INTERIM RESULTS

The directors hereby announce the unaudited interim results of the Company for the six months ended 30 June 2002. These interim results have been reviewed by the Company's audit committee and the Company's auditors, and KPMG's independent review report to the board of directors is set out below.

The profit attributable to shareholders amounted to HK$121 million for the six months ended 30 June 2002, a 14% decrease over the same period in 2001. The group operating profit also decreased by 14%. Earnings per share decreased to 10 cents. The directors have elected to continue a prudent policy of deferring their decision on the payment of dividends until they have reviewed the full year's results. Consequently, they have resolved not to declare the payment of an interim dividend for the period (2001: nil).

Shareholders' funds at 30 June 2002 stood at HK$12.0 billion or HK$10.26 per share and net borrowings decreased by 1.7% to HK$5.6 billion.

CONSOLIDATED INCOME STATEMENT (HK$m)

(for the six months ended 30 June)

	Note	2002	2001	Effect
Turnover		**1,253**	1,291	(3%)
Other revenue		**2**	7	(71%)
		1,255	1,298	(3%)
Cost of inventories		**(105)**	(197)	47%
Staff costs		**(432)**	(352)	(23%)
Depreciation and amortisation		**(57)**	(50)	(14%)
Rent and utilities		**(104)**	(87)	(20%)
Other operating expenses		**(258)**	(263)	2%
Operating profit		**299**	349	(14%)
Financing charges		**(149)**	(177)	16%
Share of profits less losses of associated companies		**1**	1	-
Profit before taxation		**151**	173	(13%)
Taxation	2	**(29)**	(32)	9%
Profit after taxation		**122**	141	(13%)
Minority interests		**(1)**	(1)	-
Profit attributable to shareholders		**121**	140	(14%)
Earnings per share (HK cents)	3	**10**	12	(17%)

Note: The above figures reflect the effect of a full six months' operation of The Peninsula Chicago (2001: one month).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (HK$m)

(for the six months ended 30 June)

	2002	2001	Effect
Balance at 1 January	**11,943**	13,089	(9%)
Exchange differences on translation of the financial statements of foreign entities not recognised in the income statement	**(20)**	7	-
Net profit for the period	**121**	140	(14%)
Total recognised gains	**101**	147	(31%)
Equity before dividends paid	**12,044**	13,236	(9%)
Dividends	**(58)**	(59)	2%
Balance at 30 June	**11,986**	13,177	(9%)

CONSOLIDATED BALANCE SHEET (HK$m)

	Note	**At 30 June 2002**	At 31 December 2001
Non-current assets			
Fixed assets		**17,350**	17,338
Other non-current assets		**519**	533
		17,869	17,871
Current assets			
Inventories		**299**	297
Debtors and payments in advance	4	**167**	195
Cash and cash equivalents		**124**	99
		590	591
Current liabilities			
Creditors and accruals	4	**(677)**	(692)
Interest-bearing borrowings		**(1,091)**	(1,292)
Taxation		**(26)**	(15)
		(1,794)	(1,999)
Net current liabilities		**(1,204)**	(1,408)
Total assets less current liabilities		**16,665**	16,463
Non-current liabilities			
Interest-bearing borrowings		**(4,595)**	(4,463)
Minority interests		**(84)**	(57)
Net assets		**11,986**	11,943
Capital and reserves			
Share capital		**584**	584
Reserves		**11,402**	11,359
		11,986	11,943

CONSOLIDATED CASH FLOW STATEMENT (HK$m)

(for the six months ended 30 June)

	2002	2001
Net cash inflow from operating activities	**362**	519
Net cash outflow from investing activities	**(30)**	(372)
Net cash inflow before financing	**332**	147
Net cash outflow from financing	**(256)**	(195)
Dividends paid	**(58)**	(59)
Increase/(decrease) in cash and cash equivalents	**18**	(107)
Cash and cash equivalents at 1 January	**85**	254
Effect of foreign exchange rate changes	**1**	(9)
Cash and cash equivalents at 30 June	**104**	138

1. BASIS OF PREPARATION

The unaudited interim results of the group, which are not statutory accounts, have been prepared in compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting", and on a basis consistent with the accounting policies adopted in the report and accounts for the year ended 31 December 2001.

