THE HONGKONG AND SHANGHAI HOTELS, LIMITED

香港上海大酒店有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 45) website: www.hshgroup.com

2012 Annual Results

HIGHLIGHTS

Key financial results

- Turnover increased by 3% to HK$5,178 million *(2011: HK$5,009 million)*
- EBITDA almost flat at HK$1,201 million *(2011: HK$1,211 million)*, despite the partial closures of The Peninsula Hong Kong and The Repulse Bay for renovation
- Net profit attributable to shareholders amounted to HK$1,555 million *(2011: HK$2,259 million)*, inclusive of property revaluation surplus of HK$1,073 million *(2011: HK$1,841 million)*
- Underlying profit attributable to shareholders decreased by 5% to HK$439 million *(2011: HK$464 million)*
- Earnings per share and underlying earnings per share of HK$1.04 *(2011: HK$1.52)* and HK$0.29 *(2011: HK$0.31)* respectively
- Final dividend of 10 HK cents per share, making a total dividend of 14 HK cents per share for 2012 *(2011: 14 HK cents per share)*
- Shareholders' funds as at 31 December 2012 amounted to HK$33,144 million or HK$22.07 per share *(2011: HK$31,455 million or HK$21.11 per share)*
- The Group's adjusted net assets as at 31 December 2012 amounted to HK$36,390 million (HK$24.23 per share) *(2011: HK$34,703 million at HK$23.29 per share)*

Key developments

- The Peninsula Hong Kong completed the first phase of its HK$450 million renovation programme and re-opened the Tower's 135 guestrooms and suites in September 2012, which are equipped with some of the world's most advanced hotel in-room technology. The second phase of renovation involving the 165 guestrooms and suites in the Original Building commenced in September 2012 and is scheduled to be completed in mid 2013.
- In February 2012, The Repulse Bay embarked on a major reconfiguration of the de Ricou serviced apartment tower, which is expected to be completed in mid 2013. There is also an ongoing project to upgrade the public areas of the Complex.
- A number of other successful renovations have been undertaken around the Group, including the renovation of the Peninsula Suite in The Peninsula New York, the creation of a junior ballroom at The Peninsula Chicago, the renovation of all guestrooms at The Peninsula Beverly Hills and renovation of the serviced apartments at The Landmark in Ho Chi Minh City.
- The Group announced a US$28 million renovation of Quail Lodge & Golf Club's guestrooms, lobby and golf course. The hotel portion of Quail Lodge will re-open in late March 2013.
- The construction of The Peninsula Paris continues to progress, although the budget has had to be increased.
- A global advertising campaign, Peninsula Moments, was launched worldwide in September 2012.

FINANCIAL AND OPERATING HIGHLIGHTS

	2012		2011	Increase/ (Decrease)
CONSOLIDATED INCOME STATEMENT (HK$m)				
Turnover	**5,178**		5,009	3%
EBITDA	**1,201**		1,211	(1%)
Operating profit	**817**		834	(2%)
Profit attributable to shareholders	**1,555**		2,259	(31%)
Underlying profit attributable to shareholders *	**439**		464	(5%)
Dividends	**210**		208	1%
Earnings per share (HK$)	**1.04**		1.52	(32%)
Underlying earnings per share (HK$) *	**0.29**		0.31	(6%)
Dividends per share (HK cents)	**14**		14	-
Dividend cover (times) **	**2.1x**		2.2x	(5%)
Interest cover (times)	**9.6x**		9.5x	1%
Weighted average gross interest rate	**3.2%**		3.1%	0.1pp △
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)				
Total assets	**39,807**		38,233	4%
Audited net asset attributable to shareholders	**33,144**		31,455	5%
Adjusted net asset attributable to shareholders #	**36,390**		34,703	5%
Audited net asset per share (HK$)	**22.07**		21.11	5%
Adjusted net asset per share (HK$) #	**24.23**		23.29	4%
Net borrowings	**1,989**		2,335	(15%)
Net debt to EBITDA (times)	**1.7x**		1.9x	(11%)
Net debt to equity	**6%**		7%	(1pp) △
Gearing	**6%**		7%	(1pp) △
CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)				
Net cash generated from operating activities	**964**		999	(4%)
Capital expenditure on fixed assets	**(875)**		(312)	180%
Cash and cash equivalents at the year end	**1,682**		1,963	(14%)
Capital expenditure on fixed assets as a percentage of revenue	**17%**		6%	11pp △
SHARE INFORMATION (HK$)				
Highest share price	**11.92**		14.74	(19%)
Lowest share price	**8.63**		8.10	7%
Year end closing share price	**10.82**		8.61	26%
OPERATING INFORMATION				
Number of hotel rooms	**3,012**		3,012	-
Average occupancy rate				
- Hong Kong	**79%**	# #	74%	5pp △
- Other Asia	**63%**		57%	6pp △
- United States of America	**72%**		69%	3pp △
Average room rate (HK$)				
- Hong Kong	**5,133**		4,503	14%
- Other Asia	**2,179**		2,156	1%
- United States of America	**4,627**		4,550	2%
RevPAR (HK$)				
- Hong Kong	**4,072**	# #	3,347	22%
- Other Asia	**1,367**		1,221	12%
- United States of America	**3,346**		3,135	7%

