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: 00045) website: www.hshgroup.com

2014 Annual Results

HIGHLIGHTS

Key financial results

- Turnover and EBITDA increased by 6% and 17% to HK$5,838 million and HK$1,528 million respectively
- Underlying profit attributable to shareholders increased by 57% to HK$804 million
- Profit attributable to shareholders amounted to HK$1,146 million, after including property revaluation gains, net of tax and non-controlling interests (*2013: HK$1,712 million*)
- Earnings per share and underlying earnings per share of HK$0.76 *(2013: HK$1.14)* and HK$0.53 *(2013: HK$0.34)* respectively
- Final dividend of 18 HK cents per share, making a total dividend of 23 HK cents per share for 2014 *(2013: 16 HK cents per share)*
- Shareholders' funds as at 31 December 2014 amounted to HK$35,901 million or HK$23.67 per share *(2013: HK$35,105 million or HK$23.37 per share)*

Key developments

- Our first hotel in Europe, The Peninsula Paris, opened on 1 August, 2014 and has garnered a high level of acclaim from guests and from the industry
- Progress has been made in partnership with Grosvenor to develop The Peninsula London in an exceptional location in Belgravia overlooking Hyde Park Corner
- In January 2014 we signed a conditional shareholders' agreement with Yoma Strategic Holdings Ltd. and First Myanmar Investment Co., Ltd. to develop The Peninsula Yangon in the former Myanmar Railway Company headquarters building in the centre of Yangon, Myanmar
- We have commenced major renovation projects for The Peninsula Beijing and The Peninsula Chicago, with construction of both scheduled to start in 2015

FINANCIAL HIGHLIGHTS

	2014	2013	Increase/ (Decrease)
CONSOLIDATED INCOME STATEMENT (HK$m)			
Turnover	**5,838**	5,508	6%
EBITDA	**1,528**	1,306	17%
Operating profit	**1,105**	911	21%
Profit attributable to shareholders	**1,146**	1,712	(33%)
Underlying profit attributable to shareholders *	**804**	511	57%
Dividends	**349**	240	45%
Earnings per share (HK$)	**0.76**	1.14	(33%)
Underlying earnings per share (HK$) *	**0.53**	0.34	56%
Dividends per share (HK cents)	**23**	16	44%
Dividend cover (times) **	**2.3x**	2.1x	10%
Interest cover (times)	**16.7x**	9.7x	72%
Weighted average gross interest rate	**2.3%**	2.9%	(0.6pp)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)			
Total assets	**43,982**	43,144	2%
Audited net assets attributable to shareholders	**35,901**	35,105	2%
Adjusted net assets attributable to shareholders #	**39,496**	38,486	3%
Audited net assets per share (HK$)	**23.67**	23.37	1%
Adjusted net assets per share (HK$) #	**26.04**	25.62	2%
Net borrowings	**3,004**	3,992	(25%)
Funds from operations to net debt ##	**44%**	28%	16pp
Net debt to EBITDA (times)	**2.0x**	3.1x	(35%)
Net debt to equity	**8%**	11%	(3pp)
Gearing	**8%**	10%	(2pp)
CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)			
Net cash generated from operating activities before taxation	**1,589**	1,401	13%
Capital expenditure on fixed assets (excluding new acquisitions)	**(409)**	(928)	(56%)
Acquisition of 1-5 Grosvenor Place	**-**	(1,688)	n/a
Acquisition of 21 avenue Kléber	**-**	(605)	n/a
SHARE INFORMATION (HK$)			
Highest share price	**12.60**	14.20	(11%)
Lowest share price	**10.08**	10.38	(3%)
Year end closing share price	**11.50**	10.52	9%

* *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 and non-recurring 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.*

Chief Executive Officer's Letter

Overview

A significant milestone was reached in 2014 for the Company when, after almost 150 years of operations, we opened our first hotel in Europe, The Peninsula Paris. This hotel was the product of over four years of a meticulous and extensive construction project, during which we carefully restored the magnificent classic French-style building located close to the Arc de Triomphe and converted it into a grand contemporary hotel, whilst respecting the heritage, authenticity and spirit of the building. Since the hotel's opening on 1 August 2014, I am delighted that it has garnered a high level of acclaim from our guests and from the industry.

The Peninsula Paris project is a good example of our Company's philosophy towards development. We focus on undertaking only a very small number of projects, but seek to do so as an owner-operator in exceptional locations where we believe we can create hotels that can rank among the world's best. Being an owner, in the case of The Peninsula Paris in partnership with Katara Hospitality, means that we are able to take a long-term view on the property investment and the hotel's operations. Our ultimate goal is to develop and hold the highest possible quality portfolio of hotel and other property assets for the long-term, in order to benefit from both operational yields and asset value appreciation over time.

In line with this objective, we are working in partnership with Grosvenor to develop The Peninsula London in an exceptional location in Belgravia overlooking Hyde Park Corner, and in partnership with Yoma and First Myanmar Investment to develop The Peninsula Yangon in the former Myanmar Railway Company headquarters building in the centre of Yangon, Myanmar.

It is an important strand of our business strategy to continually improve and upgrade our existing assets. In this respect, we have commenced major renovation projects for The Peninsula Beijing and The Peninsula Chicago, with construction of both scheduled to start in 2015, as well as a renovation of our recently acquired investment property at 21 avenue Kléber, Paris.

While our overall business strategy is focused on long-term growth, we are of course seeking to maximise our operational earnings every year. In 2014, despite challenges to our business coming from the political uncertainty in Thailand, the unusually severe winter weather in the United States and continued oversupply in a number of our markets, I am delighted to report a substantial increase of 57% as compared to the previous year in our underlying profit attributable to shareholders to HK$804 million. This result was achieved through the enhanced earnings of The Peninsula Hong Kong in its first full year of operations following its extensive rooms renovation project completed in May 2013, the continued improvement of the results of The Peninsula Tokyo and our overall efforts to drive revenues and contain costs around the Group.

With the earnings achieved in 2014 together with a further upward revaluation of our investment property assets, the Group's financial position remained healthy with an adjusted net asset value of HK$39,496 million (HK$26.04 per share) and a modest gearing ratio of 8%.

2014 Performance Review

Hotels

Overall it was a challenging year for the markets in which we operate. As usual, we continued to focus on driving revenue, containing costs and improving margins. As a result, our hotels division revenue increased by HK$216 million (5%) over 2013 to HK$4,260 million. The highest revenue growth was achieved by our flagship hotel, The Peninsula Hong Kong, where revenue was HK$168 million (14%) higher than 2013. With its extensive rooms renovation project having been completed in May 2013, the hotel benefited from having its full room inventory for the whole year.

Although many Hong Kong businesses were negatively impacted in the fourth quarter of 2014 by the civil protests in the city, our hotel is located well away from the main protest areas and while there were some cancellations, the impact on our hotel was relatively minor. The Peninsula Hong Kong remains the market leader in terms of average room rates in the city and continues to receive many favourable comments for its renovated guest rooms and in-room technology. The Peninsula Hong Kong Arcade and Office Tower were fully occupied during the year, with leases in the arcade continuing to be renewed on favourable terms.

The Peninsula Shanghai enjoyed a positive year and remains the market leader in Shanghai in terms of RevPAR and average room rates. Its food and beverage outlets performed well during the year and its arcade continues to become more established as a high-end shopping destination. The Peninsula Tokyo's results were pleasing, with a 12% growth in revenue in Japanese Yen terms, in part due to the strengthening of the Japanese economy coupled with the more affordable currency. However, the weakening of the yen has reduced the growth in earnings to the group when translated back into Hong Kong dollars.

The Peninsula Beijing had a challenging year due to the continued impact of the over-supply of five-star hotels in the city. This hotel will undergo a major renovation and reconfiguration in 2015 and 2016, which will significantly increase the size of its guestrooms and bring them up to current Peninsula standards. The shopping arcade at The Peninsula Beijing remained one of the most sought-after luxury retail destinations in Beijing, enjoying full occupancy with many of the world's top brands present. I am pleased that the Arcade will remain open during the renovation project.

The Peninsula Bangkok has been negatively affected by political uncertainties in Thailand on and off since 2008, with increased activity in February 2014 when a state of emergency was declared. This further dampened business for the year although a minor recovery was experienced towards the end of the year. The Peninsula Manila also faced challenges with an oversupplied and price sensitive market and natural disasters but achieved stable results for the year.

In the United States, the unusually harsh winter weather in the first quarter of 2014 affected bookings in Chicago and New York. The Peninsula New York nevertheless enjoyed a strong year with growth in RevPAR, occupancy growth and average room rates. In Chicago, room rates remained depressed with a weak corporate sector, coupled with strong competition from new luxury hotels, resulting in flat results as compared to the previous year. Plans are underway for us to significantly enhance our rooms product to regain our previous leading market position. The Peninsula Beverly Hills reported another record year on top of a record year in 2013, with very strong occupancy and average room rates increasing year-on-year.

