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

Stock code: 00045

Interim Report 2011 中期報告

Contents

Company at a Glance

The Hongkong and Shanghai Hotels, Limited (HSH) was incorporated in 1866 and is listed on The Stock Exchange of Hong Kong (00045). HSH is the holding company of a Group which is engaged in the ownership, development and management of prestigious hotel, commercial and residential properties in key locations in Asia, the United States and Europe, as well as the provision of transport, club management and other services.

HSH's businesses are grouped under three divisions: Hotels Division, Commercial Properties Division and Clubs and Services Division.

HOTELS DIVISION		YEAR ACQUIRED/ ESTABLISHED	NUMBER OF ROOMS	HSH OWNERSHIP
Asia	The Peninsula Hong Kong	1928	300	100%
	The Peninsula Shanghai	2009	235	50%
	The Peninsula Beijing	1989	525	42%
	The Peninsula Tokyo	2007	314	100%
	The Peninsula Bangkok	1998	370	75%
	The Peninsula Manila	1976	497	77%
USA	The Peninsula New York	1988	239	100%
	The Peninsula Chicago	2001	339	100%
	The Peninsula Beverly Hills	1991	193	20%
Europe	The Peninsula Paris	Opening in 2013	200	20%

COMMERCIAL PROPERTIES DIVISION		YEAR CURRENT BUILDING OPENED	GROSS FLOOR AREA (SQ. FT.)	HSH OWNERSHIP
Residential	The Repulse Bay, Hong Kong	1976 and 1989	996,788	100%
	The Landmark, Ho Chi Minh City, Vietnam	1994	69,750	70%
Commercial	The Peak Tower, Hong Kong	1996	116,768	100%
	The Repulse Bay, Hong Kong	1989	62,109	100%
Office	The Peninsula Office Tower, Hong Kong	1994	80,430	100%
	St. John's Building, Hong Kong	1983	71,400	100%
	The Landmark, Ho Chi Minh City, Vietnam	1994	108,727	70%

CLUBS AND SERVICES DIVISION	HSH OWNERSHIP
Peak Tramways, Hong Kong	100%
Thai Country Club, Bangkok, Thailand	75%
Quail Golf & Country Club, Carmel, USA	100%
Peninsula Clubs and Consultancy Services	100%
Peninsula Merchandising	100%
Tai Pan Laundry, Hong Kong	100%

Financial and Operating Highlights

	For the six months ended 30 June 2011	2010 *(restated)*	Increase/ (Decrease)
CONSOLIDATED INCOME STATEMENT (HK$m)			
Turnover	**2,310**	2,176	6%
EBITDA	**512**	490	4%
Profit attributable to shareholders	**1,907**	697	174%
Underlying profit attributable to shareholders**	**152**	147	3%
Interim dividend	**59**	59	–
Earnings per share (HK$)	**1.29**	0.47	174%
Underlying earnings per share (HK$)**	**0.10**	0.10	–
Interim dividends per share (HK cents)	**4**	4	–
Interim dividend cover (times)#	**2.6x**	2.5x	4%
Interest cover (times)	**7.0x**	6.2x	13%
Weighted average gross interest rate	**3.2%**	3.2%	–
	As at 30 June 2011	As at 31 December 2010	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)			
Total assets	**38,586**	36,587	5%
Net assets attributable to shareholders	**31,102**	29,103	7%
Adjusted net assets attributable to shareholders**	**34,094**	31,888	7%
Net assets per share (HK$)	**20.92**	19.66	6%
Adjusted net assets per share (HK$)**	**22.93**	21.55	6%
Net borrowings	**1,500**	1,674	(10%)
Net debt to EBITDA (annualised) (times)	**1.5x**	1.7x	(12%)
Net debt to equity	**5%**	6%	(1pp)*
Gearing	**5%**	5%	–
	For the six months ended 30 June 2011	2010	
CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)			
Net cash generated from operating activities	**406**	366	11%
Capital expenditure	**107**	103	4%
Net cash inflow after capital expenditure, interest and dividends	**169**	188	(10%)
Capital expenditure to revenue	**5%**	5%	–
SHARE INFORMATION (HK$)			
Highest share price	**14.74**	13.06	13%
Lowest share price	**12.64**	10.32	22%
Period end closing share price	**13.00**	12.94	0.5%
OPERATING INFORMATION			
Number of hotel rooms (as at 30 June)	**3,012**	3,012	–
Average occupancy rate			
– Hong Kong	**70%**	67%	3pp *
– Other Asia	**55%**	57%	(2pp)*
– United States of America	**63%**	60%	3pp *
Average room rate (HK$)			
– Hong Kong	**4,074**	3,779	8%
– Other Asia	**1,941**	1,837	6%
– United States of America	**4,472**	4,172	7%
RevPAR (HK$)			
– Hong Kong	**2,864**	2,522	14%
– Other Asia	**1,069**	1,039	3%
– United States of America	**2,838**	2,496	14%

* *pp denotes percentage points.*
** *Please refer to calculation in the Financial Review.*
# *Dividend cover is calculated based on underlying profit attributable to shareholders over dividends.*

The Directors hereby announce the unaudited interim results of the Company for the six months ended 30 June 2011. The Interim Financial Report has been reviewed by the Company's Audit Committee, comprising a majority of Independent Non-Executive Directors, one of whom chairs the Committee, as well as the Company's auditor, KPMG, whose independent review report to the Board of Directors is set out on page 40.

Financial Review

Basis of Preparation

The Group's Interim Financial Report has been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 *Interim financial reporting* and all applicable Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

At the year ended 31 December 2010, in order to better present the Group's deferred tax position, the Group opted to early adopt the Amendments to HKAS 12 *Income Taxes* (the "Amendments") which is effective for annual periods beginning on or after 1 January 2012.

Under the Amendments, deferred tax liabilities in respect of the Group's investment properties are now measured with reference to the tax liabilities that would arise if the properties were disposed of at their carrying values at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time rather than through sale. Previously, where these properties were held under leasehold interest, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use. In view of the foregoing, the Group is no longer required to provide for deferred tax liabilities in respect of temporary differences arising from revaluation of Hong Kong investment properties as there is no capital gains tax in Hong Kong.

Since the Amendments were not issued by the HKICPA until 21 December 2010, the Group's Interim Report for the period ended 30 June 2010 was prepared based on the recognition criteria under the old HKAS 12 without taking into account the new recognition provisions in respect of the deferred tax liabilities on the Group's investment properties under the Amendments. As a result of the early adoption of the Amendments, the Group's comparative figures for the period ended 30 June 2010 need to be restated. Further details of the effect on the Group's income statement arising from the Amendments are summarised in note 19 to the Interim Financial Report.

The Group's Adjusted Net Asset Value

The Group has selected the cost model instead of fair value model under the HKFRS as its accounting policy to account for its hotels (other than shopping arcades and offices within the hotels) and golf courses. Under the cost model, hotels and golf courses are measured at depreciated cost less accumulated impairment losses, if any. The fair value model has not been selected in order to avoid the inclusion of unnecessary short term fair value movements in respect of hotels and golf courses in the income statement, which are considered irrelevant to the underlying economic performance of the hotel and golf course operations. However, in order to provide users of the Interim Financial Report with additional information on the value of the Group's net assets, the Directors have commissioned an independent third party fair market valuation of the Group's hotels and golf courses as at 30 June 2011, the details of which are set out on page 7. If these assets were to be stated at fair market value instead of at cost less depreciation and any provision for impairment (and deferred tax is not provided on the revaluation surplus of the hotel property in Hong Kong on the same rationale explained above), the Group's net assets attributable to shareholders would increase by HK$2,992 million (9.6%).

In light of the above, the Directors have provided the users of the Interim Financial Report with a calculation of the Group's adjusted net asset value as at 30 June 2011 on the basis set out below:

HK$m	As at 30 June 2011		As at 31 December 2010	
Net assets attributable to shareholders per statement of financial position		**31,102**		29,103
Adjusting the value of hotels and golf courses to fair market value	**3,430**		3,151	
Less: Related deferred tax and non-controlling interests	**(438)**		(366)	
		2,992		2,785
Adjusted net assets attributable to shareholders		**34,094**		31,888
Net assets per share as per statement of financial position (HK$)		**20.92**		19.66
Adjusted net assets per share (HK$)		**22.93**		21.55

The Group's Underlying Earnings

The Group's operating results are mainly derived from the operation of hotels and letting of commercial properties. However, to comply with the HKFRS, the Group is required to include non-operating items, such as the increase in fair value of investment properties, in its income statement. As the Group continues to be managed with principal reference to its underlying operating cash flows and recurring earnings, the Directors have provided for the users of its Interim Financial Report calculations of the Group's underlying profit attributable to shareholders and underlying earnings per share, which are determined by excluding the post tax effects of the property revaluation movements and other non-operating items, as set out below:

	For the six months ended 30 June	
HK$m	**2011**	2010 *(restated)*
Profit attributable to shareholders	**1,907**	697
Increase in fair value of investment properties	**(1,784)**	(547)
Share of net property valuation gain of a jointly controlled entity, net of tax	**–**	(18)
Tax and non-controlling interests attributable to non-operating items	**29**	15
Underlying profit attributable to shareholders	**152**	147
Underlying earnings per share (HK$)	**0.10**	0.10

Income Statement

The Group's turnover for the six months ended 30 June 2011 of HK$2,310 million was HK$134 million or 6% above the same period in 2010.

