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

To: ALL FINANCIAL/BUSINESS/TRAVEL EDITORS

FOR IMMEDIATE RELEASE **19 MARCH, 2008**

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

HIGHLIGHTS

Key financial results

- Profit before non-operating items increased by 20% to HK$1,088 million. (*2006: HK$904 million*)
- EBITDA increased by 18% to HK$1,510 million. *(2006: HK$1,275 million)*
- Profit attributable to shareholders amounted to HK$3,437 million (*2006: HK$2,094 million*), including revaluation surpluses.
- Earnings per share excluding non-operating items increased by 17% to HK$0.63.
- Shareholders' funds increased by 22% to HK$20,726 million (HK$14.37 per share) as at 31 December 2007. (*2006: HK$16,982 million at HK$11.89 per share*)
- The Group's adjusted net assets amounted to HK$27,032 million (HK$18.75 per share) as at 31 December 2007. (*2006: HK$21,841 million at HK$15.29 per share*)
- Net borrowings decreased by HK$621 million to HK$1,455 million (*2006: HK$2,076 million*), with the net gearing level reduced to 7%. (*2006: 11%*)
- RevPAR for the Group's Peninsula Hotels increased by 16%. (*2006: 13%*)

Key developments

- The 314-room Peninsula Tokyo had its soft-opening on 1 September 2007 and celebrated its grand opening on 14 December 2007.
- Significant progress has been made on the construction of The Peninsula Shanghai and the adjacent hotel apartment tower. The hotel tower reached structural top-out in mid January 2008.
- Approval to proceed with its revitalisation plan was obtained by The Repulse Bay from the Town Planning Board in November 2007 for the construction of new shops and enhanced facilities.
- Construction of the new Peninsula Spa in Beijing began in November 2007 with completion planned for before the Beijing Olympics.
- Approval was given for The Peninsula New York's extensive renovation, which commenced in early 2008 and will include the Peninsula Spa and the Pen-Top Bar.
- Phase two of the Peninsula Manila renovation, which will include a renovation of all of the guestrooms in the Ayala Tower, will begin in 2008.

HSH ANNOUNCES STRONG RESULTS

Hong Kong, 19 March 2008 – Announcing its audited results for the year ended 31 December 2007, The Hongkong and Shanghai Hotels, Limited (HSH) said that the underlying strong performance of its businesses during the year was reflected in its 2007 financial results, with profit attributable to shareholders amounting to HK$3,437 million, including revaluation surpluses.

The total turnover of the Group for the year of HK$4,542 million was 22% above 2006. Earnings before interest, taxation, depreciation and amortisation (EBITDA) were HK$1,510 million, a rise of 18% over 2006. The increase was driven primarily by the strong performance in the hotel division, together with robust rental income from The Repulse Bay and the Peninsula Hotels' shopping arcades.

Profit before non-operating items increased by 20% to HK$1,088 million. Shareholders' funds stood at HK$20,726 million, or HK$14.37 per share as at 31 December 2007, an increase of 22% as compared to 2006. Our accounts are prepared on the basis of investment properties being stated at fair market value, whereas the hotel properties are stated at cost less depreciation and any impairment provision. In addition, deferred tax is provided on the revaluation surplus on Hong Kong investment properties which the Directors do not expect will materialise. In the light of the above, the Directors have provided for shareholders' additional information a calculation of the Group's adjusted net asset value which amounts to HK$27,032 million (HK$18.75 per share).

An interim dividend of 6 cents was paid during the year 2007 (2006: 5 cents). The Directors are recommending to shareholders that the final dividend be set at 12 cents per share (2006: 11 cents), representing a total dividend for 2007 of 18 cents per share. Shareholders will also be given the option to receive their dividend in the form of scrip rather than cash.

Mr. Clement K.M. Kwok, HSH's Chief Executive Officer**,** commented, "2007 was a buoyant year for the economies and travel demand in our key markets. Operating from the strength of our brand and their well-established market positions, our hotels and other properties and businesses achieved pleasing results, with this year's profit before non-operating items of HK$1,088 million representing an increase of 20% from last year.

Our Group was thus able to continue the sustained recovery which it has enjoyed since emerging from the Asian financial crisis which occurred in the late 1990s, with our EBITDA having improved consistently every year from its low of HK$698 million in 2001, to HK$1,510 million in 2007. Our balance sheet has continued to strengthen, with our net gearing decreasing to 7% in 2007 despite the significant spend on the Peninsula Tokyo project during its final stages of construction."

Hotels

The Group held the soft-opening of **The Peninsula Tokyo** on 1 September 2007, and celebrated its grand opening on 14 December. Situated in a most prime location in Tokyo's Marunouchi business district and within a short distance from the Imperial Palace, Hibiya Park and Ginza, the 314-room hotel was conceived, designed and constructed in partnership with Mitsubishi Estate Company.