The results of The Peninsula Paris have been pleasing since its opening on 1 August 2014. Although we would typically expect a new hotel to take some time to build up its business and customer base, the publicity and attention which The Peninsula Paris received upon its opening has resulted in both rooms and food and beverage revenue exceeding our expectations. The opening of this hotel has established the Peninsula brand in Europe and introduced a new clientele to our Group's hotels.

Commercial Properties

The Commercial Properties Division continues to provide a stable income contribution to the Group's earnings, counter-balancing the more cyclical nature of hotel earnings. Total revenue from this division increased by HK$95 million (12%) over 2013 at HK$901 million.

The luxury residential market in Hong Kong remained uncertain in 2014, due to the slowing of the financial markets and a reduction in the number of expatriates receiving high rental allowances. The Repulse Bay Complex, our key asset in this division, offers extensive facilities and a market-leading product with the newly renovated de Ricou Tower, and we achieved satisfactory occupancy levels in 2014 despite the flat market situation. The Complex reported 8% higher revenue over 2013 due to increased rental income from apartments, with a pleasing pick-up in the occupancy of the de Ricou apartment tower following its renovation and reconfiguration which was completed in 2013.

Both the Peak Tower and St John's Building remained fully let in 2014, reporting revenue growth of 12% and 11% respectively. The Peak Tower generates most of its revenue from retail leasing, with additional revenue being derived from entrance fees to the open-air Sky Terrace 428 with its panoramic views of Hong Kong.

The Landmark in Ho Chi Minh City, Vietnam, celebrated its 20th anniversary in December 2014. A mixed-use commercial building comprised of serviced apartments, offices and retail space, its revenue in 2014 was flat as compared to the previous year.

Rental income from 1-5 Grosvenor Place in London and 21 avenue Kléber in Paris also contributed to the commercial properties division this year from their respective dates of acquisition. Our 50% interest in the leasehold of 1-5 Grosvenor Place was acquired with the intention that this property would be redeveloped in partnership with Grosvenor into The Peninsula London and residential complex. 21 avenue Kléber is wholly-owned and was acquired as an investment property due to its location immediately adjacent to The Peninsula Paris. With its main tenant vacating at the end of 2014, we have plans to renovate the building to enhance its attractiveness to future retail and office tenants.

Clubs and Services

The Group's diverse portfolio is complemented by our Clubs and Services division, which reported an increase in total revenue of 3% to HK$677 million in 2014.

Peninsula Clubs and Consultancy Services maintained a consistent portfolio in 2014, providing club management services for several prestigious private clubs in Hong Kong, as well as Cathay Pacific Lounges at Hong Kong International Airport.

The historic Peak Tram has maintained its position as one of Hong Kong's most popular tourist attractions, welcoming tens of thousands of visits every day from locals and tourists alike. In 2014, The Peak Tram reported an increase of 1% in patronage, giving rise to revenue growth of 2%. As previously reported, the Ordinance which grants HSH the right to operate the Peak Tram was temporarily extended until 31 December 2015 pending the Hong Kong Government's review and appraisal of the proposal which we have submitted to improve and enlarge the capacity of The Peak Tram. We expect that in conjunction with this investment proposal, the Government will propose legislation to grant us another long-term operating licence for the Tram.

Peninsula Merchandising achieved record sales in Hong Kong and Asia for its signature Mid-Autumn Festival mooncakes, contributing to a revenue growth of 3%. The Thai Country Club was negatively impacted by the ongoing political uncertainties in Thailand. Tai Pan Laundry's revenue increased by 10% over the same period last year.

Projects and Developments

The highlight of the year was the completion of The Peninsula Paris project in time for its opening on 1 August 2014. We have invested a substantial amount of time and resources into this project since signing the agreement in January 2009 for the redevelopment of this magnificent historic French building into The Peninsula Paris hotel. Construction of the project commenced in 2010 and the scope of work has included large-scale technical and engineering work to reconstruct and strengthen the entire building, while at the same time excavating basement levels and adding extensive technological facilities to bring the building into the 21st century, whilst respecting and preserving many elements of historical interest in the building. I am pleased to report that the project has been completed within the revised budget of €429 million (excluding contingencies) as reported in last year's annual report. HSH's shareholding interest in this freehold project is 20%.

The Peninsula London project was entered into in July 2013 and is a 50/50 partnership with Grosvenor in the 150 year leasehold of 1-5 Grosvenor Place, situated in an exceptional location in Belgravia overlooking Hyde Park Corner. Subject to planning consent from the London authorities, the intention is to demolish the existing building and to build in its place a mixed use complex comprising The Peninsula London hotel and residential apartments for sale. Our interest in the building was acquired for £132.5 million and we are currently finalising the overall timetable and budget for the redevelopment, as well as the designs and plans to be submitted in order to seek planning approval in London.

In order to expand our presence into one of the world's most exciting developing markets, we announced in January 2014 a conditional shareholders' agreement with Yoma Strategic Holdings Ltd. and First Myanmar Investment Co., Ltd. to acquire a 70% interest in the leasehold of the former Myanmar Railway Company headquarters in the centre of Yangon, Myanmar, with the intention of restoring the building and converting it into a hotel to be called The Peninsula Yangon. Preparatory work has been undertaken to establish a programme for the development of this asset upon final satisfaction of the remaining conditions to the agreement. It is expected that the hotel budget and timetable will be finalised after the agreement becomes unconditional.

The major RMB890 million renovation for The Peninsula Beijing is due to begin in 2015. The design process and preparations are well underway for the renovation which will significantly enhance the guest rooms and public areas of the hotel up to current Peninsula standards, with most room sizes being doubled by combining two existing guestrooms into one larger guestroom. We believe that the resultant product will place us at the top of the Beijing market, as has been experienced with The Peninsula Shanghai. In Chicago, the US$35.7 million guestroom renovation programme will begin in 2015 and will result in a complete refit of all guestrooms up to current Peninsula standards. After these renovations, both The Peninsula Beijing and The Peninsula Chicago will have our latest in-room technology installed, offering easy-to-use tablet controls in 11 different languages.

Sustainable Luxury

We unveiled our Sustainable Luxury Vision 2020 in 2013, setting out our blueprint for sustainable growth and our ambition to achieve a new level of sustainable luxury. As the first full year of our journey towards Vision 2020, our focus in 2014 was on laying the foundations for achieving our long-term goals. This involved developing action plans and implementation guides to drive success, enhancing our reporting system to track our progress, and embedding Vision 2020 into our management decision processes.

To deliver on both luxury and sustainability is challenging. There will be successes and setbacks in our path towards Vision 2020 and 2014 was a year in which we embraced both. For example, our hotels division made good progress in improving water efficiency whereas our energy management performance fell short of the targets we had set. We were one of the first companies in the world to comply with the new Global Reporting Initiative (GRI) G4 reporting standards starting in 2013 and to be verified by GRI on our report's Materiality Disclosures. Our Sustainability Report in the Annual Report contains detailed data and reports on all of our activities.

Financial Results

In 2014, we achieved earnings before interest, taxation, depreciation and amortisation (EBITDA) of HK$1,528 million, representing a significant increase of 17% over 2013. Underlying profit attributable to shareholders increased by 57% to HK$804 million.

Based on our results, the Board has recommended a final dividend payable on 19 June 2015 of 18 HK cents per share. Together with the 2014 interim dividend of 5 HK cents per share paid on 31 October 2014, the total dividend in respect of the 2014 financial year will be 23 HK cents per share, an increase of 44% as compared to last year.

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.

In 2015, our operating results will be adversely affected by the partial closure of The Peninsula Beijing and the disruption to The Peninsula Chicago as a result of their renovation projects. Also, I believe that the outlook for the Hong Kong market in terms of high-end residential lettings and retail rental income is somewhat uncertain. We have experienced a mixed start to our businesses in 2015 and will have to work hard to drive revenues and contain costs across all of our operations to compensate for the earnings disruptions in Beijing and Chicago as mentioned above.

Taking a wider and longer term view, I am optimistic that the actions we have taken over the years will result in attractive long-term growth and development for our Company. The Peninsula Hong Kong is well placed in its market following the extensive renovation project completed in 2013 and all of our three more recently opened hotels, The Peninsulas in Tokyo, Shanghai and Paris, have become well-established in their markets with good growth prospects. The extensive renovations in Beijing and Chicago will significantly enhance the competitiveness of those hotels and we are excited about the quality of the upcoming developments in London and Yangon, Myanmar. At the same time, our hotels business is well-balanced by the more stable earnings that are generated by our investment property division, particularly the Repulse Bay Complex and the Peak Complex.

Our long-term growth is underpinned by a strong balance sheet comprising valuable high quality assets coupled with a low level of gearing, as well as our dedicated team of management and staff around the world who understand and respect our heritage and serve the Group with loyalty.

I would like to thank my Board members for their support and guidance and all of my colleagues around the world for their hard work and commitment. We are proud of their achievements and I look forward to working and developing together with our great team for years to come.

Clement K.M. Kwok
20 March 2015

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

Key non-accounting performance indicators relevant to the Group's hotel business include:

Average Room Rate (HK$)

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

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

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

Occupancy Rate

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

REVIEW OF GROUP RESULTS

The financial information has reviewed by the Audit Committee, approved by the Board and agreed by the Group's auditor, KPMG.