The Hotels Division enjoyed positive momentum in its operating performance in the first quarter of the year, but this was disrupted by the Japan earthquake on 11 March 2011 which had significant adverse effect on business at The Peninsula Tokyo as well as some minor knock-on effects elsewhere. Momentum also slowed in some of our other markets in the second quarter. Overall, the Hotels Division was able to achieve revenue growth of 5% in the first half of 2011. The majority of the Division's increase in revenue was attributed to improved rooms and food and beverage business at the Peninsula hotels in Hong Kong and the United States.

For the Commercial Properties Division, demand for high end residential apartments and retail premises remained strong in the first half of 2011, resulting in an 8% growth in rental revenue.

Most of the businesses in the Clubs and Services Division also recorded revenue growth, leading to an overall increase in turnover by 12%. Details of the operating performance of the Group's individual business divisions are summarised in the Operating Review on pages 9 to 14.

The Group's consolidated EBITDA (earnings before interest, taxation, depreciation and amortisation) increased by 4% year-on-year to HK$512 million. The breakdown of EBITDA by business segment and geographical segment is set out in the table below:

EBITDA (HK$m)	**Hong Kong**	**Other Asia**	**United States of America**	**Total**	**2011 vs 2010**
2011					
Hotels	**238**	**9**	**(19)**	**228**	**–**
Commercial Properties	**231**	**11**	**–**	**242**	**7%**
Clubs and Services	**49**	**10**	**(17)**	**42**	**17%**
	518	**30**	**(36)**	**512**	**4%**
2010					
Hotels	226	38	(37)	227	
Commercial Properties	214	13	–	227	
Clubs and Services	50	8	(22)	36	
	490	59	(59)	490	
2011 vs 2010					
Percentage change	**6%**	**(49%)**	**39%**	**4%**	

Details of the operating performance of individual operations are set out in the Operating Review.

EBITDA margin represents EBITDA as a percentage of turnover and is analysed in the table on the right:

EBITDA margin	**2011**	2010
Hotels	**13%**	14%
Commercial Properties	**67%**	68%
Clubs and Services	**20%**	19%
Overall EBITDA margin	**22%**	23%
Arising in:		
Hong Kong	**48%**	49%
Other Asia	**4%**	8%
United States of America	**(8%)**	(15%)

During the period, due to the business disruption caused by the earthquake in Japan, the EBITDA margin of the Hotels Division fell short of 2010 by 1 percentage point. The EBITDA margin of the Commercial Properties Division also dropped by 1 percentage point mainly due to an increase in operating costs. However, the EBITDA margin of the Clubs and Services Division improved by 1 percentage point to 20%.

After taking into account depreciation and net financing charges, profit after financing charges amounted to HK$284 million or 6% above the same period in 2010.

With respect to non-operating items, the increase in fair value of investment properties for the current period amounted to HK$1,784 million (2010: HK$547 million), mainly attributable to the revaluation surpluses on The Peninsula Hong Kong's shopping arcade and The Repulse Bay Complex in Hong Kong.

The Group has a 50% interest in The Peninsula Shanghai, which is owned by a jointly controlled entity. The Group's share of loss in relation to The Peninsula Shanghai for the first half of 2011 increased to HK$43 million (2010: HK$17 million). While the hotel operation is performing well across rooms, food and beverage and spa activities and has achieved the position of rate leader in Shanghai, the commercial operations within the complex are still developing. The shopping arcade, while fully tenanted with a strong brand mix, is working to promote itself in a new location and the Peninsula apartments are yet to commence rental, which is expected in the second half of 2011. In addition, substantially drawn development loans following construction completion of the complex, as well as an increase in lending base rates, resulted in significantly higher interest costs.

After accounting for the increase in fair value of investment properties and the related deferred tax and non-controlling interests, consolidated profit attributable to HSH shareholders amounted to HK$1,907 million for the six months, compared to HK$697 million for the same period in 2010.

The earnings per share of HK$1.29 was 174% above that of the same period in 2010. Excluding non-operating items and the related tax and non-controlling interests, underlying earnings per share remained at HK$0.10 (2010: HK$0.10).

The Directors have resolved to pay an interim dividend of 4 HK cents per share (2010: 4 HK cents per share).

Statement of Financial Position

The Group's statement of financial position remains strong. The net assets attributable to shareholders as at 30 June 2011 amounted to HK$31,102 million or HK$20.92 per share (31 December 2010: HK$29,103 million or HK$19.66 per share).

A summary of the Group's hotel, investment and other properties showing both the book value and the market value as at 30 June 2011 is set out on the next page.

HK$m	Group's interest	Market value	Book value
Hotels			
Consolidated hotels			
The Peninsula Hong Kong	100%	**10,552**	**8,558**
The Peninsula Beijing	42%	**1,946**	**1,439**
The Peninsula New York	100%	**1,536**	**1,085**
The Peninsula Chicago	100%	**1,250**	**1,182**
The Peninsula Tokyo	100%	**1,569**	**1,227**
The Peninsula Bangkok	75%	**850**	**870**
The Peninsula Manila	77%	**315**	**292**
		18,018	**14,653**
Jointly controlled entity ***(value attributable to the Group)***			
The Peninsula Shanghai	50%	**3,120**	**3,055**
Total for hotels		**21,138**	**17,708**
Commercial properties			
The Repulse Bay	100%	**9,092**	**9,092**
Repulse Bay Apartments	100%	**5,658**	**5,658**
Repulse Bay Garage	100%	**93**	**93**
The Peak Tower	100%	**1,141**	**1,141**
St. John's Building	100%	**763**	**763**
The Landmark	70%	**95**	**95**
Total for commercial properties		**16,842**	**16,842**
Other properties			
Thai Country Club golf course	75%	**255**	**255**
Quail Lodge resort, golf course and vacant land	100%	**153**	**155**
Vacant land near Bangkok	75%	**339**	**339**
Other Hong Kong properties	100%	**60**	**28**
Total for other properties		**807**	**777**
Total		**38,787**	**35,327**

During the period, net borrowings decreased by 10% to HK$1,500 million (31 December 2010: HK$1,674 million) and the Group's gearing, expressed as the percentage of net borrowings to the total of net borrowings and shareholders' funds, remained at 5% (31 December 2010: 5%). Net interest cover, expressed as operating profit divided by net financing charges, increased to 7.0 times (2010: 6.2 times).

In addition to the Group's consolidated borrowings, The Peninsula Beverly Hills (20% owned) and The Peninsula Shanghai (50% owned) have non-recourse bank borrowings, which are not consolidated in the statement of financial position as the entities owning the assets are not subsidiaries of the Group. Including the Group's share of the net debt of these non-consolidated entities, total net borrowings would amount to HK$2,996 million at 30 June 2011 (31 December 2010: HK$3,072 million).

The Group's interest rate risk management policy focuses on reducing the Group's exposure to changes in interest rates. As at 30 June 2011, the Group's fixed-to-floating interest rate ratio of 43% remained comparable to that as at 31 December 2010. The weighted average gross interest rate for the period remained at 3.2% (2010: 3.2%) after taking hedging activities into account.

The Company manages its liquidity risk by constantly monitoring its loan portfolio and by obtaining sufficient borrowing facilities to meet its obligations and commitments. During the period, the Company has refinanced two borrowing facilities for its subsidiaries in Thailand, totalling Baht 1,600 million. One of the facilities was refinanced at a reduced interest margin, while the other was refinanced with longer tenor.

The table below illustrates the maturity profile of the committed facilities of the Group as at 30 June 2011 and 31 December 2010 respectively.

HK$m	30 June 2011	31 December 2010
Maturing in 2011	**1,615 (30%)**	1,822 (33%)
Maturing in 2012	**1,089 (20%)**	1,293 (24%)
Maturing in 2013	**1,147 (21%)**	1,225 (22%)
Maturing in 2014	**202 (4%)**	–
Maturing in 2015	**1,156 (21%)**	1,151 (21%)
Maturing in 2016	**202 (4%)**	–
Total committed facilities	**5,411 (100%)**	5,491 (100%)

As at 30 June 2011, the Group's total assets were principally denominated in Hong Kong Dollar which accounted for 71% of the total asset value.

Statement of Cash Flows

The statement of cash flows of the Group for the first six months of 2011 is summarised as follows:

	For the six months ended 30 June		Increase/
HK$m	2011	2010	(Decrease)
Net cash generated from operating activities	**406**	366	11%
Purchase of fixed assets	**(107)**	(103)	4%
Loan to an associate	**(56)**	–	n/a
Net financing charges and dividends paid	**(74)**	(75)	(1%)
Net cash inflow before bank movements and non-recurring items	**169**	188	(10%)
Net increase in bank borrowings	**4**	106	(96%)
Exchange and other adjustments	**12**	4	200%
Net cash inflow for the period	**185**	298	(38%)
Cash at banks and in hand as at 1 January	**2,658**	1,835	45%
Cash at banks and in hand as at 30 June	**2,843**	2,133	33%

During the period, net cash generated from operating activities increased to HK$406 million (2010: HK$366 million). Approximately half of the net cash inflow from operating activities was applied to the payments of capital expenditure, loan to an associate, financing charges and dividends. The capital expenditure of HK$107 million (2010: HK$103 million) was mainly incurred for ongoing renovations for the Group's existing properties.

Excluding bank deposits maturing after more than three months, which amounted to HK$773 million (30 June 2010: HK$657 million) and after accounting for investing and financing activities, cash and cash equivalents as at 30 June 2011 amounted to HK$2,053 million (30 June 2010: HK$1,462 million).

Operating Review

The Group's operating results for the first half of 2011 were impacted by the massive earthquake and tsunami which struck Japan on 11 March. This had a significant adverse impact on the business results of The Peninsula Tokyo which, prior to the earthquake, had been trading at levels above the previous year. Generally, the Hotels Division had a positive first quarter but has seen momentum slowing in several markets during the second quarter.

