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

2015 Annual Results

HIGHLIGHTS

Key financial results

- Revenue and EBITDA amounted to HK$5,741 million (2014: HK$5,838 million) and HK$1,440 million (2014: HK$1,528 million) respectively
- Underlying profit attributable to shareholders amounted to HK$688 million (2014: HK$804 million). The earnings of the Company were affected by partial closure of The Peninsula Beijing and The Peninsula Chicago due to extensive renovations
- Profit attributable to shareholders amounted to HK$1,000 million (2014: HK$1,146 million), inclusive of property revaluation gains
- Earnings per share and underlying earnings per share of HK$0.65 (2014: HK$0.76) and HK$0.45 (2014: HK$0.53) respectively
- Final dividend of 15 HK cents per share (2014: 18 HK cents per share), making a total dividend of 20 HK cents per share for 2015 (2014: 23 HK cents per share)
- Shareholders' funds as at 31 December 2015 amounted to HK$36,427 million (2014: HK$35,901 million) or HK$23.61 per share (2014: HK$23.67 per share)

Key developments

- The grand opening of The Peninsula Paris was held in April 2015. In its first full year of operation, The Peninsula Paris has achieved tremendous international recognition and is becoming noted as one of the finest hotels in Europe
- In December 2015, an agreement was reached between the Myanmar Ministry of Rail Transportation and Yoma, our partners in Yangon, for the extension of the land lease that is required for the development of a mixed-use project located in the Yangon business district in Myanmar. The former Myanmar Railway Headquarters forms part of this development and will be renovated to become The Peninsula Yangon
- In July 2015, together with our partners Doğuş Holding and BLG, we entered into a conditional shareholders' agreement to form a joint venture partnership, of which HSH has a 50% share, for a proposed hotel development in Istanbul, Turkey
- In December 2015, Westminster City Council's planning committee resolved to grant in principle planning consent for the redevelopment of 1-5 Grosvenor Place into The Peninsula London
- In December 2015, the Group restructured the lease agreement for The Peninsula Tokyo with our Japanese partner, MEC, which previously owned the hotel building and granted our Group a 50-year lease which commenced in 2007. We were delighted to reach an agreement to purchase the hotel building from MEC and to enter into a new Land Lease Agreement for a fixed term of 70 years from December 2015, for a cash consideration of JPY10.3 billion (excluding acquisition and transfer taxes). We therefore extended our tenure of The Peninsula Tokyo by 28 years
- We were pleased to reach an agreement with the Hong Kong Government for the renewal of the operating right to The Peak Tram, commencing 1 January 2016

FINANCIAL HIGHLIGHTS

	2015	2014	Increase/ (Decrease)
CONSOLIDATED INCOME STATEMENT (HK$m)			
Revenue	**5,741**	5,838	(2%)
EBITDA	**1,440**	1,528	(6%)
Operating profit	**1,014**	1,105	(8%)
Profit attributable to shareholders	**1,000**	1,146	(13%)
Underlying profit attributable to shareholders *	**688**	804	(14%)
Dividends	**308**	349	(12%)
Earnings per share (HK$)	**0.65**	0.76	(14%)
Underlying earnings per share (HK$) *	**0.45**	0.53	(15%)
Dividends per share (HK cents)	**20**	23	(13%)
Dividend cover (times) **	**2.2x**	2.3x	(4%)
Interest cover (times)	**14.9x**	16.7x	(11%)
Weighted average gross interest rate	**2.2%**	2.3%	(0.1pp)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)			
Total assets	**45,089**	43,982	3%
Audited net assets attributable to shareholders	**36,427**	35,901	1%
Adjusted net assets attributable to shareholders #	**39,627**	39,496	-
Audited net assets attributable to shareholders per share (HK$)	**23.61**	23.67	-
Adjusted net assets attributable to shareholders per share (HK$) #	**25.68**	26.04	(1%)
Net borrowings	**3,273**	3,004	9%
Funds from operations to net debt ##	**35%**	44%	(9pp)
Net debt to EBITDA (times)	**2.3x**	2.0x	15%
Net debt to equity	**9%**	8%	1pp
Gearing	**8%**	8%	-
CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)			
Net cash generated from operating activities before taxation	**1,444**	1,589	(9%)
Capital expenditure on existing assets	**(476)**	(370)	29%
New projects and acquisitions	**(916)**	(39)	2,249%
SHARE INFORMATION (HK$)			
Highest share price	**12.20**	12.60	(3%)
Lowest share price	**8.00**	10.08	(21%)
Year end closing share price	**8.64**	11.50	(25%)

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

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

pp *Denotes percentage points.*

CEO's STRATEGIC REVIEW

I am pleased to report that we delivered a satisfactory set of financial results in spite of a challenging year for our company, with intense competition and a difficult operating environment in many of our key markets.

These satisfactory results achieved by the Group in the face of many challenges emphasises the importance of having a diversified portfolio of assets to weather the cyclical nature of the hotel industry. We continued to work hard to improve revenues and increase shareholder value through asset value appreciation and operational earnings, while doing business in a high cost environment.

Our long-term strategic mission is to build, maintain and create the highest quality assets that become legacies in their time. At almost 150 years old, we are the oldest registered company in Hong Kong, but one that is still at a youthful stage in its development and growth strategy. We are still building for the future and it is an exciting time for us as a group.

Highlights of 2015

The highlight of the year was the grand opening of The Peninsula Paris in April 2015. In its first full year of operation, The Peninsula Paris has achieved tremendous international recognition and is already becoming noted as one of the finest hotels in Europe. The grand opening party was a spectacular display of traditional Peninsula hospitality with thousands of international and local guests and celebrities in attendance.

In December 2015, we were pleased that Westminster City Council's planning committee resolved to grant in principle planning consent for a new 190-room hotel, to be known as The Peninsula London, located at 1-5 Grosvenor Place, Hyde Park Corner, Belgravia in central London. London is one of the world's most dynamic capital cities and we are excited to move another step closer to introducing The Peninsula brand to London.

Also in December 2015, we were pleased to move another step forward with The Peninsula Yangon project. An agreement was reached between the Myanmar Ministry of Rail Transportation and Yoma, our partners in Yangon, for the extension of the land lease that is required for the development of a mixed-use development located in the Yangon business district in Myanmar. The former Myanmar Railway Headquarters forms part of this development and will be renovated to become The Peninsula Yangon.

In July 2015, together with our partners Doğuş Holding A.Ş. and BLG Gayrimenkul Yatırımları ve Ticaret A.Ş., we entered into a conditional shareholders' agreement to form a joint venture partnership, of which HSH has a 50% share, for a proposed hotel development in Istanbul, Turkey. The location of our project is truly exceptional, with views across the Bosphorus to the Topkapi palace, and despite short-term security concerns we remain optimistic for the development of the high-end tourism market in Istanbul.

We are working through the challenges of these three exciting hotel projects and it is our focus to make these projects work in commercial and financial reality. Our cashflow strategy is to keep our existing business generating sufficient levels of cash to support our new projects while maintaining a robust financial position, and to ensure that we have a healthy interest rate cover despite our project commitments.

We were pleased to reach an agreement with the Hong Kong Government for the renewal of the operating right to The Peak Tram, commencing 1 January 2016. As one of Hong Kong's most popular tourist attractions that has been in operation since 1888, it is a much-loved and important asset for our Company and I am delighted that we can continue to provide our services to tourists and the local community.

In December 2015, the Group restructured the lease agreement for The Peninsula Tokyo with our Japanese partner, MEC, which previously owned the hotel building and granted our Group a 50 year lease which commenced in 2007. We were delighted to reach an agreement to purchase the hotel building from MEC and to enter into a new Land Lease Agreement for a fixed term of 70 years from December 2015, for a cash consideration of JPY10.3 billion (excluding acquisition and transfer taxes). We therefore extended our tenure of The Peninsula Tokyo by 28 years.

Improving assets through renovation

We reported in 2014 that our business would be impacted in the short term by the renovations at The Peninsula Chicago and The Peninsula Beijing. This impact will continue into 2016 as the commencement of the renovation of The Peninsula Beijing was delayed due to the additional time required to achieve the necessary permits. We are confident that when these renovations are complete in 2016 for The Peninsula Chicago and 2017 for The Peninsula Beijing, we will see increased revenue and earnings from the improved product offering. These renovations are in line with our philosophy of improving existing assets to deliver long-term value for our shareholders.

A challenging environment

As a Hong Kong company with the majority of our assets located in Hong Kong, we are concerned about the short-term outlook for the tourism industry in Hong Kong. Overall tourist arrivals declined 2.5% year-on-year and Chinese mainland arrivals declined by 3% year-on-year. As a result, average room rates have been under pressure, not just for The Peninsula Hong Kong, but also for our competitive set and across the industry. Retail sales have inevitably suffered as a result of lower tourist arrivals, and the tenants in our shopping arcades are reporting a challenging environment.

Unfortunately the tragic terrorist events in Paris in January and November shocked the world and placed a shadow over the city, with tourism heavily impacted in the short term. Our businesses in Paris and Bangkok were impacted by the terrorist attacks in these cities during 2015, and we continue to be concerned about the global terrorist threat and its impact on tourism.

Financial Performance

The Group's revenue in 2015 amounted to HK$5,741 million, representing a slight decrease of 2% over 2014. The EBITDA for the year of HK$1,440 million, a decrease of 6% over the previous year, reflects the challenging situation that we faced in many of our key markets, as well as the impact of the renovations in The Peninsula Beijing and The Peninsula Chicago. Profit attributable to shareholders amounted to HK$1,000 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 2015 decreased by 14% to HK$688 million.

We believe that if we had not commenced the major renovations at The Peninsula Beijing and Chicago and the earnings of those projects had been the same as last year, the underlying profit of the Group in 2015 would have been flat to last year, which we consider to be a very creditable result in the light of the market environment especially in our main market of Hong Kong. Although revenue was down, we have worked hard to control costs. Despite general inflation in labour and operating costs, the Group's total operating costs and overheads were maintained at a level similar to last year, partly helped by reduced operating costs during the renovations of The Peninsulas in Beijing and Chicago as well as a weaker foreign currency.

The Board has recommended a final dividend payable on 24 June 2016 of 15 HK cents per share. Together with the 2015 interim dividend of 5 HK cents per share paid on 30 October 2015, the total dividend in respect of the 2015 financial year will be 20 HK cents per share, a decrease of 13% compared to 2014.

A detailed review of our business performance is below.