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

	2014	2013	Variance
	HK$'m	HK$'m	
Revenue			
Hotels	4,260	4,044	5%
Commercial Properties	901	806	12%
Clubs and Services	677	658	3%
	5,838	5,508	6%
EBITDA			
Hotels	818	649	26%
Commercial Properties	582	521	12%
Clubs and Services	128	136	(6%)
	1,528	1,306	17%

We are pleased to report that the HSH Group's turnover continued to grow in 2014 and amounted to HK$5,838 million, representing an increase of 6% over 2013. The EBITDA for the year of HK$1,528 million, an increase of 17% over the previous year, reflects the improved management of costs relative to the increase in revenue. Profit attributable to shareholders amounted to HK$1,146 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 2014 increased by 57% to HK$804 million.

The Board has recommended a final dividend payable on 19 June 2015 of 18 HK cents per share. Together with the 2014 interim dividend of 5 HK cents per share paid on 31 October 2014, the total dividend in respect of the 2014 financial year will be 23 HK cents per share, an increase of 44% over 2013.

HOTELS

	2014	2013	Variance
	Revenue HK$'m	Revenue HK$'m	
Consolidated hotels			
The Peninsula Hong Kong	1,360	1,192	14%
The Peninsula Beijing	411	424	(3%)
The Peninsula New York	674	592	14%
The Peninsula Chicago	499	499	0%
The Peninsula Tokyo	756	734	3%
The Peninsula Bangkok	181	235	(23%)
The Peninsula Manila	279	292	(4%)
Management fees income	100	76	32%
	4,260	4,044	5%
Non-consolidated hotels			
The Peninsula Shanghai	595	553	8%
The Peninsula Beverly Hills	581	508	14%
The Peninsula Paris	225	-	n/a
	1,401	1,061	32%

2014 was a pleasing year for the Group's hotels division. With the opening of The Peninsula Paris, our first European property, on 1 August 2014, our portfolio now comprises ten hotels situated in Asia (6), the United States of America (3) and Europe (1).

During the year, our existing portfolio of hotels achieved revenue growth of 5% over 2013. The largest increases came from The Peninsula hotels in Hong Kong and New York. The Peninsula Tokyo achieved revenue growth of 12% in its base currency, although the depreciation of the Japanese yen reduced that growth to 3% in Hong Kong dollar terms. The Peninsula Bangkok recorded a reduction in revenue due to the continuing political uncertainty in Thailand.

Our hotels continue to enjoy a strong market position in the midst of a competitive operating environment. Guest loyalty, evidenced by the high levels of repeat patronage, remains a core strength of the Group.

The Peninsula Hong Kong		
Revenue	HK$ 1,360m	+ 14%
Room revenue	HK$ 420m	+ 27%
Available rooms		+ 23%
Occupancy		+ 3pp
Average Room Rate		(1%)
RevPAR		+ 4%

The Peninsula Hong Kong is our flagship property for the Group and remains the leader in average room rate among our benchmarking competitive set. Occupancy levels were slightly affected in the last quarter because of the impact of the civil protests, which led to a number of cancellations from overseas visitors. Regardless, we firmly believe that Hong Kong remains a healthy and desirable destination for business and we remain positive for 2015.

Our top three market segments continue to be the United States ("US"), Japan and mainland China. Whilst Japanese visitor arrivals to Hong Kong recorded a slight slowdown due to the weakening of the yen, the US and Chinese mainland markets remained strong and we saw an increasing number of visitors from emerging markets such as Russia.

The hotel enjoyed a positive year in 2014, with a 14% increase in revenue over 2013. RevPAR increased by 4% which is a pleasing result in light of the increased number of rooms available compared to 2013 when we completed our renovation. The newly renovated rooms and in-room technology continue to be very favourably received by guests. Food and beverage outlets and the spa performed well due to the increased number of guests in the hotel. The Peninsula Hong Kong Arcade and Office Tower were fully occupied throughout the year, with leases being renewed on favourable terms. The complex gross operating margin, being inclusive of both hotel and retail trading, improved by four percentage points and reflects the beneficial impact of stronger pricing having been achieved.

In 2014 we started a new art initiative, *Love Art at the Peninsula*, which created a high level of awareness for our brand amongst the art community. We also launched a documentary about our 85th anniversary celebration – *The Making of a Gala* – in December 2014 which will be broadcast internationally in 2015.

The Peninsula Shanghai		
Revenue	HK$ 595m	+ 8%
Occupancy		+ 1 pp
Average Room Rate		+ 4%
RevPAR		+ 6%
Proceeds from sale of apartments	HK$1,044m	n/a

The Peninsula Shanghai had a positive year in 2014 with revenue increasing by 8% over 2013. The city remains a top choice in hosting high-profile conferences and meetings as it is well positioned to cater for large events, and in 2014 we hosted several important conferences at our hotel. Trade agreements between China and other countries are leading to more overseas delegations and The Peninsula Shanghai is well positioned to generate business from these conferences. The Shanghai Free Trade Zone has brought more financial trade and investment companies to the city which has led to increased demand for our hotel.

It is anticipated that there will be up to 2,800 new luxury hotel rooms added to the market in the next few years. However, we are optimistic that Shanghai's strong growth and location as a tourist and business destination will be able to generate sufficient demand to match the new supply. Shanghai will also be opening the largest Disneyland in Asia in the 4th quarter of 2015, potentially bringing a large regional and domestic market of visitors into the city.

The hotel remains the market leader within our competitive set in Shanghai in terms of RevPAR and average room rate. We reported good growth in rooms, food and beverage and spa revenue despite an intensely price-competitive market. While ongoing austerity measures in the Chinese mainland have negatively impacted demand from some of our government-related business, this was successfully mitigated by increased banqueting for family gatherings, reunions and personal celebrations. We have also entered into a strategic partnership with Shanghai Auto Museum to display classic cars at the Arcade to help generate increased foot traffic.

Close attention to the operating costs of the hotel during 2014, reflected by a reduction in total payroll costs relative to the prior year, has resulted in an improved complex gross operating margin of three percentage points.

Demand for the leasing of luxury apartments continues to be soft although achieved rental rates per square foot are substantially ahead of the prior year. As at 31 December 2014, we had sold 11 of the 19 units within The Peninsula Residences which were made available for sale, with healthy interest being expressed for some of the remaining units.

The Peninsula Beijing		
Revenue	HK$ 411m	(3%)
Occupancy		+ 4 pp
Average Room Rate		(10%)
RevPAR		(4%)

The Peninsula Beijing endured a difficult trading period, with reported revenue 3% below 2013, due to a combination of the impact from government austerity measures, continued concerns regarding pollution and the continued over-supply of five-star hotels within the business district of the city. The high profile APEC meeting held during November actually had a negative impact on revenues, due to visa restrictions and traffic restrictions.

The city of Beijing has reported a 5% decline in catering revenue, although we believe this to be of a short-term nature as China moves to a consumer-driven economy with anticipated growth in disposable income and levels of spending. Pollution has had an effect on in-bound tourism, but we are optimistic that this will ease over the next few years as the government is taking significant actions to address this.

Strategically, the hotel has continued its efforts to capture market share and focused on increasing the amount of domestic customers. It is notable that occupancy increased from 60% in 2013 to 64% in 2014 despite the difficult market environment, although RevPAR decreased by 4%. The complex gross operating profit margin only reduced by a single percentage point as both payroll and other operating costs were reduced as compared to the prior year.

In keeping with our Group's philosophy of improving existing assets to deliver long-term value for our shareholders, a major RMB890 million renovation for The Peninsula Beijing is due to begin in 2015. We have begun the design process and preparation for the renovation which will result in an increase in the room size, by combining two smaller guestrooms into one larger one, and improving the public areas and associated services we offer to our guests. The disruption caused by the renovation will negatively affect our earnings in 2015.

The Peninsula Tokyo		
Revenue	JPY 10.4b	+ 12%
Revenue	HK$ 756m	+ 3%
Occupancy		+ 3 pp
Average Room Rate (JPY)		+ 16%
RevPAR (JPY)		+ 20%

The Peninsula Tokyo had a positive year due to Prime Minister Shinzo Abe's economic and financial measures which are focused on supporting Japanese economic growth. Key factors that helped the hotel industry were the weakening of the yen, making it more affordable for people to travel to Japan, and the easing of visa restrictions which resulted in a record increase in inbound travellers from Thailand, the Philippines and Indonesia.

During 2014 the Japanese government introduced the first sales tax increase in 17 years, which had mixed results and led to an overall reduction in consumer spending. In our hotel, the food and beverage outlets were temporarily affected by the slowdown but did not see any enduring significant negative impact from the sales tax increase.

The Peninsula Tokyo hotel recorded a 20% growth in RevPAR and 12% growth in total revenue over 2013 in Japanese Yen terms. The combination of increased revenues and overhead costs which remained at a similar level with those of 2013, resulted in the hotel gross operating margin improving by almost five percentage points on the prior year.

During 2014, we upgraded the fitness centre's gym and cardio equipment as well as continuing with our soft refurbishment programme of the guest bedroom accommodation.

