Financial Statements

Consolidated Income Statement *(HK$m)*

	Note	Year ended 31 December 2014	2013
Turnover	2	**5,838**	5,508
Cost of inventories		**(467)**	(463)
Staff costs and related expenses		**(2,052)**	(1,951)
Rent and utilities		**(577)**	(586)
Other operating expenses		**(1,214)**	(1,202)
Operating profit before interest, taxation, depreciation and amortisation ("EBITDA")		**1,528**	1,306
Depreciation and amortisation		**(423)**	(395)
Operating profit		**1,105**	911
Interest income		**65**	46
Financing charges	4	**(131)**	(140)
Net financing charges		**(66)**	(94)
Profit after net financing charges	3	**1,039**	817
Share of result of a joint venture	14	**(6)**	(280)
Share of results of associates	15	**(35)**	–
Increase in fair value of investment properties	12(b)	**496**	1,403
Provision for impairment loss	12(a)	**(132)**	–
Gain on disposal of an unlisted equity instrument		**–**	3
Profit before taxation		**1,362**	1,943
Taxation			
Current tax	5	**(179)**	(130)
Deferred tax	5	**(52)**	(101)
Profit for the year		**1,131**	1,712
Profit attributable to:			
Shareholders of the Company		**1,146**	1,712
Non-controlling interests		**(15)**	–
Profit for the year		**1,131**	1,712
Earnings per share, basic and diluted (HK$)	9	**0.76**	1.14

The notes on pages 198 to 251 form part of these Financial Statements.

Consolidated Statement of Comprehensive Income (HK$m)

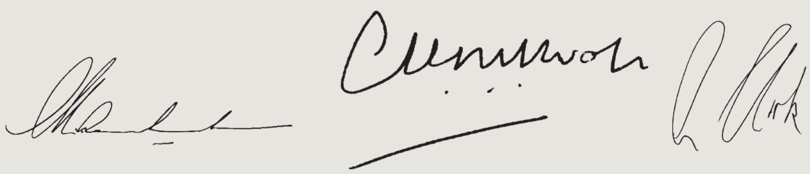
	Note	Year ended 31 December 2014	2013
Profit for the year		**1,131**	1,712
Other comprehensive income for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
– financial statements of overseas subsidiaries		**(47)**	314
– financial statements of a joint venture		**(23)**	33
– loans to an associate		**(109)**	26
– hotel operating rights		**(74)**	26
		(253)	399
Cash flow hedges:			
– effective portion of changes in fair values		**(37)**	(1)
– transfer from equity to profit or loss		**25**	38
		(265)	436
Item that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit retirement obligations		**2**	1
Other comprehensive income	8	**(263)**	437
Total comprehensive income for the year		**868**	2,149
Total comprehensive income attributable to:			
Shareholders of the Company		**882**	2,165
Non-controlling interests		**(14)**	(16)
Total comprehensive income for the year		**868**	2,149

The notes on pages 198 to 251 form part of these Financial Statements.

Consolidated Statement of Financial Position *(HK$m)*

	Note	At 31 December 2014	2013
Non-current assets			
Fixed assets			
Properties, plant and equipment		**5,620**	5,963
Investment properties		**32,548**	32,224
	12	**38,168**	38,187
Interest in a joint venture	14	**1,016**	1,045
Interest in associates	15	**807**	822
Hotel operating rights	16	**611**	693
Derivative financial instruments	17	**–**	8
Deferred tax assets	18(b)	**40**	28
		40,642	40,783
Current assets			
Inventories	19	**92**	100
Trade and other receivables	20	**583**	575
Amount due from a joint venture	30(c)	**188**	192
Cash at banks and in hand	21	**2,477**	1,494
		3,340	2,361
Current liabilities			
Trade and other payables	22	**(1,180)**	(1,175)
Interest-bearing borrowings	23	**(878)**	(550)
Derivative financial instruments	17	**–**	(13)
Current taxation	18(a)	**(70)**	(48)
		(2,128)	(1,786)
Net current assets		**1,212**	575
Total assets less current liabilities		**41,854**	41,358
Non-current liabilities			
Interest-bearing borrowings	23	**(4,603)**	(4,936)
Trade and other payables	22	**(260)**	(276)
Net defined benefit retirement obligations	26(a)	**(17)**	(18)
Derivative financial instruments	17	**(38)**	(22)
Deferred tax liabilities	18(b)	**(785)**	(732)
		(5,703)	(5,984)
Net assets		**36,151**	35,374
Capital and reserves			
Share capital	24	**4,544**	751
Reserves		**31,357**	34,354
Total equity attributable to shareholders of the Company		**35,901**	35,105
Non-controlling interests		**250**	269
Total equity		**36,151**	35,374

Approved by the Board of Directors on 20 March 2015 and signed on its behalf by:



The Hon. Sir Michael Kadoorie, Clement K. M. Kwok, Alan Clark, Directors

The notes on pages 198 to 251 form part of these Financial Statements.

Parent Company Statement of Financial Position *(HK$m)*

	Note	At 31 December 2014	2013
Non-current assets			
Investment in subsidiaries	13	**–**	–
Current assets			
Trade and other receivables	20	**12,381**	12,203
Cash at banks and in hand	21	**142**	31
		12,523	12,234
Current liabilities			
Trade and other payables	22	**(84)**	(94)
Current tax	18(a)	**(3)**	–
Net current assets		**(87)**	(94)
Net assets		**12,436**	12,140
Capital and reserves			
Share capital	24	**4,544**	751
Reserves	25(a)	**7,892**	11,389
Total equity		**12,436**	12,140

Approved by the Board of Directors on 20 March 2015 and signed on its behalf by:

The Hon. Sir Michael Kadoorie, Clement K.M. Kwok, Alan Clark, Directors

The notes on pages 198 to 251 form part of these Financial Statements.

Consolidated Statement of Changes in Equity *(HK$m)*

		Year ended 31 December Attributable to shareholders of the Company								
	Note	Share capital	Share premium	Capital redemp -tion reserve	Hedging reserve	Exchange and other reserves	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2013		751	3,610	13	(72)	161	28,687	33,150	289	33,439
Changes in equity for 2013:										
Profit for the year		–	–	–	–	–	1,712	1,712	–	1,712
Other comprehensive income	8	–	–	–	37	416	–	453	(16)	437
Total comprehensive income for the year		–	–	–	37	416	1,712	2,165	(16)	2,149
Dividends approved in respect of the previous year	10	–	–	–	–	–	(150)	(150)	–	(150)
Dividends approved in respect of the current year	10	–	–	–	–	–	(60)	(60)	–	(60)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(4)	(4)
Balance at 31 December 2013		751	3,610	13	(35)	577	30,189	35,105	269	35,374
Changes in equity for 2014:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**1,146**	**1,146**	**(15)**	**1,131**
Other comprehensive income	8	**–**	**–**	**–**	**(12)**	**(252)**	**–**	**(264)**	**1**	**(263)**
Total comprehensive income for the year		**–**	**–**	**–**	**(12)**	**(252)**	**1,146**	**882**	**(14)**	**868**
Transition to no-par value regime on 3 March 2014		**3,623**	**(3,610)**	**(13)**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends approved in respect of the previous year	10	**120**	**–**	**–**	**–**	**–**	**(180)**	**(60)**	**–**	**(60)**
Dividends approved in respect of the current year	10	**50**	**–**	**–**	**–**	**–**	**(76)**	**(26)**	**–**	**(26)**
Dividend paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5)**	**(5)**
Balance at 31 December 2014		**4,544**	**–**	**–**	**(47)**	**325**	**31,079**	**35,901**	**250**	**36,151**

The notes on pages 198 to 251 form part of these Financial Statements.

Consolidated Statement of Cash Flows (HK$m)

	Note	Year ended 31 December 2014	2013
Operating activities			
Profit after net financing charges		**1,039**	817
Adjustments for:			
Depreciation	12(a)	**415**	392
Amortisation of hotel operating rights	16	**8**	3
Interest income	3	**(65)**	(46)
Financing charges	4	**131**	140
Loss on disposal of fixed assets		**2**	6
Operating profit before changes in working capital		**1,530**	1,312
Decrease/(increase) in inventories		**6**	(8)
Increase in trade and other receivables		**(19)**	(48)
Increase in trade and other payables		**72**	145
Cash generated from operations		**1,589**	1,401
Net tax paid:			
Hong Kong profits tax paid		**(107)**	(46)
Overseas tax paid		**(50)**	(47)
Net cash generated from operating activities		**1,432**	1,308
Investing activities			
Payment for the purchase of fixed assets		**(409)**	(928)
Payment for the acquisition of properties		**–**	(2,293)
Net repayment from a joint venture		**–**	63
Loans to an associate		**(128)**	(224)
Proceeds from disposal of an unlisted equity instrument		**–**	3
Net cash used in investing activities		**(537)**	(3,379)
Financing activities			
Drawdown of term loans		**1,076**	2,366
Repayment of term loans		**(346)**	(1,203)
Net (decrease)/increase in revolving loans		**(455)**	516
Net (placement)/withdrawal of interest-bearing bank deposits with maturity of more than three months		**(1,193)**	54
Interest paid and other financing charges		**(120)**	(158)
Interest received		**60**	44
Dividends paid to shareholders of the Company		**(86)**	(210)
Dividends paid to holders of non-controlling interests		**(5)**	(4)
Net cash (used in)/generated from financing activities		**(1,069)**	1,405
Net decrease in cash and cash equivalents		**(174)**	(666)
Cash and cash equivalents at 1 January		**1,036**	1,682
Effect of changes in foreign exchange rates		**(23)**	20
Cash and cash equivalents at 31 December	21	**839**	1,036

The notes on pages 198 to 251 form part of these Financial Statements.

1. Statement of compliance

These Financial Statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These Financial Statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622) "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These Financial Statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). A summary of the significant accounting policies adopted by the Group and the Company is set out in note 33.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 34 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company for the current and prior accounting years.

2. Turnover (HK$m)

The Company is an investment holding company; its subsidiary companies, joint venture, joint operation and associates are engaged in the ownership, management and operation of hotels, commercial properties and clubs and services.

