

# FINANCIAL REVIEW SUMMARY

## 1 Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

EBITDA and EBITDA margin of the Group for 2013 increased by 9% and one percentage point to HK\$1,306 million and 24% respectively. These increases were mainly due to improved performances of the hotels and commercial properties divisions.

## 2 Purchase of fixed assets

The Group adopts a rolling 5-year capital expenditure plan that is reviewed regularly to monitor planned replacement of FF&E, purchase of new items and major upgrade or enhancement projects. Together with the capital expenditure incurred for new acquisitions, the spending of HK\$3,221 million in 2013 can be analysed as follows:

	HK\$m
Acquisition of a 50% interest in 1-5 Grosvenor Place	1,688
Purchase of 21 avenue Kléber	605
Guestroom enhancement project at The Peninsula Hong Kong	198
Reconfiguration and other upgrade works at The Repulse Bay Complex	293
Other CAPEX on existing assets	437
	<b>3,221</b>

## Consolidated Statement of Financial Position at 1.1.2013

	HK\$m
<b>Net assets</b>	
Fixed assets	34,123
Other long term investments	2,471
Deferred tax assets	46
Derivative financial instruments	7
Cash and bank balances	2,185
Other current assets	975
	<b>39,807</b>
Bank overdrafts	(9)
Bank borrowings	(4,165)
Derivative financial instruments	(88)
Deferred tax liabilities	(655)
Other liabilities	(1,451)
	<b>33,439</b>
<b>Capital and reserves</b>	
Share capital and premium	4,361
Retained profits	28,687
Hedging reserve	(72)
Other reserves	174
	<b>33,150</b>
Non-controlling interests	289
	<b>33,439</b>

## Consolidated Statement of Cash Flows for the year ended 31.12.2013

	HK\$m
<b>1</b> EBITDA	1,306
Net changes in debtors/creditors	95
Payment of current tax	(93)
<b>2</b> Purchase of fixed assets	(3,221)
Proceeds from disposal of an unlisted equity instrument	3
Net repayment from a joint venture	63
Loans to an associate	(224)
Net financing charges and dividends paid	(328)
Net increase in bank borrowings	1,679
Net withdrawal of interest-bearing bank deposits with maturity of more than three months	54
	<b>(666)</b>
Net cash outflow for the year	
Cash and bank balances	2,185
Less: Bank deposits maturing more than 3 months	(494)
Less: Bank overdrafts	(9)
Cash & cash equivalents at 1.1.2013	1,682
Effect of changes in exchange rates	20
Cash & cash equivalents at 31.12.2013*	<b>1,036</b>
<b>* Representing:</b>	
Cash and bank balances	1,494
Bank deposits maturing more than 3 months	(440)
Bank overdrafts	(18)
	<b>1,036</b>

## Consolidated Income Statement for the year ended 31.12.2013

	HK\$m
<b>3</b> Turnover	5,508
Operating costs before depreciation and amortisation	(4,202)
EBITDA	1,306
Depreciation and amortisation	(395)
Operating profit	911
Net financing charges	(94)
Profit after net financing charges	817
<b>4</b> Share of result of a joint venture	(280)
<b>5</b> Increase in fair value of investment properties	1,403
Gain on disposal of an unlisted equity instrument	3
<b>6</b> Taxation	(231)
Profit attributable to shareholders	<b>1,712</b>

## Consolidated Retained Profits for the year ended 31.12.2013

	HK\$m
Retained profits at 1.1.2013	28,687
Profit attributable to shareholders for the year	1,712
Dividends distributed during the year	(210)
Retained profits at 31.12.2013	<b>30,189</b>

## Consolidated Statement of Financial Position at 31.12.2013

	HK\$m
<b>Net assets</b>	
Fixed assets	38,187
Other long term investments	2,560
Deferred tax assets	3
Derivative financial instruments	8
Cash and bank balances	1,494
Other current assets	867
	<b>43,119</b>
Bank overdrafts	(18)
Bank borrowings	(5,468)
Derivative financial instruments	(35)
Deferred tax liabilities	(707)
Other liabilities	(1,517)
	<b>35,374</b>
<b>Capital and reserves</b>	
Share capital and premium	4,361
Retained profits	30,189
Hedging reserve	(35)
Other reserves	590
	<b>35,105</b>
Non-controlling interests	269
	<b>35,374</b>

## Underlying profit attributable to shareholders for the year ended 31.12.2013

	HK\$m
Profit attributable to shareholders	1,712
Non-operating items	(1,201)
<b>7</b> Underlying profit attributable to shareholders	<b>511</b>

## 3 Turnover

The hotels division is the main contributor to the Group's revenue, accounting for 73% of the total revenue. In 2013, our hotels generally performed well and achieved satisfactory revenue growth as a result of our effective marketing campaigns and revenue management strategy.

The commercial properties division achieved a revenue growth of 10%, mainly due to increased contributions from The Repulse Bay Complex and The Peak Tower.

For the clubs and services division, the 18% increase in revenue was mainly due to the re-opening of the hotel portion of Quail Lodge & Golf Club in March 2013 and the increased mooncake sales revenue achieved by Peninsula Merchandising during the year.

Detailed discussion of the operating performance of each division is set out on pages 25 to 38.

## 4 Share of result of a joint venture

The Group has a 50% interest in The Peninsula Shanghai Complex. The increase in share of loss of this joint venture was mainly due to the reclassification of 19 apartment units as "assets held for sale" during 2013 which necessitated the provision of an unrealised net loss of HK\$355 million. This loss mainly comprises the PRC land appreciation tax in respect of the 19 apartment units held for sale which is assessed based on progressive tax rates of 30% - 60% of the appreciation in value. Details of the joint venture's result are summarised on pages 45 and 46.

## 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\$1,403 million, principally attributable to The Repulse Bay Complex and the shopping arcades at The Peninsula Hong Kong and The Peninsula New York.

## 6 Taxation

The increase in taxation in 2013 was due to the improved profitability and the provision of deferred tax in respect of the gain on fair value of the shopping arcade at The Peninsula New York.

## 7 Underlying profit attributable to shareholders

To provide additional insight into the performance of its business operations, the Group presents underlying profit by excluding non-operating and non-recurring items such as any change in fair value of investment properties. Details of the reconciliation from reported profit to underlying profit are summarised on pages 40 and 41.