The Peninsula Bangkok		
Revenue	HK$ 181m	(23%)
Occupancy		(14 pp)
Average Room Rate		(5%)
RevPAR		(28%)

The Peninsula Bangkok reported revenue 23% lower than the prior year due to the continuing political uncertainty in the country, with a state of emergency being declared in February 2014, followed by a coup and the introduction of martial law in May 2014. This had a significant negative effect on inbound travel, particularly business travellers. The curfew was subsequently lifted in June and business started to pick up again despite martial law and travel warnings still being in place.

The downtown area recovered more quickly than the rest of the city as business travellers returned, while the riverside, where The Peninsula Bangkok is located, has been affected by weaker bookings from leisure groups and long-haul travellers, which are the hotel's traditional sources of business. While recent evidence shows that visitors are starting to return to Bangkok, the US and English markets are recovering more slowly than expected.

In our competitor set we remain number two in average room rate. As the majority of our food and beverage revenue in Bangkok is generated from in-house guests, this was negatively affected by the lower occupancy levels. We are cautiously optimistic for 2015, with indications of increased demand from the groups and incentive markets.

A highly anticipated multi-purpose complex located near our hotel, comprising several hundred shops and restaurants, has started construction and is expected to significantly increase the number of visitors to the hotel's surrounding areas.

The Peninsula Manila		
Revenue	HK$ 279m	(4%)
Occupancy		(1 pp)
Average Room Rate		(3%)
RevPAR		(5%)

The Peninsula Manila had a challenging year in 2014 in an oversupplied and price sensitive market. Despite this, the hotel was able to maintain complex revenues as compared to the previous year in local currency terms.

The Philippine economy has remained strong and the increase in our domestic business has been a result of the growing middle class. We have also increased our attendance in overseas roadshows with the local Department of Tourism, visiting destinations such as Taiwan, Korea and Indonesia. Top markets for The Peninsula Manila continue to be the US, the Philippines, Japan, Hong Kong and Australia.

The key strategy in 2014 was to focus on increasing group and government business, and this approach resulted in an increase of 7% in group room nights and a 20% increase in group revenue year-on-year. Effective management of the hotel cost base contributed to the complex gross operating margin remaining in line with that reported in 2013.

We renovated our club lounge and Old Manila restaurant. Both these enhancements were well received by our clientele and Old Manila has become a much talked-about culinary gem. In 2015 we will convert the less-used guestrooms on the second floor of the hotel into office space which will reduce our room inventory from 497 to 469 and bring in incremental revenue.

The Peninsula New York		
Revenue	HK$ 674m	+ 14%
Occupancy		+ 4 pp
Average Room Rate		+ 4%
RevPAR		+ 9%

The Peninsula New York enjoyed a strong year with 9% RevPAR growth as the US economy continued to strengthen. In 2014, around 1,000 new rooms were added to the market in the Midtown area which contributed to a 6% increase in inventory in New York City in general. This high level of confidence in development within an improving economy will result in increased competition within the luxury hotel market in 2015.

There was increased group demand in 2014 compared with 2013, mostly driven by diplomatic business from the Middle East, primarily from Saudi Arabia and Qatar. The Superbowl weekend provided additional business in the first quarter of 2014, although this was offset by severe storm weather which resulted in one of the coldest winters in history.

The Gotham Lounge reopened in September to very positive feedback and Clement restaurant continues to receive accolades and awards of excellence. Food and beverage revenue increased by 9% as compared to the prior year due to both the opening of Clement in 2013 and good growth in our banqueting business.

This year we are undertaking the conversion of five rooms on the 16th floor into a second Grand Suite of approximately 2,600 gross square feet, which is expected to open by September 2015 and bring incremental revenue for the hotel. We are also renovating our employee cafeteria and the terrace of our rooftop bar, Salon de Ning. The successful renegotiation of the commercial space in the hotel also contributed to both the increased revenue and a substantial improvement in the complex gross operating margin of five percentage points.

The Peninsula Chicago		
Revenue	HK$ 499m	+ 0%
Occupancy		+ 1 pp
Average Room Rate		+ 1%
RevPAR		+ 2%

The Peninsula Chicago had a challenging start to the year when the city of Chicago suffered the worst winter in its history, with 57 inches of snow falling in the first quarter and 15,000 flights cancelled. It is nevertheless pleasing that the hotel achieved the same level of revenue as 2013.

There is increasing competition in the city with new boutique hotels and competitors flooding the market with low rates. The cost of hosting events in Chicago has also been rising, partly due to the high cost of labour for events, resulting in Chicago losing some of its traditional convention business to Las Vegas and Orlando. However, more recently, some of these conventions are starting to return to the city. The Chicago Mayor's tourism initiatives have attracted more business travellers and there has been a slight improvement in international travellers.

Whereas 90% of our business is from the domestic US market, visitors from China and the Middle Eastern markets are growing, particularly diplomatic travellers. The Peninsula Chicago has also been working with the local hospitals on promoting Chicago's renowned medical care and hospital facilities.

Food and beverage revenue remained flat compared to 2013. The change in the mix of revenues, which saw a volume-based increase being offset by a lack of opportunities to increase pricing due to competition, resulted in the complex gross operating margin weakening by one percentage point.

The US$35.7 million bedroom renovation programme will begin in April 2015 and this will include one of our grand suites being updated. The hotel will also have our latest tablet technology in 11 different languages installed and will begin to offer free international calls.

The Peninsula Beverly Hills		
Revenue	HK$ 581m	+ 14%
Occupancy		+ 5 pp
Average Room Rate		+ 11%
RevPAR		+ 17%

The Peninsula Beverly Hills enjoyed another record year. Our Sales and Marketing teams have undertaken significant initiatives over the past several years in international markets with positive results. Saudi Arabia, Qatar, Kuwait and Bahrain are producing strong business year-round, whereas previously these markets were only strong in the summer months. These markets have also been supported by the introduction of direct flights to the city. We have also observed an increase in "medical travel" as well as entrepreneurs and business travellers.

The domestic market has continued to be very strong, particularly the New York Metropolitan area, as well as increasing visitors from Chicago, Miami, Dallas and San Francisco as the US economy strengthens.

We reported very strong occupancy and average rates leading to a 17% year-on-year growth in RevPAR. The hotel remains the clear RevPAR leader within its competitive set. The positive demand resulted in the complex gross operating profit for the year increasing by 19% over the prior year.

In November we started upgrading the bedside panel technology in our guest bedrooms. Our food and beverage outlets also enjoyed robust growth over 2013; and the Belvedere restaurant is preparing for a full renovation in the fall of 2015 which will result in both an improved dining experience and increased capacity.

A successful property is not just about the bottom line – it has to be balanced with a great guest experience and we believe that our 70% repeat clientele in Beverly Hills is the best indicator of our focus on customer service at the highest level.

The Peninsula Paris		
Revenue	HK$ 225m	n/a

The Peninsula Paris opened its doors on 1 August 2014, gradually increasing from 115 available rooms to its full inventory of 200 rooms by the end of November. The opening of this hotel has firmly established the Peninsula brand in Europe and introduced a new clientele to our Group's hotels. The opening has also been significant both in terms of the local public awareness and support for the hotel and the exceptional level of international press interest that has been generated.

Trading for the period has exceeded our initial expectations, particularly within the catering outlets which have consistently traded strongly in both covers and average spend per guest. We are delighted that our Cantonese restaurant, *Lili,* and rooftop restaurant, *L'Oiseau Blanc,* both received prestigious '*toque*' (hat) awards from Gault & Millau just months after our opening.

The hotel management team, supported by colleagues internationally, remains focused on developing a broad base of clients for the future. Our association with our partner, based in Qatar, has also immediately provided increased levels of demand from within the larger Middle East region.

COMMERCIAL PROPERTIES

Commercial Properties			
The Repulse Bay Complex	Revenue	HK$ 583m	+ 8%
The Peak Tower	Revenue	HK$ 176m	+ 12%
The Peak Tower	Sky Terrace Visitors		+ 3%
St. John's Building	Revenue	HK$ 51m	+ 11%
The Landmark	Revenue	HK$ 36m	+ 0%
1-5 Grosvenor Place	Revenue	HK$ 39m	+ 144%
21 avenue Kléber	Revenue	HK$ 16m	+ 45%

Our Group benefits from holding a diversified portfolio of hotel assets and other commercial and residential properties.

The luxury residential market was under increased pressure in Hong Kong in 2014, due to the slowing of the financial markets and a reduction in the number of expatriates receiving high rental packages. However, we believe the high-end market will remain subdued for the short-term rather than suffering a significant downturn.

The Repulse Bay, our key asset in this division, offers one of the finest and most enjoyable living environments in Hong Kong, comprising extensive facilities and a market-leading product with the newly renovated de Ricou Tower. This tower now comprises 34 unfurnished apartments and 15 serviced apartments with significantly improved layouts and interior design, and it was the first in Hong Kong to be awarded the prestigious LEED Gold Award in the Alteration and Addition category.

