

Financial Review Summary

1 EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)

EBITDA and EBITDA margin of the Group for 2015 decreased by 6% and one percentage point to HK\$1,440 million and 25% respectively. The decrease was mainly due to the reduced contribution from the hotels division.

2 REVENUE

The hotels division is the main contributor to the Group's revenue, accounting for 71% (2014: 73%) of total revenue. The operating performance of the Group's hotel businesses is subject to a higher degree of volatility by nature. The decrease in revenue of the hotels division was due to a combination of factors, including the room closures for the renovation programmes undertaken by The Peninsula Beijing and The Peninsula Chicago, and declining tourist arrivals in Hong Kong. The devaluation of Renminbi and Japanese Yen has also contributed to the decrease in revenue of the hotels division.

The increase in revenue for the commercial properties was mainly due to the increased occupancy achieved by The Repulse Bay Complex whereas the increase in revenue for the clubs and services division was due to higher mooncake sales achieved by Peninsula Merchandising and better results achieved by Quail Lodge following its renovation of the golf course.

Details of the operating performances of the Group's individual operations are set out on pages 28 to 48 of the CEO's Strategic Review.

Consolidated Statement of Financial Position at 1.1.2015

	HK\$m
<b>Net assets</b>	
Fixed assets	38,168
Other long-term investments	2,434
Deferred tax assets	40
Cash at banks and in hand	2,477
Other current assets	863
	43,982
Bank overdrafts	(5)
Bank borrowings	(5,476)
Derivative financial instruments	(38)
Deferred tax liabilities	(785)
Other liabilities	(1,527)
	36,151
<b>Capital and reserves</b>	
Share capital	4,544
Retained profits	31,079
Hedging, exchange and other reserves	278
	35,901
Non-controlling interests	250
	36,151

Consolidated Statement of Cash Flows for the year ended 31.12.2015

	HK\$m
<b>1 EBITDA</b>	1,440
Net changes in working capital	4
Tax payment	(224)
Payment for the purchase of property, plant and equipment, including the hotel building of The Peninsula Tokyo	(1,392)
Net financing charges and dividends paid	(159)
Net increase in bank borrowings	822
Net placement of interest-bearing bank deposits with maturity of more than three months	(513)
Net cash outflow for the year	(22)
Cash at banks and in hand	2,477
Less: Bank deposits maturing more than 3 months	(1,633)
Less: Bank overdrafts	(5)
Cash & cash equivalents at 1.1.2015	839
Effect of changes in exchange rates	(49)
Cash & cash equivalents at 31.12.2015*	768
* Representing:	
Cash at banks and in hand	2,919
Bank deposits maturing more than 3 months	(2,146)
Bank overdrafts	(5)
	768

Consolidated Income Statement for the year ended 31.12.2015

	HK\$m
<b>2 Revenue</b>	5,741
Operating costs before depreciation and amortisation	(4,301)
EBITDA	1,440
Depreciation and amortisation	(426)
Operating profit	1,014
Net financing charges	(68)
Profit after net financing charges	946
<b>3 Share of results of a joint venture</b>	(71)
<b>4 Share of results of associates</b>	(23)
<b>5 Increase in fair value of investment properties</b>	277
Taxation	(124)
Non-controlling interests	(5)
Profit attributable to shareholders	1,000

Consolidated Retained Profits for the year ended 31.12.2015

	HK\$m
Retained profits at 1.1.2015	31,079
Profit attributable to shareholders for the year	1,000
Dividends distributed during the year	(350)
Retained profits at 31.12.2015	31,729

Consolidated Statement of Financial Position at 31.12.2015

	HK\$m
<b>Net assets</b>	
Fixed assets	39,097
Other long term investments	2,139
Deferred tax assets	30
Cash at banks and in hand	2,919
Other current assets	904
	45,089
Bank overdrafts	(5)
Bank borrowings	(6,187)
Derivative financial instruments	(39)
Deferred tax liabilities	(701)
Other liabilities	(1,497)
	36,660
<b>Capital and reserves</b>	
Share capital	4,808
Retained profits	31,729
Hedging, exchange and other reserves	(110)
	36,427
Non-controlling interests	233
	36,660

Underlying profit attributable to shareholders for the year ended 31.12.2015

	HK\$m
Profit attributable to shareholders	1,000
Non-operating and non-recurring items	(312)
<b>6 Underlying profit attributable to shareholders</b>	688

3 SHARE OF RESULTS OF A JOINT VENTURE

The Group has a 50% interest in The Peninsula Shanghai Complex and the Group's share of loss amounted to HK\$71 million, which included the share of a net unrealised loss of HK\$37 million (2014: unrealised gain of HK\$6 million) arising from the revaluation of The Peninsula Shanghai Complex's shopping arcade.

4 SHARE OF RESULTS OF ASSOCIATES

The Group has a 20% interest in each of The Peninsula Beverly Hills and The Peninsula Paris. The Group's share of net loss of these two hotels for 2015 amounted to HK\$23 million (2014: HK\$35 million of which HK\$22 million related to the share of pre-opening expenses incurred by The Peninsula Paris which opened for business on 1 August 2014).

5 INCREASE IN FAIR VALUE OF INVESTMENT PROPERTIES

The Group states its investment properties at fair value and gain or loss arising from the change in fair value of investment properties is recognised in the income statement. The year end revaluation of the Group's investment properties has resulted in a non-operating gain of HK\$277 million, principally attributable to The Repulse Bay Complex.

6 UNDERLYING PROFIT ATTRIBUTABLE TO SHAREHOLDERS

To provide additional insight into the performance of its business operations, the Group presents underlying profit by excluding non-operating and non-recurring items such as any change in fair value of investment properties. Details of the reconciliation from reported profit to underlying profit are summarised on page 55.