THE HONGKONG AND SHANGHAI HOTELS, LIMITED
香港上海大酒店有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 45) website: www.hshgroup.com

2013 Annual Results

HIGHLIGHTS

Key financial results

- Turnover and EBITDA increased by 6% and 9% to HK$5,508 million and HK$1,306 million respectively
- Profit attributable to shareholders amounted to HK$1,712 million, after including property revaluation gains, net of tax and non-controlling interests (*2012: HK$1,555 million*)
- Underlying profit attributable to shareholders increased by 16% to HK$511 million
- Earnings per share and underlying earnings per share of HK$1.14 *(2012: HK$1.04)* and HK$0.34 *(2012: HK$0.29)* respectively
- Final dividend of 12 HK cents per share, making a total dividend of 16 HK cents per share for 2013 *(2012: 14 HK cents per share)*
- Shareholders' funds as at 31 December 2013 amounted to HK$35,105 million or HK$23.37 per share *(2012: HK$33,150 million or HK$22.07 per share)*

Key developments

- The Peninsula Hong Kong returned to full inventory in May 2013 following its HK$450 million extensive room renovation programme which commenced in January 2012. Our flagship hotel also celebrated its 85th Anniversary in December 2013.
- The de Ricou tower of The Repulse Bay Complex completed its 18-month reconfiguration and the 49 upgraded apartments were re-launched for lease in August 2013. The de Ricou tower is the first in Hong Kong to be awarded the prestigious LEED Gold Certificate in the Alteration and Addition category.
- The Peninsula Paris, the Group's first hotel in Europe, is expected to open in 2014.
- In July 2013 the Group acquired a 50% interest in a commercial property at 1-5 Grosvenor Place, Belgravia, London, for approximately HK$1,564 million (£132.5 million). Together with our partner, Grosvenor, we will seek planning permission to demolish the existing building and redevelop it into The Peninsula London hotel and residential complex. We target to commence demolition and construction by 2016.
- In April 2013, the Group signed non-binding heads of terms to acquire a 70% interest in the former Myanmar Railway Company headquarters for the potential development of a Peninsula hotel in Yangon, Myanmar. In January 2014, conditional definitive agreements were entered into with our main partner Yoma Strategic Holdings Limited.
- In June 2013, 21 avenue Kléber, a magnificent commercial building in Paris, was acquired for approximately HK$566 million (€56 million). We expect that this property will bring long-term value to the Group given its location immediately adjacent to The Peninsula Paris.

FINANCIAL HIGHLIGHTS

	2013	2012	Increase/ (Decrease)
CONSOLIDATED INCOME STATEMENT (HK$m)			
Turnover	**5,508**	5,178	6%
EBITDA	**1,306**	1,201	9%
Operating profit	**911**	817	12%
Profit attributable to shareholders	**1,712**	1,555	10%
Underlying profit attributable to shareholders *	**511**	439	16%
Dividends	**240**	210	14%
Earnings per share (HK$)	**1.14**	1.04	10%
Underlying earnings per share (HK$) *	**0.34**	0.29	17%
Dividends per share (HK cents)	**16**	14	14%
Dividend cover (times) **	**2.1x**	2.1x	-
Interest cover (times)	**9.7x**	9.6x	1%
Weighted average gross interest rate	**2.9%**	3.2%	(0.3pp)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)			
Total assets	**43,119**	39,807	8%
Audited net assets attributable to shareholders	**35,105**	33,150	6%
Adjusted net assets attributable to shareholders #	**38,486**	36,396	6%
Audited net assets per share (HK$)	**23.37**	22.07	6%
Adjusted net assets per share (HK$) #	**25.62**	24.23	6%
Net borrowings	**3,992**	1,989	101%
Funds from operations to net debt ##	**28%**	48%	(20pp)
Net debt to EBITDA (times)	**3.1x**	1.7x	82%
Net debt to equity	**11%**	6%	5pp
Gearing	**10%**	6%	4pp
CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)			
Net cash generated from operating activities before taxation	**1,401**	1,133	24%
Capital expenditure on fixed assets (excluding new acquisitions)	**(928)**	(875)	6%
Acquisition of 1-5 Grosvenor Place	**(1,688)**	n/a	n/a
Acquisition of 21 avenue Kléber	**(605)**	n/a	n/a
SHARE INFORMATION (HK$)			
Highest share price	**14.20**	11.92	19%
Lowest share price	**10.38**	8.63	20%
Year end closing share price	**10.52**	10.82	(3%)

* *Underlying profit attributable to shareholders and underlying earnings per share are calculated by excluding the post-tax effects of the property revaluation movements and other non-operating items.*

** *Dividend cover is calculated based on underlying profit attributable to shareholders over dividends.*

\# *Adjusted net assets attributable to shareholders and adjusted net assets per share are calculated by adjusting the Group's hotels and golf courses to fair market value based on the valuation conducted by independent property valuers.*

\#\# *Being EBITDA less tax paid and net interest paid as a percentage of net debt.*

pp *Denotes percentage points.*

CEO's letter

The theme of our Report this year is "New Frontiers | Celebration of Traditions," which reflects the exciting growth of our Company's asset portfolio, while continuing our rich legacy of exceptional hospitality and care for our guests. The year was a busy and rewarding one, and I am pleased to report some exciting new deals, successful renovation projects and satisfactory financial results.

We celebrated a number of milestones in the past year while looking back at our proud history: the 85th Anniversary of The Peninsula Hong Kong; 25th Anniversary of The Peninsula New York; 15th Anniversary of The Peninsula Bangkok, and the 125th Anniversary of The Peak Tram. To mark these anniversaries, we launched and premiered the remake of our hallmark documentary, *Tradition Well Served*, which truly captures the Company's proud history and spirit.

Pressing ahead with new frontiers

Location, quality and long-term potential are the key attributes of our business development decision-making. We are pleased to have confirmed commitments with new partners on the exceptionally well-located London and Yangon opportunities.

We have acquired a 50% interest in an existing commercial property located at 1-5 Grosvenor Place, Belgravia, London, for HK$1,564 million (£132.5 million). Together with our partner, Grosvenor, we will seek planning permission to demolish the existing building and redevelop it into The Peninsula London hotel and residential complex. We target to commence demolition and construction by 2016.

We have also entered into a deal with our main partner Yoma Strategic Holdings Limited to restore the heritage building that is the former Myanmar Railway Company headquarters in Yangon, Myanmar, to be redeveloped as The Peninsula Yangon upon conditions being fulfilled on the definitive agreements and subject to necessary approvals.

Our June 2013 acquisition of the commercial property at 21 avenue Kléber, Paris for HK$566 million (€56 million) will bring long-term value to the Company, thanks to its strategic location immediately adjacent to The Peninsula Paris, which is expected to open in 2014.

To handle the new projects, we have strengthened our senior management team as well as our projects team.

2013 performance review

Market conditions remained mixed in our key markets, with varied economic conditions and continuing oversupply of new luxury hotels in certain cities. During this turbulent year, the superior quality of our properties and brand remained our anchor. Combined with Group-wide cost control measures, selective capital investments, careful management and robust corporate governance, our Company reported an increase in turnover in almost all of the businesses within the Group as compared with 2012. The underlying earnings of the Company increased by 16% to HK$511 million in 2013 while the EBITDA margin increased by one percentage point to 24%.

- **Hotels**

Our hotels, located in leading gateway cities of the world, continued to experience the effect of new luxury hotel supply from competitors. We seek to stay ahead of this intense competition with effective marketing strategies and rate positioning. In 2013, our hotels division revenue increased by HK$159 million (4%) over 2012.

We generally enjoyed good business positions with eight of our hotels each achieving revenue growth in 2013 in either or both their base currency and Hong Kong dollars. The Peninsula Hong Kong returned to full inventory in May. We expect to see further growth in 2014 which will be our first full year of operation with the new rooms product. The Peninsula Shanghai also recorded good results, with growth in almost all areas of operation. In 2013, we commenced the sale of up to 19 of the 39 units of The Peninsula Residences in Shanghai, with a satisfactory number of deals being entered into by the year-end. The remaining apartment units will continue to be held as investment properties for leasing. The Peninsula Tokyo and The Peninsula Beverly Hills achieved very good results, although the weak Japanese yen affected the results of The Peninsula Tokyo in Hong Kong dollar terms. The Peninsula Manila faced the challenges of the aftermath of flooding, an earthquake and a super-typhoon and The Peninsula Bangkok was affected by the local political acrimony in late 2013.

I am pleased that the extensive room renovation project at The Peninsula Hong Kong was completed and has been very well received by our guests. Our Board has also approved extensive renovations for The Peninsula Chicago at approximately HK$164 million (US$21 million) and The Peninsula Beijing at approximately HK$1,138 million (RMB890 million), to be carried out in the coming one to three years.

Our new global marketing strategies proved successful. *Peninsula Moments*, our global marketing campaign that was conceived and developed in-house in 2012, was expanded and received very positive feedback in 2013. This makes use of visual and online media and has already generated over a million views by customers around the world. We have also rejuvenated The Peninsula Academy at all of our hotels, offering bespoke guest experiences, which has attracted good demand.

- Commercial Properties

Our commercial properties division continued to provide a stable contribution to our earnings in 2013. Our key asset in this division, The Repulse Bay Complex, achieved satisfactory results with a 4% growth in revenue despite the subdued real estate market and macro-economic uncertainties. This was partly due to the return to inventory of the de Ricou apartment tower following its renovation, which has resulted in an improved mix of units that we expect would increase its rental yield. The Peak Tower achieved significant growth in 2013 with increased commercial rentals and higher frequency of visitors to Sky Terrace 428. Rental income from 1-5 Grosvenor Place and 21 avenue Kléber also contributed to the commercial properties division this year from their respective dates of acquisition. Total revenue from this division was HK$73 million (10%) higher than 2012.

- Clubs and Services

Peninsula Clubs and Consultancy Services maintained a consistent portfolio in 2013 and continued to provide club management services for several prestigious private clubs in Hong Kong, as well as the Cathay Pacific Lounges at Hong Kong International Airport.

Peninsula Merchandising represents our successful diversification of business and outreach to new destinations, particularly in Taipei. Its mooncake sales continued to see substantial growth.

We have submitted a proposal to the Hong Kong Government to improve and enlarge the capacity of the Peak Tram for the long-term future. In the meantime, our right to operate the Peak Tram has been extended for another two years to the end of 2015.

2013 saw an increase of HK$98 million (18%) in total revenue over 2012 for this division.

New Paris hotel close to completion

The Peninsula Paris, our first hotel in Europe, is preparing for its 2014 soft opening.

As I mentioned in our last annual report, it has been a lengthy and complicated project to convert this beautiful historic building into a Peninsula hotel. In 2013, we and our partners, Katara Hospitality, agreed with the lead contractor a revised fixed price construction contract with an increased budget of HK$4,592 million (€429 million excluding contingency) for which we are responsible for our 20% proportional interest. We are making progress towards completion despite challenging circumstances. I am confident that this hotel will set new standards on design, luxury and comfort.

Further discussion on the 2013 performance of our different lines of business and future plans are set out in the *Management Discussion & Analysis* section.

Financial Results

It continues to be a strength of our Group that our hotels business is balanced by a strong mix of commercial properties, including the high-end shopping arcades within our hotels. With the balance of earnings provided by this diversified portfolio, I am pleased to report that in 2013 our Group achieved an increase of 16% in underlying earnings to HK$511 million.

Inclusive of our 50% share of the result of The Peninsula Shanghai and non-operating items, being principally the revaluation surpluses of our investment properties, the net profit attributable to shareholders amounted to HK$1,712 million, representing an increase of 10% over 2012. HK$523 million of the investment property revaluation surplus was attributable to a successful restructuring of the leases of the retail spaces at The Peninsula New York.