We achieved satisfactory occupancy levels in 2014 despite the market conditions. The Complex reported an increase in total revenue of 8% over 2013 due to a combination of increased rental income following the renovation of the de Ricou apartment tower for part of 2013, and better food and beverage revenues. The complex gross operating margin was one percentage point lower as a result of increased levels of maintenance being incurred to prepare recently vacated apartments for re-letting.

The Peak Tower and St John's Building remained fully let in 2014. These properties reported revenue growth of 12% and 11% respectively which reflects rental leases being negotiated at levels greater than that being achieved by the general market. The Peak Tower generates most of its revenue from retail 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 and featuring a new audio-visual tour. In May we launched a new promotional campaign video titled "Rendezvous at the Peak" to encourage more local residents to visit.

The Landmark in Ho Chi Minh City, Vietnam, celebrated its 20th anniversary in December 2014. It is a mixed-use commercial building comprised of serviced apartments, offices and retail space, with revenue increasing marginally over 2013. This property faces increasing competition from oversupply in Ho Chi Minh City which has resulted in a reduction in the achieved rental per square-foot. Nevertheless, as a result of effective cost management, the complex gross operating margin has remained in line with 2013.

Rental income from **1-5 Grosvenor Place** in London and **21 avenue Kléber**, which is situated immediately adjacent to The Peninsula Paris, also contributed to the commercial properties division this year from their respective dates of acquisition. Together with Grosvenor, our joint venture partner, we are seeking planning permission to demolish the existing buildings of 1-5 Grosvenor Place and redevelop the site into The Peninsula London hotel and residential complex. Separately, we are currently evaluating the best use for 21 avenue Kléber as the current tenant vacated the property at the end of 2014, and this will include an opportunity for the renovation of the property over the next two years.

Total revenue from this division was HK$95 million, 12% higher than 2013, to HK$901 million.

CLUBS AND SERVICES

Clubs and Services			
Peak Tram	Revenue	HK$ 124m	+ 2%
Peak Tram	Patronage		+ 1%
Thai Country Club	Revenue	HK$ 55m	(15%)
Quail Lodge & Golf Club	Revenue	HK$ 117m	+ 18%
Peninsula Clubs & Consultancy Services	Revenue	HK$ 171m	(1%)
Peninsula Merchandising Limited	Revenue	HK$ 157m	+ 3%
Tai Pan Laundry	Revenue	HK$ 53m	+ 10%

Peninsula Clubs and Consultancy Services provides club management services for several prestigious private clubs in Hong Kong, including The Hong Kong Club, Butterfield's and The Hong Kong Bankers' Club as well as the Cathay Pacific Lounges at Hong Kong International Airport.

The historic **Peak Tram** has maintained its position as one of Hong Kong's most popular tourist attractions, welcoming tens of thousands of visits every day from locals and tourists alike. In 2014, The Peak Tram reported an increase of 1% in patronage, giving rise to revenue growth of 2%. As previously updated, the Ordinance which grants HSH the right to operate the Peak Tram was temporarily extended until 31 December 2015 pending the Hong Kong Government's review and appraisal of the proposal which we had submitted to improve and enlarge the capacity of The Peak Tram. We expect that in conjunction with this investment proposal, the Government will propose legislation to grant us another long-term operating licence for the Tram.

The underlying trading results, whilst greater than 2013 at the gross operating profit level, include an increased license fee payable to Government.

Peninsula Merchandising Limited achieved record sales in Hong Kong and Asia for its signature Mid-Autumn Festival mooncakes. The gross operating margin was in line with the budget expectations set for the year.

Thai Country Club was negatively impacted by the ongoing political uncertainties in Thailand and reported revenue 15% below 2013 as a result of a sharp reduction in the number of rounds of golf played. Membership-based income increased compared to the prior year. Demand is expected to improve in line with the increase in foreign tourism during 2015.

The relatively high level of fixed costs associated with running a golf course limited the opportunity to reduce costs at a similar rate by which the revenues decreased, resulting in a reduced gross operating margin for the year.

Quail Lodge & Golf Club continues to grow its revenue following the re-opening of its hotel in March 2013, with 18% growth in total revenue. We have aggressively sought corporate group business and managed to almost double midweek group business, which has a consequential benefit to both catering and golf demand.

Peninsula Signature Events were a tremendous success in 2014. *The Quail: A Motorsports Gathering* this year attracted the largest crowd ever, and during the event we were able to command rates of US$695+ per night.

Quail Lodge's individual guest profile is very diverse and we are now observing a younger demographic, while for corporate groups we have noticed more business from Silicon Valley and San Francisco. While the addition of Quail Lodge on internet booking sites has resulted in a significant increase of international guests, California residents remain the largest source of our guests.

The gross operating profit for the property increased by more than US$1 million compared to the prior year.

In 2014 Quail Lodge & Golf Club began its golf course renovation after receiving permit approval, and we expect this to be completed in May 2015. The renovation is aimed at both sustaining and enhancing the golf course for the next 50 years.

Tai Pan Laundry revenue increased 10% over the same period last year as a result of the increased volume of laundry processed. Improved payroll efficiency ensured that the gross operating margin improved by three percentage points.

Total revenue for this division increased by 3% to HK$677 million.

PROJECTS AND DEVELOPMENTS

In August 2014, after four years of a meticulous and intensive construction project, we opened our first hotel in Europe, **The Peninsula Paris**. Further information regarding the design, construction and preparation for the opening of this hotel is presented in the Feature Stories in the Company's 2014 Annual Report. This project is a good example of our Company's philosophy towards development.

A combination of our strong brand, which is sought after by developers of luxury hotels, and public awareness arising from the high profile opening of The Peninsula Paris continues to provide the Business Development team with investment opportunities. These are reviewed on a very selective basis with an underlying principle of the Group retaining an ownership interest in the properties which we operate. The Group will only proceed with the development of hotels that can rank among the world's best in prime locations in key international cities. We therefore expect to commit to a small number of new projects to ensure we have an appropriate level of both financial and human resources available at all times. This, together with a robust investment appraisal process, will ensure investment decisions contribute positively to the longer term shareholder value of the Group.

The team is also involved with the appraisal of opportunities to improve the longer term performance of the existing Group asset portfolio. Examples of this include the successful negotiations for a long-term commercial lease at The Peninsula New York in early 2014 and an evaluation of the strategic opportunities for our commercial property located at 21 avenue Kléber in Paris.

The Group Projects team plays a significant role in the development of any business opportunity, from initiation by the Business Development team to the post-opening phase following the commencement of trading. This includes aspects such as design, costing, standards compliance and project management, with each project having dedicated personnel assigned. This combination provides for the development of a product that addresses the needs and expectations of our loyal guests, both present and future, whilst also meeting the Group's investment criteria.

In advance of the formal planning application to the local council authorities, we have made progress with Grosvenor, our joint venture partner in London, on the design and planning of **The Peninsula London**. Presentation of our development plans for this complex project, comprising hotel, residential and commercial elements are being prepared for consultation with government officials and bodies as well as the public.

The design and development process continues in order to maximise the return on investment of the available interior space and to ensure that a truly Peninsula brand standard hotel will be forthcoming. Our joint venture partner provides valuable local experience and support to ensure that the project goals will be successfully met.

In January 2014, we announced an agreement with Yoma Strategic Holdings Ltd. and First Myanmar Investment Co., Ltd. to restore the former Myanmar Railway Company headquarters into a hotel to be called **The Peninsula Yangon.** Since then, preparatory work has been undertaken to establish a development programme for this asset upon satisfaction of the remaining conditions to the agreement.

As highlighted on the CEO's Letter, major renovation projects are also being commenced at **The Peninsula Beijing** and at **The Peninsula Chicago** during 2015. Both projects will result in the hotels' guestrooms being upgraded to meet the current Peninsula brand standards, including the latest in-room technology.

A strategic goal for the Group is our ongoing investment in guestroom technology through our Research & Technology department based in Hong Kong. The focus of the team is to ensure that guestrooms, and the facilities therein, are designed to seamlessly reflect forecast trends in audio, television and internet connectivity to meet the future needs of our guests.

Further elaboration on the various projects in which the team is involved is included within the Feature Stories in the Company's 2014 Annual Report.

Financial Review

The Group's adjusted net asset value

Adjusted NAV per share
HK$26.04 ↑ 2%

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, and not at fair value.

Accordingly, we have commissioned an independent third-party fair valuation of the Group's hotels and golf courses as at 31 December 2014, the details of which are set out on page 25. If these assets were to be stated at fair value, the Group's net assets attributable to shareholders would increase by 10% to HK$39,496 million as indicated in the table below.

HK$m	2014	2014	2013	2013
Net assets attributable to shareholders per the audited statement of financial position		**35,901**		35,105
Adjusting the value of hotels and golf courses to fair market value	**4,378**		4,103	
Less: Related deferred tax and non-controlling interests	**(783)**		(722)	
		3,595		3,381
Adjusted net assets attributable to shareholders		**39,496**		38,486
Audited net assets per share (HK$)		**23.67**		23.37
Adjusted net assets per share (HK$)		**26.04**		25.62

The Group's underlying earnings

Underlying EPS
HK$0.53 ↑ 56%

Our operating results are mainly derived from the operation of hotels and letting of commercial properties. We manage the Group's operations with principal reference to their 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, 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 and non-recurring items on the next page.

