Project recognises the top 10% of CDP reporting companies which display a strong approach to the disclosure of climate strategy and measurement.

OUTLOOK

Looking towards 2015, Mr Kwok said: “In 2015, our operating results will be adversely affected by the partial closure of The Peninsula Beijing and the disruption to The Peninsula Chicago as a result of their renovation projects. Also, I believe that the outlook for the Hong Kong market in terms of high-end residential lettings and retail rental income is somewhat uncertain. We have experienced a mixed start to our businesses in 2015 and will have to work hard to drive revenues and contain costs across all of our operations to compensate for the earnings disruptions in Beijing and Chicago as mentioned above.

“Taking a wider and longer term view, I am optimistic that the actions we have taken over the years will result in attractive long-term growth and development for our Company. The Peninsula Hong Kong is well placed in its market following the extensive renovation project completed in 2013 and all of our three more recently opened hotels, The Peninsulas in Tokyo, Shanghai and Paris, have become well established in their markets with good growth prospects. The extensive renovations in Beijing and Chicago will significantly enhance the competitiveness of those hotels and we are excited about the quality of the upcoming developments in London and Yangon, Myanmar. At the same time, our hotels business is well-balanced by the more stable earnings that are generated by our investment property division, particularly the Repulse Bay Complex and the Peak Complex. Our long-term growth is underpinned by a strong balance sheet comprising valuable high quality assets coupled with a low level of gearing, as well as our dedicated team of management and staff around the world.”

SUMMARY BY PROPERTY

HOTELS

	2014	2013	Variance
	Revenue HK\$m	Revenue HK\$m	
Consolidated hotels			
The Peninsula Hong Kong	1,360	1,192	14%
The Peninsula Beijing	411	424	-3%
The Peninsula New York	674	592	14%
The Peninsula Chicago	499	499	0%
The Peninsula Tokyo	756	734	3%
The Peninsula Bangkok	181	235	-23%
The Peninsula Manila	279	292	-4%
Management fees income	100	76	32%
	4,260	4,044	5%
Non-consolidated hotels			
The Peninsula Shanghai	595	553	8%
The Peninsula Beverly Hills	581	508	14%
The Peninsula Paris	225	-	n/a
	1,401	1,061	32%

COMMERCIAL PROPERTIES

The Repulse Bay Complex	Revenue	HK\$ 583m	+ 8%
The Peak Tower	Revenue	HK\$ 176m	+ 12%
The Peak Tower	Sky Terrace Visitors		+ 3%
St. John's Building	Revenue	HK\$ 51m	+ 11%
The Landmark	Revenue	HK\$ 36m	+ 0%
1-5 Grosvenor Place	Revenue	HK\$ 39m	+ 144%
21 avenue Kléber	Revenue	HK\$ 16m	+ 45%

CLUBS AND SERVICES

Peak Tram	Revenue	HK\$ 124m	+ 2%
Peak Tram	Patronage		+ 1%
Thai Country Club	Revenue	HK\$ 55m	- 15%
Quail Lodge & Golf Club	Revenue	HK\$ 117m	+ 18%
Peninsula Clubs & Consultancy Services	Revenue	HK\$ 171m	- 1%
Peninsula Merchandising Limited	Revenue	HK\$ 157m	+ 3%
Tai Pan Laundry	Revenue	HK\$ 53m	+ 10%

For more details, see www.hshgroup.com

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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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