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

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

\# *Adjusted net asset attributable to shareholders and adjusted net asset 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.*

\#\# *The occupancy and RevPAR for Hong Kong in 2012 are based on a reduced room inventory after taking into consideration the rooms not available for sale due to the room enhancement programme at the Peninsula Hong Kong.*

△ *pp denotes percentage points.*

The financial information set out in this announcement does not constitute the Group's statutory accounts for the year ended 31 December 2012, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's auditor, KPMG.

CHIEF EXECUTIVE OFFICER'S REPORT

OVERVIEW

The theme of our Report this year is Renovation and Innovation, reflecting the investment of financial and human resources which we have been making to renovate and upgrade our assets and in innovations to enhance our brand and guest experience. We have revitalised our two principal operating assets in Hong Kong and we have ushered in a range of new systems and technology to support future development across the Group.

As indicated in my Report last year, 2012 was a year of significant investment in the future of our Company through upgrading our rooms product in our flagship hotel, The Peninsula Hong Kong. Not only have we committed capital expenditure of HK$450 million to this rooms renovation project, but 2012 bore the brunt of the consequent disruption in operating earnings from the closure of rooms. With the de Ricou serviced apartments at the Repulse Bay Complex also closed for a significant reconfiguration for 11 months of 2012, our financial objective was to seek to maintain the same level of group operational earnings as was achieved in 2011 through improved performances from the other operations across our three Divisions. I am pleased to report that this objective was achieved, with our EBITDA of HK$1,201 million being almost flat as compared with last year.

HOTELS

In general, the hotel markets in which we operate continued to recover from the aftermath of the global financial crisis which started in 2008-2009, although a number of our hotel properties have not recovered their earnings to the pre-crisis level. Specific factors have also affected some of our markets, such as the earthquake and tsunami in Japan and the floods in Thailand in 2011. Markets such as Beijing, Shanghai, Bangkok and Chicago have seen an abundance of new 5 star hotel openings in recent years, giving rise to a highly competitive market environment. In 2012, strong financial performances were recorded by The Peninsula Hong Kong (despite the renovation) and The Peninsula Beverly Hills, whereas the best recovery from the previous year was recorded by The Peninsula Tokyo.

In September 2012, we launched a major new innovative global advertising campaign titled "Peninsula Moments". The images and videos, shot on location at the nine Peninsula Hotels around the world, showcased the special moments and memories which our hotels create for guests.

Hong Kong: The Peninsula Hong Kong began the first phase of its rooms renovation project in January 2012 and successfully completed it in September 2012. The 135 newly designed guestrooms in the Tower were complemented by a new Conference Centre which was converted from a floor of the Office Tower, a new Bar and a rejuvenated and expanded Verandah restaurant. The renovated guestrooms have been extremely well received by guests and the early indications are that the average room rate achieved post renovation will be significantly above the rate pre-renovation. Overall, business continued to improve in both the corporate and leisure segments. The top producing markets for the hotel were Japan, China and the USA. There was also healthy growth from new customer markets including Russia and the Middle East. The food and beverage operations performed strongly, with the renovated and significantly expanded Verandah restaurant being very well received. The Peninsula Arcade remains highly sought after by leading luxury retail brands, with an average occupancy of 99% throughout the year, and both this and the Office Tower, which was fully let, were able to grow their average rent.

Mainland China: The Peninsula Shanghai is now in its third full year of operations and, we believe, is established as the best city hotel in mainland China as well as one of the leading hotels in the world. Despite intense competition from the large supply of new five star hotels in Shanghai, it continued to be the leader in RevPAR in Shanghai. The hotel enjoyed increased demand from domestic travellers and continued to step up its marketing efforts in mainland cities, as well as initiating partnerships with select high-end service providers. The Peninsula Arcade has been occupied by 28 leading luxury retail brands. Meanwhile, The Peninsula Residences, which form part of this complex, commenced leasing activities in 2012. Its premier address on the Bund has appealed to premium residential tenants and over 25% of the 39 units have been leased. **The Peninsula Beijing** was able to maintain a leading position in the capital despite intense competition from the large supply of other luxury hotels, and was able to achieve improvements in both RevPAR and occupancy. Following the completion of extensive upgrading work for the Peninsula Arcade, the Arcade's position as a pre-eminent luxury goods shopping venue in Beijing was further strengthened and several leading brands are in the course of expanding their stores, in two cases into triplex spaces. The Arcade continues to provide an important stream of revenue for the hotel.