The net cash generated from the Company's operating activities after tax amounted to HK$1,308 million in 2013, an increase of 36% over 2012. During the year, in addition to regular capital expenditure on our existing properties, the Group made a payment of HK$566 million (€56 million) for the acquisition of 21 avenue Kléber, Paris and HK$1,564 million (£132.5 million) for the acquisition of 50% interest in 1-5 Grosvenor Place, London, resulting in net borrowings being increased from HK$1,989 million to HK$3,992 million.

The Group's financial position as at 31 December 2013 remained strong, with net assets attributable to shareholders increasing by 6% to HK$35,105 million and our gearing at a conservative level of 10%. Despite the increase in net borrowings, our interest cover remained comfortable at 9.7 times.

Based on our results, the Board has recommended a final dividend payable on 20 June 2014 of 12 HK cents per share. Together with the 2013 interim dividend of 4 HK cents per share paid on 30 September 2013, the total dividend in respect of the 2013 financial year will be 16 HK cents per share, an increase of 14% as compared to last year. In the light of our new project commitments, most notably The Peninsula London project, the Directors have decided to restore the Company's scrip dividend option for shareholders in respect of the final dividend payable on 20 June 2014.

Sustainable Luxury Vision 2020

An important milestone for the year was the launch of our Sustainable Luxury Vision 2020. This puts sustainability at the heart of our business model and our brand. With seven areas of focus covering all divisions of our business, Vision 2020 sets out more than 50 economic, social and environmental goals that we are committed to achieve by 2020. As part of this vision, we also developed and embarked on a bespoke two-year stakeholder engagement programme on the relevant issues.

To deliver on both luxury and sustainability is not without challenge, but we see a genuine opportunity to achieve this in a way that complements our heritage of quality, thoughtfulness and meticulous attention to detail. 2013 already saw some of our operations making great strides in crafting the path towards sustainable luxury. The renovations at the de Ricou apartments not only enhanced its appeal to tenants and rental value, but the property also achieved LEED Gold Certification for its environmental performance. On other fronts, we reinforced our efforts for sustainable and ethical sourcing as well as energy and water conservation.

Future Prospects

The strength of our Group continues to emanate from our genuine commitment to a long-term future. This provides the vision and willingness to invest in assets for their long-term value creation and the staying power to ride through shorter-term cycles in the economy without compromising the quality of our products and services. In the volatile economic circumstances that we regularly encounter in today's environment, this commitment has enabled us to make investment and capital expenditure decisions with a very long-term outlook and to maintain our service quality and the continuity of our people. With this in mind, I remain optimistic that we are continuing to chart a course which will maximise the quality and value of our assets and deliver long-term returns to our shareholders.

Our corporate development and investment strategy continues to focus on the enhancement of our existing assets, seeking opportunities to increase their value through new concepts or improved space utilisation, and the development of a small number of the highest quality Peninsula hotels in the most prime locations with the objective of being a long-term owner-operator. This is the approach which we believe has enabled us to establish and sustain a brand which is now recognised as possibly the leading luxury hotel brand in the world, thereby creating value in each Peninsula hotel through both asset value appreciation and operational earnings growth.

With the imminent opening of The Peninsula Paris, the new projects to develop Peninsula hotels in London and Myanmar and the ongoing projects to enhance and renovate our existing hotels, I am confident that the longer term growth of our Company is on the right path.

For 2014, we are seeing positive trends in our key markets, particularly in Hong Kong where our key assets of The Peninsula Hong Kong, The Repulse Bay Complex and The Peak Tower are located. 2014 will see the first full year of earnings contribution from the fully renovated Peninsula Hong Kong hotel and the de Ricou apartments at The Repulse Bay Complex. Elsewhere, travel sentiment and spending continue to show some improvement with the more positive macro trends.

Financially, we are well-placed for a long-term future supported with a strong balance sheet comprising valuable high quality assets and a low level of gearing.

Finally, our Company is supported by strong heritage which brings a distinct personality and identity to our Company and our brands, products and services. However, it is not our 148-year history alone that serves us; we are committed to improving and innovating our products and services to create special memories and experiences for our guests. This would not be possible without our committed, long-serving and loyal staff. I would like to deeply thank all members of our large “HSH family” who have worked so hard to achieve so much for the Group this year and, I am sure, will continue to do so for many years to come.

Clement K.M. Kwok
17 March 2014

Management Discussion and Analysis

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2013, but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's auditor, KPMG.

Review of Group Results

Our Group comprises three key divisions – hotels, commercial properties, and clubs and services, and these divisions are described in more detail in the following review.

HK$m	**2013**	2012	2013 vs 2012
Revenue			
Hotel	**4,044**	3,885	4%
Commercial Properties	**806**	733	10%
Clubs and Services	**658**	560	18%
	5,508	5,178	6%
EBITDA			
Hotel	**649**	596	9%
Commercial Properties	**521**	474	10%
Clubs and Services	**136**	131	4%
	1,306	1,201	9%

We are pleased to report that the HSH Group's turnover continued to grow in 2013 and amounted to HK$5,508 million, representing an increase of 6% over HK$5,178 million in 2012. EBITDA for the year was HK$1,306 million, an increase of 9% over the previous year. Profit attributable to shareholders amounted to HK$1,712 million, after including property revaluation gains, net of tax and non-controlling interests. The Group's underlying profit attributable to shareholders for the year ended 31 December 2013 increased by 16% to HK$511 million.

The Board has recommended a final dividend payable on 20 June 2014 of 12 HK cents per share. Together with the 2013 interim dividend of 4 HK cents per share paid on 30 September 2013, the total dividend in respect of the 2013 financial year will be 16 HK cents per share, an increase of 14% over 2012. In the light of our new project commitments, most notably The Peninsula London project, the Directors have decided to restore the Company's scrip dividend option for shareholders in respect of the final 2013 dividend.

As we will explain in more detail in the following business review, it should be noted that The Peninsula Hong Kong and de Ricou tower at The Repulse Bay Complex were not fully operational during 2013 due to enhancement and renovation projects. We have acquired two new investment properties in London and Paris, which come into our accounts for the first time. 19 apartments of The Peninsula Residences in Shanghai have been re-classified as they are now held for sale, as explained on pages 25 and 26.

Business Review

In this section, we analyse the business performances of our individual operations. To supplement our discussion and analysis, we have included non-accounting performance indicators to help readers understand the key drivers of our operating results.

NON-ACCOUNTING PERFORMANCE INDICATORS

Examples of key non-accounting performance indicators relevant to the Group's hotel business include:

Average Room Rate (HK$)

$$\frac{\textit{Total rooms revenue}}{\textit{Rooms occupied}}$$

Rooms Revenue per Available Room ("RevPAR")(HK$)

$$\frac{\textit{Total rooms revenue}}{\textit{Rooms available}}$$

Occupancy Rate

$$\frac{\textit{Rooms occupied}}{\textit{Rooms available}} \times 100\%$$

Hotels

Set out below is a breakdown of revenue by hotels:

HK$m	**2013**	2012	2013 vs 2012
Consolidated hotels			
The Peninsula Hong Kong	**1,192**	1,025	16%
The Peninsula Beijing	**424**	417	2%
The Peninsula New York	**592**	566	5%
The Peninsula Chicago	**499**	469	6%
The Peninsula Tokyo	**734**	814	(10%)
The Peninsula Bangkok	**235**	225	4%
The Peninsula Manila	**292**	302	(3%)
Management fees income	**76**	67	13%
	4,044	3,885	4%
Non-consolidated hotels			
The Peninsula Shanghai	**553**	492	12%
The Peninsula Beverly Hills	**508**	481	6%
	1,061	973	9%

2013 was an exciting year for the Group's hotels division. At the beginning of the year, our hotels portfolio comprised of nine operating Peninsula Hotels in Hong Kong, Shanghai, Beijing, New York, Chicago, Beverly Hills, Tokyo, Bangkok, Manila, while the tenth, The Peninsula Paris, was under construction. By the end of the year, we confirmed the expected opening of The Peninsula Paris in 2014, and embarked on two new projects for The Peninsula London and The Peninsula Yangon.

During the year, our existing portfolio of hotels achieved overall growth. This was the result of eight operating hotels achieving revenue growth in 2013 as compared with 2012. The Peninsula Tokyo achieved a revenue growth of 10% in its base currency, although the depreciation of the Japanese yen translated such growth into a 10% decrease in revenue in Hong Kong dollar terms. The Peninsula Manila recorded a reduction in revenue under the pressure of increased competition and the unfortunate natural disasters which occurred in the Philippines in late 2013. Our hotels generally enjoyed a strong market position in the midst of a tight operating environment and increasingly competitive local markets.

Hong Kong:

The Peninsula Hong Kong

Revenue HK$1,192m	+16%
Room revenue HK$329m	+42%
Available rooms	+55%
Average room rate	+1%

The Peninsula Hong Kong completed its 17-month, HK$450 million room enhancement project, with all rooms of the hotel returning to inventory in May 2013. The increased recognition the hotel has been garnering has been sizeable, with notable accolades including the "No. 1 2013 World's Best Service Hotels Overall – City Hotels" Award from *Travel + Leisure (USA)* and "No.1 Best Hotel in Asia for Business – 2013 Business Travel Awards" by *Condé Nast Traveler USA.*

Total revenue of the hotel in 2013 was HK$1,192 million, which was 16% higher than 2012. This increase includes HK$98 million of additional room revenue, with the remainder from food and beverage and the Peninsula Arcade. Much of the increased room revenue is related to the return of all rooms to saleable inventory from 24 May 2013, which increased the number of available rooms by 55% as compared with 2012. We expect room earnings to improve in 2014 with full inventory being available in the hotel.

The Peninsula Arcade remained highly sought-after by leading international luxury retail brands and continued to be fully let throughout the year with a further increase in the average rent. The Office Tower was also fully let during the year.

2013 was a very special year for the hotel as our Grande Dame hosted a series of events to mark her 85th Anniversary, culminating in a celebration gala event in November and the premier of the documentary on the heritage of our hotels, *Tradition Well Served*. The hotel also partnered with four local charities and raised HK$1 million for each of these organisations respectively.

Greater China:

Our hotels in China recorded revenue growth in 2013 amidst markets which are still seeing increasing supply in luxury hotels.

The Peninsula Shanghai

Revenue HK$553m	+12%
Occupancy	+7pp
Average room rate	-
RevPAR	+12%

Shanghai saw intense price competition and the business environment remained challenging, with more than 1,000 new luxury hotel rooms entering the market in 2013. Despite the challenging market conditions, **The Peninsula Shanghai** achieved good results this year with a revenue increase of HK$61 million (12%) above 2012, reflecting growth in all areas apart from The Peninsula Arcade. Although the Arcade remained fully let, average rentals were lower than 2012 due to incentives being given to attract new tenants. To drive foot traffic into the Arcade and surrounding areas, we teamed up with neighbouring properties in No. 1 Waitanyuan to launch "Magical Waitanyuan" – a winter wonderland of cultural events, dining, shopping and an outdoor skating rink.

The Peninsula Shanghai maintained its position as the city's No. 1 in RevPAR. Awarded "The World's Best Business Hotel 2013" by *Travel + Leisure USA*, the hotel remained busy in the forefront of luxury entertainment of the city. The hotel is also gaining an excellent reputation for outside catering and this has become an additional revenue stream. In February, a refurbished 1934 Rolls-Royce Phantom II arrived at the hotel. The hotel hosted the third Tour de Bund Charity Ride in September, which is becoming a signature event in the city. In October we launched deluxe touring options to explore Shanghai, including a new tour by river on The Peninsula Yacht.

Within the same complex as The Peninsula Shanghai are The Peninsula Residences which feature the same luxury standards and patented technology as our hotels. In 2013, we commenced the sale of up to 19 of the 39 units of The Peninsula Residences, with a satisfactory number of deals being entered into by the year-end. The remaining apartment units will continue to be held as investment properties for leasing.

