Consolidated Balance Sheet at 31.12.2005

	HK$m
Net assets	
Fixed assets	20,561
Other long-term investments	666
Deferred tax assets	123
Derivative financial instruments	25
Cash and bank balances	301
Other current assets	296
	21,972
Bank overdrafts	(16)
Bank borrowings	(2,598)
Derivative financial instruments	(209)
Deferred tax liabilities	(2,577)
Other liabilities	(966)
	15,606
Capital and reserves	
Share capital and premium	3,394
Retained profits	11,037
Hedging reserve	(15)
Other reserves	480
	14,896
Minority interests	710
	15,606

Consolidated Cash Flow Statement for the year ended 31.12.2006

		HK$m
1 EBITDA		1,281
Tax paid		(107)
Other adjustments		(10)
Cash inflow from operating activities		1,164
Interest and other financing charges paid		(184)
Dividends paid		(108)
2 Capital expenditure		(631)
Loan granted to jointly controlled entity		(14)
Net decrease in bank borrowings		(91)
Other net cash inflow		12
Net increase in cash		148
Cash and bank balances	301	
Less: Bank overdrafts	(16)	
Cash & cash equivalents at 1.1.2006		285
Cash & cash equivalents at 31.12.2006*		433
* Representing:		
Cash and bank balances		447
Bank overdrafts		(14)
		433

Consolidated Income Statement for the year ended 31.12.2006

	HK$m
3 Turnover	3,723
Operating costs before depreciation and amortisation	(2,442)
1 EBITDA	1,281
Depreciation and amortisation	(251)
Financing charges	(125)
Share of loss of jointly controlled entity	(1)
Profit before non-operating items	904
4 Increase in fair value of investment properties	1,442
Reversal of impairment losses, net	200
4 Taxation	(423)
Minority interests	(29)
Profit attributable to shareholders	2,094

Consolidated Retained Profits for the year ended 31.12.2006

	HK$m
Retained profits at 1.1.2006	11,037
Profit attributable to shareholders for the year	2,094
Dividends paid during the year	(213)
Retained profits at 31.12.2006	12,918

Consolidated Balance Sheet at 31.12.2006

	HK$m
Net assets	
Fixed assets	22,951
Other long-term investments	685
Deferred tax assets	98
Derivative financial instruments	31
Cash and bank balances	447
Other current assets	397
	24,609
Bank overdrafts	(14)
Bank borrowings	(2,509)
Derivative financial instruments	(214)
Deferred tax liabilities	(2,880)
Other liabilities	(1,227)
	17,765
Capital and reserves	
Share capital and premium	3,499
Retained profits	12,918
Hedging reserve	(18)
Other reserves	583
	16,982
Minority interests	783
	17,765

1 EBITDA

EBITDA increased by 17% compared to 2005. The favourable result was mainly due to the positive operating performance of all business segments which is further described in **3** set out below.

2 Capital expenditure

Capital expenditure mainly comprised costs incurred in the Peninsula Tokyo project, ongoing renovation work incurred in respect of existing properties of the Group and the purchase of the new fleet of Rolls Royce Phantoms for The Peninsula Hong Kong.

3 Turnover

Turnover of the Group increased by 14% compared to 2005.

In Asia, most hotels have enjoyed buoyant business conditions. The Peninsula Hong Kong, the Group's flagship hotel, has had a record year in room revenue with RevPAR increasing by 14% to HK$2,592. The Peninsula Beijing, which completed its re-branding exercise during the year, has also increased its RevPAR by 19% to HK$958. The Peninsula Bangkok was faced with a more challenging environment during 2006 owing to the military coup. Despite this, the hotel was able to achieve reasonable revenue growth by 8% over 2005. The Peninsula Manila has undergone a major renovation with one entire tower and the hotel lobby closed completely for more than half a year. Due to the disruption caused by the renovation, revenue of the hotel showed a decline of 2% against 2005 whilst RevPAR of the hotel reduced by 2% to HK$484.

In the USA, strong demand has resulted in higher room rates in most properties. The Peninsula New York maintained its high occupancy levels, with room rates 11% above 2005. The Peninsula Chicago also continued to improve its leading RevPAR position compared with its competitive set, while being recognised in leading travel surveys. Management of Quail Lodge was resumed with effect from 1 April 2006, and the financial results of the resort have shown promising improvement.

The non-hotel segment has benefited from the strong demand for luxury residential units and commercial and office spaces in Hong Kong. Leases for the unfurnished apartments at The Repulse Bay were renewed with increased rates. In 2006, average occupancy and average rental per square foot increased by 9% and 21% to 94% and HK$34 respectively. The commercial space at The Repulse Bay remained fully let. The Peak Tower has completed its 14-month renovation, and was reopened in phases from July 2006. The newly renovated tower has achieved 100% occupancy and average rental per square foot at HK$42 was 50% above that before the renovation. St. John's Building was fully occupied from March 2006, with a positive increase in overall revenues and unit rates. In Vietnam, occupancy remained high and rates increased further in the office and residential space in The Landmark.

The Group's other business segment includes the operation of The Peninsula Clubs and Consultancy, restaurant outlets at The Repulse Bay, the Thai Country Club, the golf club located at Quail Lodge, The Peak Tramways and The Peninsula Merchandising. Revenues from this segment showed satisfactory growth in 2006 owing to the buoyant business environment.

4 Increase in fair value of investment properties

The Group states its investment properties in the balance sheet at fair value and recognises the gain or loss arising from changes in fair value in the income statement. The revaluation of the Group's investment properties has resulted in an increase in deferred tax liability and hence an additional tax charge of HK$249 million.