Asia: The Peninsula Tokyo continued to face the challenge of an economy in recession and a persistently high Yen for most of the year, which impacted tourist arrivals, but business was buoyed by domestic demand. Besides the recovery from the previous year's earthquake and tsunami, the hotel also enjoyed a rebound due to major international conferences held in Tokyo, such as the World Travel & Tourism Congress in May and the International Monetary Fund-World Bank meeting in October, the latter of which helped to move the hotel's occupancies and average rates in that month to their highest level since the hotel opened in 2007. The hotel's wedding business was also robust. The hotel continues to receive many accolades as one of the best hotels in Asia. In Thailand, **The Peninsula Bangkok** performed better than in 2011, with a stronger economy and rebounding from the massive floods in 2011. The new government appears to be more stable, although the political uncertainties of the past few years together with the increased supply of five star hotels, means that our earnings continue to be depressed as compared to the period prior to 2009. In the Philippines, **The Peninsula Manila** benefitted from a robust economy which boosted private spending, and saw an increase in frequent independent travellers' business while sustaining strong food and beverage business. The two recently created food and beverage outlets, Escolta and Salon de Ning, performed well.

USA: The Peninsula New York had a stable year, enjoying a good increase in business from some high-end overseas groups and expanding its business mix by focusing efforts on new sectors including technology, energy and entertainment. The renovation of the Peninsula Suite was completed, marking the full completion of the hotel's latest guestroom renovation project. In late 2012, the hotel had to face the havoc brought about by Superstorm Sandy, which severely interrupted arrivals, but The Peninsula New York was the one of the few five star hotels in New York City to maintain full service for guests throughout the storm. Plans are proceeding for a major revamp of the food and beverage facilities at the hotel. Business remained relatively weak for **The Peninsula Chicago,** which is highly dependent on domestic and corporate business, although there was some improvement in the second half of the year. During the year, The Peninsula Chicago renovated its Grand Suite and converted the Avenues restaurant into a junior ballroom, with great success. The hotel also hosted various national leaders and dignitaries who were in Chicago in May for the NATO Summit. In December, the hotel installed a skating rink outside Shanghai Terrace, which quickly became a popular feature in the city. In California, **The Peninsula Beverly Hills** experienced a remarkable year, achieving the highest revenue, highest average daily rate and the highest number of days with full occupancy in the hotel's 21-year history. The hotel continued to enjoy strong business from the entertainment industry and the Middle East market. Its guestroom renovation completed in 2011 is proving to be a success.

Overall, the revenue and EBITDA of the Hotels Division for the year were HK$3,885 million and HK$596 million respectively.

COMMERCIAL PROPERTIES

The Commercial Properties Division continues to provide a stable income contribution to the Group's earnings, counter-balancing the more cyclical nature of hotel earnings.

Our most important asset in this Division is the **Repulse Bay Complex**, whose major revenue is derived from residential lettings. During the year, lettings continued to experience strong demand, in line with Hong Kong's robust economy. In order to further enhance the yield from this Complex, we embarked on a major reconfiguration of the de Ricou serviced apartment tower within this Complex. The shopping arcade enjoyed high occupancy throughout the year while banquet and wedding business also achieved a record high. A commemorative history book was published in the last quarter of the year to celebrate The Repulse Bay's rich history and development over the last 92 years. Due to the closure of the de Ricou tower for renovation for 11 months of 2012, the overall revenue of the Complex fell 4% from 2011 to HK$518 million.

The **Peak Complex** achieved excellent results in 2012 due to its strong positioning in the tourist market. The Peak Tower maintained an average occupancy of 99.6% throughout the year and recorded an increase of 8% in year-on-year revenue, which was also boosted by a higher number of visitors to the rooftop Sky Terrace 428. St. John's Building enjoyed a high occupancy of 91% throughout the year and revenue was in line with 2011.

At **The Landmark** in Vietnam, both the office and residential portions maintained high occupancies despite the intense competition in Ho Chi Minh City and a fragile national economy. We have been undertaking a renovation of the serviced apartments to maintain a highly competitive position in the city.

Overall, the revenue and EBITDA of the Commercial Properties Division for the year were HK$733 million and HK$474 million respectively.

CLUBS AND SERVICES

The historic **Peak Tram** has maintained its position as one of Hong Kong's most popular tourist attractions, welcoming thousands of visits every day from locals, tourists and even Chinese astronauts. In 2012, the patronage of the Peak Tram rose to a record 5.9 million passengers, a 2.4% increase from 2011. Revenue also grew by 6%.