2. TAXATION

Hong Kong profits tax has been provided at the rate of **16%** of estimated assessable profits while overseas profits tax has been provided at applicable rates. There was no taxation on the share of profits of associated companies.

3. EARNINGS PER SHARE

Earnings per share are calculated based on the profit of **HK$121 million** (2001: HK$140 million) and **1,169 million shares** (2001: weighted average of 1,171 million shares) in issue.

4. DEBTORS AND PAYMENTS IN ADVANCE, AND CREDITORS AND ACCRUALS (HK$m)

A defined credit policy is maintained within the group. The age analysis of trade debtors and trade creditors at 30 June 2002 was as follows:

	Debtors	Creditors
0 - 3 months	**73**	**62**
4 - 6 months	**3**	**2**
> 6 months	**2**	**40**
	78	**104**

SEGMENT REPORTING (HK$m)

Segment information is presented in respect of the group's businesses and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group in making operating and financial decisions.

	Total	Hotels *	Property rentals	Property sales	Miscellaneous
Six months ended 30 June 2002					
Turnover					
Total segment	**1,268**	**930**	**209**	**18**	**111**
Inter-segment	**(15)**	**(5)**	**-**	**-**	**(10)**
	1,253	**925**	**209**	**18**	**101**
Segment operating profit /(loss)	**299**	**137**	**152**	**(2)**	**12**
Financing charges	**(149)**				
Share of net profit of associated companies	**1**				
Profit before taxation	**151**				
Capital expenditure, depreciation and amortisation					
Capital expenditure incurred	**25**	**14**	**-**	**-**	**11**
Depreciation and amortisation	**57**	**46**	**-**	**-**	**11**
Six months ended 30 June 2001					
Turnover					
Total segment	1,308	823	247	133	105
Inter-segment	(17)	(3)	(2)	-	(12)
	1,291	820	245	133	93
Segment operating profit /(loss)	349	159	183	(6)	13
Financing charges	(177)				
Share of net profit of associated companies	1				
Profit before taxation	173				
Capital expenditure, depreciation and amortisation					
Capital expenditure incurred	525	517	-	-	8
Depreciation and amortisation	50	37	-	-	13

* ***Analysis of hotels turnover***

	2002	*2001*
Rooms	***399***	*354*
Food and beverage	***274***	*235*
Commercial	***149***	*136*
Other	***103***	*95*
	925	*820*

Segment balance sheet

	Total	Hotels	Property rentals	Property sales	Miscellaneous
At 30 June 2002					
Assets					
Fixed Assets					
Investment properties	**11,751**	**4,160**	**7,383**	**–**	**208**
Hotel properties	**5,051**	**5,051**	**–**	**–**	**–**
Development properties	**168**	**49**	**–**	**–**	**119**
Other properties	**19**	**–**	**–**	**–**	**19**
Other fixed assets	**361**	**293**	**–**	**–**	**68**
	17,350	**9,553**	**7,383**	**–**	**414**
Interests in associated companies	**127**	**119**	**–**	**–**	**8**
Investment securities	**83**	**74**	**–**	**–**	**9**
Investment in hotel management contract	**187**	**187**	**–**	**–**	**–**
Other segment assets	**466**	**174**	**8**	**234**	**50**
Cash and other assets	**246**				
Total assets	**18,459**				
Liabilities					
Segment liabilities	**677**	**367**	**135**	**4**	**171**
Bank loans and other liabilities	**5,712**				
Total liabilities	**6,389**				
At 31 December 2001					
Assets					
Fixed Assets					
Investment properties	11,740	4,160	7,383	–	197
Hotel properties	5,018	5,018	–	–	–
Development properties	160	49	–	–	111
Other properties	25	–	–	–	25
Other fixed assets	395	324	–	–	71
	17,338	9,551	7,383	–	404
Interests in associated companies	125	116	–	–	9
Investment securities	83	74	–	–	9
Investment in hotel management contract	191	191	–	–	–
Other segment assets	492	169	10	233	80
Cash and other assets	233	–	–	–	233
Total assets	18,462				
Liabilities					
Segment liabilities	692	384	147	8	153
Bank loans and other liabilities	5,770				
Total liabilities	6,462				

Geographical segment

The group's businesses are located in Hong Kong, the People's Republic of China, Thailand, the Philippines, Vietnam and the United States of America.

