

# FINANCIAL REVIEW SUMMARY

## 1 Earnings Before Interest, Taxation, Depreciation and Amortisation (“EBITDA”)

The group's EBITDA and combined EBITDA, including the group's effective share of EBITDA of associates and joint venture, increased by 9% and 6% to HK\$1,550 million and HK\$1,680 million respectively. The group's combined EBITDA margin remained flat at 25%.

The breakdown of EBITDA by business segment and by geographical segment is set out on pages 76 and 77 of the Financial Review.

## 2 Revenue

The group's consolidated revenue and combined revenue, including the group's effective share of revenue of associates and joint venture, both increased by 7% to HK\$6,214 million and HK\$6,753 million respectively.

The hotels division is the main contributor to the group's combined revenue, accounting for 75% (2017: 75%) of the total. The increase in revenue of the hotels division was mainly due to the return of a full room inventory of The Peninsula Beijing after the completion of its extensive renovation in August 2017 and the strong performances achieved by The Peninsula Hong Kong, The Peninsula Chicago and The Peninsula Bangkok.

The commercial properties division performed well with higher revenue achieved by The Peak Tower and St John's Building as well as full year rental income contributed from 21 avenue Kléber as from September 2017. The division reported a 3% revenue growth, although the 2017 results included four months of rental income from 1-5 Grosvenor Place which was demolished in May 2017 for The Peninsula London development.

For the clubs and services division, the increase in revenue was mainly due to higher fare income achieved by The Peak Tram and increased revenue from mooncakes and its wider range of new merchandising products achieved by The Peninsula Merchandising.

Details of the operating performances of the Group's individual operations are set out on pages 39 to 67 of the Operational Review.

## Consolidated Statement of Financial Position at 1.1.2018

	HK\$m
<b>Net assets</b>	
Fixed assets	43,355
Other long-term investments	2,318
Deferred tax assets	38
Cash at banks and in hand	1,922
Other current assets	887
	48,520
Bank overdrafts	(7)
Bank borrowings	(7,436)
Derivative financial instruments	(4)
Deferred tax liabilities	(659)
Other liabilities	(1,712)
	38,702
<b>Capital and reserves</b>	
Share capital	5,224
Retained profits	32,902
Hedging, exchange and other reserves	49
	38,175
Non-controlling interests	527
	38,702

## Consolidated Statement of Cash Flows for the year ended 31.12.2018

	HK\$m
<b>1 EBITDA</b>	1,550
Changes in other working capital	26
Tax payment	(193)
Capital expenditure on existing assets	(426)
Capital expenditure on new projects and investments	(1,208)
Cash injected from a non-controlling shareholder	28
Distribution from an associate	6
Net financing charges and dividends paid	(176)
Net decrease in bank borrowings	(340)
Net withdrawal of interest-bearing bank deposits with maturity of more than three months	179
Net cash outflow for the year	(554)
Cash at banks and in hand	1,922
Less: Bank deposits maturing more than 3 months	(255)
Less: Bank overdrafts	(7)
Cash & cash equivalents at 1.1.2018	1,660
Effect of changes in exchange rates	(8)
Cash & cash equivalents at 31.12.2018*	1,098
* Representing:	
Cash at banks and in hand	1,178
Bank deposits maturing more than 3 months	(76)
Bank overdrafts	(4)
	1,098

## Consolidated Statement of profit or loss for the year ended 31.12.2018

	HK\$m
<b>2 Revenue</b>	6,214
Operating costs before depreciation and amortisation	(4,664)
EBITDA	1,550
Depreciation and amortisation	(542)
Operating profit	1,008
Net financing charges	(52)
Profit after net financing charges	956
<b>3 Share of result of a joint venture</b>	(24)
<b>4 Share of results of associates</b>	(29)
<b>5 Increase in fair value of investment properties</b>	523
Taxation	(184)
Non-controlling interests	1
Profit attributable to shareholders	1,243

## Consolidated Retained Profits for the year ended 31.12.2018

	HK\$m
Retained profits at 1.1.2018	32,902
Profit attributable to shareholders for the year	1,243
Dividends distributed during the year	(335)
Retained profits at 31.12.2018	33,810

## Consolidated Statement of Financial Position at 31.12.2018

	HK\$m
<b>Net assets</b>	
Fixed assets	41,529
Properties under development for sale	3,121
Other long-term investments	2,257
Deferred tax assets	49
Cash at banks and in hand	1,178
Other current assets	858
	48,992
Bank overdrafts	(4)
Bank borrowings	(7,091)
Derivative financial instruments	(7)
Deferred tax liabilities	(672)
Other liabilities	(1,741)
	39,477
<b>Capital and reserves</b>	
Share capital	5,509
Retained profits	33,810
Hedging, exchange and other reserves	(378)
	38,941
Non-controlling interests	536
	39,477

## Underlying profit attributable to shareholders for the year ended 31.12.2018

	HK\$m
Profit attributable to shareholders	1,243
Non-operating and non-recurring items	(478)
<b>6 Underlying profit</b>	765

## 3 Share of Result of a Joint Venture

The group has a 50% interest in The Peninsula Shanghai (PSH). PSH remained the market leader in terms of average room rate and RevPAR in 2018 and generated a profit before tax of HK\$27 million. However, PSH's profit was fully offset by the unrealised loss on revaluation of the hotel commercial arcade amounting to HK\$75 million, resulting in a reported loss of HK\$48 million of which the group's share of loss amounted to HK\$24 million.

## 4 Share of Results of Associates

The group has a 20% interest in each of The Peninsula Beverly Hills and The Peninsula Paris. The group's share of net loss of these two hotels for 2018 amounted to HK\$29 million.

## 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 consolidated statement of profit or loss. The year end revaluation of the group's investment properties has resulted in a non-operating gain of HK\$523 million, principally attributable to the increase in the appraised market value of The Repulse Bay Complex, The Peninsula Office Tower, the shopping arcade at The Peninsula Hong Kong, The Peak Tower and St. John's Building.

## 6 Underlying Profit

To provide additional insight into the performance of its business operations, the group presents underlying profit by excluding non-operating items such as any change in fair value of investment properties. Details of the reconciliation from reported profit to underlying profit are set out on page 73 of the Financial Review.