Income from our club management activities rose with strong growth in utilisation of the **Cathay Pacific Lounges** at the Hong Kong International Airport. The Wing, Cathay Pacific's first and business class lounges, partly re-opened during the year after extensive renovation with an upgrade in design and facilities and an enhanced food and beverage offer. The **Thai Country Club** saw an increase in the number of golf rounds played as well as an increase in revenue. At **Quail Lodge & Golf Club**, the annual Quail Motorsports Gathering celebrated its 10th anniversary in August. We announced in the same month that we would be committing US$28 million to renovating all of Quail's guestrooms, the lobby and golf course, following which the new Quail Lodge will re-open in March 2013. We have also appointed a specialist golf management company, KemperSports Management, to manage the golf and Clubhouse operations. In 2012, **Peninsula Merchandising** once again achieved record sales in Hong Kong and Asia for its signature Mid Autumn Festival mooncakes. We rebranded the range of products and franchised the first Peninsula Boutique in South Korea. In Shanghai, **No. 1 Waitanyuan,** managed by The Peninsula Shanghai, has gained a fine reputation for its fine food, service and ambiance in the historic setting of the former British Consulate. We have also leased other premises within the Bund 33 complex for commercial usage.

Overall, the revenue and EBITDA of the Clubs & Services Division for the year were HK$560 million and HK$131 million respectively.

PROJECTS AND DEVELOPMENTS

The focus of our projects and development activities continues to be on (i) the establishment of a small and select number of new Peninsula hotels in key international gateway cities and (ii) continual enhancement of our existing hotels and other properties so as to maximise their long term value.

Since the beginning of 2009, we have been engaged in an ambitious project, in partnership with Katara Hospitality, to convert a beautiful historic building on Avenue Kleber in Paris, close to the Arc de Triomphe, to be The Peninsula Paris hotel. This hotel will be our first in Europe and promises to set new standards in terms of design, luxury and comfort. A huge amount of work has been done by our project colleagues working in conjunction with Katara Hospitality and the project team in Paris. The project has now progressed to a stage where all of the main designs have been completed, the core of the building, its infrastructure and internal walls are close to completion and internal fitout is commencing.

However, it has been a challenging and complicated project to convert this historic building into a Peninsula hotel. Since the commencement of the project, the scope of work has been expanded to address necessary additional structural works, historical preservation considerations, unknown site conditions and design improvements to the facilities for customers. These issues have had consequences on timing, scope of consultants' services and contract costs. As a result, the total construction budget for the project was increased during the year from EUR295 million to EUR338 million (excluding contingency). The major part of the construction budget is being financed by a non-recourse project loan of EUR220 million which has been arranged. HSH owns 20% of the hotel.

Whilst the search for future new Peninsula hotel developments continue, we remain very selective in seeking opportunities in key gateway cities which will meet Peninsula's full requirements. A lot of time and effort goes into this endeavour and I hope to be able to report further progress in due course.

In the meantime, we continue to devote significant efforts to the continual enhancement of our existing assets. The second and final phase of the 15 month renovation in The Peninsula Hong Kong will be completed in the middle of 2013, which will return the remaining 165 guestrooms in the Original Building to inventory. The rooms in the Original Building incorporated the latest touch screen technology for our in-room controls which were developed by our in-house research and development department and are being built on the same design as the renovated guestrooms in the Tower, which as mentioned earlier are already commanding a significantly improved room rate, as compared to before the renovation. At the Repulse Bay Complex, the finalisation of the de Ricou renovation in the middle of 2013 will provide a more efficient mix of unfurnished and serviced apartments to replace the previous serviced apartment only configuration, which we expect to increase the rental yield significantly for that asset. In addition, the final phase of our ongoing renovation of the public areas in the complex will further improve the living environment for our residents in the entire Complex.

We believe that the significant investment in The Peninsula Hong Kong and The Repulse Bay projects will further enhance the value of these key assets and help to maintain their leading positions in the market.

Projects and renovations continue to be undertaken regularly at all of our properties in order to maximise usage and value of all areas. Other recently completed or ongoing projects include the renovation of the Peninsula Suite and the rejuvenation of the food and beverage facilities at The Peninsula New York, the creation of a junior ballroom at The Peninsula Chicago and the renovation of one of its Grand Suites, the renovation of all guestrooms at the Peninsula Beverly Hills completed during the year, the continual improvement of the retail arcade at The Peninsula Beijing, the renovation and re-opening of Quail Lodge and renovation of the serviced apartments at The Landmark in Ho Chi Minh City.

FINANCIAL RESULTS

It continues to be a strength of our Group that our hotels business is balanced by a strong mix of commercial properties, including several successful high-end shopping arcades within our hotels, as well as our well-established commercial, residential and office properties. This comprehensive and diversified portfolio enables us to have balanced earnings over the long term.

Our Group results were impacted by the renovation work in The Peninsula Hong Kong, where 55% of the hotel room inventory was not available during 2012. The results, therefore, reflect a 1% fall in earnings before interest, taxation, depreciation and amortisation (EBITDA) to HK$1,201 million in 2012 and a fall of 2% in operating profit to HK$817 million in 2012. The EBITDA margin was 23%. We regard this to be a satisfactory result in the light of the renovation disruptions during the year.