BUSINESS PERFORMANCE

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

Group Results

	2015	2014	Variance
	HK$m	HK$m	
Revenue			
Hotels	4,073	4,260	(4%)
Commercial Properties	937	901	4%
Clubs and Services	731	677	8%
	5,741	5,838	(2%)
EBITDA			
Hotels	713	818	(13%)
Commercial Properties	596	582	2%
Clubs and Services	131	128	2%
	1,440	1,528	(6%)

Hotels Division

	2015	2014	Variance	
	Revenue HK$m	Revenue HK$m	In HK$	In Local Currency
Consolidated hotels				
The Peninsula Hong Kong	1,342	1,360	(1%)	(1%)
The Peninsula Beijing	275	411	(33%)	(32%)
The Peninsula New York	651	674	(3%)	(3%)
The Peninsula Chicago	487	499	(2%)	(2%)
The Peninsula Tokyo	711	756	(6%)	7%
The Peninsula Bangkok	215	181	19%	26%
The Peninsula Manila	284	279	2%	5%
Management fees income	108	100	8%	n/a
	4,073	4,260	(4%)	n/a
Non-consolidated hotels				
The Peninsula Shanghai (PSH)*	592	595	(1%)	1%
The Peninsula Beverly Hills (PBH)**	564	581	(3%)	(3%)
The Peninsula Paris (PPR)**	537	225	139%	172%
	1,693	1,401	21%	n/a

* *The Group owns a 50% interest in PSH and the result of PSH is equity accounted for as a joint venture in the Group's financial statements.*

** *The Group has a 20% interest in each of PBH and PPR and the results of these hotels are equity accounted for as associates in the Group's financial statements.*

The Peninsula Hong Kong

The Peninsula Hong Kong		
Revenue	HK$ 1,342m	- 1%
Occupancy		- 2 pp
Average Room Rate		- 7%
RevPAR		- 10%

The Hong Kong market experienced 3.9% fewer overnight arrivals during 2015 and overall hotel occupancy for the city declined 4 percentage points year-on-year. As a result of the weaker demand across the city, The Peninsula Hong Kong experienced a soft year with average room rates and RevPAR negatively affected.

During 2015, Japanese visitor arrivals to The Peninsula Hong Kong declined, mainly due to the weak currency in their home market, and although we continue marketing efforts in Japan, we believe that until the currency regains value, the Japanese segment will remain soft for the short-to-medium term. It was widely reported that Chinese mainland visitors arrivals declined in Hong Kong, but at The Peninsula Hong Kong we were not significantly affected by this trend and our mainland arrivals remained relatively stable. With the fall in leisure travellers, our strategy is to capture more corporate and group business, which we successfully secured by attending additional trade shows and sales events in the wider Asian region.

Food and beverage revenue remained healthy, and although mildly affected by the lower occupancy rates in the hotel, the local market and local patronage to our outlets remains strong. Spa revenue increased due to a popular new product line. The Peninsula Office Tower remained fully let and the Shopping Arcade revenue remained stable, demonstrating that our tenants continue to value The Peninsula brand, although we are sensitive to the weaker retail market across the city.

The hotel's three-year collaboration with Britain's prestigious Royal Academy of Arts, Love Art at The Peninsula, generated significant positive media coverage with a full-sized replica of a coach teetering on the Sun Terrace in an artwork by renowned British Sculptor Richard Wilson. This pioneering approach to art has helped to positively impact our company's image in the local and international art communities. Throughout June, *National Geographic* broadcast a promotional documentary about the hotel's 85th anniversary celebration, titled *The Making of a Gala*. In November, a Terry O'Neill James Bond photography exhibition was successful and resulted in sell-out bookings at *Gaddi's*. Our strategy with these initiatives is to bring our brand to the forefront of art, culture and lifestyle.

The Peninsula Shanghai

The Peninsula Shanghai		
Revenue	RMB 480m	+ 1%
Occupancy		+ 2 pp
Average Room Rate		0%
RevPAR		+ 4%
Proceeds from Sale of Apartments		RMB 139m

The Peninsula Shanghai had a stable year despite intense competition and an oversupply of inventory across the city, and remains the leader in both RevPAR and average room rates in Shanghai. Domestic travellers are the top geographic segment making up around 50% of hotel guests, followed by the US and Hong Kong. Emerging markets include Russia and the Middle East, with high level business delegations increasing from these markets because of investments in China. The high levels of PR exposure generated from The Peninsula Paris has helped drive new business from these markets due to increased brand recognition.

The Peninsula Academy programme has been very popular with affluent travellers in Shanghai looking for new and unique experiences, such as a private tour of Shanghai's finest heritage buildings in one of the hotel's Rolls-Royce Phantoms. We are seeing a move towards online and mobile bookings, which has led to a higher number of last-minute bookings and also strong business generated from online travel agencies, including Ctrip.

The shopping arcade in The Peninsula Shanghai remains almost fully let. Our strategy is to maintain a strong mix of tenants selling fashion, jewellery and watches to encourage more shoppers to visit the arcade. Our tenants are expanding their presence in the arcade and bring long-term revenue.

All food and beverage businesses located on the Bund were impacted when the government boarded up the area and reduced street lighting following the tragic events on the Bund on New Year's Eve 2014. This affected our revenue in the first quarter, but food and beverage business picked up later in the year. 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.

As of 31 December 2015, The Peninsula Shanghai Residences sold 13 out of the 19 units available for sale.

The Peninsula Shanghai is active in community activities and corporate responsibility efforts. *The 2015 Tour de Bund* saw hotel guests, city residents, company teams, media, club and professional cyclists – including Ding Yong, winner of the Chinese National Road and Track Cycling Championships – saddle up for a charity ride through the heart of Shanghai. With its fifth anniversary in 2015, this event helps to promote the benefits of fitness and healthy living, increases awareness of pollution-free travel, and raises money for Raleigh China, a charity which used these funds to construct much-needed schools in rural areas of Guizhou province, China, and to build access roads and water storage facilities.

The Peninsula Beijing

The Peninsula Beijing		
Revenue	RMB 223m	- 32%
Available Rooms		- 51%
Occupancy		+ 3 pp*
Average Room Rate		+ 7%
RevPAR		+ 12%*

* *The occupancy and RevPAR for this hotel are based on the rooms available for sale, which was approximately half of the normal inventory of 525 rooms.*

The market in Beijing was challenging in 2015 due to continued austerity measures impacting both rooms business and overall food and beverage and spa businesses across the city. However, despite a slight slowdown, there is a reorientation of the Chinese mainland economy from an export-driven model to a domestic consumption driven economy, and we expect to see increased spending on food and beverage and experiences.

In keeping with our Group's philosophy of improving existing assets to deliver long-term value for our shareholders, a major RMB 890 million renovation for The Peninsula Beijing started in 2015. The renovation will be completed in 2017, slightly later than planned, due to a delay in obtaining the necessary permits. As forewarned in the 2014 Annual Report and the 2015 Interim Report, the disruption caused by the renovation negatively affected our earnings in 2015 as a result of rooms being taken out of commission and some retail tenants moving out of our shopping arcade due to the disruption to business. We expect this impact on earnings will continue throughout 2016 and into 2017 when the renovation will be completed.

The renovation will significantly enhance the lobby, restaurants and our room product, with new guestrooms starting at a spacious 60 square metres - the largest in Beijing and among the largest in China. Each room will feature a sleek entrance hall, a separate bedroom, living area and a dressing room, and an outsized bathroom styled in black and white veined marble. The renovation will also include fully customised in-room amenities, and proprietary Peninsula technology with interactive digital bedside and desk tablets that can be pre-set in 11 languages.

The renovation of The Peninsula Beijing incorporates the Group's sustainability efforts, incorporating BREEAM (Building Research Establishment Environment Assessment Method) principles, the implementation of new LED lights, a much-improved air filtration system, and better facilities for our staff including a staff gym, relaxation area and café. During the renovation, we took the opportunity to send employees from Beijing to our other Group properties with our cross exposure programme, allowing them to learn best practices and broaden their skillset by experiencing a new work environment, operations, people and culture.

The Peninsula Tokyo

The Peninsula Tokyo		
Revenue	JPY 11.10b	+ 7%
Occupancy		+ 2 pp
Average Room Rate		+ 13%
RevPAR		+ 16%

The Peninsula Tokyo enjoyed a strong performance in 2015, helped by the strengthening of the Japanese economy and the weakening of the yen making it more affordable for overseas travellers. Japan has made significant changes to visa requirements within the Asian region which has resulted in increasing numbers of visitors from the Philippines, Thailand, and Indonesia. Local consumption was slightly weaker, resulting in lower food and beverage revenue at The Peninsula Tokyo.

Our strategy was to improve RevPAR and market positioning, which we successfully achieved in 2015. There was a large increase in transient business, with an increase of 20% over 2014 in terms of the international wholesale segment. Mainland Chinese visitor arrivals to Tokyo have increased substantially. The weddings business improved later in 2015 after a slow start across the city, and The Peninsula Tokyo marketing team commenced a more aggressive marketing strategy to promote our weddings business. Our strategy is to focus on improving our rooms and food and beverage offerings to the local domestic market, and to encourage more business in our restaurants and spa.

In December 2015, the Group successfully restructured the lease agreement for The Peninsula Tokyo with our Japanese partner, MEC, which previously owned the hotel building and granted our Group a 50-year lease which commenced in 2007. We were delighted to reach an agreement to purchase the hotel building from MEC and to enter into a new Land Lease Agreement for a fixed term of 70 years, for a cash consideration of JPY10.3 billion (excluding acquisition and transfer taxes). We therefore extended our tenure of The Peninsula Tokyo by 28 years.

The Peninsula Bangkok

The Peninsula Bangkok		
Revenue	THB 956m	+ 26%
Occupancy		+ 16 pp
Average Room Rate		- 2%
RevPAR		+ 33%

Thailand started the year with a strong recovery over 2014 and this was helped further in the second quarter, when the Thai Government ended martial law, which was positive news for our MICE (Meetings, Incentives, Conferences and Exhibitions) business. We saw increased revenue from catering as a result of more conferences and meetings. The second quarter, which is traditionally slow in Bangkok, enjoyed its strongest year since 2008.

The continually weakening Thai baht was positive for tourism and we saw increasing arrivals from the Korean market and other regional markets. Australian business declined in 2015, possibly due to many airlines offering direct flights to Chiang Mai and the islands, instead of having to transit via Bangkok. Also, many Australian and European long-haul travellers booked transit flights via the Middle East, which impacted the Bangkok market as a travel hub destination.

Unfortunately there was an impact on our business due to the terrorist attack in Bangkok in August, which deterred some leisure tourists from visiting Thailand in the months following the attack, but the business impact appears to have been short-lived and tourists returned to Thailand in the fourth quarter. We continue to be concerned about security threats in Bangkok and are continually assessing and working to improve our safety and security efforts to protect our guests and staff.

One of the key Group marketing strategies in 2015 was to focus on promoting Thailand and The Peninsula Bangkok, including the global *Peninsula Wellnes*s programme launched at The Peninsula Bangkok Spa. Highlights included a Thai massage programme in collaboration with Wat Pho Temple, new treatments and product lines, and *Tastefully Thai*, a group-wide three-month celebration of Thai cuisine, culture, art and wellness. We are delighted to report that The Peninsula Bangkok Spa was voted Number 1 in Asia by *Travel + Leisure*.

The Peninsula Manila

The Peninsula Manila		
Revenue	PHP 1,676m	+ 5%
Available Rooms		- 5%
Occupancy		+ 1 pp
Average Room Rate		+ 9%
RevPAR		+ 10%

The Peninsula Manila enjoyed a positive year, with revenue increasing 5% and RevPAR up 10% over the same period last year, partially due to consolidation in the local market as some competitor set hotels closed and others were under renovation. Various bans on local airlines were lifted for the EU and US and new routes opened up to Russia, which significantly boosted traffic. Cruise ship arrivals to the Philippines increased significantly. The rise of the middle class in the Philippines had a significant effect on our business with domestic travellers now comprising the second largest group after the US.