The Peninsula Beijing

Revenue HK$424m	+2%
Occupancy	+7pp
Average room rate	-28%
RevPAR	-19%

The Peninsula Beijing adopted an aggressive room-selling strategy during the year to maintain its competitiveness in the oversupplied market, but despite these efforts RevPAR was 19% lower than in 2012. International visitor numbers to Beijing decreased by 14% as compared with 2012 and the continuous strengthening of the RMB has made China less affordable for foreign visitors.

The total revenue of the hotel achieved a HK$7 million (2%) increase over 2012 as higher commercial revenue offset reduced revenue in the other areas of the complex. In June, we opened *Yun*, which is the only rooftop bar in the Wangfujing area.

There will be continued intense competition in the city with five hotels opening in 2014, creating an additional supply of approximately 1,300 luxury rooms. In order to maintain and increase the competitiveness of the hotel, the Board has approved extensive renovations for The Peninsula Beijing at a cost of approximately HK$1,138 million (RMB890 million) over the next few years. This renovation will be in the planning stages in the next year and will not have any revenue impact in 2014.

Other Asia:

The Peninsula Tokyo

Revenue JPY 9.3billion	+10%
Revenue HK$734m	-10%
Occupancy	+13pp
Average room rate	+1%
RevPAR	+23%

In Japan, the general business environment has improved after the March 2011 earthquake and tsunami and overall confidence in the health of the local economy is at its highest level in recent years. The weaker yen is making Japan a more affordable destination for tourists and there has been a significant increase in both corporate and long-haul leisure travellers visiting Japan. New visa waiver arrangements with Thailand and Malaysia, announced in 2013, resulted in double-digit increases in visitors to Japan from these countries.

Benefitting from this environment, **The Peninsula Tokyo** performed well and reported a 10% increase in total revenue in its base currency over 2012. However, due to the weakening of the Japanese yen, the hotel's total revenue was HK$80 million (10%) lower than 2012 in Hong Kong dollar terms. The increased revenue in the base currency was generated from all divisions of the operation, with the largest increase coming from the hotel's occupancy.

In March, the hotel unveiled a new grill concept at *Peter* restaurant on the 24th floor, which proved very popular, and throughout the year the hotel initiated various energy and water-saving projects. With the recent announcement of the 2020 Olympic Games in Tokyo and the generally positive sentiment of the country, we are optimistic that this exceptional hotel will continue to achieve positive growth.

The Peninsula Bangkok

Revenue HK$235m	+4%
Occupancy	-4pp
Average room rate	+18%
RevPAR	+9%

2013 marked the 15th Anniversary of **The Peninsula Bangkok**, which enjoys a spectacular location on the banks of the Chao Phraya River, and the hotel celebrated this milestone with a collection of special events and offers. The Lobby was renovated with a floor-to-ceiling restyling to create a contemporary and sophisticated Asian ambience. The first phase of a guest room refurbishment programme was completed, with nine of 32 floors completed by the end of 2013. A new Chef's Table was introduced in the kitchen of the hotel's award-winning Chinese restaurant, Mei Jiang.

This hotel achieved an increase in total revenue of HK$10 million (4%) over 2012. However, further growth was limited by substantial political unrest in the country, especially in the last two months of the year, followed by a State of Emergency being declared in January 2014, which has naturally impacted overseas visitors.

The Peninsula Manila

Revenue HK$292m	-3%
Occupancy	-4pp
Average room rate	+2%
RevPAR	-3%

It was a challenging year in Manila. The Philippines unfortunately suffered from some devastating natural disasters in 2013, including flooding from typhoons, an earthquake in October and a super-typhoon in November which affected tens of thousands of people. To raise funds for the victims, all Peninsula Hotels launched a "Hope for the Philippines" Campaign, with proceeds going directly to the Gawad Kalinga Community Development Foundation to help rebuild the affected areas.

On the business side, the city experienced an unprecedented influx of new hotel room supply, resulting in a 40% increase in the number of available 5-star hotel rooms compared with 2012. In light of this challenging environment, total revenue of **The Peninsula Manila** was HK$10 million (3%) lower than 2012. Nevertheless, the hotel maintained its RevPAR position throughout the year and we plan to enhance our product offering with a renovation of our Club Lounge and Peninsula Suite in 2014. We remain optimistic for the outlook in 2014, given an increased number of meetings, forums and major exhibitions that are expected to be held as part of a global effort to support the economic recovery of the Philippines.

USA:

The Peninsula New York

Revenue HK$592m	+5%
Occupancy	-1pp
Average room rate	+10%
RevPAR	+9%

The Peninsula New York celebrated its 25th Anniversary in 2013 with a spectacular Gala event and the launch of the chic Yabu Pushelberg-designed *Clement* restaurant. After a complete refurbishment in 2012, the Peninsula Suite positively contributed to increased revenue in 2013.

Our New York hotel worked to diversify its client base during the year, with special focus on higher-rated businesses, and visible improvements in its RevPAR positioning within its competitor set. We were pleased to see an increase in hotel revenue of HK$26 million (5%) higher than 2012, with a 10% growth in the average room rate.

Our meetings and events in this hotel saw a double digit increase over the previous year, and we hosted the most successful United Nations General Assembly in our history in September. The financial industry remains a strong base for the hotel and will continue to represent a substantial percentage of room nights.

In April, we opened the Vu Hair Salon and an elegant Nail Suite in The Peninsula Spa. The Peninsula Spa received the Best Spa in New York City award in the 2013 Concierge Choice Awards.

The Peninsula Chicago

Revenue HK$499m	+6%
Occupancy	+2pp
Average room rate	+2%
RevPAR	+4%

The Peninsula Chicago is heavily reliant on domestic business from within North America and is therefore directly influenced by domestic business trends. Chicago is a major conventions market but in 2013 the city experienced a poor convention year as compared with 2012. To further add to a relatively weak environment, Chicago added 1,900 rooms to the market in 2013.

Taking this into consideration, we are pleased to see the 4% improvement in RevPAR and a strong 10% growth in food and beverage revenue during 2013. The Lobby received a Michelin Star from the Michelin Guide in November 2013, which has increased its popularity.

Total revenue of the hotel was HK$30 million (6%) higher than 2012, despite intense local market competition. Our Board approved extensive room renovations for The Peninsula Chicago at approximately HK$164 million (US$21 million), with a focus on our world-class in-room technology. We expect that this will position The Peninsula Chicago as one of the most advanced hotels in the city and will greatly enhance our value and appeal to guests.

The Peninsula Beverly Hills	
Revenue HK$508m	+6%
Occupancy	+3pp
Average room rate	+3%
RevPAR	+4%

General market conditions in Beverly Hills were buoyant in 2013, with growth in international and business travel, particularly from the Middle East and Australia, and recovery in the entertainment and financial sectors. **The Peninsula Beverly Hills** remained a leader in RevPAR in its competitive set and continues to achieve an extraordinarily high repeat guest factor. 2013 was an exceptional year for the hotel with the highest revenue, highest number of days with full occupancy and highest average room rate, resulting in a total revenue that was HK$27 million (6%) higher than 2012 with improved contributions from all areas of the operation.

In 2013 our Beverly Hills hotel completed several infrastructure improvements and the conversion of its Gardenia Meeting Room into a Garden Suite, which contributed to improved revenue. The remodeling of the House Beautiful Suite into the Glamour Suite in honour of Beverly Hills' 100th Anniversary is also well under way and is expected to launch in 2014.

Commercial Properties

Set out below is a breakdown of revenue by individual properties:

HK$m	**2013**	2012	2013 vs 2012
The Repulse Bay Complex, Hong Kong	**540**	518	4%
The Peak Tower, Hong Kong	**157**	131	20%
St. John's Building, Hong Kong	**46**	45	2%
The Landmark, Ho Chi Minh City, Vietnam	**36**	39	(8%)
1-5 Grosvenor Place, London	**16**	-	n/a
21 avenue Kléber, Paris	**11**	-	n/a
	806	733	10%

Our commercial properties division continues to be an important facet of our business and provides an excellent balance for the Group's overall portfolio of assets. This division provides a stable contribution to the Group's earnings through its consistent leasing revenue, counter-balancing the cyclical nature of hotel earnings. The total revenue from this division in 2013 was HK$73 million (10%) higher than the previous year, with significant revenue growth in The Repulse Bay Complex and The Peak Tower. New contributors to our portfolio include **1-5 Grosvenor Place, London,** and **21 avenue Kléber, Paris**, which were acquired in mid-2013 by the Company. More details can be found on pages 16 and 17.

Hong Kong:

The Repulse Bay Complex, Hong Kong

Revenue HK$540m +4%

In line with our strategy of improving our existing assets, enhancing efficiency and increasing the potential for better yield, in 2012 we embarked on an extensive 18-month renovation and reconfiguration programme for **The Repulse Bay Complex**, which is the most important asset within our commercial properties division. The 49 apartments of de Ricou tower, one of the towers of the Complex, were re-launched for lease in 2013. The Tower comprises 34 unfurnished apartments and 15 serviced apartments with significantly improved layouts and interior design. We are delighted to report that de Ricou tower is the first in Hong Kong to be awarded the prestigious LEED Gold Award in the Alteration and Addition category. With renovation of the public areas also completed in 2013, The Repulse Bay Complex is a premier residential property and offers one of the finest and most enjoyable living environments in Hong Kong.

The results of the Complex were pleasing, especially in light of the rather pessimistic sentiment that persisted throughout the year in the Hong Kong residential leasing market. Total revenue of The Repulse Bay Complex was HK$22 million (4%) higher than 2012, due to improved occupancy and rental rates of the 353 apartments in 101 and 109 Repulse Bay Road, and increased inventory from the completion of de Ricou tower refurbishment. The Complex is well-positioned to make the best of the subdued market conditions and will benefit in 2014 from a full year of leasing of de Ricou tower.

The Peak Tower, Hong Kong

Revenue HK$157m +20%

Visitors to Sky Terrace +10%

It was another exciting year for **The Peak Tower** which remains one of Hong Kong's most popular and unique tourist attractions. The Tower generates most of its revenue from commercial leasing, with additional revenue coming from tourist entrance fees to the open-air rooftop attraction of Sky Terrace 428 with its panoramic views of Hong Kong.

This property saw significant growth in 2013 of HK$26 million (20%) as compared with the previous year. Revenue improved from increased rentals in the commercial areas of the property and higher revenue from Sky Terrace 428 after the introduction of the Hong Kong Sky Tour. This is a personal interactive touch-screen audio guide available in several languages, through which visitors can explore Hong Kong's neighborhoods, architecture, history and culture.

St. John's Building, Hong Kong

Revenue
HK$46m

+2%

St. John's Building accommodates the lower terminus of The Peak Tram and leases office space that returns a stable stream of revenue. In 2013 the building achieved revenue growth of HK$1 million (2%) in total revenue compared to 2012. We made capital improvements to maintain the competitiveness of this property, with major renovations in the lobby and common areas. In addition, a new water-cooled air-conditioning system was installed in summer 2013, achieving energy savings. We expect prime office supply to remain limited in the building's vicinity.

Other Asia:

The Landmark, Vietnam

Revenue
HK$36m

-8%

Our portfolio in Asia includes **The Landmark** which is a mixed-use commercial building in Ho Chi Minh City, Vietnam, comprised of serviced apartments and office and retail space. We began a renovation programme of the serviced apartments in December 2011 which will be substantially completed in 2014. Total revenue of The Landmark was HK$3 million (8%) below 2012, partly due to the renovation which resulted in fewer available apartments in the Complex.

With around 4,200 new units planned to enter the market in the next five years, we expect the Vietnam serviced apartment market to remain competitive. Although we remain one of the premier commercial properties in the city, we anticipate that increasing general rental rates will be challenging.