Mr. Kwok remarked, "Our Group's philosophy is to focus on a small number of hotel projects at any one time and thus, this was our first new hotel opening since 2001. From the reaction of hotel guests and the market generally since the hotel's soft opening, I believe that this focus and attention to detail has paid off, with a hotel that is proving to be a strong addition to our brand, as well as gaining worldwide recognition in its own right."

The other seven Peninsula Hotels generally had a strong year, continuing in their positions as being either top or amongst the leaders in room rate and RevPAR (revenue per available room) in their respective cities. In particular, **The Peninsula Hong Kong** had a record year in terms of RevPAR, which at HK$2,892 (US$371) represented an increase of 12% from 2006.

Across other Asian destinations, business conditions for 2007 were somewhat mixed. **The Peninsula Beijing** faced intense competition from the large number of new luxury hotel openings ahead of the Beijing Olympics. **The Peninsula Bangkok** lived through a period of relative political uncertainties. **The Peninsula Manila** had a buoyant year after its extensive, phase one renovation was completed in late 2006; however, it suffered from a momentary business disruption in late November when the hotel was seized by anti-government rebels and the ensuing attack by government troops significantly damaged some areas of the hotel.

The three Peninsula Hotels in the US achieved strong performances in 2007. **The Peninsula New York** had a record year**, The Peninsula Chicago** maintained its position as the top hotel in the city and **The Peninsula Beverly Hills** continued to achieve rate increases.

The retail arcades in The Peninsula Hong Kong and The Peninsula Beijing continued to be most sought after by top level brands, achieving amongst the highest rentals per square foot in their respective cities and enjoying effective full occupancy.

(For details on the Peninsula Hotels' performance, please refer to Key Statistics)

Overall, the hotel division's revenue and EBITDA for 2007 were HK$3,550 million and HK$991 million, an increase of 22% and 15% respectively as compared to 2006.

Non-hotel Properties

During 2007, the market remained buoyant in Hong Kong for both residential and office lettings and this was reflected in the performance of our properties. At **The Repulse Bay**, the rental per square foot of the unfurnished apartments increased to HK$36 per square foot per month (*2006: HK$34*). Both **The Repulse Bay Arcade** and **The Peak Tower** were fully let, at an average rental of HK$69 per square foot for The Repulse Bay and HK$56 per square foot for The Peak Tower. St. John's Building maintained an occupancy of 99% at HK$25 per square foot per month.

Patronage on the popular **Peak Tram** grew by 11% to a record-breaking 4.9 million passengers, as Hong Kong enjoyed a boom in tourist arrivals. To enhance this tourist attraction, the Group created and opened The Peak Tram Historical Gallery at the lower Peak Tram terminus.

The **Thai Country Club**, **The Landmark**, our club management operations and **Tai Pan Laundry** all performed satisfactorily. Booming air travel in Hong Kong also meant that the Group handled a record number of 1.2 million passengers at the **Cathay Pacific first and business class lounges,** which are managed by HSH at the Hong Kong International Airport.

Overall, the revenue and EBITDA from non-hotel properties and operations for 2007 were HK$992 million and HK$519 million, and increase of 22% and 25% respectively as compared to 2006.

New Projects

The Peninsula Shanghai, due to open in late 2009, made good progress during the year. It will be the only new building to be constructed with a frontage onto the Bund. The complex, which is being developed, will comprise a 15-storey, 235-room hotel, a 5,300 square metre high-end shopping arcade and 15,600 square metres of hotel apartments.

Construction of the complex started in October 2006 and the hotel tower reached structural topping out in mid January 2008. Topping out of the entire complex will be achieved by June 2008. Designs of the interior spaces are well progressed and the interior fitting-out works have begun.

The Group continued to focus on enhancing existing assets to improve returns. An example is the development of our own exclusive line of Peninsula Spas, and we are now underway in the construction of new Peninsula Spas in Beijing (completion in May 2008) and New York (completion in September 2008). The Peninsula New York is also renovating its popular rooftop bar. In Manila, The Peninsula will proceed with phase two of its renovation in 2008, which will include a renovation of all of the guestrooms in the Ayala Tower.

Outlook

Commenting on the business outlook, Mr. Kwok said, "The biggest operating challenge currently facing us is that our operating costs continue to rise, with continuing inflation and particularly wage and energy cost increases in our main business locations over the past few years. Whilst present business momentum continues to be positive, the outlook for our revenues has been clouded by the current uncertainties in the world economies and financial markets following the sub-prime crisis in the US.

Amidst such uncertainties, it is worth remembering that our approach to handling any downturn that may result is for management to react quickly but always to look long-term and value the long-term relationship that we have with our staff."

Mr. Kwok continued: "Looking at the immediate business prospects of our operations, it appears that the hotel business in the US, particularly from the corporate sector, is showing signs of being negatively affected by the uncertainties in the economy and the financial markets. Such a slow down would inevitably also affect our Asian businesses, although presently demand is still good in Hong Kong both for the hotel and for residential lettings where demand mainly comes from the multi-national corporate sector."

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