Madrid Fusion Manila, a gastronomic event held in April, attracted a significant number of international and local visitors and celebrity chefs to our food and beverage outlets. Our Peninsula Manila colleagues were very proactive in serving the community and we are delighted to report that The Peninsula's global campaign for charity, *Hope for the Philippines*, completed Phase 1 of the project with the design and construction of 75 new homes for people displaced after Typhoon Yolanda in 2013. All 75 houses were turned over to their new owners in January 2016.

The Peninsula New York

The Peninsula New York		
Revenue	US$ 84m	- 3%
Available Rooms		- 1%
Occupancy		- 2 pp
Average Room Rate		- 4%
RevPAR		- 7%

The market in New York City was particularly challenging in 2015 due to intense competition and flat growth across the city. The decline in RevPAR of 7% was a similar result for most of our competitive set. However, we were pleased to report that we improved our RevPAR market positioning despite the challenging environment. New York has been flooded with additional supply, which also impacted our competitive set. The traditionally strong business from The Middle East and Europe did not grow to the extent we had expected. The US dollar strengthened against the euro which had a softening effect on our European business. Corporate business was relatively stable although we were disappointed to lose a key corporate account. Our strategy remains to build a broader base of varied corporate businesses to support the hotel and to maintain occupancy.

The worst winter weather in 35 years meant that business in our rooftop bar, *Salon de Ning*, was slower in the first quarter although this picked up in the autumn. There was intense competition in the food and beverage industry in New York City, with many new and trendy celebrity chef restaurants opening in the city. Our direct competitive set embarked on renovations and product overhauls. We repositioned *Clement* restaurant as a more approachable dining option within Midtown and also introduced a new fixed-price pre-theatre dinner with shuttle service to Broadway. With the new American fare menu direction, PR and marketing efforts have continued to position the restaurant and bar as a top spot to dine in the city.

In December, The Peninsula New York volunteered to participate in the NYC Carbon Challenge, committing to reduce its carbon intensity by 30% by 2025, in support of the city's collaborative effort in curbing greenhouse gas emissions. The NYC Carbon Challenge reflects our company's own Sustainable Luxury Vision 2020 in which we endeavour to support the local communities where we operate and to be conscious of our environmental footprint.

The Peninsula Chicago

The Peninsula Chicago		
Revenue	US$ 62m	- 2%
Occupancy		- 9 pp
Average Room Rate		+ 9%
RevPAR		- 4%

The US market in 2015 was flat. Boutique hotels have become popular in Chicago and there was an increasing supply of inventory in the market in 2015. In the past 24 months, 1,440 new hotel rooms have come onto the market. Chicago suffered from underfunding in terms of resources to promote global tourism, and therefore we do not expect any significant increase from international markets in the near future. There was some negative media coverage due to the 'Black Lives Matter' demonstrations in Chicago but this has not had a significant effect on tourism arrivals.

Traditional business at The Peninsula Chicago has been corporate accounts from the domestic market. This business was impacted by severe cold weather in the first quarter and later in the year by the start of our major room renovation. While the convention market, which is Chicago's key attraction for business travellers, increased by 6.7% in 2015, we were not able to capitalise on this due to our renovation. The hotel could not accept its usual level of large group bookings, which negatively impacted occupancy and our catering business. However, we have already been able to charge a premium rate for the same room category in our renovated rooms, achieving additional revenue per room per night. We expect business to pick up further as rooms come back into commission.

The new room product received positive feedback from guests and numerous media reviews. The re-design of the hotel introduced the Peninsula's proprietary advanced guest room technology to the United States, along with two new service initiatives: 24-hour check-in for web bookings and "Keys to the City," which provides guests with special access to Chicago's best destinations. A hand-crafted floral art piece by artist David Qian in each guest room features the chrysanthemum, the official flower of Chicago and one of the four "noble flowers" of Asia, marrying the Peninsula's Asian heritage with its Chicago influence.

As part of The Peninsula Hotels' strategy to support public art, The Peninsula Chicago embraced the art community with a significant art installation in The Lobby, entitled '*Alchemy*', by renowned Korean artist Choi Jeong Hwa and curated by Pearl Lam Galleries. The Peninsula Hotels take pride in highlighting our destination cities and this project was an ideal way to showcase Chicago at the heart of the global contemporary art scene. The installation debuted in September 2015 to coincide with EXPO Chicago, and will be displayed in The Lobby until 20 March 2016.

A major sustainability milestone was the successful deployment of LED lighting in all Peninsula Chicago guest rooms and suites. This is a first for the Group, and has been a major undertaking, beginning in the design phase and involving much testing and refining to achieve the ideal hue and dimming effect.

The Peninsula Beverly Hills

The Peninsula Beverly Hills		
Revenue	US$ 72m	- 3%
Occupancy		- 5 pp
Average Room Rate		+ 5%
RevPAR		- 1%

The Peninsula Beverly Hills had a strong first half of the year and this continued until the end of August. The major remodelling and renovation of our fine dining restaurant, *The Belvedere*, started in September and this impacted our room revenue for the remainder of the year. We are confident of increased patronage and improved revenue with the completion of the renovation in the first quarter of 2016. Despite the renovation and its negative impact on both occupancy and average rates, we remain the RevPAR leader in the market and in August we had record average rates.

The majority of our guests are domestic travellers from within the US although we are seeing an increasing number of year-round visitors from the Middle East following the introduction of a new Saudi Arabian airline direct flight from Jeddah, as well as direct flights from Abu Dhabi to LA. There are an increasing numbers of guests travelling to LA for medical tourism and "educational tourism" where parents are travelling with their children to visit local universities in Southern California. A large percentage of our guests book directly with the hotel.

The impact of lower oil prices could affect the lucrative business from the Middle East in the long term, and therefore our strategy at The Peninsula Beverly Hills is to grow our market share in other international markets including China, Australia, Brazil and Mexico which are strong potential markets. Australia is also a robust market with eight flights per day to LA from Australia. In line with our Sustainable Luxury Vision 2020 we are placing an enhanced focus on family travellers.

The Peninsula Beverly Hills continues to win high profile awards and we are proud to have been voted as The Best Hotel in the US for 5 consecutive years by *Global Traveler* magazine.

The Peninsula Paris

The Peninsula Paris		
Revenue	EUR 62.72m	+ 172%
Occupancy		+ 8 pp
Average Room Rate		- 10%
RevPAR		+ 4%

The Peninsula Paris had a challenging year in its first full year of operation due to the terrorist attacks in the city in January and November, which impacted the entire tourism industry and particularly the Paris market in the short term, while the longer-term effect remains to be seen. Leisure traveller arrivals reduced significantly and with the reliance on corporate travel bookings rather than the usual mix of corporate and leisure, we reported a negative impact on the hotel's average room rates. We had to temporarily close *La Terrasse Kléber* because of security concerns and this, together with the lower occupancy in the hotel in December, negatively impacted our food and beverage revenue.

Despite the difficult market environment, we are proud of our overall occupancy levels for a luxury hotel in its first full year of operation, and we believe this can be attributed to the very high level of publicity and recognition that the hotel has garnered since opening, attracting guests from around the world, and significantly boosting brand recognition for other more established Peninsula Hotels. The grand opening party in April was a great success and attracted celebrities and international guests from all over the world.

The entire hotel market in Paris is dramatically changing and expanding. However, with increased supply, we are facing an intensely competitive market. As a newcomer to Paris, we are proud to be counted among some of the very best hotels in the world.

Commercial Properties

	2015	2014	Variance	
	Revenue HK$m	Revenue HK$m	in HK$	In Local Currency
The Repulse Bay Complex	629	583	8%	8%
The Peak Tower	180	176	2%	2%
St. John's Building	54	51	6%	6%
The Landmark	38	36	6%	7%
1-5 Grosvenor Place	35	39	(10%)	(3%)
21 avenue Kléber	1	16	(94%)	(90%)
	937	901	4%	n/a

The Repulse Bay Complex is a premier residential property located close to the city, offering one of the finest and most enjoyable living environments in Hong Kong. We were delighted to win the accolade of *Best Residential Complex 2015 – Southside Magazine Reader's Choice Award*. The Complex reported a stable performance in 2015, with 8% higher revenue than 2014 due to buoyant rental income from the de Ricou apartment tower after its renovation in 2013, and increased rents from our other apartment towers at 101 and 109 Repulse Bay Road. The Complex offers excellent restaurants and a stunning wedding venue with panoramic views over Repulse Bay Beach and our weddings and catering business performed strongly in 2015.

The operating results were pleasing in the light of the general uncertainty in the high-end property leasing market in Hong Kong; rental transactions fell across all major luxury residential districts in Hong Kong in the fourth quarter of 2015. The demand for luxury apartments in the market may further decline with budget cuts being made by multinational companies, resulting in tenants moving to less expensive apartments. We also remain concerned about the weak retail environment in Hong Kong which could impact the shopping arcade revenue in 2016.

The Peak Tower remained fully occupied although average rental rates declined because of lower turnover rent. This property generates revenue not only from commercial leasing, but also from admission fees to the open-air rooftop attraction of Sky Terrace 428 with its unparalleled views of Hong Kong. Sky Terrace 428 welcomed record visitor numbers in 2015 despite a decline in the overall visitor numbers to Hong Kong.

St. John's Building, located at the lower terminus of The Peak Tram, offers an excellent Central location for offices. The building was fully let in 2015, with revenue growth of 6%. In December, we were proud to support *Event Horizon*, the most extensive public art installation ever seen in Hong Kong, created by award-winning and internationally acclaimed British artist, Sir Antony Gormley. The installation featured statues on top of buildings and public spaces.

The Landmark in Ho Chi Minh City, Vietnam, which is a mixed-use commercial building comprised of serviced apartments, offices and retail space, reported a 7% increase in revenue despite a highly competitive market situation in the city. The complex celebrated its 20th anniversary at the end of 2014. We were pleased to secure new long-term tenants due to the high quality of management and very competitive service offered, and we were delighted to receive the Accolade of *Best Serviced Apartments in Vietnam* in 2015.

1-5 Grosvenor Place in London, which was acquired in 2013, generates revenue primarily from its commercial tenants. Revenue has been maintained at similar levels as 2014 with higher occupancy, despite the fact that we can only offer shorter term leasing to new tenants in light of the pending redevelopment. In December 2015, Westminster City Council resolved in principle to grant planning approval to demolish the existing building and redevelop it into The Peninsula London hotel and residential apartments. We target to commence demolition and construction during 2017.

21 avenue Kléber in Paris, which was acquired during 2013, had 90% less revenue in 2015 as we prepared the building for renovation. The building is located immediately adjacent to The Peninsula Paris and will continue to be leased as offices and retail space after its renovation, which we expect to complete in 2017.