New Commercial Properties:

1-5 Grosvenor Place, London

Revenue
HK$16m

In July 2013, the Company acquired a 50% interest in an existing commercial property located at **1-5 Grosvenor Place,** Belgravia, London, for approximately HK$1,564 million (£132.5 million), exclusive of transaction costs, stamp duty land tax and other applicable taxes. The remaining 50% economic interest is held by Grosvenor, which is the Company's partner in this property. Together with Grosvenor, we will seek planning permission to demolish the existing building and redevelop it into The Peninsula London hotel and residential complex. We target to commence demolition and construction by 2016. The property is currently a commercial complex of approximately 220,000 square feet, which was fully let at year-end and contributes to the revenue of the commercial properties division.

21 avenue Kléber, Paris

Revenue
HK$11m

In Paris, a unique opportunity arose in early 2013 when the commercial building known as **21 avenue Kléber** became available through a private sale process. Given its location immediately adjacent to The Peninsula Paris and the potential of the building to bring long-term value to the Company, we acquired a 100% interest in this property in June 2013 for approximately HK$566 million (€56 million), exclusive of transaction costs and taxes. In the early 20th century, this Second Empire architectural style building was owned by Hotel Majestic Paris, and was subsequently rebuilt in the 1970s. The offices, retail and residential components of the current building are spread over four floors of approximately 4,010 square metres.

Clubs and Services

Set out below is a breakdown of revenue by individual operations:

HK$m	**2013**	2012	2013 vs 2012
Clubs and Consultancy Services	**172**	154	12%
Peninsula Merchandising	**153**	126	21%
Peak Tram	**121**	114	6%
Thai Country Club	**65**	66	(2%)
Quail Lodge & Golf Club	**99**	56	77%
Tai Pan Laundry	**48**	44	9%
	658	560	18%

The Group's clubs and services division includes management and consultancy services, retailing of merchandise, operation of the Peak Tram, operation of golf clubs and provision of dry cleaning and laundry services. The 2013 total revenue from the division was HK$98 million (18%) higher than 2012 as a result of revenue gains in Quail Lodge & Golf Club, Peninsula Clubs and Consultancy Services, and Peninsula Merchandising.

The Peak Tram

Revenue
HK$121m +6%

Total passengers +6%

In Hong Kong, **The Peak Tram** celebrated its 125th Anniversary in 2013. We launched a specially-designed ticket and The Peak Complex was converted into a traditional playground, with weekend street performances at The Peak Tower and souvenirs given to visitors. The Peak Tram continued to be a very popular ride, with 2013 total revenue recorded at HK$7 million (6%) higher than 2012, and almost 6.3 million passengers.

We have submitted a proposal to the Hong Kong Government to improve and enlarge the capacity of the Peak Tram for the long-term future. In the meantime, our right to operate the Peak Tram has been extended for another two years to the end of 2015.

Peninsula Clubs and Consultancy Services

Revenue
HK$172m +12%

Peninsula Clubs and Consultancy Services manage a number of prestigious private clubs in Hong Kong. We also manage and operate most of Cathay Pacific's airport lounges at Hong Kong International Airport and provide consultancy services.

Although there was a HK$18 million (12%) overall increase in revenue in 2013, there was a higher increase in operating costs; in particular, for payroll and food and beverage costs incurred in Cathay Pacific's Lounges due to the increased lounge seating capacity and enhanced food and beverage offerings.

Peninsula Merchandising

Revenue
HK$153m +21%

Peninsula Merchandising continues to be a successful extension of The Peninsula Hotels' brand in the retail world and allows the Company to reach out to regional destinations through franchise arrangements to showcase some of its hallmark merchandise.

In April 2013, following the success of our first two Peninsula Boutiques in Taipei, a third boutique was unveiled at the popular Pacific Sogo Zhongxiao shopping arcade. The business performance of Peninsula Merchandising continues to record significant growth, with a HK$27 million (21%) increase in total revenue over 2012, with mooncake sales being particularly strong.

Quail Lodge & Golf Club

Revenue
HK$99m +77%

The hotel portion at **Quail Lodge & Golf Club** was reopened in March 2013 after a three-year closure and a complete refurbishment. In March 2013 a celebratory Open House welcomed approximately 500 community leaders, customers, business partners and residents to showcase Quail Lodge's renovations. The grand opening of the Lodge took place in August with over 1,000 attendees.

The association with specialist managers Kemper Sports resulted in a notable improvement in revenue at the Golf Club. Total revenue of Quail Lodge & Golf Club was HK$43 million (77%) higher than 2012, of which HK$32 million was contributed by the Lodge.

Quail Lodge & Golf Club hosted the very successful annual *The Quail, A Motorsports Gathering* in August, with more than 4,000 enthusiasts participating this year, while *The Quail Motorcycle Gathering* in May drew over 2,000 motorcycle enthusiasts. These events are very popular and provide a unique opportunity for the promotion of our Lodge and golf courses. Revenue from these events continued to increase due to successful strategies for ticket sales and sponsorships.

Thai Country Club

Revenue
HK$65m

-2%

Thai Country Club continues to be recognised as one of the premier golf courses in Asia, receiving notable awards within the golf course and club house categories of the Asia Pacific Golf Group. Total revenue of the Thai Country Club was similar to 2012, which is an acceptable result given the negative impact of political unrest in the latter part of 2013.

Tai Pan Laundry

Revenue
HK$48m

+9%

As a result of the increased volume of laundry, **Tai Pan Laundry's** revenue was HK$48 million, an increase of HK$4 million over 2012.

Projects and Developments

The focus of the Company's projects and development activities is to establish a small and select number of new Peninsula hotels in key international gateway cities, and continually enhance our existing hotels and other properties to increase their long-term value.

In July 2013, we purchased a 50% economic interest in **1-5 Grosvenor Place**, Belgravia, London for approximately HK$1,564 million (£132.5 million), exclusive of transaction costs, stamp duty land tax and other applicable taxes. The site is a spectacular location at the entrance to Belgravia, opposite the Wellington Arch at Hyde Park Corner with views across to the gardens of Buckingham Palace. A detailed study and design process is being undertaken to determine the total redevelopment cost and to seek requisite planning approvals to turn the site into a luxury mixed-use hotel and residential complex. Proceeding with the redevelopment is subject to mutual agreement between the partners. We target to commence demolition and construction by 2016. The hotel portion will be named **The Peninsula London**, and managed by the Company as operator for an initial period of 50 years with two automatic renewals of 50 years.

The opportunity to establish our presence in **Yangon, Myanmar** arose in 2013. We have entered into a deal with our main partner Yoma Strategic Holdings Limited to restore the heritage building that is the former Myanmar Railway Company headquarters, to be redeveloped as The Peninsula Yangon. A non-binding heads of agreement was signed in April 2013 and definitive agreements signed in January 2014. HSH has a 70% interest in the redevelopment of the historic building based on an agreed land valuation of approximately HK$117 million (US$15 million).

As previously reported, **The Peninsula Paris** has encountered a number of challenges during its construction, resulting in overall delays and cost increases. A considerable amount of time was spent in the first half of 2013 in negotiations with the lead contractor and sub-contractors to mitigate the cost overruns. As a result we and our partners Katara Hospitality agreed with the lead contractor a revised fixed-price construction contract with an increased budget of approximately HK$4,592 million (€429 million) excluding contingency, for which we are responsible for our 20% proportional interest. In 2013, significant construction progress was made. Pre-opening plans are underway and The Peninsula Paris is expected to have its soft opening in 2014.

Financial Review

The Group's adjusted net asset value

Adjusted NAV per share

HK$25.62 + 6%

In the Financial Statements the Group's hotels (other than shopping arcades and offices within the hotels) and golf courses are stated at depreciated cost less accumulated impairment losses, if any, instead of fair value. We believe fair value better represents the underlying economic value of our properties.

Accordingly, we have commissioned an independent third-party fair valuation of the Group's hotels and golf courses as at 31 December 2013, the details of which are set out on page 28. If these assets were to be stated at fair value, the Group's net assets attributable to shareholders would increase by 10% to HK$38,486 million as indicated in the table below.

HK$m	**2013**		2012	
Net assets attributable to shareholders per audited statement of financial position		**35,105**		33,150
Adjusting the value of hotels and golf courses to fair market value	**4,103**		3,619	
Less: Related deferred tax and non-controlling interests	**(722)**		(373)	
		3,381		3,246
Adjusted net assets attributable to shareholders		**38,486**		36,396
Audited net assets per share (HK$)		**23.37**		22.07
Adjusted net assets per share (HK$)		**25.62**		24.23

The Group's underlying earnings

Underlying EPS

HK$0.34 +17%

Our operating results are mainly derived from the operation of hotels and letting of commercial properties and we manage the Group's operations with principal reference to its underlying operating cash flows and recurring earnings. However, to comply with the applicable accounting standards, we are required to include non-operating and non-recurring items, such as any changes in fair value of investment properties, in our income statement. In order to provide a better reflection of the performance of the Group without the non-operating and non-recurring items, we have provided calculations of the Group's underlying profit attributable to shareholders and underlying earnings per share, which are determined by excluding the post-tax effects of the property revaluation movements and other non-operating items on the next page.

The Group's underlying profit attributable to shareholders for the year ended 31 December 2013 increased by 16% to HK$511 million.

HK$m	2013	2012	2013 vs 2012
Profit attributable to shareholders	**1,712**	1,555	10%
Increase in fair value of investment properties	**(1,403)**	(1,073)	
Share of property revaluation loss of The Peninsula Shanghai, net of tax	**178**	14	
Gain on disposal of an unlisted equity investment	**(3)**	(46)	
Tax and non-controlling interests attributable to non-operating items	**27**	(11)	
Underlying profit attributable to shareholders	**511**	439	16%
Underlying earnings per share (HK$)	**0.34**	0.29	17%

Income statement

The Group's consolidated income statement for the year ended 2013 is set out on page 33. The following table summarises the key components of the Group's profit and loss. This table should be read in tandem with the commentaries set out on pages 22 to 26 of this Financial Review.

HK$m	2013	2012	2013 vs 2012
Turnover	**5,508**	5,178	6%
Direct operating costs	**(4,202)**	(3,977)	6%
EBITDA	**1,306**	1,201	9%
Depreciation and amortisation	**(395)**	(384)	3%
Net financing charges	**(94)**	(85)	11%
Share of result of The Peninsula Shanghai	**(280)**	(125)	124%
Non-operating items	**1,406**	1,119	26%
Taxation	**(231)**	(170)	36%
Profit for the year	**1,712**	1,556	10%
Non-controlling interests	**-**	(1)	(100%)
Profit attributable to shareholders	**1,712**	1,555	10%

Turnover

The Group's turnover in 2013 increased by 6% to HK$5,508 million and the breakdown of this by business segment and geographical segment is set out in the following table.

Consolidated revenue by business segment HK$m	**2013**	2012	2013 vs 2012
Hotels	**4,044**	3,885	4%
Commercial Properties	**806**	733	10%
Clubs and Services	**658**	560	18%
	5,508	5,178	6%

Consolidated revenue by geographic location HK$m	**2013**	2012	2013 vs 2012
Arising in			
Hong Kong	**2,505**	2,224	13%
Other Asia	**1,786**	1,864	(4%)
United States of America	**1,190**	1,090	9%
Europe	**27**	n/a	n/a
	5,508	5,178	6%

Turnover HK$5,508m +6%

Hotel
HK$4,044m +4%

Commercial Properties
HK$806m +10%

Clubs & Services
HK$658m +18%

Our hotels division is the main contributor to the Group's revenue, accounting for 73% of total revenue. In 2013, our hotels generally performed well and achieved satisfactory revenue growth as a result of our effective marketing campaigns and revenue management strategy. The breakdown of revenue by hotels and detailed discussions of the operating performances of individual hotels are set out in the Business Review section on pages 8 to 14.