Turnover represents the gross amount invoiced for services, goods and facilities including management fees and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2014	2013
Hotels (note 11(a))		
Rooms	**1,889**	1,768
Food and beverage	**1,239**	1,218
Commercial	**747**	687
Others	**385**	371
	4,260	4,044
Commercial Properties (note 11(a))	**901**	806
Clubs and Services (note 11(a))	**677**	658
	5,838	5,508

3. Profit after net financing charges (HK$m)

Profit after net financing charges is arrived at after charging/(crediting):

	2014	2013
Amortisation	**8**	3
Depreciation	**415**	392
Auditor's remuneration:		
audit services	**10**	10
taxation and other services	**2**	2
due diligence services	**1**	3
Foreign exchange losses/(gains)	**1**	(2)
Minimum operating lease charges for properties, including contingent rent of HK$14 million (2013: HK$15 million)	**244**	251
Interest income	**(65)**	(46)
Rentals receivable from investment properties less direct outgoings of HK$20 million (2013: HK$19 million)	**(1,330)**	(1,210)

4. Financing charges (HK$m)

	2014	2013
Interest on bank borrowings	**87**	77
Other borrowing costs	**17**	20
Total interest expenses on financial liabilities carried at amortised cost	**104**	97
Derivative financial instruments:		
– cash flow hedges, transfer from equity	**27**	43
	131	140

5. Income tax in the consolidated income statement (HK$m)

(a) Taxation in the consolidated income statement represents:

	2014	2013
Current tax – Hong Kong profits tax		
Provision for the year (note 18(a))	127	84
Under/(over)-provision in respect of prior years	3	(6)
	130	78
Current tax – Overseas		
Net charge for the year	49	52
	179	130
Deferred tax		
Increase in net deferred tax liabilities relating to revaluation of overseas investment properties	6	29
Increase in net deferred tax liabilities relating to other temporary differences	46	72
	52	101
Total	231	231

The provision for Hong Kong profits tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2014	2013
Profit before taxation	1,362	1,943
Notional tax at the domestic income tax rate of 16.5% (2013: 16.5%)	225	321
Tax effect of non-deductible expenses	32	13
Tax effect of non-taxable income	(4)	(7)
Tax effect of share of losses of a joint venture and associates	7	46
Tax effect of fair value gain on Hong Kong investment properties	(76)	(154)
Tax effect of utilisation of previously unrecognised tax losses	(13)	(72)
Tax effect of tax losses not recognised	30	36
Effect of different tax rates of subsidiaries operating in other jurisdictions	24	44
Others	6	4
Actual tax expense	231	231

6. Emoluments of key management personnel (HK$m)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. It comprises the Group Management Board and the Non-executive Directors of the Group. Members of the Group Management Board include the Executive Directors and five (2013: five) senior executives. The total remuneration of the key management personnel is shown below:

	2014	2013
Directors' fees	**3,755**	3,583
Basic compensation	**30,307**	28,697
Bonuses and incentives	**18,840**	16,888
Retirement benefits	**3,705**	3,490
Other benefits	**1,205**	1,338
	57,812	53,996

Further details of the remuneration of the Directors (on a named basis) and senior management, and remuneration paid to the five highest paid individuals by bands are disclosed in the "2014 Remuneration of Directors and Senior Management" section of the Corporate Governance Report on pages 182 and 183, which forms an integral part of these audited Financial Statements.

7. Profit attributable to shareholders of the Company (HK$m)

The consolidated profit attributable to shareholders of the Company includes a profit of HK$382 million (2013: HK$241 million) which has been dealt with in the Financial Statements of the Company.

8. Other comprehensive income (HK$m)

Tax effects relating to each component of other comprehensive income

	2014			2013		
	Before-tax amount	**Tax (expense)/ benefit**	**Net-of-tax amount**	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
Exchange differences on translation of:						
– financial statements of overseas subsidiaries	**(47)**	**–**	**(47)**	314	–	314
– financial statements of a joint venture	**(23)**	**–**	**(23)**	33	–	33
– loans to an associate	**(109)**	**–**	**(109)**	26	–	26
– hotel operating rights	**(74)**	**–**	**(74)**	26	–	26
	(253)	**–**	**(253)**	399	–	399
Cash flow hedges:						
– effective portion of changes in fair values	**(41)**	**4**	**(37)**	–	(1)	(1)
– transfer from equity to profit or loss	**27**	**(2)**	**25**	43	(5)	38
Remeasurement of net defined benefit retirement obligations	**2**	**–**	**2**	1	–	1
Other comprehensive income	**(265)**	**2**	**(263)**	443	(6)	437

9. Earnings per share

(a) Earnings per share – basic

	2014	2013
Profit attributable to shareholders of the Company (HK$m)	**1,146**	1,712
Weighted average number of shares in issue (million shares)	**1,509**	1,502
Earnings per share (HK$)	**0.76**	1.14

	2014 (million shares)	*2013 (million shares)*
Issued shares at 1 January	***1,502***	*1,502*
Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of the 2013 final dividend and 2014 interim dividend	***7***	*–*
Weighted average number of shares at 31 December	***1,509***	*1,502*

(b) Earnings per share – diluted

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2014 and 2013 and hence the diluted earnings per share is the same as the basic earnings per share.

10. Dividends (HK$m)

(a) Dividends payable to shareholders of the Company attributable to the year

	2014	2013
Interim dividend declared and paid of 5 HK cents per share (2013: 4 HK cents per share)	**76**	60
Final dividend proposed after the end of reporting period of 18 HK cents per share (2013: 12 HK cents per share)	**273**	180
	349	240

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2014	2013
Final dividend in respect of the previous financial year, approved and paid during the year, of 12 HK cents per share (2013: 10 HK cents per share)	**180**	150

11. Segment reporting (HK$m)

The Group is organised on a divisional basis. In a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group's reportable segments are as follows:

Hotels	This segment includes revenue generated from operating hotels, leasing of commercial shopping arcades and office premises located within the hotel buildings.
Commercial Properties	This segment is engaged in the leasing of commercial and office premises (other than those in hotel properties) and residential apartments, as well as operating food and beverage outlets in such premises.
Clubs and Services	This segment is engaged in the operation of golf courses, The Peak Tram, wholesaling and retailing of food and beverage products, laundry services and the provision of management and consultancy services for clubs.

No operating segments have been aggregated to form the reportable segments.

(a) Segment results (HK$m)

The results of the Group's reportable segments for the years ended 31 December 2014 and 2013 are set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Reportable segment revenue*	**4,260**	4,044	**901**	806	**677**	658	**5,838**	5,508
Reportable segment operating profits before interest, taxation, depreciation and amortisation (EBITDA)	**818**	649	**582**	521	**128**	136	**1,528**	1,306
Depreciation and amortisation	**(385)**	(358)	**(10)**	(10)	**(28)**	(27)	**(423)**	(395)
Segment operating profit	**433**	291	**572**	511	**100**	109	**1,105**	911

* Analysis of segment revenue

	2014	*2013*
Hotels		
– Rooms	***1,889***	*1,768*
– Food and beverage	***1,239***	*1,218*
– Commercial	***747***	*687*
– Others	***385***	*371*
	4,260	*4,044*
Commercial properties		
Rental revenue from:		
– Residential properties	***445***	*415*
– Offices	***124***	*93*
– Shopping arcades	***332***	*298*
	901	*806*
Clubs and Services		
– Clubs and consultancy services	***171***	*172*
– Peak Tram operation	***124***	*121*
– Others	***382***	*365*
	677	*658*
	5,838	*5,508*

Reconciliation of segment operating profit to the profit before taxation in the consolidated income statement is not presented, since the segment operating profit is the same as the operating profit presented in the consolidated income statement.

11. Segment reporting (HK$m) continued

(b) Segment assets (HK$m)

Segment assets include all tangible and current assets and hotel operating rights held directly by the respective segments. The Group's segment assets and unallocated assets as at 31 December 2014 and 2013 are set out as follows:

	Note	2014	2013
Reportable segment assets			
Hotels		**16,978**	17,269
Commercial properties		**21,440**	21,273
Clubs and services		**1,036**	1,013
		39,454	39,555
Unallocated assets			
Interest in a joint venture	14	**1,016**	1,045
Interest in associates	15	**807**	822
Derivative financial instruments	17	**–**	8
Deferred tax assets	18(b)	**40**	28
Amount due from a joint venture	30(c)	**188**	192
Cash at banks and in hand	21	**2,477**	1,494
Consolidated total assets		**43,982**	43,144

(c) Geographical information (HK$m)

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's total specified non-current assets (excluding derivative financial instruments and deferred tax assets). The geographical location of revenue is analysed based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, the location of the operation to which they are allocated in the case of hotel operating rights and the location of operations in the case of interests in joint venture, joint operation and associates.

	Revenue from external customers		Specified non-current assets	
	2014	2013	2014	2013
Hong Kong	**2,775**	2,505	**29,092**	28,689
Other Asia *	**1,718**	1,786	**4,584**	4,961
United States of America	**1,290**	1,190	**3,254**	3,199
Europe	**55**	27	**3,672**	3,898
	5,838	5,508	**40,602**	40,747

* Other Asia includes Mainland China, Japan, Thailand, The Philippines and Vietnam.

12. Fixed assets (HK$m)

(a) Movements of fixed assets

	Group							
	Freehold land	Hotel and other buildings held for own use	Plant, machinery and other fixed assets	Sub-total	Other Investment properties	Investment property held for redevelopment	Interests in leasehold land held under finance leases	Total fixed assets
Cost or valuation:								
At 1 January 2013	1,010	7,195	4,267	12,472	28,108	–	1	40,581
Exchange adjustments	(47)	(274)	(117)	(438)	23	102	–	(313)
Additions	–	10	585	595	900	1,688	–	3,183
Disposals	–	(5)	(47)	(52)	–	–	–	(52)
Transfer	–	14	(14)	–	–	–	–	–
Fair value adjustment	–	–	–	–	1,403	–	–	1,403
At 31 December 2013	963	6,940	4,674	12,577	30,434	1,790	1	44,802
Representing:								
Cost	963	6,940	4,674	12,577	–	–	1	12,578
Valuation – 2013	–	–	–	–	30,434	1,790	–	32,224
	963	6,940	4,674	12,577	30,434	1,790	1	44,802
At 1 January 2014	**963**	**6,940**	**4,674**	**12,577**	**30,434**	**1,790**	**1**	**44,802**
Exchange adjustments	**(1)**	**(101)**	**(81)**	**(183)**	**(111)**	**(104)**	**–**	**(398)**
Additions	**–**	**16**	**295**	**311**	**43**	**–**	**–**	**354**
Disposals	**–**	**(4)**	**(42)**	**(46)**	**–**	**–**	**–**	**(46)**
Transfer	**–**	**47**	**(47)**	**–**	**–**	**–**	**–**	**–**
Fair value adjustment	**–**	**–**	**–**	**–**	**459**	**37**	**–**	**496**
At 31 December 2014	**962**	**6,898**	**4,799**	**12,659**	**30,825**	**1,723**	**1**	**45,208**
Representing:								
Cost	**962**	**6,898**	**4,799**	**12,659**	**–**	**–**	**1**	**12,660**
Valuation – 2014	**–**	**–**	**–**	**–**	**30,825**	**1,723**	**–**	**32,548**
	962	**6,898**	**4,799**	**12,659**	**30,825**	**1,723**	**1**	**45,208**
Accumulated depreciation and impairment losses:								
At 1 January 2013	377	3,339	2,741	6,457	–	–	1	6,458
Exchange adjustments	(26)	(96)	(67)	(189)	–	–	–	(189)
Charge for the year	–	148	244	392	–	–	–	392
Written back on disposals	–	(10)	(36)	(46)	–	–	–	(46)
At 31 December 2013	351	3,381	2,882	6,614	–	–	1	6,615
At 1 January 2014	**351**	**3,381**	**2,882**	**6,614**	**–**	**–**	**1**	**6,615**
Exchange adjustments	**–**	**(26)**	**(52)**	**(78)**	**–**	**–**	**–**	**(78)**
Charge for the year	**–**	**146**	**269**	**415**	**–**	**–**	**–**	**415**
Impairment loss	**–**	**74**	**58**	**132**	**–**	**–**	**–**	**132**
Written back on disposals	**–**	**(4)**	**(40)**	**(44)**	**–**	**–**	**–**	**(44)**
At 31 December 2014	**351**	**3,571**	**3,117**	**7,039**	**–**	**–**	**1**	**7,040**
Net book value:								
At 31 December 2014	**611**	**3,327**	**1,682**	**5,620**	**30,825**	**1,723**	**–**	**38,168**
At 31 December 2013	612	3,559	1,792	5,963	30,434	1,790	–	38,187

12. Fixed assets (HK$m) continued

(a) Movements of fixed assets continued

During 2014, the Group acquired items of fixed assets with a cost of HK$354 million (2013: HK$3,183 million).