Clubs and Services

	2015	2014	Variance	
	Revenue HK$m	Revenue HK$m	in HK$	In Local Currency
The Peak Tram	122	124	(2%)	(2%)
Thai Country Club	58	55	5%	12%
Quail Lodge & Golf Club	135	117	15%	15%
Peninsula Clubs and Consultancy Services	182	171	6%	6%
Peninsula Merchandising	179	157	14%	14%
Tai Pan Laundry	55	53	4%	4%
	731	677	8%	n/a

The Peak Tram is one of Hong Kong's most popular tourist attractions. Revenue remained relatively flat as we did not increase fares in 2015. We saw a slightly increased patronage of 1% despite a decline in overall visitor numbers to Hong Kong. We were pleased to reach an agreement with the Hong Kong Government for the renewal of the operating rights to The Peak Tram, commencing 1 January 2016, which paves the way for a proposed project to increase the capacity of the trams and create additional waiting areas for our customers.

Thai Country Club enjoyed a more positive year with an increase of 12 % in revenue, reporting stronger business levels and increased golf membership revenue as Thailand's economy recovered, compared to last year's political uncertainty.

Quail Lodge & Golf Club revenue increased by 15%, with increased occupancy rates due to a successful marketing strategy to attract business from online travel agents, and increased wedding and banqueting business. The renovated golf course was officially opened in May after six months of renovations. We paid particular attention to sustainability considerations during this renovation, with a state-of-the-art irrigation system and drought-resistant landscaping introduced to minimise water use over the long term. *The Quail: A Motorsports Gathering* in August enjoyed another successful year, generating significant revenue for the Lodge and attracting thousands of motoring aficianados and classic car lovers from around the world. *The Quail Motorcycle Gathering* continues to grow in popularity with more than 2,000 visitors in May including celebrities and international guests.

In the second half, El Niño affected California after a three-year drought, which, while bringing much needed rainfall, negatively affected transient business and golf rounds.

Peninsula Clubs and Consultancy Services (PCCS) manages prestigious clubs in Hong Kong including The Hong Kong Club, The Hong Kong Bankers Club and Butterfield's. Our revenue increased by 6% over the previous year. In 2015, HSH and Cathay Pacific Airways Limited agreed to end the Peninsula's management of the Cathay Pacific Lounges at Hong Kong International Airport, comprising agreements for The Wing, The Pier and The Cabin, with effect from 1 May 2016. We are disappointed with this outcome as we had been managing Cathay Pacific's Lounges at Hong Kong airport since 1998 but this decision was taken with a strategic long-term view of both companies' business interests. PCCS is working with the new operator to transition 273 existing staff.

Revenue at **Peninsula Merchandising** was 14% higher than 2014, with strong growth in revenue from Peninsula Mooncakes. In November, The Peninsula Boutique opened a beautiful new retail outlet at Hong Kong International Airport and we expect this will help drive revenue in 2016 whilst undergoing a brand evolution project to increase brand recognition among international travellers.

Tai Pan Laundry increased revenue by 4% due to the increased volume of laundry from its non-hotel customers.

Projects

The Peninsula London

In 2013, our Group purchased a 50% interest in the lease of 1-5 Grosvenor Place in Belgravia, central London, for a cash consideration of £132.5 million. The remaining 50% leasehold interest, as well as the freehold of the site, is owned by Grosvenor. This property is in a spectacular location overlooking Hyde Park Corner and the Wellington Arch.

Together with Grosvenor, we submitted an application in July 2015 to replace the existing 1950s and 1960s offices with a high-quality 190-room hotel and residential apartments designed by UK-based Hopkins Architects. We were delighted to announce in December 2015 that Westminster City Council's planning committee resolved to grant in principle planning consent for the new hotel, to be known as The Peninsula London.

The Peninsula London aims to bring a new level of distinction to London's luxury hospitality scene and will cater for both hotel guests and local customers. In addition to guestrooms and spa, it will include shops, bars, restaurants and a ballroom. The design is inspired by the area's heritage, befitting one of London's most celebrated addresses.

In line with our philosophy to create value for shareholders by adding residential apartments to the hotel complex we develop, plans for The Peninsula London also include 24-28 residential apartments with their own leisure and spa facility. Separately, 23 intermediate affordable homes will be built nearby in Buckingham Palace Road, adding to housing supply and diversity of the area. We aim to start construction in summer 2017, with completion due in 2021.

Redevelopment of the site remains subject to a number of conditions including obtaining of all requisite planning approvals and the final agreement to proceed by Grosvenor and HSH. HSH will also be responsible for a 50% share in the total redevelopment costs, which are still being finalised.

The Peninsula Yangon

The Company entered into a conditional agreement with Yoma Strategic Holdings in January 2014 to acquire a 70% majority interest for a proposed hotel development on the site of the former headquarters of the Myanmar Railway Company on Bogyoke Aung San Road, Yangon, Myanmar. The hotel will be at the heart of a mixed-use project. The Group's overall investment will be about US$100 million, taking into account the value of the leasehold interest pertaining to the proposed hotel development and development cost estimates which are still being finalised.

In December 2015, we were pleased to move another step forward with The Peninsula Yangon project. A framework agreement was reached between the Myanmar Ministry of Rail Transportation and Yoma, our partners in Yangon, for the extension of the land lease that is required for the development of the mixed-use project. The former Myanmar Railway Headquarters forms part of this development and will be renovated to become The Peninsula Yangon. We will also manage The Peninsula Residences Yangon, luxury residential apartments in Yangon. We are working alongside Yoma for the fulfilment of all conditions precedent to The Peninsula Yangon project.

The Peninsula Istanbul

In July 2015, together with our partners Doğuş Holding and BLG ,we entered into a conditional shareholders' agreement to form a joint venture partnership, of which HSH has a 50% share, for a proposed hotel development in Istanbul, Turkey.

Subject to fulfilment of the conditions, the partners have agreed to jointly develop the property with an investment commitment of approximately €300 million (equivalent to approximately HK$2,568 million), of which HSH will be responsible for 50% or approximately €150 million (equivalent to HK$1,284 million).

The partners plan to redevelop a property within the Salıpazarı Port Project Area, located in the historic Karaköy area of the Beyoğlu district of Istanbul overlooking the Bosphorus. Our Turkish partner currently holds the right of operation for a period of 30 years starting from February 2014 for the construction of various facilities, development and operation of the Salıpazarı Port Project Area.

Istanbul is a vibrant and beautiful city that embodies both ancient and modern cultures and has become one of the world's most popular tourist destinations. We are excited to develop this project in such a unique location which is consistent with our Group's long-term strategy to invest and operate Peninsula hotels in strategically selected cities. We are pleased to be partnering with Doğuş Holding and BLG who offer a proven track record of successful investments in Istanbul and share our values of quality and long-term outlook.

A Vision for Sustainable Luxury

In 2013 we unveiled our Sustainable Luxury Vision 2020, setting out our blueprint for sustainable growth and our ambition to achieve a new level of sustainable luxury. In the past two years we feel that we are gradually achieving our goal of creating a mindset and buy-in towards sustainability throughout our company so that it becomes a living and breathing topic that matters personally to our employees and is integral to how we conduct all our businesses and operations. Rather than a separate topic, this vision is fundamental to our company's operations, brand and service standards, and is being implemented across seven pillars of our Group. With this in mind, in addition to moving towards an integrated reporting style we have produced a stand-alone Corporate Responsibility and Sustainability Report, which delivers the relevant information to our stakeholders while ensuring that sustainability issues and considerations receive the full attention of the Board as we plan our strategy for the coming years.

Outlook

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.

The outlook for the Hong Kong market in terms of tourism, high-end residential lettings and retail rental income is somewhat uncertain and this is a concern for the Board. While the trends have been weak, our business has performed relatively well, mainly due to the stable returns of our property leasing business, with our residential apartments and commercial arcades holding up well.

We believe that the smaller, exclusive and high-end nature of the retail outlets at The Peninsula Hong Kong, as well as our luxury residential product at The Repulse Bay Complex, especially our recently fully renovated and enlarged apartments at the de Ricou tower, have been key to maintaining demand for those properties.

Outside Hong Kong, mainland China is a very important market for us and we are pleased that The Peninsula Shanghai has reinforced its position as the number one hotel in that city, with a stable future outlook. We believe that the domestic mainland market will continue to grow, especially among high-end affluent travellers who are seeking new and unique experiences. While both the Shanghai and Beijing five star hotel markets are currently over-supplied, we believe that the two Peninsula hotels in these cities will be able to differentiate with their superior products, especially following the full renovation of The Peninsula Beijing.

Elsewhere in Asia, we continue to see strong and increasing demand in Tokyo, and Bangkok continues to recover following the relaxation of martial law which was previously imposed in that country.

In the US, the economic outlook is positive and our US operations are well-positioned to benefit from the projected growth in consumer spending. Growth in the US domestic and corporate market will be especially beneficial for The Peninsula Chicago with its full renovation due for completion in 2016. The Peninsula Beverly Hills also expects to see a positive impact with the opening of its fully renovated restaurant The Belvedere in January 2016.

In Paris, business has clearly been affected by the terrorist attacks of 2015. However, we have been seeing some pickup since the beginning of 2016 although this period is in the winter low season and we are looking to a stronger recovery in the leisure market from spring onwards.

For 2016, it should be noted that 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. The Peninsula Beijing renovation will be completed in phases up until 2017 and The Peninsula Chicago renovation will be completed in 2016.

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, and serving our local communities, for years to come.

Clement K.M. Kwok
16 March 2016

The financial information sets out in this results announcement has been reviewed by the Company's Audit Committee, comprising a majority of Independent Non-Executive Directors, one of whom chairs the Committee, and has been agreed by the Company's auditor, KPMG, Certified Public Accountants. The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been compared by KPMG to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

Financial Review

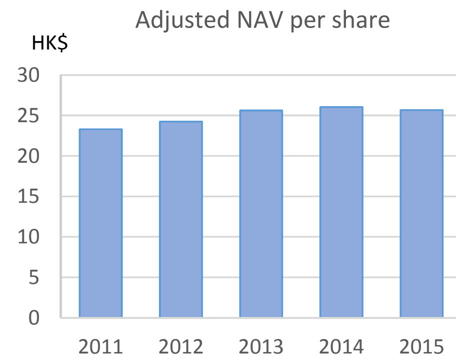
The Group's adjusted net asset value

Adjusted NAV

HK$39,627m ↑ 0.3%

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 2015, the details of which are set out on page 28. If these assets were to be stated at fair value, the Group's net assets attributable to shareholders would increase by 9% to HK$39,627 million as indicated in the table below.



HK$m		**2015**		2014
Net assets attributable to shareholders per the audited statement of financial position		**36,427**		35,901
Adjusting the value of hotels and golf courses to fair value	**3,685**		4,378	
Less: Related deferred tax and non-controlling interests	**(485)**		(783)	
		3,200		3,595
Adjusted net assets attributable to shareholders		**39,627**		39,496
Audited net assets per share (HK$)		**23.61**		23.67
Adjusted net assets per share (HK$)		**25.68**		26.04

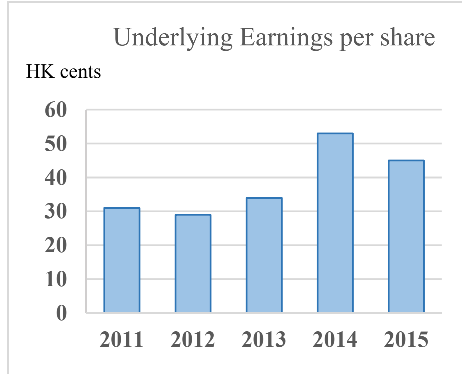
The Group's underlying earnings

Underlying Earnings

HK$688m ↓ 14%

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.