Our commercial properties division achieved a revenue growth of 10%, mainly due to increased contributions from its Hong Kong properties; in particular, The Repulse Bay Complex and The Peak Tower. During 2013, the Group acquired two properties, one in Paris and one in London (which is being held for redevelopment at a later date). Further details of these properties are set out on pages 26 and 27 and detailed discussions of the operating performances of individual commercial properties, including these two newly acquired properties are set out in the Business Review section on pages 14 to 17.

Our clubs and services division includes businesses relating to the provision of management services, wholesaling and retailing of merchandise, operation of the Peak Tram, operation of golf clubs and provision of dry cleaning and laundry services. The division's 18% increase in revenue was mainly due to the re-opening of the hotel portion at Quail Lodge & Golf Club in March 2013 and the increased mooncake revenue achieved by Peninsula Merchandising during the year. Detailed discussions of the operating performances of the businesses of this division are set out in the Business Review section on pages 17 to 19.

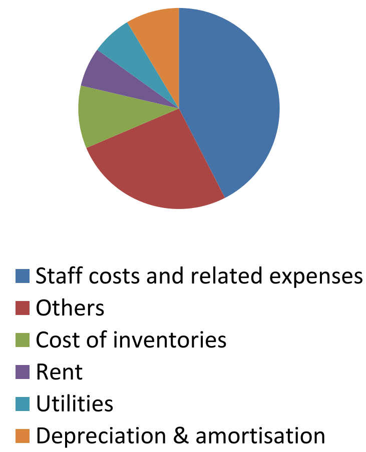
Operating costs

Operating costs HK$4,597m +5%

In 2013, our operating costs increased by 5% to HK$4,597 million, due to higher business levels and depreciation charges following the major enhancement projects at The Peninsula Hong Kong and various other locations.

Excluding depreciation and amortisation of HK$395 million, direct operating costs of the Group for 2013 amounted to HK$4,202 million, an increase of 6% over 2012.

Given the nature of operating high-end luxury hotels, staff costs continued to be the largest portion of operating costs. As at 31 December 2013, the Group's direct operations had 5,772 full-time employees. There was an increase of 288 headcounts over 2012 due to the introduction of a 5-day work week for the Group's Hong Kong operations as well as gradual filling of vacant positions. Staff costs and related expenses for the year increased by 6% to HK$1,951 million, representing 46% (2012: 46%) of the Group's direct operating costs and 35% (2012: 36%) of the Group's revenue.



Full time headcount at year end	**2013**			2012			
	Direct operations	**Managed operations**	**Total**	Direct operations	Managed operations	Total	2013 vs 2012
By division:							
Hotels	**4,565**	**1,312**	**5,877**	4,354	1,258	5,612	5%
Commercial Properties	**332**	**-**	**332**	314	-	314	6%
Clubs and Services	**875**	**427**	**1,302**	816	427	1,243	5%
	5,772	**1,739**	**7,511**	5,484	1,685	7,169	5%
By geographical location:							
Hong Kong	**1,943**	**427**	**2,370**	1,778	427	2,205	7%
Other Asia	**2,780**	**884**	**3,664**	2,701	847	3,548	3%
United States of America	**1,049**	**422**	**1,471**	1,005	411	1,416	4%
Europe	**-**	**6**	**6**	n/a	n/a	n/a	n/a
	5,772	**1,739**	**7,511**	5,484	1,685	7,169	5%

EBITDA and EBITDA Margin

EBITDA (earnings before interest, taxation, depreciation and amortisation) of the Group increased by HK$105 million or 9% to HK$1,306 million in 2013. Compared to an increase of HK$330 million or 6% in consolidated revenue, the increase in EBITDA represented a flow-through of 32%. Our efforts to control costs have resulted in an increase of one percentage point in the Group's overall EBITDA margin to 24%.

The table below sets out the breakdown of the Group's EBITDA by business segment and by geographical segment.

EBITDA (HK$m)	Hong Kong	Other Asia	United States of America	Europe	Total
2013					
Hotels	**452**	**189**	**8**	**-**	**649**
Commercial Properties	**484**	**16**	**-**	**21**	**521**
Clubs and Services	**144**	**15**	**(23)**	**-**	**136**
	1,080	**220**	**(15)**	**21**	**1,306**
	83%	**17%**	**(1%)**	**1%**	**100%**
2012					
Hotels	384	181	31	n/a	596
Commercial Properties	453	21	-	n/a	474
Clubs and Services	135	18	(22)	n/a	131
	972	220	9	n/a	1,201
	81%	18%	1%	n/a	100%
Change 2013 vs 2012	11%	-	(267%)	n/a	9%

EBITDA margin	2013	2012
Hotels	**16%**	15%
Commercial Properties	**65%**	65%
Clubs and Services	**21%**	23%
Overall EBITDA margin	**24%**	23%
Arising in:		
Hong Kong	**43%**	44%
Other Asia	**12%**	12%
United States of America	**(1%)**	1%
Europe	**78%**	n/a

The hotel business is a labour-intensive industry, and it requires a relatively high cost of inventories to maintain the quality of service and food and beverage. Despite rising costs and the introduction of a 5-day work week for The Peninsula Hong Kong, we are pleased to have been able to improve our hotels division's EBITDA margin by one percentage point to 16% in 2013.

The EBITDA margin of the commercial properties division in 2013 remained stable due to the nature of the leasing business. On the other hand, the clubs and services division's EBITDA margin decreased by two percentage points to 21%, mainly due to the reopening of the hotel portion of Quail Lodge & Golf Club which has yet to reach a stabilised level of operation as well as the increased cost base of the Cathay Pacific Airways' First and Business Class Lounges at Hong Kong International Airport.

Depreciation and amortisation

The depreciation and amortisation charge of HK$395 million (2012: HK$384 million) largely relates to the hotels and in particular following the renovation project at The Peninsula Hong Kong. Depreciation charges are substantial and as such the Group adopts a rolling 5-year capital expenditure plan that is reviewed regularly to monitor planned replacement of furniture, fixtures and equipment, purchase of new items and major upgrade or enhancement projects.

Non-operating items

The increase in fair value of investment properties for the year was principally attributable to the increase in appraised market value of The Repulse Bay Complex and the shopping arcades at The Peninsula Hong Kong and The Peninsula New York. These increases reflect the growth in underlying committed rentals, in particular, those achieved by the shops at The Peninsula New York. HK$523 million of the investment property revaluation surplus was attributable to a successful restructuring of the leases of the retail spaces at The Peninsula New York.

During the year, the Group further received a deferred consideration of HK$3 million in respect of the 2012 disposal of its interest in Inncom International, Inc.

Results of The Peninsula Shanghai

The Group, through its joint venture The Peninsula Shanghai Waitan Hotel Company Limited ("PSW"), owns a 50% interest in The Peninsula Shanghai Complex. This comprises a hotel, a shopping arcade and a residential tower of 39 apartments. In addition to operation of the hotel and leasing of the shopping arcade and apartments, PSW also sublets and manages No. 1 Waitanyuan, which is adjacent to the Complex.

The Peninsula Shanghai performed well in 2013 and was the market leader in terms of RevPAR in its competitive set and generated an EBITDA of HK$92 million (2012: HK$68 million). However, given that it is a highly-geared property, and in order to reduce financing charges, PSW resolved in July 2013 to sell 19 apartment units in the market. Accordingly, these apartment units were reclassified from "investment properties" to "assets held for sale" during 2013. Following this reclassification, these apartment units are stated at their fair value net of the estimated selling costs to be incurred as required by the applicable accounting standard, whereas the remaining 20 apartment units, which are available for lease, continue to be stated at fair value.

As a result of the above accounting reclassification, an unrealised net loss on revaluation of HK$355 million was recognised by PSW in 2013. This loss mainly comprises the PRC land appreciation tax in respect of the 19 apartment units held for sale which is assessed based on progressive tax rates of 30% - 60% of the appreciation in value which was not previously provided for when these apartment units were previously accounted for as long-term investment properties.

After accounting for the unrealised net loss on revaluation, depreciation and net financing charges, the loss sustained by PSW in 2013 amounted to HK$560 million (2012: HK$250 million) and the Group's share of PSW's loss for the year amounted to HK$280 million (2012: HK$125 million).

Balance sheet

The Group's financial position as at 31 December 2013 remained strong, with year-on-year increase of shareholders' funds of 6% to HK$35,105 million, representing a per share value of HK$23.37 compared to HK$22.07 in 2012. The consolidated balance sheet of the Group as at 31 December 2013 is presented on page 35 and the key components of the Group's assets and liabilities are set out in the table below.

HK$m	**2013**	2012	2013 vs 2012
Fixed assets	**38,187**	34,123	12%
Other long term assets	**2,571**	2,517	2%
Cash at banks and in hand	**1,494**	2,185	(32%)
Other assets	**867**	982	(12%)
	43,119	39,807	8%
Interest-bearing borrowings	**(5,486)**	(4,174)	31%
Other liabilities	**(2,259)**	(2,194)	3%
	(7,745)	(6,368)	22%
Net assets	**35,374**	33,439	6%
Represented by			
Shareholders' funds	**35,105**	33,150	6%
Non-controlling interest	**269**	289	(7%)
Total equity	**35,374**	33,439	6%

Fixed assets

The Group has interests in nine operating hotels in Asia and the USA and is developing a hotel in Paris, in which the Group has a 20% interest. In addition to hotel properties, the Group owns residential apartments, office towers and commercial buildings for rental purposes.

In line with our vision of investing in assets for their long-term value, we completed two significant enhancement projects for The Peninsula Hong Kong and The Repulse Bay Complex, including a major reconfiguration of de Ricou tower and the upgrade of the public areas of the Complex.

We also acquired two additional commercial properties to complement our property portfolio. In June 2013 a commercial building in Paris known as 21 avenue Kléber was purchased for approximately HK$566 million (€56 million) exclusive of transaction costs and taxes. On 25 July 2013, we completed the acquisition of a 50% interest in 1-5 Grosvenor Place in London for approximately HK$1,564 million

(£132.5 million) exclusive of transaction costs, stamp duty land tax and other applicable taxes. 1-5 Grosvenor Place is currently leased out, but we are working with our partner Grosvenor on designs, costs and planning consent with a view to redeveloping this property into The Peninsula London hotel and residential complex.

Our hotel properties and investment properties are accounted for in different ways. The hotel properties (other than shopping arcades and offices within the hotels) and golf courses are stated at cost less accumulated depreciation and any provision for impairment losses, while investment properties are stated at fair value. Therefore independent valuers have been engaged to conduct a fair valuation of these properties as at 31 December 2013, and a summary of the Group's hotel, commercial and other properties showing both the book value and the fair value as at 31 December 2013 is set out in the table on the following page.

	Group's interest	100% value: Fair value based on independent valuation (HK$m)	100% value: Book value (HK$m)
Hotels			
The Peninsula Hong Kong	100%	11,850	9,903
The Peninsula New York	100%	2,327	1,744
The Peninsula Beijing	76.6% *	1,843	1,399
The Peninsula Chicago	100%	1,340	1,123
The Peninsula Tokyo	100%	1,211	833
The Peninsula Bangkok	75%	795	778
The Peninsula Manila	77.4%	262	255
		19,628	16,035
Commercial properties			
The Repulse Bay Complex	100%	16,376	16,376
The Peak Tower	100%	1,276	1,276
St. John's Building	100%	894	894
21 avenue Kléber (acquired in June 2013)	100%	642	642
1-5 Grosvenor Place (acquired in July 2013)	50%	3,580	3,580
The Landmark	70% **	85	85
		22,853	22,853
Other properties			
Thai Country Club golf course	75%	245	239
Quail Lodge resort, golf course and vacant land	100%	266	257
Vacant land near Bangkok	75%	317	317
Others	100%	187	98
		1,015	911
Total market/ book value		43,496	39,799
Hotel and investment property held by a joint venture			
The Peninsula Shanghai Complex ***	50%	5,480	5,202
Hotel property held by an associate company			
The Peninsula Beverly Hills	20%	2,245	463

* *The Group owns 100% economic interest in The Peninsula Beijing with a reversionary interest to the PRC partner at the end of the co-operative joint venture period.*

** *The Group owns 50% of the economic interest of the Landmark with a reversionary interest to the Vietnamese partner at the end of the joint venture period.*

*** *Excluding the 19 apartment units held for sale.*

Other long-term assets

The balance of HK$2,571 million of other long-term assets as at 31 December 2013 (2012: HK$2,517 million) principally represents the Group's 50% interest in The Peninsula Shanghai (PSH) and 20% in The Peninsula Paris. The 2013 results of PSH were equity accounted for in our consolidated financial statements.