The Hotels Division recorded a 5% increase in revenue compared with the first half of 2010. The RevPAR in all the hotels improved over the same period last year, apart from The Peninsula Tokyo where RevPAR fell by 18%. The RevPAR growth has been mostly driven by increases in the average room rate. There was also robust demand for space at the hotels' shopping arcades, although The Peninsula Beijing's arcade recorded slightly lower occupancy due to renovation work.

In the Commercial Properties Division, occupancies at the Group's principal assets remained largely at full capacity. The various businesses in the Clubs and Services Division have mostly shown improved performance year-on-year.

All operations continue to take appropriate measures to contain costs in order to mitigate the impact on the Group's results from the Japan earthquake and in recognition of the uncertain global economic environment.

Hotels Division

Revenue for the Hotels Division in the first six months of 2011 was 5% above the same period last year. Apart from The Peninsula Tokyo, all hotels recorded revenue increases. The highest increase of 36% was achieved by The Peninsula Shanghai, although it should be noted that last year's results included part of the soft opening period prior to the hotel's grand opening in March 2010.

The year-to-date operating statistics for the Peninsula hotels are shown as follows:

	For the six months ended 30 June				
	Occupancy %		**Average room rate** (HK$)		% **RevPAR change**
	2011	2010	**2011**	2010	
The Peninsula Hong Kong	**70**	67	**4,074**	3,779	14
The Peninsula Shanghai	**56**	58	**3,294**	2,601	23
The Peninsula Beijing	**44**	44	**1,492**	1,415	6
The Peninsula New York	**70**	63	**5,305**	4,794	23
The Peninsula Chicago	**56**	52	**2,900**	2,918	7
The Peninsula Beverly Hills	**68**	70	**5,674**	5,116	9
The Peninsula Tokyo	**50**	62	**3,743**	3,665	(18)
The Peninsula Bangkok	**55**	49	**1,531**	1,458	16
The Peninsula Manila	**70**	72	**1,145**	1,007	12

	Occupancy %		Average monthly yield per sq ft (HK$)	
	2011	2010	**2011**	2010
Hotel Shopping Arcades				
The Peninsula Hong Kong	**98**	99	**385**	385
The Peninsula Shanghai	**98**	95	**81**	31
The Peninsula Beijing	**91**	96	**120**	116
The Peninsula New York	**100**	100	**368**	370
The Peninsula Tokyo	**100**	100	**181**	160
The Peninsula Bangkok	**100**	100	**81**	73
The Peninsula Manila	**60**	57	**29**	17
Hotel Office Space				
The Peninsula Hong Kong	**100**	100	**46**	46

The following is a summary of the performance of each hotel:

The Peninsula Hong Kong Total revenue was 7% higher than the same period last year, with higher occupancy and average rate and increased revenue from food and beverage. We continue to see increase in room business generated from mainland China, which accounts for approximately 19% of the market mix. The Office Tower and Arcade remain fully let, with consistent revenue year-on-year. Preparations are under way for the hotel guestroom renovation from the beginning of 2012.

The Peninsula Shanghai Total revenue was 36% higher than the same period last year, with the hotel quickly establishing itself as the rate leader in the city. Occupancy and business levels remain subdued because of new competition for hotel rooms and dining options in Shanghai, as well as the general business slowdown following the 2010 World Expo. However, the hotel was able to maintain its position as market leader in terms of average room rate and RevPAR in the city. It should be noted that the hotel was not fully operational in 2010 until its grand opening on 18 March 2010 and the shopping arcade was not formally opened until 1 July 2010.

The Peninsula Beijing Total revenue was 2% higher than the same period last year. The competition amongst luxury hotels in Beijing remains intense. However, we have continued to invest in our shopping arcade and commercial revenues remained strong and slightly ahead of the same period last year. Two of our anchor tenants are currently undertaking significant store expansion which will further enhance the Arcade.

The Peninsula New York Total revenue was 20% higher than the same period last year, with a 23% lift in RevPAR arising from higher occupancy and higher average room rates. There has been a notable improvement in business levels in New York City and the hotel has been able to command higher room rates following its renovation.

The Peninsula Chicago Total revenue was 7% higher than the same period last year, with relatively sluggish growth due to the higher proportion of domestic business in Chicago than elsewhere in the United States.

The Peninsula Beverly Hills Total revenue was 6% higher than the same period last year, despite the guestroom renovation work, which was ongoing throughout the period. The hotel has managed to keep occupancy at nearly the same level as the same period last year, while boosting its average rate by 11%.

The Peninsula Tokyo Total revenue was 13% lower than the same period last year, due to the impact of the massive earthquake. Business levels fell dramatically in the period following the earthquake. There has been a mild pick-up in business in the last few weeks of the second quarter, although rate has been affected to drive occupancy.

The Peninsula Bangkok Total revenue was 13% higher than the same period last year, although a general sense of uncertainty and caution remain leading up to the general election in July. The hotel has been able to achieve a 16% increase in RevPAR, with higher occupancy and a 5% higher average room rate and increased revenue from food and beverage.

The Peninsula Manila Total revenue was 15% higher than the same period last year. The 12% growth in RevPAR has been driven by higher average room rates, which was 14% higher than the same period last year. Food and beverage revenue has increased by 21% over the same period last year, with improved performance from the renovated areas.

Commercial Properties Division

Turnover from the Commercial Properties Division was 8% higher than in the first six months of 2010. The residential and commercial leasing market in Hong Kong remains strong and most properties in this Division are operating with full occupancy.

The occupancies and yields of the Group's commercial properties for the period were as follows:

	For the six months ended 30 June			
	Occupancy %		**Average monthly yield per sq ft** (HK$)	
	2011	2010	**2011**	2010
Commercial Properties				
The Repulse Bay (unfurnished)	**96**	94	**39**	37
The Repulse Bay (serviced)	**73**	68	**30**	26
The Repulse Bay Arcade	**100**	100	**75**	72
The Peak Tower	**100**	99	**78**	67
St. John's Building	**100**	95	**42**	36
The Landmark, Vietnam (Residential)	**82**	82	**17**	18
The Landmark, Vietnam (Office)	**97**	98	**25**	28

The Repulse Bay Complex, Hong Kong Total revenue was 7% higher than the same period last year. Occupancy for the 353 unfurnished apartments remains very high and they are now almost fully let. Occupancy in the 68 serviced apartments has also increased over the same period last year and the shopping arcade remains fully let.

The Peak Tower, Hong Kong Total revenue was 15% higher than the same period last year. The Tower remains fully let and rental rates have increased over the same period last year. Strong support came from the increased number of visitors to the Peak Tower – 860,000 visitors for the first six months of 2011, compared with 627,000 for the same period last year, representing an increase of 37%.

St. John's Building, Hong Kong Total revenue was 22% higher than the same period last year. The office tower is fully let and the average rent has also increased by 17% over the same period last year.

The Landmark, Ho Chi Minh City, Vietnam Total revenue was 9% lower than the same period last year, largely due to the deflation of the Vietnamese Dong. There is pressure on rental rates due to the increased supply of high quality office space, although the offices remain almost fully let.

Clubs and Services Division

Total revenue was 12% higher than the same period last year. *Peak Tramways* recorded an 11% higher turnover, with 7% more passengers than last year. There were 2.7 million passengers in the first six months of 2011 as compared with 2.5 million passengers in the same period last year. There has been a 12% increase in revenue in *Peninsula Merchandising*, which has wholesale and retail merchandise operations in Hong Kong, Japan and other countries. Revenue in the *Thai Country Club* was 18% higher than the same period in 2010, although revenue in *Quail Lodge* was 12% lower in 2011, due to the lower number of golf rounds and lack of new members. Revenue in *Tai Pan Laundry* has increased by 13% over the same period in 2010. Revenue in *Peninsula Clubs and Consultancy Services* was 40% lower than the same period in 2010.

Human Resources

The Group continued to focus its Human Resources efforts on attracting high quality talent and implementing customised learning and development programmes.

As part of our ongoing employee engagement initiatives, a pilot Engagement Survey was launched across five hotels and commercial properties in Asia and the United States. The results will be analysed and shared with management for action planning.

Employees from different countries attended the Group Leadership Programme. The Programme has been running for four consecutive years in partnership with the Melbourne Business School and gives participants an overview of their leadership style and ability.

As at 30 June 2011, there were 6,955 full time employees in the Group.

Peninsula Paris Project

The Peninsula Paris hotel is held by a joint venture which is 20% owned by HSH. The other 80% was originally owned by Qatari Diar Real Estate Investment Company but has recently been transferred to QHotels BV, a subsidiary of Qatar Investment Authority. The hotel is being developed in a century-old Beaux Arts building on Avenue Kleber, near the Arc de Triomphe in Paris, France.

The general contractor for the project, CBC/PETIT, was appointed in July 2010. Since then, considerable progress has been made in terms of site installations and demolitions, as well as foundation, excavation and structural works. Most of the architectural and building services trades have been awarded through the main contractor and award of the interior fit out trades will follow, as the designs are being fine tuned.

The Peninsula Paris is expected to open in 2013.

Outlook

The general recovery in the hospitality markets since the 2008 global economic crisis continued at the start of 2011, with most of our hotels performing ahead of both our expectations and last year in the first quarter. Unfortunately, this momentum slowed in the second quarter, with the massive Japanese earthquake significantly adversely affecting our business at The Peninsula Tokyo and some knock-on effects elsewhere due to reduced outbound travel from Japan. Both the Beijing and Shanghai markets continued to be highly competitive and were not able to meet our expectations in the second quarter, with Shanghai unable to match the rooms demand of last year when the World Expo was being held. Business at The Peninsula Bangkok has struggled for several years as a result of ongoing political uncertainly in Thailand. Current occupancies and rates are far below the previous normal levels of a few years ago and, although it is hoped that the recent election will bring more stability, this has not yet materialised in improved business. Against these uncertainties, the Hong Kong luxury hotels market has remained strong and The Peninsula Hong Kong continues to be the mainstay of our earnings in the Hotels Division.