Inclusive of non-operating items, being principally the year-end investment property revaluation surpluses, the net profit attributable to shareholders was HK$1,555 million, as compared to HK$2,259 million in 2011. Our underlying profit attributable to shareholders, which we have calculated by excluding the post-tax effects of the property revaluation surpluses and other non-operating items, amounted to HK$439 million, as compared to HK$464 million in 2011, representing a fall of 5%.

Our financial position remains strong. Our revalued net assets attributable to shareholders increased by 5% to HK$36,390 million, representing HK$24.23 per share, and our gearing remained at a conservative level of 6% at the year-end. Our net cash outflow for the year, after deducting capital expenditure, interest and dividends, amounted to HK$82 million.

Based on our results, the Board has recommended a final dividend payable on 20 May 2013 of 10 HK cents per share. Together with the 2012 interim dividend of 4 HK cents per share paid on 28 September 2012, the total dividend in respect of the 2012 financial year will be 14 HK cents per share.

CORPORATE RESPONSIBILITY

In 2012, we continued refine our approach to addressing our environmental, social and ethical responsibilities. Despite the Group’s business growth, our absolute energy and water consumption in 2012 have reduced by 5.8% and 6.1% since 2008 when we began our sustainability programme. We have also become more conscious of our impact on the world’s bio-diversity. In line with our efforts in responsible sourcing, we stopped serving shark fin at all our owned and managed food outlets around the world and launched a commitment to procure all paper products only from responsibly managed forests by 2017. All Group companies have started to implement the policy during the year, with about 35% of our paper product being FSC-certified, a 13% increase from the previous year.

I have always believed that the Group’s sustainability journey would be made more focused by regular measurement of our progress. To further strengthen how we govern the environmental and social impact of our operations, we took an in-depth look at our sustainability management system and process in 2012. We expanded the reporting scope to cover more than 90% of the Group’s businesses and reconsidered the metrics that we should use to give us greater clarity on our impacts. Some of the new reporting metrics were introduced during the year with the rest scheduled to roll out in 2013. We also renewed the discipline of tracking and driving our performance on a quarterly basis and introduced a new planning process of corporate responsibility initiatives in the annual budgetary exercise. The revamped and more robust sustainability management processes underpin our commitment to integrating sustainable practices and principles across our businesses with balance and focus. In the coming years, we will work on expanding our employee engagement programme so as to bring this commitment to all parts of our business.

Developing a shared direction for sustainable business at the Group will be a focus of our work over the next two years. In 2012, we began engaging our management team around the world in a forum to assess key macro trends that will affect the Group's ability to continue to thrive in the long term. It was followed up by a structured process to engage our major stakeholder groups in developing our Sustainability Materiality Matrix. These efforts in building shared understanding both internally and with our external stakeholders, supported by the renewed sustainability management processes, have laid a solid foundation for us to explore a new vision of sustainable luxury for the Group.

OUTLOOK

The strength of our Group continues to emanate from our genuine commitment to the long term, which 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 philosophy 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.

For 2013, we are looking forward to bringing the entire room inventory of The Peninsula Hong Kong back into operation following the major renovation programme, which we expect will have a positive impact on earnings. The de Ricou reconfiguration will also be completed in the middle of the year, although with the time needed to build occupancy back up, we do not expect to benefit from the full impact of this until the following year. Following discussions with our joint venture partner in Shanghai, we have taken the decision to explore a potential sale of up to 49% of the Peninsula Residences within The Peninsula Shanghai Complex.

Other than these specific factors, the general market environment for most of our hotels remains stable to positive. However, we are watching with concern the territorial dispute between Japan and China which has already caused a reduction of travellers between these two countries. Our operating profit margins continue to be under pressure from rising wage costs and it remains of paramount importance to control our costs and increase our efficiency in delivering services to customers without any compromise to the quality of the experience of our guests.

Hong Kong remains the most important market for our businesses and it is pleasing and important to us that the economy here continues to be strong, providing stable demand for the retail spaces at The Peninsula Hong Kong, The Repulse Bay and the Peak Tower, as well as our residential and commercial lettings. Inward tourism remains on a growth trend, to the benefit of our hotel as well as the Peak Tram and the Peak Tower. On a celebratory note, we will be celebrating the 125th anniversary of the Peak Tram and the 85th anniversary of The Peninsula Hong Kong during the coming year.

Finally, at the heart of our brand are our people, who exemplify our values and beliefs in their dealings with our guests and in contributing to the communities in which we operate. It is the drive and creativity of our people which provide special and memorable experiences for our guests and develop for us the many meaningful and long lasting relationships which are important to our business. In turn, we are greatly committed to their well-being and development and emphasise staff welfare and training in all our activities. I would like to thank every member of our big staff 'family' for their hard work and commitment.

Clement K.M. Kwok
13 March 2013

FINANCIAL REVIEW

ABOUT THIS SECTION

In this section, we summarise the basis of preparation of the Group's financial statements and set out other information (such as non-accounting performance indicators and off-balance sheet information) that are considered useful for users to assess the financial performance and financial position of the Group.