The Group's underlying profit attributable to shareholders for the year ended 31 December 2015 amounted to HK$688 million, a decrease of 14% compared to 2014, mainly due to the renovations at the Peninsula hotels in Beijing and Chicago and the declining tourist arrivals in Hong Kong.



HK$m	**2015**	2014	2015 vs 2014
Profit attributable to shareholders	**1,000**	1,146	
Increase in fair value of investment properties, net of tax and non-controlling interests	**(295)**	(490)	
Share of property revaluation loss/(gain) of The Peninsula Shanghai, net of tax	**37**	(6)	
Effect of decrease in tax rates on deferred tax liabilities arising from revaluation gains on investment properties	**(54)**	-	
Provision for impairment loss in respect of The Peninsula Beijing and The Peninsula Manila	**-**	132	
Other non-operating and non-recurring items	**-**	22	
Underlying profit attributable to shareholders	**688**	804	(14%)
Underlying earnings per share (HK$)	**0.45**	0.53	(15%)

Income statement

The Group's consolidated income statement for the year ended 2015 is set out on page 32. The following table summarises the key components of the Group's profit attributable to shareholders. This table should be read in conjunction with the commentaries set out on pages 22 to 26 of this Financial Review.

HK$m	**2015**	2014	2015 vs 2014
Revenue	**5,741**	5,838	(2%)
Operating costs	**(4,301)**	(4,310)	-
EBITDA	**1,440**	1,528	(6%)
Depreciation and amortisation	**(426)**	(423)	1%
Net financing charges	**(68)**	(66)	3%
Share of result of The Peninsula Shanghai*	**(71)**	(6)	1,083%
Share of results of The Peninsula Paris and The Peninsula Beverly Hills**	**(23)**	(35)	(34%)
Non-operating items	**277**	364	(24%)
Taxation	**(124)**	(231)	(46%)
Profit for the year	**1,005**	1,131	(11%)
Non-controlling interests	**(5)**	15	(133%)
Profit attributable to shareholders	**1,000**	1,146	(13%)

* *Being the Group's 50% share of The Peninsula Shanghai's (PSH) result. The 2015 figure includes the Group's share of unrealised loss of HK$37 million (2014: unrealised gain of HK$6 million) arising from the revaluation of PSH's investment properties, net of tax.*

** *Being the Group's 20% share of The Peninsula Paris' (PPR) operating loss net of its 20% share of The Peninsula Beverly Hills' profit. PPR opened for business on 1 August 2014 and the 2014 comparative figure includes the Group's 20% share of pre-opening expenses of the hotel.*

Revenue

The Group's revenue in 2015 decreased by 2% to HK$5,741 million. A breakdown of this by business segment and geographical segment is set out in the following table.

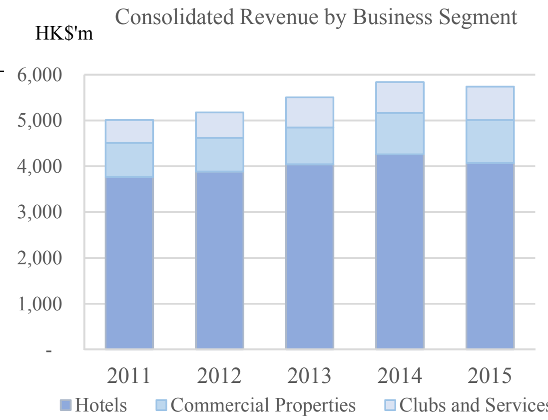
Revenue HK$5,741m ↓ 2%

Hotels
HK$4,073m ↓ 4%

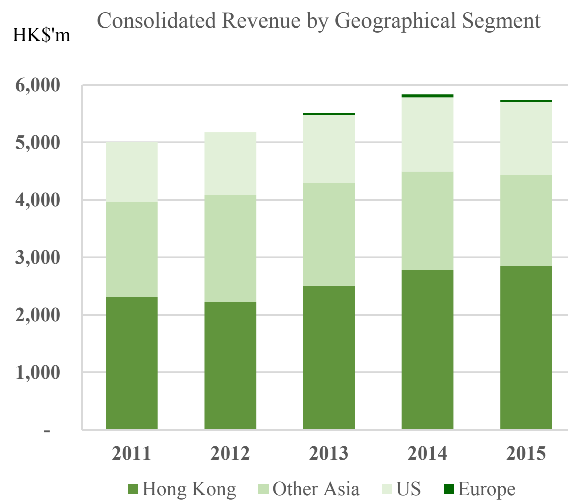
Commercial Properties
HK$937m ↑ 4%

Clubs and Services
HK$731m ↑ 8%

Consolidated revenue by business segment			2015 vs
HK$m	**2015**	2014	2014
Hotels	**4,073**	4,260	(4%)
Commercial Properties	**937**	901	4%
Clubs and Services	**731**	677	8%
	5,741	5,838	(2%)



Consolidated revenue by geographical segment			2015 vs
HK$m	**2015**	2014	2014
Arising in			
Hong Kong	**2,851**	2,775	3%
Other Asia	**1,581**	1,718	(8%)
United States of America	**1,273**	1,290	(1%)
Europe	**36**	55	(35%)
	5,741	5,838	(2%)



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

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

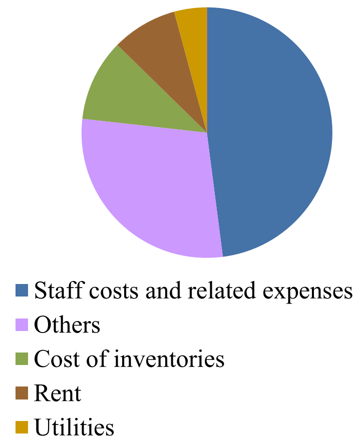
Details of the operating performances of the Group's individual operations are set out on pages 6 to 16 of the CEO's Strategic Review.

Operating costs

Operating Costs
HK$4,301m ↓ 0.2%

In 2015, our operating costs (excluding depreciation and amortisation) decreased marginally to HK$4,301 million (2014: HK$4,310 million).

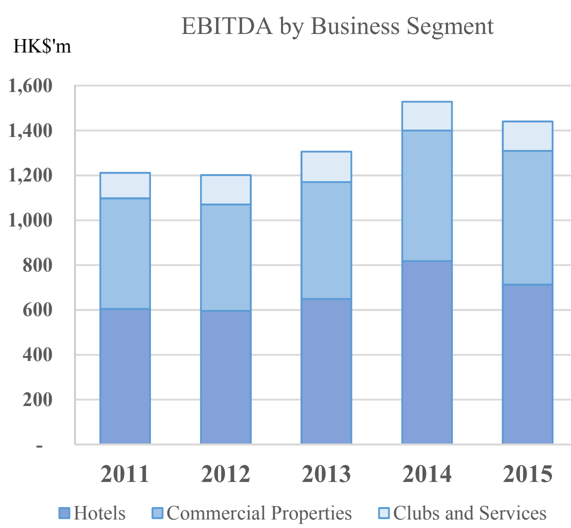
Given the nature of operating high-end luxury hotels, staff costs continued to be the largest portion of operating costs. Staff costs and related expenses for the year increased by 1% to HK$2,063 million, representing 48% (2014: 48%) of the Group's operating costs and 36% (2014: 35%) of the Group's revenue.



EBITDA and EBITDA Margin

EBITDA (earnings before interest, taxation, depreciation and amortisation) of the Group decreased by HK$88 million or 6% to HK$1,440 million in 2015. 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
2015					
Hotels	**536**	**161**	**16**	**-**	**713**
Commercial Properties	**555**	**16**	**-**	**25**	**596**
Clubs and Services	**132**	**10**	**(11)**	**-**	**131**
	1,223	**187**	**5**	**25**	**1,440**
	85%	**13%**	**-**	**2%**	**100%**
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%
Change 2015 vs 2014	-	(20%)	(85%)	(40%)	(6%)



EBITDA Margin	2015	2014
Hotels	**18%**	19%
Commercial Properties	**64%**	65%
Clubs and Services	**18%**	19%
Overall EBITDA margin	**25%**	26%
Arising in:		
Hong Kong	**43%**	44%
Other Asia	**12%**	14%
United States of America	**-**	3%
Europe	**69%**	76%

The luxury hotel business is a labour-intensive industry with a high fixed cost base. With continuous efforts to certain costs, the Group was able to limit the decrease in the hotels division's EBITDA margin by one percentage point compared to a four percent decrease in hotel revenue, mainly caused by renovations to The Peninsula Beijing and The Peninsula Chicago. The decrease in the EBITDA margin for the commercial properties division was mainly due to a reduction in rental income from 21 avenue Kléber, following the departure of its main tenant in December 2014 ahead of the renovation of this property. The clubs and services division's EBITDA margin decreased by one percentage point to 18%, mainly due to high operating costs of The Peak Tram and Quail Lodge & Golf Club.

Depreciation and amortisation

The depreciation and amortisation charge of HK$426 million (2014: HK$423 million) largely relates to hotels. 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	2015	2014
Increase in fair value of investment properties	**277**	496
Provision for impairment loss	**-**	(132)
	277	364

The increase in fair value of investment properties for the year was principally attributable to the increase in the appraised market value of The Repulse Bay Complex. In 2014, the Directors considered that the book values of The Peninsula Beijing 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.

Share of result 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, of which 19 apartment units were reclassified as apartments held for sale in 2013.

During 2015, The Peninsula Shanghai remained the market leader in terms of average room rate and RevPAR in its competitor set, generating an EBITDA of HK$159 million (2014: HK$247 million), of which HK$35 million (2014: HK$129 million) was derived from the sale of two apartment units (2014: 11 apartment units). In addition, The Peninsula Shanghai Complex recorded a net unrealised loss of HK$74 million on revaluation of the hotel arcade (2014: a net unrealised gain of HK$12 million). As PSW has been mainly debt financed and its hotel building is subject to a high depreciation charge given the remaining lease term, PSW made a net loss of HK$142 million (2014: HK$12 million) after accounting for the unrealised revaluation loss, depreciation and financing charges. The Group's share thereon amounted to HK$71 million (2014: HK$6 million).

Details of the operating performance of The Peninsula Shanghai are set out in the CEO's Strategic Review section on pages 7 and 8.

Share of 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 2015 amounted to HK$23 million (2014: HK$35 million, of which HK$22 million related to the share of pre-opening expenses incurred by The Peninsula Paris which opened for business on 1 August 2014).

Details of the operating performances of The Peninsula Beverly Hills and The Peninsula Paris are set out in the CEO's Strategic Review section on pages 12 to 13.

Statement of financial position

The Group's financial position as at 31 December 2015 remained strong, with a year-on-year increase in shareholders' funds of 1% to HK$36,427 million, representing a per share value of HK$23.61 compared to HK$23.67 in 2014. The consolidated statement of financial position of the Group as at 31 December 2015 is presented on page 34 and the key components of the Group's assets and liabilities are set out in the table on the following page.

