The Hongkong and Shanghai Hotels, Limited
2008 Annual Results

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.

2008 financial highlights

Hotels

- Record results for The Peninsula Hong Kong
- Renovations at the Peninsula hotels in New York, Beijing and Manila
- Continued development of The Peninsula Shanghai on budget and on schedule
- Significant business interruption at Peninsula Bangkok
- First full year of operation for Peninsula Tokyo
- Announcement of The Peninsula Paris

Properties and Clubs

- Strong financial performance from all property assets

Good results given the difficult business environment

	2008 (HK$'m)	2007 (HK$'m)	Change
Turnover	4,938	4,542	8.7%
EBITDA	1,425	1,510	(5.6%)
EBITDA Margin	29%	33%	(12.1%)
Profit before non-operating items	978	1,088	(10.1%)
Non-operating items	(769)	3,136	(124.5%)
Taxation	42	(732)	(105.7%)
Profit attributable to shareholders	216	3,437	(93.7%)
EPS (HK cents)	15	240	(93.8%)
EPS excluding non-operating items (HK cents)	56	63	(11.1%)

Non-operating items

	2008 (HK$'m)	2007 (HK$'m)
(Loss)/Gain on revaluation of investment properties	(593)	3,319
(Provision for)/Reversal of impairment losses in respect of hotels and other properties	(176)	(23)
Loss on disposal of an investment in Indonesia	-	(160)
Total per income statement	(769)	3,136

Cash flow

(HK$'m)	2008	2007
Net cash generated from operating activities	1,208	1,481
Less: capital expenditure	(417)	(808)
Proceeds from disposal of PT Ciputra and repayment of capital contribution from PBH	-	208
(Repayment)/Drawdown of loans, net of interest paid	(94)	129
Repurchase of shares	(50)	-
Dividends paid	(94)	(73)
Net cash flow	553	937
Opening cash	1,398	433
Exchange adjustments	28	28
Closing cash	1,979	1,398
Less: initial investment in Paris	(1,024)	-
Adjusted closing cash	955	1,398
CAPEX: Revenue	8%	18%

Financing

	2008 (HK$'m)	2007 (HK$'m)
Total committed bank facilities	4,225	3,840
Utilised	(3,177)	(2,833)
Available bank facilities	1,048	1,007
Cash and cash equivalent	1,979	1,398
Available funding	3,027	2,405
Less: initial investment in Paris[2]	(1,024)	-
Adjusted available funding	2,003	2,405

[1] Excluding debt for Peninsula Shanghai and Peninsula Beverly Hills, which is non-recourse

