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

TO: ALL BUSINESS/FINANCIAL/TRAVEL EDITORS

For Immediate Release

THE HONGKONG AND SHANGHAI HOTELS, LIMITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

HIGHLIGHTS

Key financial results

- Turnover increased by 17% to HK$1,998 million.
- EBITDA increased by 17% to HK$682 million.
- Profit before non-operating items increased by 22% to HK$484 million.
- Profit attributable to shareholders amounted to HK$1,271 million (2006: HK$728 million).
- Earnings per share excluding non-operating items increased by 42% to 27 cents.
- Shareholders funds as at 30 June 2007 amounted to HK$18.6 billion (HK$12.95 per share).
- Gearing ratio reduced to 9% (2006: 11%).
- Interim dividend of 6 cents (2006: 5 cents) per share.

Milestones

- The Peninsula Tokyo hotel building was handed over by the contractors on 31 May 2007 and the hotel opened for business on 1 September 2007.
- The Peninsula Shanghai's foundation works and diaphragm walls have been completed. The design process is well advanced.
- The renovated rooms at The Peninsula Manila have performed very well, as a result of which the second phase renovation of the hotel was approved with work on the Ayala Tower scheduled to begin in 2008.
- Significant projects in progress include the spa and rooftop renovation at The Peninsula New York and the development of a new spa at The Peninsula Beijing.

STRONG FIRST HALF YEAR OPERATING RESULTS FOR HSH

Hong Kong, 12 September 2007 – The unaudited interim results announced today by The Hongkong and Shanghai Hotels, Limited (HSH) reflect the strong operating performance of the Group in both its hotels and non-hotel properties businesses.

Introducing the Group's results, Managing Director and Chief Executive Officer Mr. Clement K.M. Kwok said, "The increases in HSH's turnover and EBITDA reflect the continuing underlying strength of the operating performance and sustained demand across the Group's hotels and properties."

The total turnover for the period amounted to HK$1,998 million, up 17% over the same period in 2006. EBITDA (earnings before interest, tax, depreciation and amortisation) increased by 17% to HK$682 million.

Profit before non-operating items, which the Company considers to be the best measure of the performance of the Group's ongoing business operations, increased by 22% to HK$484 million (2006: HK$398 million). Revaluation gains on investment properties amounted to HK$1,256 million (2006: HK$546 million).

Profit attributable to shareholders in the six months amounted to HK$1,271 million, compared to HK$728 million for the same period in 2006. The total tax charge was HK$280 million (2006: HK$201 million), including deferred taxation in respect of the increase in fair value of investment properties of HK$216 million (2006: HK$89 million).

Earnings per share were 89 cents (2006: 51 cents). Excluding non-operating items and the related tax and minority interests, earnings per share increased by 42% to 27 cents (2006: 19 cents).

Shareholders' funds stood at HK$18.6 billion or HK$12.95 per share. Net borrowings were HK$1.8 billion and the Group's gearing ratio has been further reduced to 9%. The Company has also provided a calculation of the adjusted net assets attributable to shareholders, which after taking into account the fair market valuations of hotel properties and golf courses and a write-back of deferred taxation on property revaluation surpluses arising in Hong Kong, amounted to HK$23.8 billion or HK$16.58 per share.

The Directors have resolved to pay an interim dividend of 6 cents per share (2006: 5 cents per share).

Business Overview

Mr. Kwok commented, "The positive operating environment for our businesses has continued for the six months ended 30 June 2007. Demand for quality accommodation remains strong at this stage, with continued ability to drive rates in our key markets. Whilst this positive background continues, however, many of our hotels already enjoy high occupancy levels and potential for further occupancy growth may be limited in some cases."

Hotels

The total turnover (in HK$) for the hotels division rose 13% over the same period in 2006. The Group's hotel assets have mostly achieved increases in RevPAR in line with, or ahead of, competitor hotels in the relevant markets, with an average RevPAR increase across all Peninsula Hotels of 14%.