HK$m	**2015**	2014	2015 vs 2014
Fixed assets	**39,097**	38,168	2%
Other long-term assets	**2,169**	2,474	(12%)
Cash at banks and in hand	**2,919**	2,477	18%
Other assets	**904**	863	5%
	45,089	43,982	3%
Interest-bearing borrowings	**(6,192)**	(5,481)	13%
Other liabilities	**(2,237)**	(2,350)	(5%)
	(8,429)	(7,831)	8%
Net assets	**36,660**	36,151	1%
Represented by			
Shareholders' funds	**36,427**	35,901	1%
Non-controlling interests	**233**	250	(7%)
Total equity	**36,660**	36,151	1%

Fixed assets

The Group has interests in ten operating hotels in Asia, 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 dealt with under different accounting policies as required by the accounting standards. 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 whilst investment properties are stated at fair value. Therefore, independent valuers have been engaged to conduct a fair valuation of the hotel properties and golf courses as at 31 December 2015, 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 2015 is set out in the table on the following page.

	Group's interest	Value of 100% of the property: Fair value valuation (HK$m)	Book value (HK$m)
Hotel properties *			
The Peninsula Hong Kong	100%	12,084	9,989
The Peninsula New York	100%	2,414	1,741
The Peninsula Tokyo	100%	1,458	1,420
The Peninsula Chicago	100%	1,340	1,221
The Peninsula Beijing	76.6% **	1,321	1,156
The Peninsula Bangkok	75%	597	595
The Peninsula Manila	77.4%	163	160
		19,377	16,282
Commercial properties			
The Repulse Bay Complex	100%	16,862	16,862
The Peak Tower	100%	1,345	1,345
St. John's Building	100%	967	967
21 avenue Kléber	100%	509	509
1-5 Grosvenor Place	50%	3,278	3,278
The Landmark	70% △	77	77
		23,038	23,038
Other properties			
Thai Country Club golf course	75%	210	237
Quail Lodge resort, golf course and vacant land	100%	305	289
Vacant land in Thailand	75%	382	382
Others	100%	335	225
		1,232	1,133
Total market/ book value		43,647	40,453
Hotel and investment property held by a joint venture			
The Peninsula Shanghai Complex △△	50%	4,895	4,628
Hotel properties held by associates			
The Peninsula Paris	20%	5,517	5,347
The Peninsula Beverly Hills	20%	2,636	467

* *Including the shopping arcades and offices within the hotels.*

** *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 6 apartment units held for sale.*

Other long-term assets

The other long-term assets as at 31 December 2015 of HK$2,169 million (2014: HK$2,474 million) principally comprise the Group's 50% interest in The Peninsula Shanghai, the Group's 20% interest in The Peninsula Paris (PPR) and the hotel operating right in respect of PPR. The decrease in balance was mainly due to the exchange on translation of the Group's investment in PPR and the related hotel operating right resulting from the weakening of the Euro exchange rate. The exchange differences were accounted for as other comprehensive income in 2015.

Cash at banks and in hand and interest-bearing borrowings

As at 31 December 2015, the Group's cash at banks and in hand and interest-bearing borrowings amounted to HK$2,919 million (2014: HK$2,477 million) and HK$6,192 million (2014: HK$5,481 million) respectively. The increase in interest-bearing borrowings was mainly due to the drawdown of a new JPY11 billion term loan to fund the acquisition of The Peninsula Tokyo's hotel building. A breakdown of the Group's capital expenditure for the year ended 31 December 2015 is set out on pages 30.

Cash flows

The consolidated statement of cash flows of the Group for the year ended 31 December 2015 is set out on page 36. The following table summarises the key cash movements for the year ended 31 December 2015.

HK$m	**2015**	2014
EBITDA	**1,440**	1,528
Net change in working capital	**4**	61
Tax payment	**(224)**	(157)
Net cash generated from operating activities	**1,220**	1,432
Capital expenditure on existing assets	**(476)**	(370)
Net cash inflow after normal capital expenditure	**744**	1,062
Capital expenditure on new projects	**(67)**	(39)
Acquisition of new properties including The Peninsula Tokyo's hotel building	**(849)**	-
Net cash (outflow)/inflow before dividends and other payments	**(172)**	1,023

The increase in current tax payment was mainly due to the higher tax payments by The Peninsula Hong Kong and The Repulse Bay Complex. The tax payments of these two Hong Kong operations were lower in the previous year due to the depreciation allowances in respect of cost of renovation to the properties.

The after-tax net cash generated from operating activities for the year amounted to HK$1,220 million (2014: HK$1,432 million), of which HK$476 million (2014: HK$370 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	**2015**	2014
Hotels		
Renovations for The Peninsula Beijing and The Peninsula Chicago	**195**	76
Others	**139**	181
Commercial properties	**77**	66
Clubs and services	**65**	47
	476	370
Projects and new acquisitions		
Capital expenditure on new projects	**67**	39
The Peninsula Tokyo's hotel building	**732**	-
A property in Hong Kong	**117**	-
	916	39
	1,392	409

Capital and Treasury Management

The Group is 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.

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

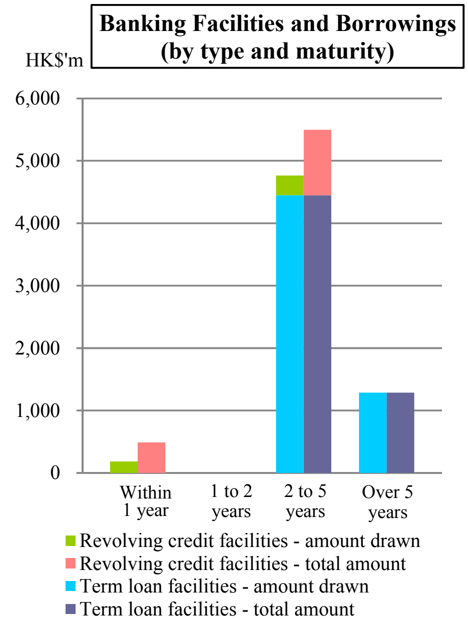
In addition, the Group maintains sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to ensure funds are available to meet its financial obligations and to finance its growth and development.

Liquidity/Financing

The Group monitors its capital structure on the basis of its gearing ratio, which is expressed as the percentage of net borrowings (defined as interest-bearing borrowings less cash at bank and in hand) to the total of net borrowings and equity attributable to shareholders of the Company.

In 2015, gross borrowings increased to HK$6,192 million (2014: HK$5,481 million) mainly due to the drawdown of a new JPY 11 billion term loan to fund the acquisition of the hotel building of The Peninsula Tokyo. Consolidated net debt increased to HK$3,273 million as compared to HK$3,004 million in 2014, after taking into account cash of HK$2,919 million (2014: HK$2,477 million). Despite the increase in net borrowings, the Group's net gearing remained at 8%, whilst the funds from operations (EBITDA less tax paid and less net interest paid) to net debt ratio decreased from 44% to 35%. These ratios continue to reflect a healthy financial position for the Group.

Apart from a new credit facility of JPY11 billion obtained for the acquisition of the hotel building for The Peninsula Tokyo, the Company also arranged credit facilities of JPY12 billion and US$80 million respectively for two wholly owned subsidiaries and a credit facility of PHP700 million for a subsidiary to refinance their maturing 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 2015 are summarised as follows:

	2015					2014
HK$m	**Hong Kong**	**Other Asia**	**United States of America**	**Europe**	**Total**	Total
Consolidated gross borrowings	**2,287**	**2,538**	**862**	**505**	**6,192**	5,481
Non-consolidated gross borrowings attributable to the Group*:						
The Peninsula Shanghai (50%)	**-**	**1,088**	**-**	**-**	**1,088**	1,183
The Peninsula Beverly Hills (20%)	**-**	**-**	**219**	**-**	**219**	224
The Peninsula Paris (20%)	**-**	**-**	**-**	**370**	**370**	409
Non-consolidated borrowings	**-**	**1,088**	**219**	**370**	**1,677**	1,816
Consolidated and non-consolidated gross borrowings	**2,287**	**3,626**	**1,081**	**875**	**7,869**	7,297

* *Represents HSH's attributable share of borrowings.*

CONSOLIDATED INCOME STATEMENT (HK$m)

	Note	Year ended 31 December 2015	2014
Revenue	2	**5,741**	5,838
Cost of inventories		**(454)**	(467)
Staff costs and related expenses		**(2,063)**	(2,052)
Rent and utilities		**(545)**	(577)
Other operating expenses		**(1,239)**	(1,214)
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)		**1,440**	1,528
Depreciation and amortisation		**(426)**	(423)
Operating profit		**1,014**	1,105
Interest income		**56**	65
Financing charges		**(124)**	(131)
Net financing charges		**(68)**	(66)
Profit after net financing charges		**946**	1,039
Share of result of a joint venture	8	**(71)**	(6)
Share of results of associates	9	**(23)**	(35)
Increase in fair value of investment properties	7(b)	**277**	496
Provision for impairment loss	7(a)	**-**	(132)
Profit before taxation		**1,129**	1,362
Taxation			
Current tax	3	**(172)**	(179)
Deferred tax	3	**48**	(52)
Profit for the year		**1,005**	1,131
Profit attributable to:			
Shareholders of the Company		**1,000**	1,146
Non-controlling interests		**5**	(15)
Profit for the year		**1,005**	1,131
Earnings per share, basic and diluted (HK$)	4	**0.65**	0.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (HK$m)

	Year ended 31 December 2015	2014
Profit for the year	**1,005**	1,131
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	**(244)**	(47)
- financial statements of a joint venture	**(44)**	(23)
- loans to an associate	**(90)**	(109)
- hotel operating rights	**(54)**	(74)
	(432)	(253)
Cash flow hedges:		
- effective portion of changes in fair values	**(22)**	(37)
- transfer from equity to profit or loss	**22**	25
	(432)	(265)
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit retirement obligations	**2**	2
Surplus on revaluation of land and buildings held for own use transfer to investment properties	**25**	-
Other comprehensive income	**(405)**	(263)
Total comprehensive income for the year	**600**	868
Total comprehensive income attributable to:		
Shareholders of the Company	**612**	882
Non-controlling interests	**(12)**	(14)
Total comprehensive income for the year	**600**	868

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)

	Note	At 31 December 2015	2014
Non-current assets			
Investment properties		**32,783**	32,548
Other properties, plant and equipment		**6,314**	5,620
	7	**39,097**	38,168
Interest in a joint venture	8	**901**	1,016
Interest in associates	9	**694**	807
Hotel operating rights	10	**544**	611
Deferred tax assets		**30**	40
		41,266	40,642
Current assets			
Inventories		**82**	92
Trade and other receivables	11	**643**	583
Amount due from a joint venture		**179**	188
Cash at banks and in hand	12	**2,919**	2,477
		3,823	3,340
Current liabilities			
Trade and other payables	13	**(1,214)**	(1,180)
Interest-bearing borrowings	14	**(186)**	(878)
Current taxation		**(28)**	(70)
		(1,428)	(2,128)
Net current assets		**2,395**	1,212
Total assets less current liabilities		**43,661**	41,854
Non-current liabilities			
Interest-bearing borrowings	14	**(6,006)**	(4,603)
Trade and other payables	13	**(239)**	(260)
Net defined benefit retirement obligations		**(16)**	(17)
Derivative financial instruments		**(39)**	(38)
Deferred tax liabilities		**(701)**	(785)
		(7,001)	(5,703)
Net assets		**36,660**	36,151
Capital and reserves			
Share capital	15	**4,808**	4,544
Reserves		**31,619**	31,357
Total equity attributable to shareholders of the Company		**36,427**	35,901
Non-controlling interests		**233**	250
Total equity		**36,660**	36,151