[2] Funds paid in January 2009, post financial year end

Net Asset Value

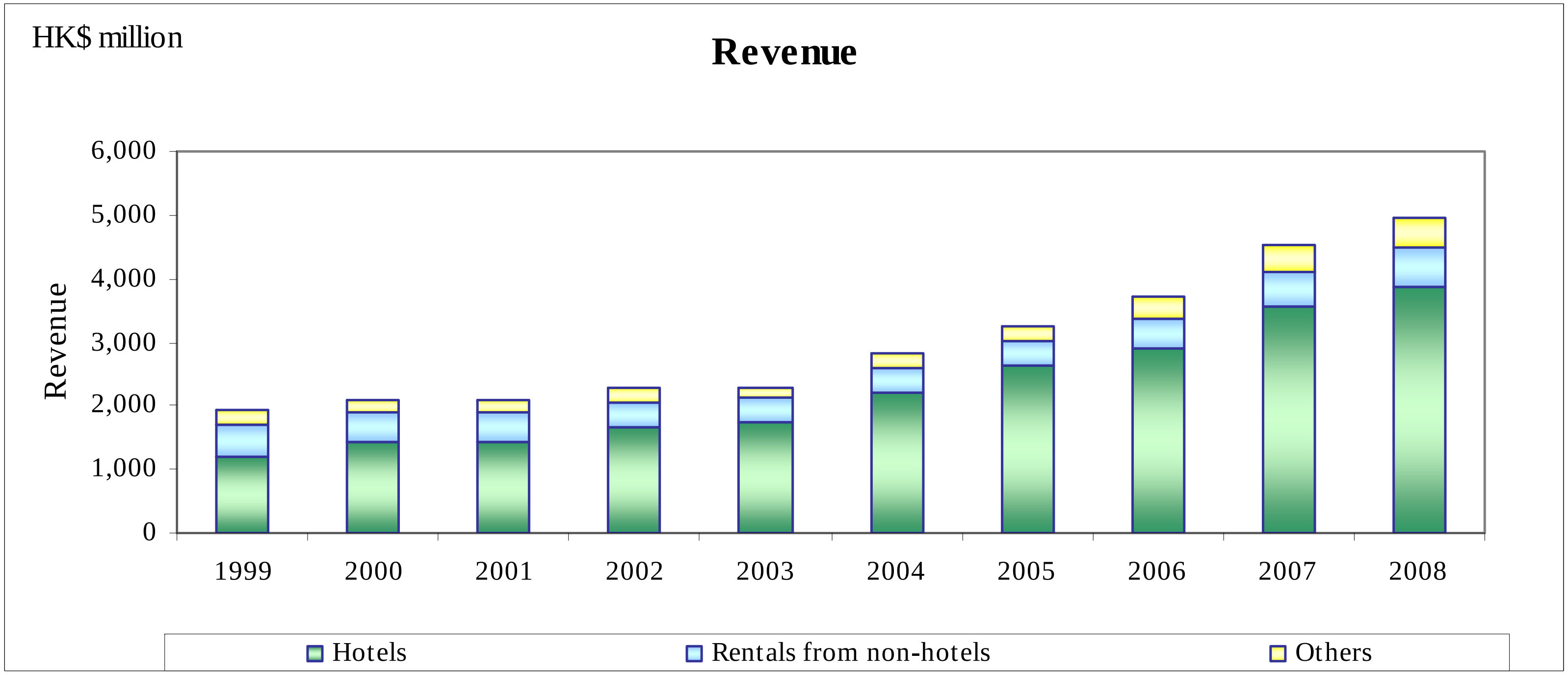
	As at 31/12/2008		As at 31/12/2007	
	HK$'m	Per share value (HK$)	HK$'m	Per share value (HK$)
Net assets	20,712	14.28	20,726	14.37
Deferred tax provision in respect of revaluation surplus on Hong Kong investment properties	2,723	1.88	2,967	2.06
Fair market value of hotels and golf courses, net of related deferred tax and minority interests	3,154	2.18	3,339	2.32
Adjusted net assets attributable to shareholders	26,589	18.34	27,032	18.75