	Hong Kong		Other Asia Pacific		United States of America	
(for the six months ended 30 June)	**2002**	2001	**2002**	2001	**2002**	2001
Turnover	**751**	774	**122**	243	**380**	274
Operating profit/(loss)	**317**	335	**30**	21	**(48)**	(7)
Capital expenditure	**9**	11	**6**	18	**10**	496
(at 30 June 2002/31 December 2001)						
Assets	**14,047**	14,102	**1,290**	1,239	**2,876**	2,888

OPERATING REVIEW

The Company's results for the six months ended 30 June 2002 reflected a reasonable recovery from the adverse effects of the terrorist attacks on 11 September 2001. Generally, the yield on our hotels in Asia recovered to close to, and in some cases exceeding, the levels of the same period last year. In the US, our hotel yields have also recovered although they remain below the same period last year. Our revenue from office and residential property rentals in Hong Kong has come under pressure with corporate demand continuing to be weak.

Given the business environment described above, the Company's turnover for the period decreased by 3% to HK$1,253 million. However, if property sales were excluded, turnover would show an increase of 7%. Operating profit declined by 14% to HK$299 million, principally due to the prevailing environment in the USA and the losses incurred by The Peninsula Chicago, which was open for only one month in the corresponding period last year.

The occupancies and average room rates of our various hotels for the period were as follows:

		2002		2001	
	Attributable Interest (%)	**Occupancy (%)**	**Average Rm Rate (US$)**	Occupancy (%)	Average Rm Rate (US$)
The Peninsula Hong Kong	**100**	**61**	**337**	55	377
The Peninsula New York	**100**	**64**	**492**	66	508
The Peninsula Chicago	**92.5**	**46**	**290**	43*	314*
The Peninsula Beverly Hills	**20**	**80**	**404**	84	418
The Peninsula Bangkok	**90**	**73**	**126**	76	114
The Peninsula Manila	**40**	**60**	**82**	46	106
The Palace Hotel Beijing	**20**	**63**	**82**	69	83
The Kowloon Hotel	**100**	**92**	**64**	91	71
Quail Lodge Resort	**100**	**59**	**223**	57	258

* *Based on available room inventory and one month occupancy in June 2001*

Asia

People's Republic of China

Hong Kong SAR: A gradual recovery in visitor numbers lifted occupancy levels at the hotels to above the same period last year, although room rates remained below last year's. The Peninsula Hong Kong has maintained its position of achieving the highest average room rate and yield in Hong Kong and its shopping arcade has performed well, with increased turnover compared to the same period in 2001. Rental income at our other major asset in Hong Kong, The Repulse Bay complex, has declined as a result of a depressed corporate sector which has weakened demand for luxury residential accommodation.

Beijing: Although the competitive market and a renovation of the hotel's public areas affected The Palace Hotel Beijing, the upgraded shopping arcade has maintained the hotel's position as a premier shopping destination in the city and the opening of the new restaurant, Jing, has attracted notice and patronage. A new phase of renovation of rooms is planned for the second half of the year, subject to finalisation of the restructuring of the joint venture agreement which is progressing.

Thailand

The Peninsula Bangkok has continued to improve its market position despite increased competition within the city. Occupancy has held relatively steady while room rates and yield have both improved. The hotel has now established itself firmly among the leading luxury hotels in Bangkok.

The Philippines

Amid continuing economic uncertainty, The Peninsula Manila has had to reduce its room rates in order to increase its occupancy and thereby maintain its yield. The hotel's food and beverage outlets remain highly popular amongst the local population.

United States of America

Although not entirely free from the effects of the economic downturn and 9/11, the USA market has staged a reasonable recovery. The Peninsula New York and The Peninsula Beverly Hills are slightly behind in both occupancy and average room rate compared to the first half of 2001.

The Peninsula Chicago has begun to achieve better occupancy after its entry into the market at a particularly difficult period last year. Although the hotel is currently operating at a loss, the quality of the hotel's services and facilities, especially the restaurants, has attracted considerable attention at both national and international level.

The results at Quail Lodge Resort have remained disappointing although enhancements to the property are in hand under the new joint venture management arrangements.