In the United States, business at The Peninsula Beverly Hills has been very strong and The Peninsula New York has enjoyed pockets of high demand from overseas guests. However, business from domestic US sources remains subdued as can be seen from the operating performance of The Peninsula Chicago.

Taking the above comments together, the outlook for the second half of the year for our hotel businesses continues to be mixed. We are hoping that the traditional autumn high season for hotels such as Hong Kong, Beijing, Shanghai and New York will yield satisfactory results. Completion of the renovation of the shopping arcade at The Peninsula Beijing will boost earnings. The recent pick-up in the Tokyo market since the earthquake has created a mild level of optimism that the recovery may come faster than originally expected. Nevertheless, the results of The Peninsula Tokyo will undoubtedly be well below both last year and our original expectations.

A key challenge for us in the hotels business continues to be the maintenance of our profit margins in the face of inflationary costs, especially labour rates. We continue to manage our costs tightly and to seek improvements in efficiency and procurement wherever possible.

As a long term investor in hotel, commercial and other properties, we are pleased that the current mixed performance in the Hotels Division contrasts with the strong performance in our commercial properties, which are mainly based in Hong Kong. Demand for residential apartments in The Repulse Bay Complex, and hence the terms of rental renewals, are robust and the Peak Complex continues to achieve pleasing year-on-year growth. We believe that the medium term prospects for these businesses remain highly positive. The Repulse Bay residential properties will benefit from our plans to upgrade the public areas. The redevelopment and reconfiguration of the de Ricou serviced apartment tower, while causing some income disruption in 2012, is expected to significantly improve the rental yield after completion.

We are looking forward to the re-design and renovation of the guestrooms at The Peninsula Hong Kong, which will commence in phases in 2012. With our long term investment horizon in mind, we expect this renovation to strengthen The Peninsula Hong Kong's position at the top of the luxury hotels market in Hong Kong and to create significant value for our Company. However, this renovation programme will cause disruption to our earnings when portions of the hotel rooms start to be closed for renovation from beginning of 2012 onwards.

Overall, our Group remains in a strong financial position, with a low level of gearing and significant capability to make further investments, both in terms of new hotel and other developments and enhancements to existing assets.

Other Corporate Information

Interests of Directors and the Chief Executive Officer

As at 30 June 2011, the interests and short positions of each Director and the Chief Executive Officer of the Company in the shares, underlying shares and debentures of the Company or any associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (SFO), recorded in the register required to be kept under section 352 of the SFO, or required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the Model Code) in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company and its associated corporations

	Capacity	Number of shares held in the Company	% of the issued share capital of the Company
The Hon. Sir Michael Kadoorie	Note (a)	760,314,479	51.118
Mr. Ian D. Boyce	Beneficial Owner	219,739	0.015
Mr. Clement K.M. Kwok	Beneficial Owner	659,232	0.044
Mr. Peter C. Borer	Beneficial Owner	330,307	0.022
Mr. Ronald J. McAulay	Note (b)	226,627,388	15.237
Mr. William E. Mocatta	Beneficial Owner	17,000	0.001
Mr. John A.H. Leigh	Note (c)	76,656,851	5.154
Dr. the Hon. Sir David K.P. Li	Beneficial Owner	559,899	0.038
Mr. Robert C.S. Ng	Family	127,853	0.009
Mr. Pierre R. Boppe	Beneficial Owner	150,000	0.010

Notes:

(a) *The Hon. Sir Michael Kadoorie was deemed (by virtue of the SFO) to be interested in 760,314,479 shares in the Company. These shares were held in the following capacity:*

(i) *152,007,797 shares were ultimately held by discretionary trusts, of which The Hon. Sir Michael Kadoorie is one of the discretionary objects;*

(ii) *309,324,291 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder; and*

(iii) *298,982,391 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder.*

For the purpose of the SFO, the spouse of The Hon. Sir Michael Kadoorie was taken to have a duty of disclosure in Hong Kong in relation to the 760,314,479 shares referred to in Note (a). The interest disclosed by the spouse of The Hon. Sir Michael Kadoorie is that of The Hon. Sir Michael Kadoorie which is attributed to her pursuant to the SFO for disclosure purposes. Nevertheless, she has no interest, legal or beneficial, in those shares.

(b) *Mr. Ronald J. McAulay was deemed (by virtue of the SFO) to be interested in 226,627,388 shares in the Company. These shares were held in the following capacity:*

(i) *152,007,797 shares were ultimately held by discretionary trusts, of which Mr. Ronald J. McAulay is one of the discretionary objects; and*

(ii) *74,619,591 shares were ultimately held by a discretionary trust, of which Mr. Ronald J. McAulay, his wife and members of his family are discretionary objects.*

(c) *Mr. John A.H. Leigh was deemed (by virtue of the SFO) to be interested in 76,656,851 shares in the Company. These shares were held in the following capacity:*

(i) *74,619,591 shares were ultimately held by a discretionary trust. Mr. John A.H. Leigh was deemed to be interested in such 74,619,591 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 74,619,591 shares; and*

(ii) *2,037,260 shares were ultimately held by a discretionary trust. Mr. John A.H. Leigh was deemed to be interested in such 2,037,260 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 2,037,260 shares.*

Messrs. Neil J. Galloway, Nicholas T.J. Colfer, Robert W. Miller, Patrick B. Paul and Dr. William K.L. Fung, who are Directors of the Company, have each confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 30 June 2011.

Certain Directors held qualifying shares in Manila Peninsula Hotel, Inc., a 77.36% subsidiary of the Company, on trust for a subsidiary of the Company.

Except as set out above, as at 30 June 2011 none of the Directors and Chief Executive Officer of the Company, or any of their spouses, or children under eighteen years of age, has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO, recorded in the register required to be kept under section 352 of the SFO, or required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

At no time during the period was the Company, or its subsidiaries or its associates, a party to any arrangements which enabled any Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or of any other body corporate.

Interests of Senior Management

As at 30 June 2011, none of the senior management (other than Directors) had any interests in the shares and underlying shares of the Company.

Interests of Substantial Shareholders

So far as is known to any Director or the Chief Executive Officer of the Company, as at 30 June 2011 shareholders (other than a Director or the Chief Executive Officer of the Company) who have an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long position in shares of the Company
(a) Substantial shareholders

	Capacity	Number of shares held in the Company	% of the issued share capital of the Company
Acorn Holdings Corporation	Beneficiary	149,109,947	10.025(i)
Bermuda Trust Company Limited	Trustee/Interests of controlled corporations	530,178,220	35.645(i)
Bermuda Trust (Cayman) Limited	Trustee/Interests of controlled corporations	93,363,531	6.277(iv)
Guardian Limited	Beneficiary/Interests of controlled corporations	76,656,851	5.154(v)
Harneys Trustees Limited	Interests of controlled corporations	606,679,446	40.789(iii)
Lawrencium Holdings Limited	Beneficiary	298,982,391	20.101(ii)
Lawrencium Mikado Holdings Limited	Beneficiary	309,324,291	20.797(ii)
The Magna Foundation	Beneficiary	305,039,115	20.509(ii)
The Mikado Private Trust Company Limited	Trustee/Interests of controlled corporations	608,306,682	40.898(ii)
Mikado Investments (PTC) Limited	Interest of controlled corporation/ Beneficiary of trusts	305,039,115	20.509(i)
Muriel, Lady Kadoorie	Founder and Beneficiary	74,619,591	5.017(iv)
New Mikado Holding Inc.	Trustee	305,039,115	20.509(i)
Oak (Unit Trust) Holdings Limited	Trustee	74,619,591	5.017(i)
Oak HSH Limited	Beneficiary	74,619,591	5.017(iv)
Mr. Richard Parsons	Trustee	76,656,851	5.154(v)

Notes:

(i) Bermuda Trust Company Limited was deemed to be interested in the shares in which Acorn Holdings Corporation, New Mikado Holding Inc., Mikado Investments (PTC) Limited, Oak (Unit Trust) Holdings Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies.

The interests of Bermuda Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon. Sir Michael Kadoorie and/or Mr. Ronald J. McAulay are among the discretionary objects as disclosed in "Interests of Directors and the Chief Executive Officer".

(ii) The Mikado Private Trust Company Limited was deemed to be interested in the shares in which Lawrencium Holdings Limited and Lawrencium Mikado Holdings Limited were deemed to be interested, either in the capacity as trustee of a discretionary trust and/or by virtue of having direct or indirect control over such companies. The Magna Foundation was also deemed to be interested in the shares in which Lawrencium Mikado Holdings Limited was deemed to be interested.

The interests of The Mikado Private Trust Company Limited in the shares of the Company include the shares held by a discretionary trust of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and a founder as disclosed in "Interests of Directors and the Chief Executive Officer".

(iii) Harneys Trustees Limited controlled The Mikado Private Trust Company Limited and another company and was therefore deemed to be interested in the shares in which such companies were deemed to be interested.

(iv) Bermuda Trust (Cayman) Limited was deemed to be interested in the shares in which Oak HSH Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies.

The interests of Bermuda Trust (Cayman) Limited in the shares of the Company include the shares held by a discretionary trust of which Muriel, Lady Kadoorie is a founder and a beneficiary and of which Mr. Ronald J. McAulay is one of the discretionary objects as disclosed in "Interests of Directors and the Chief Executive Officer".