Financial ratios

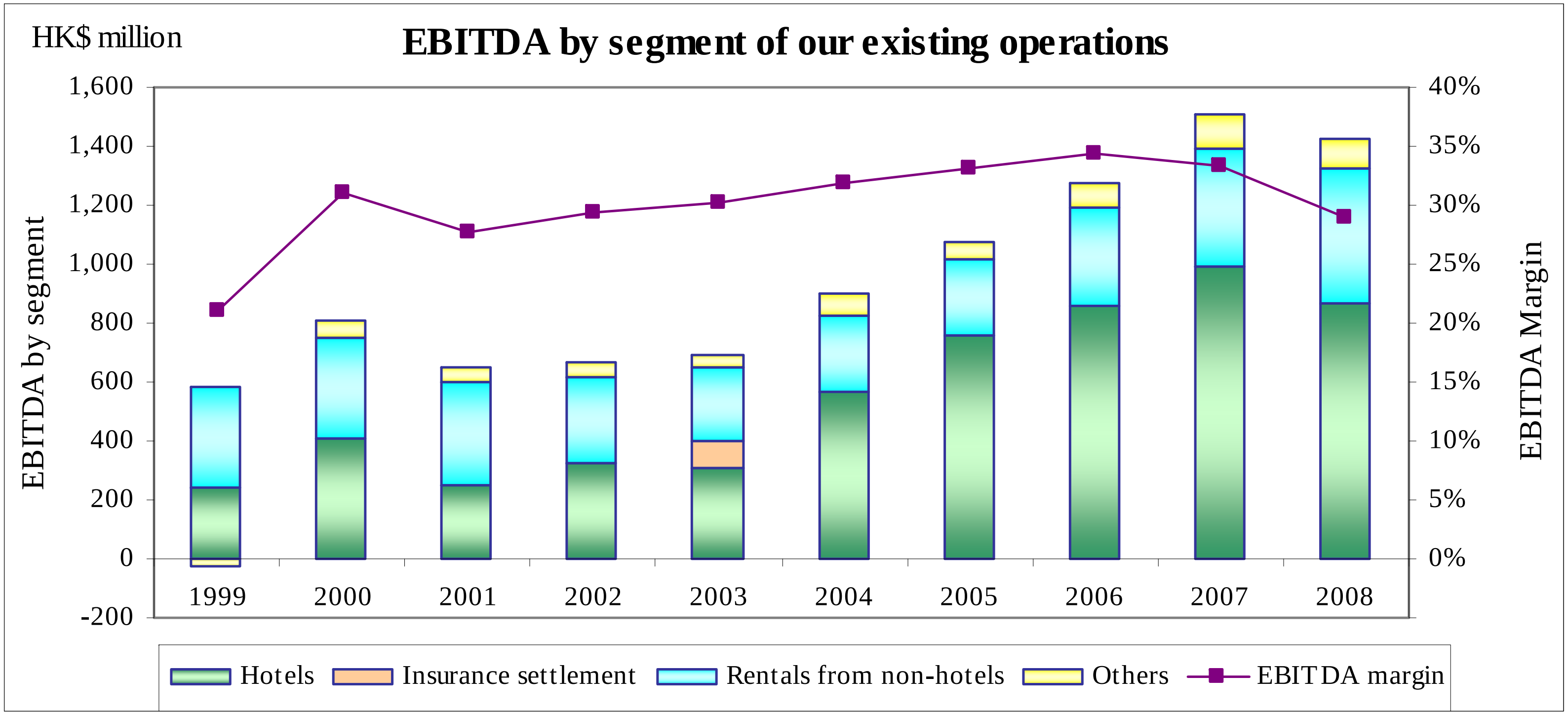
	2008 (HK$'m)	2007 (HK$'m)
Net debt	1,198	1,455
Initial investment in Paris[1]	1,024	-
Adjusted net debt	2,222	1,455
Net debt: EBITDA	0.8 times	1.0 times
Adjusted net debt: EBITDA	1.6 times	n/a
Net gearing	5%	7%
Adjusted net gearing	10%	n/a