New Projects

The group has continued to seek new developments where opportunities can be identified for a Peninsula branded hotel. We have made progress in our discussions with Mitsubishi Estate Company, Limited for the development of a Peninsula hotel in Tokyo and the period of exclusivity for finalising an agreement has been extended.

FINANCIAL REVIEW

The Company's net assets were HK$12.0 billion as at 30 June 2002, with no significant change from the position as at 31 December 2001. Gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, decreased marginally to 31.7% in the period and remains within the debt capacity of the group. At 30 June 2002 interest rates on 35% of the principal amount of net borrowings, after hedging, were fixed. The average interest rate paid was 5.3% (2001: 6.7%).

At 30 June 2002 total available facilities amounted to HK$7.7 billion, of which 74% was drawn down. Total committed facilities were HK$6.7 billion. Net borrowings over the six months decreased by 1.7%, to HK$5.6 billion. As at 30 June 2002 secured borrowings have increased to HK$1,034 million compared to HK$989 million at 31 December 2001.

The rearrangement of the capital and loan structure of the Thai joint ventures was completed. This has resulted in an increase of HK$25 million in minority interests, representing a 10% share of the underlying net assets.

The directors are not aware of any material changes from the information published in the report and accounts for the year ended 31 December 2001.

DIRECTORS' INTERESTS

As at 30 June 2002 the directors' interests in the shares of the Company as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

	No. of shares held		
	Personal	Family	Other
The Hon. Michael D Kadoorie	–	–	625,459,075 (1)&(2)
I D Boyce	200,000	–	–
C K M Kwok	150,000	–	–
Sir Sidney Gordon	96,000	–	–
R J McAulay	–	–	440,245,243 (1)&(3)
W E Mocatta	–	1,017,000	–
Dr. The Hon. David K P Li	400,000	–	–
R C S Ng	–	122,570	20,429 (4)
J S Dickson Leach	100,000	–	–
P R Boppe	150,000	–	–
O M L Rhys	120,000	–	–

Notes:

(1) 370,968,444 shares were held by discretionary trusts, of which The Hon. Michael D Kadoorie and Mr R J McAulay are two of the beneficiaries.

(2) 254,490,631 shares were held by discretionary trusts, of which The Hon. Michael D Kadoorie is a beneficiary.

(3) 69,276,799 shares were held by discretionary trusts, of which Mr R J McAulay, his wife and members of his family are beneficiaries.

(4) Non-beneficial interest held by the wife of Mr R C S Ng.

During the period, the Company has not granted any rights to directors of the Company or their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2002 the following companies had interests in the shares of the Company as recorded in the register maintained under section 16(1) of the SDI Ordinance:

Bermuda Trust Company Limited	694,735,874
Esko Limited	370,968,444
Hesko Limited	370,968,444
Xenon Holding Corporation	316,447,411
Rostik Limited	135,998,024
Mikado Holding Inc.	254,490,631
Mikado Investments Limited	254,490,631

These interests are duplicated amongst themselves to the extent of 1,703,363,585 shares. The net total of 694,735,874 shares is duplicated with various of the directors' interests as recorded above. Save as stated above, no person had disclosed interests in more than 10% of the issued share capital of the Company at 30 June 2002.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any of the group's listed securities.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the stock exchange Listing Rules, save that the three independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation, and the audit committee is not comprised of a majority of independent directors.

PRACTICE NOTE 19 OF THE LISTING RULES

Pursuant to paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the Company discloses that covenants relating to loan facilities of an aggregate amount of HK$2,450 million require that the Kadoorie family retains control and/or majority ownership of the Company. These facilities have maturities ranging from three to seven years, in amounts ranging from HK$100 million to HK$1,650 million and are denominated in Hong Kong and United States dollars. However, newly arranged facilities do not require this covenant.

By Order of the Board
D R G Henderson *Company Secretary*
Hong Kong, 25 July 2002

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF THE HONGKONG AND SHANGHAI HOTELS, LIMITED

Introduction

We have been instructed by the Company to review the accompanying balance sheet at 30 June 2002, and the related statements of income and cashflows for the six months then ended.

Directors' responsibilities

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 Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2002.

KPMG

KPMG *Certified Public Accountants*
Hong Kong, 25 July 2002