(v) Mr. Richard Parsons, in his capacity as one of the trustees of a trust, controlled Guardian Limited and therefore was deemed to be interested in the shares in which Guardian Limited was deemed to be interested. Accordingly, the 76,656,851 shares in which Guardian Limited was interested was duplicated within the interests attributed to Mr. Richard Parsons and was also duplicated within the interests attributed to Mr. John A.H. Leigh as disclosed in "Interests of Directors and the Chief Executive Officer".

(b) Other substantial shareholder

	Capacity	Number of shares held in the Company	% of the issued share capital of the Company
Prudential plc	Investment Manager	142,359,603	9.571

Except as set out above, as at 30 June 2011 the Company had not been notified of any substantial shareholder (other than a Director or the Chief Executive Officer of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

Interests of Any Other Persons

As at 30 June 2011, the Company had not been notified of any persons other than the substantial shareholders who had an interest or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale and Redemption of Listed Securities

There was no purchase, sale or redemption of the Company's listed securities during the period.

Corporate Governance

The Company is committed to ensuring that its business is conducted in accordance with high standards of corporate governance with proper control processes for oversight and management to safeguard the interests of shareholders and stakeholders, and to manage overall business risks. The Company regularly reviews its policies and practices in light of experience, new development in this area and incoming regulatory requirements.

Detailed disclosure of the Company's corporate governance policies and practices is available in the 2010 Annual Report.

The Company has applied all of the principles in the Code on Corporate Governance Practices (the CG Code) in Appendix 14 of the Listing Rules and adopted its own code on corporate governance practices which encompasses all code provisions and all recommended best practices in the CG Code, save for the publication of quarterly financial results and the establishment of a nomination committee for Directors, as disclosed in the 2010 Annual Report.

Throughout the period, the Company has complied with all the code provisions in the CG Code.

Disclosure of Directors' Information under Rule 13.51B(1) of the Listing Rules

With effect from 1 January 2011, the basic compensation of the three Executive Directors, Messrs. Clement K.M. Kwok, Neil J. Galloway and Peter C. Borer, increased by 3%. The basis for determining their bonuses, incentives and retirement benefits remain unchanged.

At the 2011 Annual General Meeting, the shareholders approved the ordinary remuneration of the Independent Non-Executive Directors to be fixed at the rate of HK$250,000 each per annum with effect from 16 May 2011. In addition, the Board approved on 22 March 2011 that the remuneration of the Audit Committee's Chairman and members would be increased to HK$175,000 and HK$120,000 each per annum respectively with effect from 16 May 2011. These fees will be applied to them on a pro rata basis for the financial year ending 31 December 2011.

Save as disclosed above, as at 24 August 2011, being the date of approval of the Company's Interim Report, there were no substantial changes to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The directorships held by Directors in the last three years in public companies have been updated in each Director's biography on the Company's website.

Senior Management

Ms. Rainy Chan, Ms. Christobelle Liao and Ms. Sindy Tsui were appointed members of the Group Management Committee with effect from 1 June 2011. Their brief particulars are disclosed on the Company's website.

Dealings in the Company's Securities by Directors and Specified Individuals

The Company has adopted its Code for Dealing in the Company's Securities by Directors (the Securities Code) on terms no less exacting than the required standard set out in the Stock Exchange's Model Code for Securities Transactions by Directors of Listed Issuers (the Model Code) in Appendix 10 of the Listing Rules.

The Company has made specific enquiry of all the Directors regarding any non-compliance with the Model Code and the Securities Code during the period and they have confirmed their full compliance with the required standard set out in both Codes.

The Company has also extended the Securities Code to specified employees who, because of their positions, are likely to come across unpublished price sensitive information.

Senior management has also confirmed their full compliance with the required standard set out in the Company's adopted Code for Dealing in the Company's Securities by Specified Individuals.

Interim Dividend

The interim dividend of 4 HK cents per share will be payable on 4 November 2011 to shareholders whose names appear on the register of members on 28 September 2011.

The interim dividend will be payable in cash but shareholders will have the option of receiving the interim dividend in cash or in the form of new shares in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of the Stock Exchange.

A circular containing details of this scrip dividend scheme will be dispatched to shareholders together with an election form for the scrip dividend on 4 October 2011.

Closure of Register of Members

The register of members of the Company will be closed from 26 September 2011 to 28 September 2011, both days inclusive, during which period no transfer of shares can be registered. To be entitled to receive the interim dividend, shareholders must ensure that all transfer documents accompanied by the relevant share certificates are lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 23 September 2011.

By Order of the Board
Christobelle Liao
Company Secretary
Hong Kong, 24 August 2011

Interim Financial Report

Consolidated Income Statement — unaudited (HK$m)

		For the six months ended 30 June	
	Note	**2011**	2010 *(restated)*
Turnover	*3*	**2,310**	2,176
Cost of inventories		**(184)**	(167)
Staff costs and related expenses		**(833)**	(787)
Rent and utilities		**(289)**	(275)
Other operating expenses		**(492)**	(457)
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)	*3*	**512**	490
Depreciation and amortisation		**(181)**	(170)
Operating profit		**331**	320
Interest income		**22**	10
Financing charges	*4(a)*	**(69)**	(62)
Net financing charges		**(47)**	(52)
Profit after net financing charges	*4*	**284**	268
Share of loss of a jointly controlled entity		**(43)**	(17)
Increase in fair value of investment properties	*8(b)*	**1,784**	547
Profit before taxation		**2,025**	798
Taxation			
Current tax	*5*	**(66)**	(67)
Deferred tax	*5*	**(32)**	(20)
Profit for the period		**1,927**	711
Profit attributable to:			
Shareholders of the Company		**1,907**	697
Non-controlling interests		**20**	14
Profit for the period		**1,927**	711
Earnings per share, basic and diluted (HK$)	*6*	**1.29**	0.47

Details of dividends payable to shareholders of the Company are set out in note 7.

The notes on pages 25 to 39 form part of this Interim Financial Report.

Consolidated Statement of Comprehensive Income — unaudited (HK$m)

	For the six months ended 30 June	
	2011	2010 *(restated)*
Profit for the period	**1,927**	711
Other comprehensive income for the period, net of tax:		
Exchange gain/(loss) on translation of:		
– financial statements of overseas subsidiaries	**(15)**	27
– financial statements of a jointly controlled entity	**23**	9
– loans to an associate	**44**	(72)
– investment in hotel management contracts	**50**	(93)
	102	(129)
Cash flow hedges:		
– effective portion of changes in fair value	**(19)**	(50)
– transfer from equity to profit or loss	**30**	29
	113	(150)
Total comprehensive income for the period	**2,040**	561
Total comprehensive income attributable to:		
Shareholders of the Company	**2,016**	532
Non-controlling interests	**24**	29
Total comprehensive income for the period	**2,040**	561

The notes on pages 25 to 39 form part of this Interim Financial Report.

Consolidated Statement of Financial Position — unaudited (HK$m)

	Note	As at 30 June 2011	As at 31 December 2010
Non-current assets			
Fixed assets	*8*		
Properties, plant and equipment		**5,739**	5,850
Investment properties		**26,653**	24,840
		32,392	30,690
Interest in associates	*9*	**594**	494
Interest in a jointly controlled entity	*10*	**1,354**	1,374
Interests in unlisted equity instruments		**–**	–
Investment in hotel management contracts		**733**	684
Derivative financial instruments	*11*	**11**	14
Deferred tax assets		**91**	94
		35,175	33,350
Current assets			
Inventories		**97**	105
Trade and other receivables	*12*	**456**	451
Derivative financial instruments	*11*	**15**	23
Cash at banks and in hand		**2,843**	2,658
		3,411	3,237
Current liabilities			
Trade and other payables	*13*	**(968)**	(1,037)
Interest-bearing borrowings	*14*	**(1,645)**	(879)
Derivative financial instruments	*11*	**(74)**	(93)
Current taxation		**(88)**	(55)
		(2,775)	(2,064)
Net current assets		**636**	1,173
Total assets less current liabilities		**35,811**	34,523
Non-current liabilities			
Interest-bearing borrowings	*14*	**(2,698)**	(3,453)
Trade and other payables	*13*	**(270)**	(266)
Net defined benefit retirement obligations		**(26)**	(26)
Derivative financial instruments	*11*	**(97)**	(107)
Deferred tax liabilities		**(620)**	(587)
		(3,711)	(4,439)
Net assets		**32,100**	30,084
Capital and reserves			
Share capital	*15*	**744**	740
Reserves		**30,358**	28,363
Total equity attributable to shareholders of the Company		**31,102**	29,103
Non-controlling interests		**998**	981
Total equity		**32,100**	30,084

The notes on pages 25 to 39 form part of this Interim Financial Report.