The Group assessed the recoverable amounts of its fixed assets (other than investment properties) at the reporting date in accordance with the accounting policy as disclosed in note 33(j). Based on the assessment, the directors considered that, due to the major renovation to be undertaken by The Peninsula Beijing and its remaining lease term, The Peninsula Beijing's recoverable amount as at 31 December 2014 was lower than its carrying value. In addition, as The Peninsula Manila is subject to a relatively short remaining lease term of 12 years and given the oversupplied and price sensitive market in Manila, the directors considered that The Peninsula Manila's recoverable amount was lower than its carrying value. As a result, the carrying values of The Peninsula Beijing and The Peninsula Manila were written down to their recoverable amounts and an impairment loss of HK$132 million, consisting of HK$74 million in respect of hotel and other buildings held for own use and HK$58 million in respect of plant, machinery and other fixed assets, was recognised for the year ended 31 December 2014.

(b) All investment properties of the Group were revalued as at 31 December 2014. The changes in fair value of the investment properties during the year were accounted for in the consolidated income statement. The valuations were carried out by valuers independent of the Group and who have staff with recent experience in the location and category of the property being valued. Discussions have been held with the valuers on the valuation assumptions and valuation results when the valuation is performed at each reporting date. Details of the valuers are as follows:

Description of investment properties	Name of valuer	Qualification of the staff of the valuer conducting the valuation
Hong Kong		
Retail shops, offices and residential apartments	Savills Valuation and Professional Services Limited ("Savills")	Members of the Hong Kong Institute of Surveyors
Other Asia*		
Retail shops, offices, residential apartments and vacant land	Savills	Members of the Hong Kong Institute of Surveyors
	HVS	Members of the Singapore Institute of Surveyors and Valuers
United States of America		
Retail shops and vacant land	HVS	Members of the Appraisal Institute, United States of America
Europe		
Retail shops, offices and residential apartments	Savills	Members of the Royal Institution of Chartered Surveyors
	HVS	Members of the Royal Institution of Chartered Surveyors

* Other Asia includes Mainland China, Japan, Thailand, The Philippines and Vietnam.

12. Fixed assets (HK$m) continued

(c) Fair value measurement of investment properties

The fair value of the Group's investment properties is determined using the income capitalisation approach by discounting the expected rental income using a capitalisation rate adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected rental income and negatively correlated to the capitalisation rates. The following table summarises the valuation parameters adopted by the valuers in assessing the fair value of the Group's investment properties as at 31 December 2014:

Valuation technique	Valuation parameters	Range
Income capitalisation approach	Capitalisation rate	
	– Shopping arcades	4.9% – 6.6% (2013: 4.9% – 6.6%)
	– Offices	4.1% – 4.6% (2013: 4.1% – 4.6%)
	– Residential properties	3.0% – 3.8% (2013: 3.0% – 3.8%)
	Expected monthly rental income per square foot	
	– Shopping arcades	HK$30 – HK$1,300 (2013: HK$30 – HK$1,300)
	– Offices	HK$26 – HK$51 (2013: HK$25 – HK$58)
	– Residential properties	HK$39 – HK$75 (2013: HK$38 – HK$75)

Details of the movement of the Group's investment properties are disclosed in note 12(a) above.

The net fair value adjustment of investment properties is recognised as a non-operating item in the consolidated income statement.

(d) Investment property held for re-development

Included in the Group's investment properties, the Group has a 50% economic interest in 1-5 Grosvenor Place, London (the "Property"), which was acquired on 25 July 2013. As at 31 December 2014, the Property was held for leasing purpose and its fair value amounted to HK$1,723 million (2013: HK$1,790 million). Subject to certain conditions, including planning approvals, the Group intends to redevelop the Property jointly with its partner into a mixed used complex consisting of a Peninsula hotel and luxury residences.

(e) Fixed assets leased out under operating leases

The Group leases its investment properties under operating leases. The leases typically run for an initial period of one to five years, with or without options to renew the leases after that date at which time all terms are renegotiated. Contingent rentals earned from these leases in 2014 amounted to HK$45 million (2013: HK$41 million).

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment properties. Future minimum rentals receivable under non-cancellable operating leases of these properties are disclosed in note 28(b).

12. Fixed assets (HK$m) continued

(f) The analysis of net book value of properties is as follows:

		2014	2013
Hong Kong	– Long term leases	26,962	26,540
	– Medium term leases	1,356	1,302
Other Asia*	– Freehold	1,229	1,227
	– Medium term leases	1,915	2,169
USA	– Freehold	1,143	1,173
	– Long term lease	1,585	1,526
Europe	– Freehold	573	668
	– Long term lease	1,723	1,790
		36,486	36,395

* Other Asia includes Mainland China, Japan, Thailand, The Philippines and Vietnam.

	2014	2013
Representing:		
Land and buildings carried at fair value (investment properties)	32,548	32,224
Land and buildings carried at cost	3,938	4,171
	36,486	36,395

(g) Hotel and investment properties, all held through subsidiaries, are as follows:

	Usage
Held in Hong Kong:	
Long term leases (over 50 years):	
The Peninsula Hong Kong, Salisbury Road	Hotel and commercial rentals
The Peninsula Office Tower, 18 Middle Road	Office
The Repulse Bay, 109 Repulse Bay Road	Residential and commercial rentals
Repulse Bay Apartments, 101 Repulse Bay Road	Residential
Repulse Bay Garage, 60 Repulse Bay Road	Commercial rentals
St. John's Building, 33 Garden Road	Office
Medium term lease (between 10 and 50 years):	
The Peak Tower, 128 Peak Road	Commercial rentals
Held in Mainland China:	
Medium term lease (between 10 and 50 years):	
The Peninsula Beijing, 8 Goldfish Lane, Wangfujing, Beijing	Hotel and commercial rentals
Held in Japan:	
Medium term lease (between 10 and 50 years):	
The Peninsula Tokyo, 1-8-1 Yurakucho, Chiyoda-ku, Tokyo	Hotel and commercial rentals
Held in Thailand:	
Freehold:	
The Peninsula Bangkok, 333 Charoennakorn Road, Klongsan, Bangkok 10600	Hotel
Thai Country Club, Bangna-Trad, Chachoengsao	Golf club
Land plots, Bangpakong District, Chachoengsao	Undetermined

12. Fixed assets (HK$m) continued

(g) Hotel and investment properties, all held through subsidiaries, are as follows: continued

	Usage
Held in The Philippines:	
Medium term lease (between 10 and 50 years):	
The Peninsula Manila, Corner of Ayala and Makati Avenues, 1226 Makati City, Metro Manila	Hotel and commercial rentals
Held in Vietnam:	
Medium term lease (between 10 and 50 years):	
The Landmark, 5B Ton Duc Thang Street, District 1, Ho Chi Minh City	Residential and commercial rentals
Held in the United States of America:	
Freehold:	
Quail Lodge Golf Club	Golf club
Quail Lodge Resort (reopened in March 2013) 8205 Valley Greens Drive, Carmel, California	Resort
Vacant land, near Quail Lodge	Undetermined
The Peninsula Chicago,	
108 East Superior Street (at North Michigan Avenue), Chicago, Illinois	Hotel
Long term lease (over 50 years):	
The Peninsula New York, 700 Fifth Avenue at 55th Street, New York	Hotel and commercial rentals
Held in France:	
Freehold:	
21 avenue Kléber, Paris	Commercial rentals
21 Rue de Longchamp, Paris	Residential
Held in the United Kingdom:	
Long term lease (over 50 years):	
1-5 Grosvenor Place, London SW1X 7YL	Residential and commercial rentals

(h) The net book value of the Group's hotels and golf courses as at 31 December 2014 amounted to HK$5,339 million (2013: HK$5,712 million). To provide additional information for shareholders, the Directors commissioned an independent valuation of these properties as at 31 December 2014.

The total valuation placed on these properties amounted to HK$9,044 million (2013: HK$9,320 million) as at 31 December 2014. It is important to note that the surplus of HK$3,705 million (2013: HK$3,608 million) and the related deferred taxation and non-controlling interests, if any, have not been incorporated in the consolidated Financial Statements but are provided for additional information only.

The fair value of the Group's hotel properties and golf courses is determined based on the discounted cash flow approach by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates.

The valuations were carried out by valuers independent of the Group, details of which are as follows:

Description of hotels and golf courses	Name of valuer	Qualification of the staff of the valuer conducting the valuation
Hong Kong and other Asia		
Hotels and golf course	HVS	Members of the Singapore Institute of Surveyors and Valuers
United States of America		
Hotels and golf course	HVS	Members of the Appraisal Institute, United States of America

13. Investment in subsidiaries

	Company	
	2014	2013
Unlisted shares, at cost (HK$)	**93,789**	93,789

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activity
The Peninsula Hotel Limited	Hong Kong	2 shares	100%*	Hotel investment
The Repulse Bay Apartments Limited	Hong Kong	2 shares	100%*	Property investment
The Repulse Bay Company, Limited	Hong Kong	2 shares	100%*	Property investment
The Peak Tower Limited	Hong Kong	2 shares	100%*	Property investment
Peak Tramways Company, Limited	Hong Kong	450,000 shares	100%*	Tramway operation
St. John's Building Limited	Hong Kong	2 shares	100%*	Property investment
Peninsula Merchandising Limited	Hong Kong	2 shares	100%*	Wholesaling and retailing of merchandise
Tai Pan Laundry & Dry Cleaning Services, Limited	Hong Kong	5,000,000 shares	100%*	Laundry and dry cleaning services
HSH Financial Services Limited	Hong Kong	1 share	100%	Lending and borrowing of funds
Peninsula Clubs and Consultancy Services Limited	Hong Kong	1,000,000 shares	100%*	Club management
HSH Management Services Limited	Hong Kong	10,000 shares	100%*	Management and marketing services
Peninsula New York Hotel LLC	United States of America	Contributed capital of US$323,500,000	100%*	Hotel investment
Peninsula Chicago LLC	United States of America	Contributed capital of US$57,038,089	100%*	Hotel investment
Quail Lodge, Inc.	United States of America	10,652 shares of US$100 each	100%*	Golf club, resort and property investment
Peninsula of Tokyo Limited	Japan	200 shares of JPY50,000 each	100%*	Hotel investment
The Palace Hotel Co., Ltd.	People's Republic of China	Registered capital of US$161,921,686	76.6%**	Hotel investment
Manila Peninsula Hotel, Inc.	The Philippines	111,840,386 shares of Pesos 10 each	77.36%*	Hotel investment
Siam Chaophraya Holdings Company Limited	Thailand	250,000 ordinary shares of THB2,000 each	75%*	Hotel investment
Town and Country Sport Club Company Limited	Thailand	1,250,000 ordinary shares of THB100 each^Δ	75%*	Golf club and property investment
International Burotel Company Limited	Vietnam	Registered capital of US$6,866,667	70%#	Property investment

13. Investment in subsidiaries (HK$m) continued

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activity
Peninsula International (Lux) Limited S.à r.l.	Luxembourg/ France	12,500 shares of EUR1 each	100%*	Investment holding
Peninsula Paris Hotel Management SARL	France	2 shares of EUR1 each	100%*	Hotel management
Le 21 Avenue Kléber SNC	France	1,000 shares of EUR1 each	100%*	Property investment
HSH London Limited ΔΔ	United Kingdom	1 share of GBP1	100%*	Investment holding
Peninsula London Limited ΔΔ	United Kingdom	2 shares of GBP1 each	100%*	Investment holding

* Indirectly held.

