

OPERATING REVIEW

Interest rates were at lower levels for the half year to 30 June 2001 and the group benefitted, showing an increase in profits over the same period in 2000 of HK\$14 million or 11%.

Other factors affecting the overall performance include improved results from The Peninsula Bangkok and the apartments at The Repulse Bay; non-receipt of income from The Sutton serviced apartments (which were sold in 2000); minimal sales of real estate lots at Quail Meadows this year; and, with the opening of The Peninsula Chicago on 1 June, we started to experience the losses normal in the early days of operating a new hotel.

Hotel occupancy and yield

(for the six months ended 30 June)

	2001		2000	
	Occupancy %	Yield (US\$)	Occupancy %	Yield (US\$)
The Peninsula Hong Kong	55	209	53	195
The Kowloon Hotel	91	64	89	57
The Palace Hotel Beijing	69	57	62	56
The Peninsula Manila	46	49	58	57
The Peninsula Bangkok	76	86	80	63
The Peninsula New York	66	334	76	378
The Peninsula Chicago*	43	136	-	-
The Peninsula Beverly Hills	84	351	87	344
Quail Lodge Resort	57	148	61	158

* Based on available room inventory

Hong Kong

Hotel occupancies were good in the first two months of the year and although the impact of the slowdown in the USA had an effect, occupancy levels and room rates nevertheless improved over the same period last year.

The commercial yield of the shopping arcades increased substantially, and the rents of The Repulse Bay complex showed reasonable improvement.

Other Asia Pacific

Australia

One apartment remains to be sold in the Bennelong complex and the Opera Quays shopping and entertainment mall is fully let.

People's Republic of China

The Palace Hotel Beijing has improved occupancy and maintained its room yield. The commercial arcade remains attractive to the best brand names and retention of these tenants will be assisted by the renovation programme for the public areas, which is about to commence.

It is hoped that the restructuring of the joint venture agreement will be completed by the end of the year.

The Philippines

The hospitality industry is still beset by political uncertainty and The Peninsula Manila has suffered from lower occupancy and yield.

Thailand

The Peninsula Bangkok exceeded expectations, even in the traditionally low second quarter. Although some reduction in occupancy overall was experienced, the achieved room rates have increased considerably this year. However, the market believes that the hotel still offers exceptional value.

The sale of the office building, 208 Wireless Road, is expected to be completed soon.

United States of America

The US economic slowdown has had an impact on the group's American portfolio, especially noticeable in the second quarter. The Peninsula New York had a poor half year but The Peninsula Beverly Hills was able to dampen the effect of the downturn and improved its yield.

The Peninsula Chicago commenced operating during the period and we are confident that it will establish itself as one of the leading hotels in Chicago.