The Peninsula Hong Kong has continued to be the room rate and RevPAR leader in Hong Kong. While visitor arrivals from mainland China and regional markets have grown, visitor arrivals from long haul markets have been stagnant and as a result of the change in customer mix, the average length of stay has been shortened and the occupancy level dropped slightly. In Thailand, political and economic factors have impacted the occupancy of *The Peninsula Bangkok* and other hotels in the city; however the hotel is achieving more than its fair market share from within the region. *The Peninsula Beijing* has been able to increase its RevPAR over 2006 by 14% and the hotel is placing considerable emphasis on employee development as the market gears up for the Olympic Games. At *The Peninsula Manila,* the average room rate being achieved for the renovated Makati Tower guest rooms is now well above similar rooms in the unrenovated Ayala Tower, as a result of which it has been decided to advance the renovation of the Ayala Tower to commence in 2008.

In the USA, *The Peninsula New York* increased its RevPAR by 18%, with general market conditions remaining very strong in the city. Effective rate strategies at *The Peninsula Chicago* have enabled its ARR to be increased and the hotel to maintain its position as the room rate and RevPAR leader in Chicago. In Los Angeles, *The Peninsula Beverly Hills* continues to perform very well and leads the market in occupancy, room rate and RevPAR. In *Quail Lodge Resort,* the year-long process of adjustment after the Group's resumption of direct management in April 2006 has resulted in improved revenue levels and increased profitability for the hotel departments as well as the golf operation.

Residential, Commercial & Office Properties

Turnover from our residential, commercial and office properties for the first six months rose by 20% over 2006, due to sustained demand for luxury residential accommodation and the continued growth of the Hong Kong economy, both of which are supported by the strength of the financial and multi-national sectors. The high-end retail sector has remained strong in Hong Kong and Beijing, benefitting the hotel shopping arcades and other commercial spaces. Most of our investment properties, including the newly renovated Peak Tower, are fully leased.

The other businesses operated by the Group have contributed an overall increase of 58% in revenue for the period. These include The Peak Tramways, which saw an 18% rise in the number of passengers to 2.3 million for the first six months; the Thai Country Club, which maintained business levels despite political uncertainty in Thailand; Peninsula Merchandising, which has recorded a 135% increase in turnover due to the continued expansion of Peninsula Boutiques into China and Japan; and Peninsula Club and Consultancy Services which has increased profitability by 82%, with in particular a significantly increased contribution from its airport lounge operations.

New Projects

After a three-year construction period, The Peninsula Tokyo opened for business on 1 September 2007. Located in the prestigious Marunouchi business district (Tokyo's banking and financial centre) and overlooking the Imperial Palace and adjacent to Ginza, the hotel building was handed over by the contractors to our partner Mitsubishi Estate Company and Peninsula of Tokyo Limited as the operator on 31 May 2007.

With recent luxury hotels in Tokyo opting to be part of high-rise office buildings or multi-use complexes, The Peninsula Tokyo stands unique in that it is the only free-standing luxury hotel to be built in Tokyo in more than a decade. At 24 storeys high, The Peninsula Tokyo features 314 guest rooms – among the largest in Tokyo – including 47 suites, five restaurants, two ballrooms, function rooms, a spa, a fitness centre and shopping arcade.

An international advertising campaign was launched in July, after which the hotel began accepting direct reservations. By the time the hotel opened, the staff number had grown to its full complement of 560, including 20 Peninsula Tokyo Ambassadors who for the past year had undergone intensive overseas training in The Peninsula Hong Kong and The Peninsula Bangkok.

In China, construction of The Peninsula Shanghai has progressed rapidly since ground-breaking in October 2006, with the foundation works and diaphragm walls having been completed by July 2007. In early September, above-the-ground construction work for the hotel had reached the second floor. Most of the design consultants have been appointed, while the hotel's façade mockup and model guest room had been approved for design purposes. Located on the famous Bund, the hotel and apartment complex is expected to open in 2009, in time for the Shanghai World Expo in 2010.

Outlook

The market outlook for our operations varies from country to country. In Hong Kong, continuing growth in the local economy is likely to underpin the commercial and luxury residential leasing markets, benefitting our investment properties, in particular The Repulse Bay and The Peninsula Hong Kong retail arcade. At the same time, The Peninsula Hong Kong, The Peak Tower and The Peak Tram continue to benefit from strong visitor arrivals. The renovation of the Peak Tram Lower Terminus will be completed in September, culminating in the opening of the Peak Tram Historical Gallery.