Consolidated Statement of Changes in Equity — unaudited (HK$m)

	Note	Attributable to shareholders of the Company								
	Note	Share capital	Share premium	Capital redemption reserve	Hedging reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2010		735	3,260	13	(116)	(8)	22,263	26,147	908	27,055
Changes in equity for the six months ended 30 June 2010										
Profit for the period *(restated)*		–	–	–	–	–	697	697	14	711
Other comprehensive income		–	–	–	(21)	(144)	–	(165)	15	(150)
Total comprehensive income for the period		–	–	–	(21)	(144)	697	532	29	561
Dividend approved in respect of the previous year										
– by means of cash		–	–	–	–	–	(19)	(19)	–	(19)
– by means of scrip	*15*	3	66	–	–	–	(69)	–	–	–
Balance at 30 June 2010 and 1 July 2010		738	3,326	13	(137)	(152)	22,872	26,660	937	27,597
Changes in equity for the six months ended 31 December 2010										
Profit for the period		–	–	–	–	–	2,311	2,311	13	2,324
Other comprehensive income		–	–	–	12	130	–	142	36	178
Total comprehensive income for the period		–	–	–	12	130	2,311	2,453	49	2,502
Dividends approved in respect of the current year										
– by means of cash		–	–	–	–	–	(10)	(10)	–	(10)
– by means of scrip		2	47	–	–	–	(49)	–	–	–
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(5)	(5)
Balance at 31 December 2010 and 1 January 2011		740	3,373	13	(125)	(22)	25,124	29,103	981	30,084
Changes in equity for the six months ended 30 June 2011										
Profit for the period		**–**	**–**	**–**	**–**	**–**	**1,907**	**1,907**	**20**	**1,927**
Other comprehensive income		**–**	**–**	**–**	**11**	**98**	**–**	**109**	**4**	**113**
Total comprehensive income for the period		**–**	**–**	**–**	**11**	**98**	**1,907**	**2,016**	**24**	**2,040**
Dividends approved in respect of the previous year										
– by means of cash		**–**	**–**	**–**	**–**	**–**	**(17)**	**(17)**	**–**	**(17)**
– by means of scrip	*15*	**4**	**97**	**–**	**–**	**–**	**(101)**	**–**	**–**	**–**
Dividends paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7)**	**(7)**
Balance at 30 June 2011		**744**	**3,470**	**13**	**(114)**	**76**	**26,913**	**31,102**	**998**	**32,100**

The notes on pages 25 to 39 form part of this Interim Financial Report.

Condensed Consolidated Statement of Cash Flows — UNAUDITED (HK$m)

	For the six months ended 30 June	
	2011	2010
Operating activities		
EBITDA	**512**	490
Tax paid	**(31)**	(51)
Other adjustments	**(75)**	(73)
Net cash generated from operating activities	**406**	366
Investing activities		
Purchase of fixed assets	**(107)**	(103)
Loan to an associate	**(56)**	–
Net cash used in investing activities	**(163)**	(103)
Financing activities		
Interest received	**22**	9
Interest and other financing charges paid	**(72)**	(65)
Withdrawal/(placement) of interest bearing bank deposits with maturity of more than three months	**224**	(220)
Net increase in bank borrowings	**4**	106
Dividends paid to shareholders of the Company	**(17)**	(19)
Dividends paid to non-controlling shareholders	**(7)**	–
Net cash generated from/(used) in financing activities	**154**	(189)
Net increase in cash and cash equivalents	**397**	74
Cash and cash equivalents at 1 January	**1,644**	1,380
Effect of changes in foreign exchange rates	**12**	8
Cash and cash equivalents at 30 June *(note)*	**2,053**	1,462

Note Analysis of cash and cash equivalents

	As at 30 June	
	2011	*2010*
Interest-bearing bank deposits	***2,801***	*2,096*
Cash at banks and in hand	***42***	*37*
Total cash at banks and in hand	***2,843***	*2,133*
Less: Interest bearing bank deposits with maturity of more than three months	***(773)***	*(657)*
Less: Bank overdrafts (note 14)	***(17)***	*(14)*
Cash and cash equivalents in the condensed consolidated statement of cash flows	***2,053***	*1,462*

Cash at banks and in hand at the end of the period include deposits with banks of HK$919 million (30 June 2010: HK$766 million) held by subsidiaries which are subject to prevailing regulations and foreign exchange restrictions.

The notes on pages 25 to 39 form part of this Interim Financial Report.

Notes to the Unaudited Interim Financial Report

1. Significant Accounting Policies

Basis of preparation

This unaudited Interim Financial Report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with the Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance by the Board of Directors on 24 August 2011.

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these relevant changes in accounting policies are set out in note 2.

The preparation of an Interim Financial Report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This Interim Financial Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

The Interim Financial Report is unaudited, but has been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 40.

The financial information relating to the financial year ended 31 December 2010 that is included in the Interim Financial Report as being previously reported information, does not constitute the Company's statutory financial statements for the financial year, but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2011.

2. Changes in Accounting Policies

(a) Changes in accounting policies as a result of the developments in HKFRSs

The HKICPA has issued certain revised HKFRSs and a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's Interim Financial Report:

- HKAS 24 (Revised), *Related Party Disclosures*
- Improvements to HKFRSs (2010)

The above developments relate primarily to classification and certain disclosure requirements applicable to the Group's financial statements. These developments have no material impact on the contents of this Interim Financial Report for the current or comparative periods.

The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period except as explained in note (b) below.

(b) Early adoption of the amendments to HKAS 12, *Income taxes*

At the year ended 31 December 2010, in order to better present the Group's deferred tax position, the Group opted to early adopt the Amendments to HKAS 12 *Income Taxes* (the "Amendments") which is effective for annual periods beginning on or after 1 January 2012.

Under the Amendments, deferred tax liabilities in respect of the Group's investment properties are now measured with reference to the tax liabilities that would arise if the properties were disposed of at their carrying values at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time rather than through sale. Previously, where these properties were held under leasehold interest, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use. In view of the foregoing, the Group is no longer required to provide for deferred tax liabilities in respect of temporary differences arising from revaluation of Hong Kong investment properties as there is no capital gains tax in Hong Kong.

Since the Amendments were not issued by the HKICPA until 21 December 2010, the Group's Interim Report for the period ended 30 June 2010 was prepared based on the recognition criteria under the old HKAS 12 without taking into account the new recognition provisions in respect of the deferred tax liabilities on the Group's investment properties under the Amendments. As a result of the early adoption of the Amendments, the Group's comparative figures for the period ended 30 June 2010 need to be restated. Further details of the effect on the Group's income statement arising from the Amendments are summarised in note 19 to the Interim Financial Report.

3. Segment Reporting (HK$m)

In a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments.

Hotels	This segment includes revenue generated from operating hotels and the leasing of commercial shopping arcades and office premises located within the hotel buildings.
Commercial Properties	This segment is engaged in the leasing of commercial and office premises (other than those in hotel properties) and residential apartments, as well as operating food and beverage outlets in such premises.
Clubs and Services	This segment is engaged in the operation of golf courses, the Peak Tramways, wholesaling and retailing of food and beverage products, laundry services and the provision of management and consultancy services for clubs.

No operating segments have been aggregated to form the reportable segments.

(a) Segment results and assets

The Group's senior executive management monitors the results attributable to each reportable segment on the basis that revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses directly incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Other expenses, including head office expenses not directly attributable to the reportable segments, are allocated to the segments by reference to the respective segments' operating profit before interest, taxation, depreciation and amortisation (EBITDA). Interest income and expense, results of associates and jointly controlled entities, taxes and any non-operating items are not allocated to the various segments.

The measure used for reporting segment results is EBITDA. In addition to receiving information concerning EBITDA, management is provided with segment information concerning depreciation and amortisation.

Segment assets include all tangible and intangible assets and current assets held directly by the respective segments with the exception of interests in associates and jointly controlled entities, derivative financial instruments, deferred tax assets and cash at banks and in hand. Corporate level assets are allocated to the segments by reference to the respective total segments' assets.

3. Segment Reporting (HK$m) *continued*

(a) Segment results and assets *continued*

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	For the six months ended 30 June							
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Reportable segment revenue*	**1,736**	1,650	**361**	335	**213**	191	**2,310**	2,176
Reportable segment operating profit before interest, taxation, depreciation and amortisation (EBITDA)	**228**	227	**242**	227	**42**	36	**512**	490
Depreciation and amortisation	**(167)**	(155)	**(3)**	(1)	**(11)**	(14)	**(181)**	(170)
Segment operating profit	**61**	72	**239**	226	**31**	22	**331**	320
As at 30 June 2011/31 December 2010								
Reportable segments assets	**15,891**	15,376	**16,930**	15,706	**857**	848	**33,678**	31,930

* *Analysis of segment revenue*

	2011	*2010*
Hotels		
– Rooms	*747*	*697*
– Food and beverage	*533*	*514*
– Commercial	*290*	*286*
– Others	*166*	*153*
	1,736	*1,650*
Commercial Properties		
Rental revenue from:		
– Residential properties	*204*	*195*
– Offices	*35*	*33*
– Shopping arcades	*122*	*107*
	361	*335*
Clubs and Services		
– Operation of lounges	*59*	*49*
– Tramway operation	*49*	*44*
– Others	*105*	*98*
	213	*191*
Total	*2,310*	*2,176*

3. Segment Reporting (HK$m) *continued*

(b) Reconciliations of reportable segment profits and assets

Profit

Reconciliation of segment operating profit to the profit before taxation in the consolidated income statement is not presented as the segment operating profit is the same as the operating profit presented in the consolidated income statement.