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (HK$m)

		Year ended 31 December Attributable to shareholders of the Company								
	Note	Share capital	Share premium	Capital redemp -tion reserve	Hedging reserve	Exchange and other reserves	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2014		751	3,610	13	(35)	577	30,189	35,105	269	35,374
Changes in equity for 2014:										
Profit for the year		-	-	-	-	-	1,146	1,146	(15)	1,131
Other comprehensive income		-	-	-	(12)	(252)	-	(264)	1	(263)
Total comprehensive income for the year		-	-	-	(12)	(252)	1,146	882	(14)	868
Transition to no-par value regime on 3 March 2014		3,623	(3,610)	(13)	-	-	-	-	-	-
Dividends approved in respect of the previous year	5	120	-	-	-	-	(180)	(60)	-	(60)
Dividends approved in respect of the current year	5	50	-	-	-	-	(76)	(26)	-	(26)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	(5)	(5)
Balance at 31 December 2014		4,544	-	-	(47)	325	31,079	35,901	250	36,151
Changes in equity for 2015:										
Profit for the year		**-**	**-**	**-**	**-**	**-**	**1,000**	**1,000**	**5**	**1,005**
Other comprehensive income		**-**	**-**	**-**	**-**	**(388)**	**-**	**(388)**	**(17)**	**(405)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(388)**	**1,000**	**612**	**(12)**	**600**
Dividends approved in respect of the previous year	**5**	**202**	**-**	**-**	**-**	**-**	**(273)**	**(71)**	**-**	**(71)**
Dividends approved in respect of the current year	**5**	**62**	**-**	**-**	**-**	**-**	**(77)**	**(15)**	**-**	**(15)**
Dividend paid to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**	**(5)**
Balance at 31 December 2015		**4,808**	**-**	**-**	**(47)**	**(63)**	**31,729**	**36,427**	**233**	**36,660**

CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)

	Note	Year ended 31 December 2015	2014
Operating activities			
Profit after net financing charges		**946**	1,039
Adjustments for:			
Depreciation	7(a)	**413**	415
Amortisation of hotel operating rights	10	**13**	8
Interest income		**(56)**	(65)
Financing charges		**124**	131
Loss on disposal of property, plant and equipment		**-**	2
Operating profit before changes in working capital		**1,440**	1,530
Decrease in inventories		**8**	6
Increase in trade and other receivables		**(62)**	(19)
Increase in trade and other payables		**58**	72
Cash generated from operations		**1,444**	1,589
Net tax paid:			
Hong Kong profits tax paid		**(191)**	(107)
Overseas tax paid		**(33)**	(50)
Net cash generated from operating activities		**1,220**	1,432
Investing activities			
Payment for the purchase of property, plant and equipment, including the hotel building of The Peninsula Tokyo		**(1,392)**	(409)
Loans to an associate		**-**	(128)
Net cash used in investing activities		**(1,392)**	(537)
Financing activities			
Drawdown of term loans		**2,114**	1,076
Repayment of term loans		**(1,249)**	(346)
Net decrease in revolving loans		**(43)**	(455)
Net placement of interest-bearing bank deposits with maturity of more than three months		**(513)**	(1,193)
Interest paid and other financing charges		**(126)**	(120)
Interest received		**58**	60
Dividends paid to shareholders of the Company		**(86)**	(86)
Dividends paid to holders of non-controlling interests		**(5)**	(5)
Net cash generated from/(used in) financing activities		**150**	(1,069)
Net decrease in cash and cash equivalents		**(22)**	(174)
Cash and cash equivalents at 1 January		**839**	1,036
Effect of changes in foreign exchange rates		**(49)**	(23)
Cash and cash equivalents at 31 December	12	**768**	839

Notes to the Financial Statements

1. Statement of compliance

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by the way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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 (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adaption for the current accounting period of the Group. These amendments do not have impact on the Group's consolidated financial statements.

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

2. Revenue (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.

Revenue 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 during the year is as follows:

2. Revenue (HK$m) *continued*

	2015	2014
Hotels		
- Rooms	**1,765**	1,889
- Food and beverage	**1,168**	1,239
- Shopping arcades and offices	**761**	747
- Others	**379**	385
	4,073	4,260
Commercial properties		
Rental revenue from:		
- Residential properties	**486**	445
- Offices	**110**	124
- Shopping arcades	**341**	332
	937	901
Clubs and Services		
- Clubs and consultancy services	**182**	171
- Peak Tram operation	**122**	124
- Others	**427**	382
	731	677
	5,741	5,838

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

	2015	2014
Current tax - Hong Kong profits tax		
Provision for the year	**152**	127
(Over)/under-provision in respect of prior years	**(3)**	3
	149	130
Current tax - Overseas		
Net charge for the year	**23**	49
	172	179
Deferred tax		
(Decrease)/increase in net deferred tax liabilities relating to revaluation of overseas investment properties	**(20)**	6
Increase in net deferred tax liabilities relating to other temporary differences	**26**	50
Effect of decrease in tax rates on deferred tax balances	**(54)**	(4)
	(48)	52
Total	**124**	231

The provision for Hong Kong profits tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

4. Earnings per share

(a) Earnings per share - basic

	2015	2014
Profit attributable to shareholders of the Company (HK$m)	**1,000**	1,146
Weighted average number of shares in issue (million shares)	**1,528**	1,509
Earnings per share (HK$)	**0.65**	0.76

	2015 (million shares)	*2014 (million shares)*
Issued shares at 1 January	***1,517***	*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 2014 final dividend and 2015 interim dividend	***11***	*7*
Weighted average number of shares at 31 December	***1,528***	*1,509*

(b) Earnings per share - diluted

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2015 and 2014 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

	2015	2014
Interim dividend declared and paid of 5 HK cents per share (2014: 5 HK cents per share)	**77**	76
Final dividend proposed after the end of reporting period of 15 HK cents per share (2014: 18 HK cents per share)	**231**	273
	308	349

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

	2015	2014
Final dividend in respect of the previous financial year, approved and paid during the year, of 18 HK cents per share (2014: 12 HK cents per share)	**273**	180

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.

(a) Segment results (HK$m)

The results of the Group's reportable segments for the years ended 31 December 2015 and 2014 are set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Reportable segment revenue*	**4,073**	4,260	**937**	901	**731**	677	**5,741**	5,838
Reportable segment operating profits before interest, taxation, depreciation and amortisation (EBITDA)	**713**	818	**596**	582	**131**	128	**1,440**	1,528
Depreciation and amortisation	**(385)**	(385)	**(9)**	(10)	**(32)**	(28)	**(426)**	(423)
Segment operating profit	**328**	433	**587**	572	**99**	100	**1,014**	1,105

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.

** Analysis of segment revenue is disclosed in note 2.*

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 2015 and 2014 are set out as follows:

	Note	**2015**	2014
Reportable segment assets			
Hotels		**17,602**	16,978
Commercial properties		**21,747**	21,440
Clubs and services		**1,017**	1,036
		40,366	39,454
Unallocated assets			
Interest in a joint venture	8	**901**	1,016
Interest in associates	9	**694**	807
Deferred tax assets		**30**	40
Amount due from a joint venture		**179**	188
Cash at banks and in hand	12	**2,919**	2,477
Consolidated total assets		**45,089**	43,982

(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	
	2015	2014	**2015**	2014
Hong Kong	**2,851**	2,775	**29,547**	29,092
Other Asia *	**1,581**	1,718	**4,930**	4,584
United States of America	**1,273**	1,290	**3,334**	3,254
Europe	**36**	55	**3,425**	3,672
	5,741	5,838	**41,236**	40,602

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

7. Investment properties and other properties, plant and equipment (HK$m)

(a) Movements of investment properties and other properties, plant and equipment

	Freehold land	Hotel and other buildings held for own use	Plant, machinery and equipment	Sub-total	Other investment properties	Investment property held for redevelopment	Interests in leasehold land held under finance leases	Total
Cost or valuation:								
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
At 1 January 2015	**962**	**6,898**	**4,799**	**12,659**	**30,825**	**1,723**	**1**	**45,208**
Exchange adjustments	**(53)**	**(190)**	**(87)**	**(330)**	**(138)**	**(85)**	**-**	**(553)**
Additions	**-**	**900**	**414**	**1,314**	**65**	**-**	**-**	**1,379**
Disposals	**-**	**(125)**	**(381)**	**(506)**	**-**	**-**	**-**	**(506)**
Revaluation surplus	**-**	**25**	**-**	**25**	**-**	**-**	**-**	**25**
Transfer	**(83)**	**(1)**	**(32)**	**(116)**	**116**	**-**	**-**	**-**
Fair value adjustment	**-**	**-**	**-**	**-**	**277**	**-**	**-**	**277**
At 31 December 2015	**826**	**7,507**	**4,713**	**13,046**	**31,145**	**1,638**	**1**	**45,830**
Representing:								
Cost	**826**	**7,507**	**4,713**	**13,046**	**-**	**-**	**1**	**13,047**
Valuation - 2015	**-**	**-**	**-**	**-**	**31,145**	**1,638**	**-**	**32,783**
	826	**7,507**	**4,713**	**13,046**	**31,145**	**1,638**	**1**	**45,830**
Accumulated depreciation and impairment losses:								
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
At 1 January 2015	**351**	**3,571**	**3,117**	**7,039**	**-**	**-**	**1**	**7,040**
Exchange adjustments	**(28)**	**(124)**	**(62)**	**(214)**	**-**	**-**	**-**	**(214)**
Charge for the year	**-**	**138**	**275**	**413**	**-**	**-**	**-**	**413**
Written back on disposals	**-**	**(125)**	**(381)**	**(506)**	**-**	**-**	**-**	**(506)**
At 31 December 2015	**323**	**3,460**	**2,949**	**6,732**	**-**	**-**	**1**	**6,733**
Net book value:								
At 31 December 2015	**503**	**4,047**	**1,764**	**6,314**	**31,145**	**1,638**	**-**	**39,097**
At 31 December 2014	611	3,327	1,682	5,620	30,825	1,723	-	38,168

7. Investment properties and other properties, plant and equipment (HK$m) *continued*

(a) Movements of investment properties and other properties, plant and equipment *continued*

During 2015, the Group acquired items of investment properties and other properties, plant and equipment with a cost of HK$1,379 million (2014: HK$354 million), of which HK$732 million related to the cash consideration paid for the acquisition of The Peninsula Tokyo's hotel building.

The Group assessed the recoverable amounts of its other properties, plant and equipment at the reporting date. Based on the assessment, the directors considered that no provision for or reversal of impairment was required as at 31 December 2015. As at 31 December 2014, 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 was recognised for the year ended 31 December 2014.