Conditions in Bangkok and Beijing are currently more challenging. In Bangkok, political uncertainty and local currency appreciation may continue to have an adverse effect on foreign investment and long-haul arrivals from Europe and the United States. In Beijing, several new luxury hotels have opened and with several more to come as China's capital gears up for the 2008 Olympic Games, competition has intensified significantly. On the other hand, we continue to see improved business at The Peninsula Manila with the renovated guest rooms performing well.

With relatively stable conditions in the markets where the Group operates, our US hotels continue to focus on facility and service enhancements and to augment marketing activities. Cost management continues to be a challenge with tight labour markets and rising labour costs.

About HSH

Incorporated in 1866 and listed on the Hong Kong Stock Exchange (0045), The Hongkong and Shanghai Hotels, Limited is a holding company whose subsidiaries are engaged in the ownership and management of prestigious hotel, commercial and residential properties in key destinations in Asia and the USA. The hotel portfolio of the Group comprises The Peninsula Hong Kong, The Peninsula New York, The Peninsula Chicago, The Peninsula Beverly Hills, The Peninsula Bangkok, The Peninsula Beijing, The Peninsula Manila, The Peninsula Tokyo, The Peninsula Shanghai (opening 2009), and Quail Lodge Resort and Golf Club in Carmel, California. The property portfolio of the Group includes The Repulse Bay complex, The Peak Tower and The Peak Tramways, St. John's Building and The Landmark in Ho Chi Minh City, Vietnam.

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KEY STATISTICS FOR THE SIX MONTHS ENDED 30 JUNE 2007

HOTELS

	Attributable Interest %	Occupancy % for the six months ended 30 June		Average Room Rate for the six months ended 30 June		% Change in RevPAR
		2007	2006	**2007**	2006	
The Peninsula Hong Kong	100	**77**	81	**HK$3,674**	HK$3,119	12
The Peninsula New York	100	**74**	70	**HK$5,699**	HK$5,057	18
The Peninsula Chicago	92.5	**67**	65	**HK$3,396**	HK$3,202	9
The Peninsula Beverly Hills	20	**85**	85	**HK$4,978**	HK$4,574	9
The Peninsula Bangkok	75	**67**	73	**HK$1,681**	HK$1,430	8
The Peninsula Beijing	42.1	**62**	63	**HK$1,616**	HK$1,397	14
Peninsula Manila*	76.1	**79**	77	**HK$ 987**	HK$ 687	47
Quail Lodge Resort	100	**66**	56	**HK$1,903**	HK$2,081	7

* *For the first six months of 2006, an average of 34 rooms were closed for renovation at The Peninsula Manila.*

PROPERTIES

	Attributable Interest %	Occupancy % for the six months ended 30 June		Average Monthly Yield (pnasf*) for the six months ended 30 June	
		2007	2006	**2007**	2006
Residential					
The Repulse Bay (Unfurnished)	100	**93**	93	**HK$ 35**	HK$ 33
The Repulse Bay (Serviced)	100	**74**	62	**HK$ 29**	HK$ 23
The Landmark	70	**99**	97	**HK$ 17**	HK$ 17
Commercial					
The Peninsula Hong Kong	100	**96**	96	**HK$316**	HK$288
The Peninsula New York	100	**100**	100	**HK$343**	HK$346
The Peninsula Bangkok	75	**100**	100	**HK$ 72**	HK$ 55
The Peninsula Beijing	42.1	**97**	98	**HK$ 91**	HK$ 83
The Peninsula Manila	76.1	**74**	64	**HK$ 17**	HK$ 13
The Repulse Bay	100	**100**	100	**HK$ 68**	HK$ 67
The Peak Tower **	100	**100**	42	**HK$ 53**	HK$ 5
Office					
The Peninsula Hong Kong	100	**100**	100	**HK$ 25**	HK$ 23
St. John's Building	100	**98**	98	**HK$ 23**	HK$ 19
The Landmark	70	**100**	99	**HK$ 20**	HK$ 18

* *"Pnasf" denotes "per net available square foot".*
** *For the first six months of 2006, The Peak Tower was partially closed for renovation.*