

FINANCIAL REVIEW SUMMARY

Consolidated Statement of Financial Position at 1.1.2009

	HK\$m
Net assets	
Fixed assets	26,368
Other long term investments	631
Deferred tax assets	38
Derivative financial instruments	63
Cash at banks and in hand	1,995
Other current assets	492
	<u>29,587</u>
Bank overdrafts	(16)
Bank borrowings	(3,177)
Derivative financial instruments	(281)
Deferred tax liabilities	(3,168)
Other liabilities	(1,299)
	<u>21,646</u>
Capital and reserves	
Share capital and premium	3,845
Retained profits	16,063
Hedging reserve	(141)
Other reserves	945
	<u>20,712</u>
Minority interests	934
	<u>21,646</u>

Consolidated Statement of Cash Flows for the year ended 31.12.2009

	HK\$m
1 EBITDA	924
Net tax paid	(143)
Working capital and other adjustments	(20)
Net cash inflow from operating activities	761
Interest and other financing charges paid	(139)
Interest received	15
Dividends paid	(53)
2 Investment in the Peninsula Paris project, including the acquisition of the right to manage the hotel after completion of the redevelopment	(1,044)
3 Other capital expenditures	(269)
Net increase in bank borrowings	663
Placement of interest bearing bank deposits with maturity of more than 3 months	(437)
Other net cash outflow	(95)
Net decrease in cash and cash equivalents	(598)
Cash at banks and in hand	1,995
Less: Bank overdrafts	(16)
Cash and cash equivalents at 1.1.2009	1,979
Effect of changes in exchange rates	(1)
Cash and cash equivalents at 31.12.2009*	<u>1,380</u>
* Representing:	
Cash at banks and in hand	1,835
Bank deposits with maturity of more than 3 months	(437)
Bank overdrafts	(18)
	<u>1,380</u>

Consolidated Income Statement for the year ended 31.12.2009

	HK\$m
4 Turnover	4,218
Operating costs before depreciation and amortisation	(3,294)
1 EBITDA	924
Depreciation and amortisation	(338)
Operating profit	586
Net financing charges	(86)
Profit after net financing charges	500
5 Share of profit of a jointly controlled entity	285
6 Increase in fair value of investment properties	1,998
Other non-operating items	(21)
Taxation	(458)
7 Minority interests	(6)
Profit attributable to shareholders	<u>2,298</u>

Consolidated Retained Profits for the year ended 31.12.2009

	HK\$m
Retained profits at 1.1.2009	16,063
Profit attributable to shareholders for the year	2,298
Acquisition of additional shareholding in a subsidiary company	(57)
Transfer from other reserve	1,048
Dividends distributed during the year	(196)
Retained profits at 31.12.2009	<u>19,156</u>

Consolidated Statement of Financial Position at 31.12.2009

	HK\$m
Net assets	
Fixed assets	28,339
Other long term investments	2,043
Deferred tax assets	64
Derivative financial instruments	45
Cash at banks and in hand	1,835
Other current assets	489
	32,815
Bank overdrafts	(18)
Bank borrowings	(3,807)
Derivative financial instruments	(206)
Deferred tax liabilities	(3,543)
Other liabilities	(1,293)
	23,948
Capital and reserves	
Share capital and premium	3,995
Retained profits	19,156
Hedging reserve	(116)
Other reserves	5
	23,040
Minority interests	908
	23,948

1 EBITDA

EBITDA was HK\$501 million (35%) lower than that of 2008, mainly due to the reduction in contribution from the Hotels division.

2 Investment in the Peninsula Paris project

On 20 January 2009, the Group invested a total of HK\$1,044 million (Euro 102 million) to acquire a 20% interest in a joint venture to develop The Peninsula Paris hotel, together with the right to manage this hotel for a period of 50 years after completion. The entire sum of HK\$1,044 million was funded by the Group's surplus cash.

3 Other capital expenditures

All expenditures were funded by the Group's operating cash flows and the spending in 2009 comprised HK\$91 million for the acquisition of the remaining 7.5% interest in The Peninsula Chicago, HK\$106 million special project expenses incurred for The Repulse Bay commercial arcade revitalisation and certain one-off projects and HK\$163 million for the ongoing renovations of the Group's hotels and commercial properties.

4 Turnover

The Hotels division continued to contribute more than 75% of the Group's total turnover. By nature, the revenue of hotels is subject to a higher degree of volatility and this division accounted for 92% of the overall decrease in the Group's turnover. Detailed discussion of the operating performance of each division is set out on pages 55 to 59.

5 Share of profit of a jointly controlled entity

This represents the Group's 50% share of profit of The Peninsula Shanghai, which opened gradually from 18 October 2009 and became fully operational as from 3 December 2009. The profit in 2009 included the Group's share of a post-tax non-operating gain of HK\$315 million arising from the year end property valuation adjustments.

6 Increase in fair value of investment properties

The Group states its investment properties at fair value and gain or loss arising from the change in fair value of investment properties is recognised in the income statement. The year end revaluation of the Group's investment properties has resulted in a non-operating gain of HK\$1,998 million, principally attributable to The Repulse Bay Complex and the commercial arcade of The Peninsula Hong Kong.

7 Taxation

The taxation charge for the year amounted to HK\$458 million, compared to a tax credit of HK\$42 million in 2008. It should be noted that the total tax charge in 2009 included a deferred tax charge of HK\$308 million (2008: deferred tax credit of HK\$163 million) in respect of the change in fair value of the Group's investment properties which was non-operating in nature. In addition, there was a write back of HK\$175 million deferred tax arising from the decrease in Hong Kong Profits Tax rate from 17.5% to 16.5% in 2008 which was not recurring in 2009.