** The Palace Hotel Co., Ltd. ("TPH") is a sino-foreign co-operative joint venture.

\# The Group owns 50% of the economic interest of International Burotel Company Limited with a reversionary interest to the Vietnam partner at the end of the joint venture period.

Δ 5,000 shares are fully paid up and the remaining 1,245,000 shares are partially paid up at THB25 each.

ΔΔ The two companies jointly hold a 100% interest in Peninsula London, LP ("PLLP"), a limited partnership formed in the United Kingdom. PLLP is a joint operator of a property in London known as 1-5 Grosvenor Place, London. (note 12(d)).

The non-controlling interests in individual subsidiaries are considered immaterial to the Group.

14. Interest in a joint venture (HK$m)

	Group	
	2014	2013
Share of net assets	**495**	524
Loans to a joint venture (note 14(b))	**521**	521
	1,016	1,045

(a) Details of the joint venture are as follows:

Company name	Form of business structure	Place of incorporation	Particulars of issued and paid up capital	Group's effective interest*	Principal activity
The Peninsula Shanghai (BVI) Limited ("TPS")	Incorporated	British Virgin Islands	US$1,000	50%	Investment holding

* The Group's interest in TPS is held indirectly by the Company. TPS holds a 100% direct interest in Evermore Gain Limited ("EGL"), a company incorporated in Hong Kong in 2007, which in turn holds a 100% direct interest in The Peninsula Shanghai Waitan Hotel Company Limited ("PSW"). PSW is a wholly-owned foreign enterprise incorporated in the People's Republic of China and is engaged in the development and operation of The Peninsula Shanghai hotel, Peninsula hotel apartments, a retail arcade and ancillary facilities. At 31 December 2014, the paid up capital of EGL and PSW amounted to HK$1(2013: HK$1) and US$117,500,000 (2013: US$117,500,000) respectively.

(b) The loans to the joint venture are denominated in US dollars, unsecured, interest free and have no fixed repayment terms. Further details of the loans are disclosed in note 30(c).

(c) PSW has pledged its properties inclusive of the land use rights as security for a loan facility amounting to RMB2,500 million. As at 31 December 2014, the loan drawn down amounted to HK$2,367 million (RMB1,893 million) (2013: HK$2,825 million (RMB2,209 million)). The net carrying amount of these pledged assets amounted to HK$5,278 million (RMB4,221 million) (2013: HK$6,108 million (RMB4,776 million)).

14. Interest in a joint venture (HK$m) continued

(d) Set out below is a summary of the financial information on the joint venture, of which the Group has a 50% share:

	Group	
	2014	2013
Non-current assets	**5,019**	5,201
Current assets	**475**	1,189
Current liabilities	**(516)**	(955)
Non-current liabilities	**(3,989)**	(4,388)
Net assets	**989**	1,047
Income*	**1,639**	553
Cost of inventories and operating expenses	**(1,392)**	(461)
EBITDA	**247**	92
Depreciation	**(96)**	(102)
Net financing charges	**(175)**	(195)
Loss before non-operating item	**(24)**	(205)
Non-operating item, net of tax**	**12**	(355)
Loss for the year	**(12)**	(560)
The Group's share of result of the joint venture	**(6)**	(280)

* Including proceeds of HK$1,044 million (2013: HK$nil) from sale of apartments.

** Being net valuation adjustment of investment properties.

15. Interest in associates (HK$m)

	Group	
	2014	2013
Interest in associates	**807**	822

15. Interest in associates (HK$m) continued

(a) Details of the principal unlisted associates which are accounted for using the equity method in the Group's consolidated financial statements, are as follows:

Company name	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up /contributed capital	Group's effective interest*	Principal activity
Al Maha Majestic S.à r.l. ("Al Maha") **	Incorporated	Luxembourg/ France	EUR 12,500	20%	Investment holding
Majestic EURL ("Majestic")	Incorporated	France	EUR 80,000,000	20%	Hotel investment and investment holding
Le 19 Avenue Kléber	Incorporated	France	EUR 100,000	20%	Hotel operation
The Belvedere Hotel Partnership ("BHP")#	Partnership	United States of America	US$46,500,000	20%	Hotel investment

* The Group's effective interest is held indirectly by the Company.

** Al Maha holds a 100% direct interest in Majestic which owns The Peninsula Paris.

\# BHP holds a 100% interest in The Peninsula Beverly Hills. BHP was previously classified by the Group as an unlisted equity instrument and was stated at cost less impairment provision. Having reviewed the accounting treatment of the Group's interest in BHP, the Directors believe that it is more appropriate for the Group to account for BHP as an associate. Accordingly, the Group's interest in BHP was reclassified as an associate on 31 December 2013. The reclassification did not have any material impact on the financial position and the financial result of the Group for the year ended 31 December 2013.

(b) Included in the balance of interest in associates are loans to Al Maha of HK$796 million (2013: HK$822 million). Further details of these loans are disclosed in note 30(b).

(c) Majestic has pledged its hotel propertry as security for a loan facility amounting to EUR217 million (HK$2,047 million). As at 31 December 2014, the loan drawn down amounted to EUR217 million (HK$2,047 million) (31 December 2013: EUR208 million (HK$2,230 million)). As at 31 December 2014, the net carrying amount of these pledged assets amounted to EUR654 million (HK$6,169 million) (31 December 2013: EUR566 million (HK$6,056 million)).

(d) BHP has pledged its hotel property to an independent financial institution as security for BHP's loan facility, amounting to US$145 million (HK$1,131 million) (31 December 2013: US$140 million (HK$1,092 million)). The net carrying amount of the pledged assets amounted to US$54.8 million (HK$427 million) (31 December 2013: US$76 million (HK$593 million)).

(e) Set out below is a summary of the aggregate financial information of the associates, of which the Group' has a 20% share:

	Group	
	2014	2013 **
Net loss from continuing operations, including pre-opening expenses	**(175)***	–
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(175)**	–
The Group's share of results of the associates	**(35)**	–

* Including HK$109 million pre-opening expenses incurred by The Peninsula Paris which opened for business on 1 August 2014. Prior to the opening of The Peninsula Paris, the Group's share of results of Le 19 Avenue Kléber, Majestic and Al Maha was immaterial.

** The Group did not equity account for the result of The Peninsula Beverly Hills in 2013 as BHP was previously classified as an unlisted equity instrument and was only reclassified as an associate on 31 December 2013.

16. Hotel operating rights (HK$m)

	Group	
	2014	2013
Cost		
At 1 January	**801**	775
Exchange adjustments	**(74)**	26
At 31 December	**727**	801
Accumulated amortisation		
At 1 January	**(108)**	(105)
Amortisation for the year	**(8)**	(3)
At 31 December	**(116)**	(108)
Net book value	**611**	693

The amortisation charge for the year is included in "Depreciation and amortisation" in the consolidated income statement.

Hotel operating rights represent the cost attributable to securing the Group's rights to operate The Peninsula Beverly Hills and The Peninsula Paris.

17. Derivative financial instruments (HK$m)

	Group			
	2014		2013	
	Assets	**Liabilities**	Assets	Liabilities
Cash flow hedges:				
Interest rate swaps	**–**	**(38)**	8	(35)
Less: Portion to be settled within one year				
Cash flow hedges:				
Interest rate swaps	**–**	**–**	–	(13)
Portion to be recovered/(settled) after one year	**–**	**(38)**	8	(22)

18. Income tax in the statement of financial position (HK$m)

(a) Current taxation in the statement of financial position represents:

	Group		Company	
	2014	2013	**2014**	2013
Provision for Hong Kong profits tax for the year (note 5(a))	**127**	84	**7**	5
Provisional profits tax paid	**(80)**	(57)	**(4)**	(5)
	47	27	**3**	–
Balance of Hong Kong profits tax provision relating to prior years	**–**	(4)	**–**	–
Provision for overseas taxes	**19**	20	**–**	–
	66	43	**3**	–
Represented by:				
Tax recoverable (note 20)	**(4)**	(5)	**–**	–
Current tax payable (included in current liabilities)	**70**	48	**3**	–
	66	43	**3**	–

(b) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities of the Group recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Group					
	Revaluation of investment properties	Tax allowances in excess of the related depreciation	Provisions and others	Tax losses	Cash flow hedges	Total
Deferred tax arising from:						
At 1 January 2013	351	487	(22)	(201)	(6)	609
Charged to profit or loss	215	147	(2)	(259)	–	101
Charged/(credited) to reserves	(12)	(1)	–	1	6	(6)
At 31 December 2013 and at 1 January 2014	554	633	(24)	(459)	–	704
Charged/(credited) to profit or loss	**17**	**7**	**(3)**	**31**	**–**	**52**
Charged/(credited) to reserves	**(9)**	**–**	**–**	**–**	**(2)**	**(11)**
At 31 December 2014	**562**	**640**	**(27)**	**(428)**	**(2)**	**745**

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable.

18. Income tax in the statement of financial position (HK$m) continued

(b) Deferred tax assets and liabilities recognised continued

The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position.

	Group	
	2014	2013
Net deferred tax assets	**40**	28
Net deferred tax liabilities	**(785)**	(732)
	(745)	(704)

In accordance with the accounting policy set out in note 33(q), the Group has not recognised deferred tax assets totalling HK$537 million (2013: HK$539 million) in respect of certain accumulated tax losses of HK$1,379 million (2013: HK$1,328 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Details of the expiry date of unused tax losses are as follows:

	Group	
	2014	2013
Within one year	**–**	66
After one year but within five years	**672**	533
After five years but within 20 years	**630**	672
Without expiry date	**77**	57
	1,379	1,328

In accordance with the accounting policy set out in note 33(q), the Group has not recognised deferred tax liabilities totalling HK$9 million (2013: HK$17 million) in respect of undistributed profits of certain subsidiaries amounting to HK$92 million (2013: HK$171 million) as the Company controls the dividend policy of these subsidiaries and it is not likely that dividends will be declared by these subsidiaries in the foreseeable future.