(b) All investment properties of the Group were revalued as at 31 December 2015. 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
	Cushman & Wakefield	Members of Royal Institution of Chartered Surveyors
United States of America		
Retail shops and vacant land	Cushman & Wakefield	Members of Royal Institution of Chartered Surveyors
Europe		
Retail shops, offices and residential apartments	Cushman & Wakefield	Members of Royal Institution of Chartered Surveyors

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

(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 2015, the Property was held for leasing purpose and its fair value amounted to HK$1,638 million (GBP 142 million) (2014: HK$1,723 million (GBP 142 million)). Subject to certain conditions, 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)

	2015	2014
Share of net assets	**380**	495
Loans to a joint venture	**521**	521
	901	1,016

(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, 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 2015, the paid up capital of EGL and PSW amounted to HK$1 (2014: HK$1) and US$117,500,000 (2014: US$117,500,000) respectively.*

(b) Included in the balance of interest in a joint venture are loans to TPS of HK$521 million (2014: HK$521 million).

(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 2015, the loan drawn down amounted to HK$2,177 million (RMB1,823 million) (2014: HK$2,367 million (RMB1,893 million)). The net carrying amount of these pledged assets amounted to HK$4,794 million (RMB4,015 million) (2014: HK$5,278 million (RMB4,221 million)).

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

	2015	2014
Non-current assets	**4,628**	5,019
Current assets	**325**	475
Current liabilities	**(439)**	(516)
Non-current liabilities	**(3,754)**	(3,989)
Net assets	**760**	989
Income*	**760**	1,639
Cost of inventories and operating expenses	**(601)**	(1,392)
EBITDA	**159**	247
Depreciation	**(84)**	(96)
Net financing charges	**(143)**	(175)
Loss before non-operating item	**(68)**	(24)
Non-operating item, net of tax **	**(74)**	12
Loss for the year	**(142)**	(12)
The Group's share of result of the joint venture	**(71)**	(6)

* *Including proceeds of HK$171 million (2014: HK$1,044 million) from sale of apartments.*

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

9. Interest in associates (HK$m)

	2015	2014
Interest in associates	**694**	807

(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.*

(b) Included in the balance of interest in associates are unsecured loans to Al Maha of HK$678 million (2014: HK$796 million). These loans were made pro rata to the Group's shareholding in Al Maha and bear interest at rates related to the rates published by the French tax authorities. An amount of HK$363 million is repayable in April 2017 and the remaining balance is repayable in December 2020.

(c) Majestic has pledged its hotel property as security for a loan facility amounting to EUR220 million (HK$1,864 million). As at 31 December 2015, the loan drawn down amounted to EUR220 million (HK$1,864 million) (2014: EUR217 million (HK$2,047 million)). As at 31 December 2015, the net carrying amount of these pledged assets amounted to EUR631 million (HK$5,350 million) (2014: EUR654 million (HK$6,169 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) (2014: US$145 million (HK$1,131 million)). As at 31 December 2015, the loan drawn down amounted to US$140 million (HK$1,092 million) (2014: US$145 million (HK$1,131 million). The net carrying amount of the pledged assets amounted to US$60 million (HK$468 million) (2014: US$55 million (HK$427 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:

	2015	2014
Net loss from continuing operations, including pre-opening expenses	**(115)**	(175) *
Post-tax profit or loss from discontinued operations	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**(115)**	(175)
The Group's share of results of the associates	**(23)**	(35)

* *Including HK$109 million pre-opening expenses incurred by The Peninsula Paris which opened for business on 1 August 2014.*

10. Hotel operating rights (HK$m)

	2015	2014
Cost		
At 1 January	**727**	801
Exchange adjustments	**(53)**	(74)
At 31 December	**674**	727
Accumulated amortisation		
At 1 January	**(116)**	(108)
Exchange adjustments	**(1)**	-
Amortisation for the year	**(13)**	(8)
At 31 December	**(130)**	(116)
Net book value	**544**	611

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)

	2015	2014
Trade debtors	**254**	241
Rental deposits, payments in advance and other receivables	**377**	338
Tax recoverable	**12**	4
	643	583

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$86 million (2014: HK$88 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:

	2015	2014
Current	**238**	215
Less than one month past due	**10**	18
One to three months past due	**6**	6
More than three months but less than 12 months past due	**-**	2
Amounts past due	**16**	26
	254	241

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)

	2015	2014
Interest-bearing bank deposits	**2,765**	2,305
Cash at banks and in hand	**154**	172
Total cash at banks and in hand	**2,919**	2,477
Less: Bank deposits with maturity of more than three months	**(2,146)**	(1,633)
Bank overdrafts *(note 14)*	**(5)**	(5)
Cash and cash equivalents in the consolidated statement of cash flows	**768**	839

Cash at banks and in hand at the end of the reporting period include amounts of HK$932 million (2014: HK$989 million) held by overseas subsidiaries which are subject to regulatory and foreign exchange restrictions.

13. Trade and other payables (HK$m)

	2015	2014
Trade creditors	**150**	145
Interest payable	**8**	7
Accruals for property, plant and equipment	**45**	50
Tenants' deposits	**382**	381
Guest deposits and gift vouchers	**135**	139
Golf membership deposits	**87**	99
Other payables	**646**	619
Financial liabilities measured at amortised cost	**1,453**	1,440
Less: Non-current portion of trade and other payables	**(239)**	(260)
Current portion of trade and other payables	**1,214**	1,180

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$343 million (2014: HK$375 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 amount of all trade and other payables approximates their fair value.

The ageing analysis of trade creditors is as follows:

	2015	2014
Less than three months	**149**	142
Three to six months	**-**	3
More than six months	**1**	-
	150	145

14. Interest-bearing borrowings (HK$m)

	2015	2014
Total facilities available:		
Term loans and revolving credits	**6,956**	6,359
Uncommitted facilities, including bank overdrafts	**319**	336
	7,275	6,695
Utilised at 31 December:		
Term loans and revolving credits	**6,184**	5,477
Uncommitted facilities, including bank overdrafts	**53**	44
	6,237	5,521
Less: Unamortised financing charges	**(45)**	(40)
	6,192	5,481
Represented by:		
Short-term bank loans, repayable within one year or on demand	**181**	873
Bank overdrafts, repayable on demand *(note 12)*	**5**	5
	186	878
Long-term bank loans, repayable:		
Between one and two years	**-**	716
Between two and five years	**4,764**	3,797
Over five years	**1,287**	130
	6,051	4,643
Less: Unamortised financing charges	**(45)**	(40)
Non-current portion of long-term bank loans	**6,006**	4,603
Total interest-bearing borrowings	**6,192**	5,481

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 2015 and 2014, none of the covenants relating to drawn down facilities had been breached.

15. Share capital

	2015		2014	
	No. of shares (million)	**HK$m**	No. of shares (million)	HK$m
Ordinary shares, issued and fully paid:				
At 1 January	**1,517**	**4,544**	1,502	751
Shares issued under scrip dividend scheme *(note i)*	**26**	**264**	15	170
Transition to no-par value regime on 3 March 2014 *(note ii)*	**-**	**-**	-	3,623
At 31 December	**1,543**	**4,808**	1,517	4,544

All ordinary shares issued during 2015 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) During 2015, 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
2014 final scrip dividend	18	11.060	202
2015 interim scrip dividend	8	8.266	62
	26		264

ii) The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Ordinance.

16. Capital commitments (HK$m)

Capital commitments outstanding as at 31 December 2015 not provided for in the Financial Statements were as follows:

	2015			2014		
	Contracted for	Authorised but not contracted for	Total	Contracted for	Authorised but not contracted for	Total
Capital commitments of the Group	**798**	**2,164**	**2,962**	242	2,523	2,765
The Group's share of capital commitments of						
- a joint venture	**-**	**14**	**14**	-	10	10
- associates	**1**	**3**	**4**	-	17	17
	799	**2,181**	**2,980**	242	2,550	2,792

The Group's capital commitments include the authorised capital expenditure for the renovations of The Peninsula Beijing, The Peninsula Chicago, 21 avenue Kléber and the major upgrade project to be undertaken by The Peak Team as well as normal capital expenditure for the Group's existing properties.

On 28 January 2014, the Group entered into conditional agreements with Yoma Strategic Holdings Ltd. to restore the heritage building that is the former Myanmar Railway Company headquarters in Yangon, Myanmar, to be redeveloped as The Peninsula Yangon. The Group has a 70% interest in the project and its share of commitment is estimated to be US$100 million. Furthermore, on 7 July 2015, the Group entered into a conditional shareholders' agreement with Doğuş Holding A.Ş. and BLG Gayrimenkul Yatırımları ve Ticaret A.Ş. for a proposed joint development of a luxury hotel property within the Salıpazarı Port Project Area in Istanbul, Turkey. The Group has a 50% interest in the project and its share of commitment is estimated to be EUR150 million. The conditions precedent of these two potential projects and the redevelopment of 1-5 Grosvenor Place into The Peninsula London (note 7(c)) have not yet been fully satisfied as at 31 December 2015. In respect of these three 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 is 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 targetting to achieve by year 2020.

The Corporate Responsibility and Sustainability Report discusses in detail our progress towards Vision 2020 and specific material issues that contribute to the sustainable development of the Group. This 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 and the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules. The reported information has been verified by independent auditor, KPMG, and accredited by GRI in Materiality Disclosures.

Corporate governance

The Board of Directors of the Company is responsible to its shareholders and stakeholders for ensuring the success of the Company. Good corporate governance is crucial to carry the Group through the changing regulatory landscape and in fostering relationships with shareholders and stakeholders of the Company. By putting in place the right governance framework, the Board has set a culture of integrity, transparency and accountability that permeates throughout the Group. The Board of Directors believes that such a framework is the cornerstone for good corporate governance throughout the organisation and in turn fosters and maintains shareholders' and stakeholders' confidence in the Company. The Corporate Governance Report in the 2015 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 15 HK cents per share (2014: 18 HK cents per share) for the year ended 31 December 2015. Subject to the approval by shareholders at the forthcoming Annual General Meeting (AGM), such dividend will be payable on 24 June 2016 to shareholders whose names appear on the register of members on 19 May 2016.

The proposed final dividend will be offered with a scrip alternative for shareholders to elect to receive such final dividend wholly or partly in the form of new fully paid shares instead of in cash. 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 24 May 2016.

Closure of register of members
For shareholders' entitlement to attend, speak and vote at the AGM:

Latest time to lodge transfer documents	4:30pm on 6 May 2016
Closure of register of members	9 May to 11 May 2016 (both days inclusive)
Record date	11 May 2016
AGM	11 May 2016

For shareholders' entitlement to receive the final dividend:

Latest time to lodge transfer documents	4:30pm on 16 May 2016
Closure of register of members	17 May to 19 May 2016 (both days inclusive)
Record date	19 May 2016
Deadline for return of scrip dividend election forms	4:30pm on 15 June 2016
Final dividend payment date	24 June 2016

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 2016 at 12 noon. The Notice of AGM and 2015 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 2016.

By Order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 16 March 2016

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

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
Dr Kim Lesley Winser