[1] Funds paid in January 2009, post year end

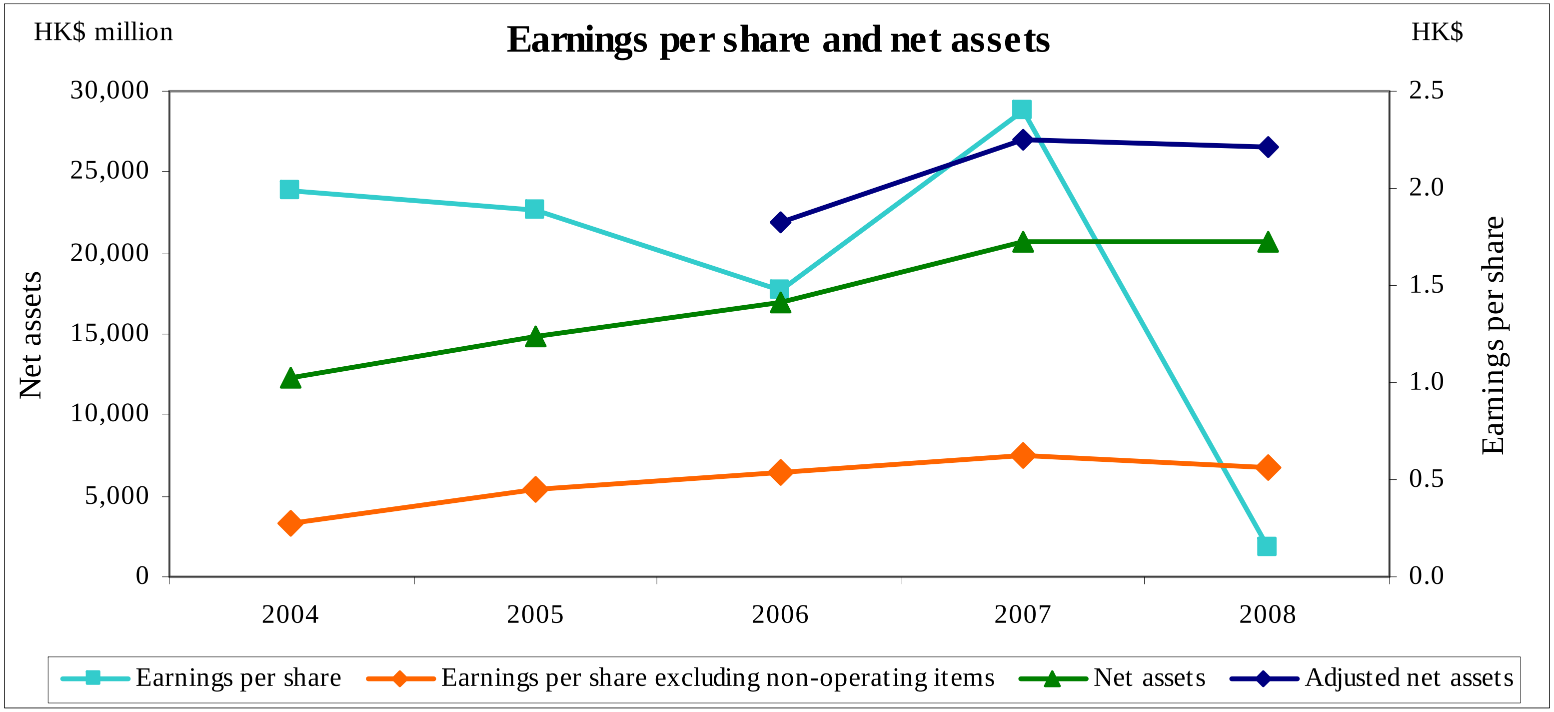
10-year revenue