19. Inventories (HK$m)

	Group	
	2014	2013
Food and beverage and others	**92**	100

The cost of inventories recognised as expenses in the consolidated income statement amounted to HK$467 million (2013: HK$463 million).

20. Trade and other receivables (HK$m)

	Group		Company	
	2014	2013	**2014**	2013
Loans and other receivables due from subsidiaries	**–**	–	**14,161**	13,983
Provision for impairment	**–**	–	**(1,786)**	(1,786)
	–	–	**12,375**	12,197
Trade debtors	**241**	242	**–**	–
Loans and receivables	**241**	242	**12,375**	12,197
Rental deposits, payments in advance and other receivables	**338**	328	**6**	6
Tax recoverable (note 18(a))	**4**	5	**–**	–
	583	575	**12,381**	12,203

Loans and other receivables due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for an amount of HK$2,279 million (2013: HK$2,920 million), which bears fixed interest or interest at market rates plus a margin mutually agreed by the relevant parties.

The amount of the Group's and the Company's trade and other receivables expected to be recovered or recognised as expenses after more than one year is HK$88 million (2013: HK$133 million) and HK$10,945 million (2013: HK$9,142 million) respectively. All the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

The Directors consider that the carrying amount of all trade and other receivables approximates their fair value.

The ageing analysis of trade debtors is as follows:

	Group	
	2014	2013
Current	**215**	196
Less than one month past due	**18**	32
One to three months past due	**6**	12
More than three months but less than 12 months past due	**2**	2
Amounts past due	**26**	46
	241	242

Trade debtors are normally due within 30 days from the date of billing. The Group's credit policy is set out in note 27(d).

No impairment is considered necessary for any of the trade debtors including those that are past due as they relate to a wide range of independent customers that have a good track record with the Group, with no recent history of default and are considered by the management to be fully recoverable.

21. Cash at banks and in hand (HK$m)

	Group		Company	
	2014	2013	**2014**	2013
Interest-bearing bank deposits	**2,305**	1,378	**141**	30
Cash at banks and in hand	**172**	116	**1**	1
Total cash at banks and in hand	**2,477**	1,494	**142**	31
Less: Bank deposits with maturity of more than three months	**(1,633)**	(440)	**(65)**	–
Bank overdrafts (note 23)	**(5)**	(18)	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**839**	1,036	**77**	31

Cash at banks and in hand at the end of the reporting period include deposits with banks of HK$989 million (2013: HK$920 million) held by overseas subsidiaries which are subject to regulatory and foreign exchange restrictions.

22. Trade and other payables (HK$m)

	Group		Company	
	2014	2013	**2014**	2013
Trade creditors	**145**	140	**–**	–
Interest payable	**7**	6	**–**	–
Accruals for fixed assets	**50**	103	**–**	–
Tenants' deposits	**381**	357	**–**	–
Guest deposits and gift vouchers	**139**	140	**–**	–
Golf membership deposits	**99**	102	**–**	–
Other payables	**619**	603	**22**	18
Other payables to subsidiaries	**–**	–	**62**	76
Financial liabilities measured at amortised cost	**1,440**	1,451	**84**	94
Less: Non-current portion of trade and other payables	**(260)**	(276)	**–**	–
Current portion of trade and other payables	**1,180**	1,175	**84**	94

The amount of trade and other payables of the Group expected to be settled or recognised as income after more than one year is HK$375 million (2013: HK$369 million). All the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The director considers that, the carrying amounts of all trade and other payables approximate their fair value.

22. Trade and other payables (HK$m) continued

The ageing analysis of trade creditors is as follows:

	Group	
	2014	2013
Less than three months	**142**	138
Three to six months	**3**	1
More than six months	**–**	1
	145	140

23. Interest-bearing borrowings (HK$m)

	Group	
	2014	2013
Total facilities available:		
Term loans and revolving credits	**6,359**	6,535
Uncommitted facilities, including bank overdrafts	**336**	276
	6,695	6,811
Utilised at 31 December:		
Term loans and revolving credits	**5,477**	5,519
Uncommitted facilities, including bank overdrafts	**44**	18
	5,521	5,537
Less: Unamortised financing charges	**(40)**	(51)
	5,481	5,486
Represented by:		
Short-term bank loans, repayable within one year or on demand	**873**	532
Bank overdrafts, repayable on demand (note 21)	**5**	18
	878	550
Long-term bank loans, repayable:		
Between one and two years	**716**	951
Between two and five years	**3,797**	4,036
Over five years	**130**	–
	4,643	4,987
Less: Unamortised financing charges	**(40)**	(51)
Non-current portion of long-term bank loans	**4,603**	4,936
Total interest-bearing borrowings	**5,481**	5,486

All of the non-current interest-bearing borrowings are carried at amortised cost. The non-current portion of long-term bank loans is not expected to be settled within one year and all borrowings are unsecured.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to some of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(c). As at 31 December 2014 and 2013, none of the covenants relating to drawn down facilities had been breached.

24. Share capital

	2014		2013	
	No. of shares (million)	**HK$m**	No. of shares (million)	HK$m
Authorised: (note i)				
Ordinary share of HK$0.5 each (note ii)	**–**	**–**	1,800	900
Ordinary shares, issued and fully paid:				
At 1 January	**1,502**	**751**	1,502	751
Shares issued under scrip dividend scheme (note iv)	**15**	**170**	–	–
Transition to no-par value regime on 3 March 2014 (note iii)	**–**	**3,623**	–	–
At 31 December	**1,517**	**4,544**	1,502	751

All ordinary shares issued during 2014 rank pari passu in all respects with the existing shares in issue. All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes

i) Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

ii) In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

iii) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the company's share capital.

iv) During 2014, the Company issued and allotted new shares which were fully paid under the scrip dividend scheme as follows:

	Number of shares	Scrip price	Increase in share capital
	million	HK$	HK$m
2013 final scrip dividend	10.7	11.188	120
2014 interim scrip dividend	4.2	11.836	50
	14.9		170

25. Reserves (HK$m)

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

(a) Company

	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Retained profits	Total
At 1 January 2013	3,610	13	4,975	5	2,760	11,363
Profit for the year	–	–	–	–	241	241
Other comprehensive income	–	–	–	(5)	–	(5)
Total comprehensive income for the year	–	–	–	(5)	241	236
Dividends approved in respect of the previous year	–	–	–	–	(150)	(150)
Dividends approved in respect of the current year	–	–	–	–	(60)	(60)
At 31 December 2013	3,610	13	4,975	–	2,791	11,389
At 1 January 2014	**3,610**	**13**	**4,975**	**–**	**2,791**	**11,389**
Profit for the year	**–**	**–**	**–**	**–**	**382**	**382**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**382**	**382**
Dividends approved in respect of the previous year	**–**	**–**	**–**	**–**	**(180)**	**(180)**
Dividends approved in respect of the current year	**–**	**–**	**–**	**–**	**(76)**	**(76)**
Transition to no-par value regime on 3 March 2014	**(3,610)**	**(13)**	**–**	**–**	**–**	**(3,623)**
At 31 December 2014	**–**	**–**	**4,975**	**–**	**2,917**	**7,892**

25. Reserves (HK$m) continued

(b) Nature and purpose of reserves

Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the company's share capital (see note 24). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

Capital reserve

The Company's capital reserve represents the profit recognised on the intra-group transfer of properties as a result of the corporate restructuring in 1991.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges in note 33(e).

Exchange and other reserves

The exchange reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 33(t). Other reserves mainly comprise other comprehensive income recognised for the remeasurement of net defined benefit retirement obligations, the relevant accounting policies for which are set out in note 33(p).

(c) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to shareholders of the Company, as calculated under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), was HK$2,917 million (2013: HK$2,791 million). After the end of the reporting period, the Directors proposed a final dividend of 18 HK cents per share (2013: 12 HK cents per share), amounting to HK$273 million (2013: HK$180 million). This dividend has not been recognised as a liability at the end of the reporting period.

(d) Capital management

The Group takes a long term view of its business and consequently the planning of the use of capital. The Group's primary objectives when managing its capital are to safeguard the Group's ability to continue as a going concern, to secure access to finance at a reasonable cost relative to risk and to provide an appropriate return to shareholders. In so doing, it seeks to achieve an appropriate balance between shareholders' equity and external debt by taking into account the cost of capital and the efficiency of using the capital.

The Group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

In addition, the Group maintains sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to ensure funds are available to meet its financial obligations and to finance its growth and development.

25. Reserves (HK$m) continued

(d) Capital management continued

The Group monitors its capital structure on the basis of its gearing ratio, which is expressed as the percentage of net borrowings (defined as interest-bearing loans and borrowings less cash at bank and in hand) to the total of net borrowings and equity attributable to shareholders of the Company. The Group's share of net borrowings and equities of the non-consolidated entities (such as the associates and joint venture), if any, are also taken into account. The calculations of gearing ratios before and after the non-consolidated entities as at 31 December 2014 and 2013 are as follows:

(HK$m)	**2014**	2013
Interest-bearing borrowings	**5,481**	5,486
Less: Cash at banks and in hand	**(2,477)**	(1,494)
Net borrowings per the statement of financial position	**3,004**	3,992
Share of net borrowings of non-consolidated entities	**1,680**	1,938
Net borrowings adjusted for non-consolidated entities	**4,684**	5,930
Equity attributable to shareholders of the Company per the statement of financial position	**35,901**	35,105
Equity plus net borrowings per the statement of financial position	**38,905**	39,097
Equity plus net borrowings adjusted for non-consolidated entities	**40,585**	41,035
Gearing ratio based on the Financial Statements	**8%**	10%
Gearing ratio adjusted for non-consolidated entities	**12%**	14%

During 2014, the Group continued to operate within its long term treasury management guidelines. Operating and investment decisions are made by making reference to long term cash flow forecasts to ensure that the guidelines are followed.

The Group is subject to covenants imposed by the lenders of the interest-bearing borrowings based on the Group's borrowings and other indebtedness, as well as the amount of equity attributable to shareholders of the Company. The Group complied with the imposed loan covenants on capital requirements for the years ended 31 December 2014 and 2013. Except for the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. Employee retirement benefits

(a) Defined benefit retirement obligations

The Group maintains several defined benefit retirement plans covering 612 employees (2013: 634 employees) of Quail Lodge, Inc ("QLI"), a US subsidiary of the Company and Manila Peninsula Hotel, Inc. ("MPHI"), a Philippine subsidiary of the Company. Such plans are administered by independent trustees with the assets, if any, held separately from those of the Group.

QLI has retirement compensation agreements with certain employees which provide, among other things, that during the employees' lifetime after retirement, QLI will pay such employees retirement compensation equal to 30% of the average salaries of the final three years of employment.

QLI has not funded the above retirement compensation arrangement and the liability in respect of its obligations is fully recognised in its Financial Statements at each year end date, based on independent actuarial valuation prepared by qualified staff of Bartel Associates, LLC, who are members of the American Academy of Actuaries, using the projected unit credit method as at 31 December 2014.

In addition, MPHI operates a non-contributory defined benefit retirement plan which covers all its employees. The plan is administered by an independent trustee with the assets held separately from those of MPHI.