Assets

	As at 30 June 2011	As at 31 December 2010
Reportable segments' assets	**33,678**	31,930
Interest in associates	**594**	494
Interest in a jointly controlled entity	**1,354**	1,374
Derivative financial instruments	**26**	37
Deferred tax assets	**91**	94
Cash at banks and in hand	**2,843**	2,658
Consolidated total assets	**38,586**	36,587

4. Profit after Net Financing Charges (HK$m)

The profit after net financing charges is arrived at after charging/(crediting):

(a) Financing charges

	For the six months ended 30 June	
	2011	2010
Interest on bank borrowings wholly repayable within five years	**29**	23
Other borrowing costs	**6**	5
Total interest expense on financial liabilities carried at amortised cost	**35**	28
Derivative financial instruments:		
– cash flow hedges, transfer from equity	**33**	33
– held for trading, at fair value through profit or loss	**1**	1
	69	62

(b) Other items

	For the six months ended 30 June	
	2011	2010
Amortisation of a hotel management contract	**2**	2
Depreciation	**179**	168
Foreign exchange gains	**(1)**	(1)
Interest income	**(22)**	(10)

5. Taxation (HK$m)

	For the six months ended 30 June	
	2011	2010 *(restated)*
Current tax		
Hong Kong	**48**	50
Overseas	**18**	17
	66	67
Deferred tax		
Increase in net deferred tax liabilities relating to revaluation of overseas investment properties	**19**	5
Increase in net deferred tax liabilities relating to other temporary differences	**12**	11
Transfer from hedging reserve	**1**	4
	32	20
	98	87

The provision for Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

6. Earnings Per Share

(a) Earnings per share – basic

	For the six months ended 30 June	
	2011	2010 *(restated)*
Profit attributable to shareholders of the Company (HK$m)	**1,907**	697
Weighted average number of shares in issue (million shares)	**1,480**	1,471
Earnings per share (HK$)	**1.29**	0.47

	2011 ***(million shares)***	2010 *(million shares)*
Issued shares at 1 January	***1,480***	*1,470*
Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of the 2010/2009 final dividends	***–***	*1*
Weighted average number of shares in issue at 30 June	***1,480***	*1,471*

(b) Earnings per share – diluted

There were no potential dilutive ordinary shares in existence during the periods ended 30 June 2011 and 30 June 2010 and hence diluted earnings per share is the same as the basic earnings per share.

7. DIVIDENDS (HK$m)

(a) Dividends payable to shareholders of the Company attributable to the interim period

	For the six months ended 30 June	
	2011	2010
Interim dividend declared and to be paid after the interim period of 4 HK cents per share (2010: 4 HK cents per share)	**59**	59

The interim dividend declared after the interim period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	For the six months ended 30 June	
	2011	2010
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 8 HK cents per share (year ended 31 December 2009: 6 HK cents per share)	**118**	88

For the final dividend in respect of 2010, scrip dividend elections were offered to shareholders other than those with registered addresses in Australia and the United States of America. Shareholders holding approximately 85% of the issued share capital of the Company elected to receive their entitlement to the 2010 final dividend in the form of scrip, which resulted in the issue and allotment of approximately 7.7 million new shares on 24 June 2011.

For the final dividend in respect of 2009, scrip dividend elections were offered to shareholders other than those with registered addresses in Australia and the United States of America. Shareholders holding approximately 78% of the issued share capital of the Company elected to receive their entitlement to the 2009 final dividend in the form of scrip, which resulted in the issue and allotment of approximately 5.8 million new shares on 25 June 2010.

8. FIXED ASSETS (HK$m)

(a) Acquisitions and disposals

During the six months ended 30 June 2011, the Group acquired items of fixed assets with a cost of HK$114 million (six months ended 30 June 2010: HK$90 million). Items of fixed assets disposed of during the six months ended 30 June 2011 and 30 June 2010 were insignificant in value.

8. Fixed Assets (HK$m) *continued*

(b) Valuation of investment properties

All investment properties of the Group were revalued as at 30 June 2011 on an open market value basis, mainly calculated by reference to net rental income and allowing for reversionary income potential. The changes in fair value of the investment properties during the period were accounted for in the consolidated income statement. The valuations were carried out by valuers independent of the Group whose staff have recent and relevant experience in the location and category of the properties being valued. Details of the valuers are as follows:

Description of investment properties	Name of valuer	Qualification of the staff of valuer conducting the valuation
Hong Kong		
– Retail shops, offices and residential apartments	Savills Valuation and Professional Services Limited	Members of The Hong Kong Institute of Surveyors
Other Asia*		
– Retail shops, offices, residential apartments and vacant land	Savills Valuation and Professional Services Limited	Members of The Hong Kong Institute of Surveyors
	HVS	Members of the Singapore Institute of Surveyors and Valuers
United States of America		
– Retail shops and vacant land	HVS	Members of the Appraisal Institute, United States of America

* *Other Asia includes mainland China, Japan, Thailand, The Philippines and Vietnam.*

As a result of the revaluation, a net gain of HK$1,784 million (2010: HK$547 million) and deferred tax thereon of HK$19 million (2010: HK$5 million) have been included in the consolidated income statement.

(c) Valuation of hotel properties and golf courses

To provide additional information for shareholders, the Directors commissioned an independent valuation of the Group's hotel properties and golf courses as at 30 June 2011. The total valuation placed on the hotel properties and golf courses, which have a net book value of HK$5,587 million (31 December 2010: HK$5,701 million), was HK$8,952 million as at 30 June 2011 (31 December 2010: HK$8,813 million). It is important to note that the surplus of HK$3,365 million (31 December 2010: HK$3,112 million) and the related deferred taxation and non-controlling interests have not been incorporated in this Interim Financial Report but are for additional information only. The valuations were carried out by valuers independent of the Group, details of which are as follows:

Description of hotel properties and golf courses	Name of valuer	Qualification of the staff of valuer conducting the valuation
– Hotels and golf courses	HVS	Members of the Singapore Institute of Surveyors and Valuers and the Appraisal Institute, United States of America

9. Interest in Associates (HK$m)

	As at 30 June 2011	As at 31 December 2010
Share of net assets	–	–
Goodwill	**15**	15
	15	15
Less: impairment loss	**(15)**	(15)
	–	–
Loans to an associate *	**594**	494
	594	494

* *During the period ended 30 June 2011, additional shareholder's loans totalling EUR5.3 million (HK$56 million) were advanced to Al Maha Majestic S.à r.l. ("Al Maha"), an associate indirectly held by the Group. The loans were made pro rata to the Group's shareholding in Al Maha to fund the progress payments of the Peninsula project in Paris. The loans to an associate are denominated in Euros, unsecured, bear interest at rates related to the rates published by the French tax authorities and are carried at their estimated recoverable amounts. EUR10 million (HK$112.5 million) (2010: EUR4.7 million [HK$48.9 million]) of the loans is repayable in or before November 2014 while the remaining balance of the loans is repayable on 25 April 2017.*

Details of the principal unlisted associates are as follows:

Company name	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest**	Principal activity
Al Maha Majestic S.à r.l. ("Al Maha")	Incorporated	Luxembourg/ France	EUR12,500	20%	Investment holding
Majestic EURL ("Majestic")	Incorporated	France	EUR20,000,000	20%	Hotel investment and investment holding

** *The Group's effective interest is held indirectly by the Company. Al Maha holds a 100% direct interest in Majestic which in turn owns a 100% interest in a property in Paris designated to be redeveloped into a Peninsula hotel.*

The associates' attributable accumulated results as at 30 June 2011 and 31 December 2010 were not significant.

10. Interest in a Jointly Controlled Entity (HK$m)

	As at 30 June 2011	As at 31 December 2010
Share of exchange reserve	**137**	114
Share of retained profits	**759**	802
Share of net assets	**896**	916
Loan to a jointly controlled entity (note 10[b])	**458**	458
	1,354	1,374

10. Interest in a Jointly Controlled Entity (HK$m) *continued*

(a) Details of the jointly controlled entity are as follows:

Company name	Form of business structure	Place of incorporation	Particulars of issued and paid up capital	Group's effective interest*	Principal activity
The Peninsula Shanghai (BVI) Limited ("TPS")	Incorporated	British Virgin Islands	US$1,000	50%	Investment holding

* *The Group's interest in TPS is held indirectly by the Company. TPS holds a 100% direct interest in Evermore Gain Limited ("EGL"), a company incorporated in Hong Kong in 2007, which in turn holds a 100% direct interest in The Peninsula Shanghai Waitan Hotel Company Limited ("PSW"). PSW is a wholly owned foreign enterprise incorporated in the People's Republic of China and is engaged in the development and operation of The Peninsula Shanghai hotel, Peninsula hotel apartments, a retail arcade and ancillary facilities. At 30 June 2011, the paid up capital of EGL and PSW amounted to HK$1 (31 December 2010: HK$1) and US$117,500,000 (31 December 2010: US$117,500,000) respectively.*

(b) The loan to the jointly controlled entity is denominated in US Dollar, unsecured, interest free and has no fixed repayment terms. It is neither past due nor impaired. The entire loan was contributed as capital of PSW described in note 10(a) above.

(c) Set out below is a summary of the financial information on the jointly controlled entity, of which the Group has a 50% share:

	As at 30 June 2011	As at 31 December 2010
Non-current assets	**6,111**	6,024
Current assets	**135**	191
Current liabilities	**(1,068)**	(1,160)
Non-current liabilities	**(3,387)**	(3,224)
Net assets	**1,791**	1,831

	For the six months ended 30 June	
	2011	2010
Income	**204**	154
Operating expenses	**(172)**	(138)
EBITDA	**32**	16
Pre-opening expenses	**–**	(16)
Depreciation	**(51)**	(48)
Net financing charges	**(63)**	(44)
Loss before non-operating items	**(82)**	(92)
Non-operating items**	**–**	48
Taxation – deferred tax	**(3)**	10
Loss for the period	**(85)**	(34)

** *Non-operating items represent property valuation adjustments in respect of the jointly controlled entity.*

10. Interest in a Jointly Controlled Entity (HK$m) *continued*

(d) PSW has pledged its land use right, fixed assets and properties under development to an independent financial institution as security for PSW's loan facility amounting to HK$1,926 million (RMB1,600 million) (31 December 2010: HK$1,894 million [RMB1,600 million]). The net carrying amount of these pledged assets amounted to HK$6,111 million (RMB5,075 million) (31 December 2010: HK$6,024 million [RMB5,089 million]).