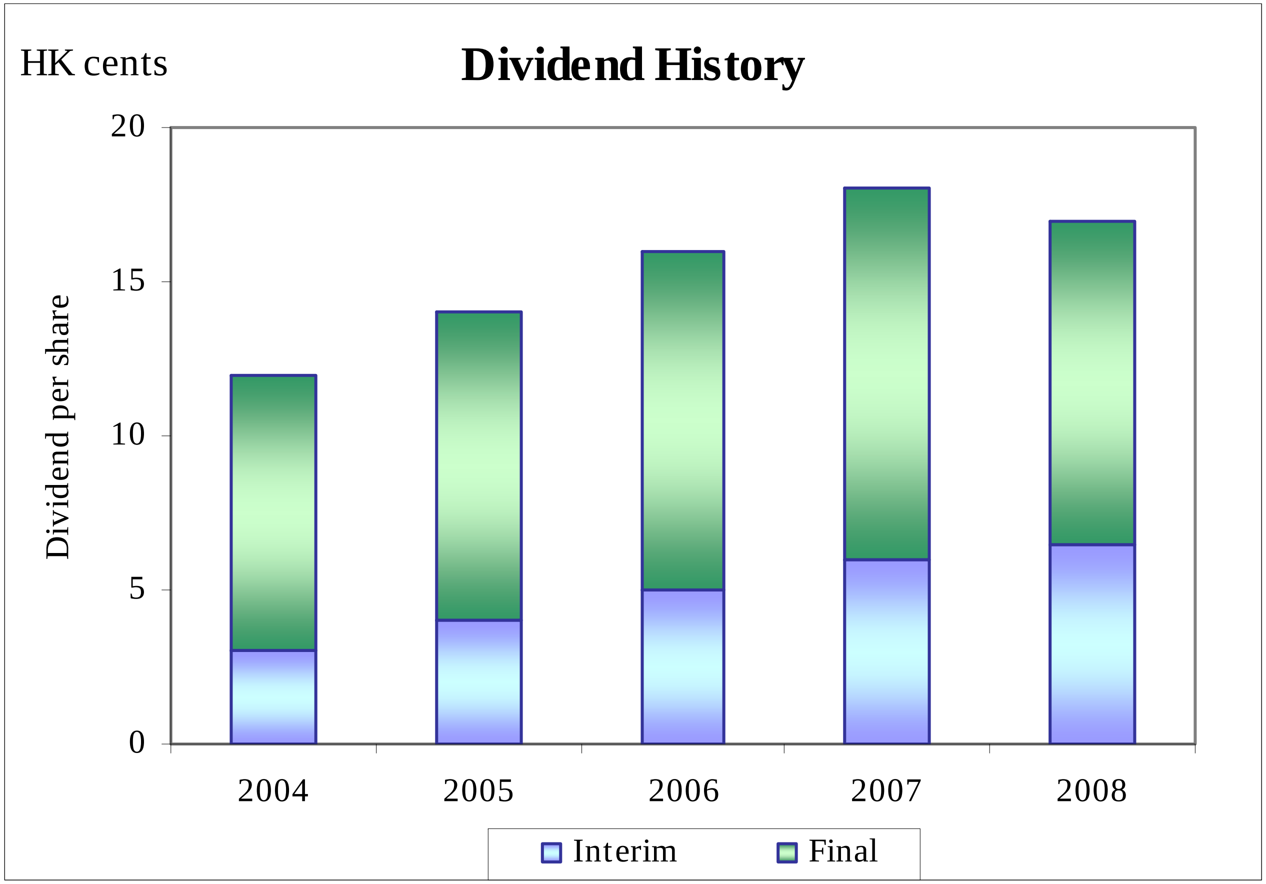
EBITDA by segment of our existing operations