26. Employee retirement benefits continued

(a) Defined benefit retirement obligations continued

The above plan is funded by contributions from MPHI in accordance with an independent actuary's recommendation based on an annual actuarial valuation. The latest independent actuarial valuation of the plan was prepared by qualified staff of Actuarial Advisers, Inc., who are members of the Actuarial Society of the Philippines, using the projected unit credit method as at 31 December 2014. The actuarial valuation indicated that MPHI's obligations under the defined benefit retirement plan were 78% (2013: 77%) covered by the plan assets held by the trustee. The present value of the uncovered obligations was fully provided for as at 31 December 2014.

The amounts recognised in the Group's statement of financial position are as follows (HK$m):

	Group	
	2014	2013
Present value of wholly or partly funded obligations	**50**	50
Fair value of plan assets	**(33)**	(32)
	17	18

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay HK$5 million (2014: HK$4 million) in contributions to defined benefit retirement plans in 2015.

Plan assets consist of the following (HK$m):

	Group	
	2014	2013
Debt instruments	**23**	22
Investment funds	**7**	7
Equity investment and others	**3**	3
	33	32

The Group's assets-liabilities matching objective is to match maturities of the plan assets to the retirement benefit obligations as they fall due.

Movements in the present value of the defined benefit obligations (HK$m):

	Group	
	2014	2013
At 1 January	**50**	52
Exchange adjustments	**–**	(3)
Benefits paid by the plans	**(5)**	(6)
Current service cost	**4**	4
Interest cost	**2**	3
Actuarial gain	**(1)**	–
At 31 December	**50**	50

26. Employee retirement benefits continued

(a) Defined benefit retirement obligations continued

Movements in plan assets (HK$m):

	Group	
	2014	2013
At 1 January	**32**	33
Exchange adjustments	**–**	(2)
Group's contributions paid to the plans	**4**	4
Benefits paid by the plans	**(5)**	(6)
Interest income	**1**	2
Return on plan assets, excluding interest income	**1**	1
At 31 December	**33**	32

Amounts recognised in "staff costs and related expenses" in the consolidated income statement and statement of comprehensive income are as follows (HK$m):

	Group	
	2014	2013
Consolidated income statement		
Current service cost	**4**	4
Interest cost	**2**	3
Interest income	**(1)**	(2)
	5	5
Consolidated statement of comprehensive income		
Actuarial gain on:		
Remeasurement of plan assets	**(1)**	(1)
Remeasurement of defined benefit obligations	**(1)**	–
	(2)	(1)

The principal actuarial assumptions used as at 31 December 2014 are as follows:

	Group	
	2014	2013
Discount rate	**from 3.25% to 6.5%**	from 4% to 6.5%
Future salary increases	**4%**	4%

26. Employee retirement benefits continued

(a) Defined benefit retirement obligations continued

The analysis below shows how the defined benefit obligations as at 31 December 2014 would have increased/(decreased) as a result of changes in the significant actuarial assumptions:

	Defined benefit obligation	
(HK$m)	Increase	Decrease
Discount rate (0.5% change)	(1)	1
Future salary increases (1% change)	2	(1)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plans

The Group has a defined contribution retirement plan covering 1,567 employees (2013: 1,518 employees), most of whom are in Hong Kong. The defined contribution retirement plan is formally established under an independent trust with the assets of the funds held separately from those of the Group by an independent trustee. The plan is registered under the Occupational Retirement Schemes Ordinance in Hong Kong and is exempted under the Mandatory Provident Fund Schemes (Exemption) Regulation. Employees covered by this plan are not required to make contributions and funds contributed by employers are fully vested with their employees immediately. The average contribution rate against employees' relevant income for the year was 13% (2013: 13%).

In addition, the Group participates in the Mandatory Provident Fund Scheme ("the MPF Scheme") under the Mandatory Provident Fund Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, which is operated by an independent service provider to cover 490 employees (2013: 509 employees) in Hong Kong who are not covered by the above defined contribution retirement plan. The MPF Scheme is a defined contribution retirement plan administrated by independent trustees. Contributions at a fixed rate of 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 per employee, are made to the Scheme by both the employer and the employee and vest immediately.

The Group also operates several defined contribution retirement plans, including union pension schemes for its overseas subsidiaries covering 2,340 employees (2013: 2,362 employees) in other Asian countries and the United States of America, in accordance with the respective applicable labour regulations.

Total contributions to all of the above defined contribution retirement plans made by the Group amounted to HK$109 million (2013: HK$101 million) and was charged to the income statement during the year.

27. Financial risk management and fair values

The Group is exposed to foreign exchange, interest rate, liquidity and credit risks in its normal course of business. The Group's exposure to these risks, as well as various techniques and derivative financial instruments used to manage these risks, are described below.

(a) Foreign exchange risk

The Group manages its foreign exchange exposure with a view to protecting its net assets and profitability against adverse fluctuations in exchange rates. The Company reports its results in Hong Kong dollars. In the light of the Hong Kong dollar peg, the Group does not hedge United States dollar exposures and it aims to preserve its value in Hong Kong dollar and/or United States dollar terms.

Foreign exchange risk may arise in sale and purchase transactions which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars, Euros, Great Britain Pounds, Renminbi, Japanese Yen, Thai Baht and Philippine Pesos.

Forecast transactions

In respect of committed future transactions and highly probable forecast transactions, the Group usually hedges most of the estimated foreign currency transaction exposures if the foreign exchange risk of these exposures is considered to be significant. The Group mainly uses forward exchange contracts to hedge this type of foreign exchange risk and classifies these contracts as cash flow hedges.

Recognised assets and liabilities

The Group has foreign currency monetary assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. Exchange differences arising on settling or translating these foreign currency monetary items at rates different from those at dates of transactions giving rise to these monetary items are recognised in the income statement.

The Group usually hedges most of the foreign exchange exposures arising from significant foreign currency monetary assets and liabilities, including foreign currency borrowings. The Group mainly uses cross currency swaps, foreign exchange swaps or forward exchange contracts to hedge this type of foreign exchange risk and classifies these derivative financial instruments as cash flow hedges or at fair value through profit or loss, depending on whether the future foreign currency cash flows are fixed or not.

Changes in the fair value of these cash flow hedges or derivative financial instruments at fair value through profit or loss are recognised in the hedging reserve or the income statement respectively.

All of the Group's borrowings are denominated in the functional currency of the operations to which they relate. Given this, it is not expected that there will be any significant currency risk associated with the Group's borrowings.

Net investment in foreign subsidiaries

At 31 December 2014 and 2013, the Group did not hedge any net investment in foreign subsidiaries.

Exposure to foreign exchange risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The amounts of the exposure are shown in original currency. Differences resulting from the translation of the Financial Statements of the foreign operations into the Group's presentation currency and exposures arising from inter-company balances which are denominated in a foreign currency and is considered to be in the nature of investment in the subsidiary, joint operation, joint venture and associates are excluded.

27. Financial risk management and fair values continued

(a) Foreign exchange risk continued

Exposure to foreign exchange risk continued

(million)	Group 2014 United States Dollars	Group 2014 Euro	Group 2014 Great Britain Pounds	Group 2014 Japanese Yen	Group 2014 Philippine Pesos	Group 2013 United States Dollars	Group 2013 Renminbi	Group 2013 Philippine Pesos	Group 2013 Japanese Yen
Trade and other receivables	**25**	**4**	**1**	**–**	**–**	46	–	–	–
Cash at banks and in hand	**25**	**–**	**–**	**–**	**4**	8	–	4	–
Trade and other payables	**(21)**	**–**	**–**	**(43)**	**–**	(24)	(4)	–	(36)
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**	–	–	–	–
Interest-bearing borrowings	**–**	**–**	**–**	**–**	**–**	–	–	–	–
Net exposure arising from recognised assets and liabilities	**29**	**4**	**1**	**(43)**	**4**	30	(4)	4	(36)

(million)	Company 2014 United States Dollars	Company 2014 Philippine Pesos	Company 2013 United States Dollars	Company 2013 Philippine Pesos
Trade and other receivables	**14**	**–**	32	–
Trade and other payables	**(9)**	**–**	(13)	–
Cash at banks and in hand	**18**	**4**	4	4
Overall net exposure	**23**	**4**	23	4

Based on the sensitivity analysis performed as at 31 December 2014, it was estimated that a increase/decrease of 10% in foreign exchange rate in respect of financial instruments denominated in currency other than the functional currencies, with all other variables held constant, would not have significant impact on the Group's post-tax profits and other components of equity.

27. Financial risk management and fair values continued

(b) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. All of the Group's borrowings bear floating interest rates that are reset on a regular basis as market interest rates change and hence expose the Group to cash flow interest rate risk. As the borrowing costs are subject to market fluctuations in interest rates, the Group adopts a policy to fix interest rates of 40% to 70% of the exposure, with a long term target of 50%, mainly by way of interest rate swaps or other derivative financial instruments.

At 31 December 2014, the Group had interest rate swaps that are classified as cash flow hedges with a total notional contract amount of HK$1,788 million (2013: HK$2,090 million) maturing over the next four years (2013: five years). Changes in fair value of these swaps accounted for as cash flow hedges are recognised in the hedging reserve. The Group locked in the following ranges of fixed rates by the swaps at 31 December 2014:

	31 December 2014	31 December 2013
Hong Kong Dollars	1.5% to 1.6%	1.5% to 1.6%
United States Dollars	–	0.6% to 0.7%
Japanese Yen	1.5% to 2.1%	1.5% to 2.1%
Euros	1.2%	1.2%

The net fair value of all the swaps entered into by the Group at 31 December 2014 was as follows (HK$m):

	Group	
	2014	2013
Cash flow hedges (note 17)	(38)	(27)

The following table details the profile of the Group's borrowings at the end of the reporting period, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments.

	Group			
	2014		2013	
	Effective interest rate	HK$m	Effective interest rate	HK$m
Fixed rate borrowings:				
Bank loans	2.8%	2,438	2.8%	2,460
Floating rate borrowings:				
Bank loans	1.6%	3,043	1.7%	3,026
Total interest-bearing borrowings		5,481		5,486
Fixed rate borrowings as a percentage of total borrowings		44%		45%

27. Financial risk management and fair values continued

(b) Interest rate risk continued

On the other hand, at 31 December 2014 and 2013, the Group and the Company had short term bank deposits. Since these deposits are placed for short term liquidity purposes, the Group and the Company have no intention to lock in their interest rates for the long term. In addition, the Company/Group grants interest-bearing loans to subsidiaries/a joint venture, which are subject to interest rate risk. The interest rate profile of these bank deposits and intra-group loans at the end of the reporting period, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments is summarised as follows:

	Group				Company			
	2014		2013		**2014**		2013	
	Effective interest rate	**HK$m**	Effective interest rate	HK$m	**Effective interest rate**	**HK$m**	Effective interest rate	HK$m
Fixed rate instruments:								
Loans to subsidiaries		**–**		–	**2.9%**	**1,104**		–
Amount due from a joint venture	**4.6%**	**188**	4.8%	192		**–**		–
Floating rate instruments:								
Bank deposits	**2.2%**	**2,305**	2.6%	1,378	**1.2%**	**141**	1.2%	30
Loans to subsidiaries		**–**		–	**0%**	**1,175**	0%	2,920
Total interest-bearing financial assets		**2,493**		1,570		**2,420**		2,950

Sensitivity analysis

The Group and the Company

The following tables indicate the approximate changes in the Group's and the Company's profit after taxation (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the interest rates, with all other variables held constant, to which the Group has significant exposure at the end of the reporting period. As at 31 December 2014 and 2013, the effects were attributable to changes in interest income and expense relating to floating rate financial instruments and gains or losses resulting from changes in the fair value of derivative financial instruments.