In addition, the Group has a 20% interest in The Peninsula Beverly Hills, which we previously accounted for as an unlisted investment. Following a reclassification we will start accounting for The Peninsula Beverly Hills on an equity accounting basis from 2014.

Cash at banks and in hand and interest-bearing borrowings

As at 31 December 2013, the Group's cash at banks and in hand decreased to HK$1.5 billion and interest-bearing borrowings increased to HK$5.5 billion. While the net cashflow from operations was sufficient to cover capital expenditure of existing assets including the guestroom renovation at The Peninsula Hong Kong and the upgrade project at The Repulse Bay Complex, the additional borrowings were mainly to fund the acquisition of 21 avenue Kléber and 1-5 Grosvenor Place. A breakdown of the Group's capital expenditures for the year ended 31 December 2013 is set out on page 30. Further details of the Group's borrowing profile, gearing, interest cover and treasury management are discussed on pages 31 and 32.

Cash flows

The consolidated statement of cash flows of the Group for the year ended 31 December 2013 is set out on page 36. The following table summarises the key cash movements leading to the increase in net borrowings of the Group as at 31 December 2013.

HK$m	**2013**	2012
EBITDA	**1,306**	1,201
Net change in debtors/creditors	**95**	(68)
Tax payment	**(93)**	(169)
Net cash generated from operating activities	**1,308**	964
Capital expenditure on existing assets	**(928)**	(875)
Net cash inflow after normal capital expenditure	**380**	89
Acquisition of new properties	**(2,293)**	-
Net cash (outflow)/ inflow before dividends and other payments	**(1,913)**	89

The decrease in current tax payments in 2013 was mainly due to depreciation allowances in respect of the capital expenditure incurred in renovations of The Peninsula Hong Kong and The Repulse Bay Complex, which resulted in a substantial reduction of Hong Kong profits tax.

Our after-tax net cash generated from operating activities for the year amounted to HK$1,308 million (2012: HK$964 million), of which HK$928 million (2012: HK$875 million) was applied to fund capital expenditure on existing assets, which included the capital expenditure of HK$491 million (2012: HK$556 million) for The Peninsula Hong Kong and The Repulse Bay Complex. Free operating cash flow of HK$380 million (2012: HK$89 million) resulted after capital expenditure on existing assets.

In addition to capital expenditure on existing assets, the Group also incurred HK$2,293 million for the acquisitions of 1-5 Grosvenor Place, London and 21 avenue Kléber, Paris. The breakdown of the Group's spending on its existing assets and the new acquisitions is analysed below.

HK$m	**2013**	2012
Properties upgrade		
Hotels		
The Peninsula Hong Kong (including guestroom renovation)	**198**	336
Other hotels	**265**	183
Commercial properties		
The Repulse Bay Complex (including de Ricou reconfiguration)	**293**	220
Other properties	**50**	42
Clubs and services	**122**	94
	928	875
New acquisitions (inclusive of taxes and transaction costs)		
1-5 Grosvenor Place	**1,688**	-
21 avenue Kléber	**605**	-
	2,293	-
	3,221	875

Capital commitments

The Group is committed to enhancing the asset value of its hotel and investment properties and for the long-term value of these assets. As at 31 December 2013, the Group's capital commitments amounted to HK$2,046 million (2012: HK$1,520 million) and the breakdown is as follows:

HK$m	**2013**	2012
Capital commitments		
Major enhancement projects		
The Peninsula Beijing	**1,138**	-
The Peninsula Chicago	**164**	-
The Peninsula Hong Kong	**-**	236
The Repulse Bay Complex	**-**	420
Quail Lodge & Golf Club	**72**	159
Others	**672**	705
	2,046	1,520
The Group's share of capital commitments of		
- a joint venture	**9**	22
- associates	**210**	387

The Group is planning to embark on a major renovation programme for The Peninsula Beijing to enhance its position in a highly competitive market. The cost of this major renovation is estimated to be approximately HK$1,138 million (RMB890 million). 2014 will be a year of planning, and construction work is scheduled to be completed in early 2017. Given the size of the investment and the scale of the required work, the Group is reviewing a number of scenarios with a view to minimising disruption to the hotel's operations and its retail tenants.

In addition, following the completion of the upgrade project of The Peninsula Chicago's main suite and rooftop bar, the Group is planning to renovate all guestrooms of the hotel at an estimated cost of approximately HK$164 million (US$21 million). This renovation is expected to be completed in mid-2015.

Treasury Management

The Group manages treasury activities centrally at our corporate office in Hong Kong. We are exposed to liquidity, foreign exchange, interest rate and credit risks in its normal course of business and have policies and procedures in place to handle such risks.

In 2013, gross borrowings increased to HK$5,486 million (2012: HK$4,174 million). Consolidated net debt increased to HK$3,992 million as compared to HK$1,989 million in 2012 taking into account cash of HK$1,494 million (2012: HK$2,185 million). Gearing, expressed as a percentage of net borrowings to the total of net borrowings and shareholders' funds, increased from 6% to 10% while funds from operations (EBITDA less tax paid and less net interest paid) to net debt ratio decreased from 48% to 28%. These ratios still reflect a very healthy financial position of the Group.

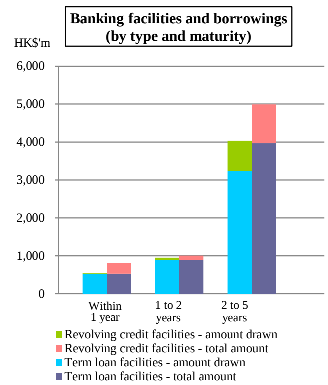
The average debt maturity increased from 2.4 years to 3.5 years.

In addition to the Group's consolidated borrowings, The Peninsula Shanghai (50% owned), The Peninsula Beverly Hills (20% owned) and The Peninsula Paris (20% owned) have non-recourse bank borrowings, which are not consolidated in the statement of financial position as the entities owning the assets are not subsidiaries of the Company.

The consolidated and non-consolidated borrowings as at 31 December 2013 are summarised as follows:

HK$m	**2013** Hong Kong	Other Asia	United States of America	Europe	Total	2012 Total
Consolidated gross borrowings	**2,057**	**2,079**	**714**	**636**	**5,486**	4,174
Non-consolidated gross borrowings attributable to the Group*:						
The Peninsul Shanghai (50%)	-	**1,412**	-	-	**1,412**	1,425
The Peninsula Beverly Hills (20%)	-	-	**218**	-	**218**	218
The Peninsula Paris (20%)	-	-	-	**446**	**446**	215
Non-consolidated borrowings	-	**1,412**	**218**	**446**	**2,076**	1,858
Consolidated and non-consolidated gross borrowings	**2,057**	**3,491**	**932**	**1,082**	**7,562**	6,032

** Represented HSH's attributable share of borrowings*



CONSOLIDATED INCOME STATEMENT (HK$m)

	Note	Year ended 31 December 2013	2012
Turnover	2	**5,508**	5,178
Cost of inventories		**(463)**	(427)
Staff costs and related expenses		**(1,951)**	(1,842)
Rent and utilities		**(586)**	(607)
Other operating expenses		**(1,202)**	(1,101)
Operating profit before interest, taxation, depreciation and amortisation ("EBITDA")		**1,306**	1,201
Depreciation and amortisation		**(395)**	(384)
Operating profit		**911**	817
Interest income		**46**	56
Financing charges		**(140)**	(141)
Net financing charges		**(94)**	(85)
Profit after net financing charges		**817**	732
Share of result of a joint venture	9	**(280)**	(125)
Increase in fair value of investment properties	7(b)	**1,403**	1,073
Gain on disposal of an unlisted equity instrument		**3**	46
Profit before taxation		**1,943**	1,726
Taxation			
Current tax	3	**(130)**	(106)
Deferred tax	3	**(101)**	(64)
Profit for the year		**1,712**	1,556
Profit attributable to:			
Shareholders of the Company		**1,712**	1,555
Non-controlling interests		**-**	1
Profit for the year		**1,712**	1,556
Earnings per share, basic and diluted (HK$)	4	**1.14**	1.04

Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 5.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (HK$m)

	Year ended 31 December 2013	2012 *(restated)*
Profit for the year	**1,712**	1,556
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	**314**	179
- financial statements of a joint venture	**33**	13
- loans to an associate	**26**	10
- hotel operating rights	**26**	11
	399	213
Cash flow hedges:		
- effective portion of changes in fair values	**(1)**	(18)
- transfer from equity to profit or loss	**38**	44
	436	239
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit retirement obligations	**1**	1
Total comprehensive income for the year	**2,149**	1,796
Total comprehensive income attributable to:		
Shareholders of the Company	**2,165**	1,785
Non-controlling interests	**(16)**	11
Total comprehensive income for the year	**2,149**	1,796

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)

	Note	At 31 December 2013	2012 (restated)
Non-current asset			
Fixed assets			
Properties, plant and equipment		**5,963**	6,015
Investment properties		**32,224**	28,108
	7	**38,187**	34,123
Interest in associates	8	**822**	572
Interest in a joint venture	9	**1,045**	1,229
Hotel operating rights	10	**693**	670
Derivative financial instruments		**8**	-
Deferred tax assets		**3**	46
		40,758	36,640
Current assets			
Inventories		**100**	96
Trade and other receivables	11	**575**	568
Amount due from a joint venture		**192**	311
Derivative financial instruments		**-**	7
Cash at banks and in hand	12	**1,494**	2,185
		2,361	3,167
Current liabilities			
Trade and other payables	13	**(1,175)**	(1,113)
Interest-bearing borrowings	14	**(550)**	(1,078)
Derivative financial instruments		**(13)**	(52)
Current taxation		**(48)**	(34)
		(1,786)	(2,277)
Net current assets		**575**	890
Total assets less current liabilities		**41,333**	37,530
Non-current liabilities			
Interest-bearing borrowings	14	**(4,936)**	(3,096)
Trade and other payables	13	**(276)**	(285)
Net defined benefit retirement obligations		**(18)**	(19)
Derivative financial instruments		**(22)**	(36)
Deferred tax liabilities		**(707)**	(655)
		(5,959)	(4,091)
Net assets		**35,374**	33,439
Capital and reserves			
Share capital	15	**751**	751
Reserves		**34,354**	32,399
Total equity attributable to shareholders of the Company		**35,105**	33,150
Non-controlling interests		**269**	289
Total equity		**35,374**	33,439

CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)

	Note	Year ended 31 December 2013	2012
Operating activities			
Profit after net financing charges		**817**	732
Adjustments for:			
Depreciation	7(a)	**392**	381
Amortisation of hotel operating rights	10	**3**	3
Interest income		**(46)**	(56)
Financing charges		**140**	141
Loss on disposal of fixed assets		**6**	1
Operating profit before changes in working capital		**1,312**	1,202
(Increase)/decrease in inventories		**(8)**	2
Increase in trade and other receivables		**(48)**	(62)
Increase/(decrease) in trade and other payables		**145**	(9)
Cash generated from operations		**1,401**	1,133
Net tax paid:			
Hong Kong profits tax paid		**(46)**	(117)
Overseas tax paid		**(47)**	(52)
Net cash generated from operating activities		**1,308**	964
Investing activities			
Payment for the purchase of fixed assets		**(928)**	(875)
Payment for the acquisition of properties		**(2,293)**	-
Net repayment from a joint venture		**63**	181
Loans to an associate		**(224)**	-
Proceeds from sale of fixed assets		**-**	1
Proceeds from disposal of an unlisted equity instrument		**3**	46
Net cash used in investing activities		**(3,379)**	(647)
Financing activities			
Drawdown of term loans		**2,366**	1,495
Repayment of term loans		**(1,203)**	(533)
Net increase/(decrease) in revolving loans		**516**	(914)
Net withdrawal/(placement) of interest-bearing bank deposits with maturity of more than three months		**54**	(487)
Interest paid and other financing charges		**(158)**	(127)
Interest received		**44**	56
Dividends paid to shareholders of the Company		**(210)**	(95)
Dividends paid to holders of non-controlling interests		**(4)**	(5)
Net cash generated from/(used in) financing activities		**1,405**	(610)
Net decrease in cash and cash equivalents		**(666)**	(293)
Cash and cash equivalents at 1 January		**1,682**	1,963
Effect of changes in foreign exchange rates		**20**	12
Cash and cash equivalents at 31 December	12	**1,036**	1,682

Notes to the 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"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies 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").