The Group's underlying profit attributable to shareholders for the year ended 31 December 2014 increased by 57% to HK$804 million.

HK$m	2014	2013	2014 vs 2013
Profit attributable to shareholders	**1,146**	1,712	
Increase in fair value of investment properties	**(496)**	(1,403)	
Share of property revaluation (gain)/loss of The Peninsula Shanghai, net of tax	**(6)**	178	
Provision for impairment loss in respect of The Peninsula Beijing and The Peninsula Manila	**132**	-	
Other non-operating and non-recurring items	**22**	(3)	
Tax and non-controlling interests attributable to non-operating items	**6**	27	
Underlying profit attributable to shareholders	**804**	511	57%
Underlying earnings per share (HK$)	**0.53**	0.34	56%

Income statement

The Group's consolidated income statement for the year ended 2014 is set out on page 29. The following table summarises the key components of the Group's profit and attributable to shareholders.

HK$m	2014	2013	2014 vs 2013
Turnover	**5,838**	5,508	6%
Operating costs	**(4,310)**	(4,202)	3%
EBITDA	**1,528**	1,306	17%
Depreciation and amortisation	**(423)**	(395)	7%
Net financing charges	**(66)**	(94)	(30%)
Share of result of The Peninsula Shanghai	**(6)**	(280)	(98%)
Share of results of The Peninsula Beverly Hills and The Peninsula Paris	**(35)**	-	n/a
Non-operating items	**364**	1,406	(74%)
Taxation	**(231)**	(231)	-
Profit for the year	**1,131**	1,712	(34%)
Non-controlling interests	**15**	-	n/a
Profit attributable to shareholders	**1,146**	1,712	(33%)

Turnover

The Group's turnover in 2014 increased by 6% to HK$5,838 million. A breakdown of this by business segment and geographical segment is set out in the following table.

Consolidated revenue by business segment HK$m	2014	2013	2014 vs 2013
Hotels	**4,260**	4,044	5%
Commercial Properties	**901**	806	12%
Clubs and Services	**677**	658	3%
	5,838	5,508	6%

Consolidated revenue by geographic location HK$m	2014	2013	2014 vs 2013
Arising in			
Hong Kong	**2,775**	2,505	11%
Other Asia	**1,718**	1,786	(4%)
United States of America	**1,290**	1,190	8%
Europe	**55**	27	104%
	5,838	5,508	6%

Turnover
HK$5,838m ↑ 6%

Hotel
HK$4,260m ↑ 5%

Commercial Properties
HK$901m ↑ 12%

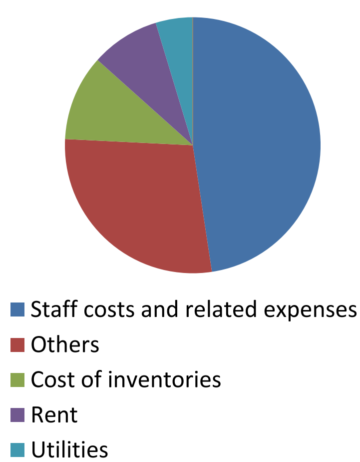
Clubs and Services
HK$677m ↑ 3%

Our hotels division is the main contributor to the Group's revenue, accounting for 73% (2013: 73%) of total revenue. Within the other Asia revenues are the two Thai properties, namely The Peninsula Bangkok and the Thai Country Club, which have both been significantly affected by political events. A further analysis of the revenues and operating performance of individual operating entities are set out in the Business Review section on pages 9 to 17.

Operating costs

In 2014, our operating costs (excluding depreciation and amortisation) increased by 3% to HK$4,310 million due to higher business levels attained by most of our operations.

Operating Costs
HK$4,310m ↑ 3%



Given the nature of operating high-end luxury hotels, staff costs continued to be the largest portion of operating costs. Staff costs and related expenses for the year increased by 5% to HK$2,052 million, representing 48% (2013: 46%) of the Group's operating costs and 35% (2013: 35%) of the Group's revenue.

EBITDA and EBITDA Margin

EBITDA (earnings before interest, taxation, depreciation and amortisation) of the Group increased by HK$222 million or 17% to HK$1,528 million in 2014. Compared to an increase of HK$330 million or 6% in consolidated revenue, the increase in EBITDA represented a flow-through of 67%. Our successful efforts to control costs have resulted in an increase of two percentage points in the Group's overall EBITDA margin to 26%.

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
2014					
Hotels	**565**	**209**	**44**	**-**	**818**
Commercial Properties	**524**	**16**	**-**	**42**	**582**
Clubs and Services	**130**	**9**	**(11)**	**-**	**128**
	1,219	**234**	**33**	**42**	**1,528**
	80%	**15%**	**2%**	**3%**	**100%**
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%
Change					
2014 vs 2013	13%	6%	320%	100%	17%

EBITDA margin	2014	2013
Hotels	**19%**	16%
Commercial Properties	**65%**	65%
Clubs and Services	**19%**	21%
Overall EBITDA margin	**26%**	24%
Arising in:		
Hong Kong	**44%**	43%
Other Asia	**14%**	12%
United States of America	**3%**	(1%)
Europe	**76%**	78%

The luxury hotel business is a labour-intensive industry, which also requires a relatively high cost of inventories to maintain the quality of service and food and beverage. Despite this, we are pleased to have been able to improve our hotels division's EBITDA margin by three percentage points to 19% in 2014.

The EBITDA margin of the commercial properties division in 2014 remained stable as a result of our efforts to control increases in costs within a soft residential market. However, the clubs and services division's EBITDA margin decreased by two percentage points to 19%, mainly due to the higher licence fee charged by the Hong Kong government to The Peak Tram for the two-year extension of its operating right to the end of 2015, and the revenue shortfall suffered by the Thai Country Club as a result of the political situation in Thailand.

Depreciation and amortisation

The depreciation and amortisation charge of HK$423 million (2013: HK$395 million) largely relates to the hotels. The increase in depreciation and amortisation in 2014 was mainly due to the full year depreciation impact following the completion of the renovation project at The Peninsula Hong Kong in April 2013. 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 non-operating items are analysed as follows.

HK$m	**2014**	2013
Increase in fair value of investment properties	**496**	1,403
Provision for impairment loss	**(132)**	-
Gain on disposal of an unlisted equity instrument	**-**	3
	364	1,406

The increase in fair value of investment properties for the year was principally attributable to the increase in the appraised market value of the shopping arcade at The Peninsula Hong Kong and The Repulse Bay Complex. In 2013, The Peninsula New York also recorded an increase of HK$523 million in fair value in respect of its shopping arcade due to the successful restructuring of the retail leases.

The Directors considered that the book values of The Peninsula Beijing, pending major renovation, and The Peninsula Manila as at 31 December 2014 were higher than their respective recoverable amounts. On this basis, the book values of these hotels were written down by HK$132 million.

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 which comprises a hotel, a shopping arcade and a residential tower of 39 apartments. 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.

During 2014, The Peninsula Shanghai remained as the market leader in terms of average room rate and RevPAR in its competitive set, generating an EBITDA of HK$247 million (2013: HK$92 million), of which HK$129 million was derived from the sale of 11 apartment units (2013: HK$nil). In addition, The Peninsula Shanghai Complex recorded a net unrealised gain of HK$12 million on revaluation of the hotel arcade and remaining apartments (2013: a net loss of HK$355 million, mainly due to the unrealised loss incurred for the reclassification of the 19 apartment units from "investment properties" to "assets held for sale" as noted in the previous paragraph).

As PSW has been mainly debt financed and the hotel building is subject to a high depreciation charge given the remaining lease term, PSW made a net loss of HK$12 million after accounting for depreciation and net financing charges. The Group's share thereof amounted to HK$6 million (2013: HK$280 million).

Details of the operating performance of The Peninsula Shanghai are set out in the Business Review section on pages 10 and 11.

Results of The Peninsula Beverly Hills and The Peninsula Paris

The Group has a 20% interest in each of The Peninsula Beverly Hills and The Peninsula Paris. The Group's share of net loss of these two hotels for 2014 amounted to HK$35 million (2013: HK$nil), of which HK$22 million related to the share of pre-opening expenses incurred by The Peninsula Paris which opened for business on 1 August 2014.

Details of the operating performances of The Peninsula Beverly Hills and The Peninsula Paris are set out in the Business Review section on pages 14 and 15.

Balance sheet

The Group's financial position as at 31 December 2014 remained strong, with a year-on-year increase in shareholders' funds of 2% to HK$35,901 million, representing a per share value of HK$23.67 compared to HK$23.37 in 2013. The consolidated balance sheet of the Group as at 31 December 2014 is presented on page 31 and the key components of the Group's assets and liabilities are set out in the table below.