27. Financial risk management and fair values continued

(b) Interest rate risk continued

Sensitivity analysis continued

	Group					
	2014 Increase/(decrease) in			2013 Increase/(decrease) in		
	Interest rates (basis points)	Profit after taxation and retained profits (HK$m)	Other components of equity (HK$m)	Interest rates (basis points)	Profit after taxation and retained profits (HK$m)	Other components of equity (HK$m)
Renminbi	100	7	–	100	7	–
	(100)	(7)	–	(100)	(7)	–
Thai Baht	100	(3)	–	100	(2)	–
	(100)	2	–	(100)	2	–
Japanese Yen	50	(3)	6	50	(4)	9
	(50)	3	(6)	(50)	4	(9)
Philippine Pesos	200	–	–	200	(1)	–
	(200)	–	–	(200)	1	–
HK Dollars	100	(2)	31	100	(6)	39
	(100)	2	(33)	(100)	6	(40)
US Dollars	100	(4)	–	100	(4)	2
	(100)	4	–	(100)	4	(2)
Euros	100	(1)	13	100	(1)	19
	(100)	1	(14)	(100)	1	(20)

	Company					
	2014 Increase/(decrease) in			2013 Increase/(decrease) in		
	Interest rates (basis points)	Profit after taxation and retained profits (HK$m)	Other components of equity (HK$m)	Interest rates (basis points)	Profit after taxation and retained profits (HK$m)	Other components of equity (HK$m)
HK Dollars	100	10	–	100	24	–
	(100)	(10)	–	(100)	(24)	–
US Dollars	100	1	–	100	1	–
	(100)	(1)	–	(100)	(1)	–

The sensitivity analysis above indicates the instantaneous change in the Group's and the Company's profit after taxation (and retained profits) and other components of consolidated equity that would have arisen, assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group and which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of exposure to cash flow interest rate risk arising from the floating rate non-derivative financial instruments (which include bank borrowings and deposits) held by the Group at the end of the reporting period, the impact on the Group's and the Company's profit after taxation (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such changes in interest rates. The analysis has been performed on the same basis as for 2013.

27. Financial risk management and fair values continued

(c) Liquidity risk

Borrowings and cash management, including short term investment of surplus cash, are arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and compliance with loan covenants to ensure that it maintains sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to meet its obligations and commitments in the short and longer term.

At 31 December 2014, total available borrowing facilities amounted to HK$6,695 million (2013: HK$6,811 million), of which HK$5,521 million (2013: HK$5,537 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled HK$882 million (2013: HK$1,016 million).

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

	Group											
	2014						2013					
		Contractual undiscounted cash outflow/(inflow)						Contractual undiscounted cash outflow/(inflow)				
(HK$m)	Statement of financial position carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Statement of financial position carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Trade creditors	145	145	145	–	–	–	140	140	140	–	–	–
Interest payable	7	7	7	–	–	–	6	6	6	–	–	–
Accruals for fixed assets	50	50	50	–	–	–	103	103	103	–	–	–
Tenants' deposits	381	381	141	152	84	4	357	357	183	53	108	13
Guest deposits and gift vouchers	139	139	139	–	–	–	140	140	140	–	–	–
Golf membership deposits	99	99	–	–	–	99	102	102	–	–	–	102
Other payables	619	619	619	–	–	–	603	603	603	–	–	–
Interest-bearing borrowings	5,481	5,795	951	784	3,925	135	5,486	5,814	628	951	4,235	–
Interest rate swaps (net settled)	38	88	25	25	38	–	35	53	14	13	26	–
Current taxation	70	70	70	–	–	–	48	48	48	–	–	–
	7,029	7,393	2,147	961	4,047	238	7,020	7,366	1,865	1,017	4,369	115

27. Financial risk management and fair values continued

(c) Liquidity risk continued

(HK$m)	Company 2014 Statement of financial position carrying amount	2014 Contractual undiscounted cash outflow/(inflow) Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	2013 Statement of financial position carrying amount	2013 Contractual undiscounted cash outflow/(inflow) Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Other payables	22	22	22	–	–	–	18	18	18	–	–	–
Other payables to subsidiaries	62	62	62	–	–	–	76	76	76	–	–	–
Current taxation	3	3	3	–	–	–	–	–	–	–	–	–
	87	87	87	–	–	–	94	94	94	–	–	–
Financial guarantee issued:												
– maximum amount guaranteed (note 29)	–	5,516	5,516	–	–	–	–	5,519	5,519	–	–	–

The Company has also issued guarantees in respect of other banking facilities for its subsidiaries. Of the HK$40 million (2013: HK$38 million) guaranteed (note 29), HK$38 million (2013: HK$35 million) represented the fair value of the derivative financial instruments. The notional value of these derivative financial instruments amounted to HK$1,788 million (2013: HK$2,090 million) as at 31 December 2014.

(d) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables and derivative financial instruments and is monitored on an ongoing basis.

To minimise credit exposure for bank deposits and derivative financial instruments, the Group transacts with financial institutions with good credit ratings and diversifies its exposure to various financial institutions in accordance with Group guidelines. All bank deposits are subject to a single counterparty exposure limit and a composite counterparty exposure limit. The credit ratings of the financial institutions are closely monitored throughout the lives of the transactions.

At 31 December 2014, cash at banks and in hand amounted to HK$2,477 million (2013: HK$1,494 million), of which HK$2,030 million (2013: HK$1,094 million) was placed as time deposits with financial institutions with credit ratings of no less than BBB (issued by Standard & Poor's Rating Services ("S&P")) or Baa2 (issued by Moody's Investors Services, Inc.("Moody's")) and there was no significant concentration risk to any single counterparty.

For derivative financial instruments, the credit ratings of the financial institutions were no less than A+ (S&P) or A1 (Moody's).

The Group maintains a defined credit policy to ensure that credit is given only to customers with an appropriate credit history. Credit evaluations are performed for all significant customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Credit limits are set for customers based on their credit worthiness and past history. Trade receivables are normally due within 30 days from the date of billing. In respect of the Group's rental income from operating leases, rentals are normally received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. Other than this, as such, the Group normally does not obtain collateral from its customers. The ageing of trade debtors at 31 December 2014 is summarised in note 20.

27. Financial risk management and fair values continued

(d) Credit risk continued

The Group's exposure to credit risk is influenced mainly by individual characteristics of each customer rather than the industry or country in which the customers operate; therefore, it is considered that there is no concentration of credit risk as the Group has no significant exposure to individual customers given the large number of customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including the derivative financial instruments, in the statement of financial position after deducting any impairment allowance. Except for the financial guarantee given by the Group as set out in note 29, the Group does not provide any other guarantee which would expose the Group or the Company to any material credit risk.

(e) Fair values (HK$m)

(i) Financial instruments carried at fair value

HKFRS 13, *Fair value measurement* requires disclosure of the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

All derivative financial instruments carried at fair value are categorised as falling under Level 2 of the fair value hierarchy.

(ii) Fair values of financial instruments carried at other than fair value

Financial instruments are carried at amounts not materially different from their fair values as at 31 December 2014. Some of the loans to subsidiaries are at floating interest rates and the carrying amount of these loans approximate their fair value. Other loans to subsidiaries and advances to the joint venture are unsecured, interest free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair values. The Group has no intention of disposing these loans.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Derivative financial instruments

Forward foreign exchange contracts and foreign exchange swaps are either marked to market using listed market prices, or by discounting the contractual forward price and deducting the current spot rate. The fair values of interest rate swaps and cross currency interest rate swaps are the estimated amount that the Group or Company would receive or pay to terminate the swaps at the end of the reporting period, taking into account current interest rates, foreign exchange rates and the current creditworthiness of the swap counterparties.

When discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period. Where other pricing models are used, inputs are based on market related data at the end of the reporting period.

27. Financial risk management and fair values continued

(f) Estimation of fair values continue

Derivative financial instruments continued

The Group used the following discount rates for determining fair value of derivative financial instruments.

	31 December 2014	31 December 2013
Hong Kong Dollars	0.2% – 2.7%	0.2% – 3.7%
United States Dollars	–	0.2% – 0.3%
Japanese Yen	0.1% – 0.2%	0.1% – 0.5%
Euros	0.1% – 0.3%	0.3% – 2.0%

28. Commitments (HK$m)

(a) Capital commitments outstanding at 31 December 2014 not provided for in the Financial Statements were as follows:

	Group					
	2014			2013		
	Contracted for	Authorised but not contracted for	Total	Contracted for	Authorised but not contracted for	Total
Capital commitments of the Group	242	2,523	2,765	84	1,962	2,046
The Group's share of capital commitments of						
– a joint venture	–	10	10	–	9	9
– associates	–	17	17	86	124	210
	242	2,550	2,792	170	2,095	2,265

The Group's capital commitments include the authorised capital expenditure for the renovations of The Peninsula Beijing, The Peninsula Chicago, 21 avenue Kléber and Quail Lodge as well as normal capital expenditure for the Group's existing properties. In respect of The Peninsula London and The Peninsula Yangon projects, the figures include the amounts authorised to complete the studies and continuous work for planning and preparation up to the start of construction.

28. Commitments (HK$m) continued

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of land and buildings are (receivable)/payable as follows:

	Group			
	Receivable		Payable	
	2014	2013	**2014**	2013
Within one year	**(1,098)**	(1,002)	**157**	165
After one year but within five years	**(1,319)**	(1,193)	**538**	595
After five years	**(1,166)**	(60)	**6,416**	7,064
	(3,583)	(2,255)	**7,111**	7,824

Following the completion of the restructuring of The Palace Hotel Co., Ltd. ("TPH") on 13 December 2002, the Group is committed to making an annual payment of a minimum of RMB8 million to China Everbright Group Limited ("CEG") up to and including 11 November 2033 (the "Annual Payment"). The Annual Payment is a deemed lease payment and is included as a payment under non-cancellable operating leases of the Group.

The Peninsula Manila, the hotel owned by Manila Peninsula Hotel, Inc. ("MPHI"), is situated on a piece of land which belongs to Ayala Hotel, Inc. ("Ayala"). The hotel land lease was negotiated in 1975 by the management of MPHI at the time with Ayala in the ordinary and usual course of business based on normal commercial terms and on an arm's length basis (the "Land Lease"). The initial term of the Land Lease was from 31 December 1975 to 31 December 2001 and has been renewed until 31 December 2027 on the same terms and conditions. Pursuant to the terms and conditions, MPHI is committed to paying Ayala annual rental at 5% of its gross income on a quarterly basis.