2. Turnover (HK$m)

The Company is an investment holding company; its subsidiary companies, associates, joint operation and joint venture 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:

	2013	2012
Hotels *(note 6(a))*		
Rooms	**1,768**	1,637
Food and beverage	**1,218**	1,232
Commercial	**687**	639
Others	**371**	377
	4,044	3,885
Commercial Properties *(note 6(a))*	**806**	733
Clubs and Services *(note 6(a))*	**658**	560
	5,508	5,178

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

	2013	2012
Current tax - Hong Kong profits tax		
Provision for the year	**84**	65
Over-provision in respect of prior years	**(6)**	(2)
Net provision for the year	**78**	63
Current tax - Overseas		
Net change for the year	**52**	43
	130	106
Deferred tax		
Increase in net deferred tax liabilities relating to revaluation of overseas investment properties	**29**	(8)
Increase in net deferred tax liabilities relating to other temporary differences	**72**	72
	101	64
Total	**231**	170

The provision for Hong Kong profits tax for 2013 is calculated at 16.5% (2012: 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.

4. Earnings per share

(a) Earnings per share - basic

	2013	2012
Profit attributable to shareholders of the Company (HK$m)	**1,712**	1,555
Weighted average number of shares in issue (million shares)	**1,502**	1,496
Earnings per share (HK$)	**1.14**	1.04

	2013 (million shares)	*2012 (million shares)*
Issued shares at 1 January	***1,502***	*1,490*
Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of the 2011 final dividend	***-***	*6*
Weighted average number of shares at 31 December	***1,502***	*1,496*

(b) Earnings per share - diluted

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2013 and 2012 and hence the diluted earnings per share is the same as the basic earnings per share.

5. Dividends (HK$m)

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

	2013	2012
Interim dividend declared and paid of 4 HK cents per share (2012: 4 HK cents per share)	**60**	60
Final dividend proposed after the end of reporting period of 12 HK cents per share (2012: 10 HK cents per share)	**180**	150
	240	210

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

	2013	2012
Final dividend in respect of the previous financial year, approved and paid during the year, of 10 HK cents per share (2012: 10 HK cents per share)	**150**	149

6. 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.

6. Segment reporting (HK$m) *continued*

(a) Segment results (HK$m)

The results of the Group's reportable segments for the years ended 31 December 2013 and 2012 are set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	Year ended 31 December							
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Reportable segment revenue*	**4,044**	3,885	**806**	733	**658**	560	**5,508**	5,178
Reportable segment earnings before interest, taxation, depreciation and amortisation (EBITDA)	**649**	596	**521**	474	**136**	131	**1,306**	1,201
Depreciation and amortisation	**(358)**	(355)	**(10)**	(7)	**(27)**	(22)	**(395)**	(384)
Segment operating profit	**291**	241	**511**	467	**109**	109	**911**	817

**** Analysis of segment revenue***

	2013	*2012*
Hotels		
- *Rooms*	***1,768***	*1,637*
- *Food and beverage*	***1,218***	*1,232*
- *Commercial*	***687***	*639*
- *Others*	***371***	*377*
	4,044	*3,885*
Commercial properties		
Rental revenue from:		
- *Residential properties*	***415***	*390*
- *Offices*	***93***	*67*
- *Shopping arcades*	***298***	*276*
	806	*733*
Clubs and Services		
- *Clubs and consultancy services*	***172***	*154*
- *Peak Tram operation*	***121***	*114*
- *Others*	***365***	*292*
	658	*560*
	5,508	*5,178*

6. Segment reporting (HK$m) *continued*

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.

(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 2013 and 2012 are set out as follows:

	Note	**2013**	2012
Reportable segments' assets			
Hotels		**17,269**	16,635
Commercial properties		**21,273**	17,899
Clubs and services		**1,013**	923
		39,555	35,457
Unallocated assets			
Interest in associates	8	**822**	572
Interest in a joint venture	9	**1,045**	1,229
Derivative financial instruments		**8**	7
Deferred tax assets		**3**	46
Amount due from a joint venture		**192**	311
Cash at banks and in hand	12	**1,494**	2,185
Consolidated total assets		**43,119**	39,807

(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 right and the location of operations in the case of interests in associates, joint operation, joint venture and hotel operating rights.

	Revenue from external customers		Specified non-current assets	
	2013	2012	**2013**	2012
Hong Kong	**2,505**	2,224	**28,689**	27,289
Other Asia *	**1,786**	1,864	**4,961**	5,535
United States of America	**1,190**	1,090	**3,199**	2,575
Europe	**27**	-	**3,898**	1,195
	5,508	5,178	**40,747**	36,594

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

7. Fixed assets (HK$m)

(a) Movements of fixed assets

	Freehold land	Hotel and other buildings held for own use	Plant, machinery and other fixed assets	Sub-total	Investment properties	Interests in leasehold land held under finance leases	Total fixed assets
Cost or valuation:							
At 1 January 2012	956	7,084	4,174	12,214	26,803	1	39,018
Exchange adjustments	22	8	(35)	(5)	15	-	10
Additions	32	128	518	678	307	-	985
Disposals	-	(114)	(390)	(504)	(1)	-	(505)
Transfer	-	89	-	89	(89)	-	-
Fair value adjustment	-	-	-	-	1,073	-	1,073
At 31 December 2012	1,010	7,195	4,267	12,472	28,108	1	40,581
Representing:							
Cost	1,010	7,195	4,267	12,472	-	1	12,473
Valuation - 2012	-	-	-	-	28,108	-	28,108
	1,010	7,195	4,267	12,472	28,108	1	40,581
At 1 January 2013	**1,010**	**7,195**	**4,267**	**12,472**	**28,108**	**1**	**40,581**
Exchange adjustments	**(47)**	**(274)**	**(117)**	**(438)**	**125**	**-**	**(313)**
Additions	**-**	**10**	**585**	**595**	**2,588**	**-**	**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**	**32,224**	**1**	**44,802**
Representing:							
Cost	**963**	**6,940**	**4,674**	**12,577**	**-**	**1**	**12,578**
Valuation - 2013	**-**	**-**	**-**	**-**	**32,224**	**-**	**32,224**
	963	**6,940**	**4,674**	**12,577**	**32,224**	**1**	**44,802**
Accumulated depreciation and impairment losses:							
At 1 January 2012	366	3,258	2,911	6,535	-	1	6,536
Exchange adjustments	11	45	(12)	44	-	-	44
Charge for the year	-	150	231	381	-	-	381
Written back on disposals	-	(114)	(389)	(503)	-	-	(503)
At 31 December 2012	377	3,339	2,741	6,457	-	1	6,458
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**
Net book value:							
At 31 December 2013	**612**	**3,559**	**1,792**	**5,963**	**32,224**	**-**	**38,187**
At 31 December 2012	633	3,856	1,526	6,015	28,108	-	34,123

7. Fixed assets **(HK$m)** *continued*

(a) Movements of fixed assets *continued*

During 2013, the Group acquired items of fixed assets with a cost of HK$3,183 million (2012: HK$985 million), of which HK$605 million and HK$1,688 million related to the newly acquired investment properties in Paris and London respectively.

The Group assessed the recoverable amounts of its fixed assets (other than investment properties) at the end of the reporting date in accordance with the accounting policy. No provision for or reversal of impairment is required as at 31 December 2013.

(b) All investment properties of the Group were revalued as at 31 December 2013. 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 Institute of Chartered Surveyors
	HVS	Members of the Royal Institute of Chartered Surveyors

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

8. Interest in associates (HK$m)

	At 31 December **2013**	2012
Loans to an associate	**822**	572

* *The loans to an associate are denominated in Euros, unsecured, interest-bearing at rates related to the rates published by the French tax authorities and are carried at their estimated recoverable amounts. During the year ended 31 December 2013, an additional loan of EUR21 million (HK$224 million) (2012: nil) was provided to the associate. EUR34 million (HK$364 million) (2012: EUR13 million (HK$133 million)) of the loans is repayable in or before December 2020 while the remaining balance of the loans is repayable on 25 April 2017.*

(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
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 in turn owns a property in Paris to be redeveloped into a Peninsula hotel.*

\# *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.*

(b) The associates' attributable assets as at 31 December 2013 was HK$1,380 million (2012: HK$857 million). The associates' attributable liabilities as at 31 December 2013 was HK$1,380 million (2012: HK$857 million). The associates' attributable revenue for the year ended 31 December 2013 was HK$nil (2012: HK$nil) and the attributable results for the year ended 31 December 2013 are considered to be HK$nil (2012: HK$nil). The associates' attributable accumulated results as at 31 December 2013 were not significant (31 December 2012: not significant).

(c) Majestic has pledged its properties under development as security for a loan facility amounting to EUR220 million (HK$2,355 million). As at 31 December 2013, the loan drawn down amounted to EUR208 million (HK$2,230 million) (31 December 2012: EUR109 million (HK$1,120 million)). As at 31 December 2013, the net carrying amount of these pledged assets amounted to EUR566 million (HK$6,056 million) (31 December 2012: EUR404 million (HK$4,144 million)).

8. Interest in associates (HK$m) *continued*

(d) BHP has pledged its hotel property and other assets to an independent financial institution as security for BHP's loan facility, amounting to US$140 million (HK$1,092 million) (31 December 2012: US$140 million (HK$1,092 million)). The net carrying amount of these pledged assets amounted to US$76 million (HK$593 million) (31 December 2012: US$75 million (HK$581 million)).

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

	Group	
	2013	2012
Share of net assets	**524**	771
Loan to a joint venture	**521**	458
	1,045	1,229

(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 2013, the paid up capital of EGL and PSW amounted to HK$1 (2012: HK$1) and US$117,500,000 (2012: US$117,500,000) respectively.*

(b) The loan to the joint venture is denominated in US dollars, unsecured, interest free and has no fixed repayment terms. It is neither past due nor impaired. The entire loan was contributed as capital of PSW described in note 9(a) above. During the year ended 31 December 2013, an additional loan of US$8.1 million (HK$63 million) was provided to the joint venture.