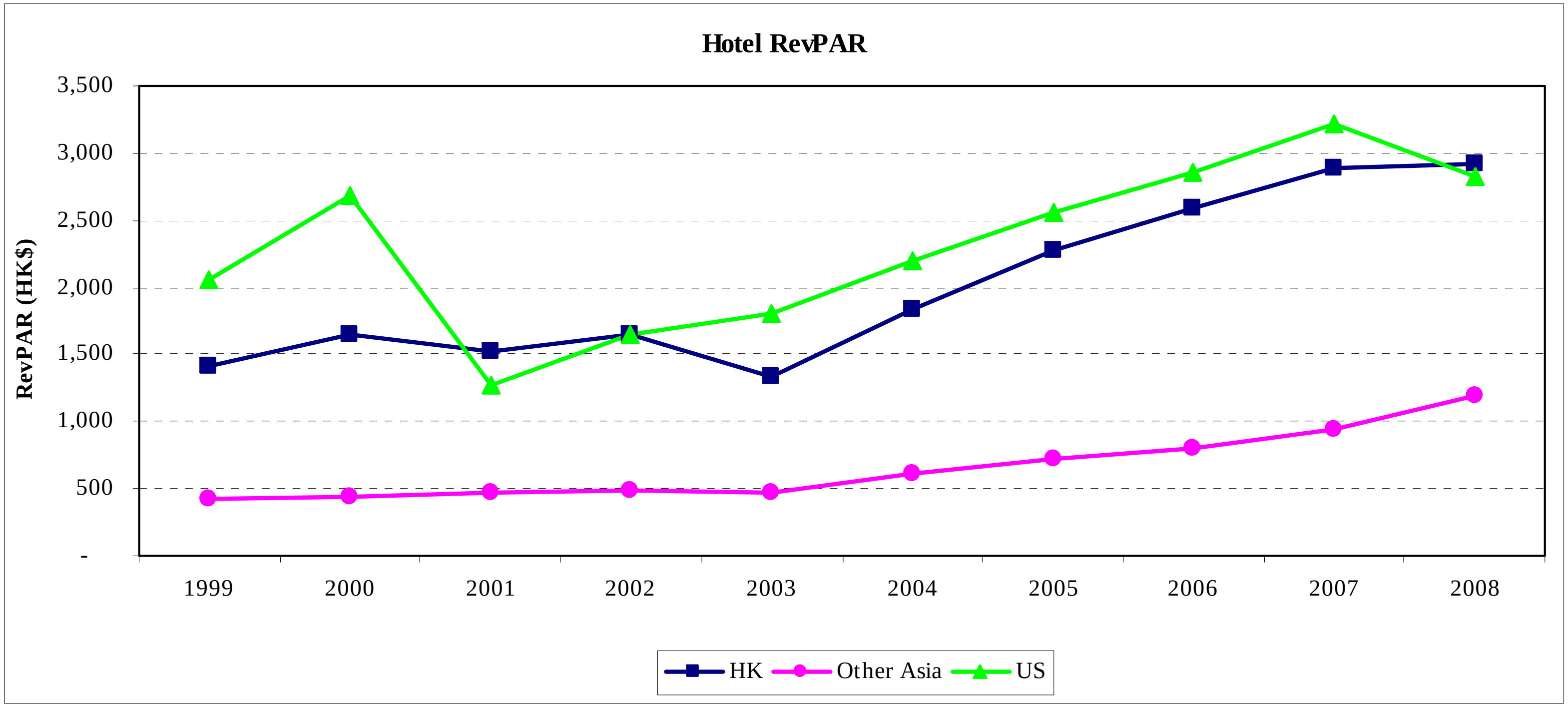
Earnings per share and net assets



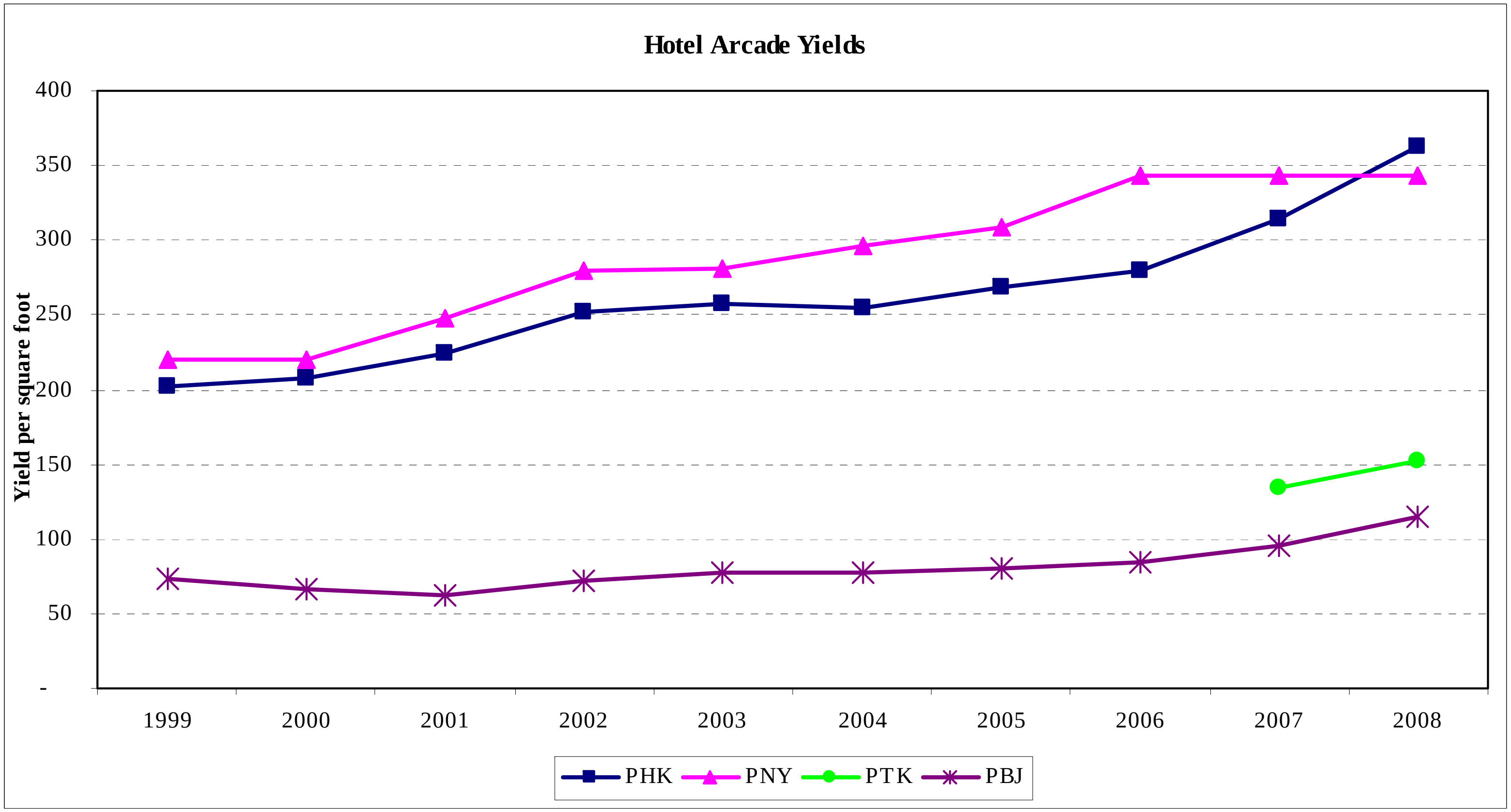
Dividend history



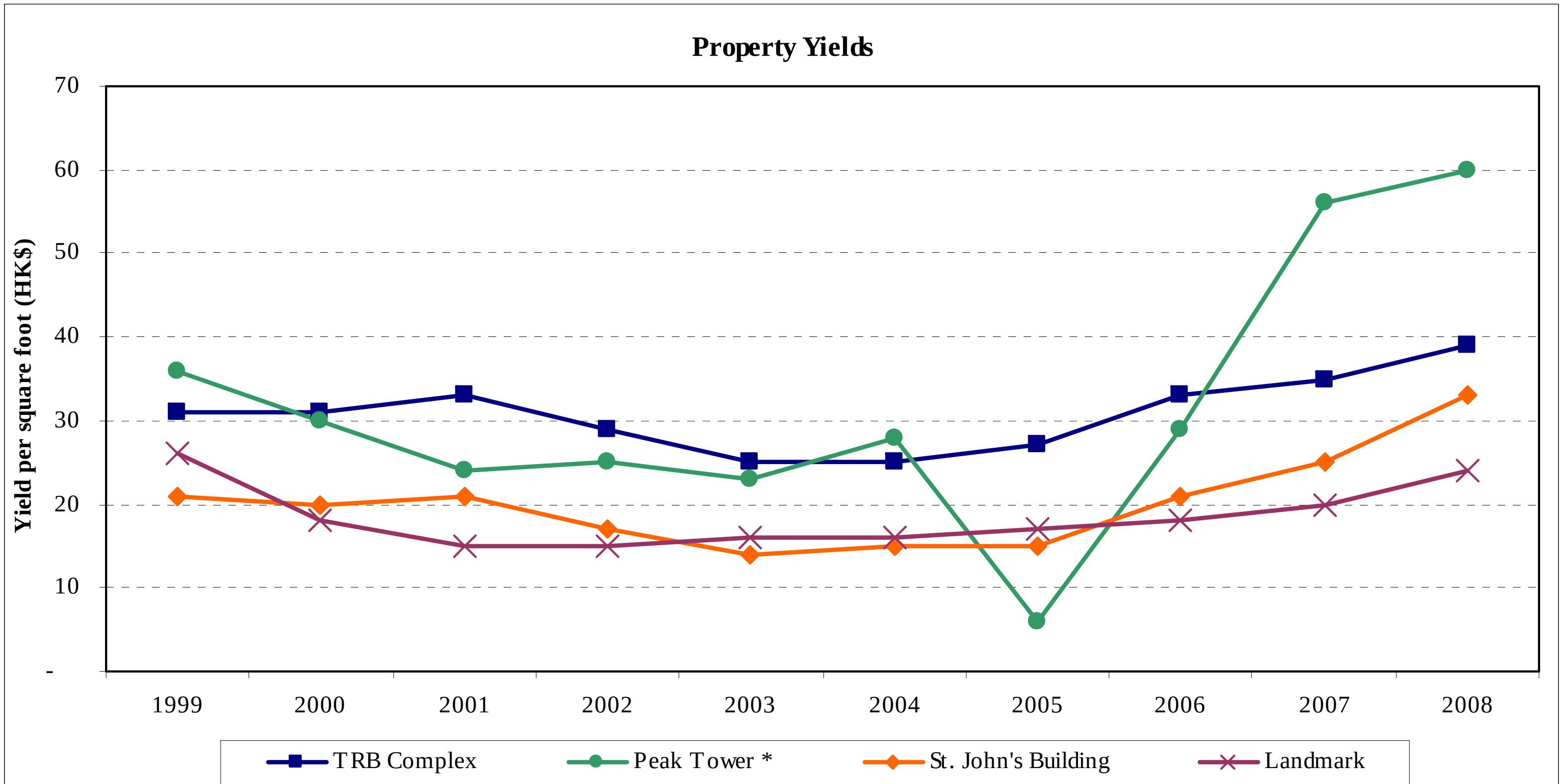
Hotel RevPAR



Hotel Arcade Yields



Property yields



* *Renovation of premises at The Peak Tower commenced in April 2005 and finished in phases from July 2006.*

Operating performance – Other businesses

- The Peak Tram: annual patronage up 1.3% to a record of 5 million passengers, revenue up 4% to HK$81 million
- Cathay Pacific Lounges: annual patronage up 14%, revenue up 8%
- Peninsula Merchandising: revenue up 7% to HK$81 million
- Tai Pan Laundry: revenue up 10% to HK$ 33 million
- Thai Country Club: revenue decreased by 2% to HK$58 million

Development – existing assets

- Newly renovated Ayala Tower at The Peninsula Manila opened in October 2008
- New spa and health clubs at the Peninsula hotels in Beijing and New York were opened in May and December 2008
- New Salon de Ning lounges at the Peninsula hotels in New York and Hong Kong were opened in June and December 2008
- A new vehicle fleet, including 2 bespoke Rolls-Royce Phantoms and 10 BMW 750s, was introduced at The Peninsula Beijing in June 2008