TARGET READERS

This section is written primarily for institutional investors, shareholders, bankers and other stakeholders who are interested in doing business with us.

Financial statements and their key components

The objective of the Financial Statements is to set out the historic financial performance and financial position of the Group. The key components of the Financial Statements are the income statement, the statement of financial position and the statement of cash flows, all of which are inter-related. The information presented in the income statement, the statement of financial position and the statement of cash flows is described separately in this Financial Review.

Basis of preparation of the Financial Statements

The Group's 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 and interpretations. HKFRS are issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") designed for general purpose financial statements. Whilst certain management judgements may be applied when preparing the Financial Statements, the Group is obliged to follow the framework of HKFRS and a set of prescriptive standards under the HKFRS to measure, recognise and record its transactions; and to present and disclose the resultant accounting effects in its Financial Statements without any departures.

During 2012, the HKICPA has issued several amendments ("Revised HKFRS"). The Group has adopted all Revised HKFRS which are effective for the year ended 31 December 2012 and the adoption of the same has not resulted in any significant impact on the Group's results of operations and financial position.

Non-accounting performance indicators and operational statistics

To enable users of the Financial Statements to assess the Group's operating performance in a more comprehensive manner, operating and non-accounting financial performance indicators are included in this Financial Review to supplement the information presented in the Financial Statements.

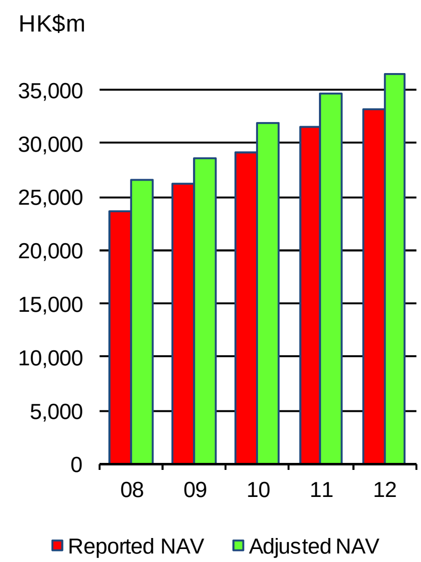
Examples of key non-accounting performance indicators relevant to the Group's hotel business include:

Average Room Rate	**Rooms Revenue per Available Room ("RevPAR")**	**Occupancy %**
$\frac{\text{Total rooms revenue}}{\text{Rooms occupied}}$	$\frac{\text{Total rooms revenue}}{\text{Rooms available}}$	$\frac{\text{Rooms occupied}}{\text{Rooms available}} \times 100\%$

The Group's adjusted net asset value

The net asset value ("NAV") per book is not a fair representation of the Group's underlying value as its hotels and golf courses are stated at cost less depreciation rather than their fair value. In order to provide users of the Financial Statements with additional information on the Group's net assets, the Group presents adjusted NAV by adjusting its hotels and golf courses to fair market value based on the valuation conducted by independent third party valuers.

The following chart summarises the movement of the Group's adjusted NAV over the last five years.



For the purpose of financial statements presentation, the Group has selected the cost model instead of fair value model under HKFRS as its accounting policy to account for its hotels (other than shopping arcades and offices within the hotels) and golf courses. Under the cost model, hotels and golf courses are measured at depreciated cost less accumulated impairment losses, if any. The fair value model has not been selected in order to avoid the inclusion of unnecessary short term fair value movements in respect of hotels and golf courses in the income statement, which are considered irrelevant to the underlying economic performance of the hotel and golf course operations. However, in order to provide users of the Financial Statements with additional information on the value of the Group's net assets, the Directors have commissioned an independent third party fair market valuation of the Group's hotels and golf courses as at 31 December 2012, the details of which are set out on page 25. If these assets were to be stated at fair market value instead of at cost less depreciation and any provision for impairment, the Group's net assets attributable to shareholders would increase by HK$3,246 million or 10% from the reported net assets attributable to shareholders of HK$33,144 million.

In the light of the above, the Directors have provided the users of the Financial Statements with a calculation of the Group's adjusted net asset value as at 31 December 2012 on the basis set out on the following page.

HK$m	**2012**		2011	
Net assets attributable to shareholders per audited statement of financial position		**33,144**		31,455
Adjusting the value of hotels and golf courses to fair market value	**3,619**		3,641	
Less: Related deferred tax and non-controlling interests	**(373)**		(393)	
		3,246		3,248
Adjusted net assets attributable to shareholders		**36,390**		34,703
Audited net assets per share (HK$)		**22.07**		21.11
Adjusted net assets per share (HK$)		**24.23**		23.29

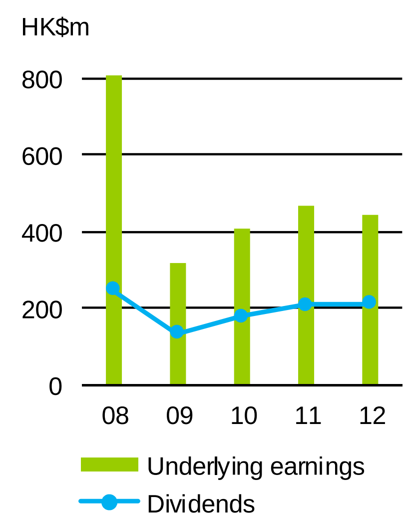
The Group's underlying earnings

In order to provide additional insight into the performance of its business operations, the Group presents underlying earnings by excluding non-operating and non-recurring items that are considered irrelevant to the underlying operating performance of the Group.