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

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

	2013	2012
Non-current assets	**5,201**	6,469
Current assets	**1,189**	227
Current liabilities	**(955)**	(789)
Non-current liabilities	**(4,388)**	(4,366)
Net assets	**1,047**	1,541
Income	**553**	492
Operating expenses	**(461)**	(424)
EBITDA	**92**	68
Depreciation	**(102)**	(102)
Net financing charges	**(195)**	(188)
Loss before non-operating item	**(205)**	(222)
Non-operating item, net of tax *	**(355)**	(28)
Loss for the year	**(560)**	(250)

* *Being net valuation adjustment of investment properties.*

(d) During 2012, PSW entered into a 15-year RMB2,500 million term loan agreement with an independent financial institution to refinance its maturing facilities which amounted to RMB1,600 million. As at 31 December 2013, the loan drawn down amounted to RMB2,209 million (2012: RMB2,292 million). The loan is secured by PSW's properties inclusive of the land use rights. The net carrying amount of these pledged assets amounted to HK$6,108 million (RMB4,776 million) (2012: HK$6,469 million (RMB5,201 million)).

10. Hotel operating rights (HK$m)

	2013	2012
Cost		
At 1 January	**775**	764
Exchange adjustments	**26**	11
At 31 December	**801**	775
Accumulated amortisation		
At 1 January	**(105)**	(102)
Amortisation for the year	**(3)**	(3)
At 31 December	**(108)**	(105)
Net book value	**693**	670

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 ("PPR"). The operating right in respect of for PPR will be amortised from the date of commencement of hotel operation.

11. Trade and other receivables (HK$m)

	2013	2012
Trade debtors (ageing analysis is shown below)	**242**	223
Rental deposits, payments in advance and other receivables	**328**	320
Tax recoverable	**5**	25
	575	568

The amount of the Group's trade and other receivables expected to be recovered or recognised as expenses after more than one year is HK$133 million (2012: HK$127 million). 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:

	2013	2012
Current	**196**	191
Less than one month past due	**32**	21
One to three months past due	**12**	9
More than three months but less than 12 months past due	**2**	2
Amounts past due	**46**	32
	242	223

Trade debtors are normally due within 30 days from the date of billing. 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.

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

	2013	2012
Interest-bearing bank deposits	**1,378**	2,075
Cash at banks and in hand	**116**	110
Total cash at banks and in hand	**1,494**	2,185
Less: Bank deposits with maturity of more than three months	**(440)**	(494)
Bank overdrafts *(note 14)*	**(18)**	(9)
Cash and cash equivalents in the consolidated statement of cash flows	**1,036**	1,682

Cash at banks and in hand at the end of the reporting period include deposits with banks of HK$920 million (2012: HK$688 million) held by overseas subsidiaries which are subject to regulatory and foreign exchange restrictions.

13. Trade and other payables (HK$m)

	2013	2012
Trade creditors (ageing analysis is shown next page)	**140**	144
Interest payable	**6**	7
Accruals for fixed assets	**103**	141
Tenants' deposits	**357**	331
Guest deposits	**110**	104
Golf membership deposits	**102**	107
Other payables	**633**	564
Financial liabilities measured at amortised cost	**1,451**	1,398
Less: Non-current portion of trade and other payables	**(276)**	(285)
Current portion of trade and other payables	**1,175**	1,113

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$369 million (2012: HK$387 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.

13. Trade and other payables (HK$m) *continued*

The ageing analysis of trade creditors is as follows:

	2013	2012
Less than three months	**138**	141
Three to six months	**1**	3
More than six months	**1**	-
	140	144

14. Interest-bearing borrowings (HK$m)

	2013	2012
Total facilities available:		
Term loans and revolving credits	**6,535**	4,543
Uncommitted facilities, including bank overdrafts	**276**	298
	6,811	4,841
Utilised at 31 December:		
Term loans and revolving credits	**5,519**	4,144
Uncommitted facilities, including bank overdrafts	**18**	53
	5,537	4,197
Less: Unamortised financing charges	**(51)**	(23)
	5,486	4,174
Represented by:		
Short-term bank loans, repayable within one year or on demand	**532**	1,069
Bank overdrafts, repayable on demand *(note 12)*	**18**	9
	550	1,078
Long-term bank loans, repayable:		
Between one and two years	**951**	578
Between two and five years	**4,036**	2,090
Over five years	**-**	451
	4,987	3,119
Less: Unamortised financing charges	**(51)**	(23)
Non-current portion of long-term bank loans	**4,936**	3,096
Total interest-bearing borrowings	**5,486**	4,174

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. As at 31 December 2013 and 2012, none of the covenants relating to drawn down facilities had been breached.

15. Share capital

	2013	2012
Number of ordinary shares of HK$0.50 each (million)		
Authorised	**1,800**	1,800
Issued		
At 1 January	**1,502**	1,490
New shares issued under scrip dividend scheme *(note)*	**-**	12
At 31 December	**1,502**	1,502
Nominal value of ordinary shares (HK$m)		
Authorised	**900**	900
Issued		
At 1 January	**751**	745
New shares issued under scrip dividend scheme *(note)*	**-**	6
At 31 December	**751**	751

All ordinary shares issued during 2012 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.

Note
During 2012, the Company issued and allotted new shares which were fully paid under the scrip dividend scheme as follows:

	Number of shares million	Scrip price HK$	Increase in share capital HK$m	Increase in share premium HK$m
2011 final scrip dividend	11.8	9.74	6	108

16. Capital commitments (HK$m)

Capital commitments outstanding at 31 December 2013 not provided for in the Financial Statements were as follows:

	2013			2012		
	Contracted for	Authorised but not contracted for	Total	Contracted for	Authorised but not contracted for	Total
Capital commitments						
Major enhancement projects						
The Peninsula Beijing	**-**	**1,138**	**1,138**	-	-	-
The Peninsula Chicago	**-**	**164**	**164**	-	-	-
The Peninsula Hong Kong	**-**	**-**	**-**	143	93	236
The Repulse Bay Complex	**-**	**-**	**-**	218	202	420
Quail Lodge & Golf Club	**3**	**69**	**72**	-	159	159
Others	**81**	**591**	**672**	90	615	705
	84	**1,962**	**2,046**	451	1,069	1,520
The Group's share of capital commitments of						
- a joint venture	**-**	**9**	**9**	3	19	22
- associates	**86**	**124**	**210**	227	160	387

17. Non-adjusting post reporting period events

The non-adjusting post reporting period events are as follows:

(a) The Group entered into definitive agreements in January 2014 with its main partner, Yoma Strategic Holdings Limited, to restore the heritage building that is the former Burma Railway Company headquarters in Yangon, Myanmar, to be redeveloped as The Peninsula Yangon. The Group has a 70% interest in the redevelopment based on an agreed land valuation of US$15 million (approximately HK$117 million). Redevelopment works will commence upon conditions being fulfilled on the definitive agreements and subject to necessary approvals.

(b) After the end of the reporting period, the Directors proposed a final dividend, the details of which are disclosed in note 5.

OTHER CORPORATE INFORMATION

Corporate responsibility

The Group's Sustainable Luxury Vision 2020 guides our commitment to managing sustainability risks and opportunities. With seven areas of focus covering all divisions of our business, Vision 2020 sets out more than 50 economic, social and environmental goals that we are committed to achieve by year 2020.

The Sustainability Review and Data Statements (the "Sustainability Report") in the 2013 Annual Report discuss in detail specific environmental and social issues that contribute to the sustainable development of the Group, and report on the Group's corporate responsibility and sustainability performance. The Sustainability Report is in accordance with the new G4 Sustainability Reporting Guidelines of Global Reporting Initiative ("GRI") at Core disclosure level. The reported information has been verified by independent auditor KPMG and accredited by GRI in Materiality Matters check. At the time this announcement is made, HSH is one of the first listed companies in the world to publish a report in accordance with GRI G4 Guidelines and be accredited by GRI in Materiality Matters check.

Corporate governance

The Company believes good corporate governance is the cornerstone to a successful and sustainable company, thus is committed to operate to the highest standards of corporate governance. The Company has a well-established framework of policies, processes and management system throughout its operations, based on principles of integrity, equity and transparency to support its governance and sustainability efforts. The Corporate Governance Report in the 2013 Annual Report outlines the Company's approach to governance.

The Company has adopted its own Corporate Governance Code ("HSH Code"). It applies all of the principles in the Corporate Governance Code in Appendix 14 of the Listing Rules ("CG Code"). The HSH Code has already encompassed all code provisions and recommended best practices of the CG Code, save for the recommended best practices including publication of quarterly financial results and disclosure of individual senior management remuneration, as disclosed in the 2013 Annual Report.

Throughout the year, the Company has complied with all the code provisions in the CG Code.

Purchase, sale or redemption of listed securities

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

Dealings in the Company's securities by Directors and specified employees

The Company has adopted its Code for Dealing in the Company's Securities by Directors ("Securities Code") on terms no less exacting than the required standard set out in the Stock Exchange's Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules ("Model Code").

The Company has made specific enquiries with all the Directors regarding any non-compliance with the Model Code and the Securities Code during the year. The Directors have confirmed their full compliance with the required standard set out in the Model Code and the Securities Code.

The Company has further extended the Securities Code to specified employees including senior management who may from time to time come across inside information. All specified employees have also confirmed their full compliance with the required standards set out in the adopted Code for Dealing in the Company's Securities by Specified Employees.

Final dividend

The Directors have recommended a final dividend of 12 HK cents per share (2012: 10 HK cents per share) for the year ended 31 December 2013. Subject to the approval by shareholders at the forthcoming Annual General Meeting ("AGM"), such dividend will be payable on 20 June 2014 to shareholders whose names appear on the register of members on 20 May 2014.

The final dividend will be payable in cash but shareholders will have the option of receiving the final dividend in cash or in the form of new shares in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of the Stock Exchange.

A circular containing details of this scrip dividend scheme will be dispatched to shareholders together with an election form for the scrip dividend on 23 May 2014.

Closure of register of members

For shareholders' entitlement to attend and vote at the AGM:

Latest time to lodge transfer documents	4:30 p.m. on 7 May 2014
Closure of register of members	8 May to 12 May 2014 (both days inclusive)
Record date	12 May 2014
AGM	12 May 2014

For shareholders' entitlement to receive the final dividend:

Latest time to lodge transfer documents	4:30 p.m. on 15 May 2014
Closure of register of members	16 May to 20 May 2014 (both days inclusive)
Record date	20 May 2014
Deadline for return of scrip dividend election forms	4:30 pm on 11 June 2014
Final dividend payment date	20 June 2014

During the closure of register of members, no transfers of shares will be registered. In order to qualify for the right to attend and vote at the AGM and for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before the above latest time to lodge transfer documents.

Deletion of the Memorandum of Association and Amendments to the Articles of Association

As the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) came into force on 3 March 2014, the Board proposes to delete the former Memorandum of Association (the "Memorandum") and amend the Articles of Association of the Company (the "Articles") in response to the changes introduced by the new ordinance and to address other ancillary matters. Shareholders' approval will be sought at the AGM on deletion of the Memorandum and the amendments to the Articles. The circular for the AGM will contain details of the proposed special resolution and will be dispatched to the shareholders together with the 2013 Annual Report and posted on the websites of the Company and the Stock Exchange.

AGM and Annual Report

The AGM will be held at The Peninsula Hong Kong on 12 May 2014 at 12 noon. The Notice of AGM and 2013 Annual Report will be dispatched to the shareholders as well as published on the websites of the Company and the Stock Exchange on or about 2 April 2014.

By Order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 17 March 2014

As at the date of this announcement, the Board of Directors of the Company comprises the following Directors:

Non-Executive Chairman
The Hon. Sir Michael Kadoorie

Non-Executive Deputy Chairman
Ian Duncan Boyce

Executive Directors
Managing Director and Chief Executive Officer
Clement King Man Kwok

Chief Operating Officer
Peter Camille Borer

Non-Executive Directors
Ronald James McAulay
William Elkin Mocatta
John Andrew Harry Leigh
Nicholas Timothy James Colfer

Independent Non-Executive Directors
Dr. the Hon. Sir David Kwok Po Li
Patrick Blackwell Paul
Pierre Roger Boppe
Dr. William Kwok Lun Fung
Dr. Rosanna Yick Ming Wong