- Revitalisation of the commercial arcade at The Repulse Bay

The Peninsula Shanghai (50% owned)

- Soft opening in autumn 2009, ahead of Expo 2010
- The only new building with Bund frontage
- Next to the former British Consulate compound which is being landscaped with gardens and a state guest house
- Historic return to one of HSH two founding locations

Project financing

	RMB (bil)
Total cost	3.2
Funded by:	
Equity (fully invested)	0.9
Bank debt	
- drawn	0.7
- available	1.6
	3.2

Complex summary

	GFA (sqm)	
Hotel	59,658	235 rooms
Arcade	12,353	35 units
Apartments	20,149	39 apartments
	92,160	

The Peninsula Paris (20% owned)

- Investment in the project was concluded in January 2009 and cash consideration of €100 million was paid
- A joint venture with Qatari Diar Real Estate Investment Company, which is wholly-owned by the Qatar Government
- HSH's maximum commitment for redevelopment is €50 million
- Redevelopment expected to be funded by project financing
- Situated on Avenue Kleber in Paris, the building was originally constructed in 1908 as the Majestic Hotel

The Peninsula Paris (20% owned)

- The building is currently occupied by the French Ministry of Foreign Affairs as the Centre International de Conferences
- Vacant possession is expected to take place in the second quarter of 2009
- The heritage structure will be preserved while the interior will be renovated with state-of-art facilities installed and introduced as a 200-room hotel, with expected completion in 2012
- The Peninsula Paris will be managed by a wholly-owned subsidiary of the Group, under a 30-year hotel management contract with automatic renewal for a further 20 years

Sustainability

Publication of sustainability vision focusing on 6 elements:

1. Corporate governance and ethics
2. Employees
3. Environment
4. Health and safety
5. Supply chain
6. Community investment and engagement

Outlook and focus for 2009

- Increasingly negative impact on occupancy and rates as a result of the global recession
- Budgeted CAPEX for 2009 (excluding Paris) is under review
- Significant efforts underway to control operating costs while maintaining service standards
- Focus on cash generation and retention
- Signs of current environment creating unique opportunities for growth in key international gateway cities

Thank you