The Group's operating results are mainly derived from the operation of hotels and letting of commercial properties. However, to comply with HKFRS, the Group is required to include non-operating and non-recurring items, such as any changes in fair value of investment properties and impairment provision adjustments for certain assets, in its income statement. As the Group continues to be managed with principal reference to its underlying operating cash flows and recurring earnings, the Directors have provided for the users of its Financial Statements calculations of the Group's underlying profit attributable to shareholders and underlying earnings per share, which are determined by excluding the post-tax effects of the property revaluation movements and other non-operating items, as set out on the next page.

The decrease in the Group's underlying earnings was mainly due to the renovations at The Peninsula Hong Kong and the de Ricou serviced apartment tower at The Repulse Bay which started in January 2012 and February 2012 respectively. Further details of the financial impacts of the renovations of these two key assets on the Group's results are set out on pages 15 and 18.

The following chart summarises the Group's underlying earnings for 2008 – 2012.



HK$m	**2012**	2011	2012 vs 2011
Profit attributable to shareholders	**1,555**	2,259	(31%)
Increase in fair value of investment properties	**(1,073)**	(1,841)	
Provision for impairment losses	**-**	20	
Share of property revaluation loss of The Peninsula Shanghai, net of tax	**14**	-	
Gain on disposal of Inncom International, Inc., an unlisted equity investment	**(46)**	-	
Tax and non-controlling interests attributable to non-operating items	**(11)**	26	
Underlying profit attributable to shareholders	**439**	464	(5%)
Underlying earnings per share (HK$)	**0.29**	0.31	(6%)

Income statement

The company is an investment holding company, whilst its subsidiary companies, associated companies and jointly controlled entity are engaged in the ownership, management and operation of hotels, commercial properties and clubs and services.

The Group's summary results for the year ended are set out in the table below and its consolidated income statement is set out on page 29.

A detailed discussion of the performance of the Group is set out on pages 14 to 23 of this Financial Review.

HK$m	**2012**	2011	2012 vs 2011
Turnover	**5,178**	5,009	3%
Operating costs	**(3,977)**	(3,798)	5%
EBITDA	**1,201**	1,211	(1%)
Depreciation	**(384)**	(377)	2%
Net financing charges	**(85)**	(88)	(3%)
Share of results of The Peninsula Shanghai	**(125)**	(85)	47%
Non-operating items	**1,119**	1,821	(39%)
Taxation	**(170)**	(203)	(16%)
Profit for the year	**1,556**	2,279	(32%)
Non-controlling interests	**(1)**	(20)	(95%)
Profit attributable to shareholders	**1,555**	2,259	(31%)

Turnover

Turnover represents the gross amount invoiced for services, goods and facilities including management fees and rental income.

The Group's turnover in 2012 was HK$169 million or 3% above 2011.

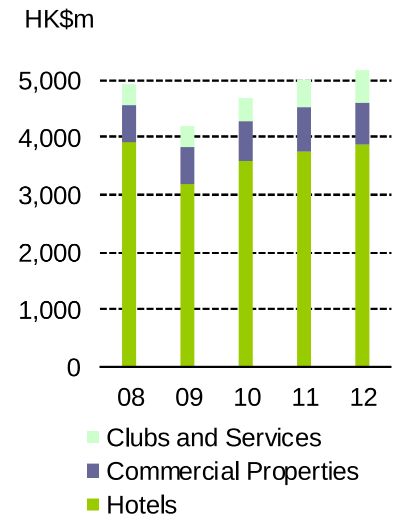
The Hotels Division is the main contributor to the Group's revenue, accounting for 75% of the total revenue. Despite the renovations of the guestrooms and The Verandah restaurant at The Peninsula Hong Kong which negatively impacted the hotel's business operation, the Hotels Division achieved a revenue growth of 3% in 2012.

For the Commercial Properties Division, although the residential leasing market in Hong Kong remained strong in 2012, the Division recorded a decline in revenue by 1% due to the closure of the de Ricou tower at The Repulse Bay for major renovation.

For the Clubs and Services Division, the 12% revenue growth was principally attributable to the increased mooncakes sales achieved by Peninsula Merchandising.

The table below sets out the breakdown of consolidated revenues by business segment and by geographical segment.

The turnover by activity of the Group for 2008 – 2012 are presented in the chart below.



