

FINANCIAL REVIEW SUMMARY

1 Restatement of Comparative Figures Under the Adoption of HKFRS 16, Leases

The group changed its accounting policy in respect of assets leased from third party landlords using the full retrospective approach to conform to the new accounting standard, HKFRS 16, Leases, which became effective on 1 January 2019. Accordingly, certain comparative figures have been restated. Further details of the change in accounting policy are disclosed in note 35 to the Financial Statements.

2 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, both decreased by 17% to HK\$1,390 million and HK\$1,510 million respectively. The group’s combined EBITDA margin of 24% represented a decrease of three percentage points over 2018.

The breakdown of EBITDA by business segment and by geographical segment is set out on pages 72 and 73 of the Financial Review.

3 Revenue

The group’s consolidated revenue and combined revenue, including the group’s effective share of revenue of associates and joint venture, decreased by 5% and 6% to HK\$5,874 million and HK\$6,378 million respectively.

The hotels division is the main contributor to the group’s combined revenue, accounting for 75% (2018: 75%) of the total revenue. The decrease in revenue of the hotels division was mainly due to the decline in revenue reported by The Peninsula Hong Kong resulting from the impact of the social unrest that started in June 2019.

With the exception of The Peak Tower, the commercial properties division performed relatively well, with higher revenue achieved by The Repulse Bay Complex. Whilst The Peak Tower reported a slight decline in rental revenue, the admission income of Sky Terrace 428 was significantly lower than last year, partly due to the planned temporary service suspension of The Peak Tram for its major upgrade project, combined with the decrease in visitors resulting from the social unrest in Hong Kong.

For the clubs and services division, the decrease in revenue was mainly due to the reduction in fare income reported by The Peak Tram. This was due to the planned temporary service suspension as well as the decrease in visitors to Hong Kong. Peninsula Merchandising Limited also reported negative growth in revenue due to softer demand for mooncakes.

Details of the operating performances of the group’s individual operations are set out on pages 37 to 63 of the Operational Review.

Consolidated Statement of Financial Position at 1.1.20191

	HK\$m (restated)
Net assets	
Fixed assets	44,276
Properties under development for sale	3,121
Other long-term investments	2,256
Deferred tax assets	49
Cash at banks and in hand	1,178
Other current assets	844
	51,724
Bank overdrafts	(4)
Bank borrowings	(7,091)
Derivative financial instruments	(7)
Deferred tax liabilities	(658)
Other liabilities	(1,741)
Lease liabilities	(3,023)
	39,200
Capital and reserves	
Share capital	5,509
Retained profits	33,534
Hedging, exchange and other reserves	(379)
	38,664
Non-controlling interests	536
	39,200

Consolidated Statement of Cash Flows for the year ended 31.12.2019

	HK\$m
EBITDA	1,390
Changes in other working capital	(7)
Tax payment	(17)
Capital expenditure on existing assets	(564)
Capital expenditure on new projects and investments	(1,330)
Cash injected from a non-controlling shareholder	103
Distribution from an associate	3
Net financing charges and dividends paid	(227)
Net increase in bank borrowings	319
Net withdrawal of interest-bearing bank deposits with maturity of more than three months	59
Lease rental paid	(145)
Net cash outflow for the year	(416)
Cash at banks and in hand	1,178
Less: Bank deposits maturing more than 3 months	(76)
Less: Bank overdrafts	(4)
Cash & cash equivalents at 1.1.2019	1,098
Effect of changes in exchange rates	(2)
Cash & cash equivalents at 31.12.2019	680
Representing:	
Cash at banks and in hand	697
Bank deposits maturing more than 3 months	(17)
Bank overdrafts	-
	680

Consolidated Statement of profit or loss for the year ended 31.12.2019

	HK\$m
Revenue	5,874
Operating costs before depreciation and amortisation	(4,484)
EBITDA	1,390
Depreciation and amortisation	(589)
Operating profit	801
Net financing charges	(140)
Profit after net financing charges	661
Share of result of a joint venture	(17)
Share of results of associates	(32)
Increase in fair value of investment properties	83
Taxation	(192)
Non-controlling interests	(9)
Profit attributable to shareholders	494

Consolidated Retained Profits for the year ended 31.12.2019

	HK\$m
Retained profits at 1.1.2019 (restated)	33,534
Profit attributable to shareholders for the year	494
Dividends distributed during the year	(323)
Retained profits at 31.12.2019	33,705

Consolidated Statement of Financial Position at 31.12.2019

	HK\$m
Net assets	
Fixed assets	45,533
Properties under development for sale	3,624
Other long-term investments	2,279
Deferred tax assets	72
Cash at banks and in hand	697
Other current assets	856
	53,061
Bank overdrafts	-
Bank borrowings	(7,524)
Derivative financial instruments	(29)
Deferred tax liabilities	(737)
Other liabilities	(1,893)
Lease liabilities	(3,149)
	39,729
Capital and reserves	
Share capital	5,732
Retained profits	33,705
Hedging, exchange and other reserves	(383)
	39,054
Non-controlling interests	675
	39,729

Underlying profit attributable to shareholders for the year ended 31.12.2019

	HK\$m
Profit attributable to shareholders	494
Non-operating and non-recurring items	(14)
Underlying profit	480

4 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 2019 and generated a profit before non-operating items of HK\$11 million. However, PSH’s profit was offset by non-operating items which mainly included the unrealised loss on revaluation of the hotel commercial arcade, resulting in a reported loss of HK\$35 million of which the Group’s share of loss amounted to HK\$17 million.

5 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 2019 amounted to HK\$32 million.

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 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\$83 million, principally attributable to the increase in the appraised market value of The Repulse Bay Complex which was partly offset by the decrease in appraised market value of the shopping arcades at The Peninsula Beijing and The Peak Tower.

7 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 69 of the Financial Review.