The Peninsula New York leases a piece of land on which its hotel is situated from a third party under a 99-year lease, commencing in 1979. The present annual lease payment amounts to US$5 million and the lease payment is subject to a pre-determined inflation adjustment every 25 years.

The Group entered into a 50-year lease with respect to The Peninsula Tokyo, commencing in 2007. The minimum annual rental amounts to JPY1,181 million, which will be adjusted based on an inflation index every 10 years. In addition to the minimum annual rental, the lease is subject to contingent rental calculated based on the operating results of the hotel.

Other than above, the Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under operating leases. These leases typically run for an initial period of two to four years, with an option to renew the lease upon expiry when all items are renegotiated. None of these leases include contingent rentals.

29. Contingent liabilities (HK$m)

Contingent liabilities at 31 December are analysed as follows:

	Group		Company	
	2014	2013	**2014**	2013
Guarantees issued for subsidiaries				
– in respect of bank borrowings	**–**	–	**5,516**	5,519
– in respect of other banking facilities	**–**	–	**40**	38
	–	–	**5,556**	5,557

The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries, as their fair value cannot be reliably measured using observable market data and their transaction price was HK$nil.

The Directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 31 December 2014 and 2013.

30. Material related party transactions

Other than the Directors' remuneration and the loans advanced to a joint venture and an associate as disclosed in note 14 and note 15 respectively, material related party transactions are set out as follows:

(a) Under a three-year tenancy agreement which commenced on 1 April 2013, a wholly owned subsidiary of the Company, HSH Management Services Limited ("HMS"), leased the 7th and 8th floors of St. George's Building, 2 Ice House Street, Central, Hong Kong at a market rent of HK$1,540,452 per month plus a monthly service charge of HK$182,224 from Kadoorie Estates Limited ("KEL"), which is the agent of the registered owner which is controlled by one of the substantial shareholders of the Company. With effect from 1 January 2014, the monthly service charge was revised to HK$191,617. The rent and service charge incurred in 2014 amounted to HK$20 million (2013: HK$19 million). This tenancy agreement falls under the Listing Rules as a continuing connected transaction. Further details of this continuing connected transaction are disclosed in the Directors' Report.

(b) Unsecured shareholder's loans amounting to EUR88.9 million (2013: EUR76.8 million) were granted by Peninsula International (Lux) Limited S.à.r.l., a wholly owned subsidiary of the Company, to Al Maha Majestic S.à r.l. ("Al Maha"), a 20% associate of the Group. These loans were made pro rata to the Group's shareholding in Al Maha and bear interest at rates related to the rates published by the French tax authorities. Of the balance of EUR88.9 million, EUR42.8 million is repayable in April 2017 and the remaining balance is repayable in December 2020.

(c) Unsecured and interest free shareholder's loans amounting to US$66.85 million (HK$521 million) (2013: US$66.85 million (HK$521 million)) were granted by Peninsula International Investment Holdings Limited ("PIIHL"), a wholly owned subsidiary of the Company, to The Peninsula Shanghai (BVI) Limited ("TPS"), a 50% joint venture of the Group. The loans were provided in proportion to PIIHL's shareholding in TPS and are unsecured, interest free and have no fixed terms of repayment. TPS owns a 100% interest in Evermore Gain Limited ("EGL") which in turn holds a 100% interest in The Peninsula Shanghai Waitan Hotel Company Limited ("PSW"), a foreign owned enterprise incorporated in the People's Republic of China, engaged in the operation of The Peninsula Shanghai Complex. As at 31 December 2014, shareholder's loans amounting to US$58.75 million (HK$458 million) (2013: US$58.75 million (HK$458 million)) had been contributed as capital of PSW through EGL.

In addition, pursuant to a tripartite entrustment loan agreement dated 12 December 2011 entered into among The Palace Hotel Co., Ltd. ("TPH"), a sino-foreign co-operative joint venture established in the People's Republic of China, which holds a 100% interest in The Peninsula Beijing, PSW and a PRC branch of an international bank (the "agent bank"), entrustment loans were on-lent by TPH to PSW via the agent bank starting from 15 December 2011. As at 31 December 2014, the balance of entrustment loans amounted to RMB150 million (HK$187.6 million) (2013: RMB150 million (HK$191.8 million)). The loans are repayable on 12 June 2015 and bear an annual interest of 4.55%, which was fixed by reference to the deposit rate published by The People's Bank of China on the day on which the draw down was made plus a margin of 200 basis points.

31. Non-adjusting post reporting period events

After the end of the reporting period, the Directors proposed a final dividend, the details of which are disclosed in note 10.

32. Key sources of estimation uncertainty

Notes 26(a) and 27 contain information about the assumptions and their risk factors relating to defined benefit retirement obligations and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Valuation of investment properties

Investment properties are included in the statement of financial position at their open market value, which is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential. The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sales prices and the appropriate capitalisation rate.

(b) Estimated useful lives of properties, plant and equipment

The Group estimates the useful lives of its properties, plant and equipment based on the periods over which the assets are expected to be available for use. The Group reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes as well as environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of properties, plant and equipment would increase depreciation charges and decrease non-current assets.

(c) Asset impairment

The Group assesses the impairment of assets in accordance with the accounting policy set out in note 33(j). The factors that the Group considers important in identifying indications of impairment and in assessing the impairment include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant negative industry or economic trends.

(d) Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilised. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilised.

33. Significant accounting policies

(a) Basis of preparation of the Financial Statements

The consolidated Financial Statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the Financial Statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

i) investment properties (see note 33(g)); and

ii) derivative financial instruments (see note 33(e))

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of Financial Statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that may have a significant effect on the Financial Statements and major sources of estimation uncertainty are discussed in note 32.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated Financial Statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated Financial Statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

33. Significant Accounting Policies continued

(b) Subsidiaries and non-controlling interests continued

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 33(c)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 33(j)), unless the investment is classified as held for sale.

(c) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated Financial Statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 33(j)). Any acquisition-date excess over costs, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associates or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with the Group's long-term interests that, in substance, form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

33. Significant Accounting Policies continued

(d) Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under a joint operation, the Group as a joint operator recognises in relation to its interest in the joint operation:

- Its share of any assets held jointly;
- Its share of any liabilities incurred jointly;
- Its share of revenue from the sale of the output by the joint operation;
- Its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify as cash flow hedges.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged transaction affects profit or loss. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

33. Significant Accounting Policies continued

(f) Properties, plant and equipment

Hotel and other properties held for own use (including buildings held for own use which are situated on leasehold land classified as held under operating leases) and plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 33(j)).

The cost of self-constructed items of properties, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads and borrowing costs (see note 33(u)).

Depreciation is calculated to write off the carrying values of items of properties, plant and equipment, less their estimated residual values, if any, on a straight line basis over the shorter of the unexpired period of the land lease and the anticipated remaining useful lives of the assets. The useful lives which have been adopted are summarised as follows:

- leasehold land classified as held under finance leases is depreciated over the unexpired term of lease
- hotel buildings — 75 to 150 years
- other buildings — 50 years
- golf courses — 100 years
- external wall finishes, windows, roofing and glazing works — 10 to 40 years
- major plant and machinery — 15 to 25 years
- furniture, fixtures and equipment — 3 to 20 years
- operating equipment — 3 to 5 years
- motor vehicles — 5 to 10 years

No depreciation is provided on freehold land as it is deemed to have an indefinite life.

Where parts of an item of properties, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 33(i)) to earn rental income and/or for capital appreciation. These include land held for currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the reporting date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 33(s).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 33(i)) and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 33(i).

33. Significant Accounting Policies continued

(h) Hotel operating rights

Costs incurred for securing the Group's rights to operate hotels are capitalised and are stated in the statement of financial position at cost less accumulated amortisation and impairment losses (see note 33(j)).

Amortisation of the operating rights is charged to profit or loss on a straight-line basis over the terms of the relevant operating periods.

(i) Leased assets

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 33(g)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of financial assets

Investments in equity securities (other than investment in subsidiaries in the Company's statement of financial position) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If any such evidence exists, an impairment loss is determined and recognised as follows:

- For investments in associates and joint ventures recognised using the equity method (see note 33(c)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 33(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 33(j)(ii).
- For unquoted equity instruments carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for unquoted equity instruments carried at cost are not reversed.

33. Significant Accounting Policies continued

(j) Impairment of assets continued

(i) Impairment of financial assets continued

- For trade and other current receivables and other financial assets carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. An impairment loss for trade and other receivables carried at amortised cost is calculated as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the non-financial assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

An impairment loss is reversed to profit or loss if the recoverable amount of an asset, or the cash-generating unit to which it belongs, exceeds its carrying amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

– Interim financial reporting and impairment

Impairment losses recognised in an interim period in respect of unquoted equity instruments carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Land lots for sale and other inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

33. Significant Accounting Policies continued

(l) Trade debtors and other receivables

Trade debtors and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate less allowance for impairment of doubtful debts (see note 33(j)), except where they are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, they are stated at cost less allowance for impairment of doubtful debts (see note 33(j)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 33(r), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

33. Significant Accounting Policies continued

(p) Employee benefits continued

Defined benefit retirement plan obligations continued

Service cost and net interest expense (income) on the net defined liability (asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "distribution costs" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in other reserves. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Termination benefits

Termination benefits are recognised when and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities and are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

33. Significant Accounting Policies continued

(q) Income tax continued

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 33(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Current tax balances and deferred tax balances and movements therein, are presented separately from each other and are not offset.

(r) Provisions, contingent liabilities and financial guarantees issued

Provisions are recognised for liabilities of uncertain timing or amount when the Group or Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Group issues a financial guarantee, where material, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group or Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Hotel and golf club operations

Revenue is recognised on a basis that reflects the timing, nature and value when the relevant services are provided.

Sale of land lots

Revenue is recognised upon the transfer of legal title of the land lots. Deposits and instalments received on land lots sold prior to the date of revenue recognition are included in the statement of financial position under trade and other payables.

33. Significant Accounting Policies continued

(s) Revenue recognition continued

Sale of goods and wholesaling

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership of the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Interest income

Interest income is recognised as it accrues using the effective interest method.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities and non-monetary assets and liabilities that are stated at fair values and are denominated in foreign currencies, are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to become ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

- i) has control or joint control over the Group;
- ii) has significant influence over the Group; or
- iii) is a member of the key management personnel of the Group or the Group's Parent.

33. Significant Accounting Policies continued

(v) Related parties continued

(2) An entity is related to the Group if any of the following conditions applies:

i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

vi) The entity is controlled or jointly controlled by a person identified in (1).

vii) The entity identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments and the amounts of each segment item reported in the Financial Statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

34. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting year of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21 – *Levies*

The Group has not applied any new standards or interpretations that are not yet effective for the current accounting year.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these Financial Statements as the Group does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these Financial Statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these Financial Statements as the Group has not novated any of its derivatives.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these Financial Statements as the guidance is consistent with the Group's existing accounting policies.

35. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014

Up to the date of issue of these Financial Statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these Financial Statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, *Defined benefit plans:* Employee contributions	1 July 2014
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) came into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the Consolidated Financial Statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the Consolidated Financial Statements.