

FINANCIAL REVIEW SUMMARY

Consolidated Statement of Financial Position at 1.1.2010

	HK\$m (Restated)*
Net assets	
Fixed assets	28,339
Other long term investments	2,043
Deferred tax assets	121
Derivative financial instruments	45
Cash and bank balances	1,835
Other current assets	489
	<u>32,872</u>
Bank overdrafts	(18)
Bank borrowings	(3,807)
Derivative financial instruments	(206)
Deferred tax liabilities	(493)
Other liabilities	(1,293)
	<u>27,055</u>
Capital and reserves	
Share capital and premium	3,995
Retained profits	22,263
Hedging reserve	(116)
Other reserves	5
	<u>26,147</u>
Non-controlling interests	908
	<u>27,055</u>

* As a result of the early adoption of the amendments HKAS 12 Income Taxes, the Group has made prior year adjustments. The effect arising from the early adoption of the amendments is summarised in note 2 to the Financial Statements.

Consolidated Statement of Cash Flows for the year ended 31.12.2010

	HK\$m
1 EBITDA	1,143
Tax paid	(154)
Working capital and other adjustments	30
Cash inflow from operating activities	1,019
Interest and other financing charges paid	(137)
Interest received	22
Dividends paid	(34)
2 Other capital expenditures	(276)
Net increase in bank borrowings	224
Placement of deposits with maturity more than 3 months	(560)
Other net cash outflow	(26)
Net increase in cash	232
Cash and bank balances	1,835
Less: Bank deposits maturing more than 3 months	(437)
Less: Bank overdrafts	(18)
Cash & cash equivalents at 1.1.2010	1,380
Effect of changes in exchange rates	32
Cash & cash equivalents at 31.12.2010*	<u>1,644</u>
* Representing:	
Cash and bank balances	2,658
Bank deposits maturing more than 3 months	(997)
Bank overdrafts	(17)
	<u>1,644</u>

Consolidated Income Statement for the year ended 31.12.2010

	HK\$m
3 Turnover	4,707
Operating costs before depreciation and amortisation	(3,564)
1 EBITDA	1,143
Depreciation and amortisation	(349)
Operating profit	794
Net financing charges	(108)
Profit after net financing charges	686
4 Share of profit of a jointly controlled entity	526
5 Increase in fair value of investment properties	1,938
Reversal for impairment losses	110
6 Taxation	(225)
Non-controlling interests	(27)
Profit attributable to shareholders	<u>3,008</u>

Consolidated Retained Profits for the year ended 31.12.2010

	HK\$m
Retained profits at 1.1.2010 (restated)	22,263
Profit attributable to shareholders for the year	3,008
Dividends distributed during the year	(147)
Retained profits at 31.12.2010	<u>25,124</u>

**Consolidated Statement of Financial
Position at 31.12.2010**

	HK\$m
Net assets	
Fixed assets	30,690
Other long term investments	2,552
Deferred tax assets	94
Derivative financial instruments	37
Cash and bank balances	2,658
Other current assets	556
	36,587
Bank overdrafts	(17)
Bank borrowings	(4,315)
Derivative financial instruments	(200)
Deferred tax liabilities	(587)
Other liabilities	(1,384)
	30,084
Capital and reserves	
Share capital and premium	4,113
Retained profits	25,124
Hedging reserve	(125)
Other reserves	(9)
	29,103
Non-controlling interests	981
	30,084

1 EBITDA

EBITDA was HK\$219 million higher than that of 2009, mainly due to the improvement in the performance of the Hotels Division.

2 Other capital expenditures

All expenditures were funded by the Group's operating cash flows and the spending in 2010 comprised HK\$180 million, HK\$61 million and HK\$35 million for Hotels, Commercial Properties and Clubs and Services, respectively.

3 Turnover

The Hotels Division contributed approximately 76% 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 81% of the overall increase in the Group's turnover. Detailed discussion of the operating performance of each division is set out on pages 54 to 59.

4 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 2010 included the Group's share of a post-tax non-operating gain of HK\$614 million arising from the year end property valuation adjustments.

5 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\$1,938 million, principally attributable to The Repulse Bay Complex and the commercial arcade of The Peninsula Hong Kong.

6 Taxation

As a result of the early adoption of the amendments to HKAS 12, *Income Taxes*, no deferred tax charge in respect of the change in fair value of the Group's investment properties in Hong Kong was recognised in 2010. Details of the impact of amendments to HKAS 12 are disclosed in notes 2 and 39 to the Financial Statements.