HK$m	**2014**	**2013**	2014 vs 2013
Fixed assets	**38,168**	38,187	(0%)
Other long-term assets	**2,474**	2,596	(5%)
Cash at banks and in hand	**2,477**	1,494	66%
Other assets	**863**	867	(0%)
	43,982	43,144	2%
Interest-bearing borrowings	**(5,481)**	(5,486)	(0%)
Other liabilities	**(2,350)**	(2,284)	3%
	(7,831)	(7,770)	1%
Net assets	**36,151**	35,374	2%
Represented by			
Shareholders' funds	**35,901**	35,105	2%
Non-controlling interests	**250**	269	(7%)
Total equity	**36,151**	35,374	2%

Fixed assets

The Group has interests in ten operating hotels in Asia, the US and Europe. In addition to hotel properties, the Group owns residential apartments, office towers and commercial buildings for rental purposes.

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 2014, 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 2014 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%	12,172	10,038
The Peninsula New York	100%	2,413	1,764
The Peninsula Beijing	76.6% *	1,493	1,244
The Peninsula Chicago	100%	1,342	1,146
The Peninsula Tokyo	100%	1,178	711
The Peninsula Bangkok	75%	741	751
The Peninsula Manila	77.4%	182	182
		19,521	15,836
Commercial Properties			
The Repulse Bay Complex	100%	16,566	16,566
The Peak Tower	100%	1,331	1,331
St. John's Building	100%	919	919
21 avenue Kléber	100%	548	548
1-5 Grosvenor Place	50%	3,447	3,447
The Landmark	70%**	88	88
		22,899	22,899
Other Properties			
Thai Country Club golf course	75%	232	252
Quail Lodge resort, golf course and vacant land	100%	304	264
Vacant land near Bangkok	75%	330	330
Others	100%	207	92
		1,073	938
Total market/ book value		43,493	39,673
Hotel and investment property held by a joint venture			
The Peninsula Shanghai Complex ***	50%	5,341	5,019
Hotel properties held by associates			
The Peninsula Paris	20%	6,622	6,169
The Peninsula Beverly Hills	20%	2,533	428

* *The Group owns 100% economic interest of The Peninsula Beijing with a reversionary interest to the PRC partner in 2033 upon expiry of the co-operative joint venture period.*

** *The Group owns 50% economic interest of The Landmark with a reversionary interest to the Vietnamese partner in 2026 upon expiry of the joint venture period.*

*** *Excluding the remaining 8 apartment units held for sale.*

Other long-term assets

The other long-term assets as at 31 December 2014 of HK$2,474 million (2013: HK$2,596 million) principally comprise the Group's 50% interest in The Peninsula Shanghai, the Group's 20% interest in The Peninsula Paris and the hotel operating rights in respect of The Peninsula Paris. The decrease in balance was mainly due to the exchange difference on translation of the Group's investment in The Peninsula Paris resulting from the weakening of the Euro exchange rate. The exchange differences were accounted for as other comprehensive income in 2014.

Cash at banks and in hand and interest-bearing borrowings

As at 31 December 2014, the Group's cash at banks and in hand increased to HK$2,477 million (2013: HK$1,494 million), partly due to delayed operating and project expenditures, whilst interest-bearing borrowings decreased to HK$5,481 million (2013: HK$5,486 million). The net cashflow from operations was therefore sufficient to cover capital expenditure on existing assets for the year. A breakdown of the Group's capital expenditure for the year ended 31 December 2014 is set out on page 27.

Cash flows

The consolidated statement of cash flows of the Group for the year ended 31 December 2014 is set out on page 32. The following table summarises the key cash movements leading to the increase in cash at banks and in hand of the Group as at 31 December 2014.

HK$m	**2014**	2013
EBITDA	**1,528**	1,306
Net change in debtors/creditors	**61**	95
Tax payment	**(157)**	(93)
Net cash generated from operating activities	**1,432**	1,308
Capital expenditure on existing assets	**(409)**	(928)
Net cash inflow after normal capital expenditure	**1,023**	380
Acquisition of new properties	**-**	(2,293)
Net cash inflow/(outflow) before dividends and other payments	**1,023**	(1,913)

The tax payment in 2014 was higher due to the non-recurrence of 2013 depreciation allowances in respect of the renovations of The Peninsula Hong Kong and The Repulse Bay Complex.

The after-tax net cash generated from operating activities for the year amounted to HK$1,432 million (2013: HK$1,308 million), of which HK$409 million (2013: HK$928 million) was applied to fund capital expenditure on existing assets.

The breakdown of the Group's spending on its existing assets and the new acquisitions is analysed below.

HK$m	**2014**	2013
Properties upgrade		
Hotels		
The Peninsula Hong Kong (including guestroom renovation)	**56**	198
Other hotels	**201**	265
Commercial properties		
The Repulse Bay Complex (including de Ricou reconfiguration)	**56**	293
Other properties	**49**	50
Clubs and services	**47**	122
	409	928
New acquisitions		
1-5 Grosvenor Place	**-**	1,688
21 avenue Kléber	**-**	605
	-	2,293
	409	3,221

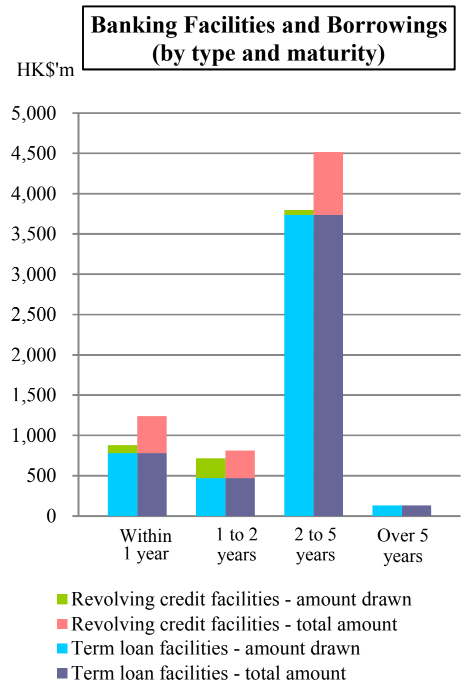
Treasury Management

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 the normal course of business and have policies and procedures in place to manage such risks.

During the year, the Company arranged credit facilities of JPY2 billion and US$40 million respectively for two wholly-owned subsidiaries and a credit facility of Baht800 million for a subsidiary to refinance their maturing term loans.

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 2014 are summarised as follows:



	2014					2013
HK$m	Hong Kong	Other Asia	United States of America	Europe	Total	Total
Consolidated gross borrowings	2,281	1,872	766	562	5,481	5,486
Non-consolidated gross borrowings attributable to the Group*:						
The Peninsula Shanghai (50%)	-	1,183	-	-	1,183	1,412
The Peninsula Beverly Hills (20%)	-	-	224	-	224	218
The Peninsula Paris (20%)	-	-	-	409	409	446
Non-consolidated borrowings	-	1,183	224	409	1,816	2,076
Consolidated and non-consolidated gross borrowings	2,281	3,055	990	971	7,297	7,562

** Represents HSH's attributable share of borrowings*

CONSOLIDATED INCOME STATEMENT (HK$m)

	Note	Year ended 31 December 2014	2013
Turnover	2	**5,838**	5,508
Cost of inventories		**(467)**	(463)
Staff costs and related expenses		**(2,052)**	(1,951)
Rent and utilities		**(577)**	(586)
Other operating expenses		**(1,214)**	(1,202)
Operating profit before interest, taxation, depreciation and amortisation ("EBITDA")		**1,528**	1,306
Depreciation and amortisation		**(423)**	(395)
Operating profit		**1,105**	911
Interest income		**65**	46
Financing charges		**(131)**	(140)
Net financing charges		**(66)**	(94)
Profit after net financing charges		**1,039**	817
Share of result of a joint venture	8	**(6)**	(280)
Share of results of associates	9	**(35)**	-
Increase in fair value of investment properties	7(b)	**496**	1,403
Provision for impairment loss	7(a)	**(132)**	-
Gain on disposal of an unlisted equity instrument		**-**	3
Profit before taxation		**1,362**	1,943
Taxation			
Current tax	3	**(179)**	(130)
Deferred tax	3	**(52)**	(101)
Profit for the year		**1,131**	1,712
Profit attributable to:			
Shareholders of the Company		**1,146**	1,712
Non-controlling interests		**(15)**	-
Profit for the year		**1,131**	1,712
Earnings per share, basic and diluted (HK$)	4	**0.76**	1.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (HK$m)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)