11. Derivative Financial Instruments (HK$m)

	As at 30 June 2011		As at 31 December 2010	
	Assets	**Liabilities**	Assets	Liabilities
Cash flow hedges:				
Interest rate swaps	**–**	**(122)**	–	(136)
Cross currency interest rate swaps	**–**	**(10)**	–	(9)
	–	**(132)**	–	(145)
At fair value through profit or loss:				
Interest rate swaps	**26**	**(39)**	36	(55)
Foreign exchange swap	**–**	**–**	1	–
Total	**26**	**(171)**	37	(200)
Less: Portion to be recovered/(settled) within one year				
Cash flow hedges:				
Interest rate swaps	**–**	**(46)**	–	(54)
Cross currency interest rate swaps	**–**	**(6)**	–	(5)
	–	**(52)**	–	(59)
At fair value through profit or loss:				
Interest rate swaps	**15**	**(22)**	22	(34)
Foreign exchange swap	**–**	**–**	1	–
	15	**(74)**	23	(93)
Portion to be recovered/(settled) after one year	**11**	**(97)**	14	(107)

12. Trade and Other Receivables (HK$m)

The details of debtors and payments in advance are as follows:

	As at 30 June 2011	As at 31 December 2010
Trade debtors (ageing analysis is shown on the next page)	**160**	211
Rental deposits, payments in advance and other receivables	**295**	238
Prepaid tax	**1**	2
	456	451

The amount of the Group's trade and other receivables expected to be recovered or recognised as expenses after more than one year is HK$83 million (31 December 2010: HK$75 million). All other trade and other receivables are expected to be recovered or recognised as expenses within one year.

The Directors consider that the carrying amounts of all trade and other receivables approximate their fair value.

12. Trade and Other Receivables (HK$m) *continued*

The Group has no concentrations of credit risk in view of its large number of customers. The Group maintains a defined credit policy to ensure that credit is given only to customers with an appropriate credit history. In respect of the Group's rental income from operating leases, rentals are normally received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. As such, the Group normally does not obtain collateral from its customers.

The ageing analysis of trade debtors is as follows:

	As at 30 June 2011	As at 31 December 2010
Current	**140**	185
Less than one month past due	**14**	22
One to three months past due	**6**	3
More than three months but less than 12 months past due	**–**	1
Amounts past due	**20**	26
	160	211

Trade debtors are normally due within 30 days from the date of billing.

No impairment is considered necessary for any of the trade debtors including those that are past due as they relate to a wide range of independent customers that have a good track record with the Group, with no recent history of default and are considered by the management to be fully recoverable.

13. Trade and Other Payables (HK$m)

The details of trade and other payables are as follows:

	As at 30 June 2011	As at 31 December 2010
Trade creditors (ageing analysis is shown on next page)	**93**	133
Interest payable	**3**	5
Accruals for fixed assets	**14**	17
Tenant deposits	**314**	308
Guest deposits	**117**	103
Golf membership deposits	**112**	117
Other payables	**585**	620
Financial liabilities measured at amortised cost	**1,238**	1,303
Less: Non-current portion of trade and other payables	**(270)**	(266)
Current portion of trade and other payables	**968**	1,037

The amount of trade and other payables of the Group expected to be settled or recognised as income after more than one year is HK$375 million (2010: HK$354 million). All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

13. Trade and Other Payables (HK$m) *continued*

The ageing analysis of trade creditors is as follows:

	As at 30 June 2011	As at 31 December 2010
Less than three months	**91**	131
Three to six months	**2**	2
	93	133

14. Interest-bearing Borrowings (HK$m)

	As at 30 June 2011	As at 31 December 2010
Total facilities available:		
Term loans and revolving credits	**5,411**	5,491
Uncommitted facilities, including bank overdrafts	**300**	306
	5,711	5,797
Utilised:		
Term loans and revolving credits	**4,352**	4,346
Uncommitted facilities, including bank overdrafts	**17**	17
	4,369	4,363
Less: Unamortised financing charges	**(26)**	(31)
	4,343	4,332
Represented by:		
Short term bank loans, repayable within one year or on demand	**1,628**	862
Bank overdrafts, repayable on demand	**17**	17
	1,645	879
Long term bank loans, repayable:		
Between one and two years	**96**	1,105
Between two and five years	**2,628**	2,379
	2,724	3,484
Less: Unamortised financing charges	**(26)**	(31)
Non-current portion of long term bank loans	**2,698**	3,453
Total interest bearing borrowings	**4,343**	4,332

All of the non-current interest bearing borrowings are carried at amortised cost. The non-current portion of long term bank loans is not expected to be settled within one year and all borrowings are unsecured.

15. Share Capital

	As at 30 June 2011	As at 31 December 2010
Number of ordinary shares of HK$0.50 each (million shares)		
Authorised	**1,800**	1,800
Issued at 30 June/31 December	**1,487**	1,480
Nominal value of ordinary shares (HK$m)		
Authorised	**900**	900
Issued and fully paid at 30 June/31 December	**744**	740

During the six months ended 30 June 2011, the Company issued and allotted approximately 7.7 million new ordinary shares of HK$0.50 each at HK$13.2 per share in respect of the 2010 final scrip dividend (2010: approximately 5.8 million new shares at HK$11.98 per share in respect of the 2009 final scrip dividend). The new shares issued have resulted in an increase in fully paid share capital of approximately HK$4 million (2010: HK$3 million) and share premium of HK$97 million (2010: HK$66 million). All ordinary shares issued during the period rank pari passu in all respects with the then existing shares in issue. All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

16. Commitments (HK$m)

Capital commitments outstanding at 30 June 2011 and not provided for in the Interim Financial Report were as follows:

	As at 30 June 2011	As at 31 December 2010
Capital expenditure		
Contracted for	**203**	60
Authorised but not contracted for		
– major renovation of the guestrooms of The Peninsula Hong Kong	**424**	450
– upgrade programme at The Repulse Bay Complex	**602**	731
– others	**408**	522
	1,637	1,763
The Group's share of capital commitments of a jointly controlled entity		
Contracted for	**–**	–
Authorised but not contracted for	**162**	168
	162	168
	1,799	1,931

16. Commitments (HK$m) *continued*

The Group holds a 20% equity interest in Al Maha Majestic S.à r.l., an associate of the Group responsible for the development of The Peninsula Paris project. The Group's 20% share of the contracted for capital commitments and authorised but not contracted for capital commitments as at 30 June 2011 amounted to HK$115 million (31 December 2010: HK$108 million) and HK$421 million (31 December 2010: HK$435 million) respectively. It is intended that the project will be financed by way of bank borrowings.

17. Contingent Liabilities (HK$m)

Contingent liabilities were at a level similar to that disclosed in the Group's annual financial statements for the year ended 31 December 2010.

18. Material Related Party Transactions

Except for the loans advanced to an associate as disclosed in note 9, there were no material related party transactions during the period ended 30 June 2011, other than in the nature of those as disclosed in the Group's annual financial statements for the year ended 31 December 2010.

19. Comparative Figures

As a result of the early adoption of amendments to HKAS 12, *Income Taxes*, the Group has changed its accounting policy in respect of deferred tax on investment properties carried at fair value and further details of the change in accounting policy are disclosed in note 2.

To conform with the current period's presentation, certain comparative figures have been restated as set out below:

(HK$m)	*As previously reported*	*Increase in net assets arising from the early adoption of amendments to HKAS 12*	*As restated*
Profit before taxation	798	–	**798**
Taxation			
Current tax	(67)	–	**(67)**
Deferred tax	(112)	92	**(20)**
Profit for the period	619	92	**711**

Review report to the Board of Directors of The Hongkong and Shanghai Hotels, Limited

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the Interim Financial Report set out on pages 20 to 39 which comprises the consolidated statement of financial position of The Hongkong and Shanghai Hotels, Limited as of 30 June 2011 and the related consolidated income statement, the statement of comprehensive income and the statement of changes in equity and the condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an Interim Financial Report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the Interim Financial Report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the Interim Financial Report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of the Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Report as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 August 2011

Information for Investors

Board of Directors

The Hon. Sir Michael Kadoorie[E]
Non-Executive Chairman

Ian Duncan Boyce[EAFR]
Non-Executive Deputy Chairman

Executive Directors

Clement King Man Kwok[EF]
Managing Director and Chief Executive Officer

Neil John Galloway[F]
Chief Financial Officer

Peter Camille Borer
Chief Operating Officer

Non-Executive Directors

Ronald James McAulay
William Elkin Mocatta
John Andrew Harry Leigh[EF]
Nicholas Timothy James Colfer

Independent Non-Executive Directors

Dr. the Hon. Sir David Kwok Po Li
Robert Chee Siong Ng
Robert Warren Miller[R]
Patrick Blackwell Paul[AR]
Pierre Roger Boppe
Dr. William Kwok Lun Fung[A]

Company Secretary

Christobelle Yi Ching Liao

Auditor

KPMG
Certified Public Accountants, Hong Kong

Shareholders' Calendar

Last day to register for interim dividend:
23 September 2011 4:30pm

Closure of register of members:
26 September 2011 to 28 September 2011
(both days inclusive)

Deadline for scrip dividend election forms:
26 October 2011 4:30pm

Interim dividend: 4 HK cents per share
Payable: 4 November 2011

Company Website

HSH Corporate: www.hshgroup.com

Investor Enquiries

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Registrar

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Customer services hotline: (852) 2862 8555
Fax: (852) 2865 0990/2529 6087
Email: hkinfo@computershare.com.hk

Listing Information

Stock Code: 00045

E – Executive Committee Member
A – Audit Committee Member
F – Finance Committee Member
R – Remuneration Committee Member

Reservations and Contact Addresses

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