	Note	At 31 December **2014**	2013
Non-current assets			
Fixed assets			
Properties, plant and equipment		**5,620**	5,963
Investment properties		**32,548**	32,224
	7	**38,168**	38,187
Interest in a joint venture	8	**1,016**	1,045
Interest in associates	9	**807**	822
Hotel operating rights	10	**611**	693
Derivative financial instruments		**-**	8
Deferred tax assets		**40**	28
		40,642	40,783
Current assets			
Inventories		**92**	100
Trade and other receivables	11	**583**	575
Amount due from a joint venture		**188**	192
Cash at banks and in hand	12	**2,477**	1,494
		3,340	2,361
Current liabilities			
Trade and other payables	13	**(1,180)**	(1,175)
Interest-bearing borrowings	14	**(878)**	(550)
Derivative financial instruments		**-**	(13)
Current taxation		**(70)**	(48)
		(2,128)	(1,786)
Net current assets		**1,212**	575
Total assets less current liabilities		**41,854**	41,358
Non-current liabilities			
Interest-bearing borrowings	14	**(4,603)**	(4,936)
Trade and other payables	13	**(260)**	(276)
Net defined benefit retirement obligations		**(17)**	(18)
Derivative financial instruments		**(38)**	(22)
Deferred tax liabilities		**(785)**	(732)
		(5,703)	(5,984)
Net assets		**36,151**	35,374
Capital and reserves			
Share capital	15	**4,544**	751
Reserves		**31,357**	34,354
Total equity attributable to shareholders of the Company		**35,901**	35,105
Non-controlling interests		**250**	269
Total equity		**36,151**	35,374

CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)

	Note	Year ended 31 December 2014	2013
Operating activities			
Profit after net financing charges		**1,039**	817
Adjustments for:			
Depreciation	7(a)	**415**	392
Amortisation of hotel operating rights	10	**8**	3
Interest income		**(65)**	(46)
Financing charges		**131**	140
Loss on disposal of fixed assets		**2**	6
Operating profit before changes in working capital		**1,530**	1,312
Decrease/(increase) in inventories		**6**	(8)
Increase in trade and other receivables		**(19)**	(48)
Increase in trade and other payables		**72**	145
Cash generated from operations		**1,589**	1,401
Net tax paid:			
Hong Kong profits tax paid		**(107)**	(46)
Overseas tax paid		**(50)**	(47)
Net cash generated from operating activities		**1,432**	1,308
Investing activities			
Payment for the purchase of fixed assets		**(409)**	(928)
Payment for the acquisition of properties		**-**	(2,293)
Net repayment from a joint venture		**-**	63
Loans to an associate		**(128)**	(224)
Proceeds from disposal of an unlisted equity instrument		**-**	3
Net cash used in investing activities		**(537)**	(3,379)
Financing activities			
Drawdown of term loans		**1,076**	2,366
Repayment of term loans		**(346)**	(1,203)
Net (decrease)/increase in revolving loans		**(455)**	516
Net (placement)/withdrawal of interest-bearing bank deposits with maturity of more than three months		**(1,193)**	54
Interest paid and other financing charges		**(120)**	(158)
Interest received		**60**	44
Dividends paid to shareholders of the Company		**(86)**	(210)
Dividends paid to holders of non-controlling interests		**(5)**	(4)
Net cash (used in)/generated from financing activities		**(1,069)**	1,405
Net decrease in cash and cash equivalents		**(174)**	(666)
Cash and cash equivalents at 1 January		**1,036**	1,682
Effect of changes in foreign exchange rates		**(23)**	20
Cash and cash equivalents at 31 December	12	**839**	1,036

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") and accounting principles generally accepted in Hong Kong. These Financial Statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622) "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These Financial Statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. Turnover (HK$m)

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

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

	2014	2013
Hotels *(note 6(a))*		
Rooms	**1,889**	1,768
Food and beverage	**1,239**	1,218
Commercial	**747**	687
Others	**385**	371
	4,260	4,044
Commercial Properties *(note 6(a))*	**901**	806
Clubs and Services *(note 6(a))*	**677**	658
	5,838	5,508

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

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

4. Earnings per share

(a) Earnings per share - basic

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

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

(b) Earnings per share - diluted

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

5. Dividends (HK$m)

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

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

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

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

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

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 2014 and 2013 are set out as follows:

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

**** Analysis of segment revenue***

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

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

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

(b) Segment assets (HK$m)

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

	Note	**2014**	2013
Reportable segment assets			
Hotels		**16,978**	17,269
Commercial properties		**21,440**	21,273
Clubs and services		**1,036**	1,013
		39,454	39,555
Unallocated assets			
Interest in a joint venture	8	**1,016**	1,045
Interest in associates	9	**807**	822
Derivative financial instruments		**-**	8
Deferred tax assets		**40**	28
Amount due from a joint venture		**188**	192
Cash at banks and in hand	12	**2,477**	1,494
Consolidated total assets		**43,982**	43,144

(c) Geographical information (HK$m)

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

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

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

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

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

(a) Movements of fixed assets *continued*

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

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

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

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

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

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

(c) Investment property held for re-development

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

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

	2014	2013
Share of net assets	**495**	524
Loans to a joint venture *(note 8(b))*	**521**	521
	1,016	1,045

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

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

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

(b) The loans to the joint venture are denominated in US dollars, unsecured, interest free and have no fixed repayment terms.

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

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

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

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

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

** *Being net valuation adjustment of investment properties.*

9. Interest in associates (HK$m)

	2014	2013
Interest in associates	**807**	822

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

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

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

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

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

(b) Included in the balance of interest in associates are loans to Al Maha of HK$796 million (2013: HK$822 million).

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

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

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

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

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

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

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

10. Hotel operating rights (HK$m)

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

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

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

11. Trade and other receivables (HK$m)

	2014	2013
Trade debtors	**241**	242
Rental deposits, payments in advance and other receivables	**338**	328
Tax recoverable	**4**	5
	583	575

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$88 million (2013: HK$133 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:

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

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

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)

	2014	2013
Interest-bearing bank deposits	**2,305**	1,378
Cash at banks and in hand	**172**	116
Total cash at banks and in hand	**2,477**	1,494
Less: Bank deposits with maturity of more than three months	**(1,633)**	(440)
Bank overdrafts *(note 14)*	**(5)**	(18)
Cash and cash equivalents in the consolidated statement of cash flows	**839**	1,036

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

13. Trade and other payables (HK$m)

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

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

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

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

The ageing analysis of trade creditors is as follows:

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

14. Interest-bearing borrowings (HK$m)

	2014	2013
Total facilities available:		
Term loans and revolving credits	**6,359**	6,535
Uncommitted facilities, including bank overdrafts	**336**	276
	6,695	6,811
Utilised at 31 December:		
Term loans and revolving credits	**5,477**	5,519
Uncommitted facilities, including bank overdrafts	**44**	18
	5,521	5,537
Less: Unamortised financing charges	**(40)**	(51)
	5,481	5,486
Represented by:		
Short-term bank loans, repayable within one year or on demand	**873**	532
Bank overdrafts, repayable on demand *(note 12)*	**5**	18
	878	550
Long-term bank loans, repayable:		
Between one and two years	**716**	951
Between two and five years	**3,797**	4,036
Over five years	**130**	-
	4,643	4,987
Less: Unamortised financing charges	**(40)**	(51)
Non-current portion of long-term bank loans	**4,603**	4,936
Total interest-bearing borrowings	**5,481**	5,486

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

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

15. Share capital

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

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

Notes

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

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

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

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

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

16. Capital commitments (HK$m)

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

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

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

17. Non-adjusting post reporting period events

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

Other Corporate Information

Corporate Responsibility and Sustainability
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 2014 Annual Report discuss in detail our progress towards Vision 2020 and specific material issues that contribute to the sustainable development of the Group. The Sustainability Report discloses the Group's corporate responsibility and sustainability performance in accordance with the 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 Disclosures.

Corporate governance
The Company believes the principles of integrity, transparency and accountability are the basis of a successful and sustainable company, thus is committed to operate to the highest standards of corporate governance. The Company recognises good corporate governance promotes and safeguards the interests of its shareholders and other stakeholders, and the Company's goal is to operate within a well-established framework of policies, processes and management systems. The Corporate Governance Report in the 2014 Annual Report outlines the Company's approach to governance and its initiatives and activities.

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 Corporate Governance 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 Board has recommended a final dividend of 18 HK cents per share (2013: 12 HK cents per share) for the year ended 31 December 2014. Subject to the approval by shareholders at the forthcoming Annual General Meeting ("AGM"), such dividend will be payable on 19 June 2015 to shareholders whose names appear on the register of members on 19 May 2015.

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 22 May 2015.

Closure of register of members

<u>For shareholders' entitlement to attend, speak and vote at the AGM</u>:

Latest time to lodge transfer documents	4:30 p.m. on 6 May 2015
Closure of register of members	7 May to 11 May 2015 (both days inclusive)
Record date	11 May 2015
AGM	11 May 2015

<u>For shareholders' entitlement to receive the final dividend</u>:

Latest time to lodge transfer documents	4:30 p.m. on 14 May 2015
Closure of register of members	15 May to 19 May 2015 (both days inclusive)
Record date	19 May 2015
Deadline for return of scrip dividend election forms	4:30 p.m. on 10 June 2015
Final dividend payment date	19 June 2015

During the closure of register of members, no transfers of shares will be registered. In order to qualify for the right to attend, speak 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 share 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.

AGM and Annual Report

The AGM will be held at The Peninsula Hong Kong on 11 May 2015 at 12 noon. The Notice of AGM and 2014 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 8 April 2015.

By Order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 20 March 2015

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
Andrew Clifford Winawer Brandler

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

Chief Operating Officer
Peter Camille Borer

Chief Financial Officer
Alan Philip Clark

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