Consolidated revenue by business segment HK$m	**2012**		2011		2012 vs 2011
Hotels					
Rooms	**1,637**	**32%**	1,642	33%	(0%)
Food and beverage	**1,232**	**24%**	1,175	23%	5%
Commercial	**639**	**12%**	597	12%	7%
Others	**377**	**7%**	352	7%	7%
Total hotel revenue	**3,885**	**75%**	3,766	75%	3%
Commercial Properties	**733**	**14%**	743	15%	(1%)
Clubs and Services	**560**	**11%**	500	10%	12%
	5,178	**100%**	5,009	100%	3%

Consolidated revenue by geographical location HK$m	**2012**		2011		2012 vs 2011
Arising in					
Hong Kong	**2,224**	**43%**	2,314	46%	(4%)
Other Asia	**1,864**	**36%**	1,650	33%	13%
United States of America	**1,090**	**21%**	1,045	21%	4%
	5,178	**100%**	5,009	100%	3%

Hotels

The portfolio of the Group's Hotels Division comprises The Peninsula hotels in Hong Kong, Shanghai, Beijing, New York, Chicago, Beverley Hills, Tokyo, Bangkok, Manila and Paris (under construction).

With the exception of The Peninsula Hong Kong, which was affected by the renovation, all Peninsula hotels achieved revenue growth over 2011.

Revenue from our Hotels Division was negatively impacted by the guestroom renovation at The Peninsula Hong Kong. Nevertheless, the Hotels Division generated a total revenue of HK$3,885 million, representing an increase of HK$119 million (3%) over 2011, with revenue growth at all hotels except The Peninsula Hong Kong.

The RevPAR for all our hotels, apart from The Peninsula Shanghai, increased by up to 25% in 2012 as compared with 2011, with the biggest increases being in the Peninsula hotels in Tokyo, Hong Kong and Bangkok. The increased RevPAR resulted predominantly from higher occupancy apart from The Peninsula Hong Kong, where the increase was mostly due to the higher average room rate. In other locations, the growth in average room rate was limited due to keen competition in these markets.

Set out below is a breakdown of revenue by hotels:

	2012					2011					2012 vs
HK$m	**Rooms**	**F&B**	**Commercial**	**Others**	**Total**	Rooms	F&B	Commercial	Others	Total	2011
Consolidated hotels											
The Peninsula Hong Kong	**231**	**321**	**421**	**52**	**1,025**	366	336	393	61	1,156	(11%)
The Peninsula Beijing	**166**	**84**	**148**	**19**	**417**	159	75	133	19	386	8%
The Peninsula New York	**367**	**117**	**34**	**48**	**566**	363	109	34	46	552	3%
The Peninsula Chicago	**254**	**157**	**-**	**58**	**469**	236	152	-	58	446	5%
The Peninsula Tokyo	**344**	**348**	**31**	**91**	**814**	275	323	31	70	699	16%
The Peninsula Bangkok	**119**	**84**	**3**	**19**	**225**	101	72	3	17	193	17%
The Peninsula Manila	**156**	**121**	**2**	**23**	**302**	142	108	3	20	273	11%
Management fees income	**-**	**-**	**-**	**67**	**67**	-	-	-	61	61	10%
	1,637	**1,232**	**639**	**377**	**3,885**	1,642	1,175	597	352	3,766	3%
Non-consolidated hotels											
The Peninsula Shanghai	**184**	**173**	**103**	**32**	**492**	188	160	83	30	461	7%
The Peninsula Beverly Hills	**323**	**105**	**3**	**50**	**481**	284	94	2	41	421	14%
	507	**278**	**106**	**82**	**973**	472	254	85	71	882	10%

The Peninsula Hong Kong: Total revenue was HK$131 million (11%) lower than 2011, being impacted by the renovation works which resulted in a significant portion of the room inventory being unavailable for sale during the year. The first phase of the renovation for 135 rooms commenced in January 2012 and was completed in September 2012. The second phase for the 165 rooms in the Original Building began in September 2012 and is scheduled for completion in mid 2013. In addition, The Verandah restaurant and The Bar were closed for renovation for two and a half months during the year, while a new Conference Centre and Wedding Salon have been added in place of offices on the 6th floor of the hotel.

The room rate for the renovated rooms has surpassed expectations, resulting in the hotel achieving a record average rate in the market. The hotel's RevPAR in 2012 was 22% higher than 2011 (based on the reduced room inventory), with higher occupancy and a 14% higher average room rate. Corporate business from the USA showed strong signs of recovery and the hotel's top three markets remained Japan, mainland China and the USA. Food and beverage business volumes were impacted by the partial closures of guestrooms and The Verandah for renovation; however, the average spending increased over 2011.

Rental income from the Peninsula Arcade increased by 8% over 2011. The Arcade continues to be fully let and there has been a 7% increase in the average rent. The high quality tenant mix was further enhanced by the refurbishment of prominent store fronts. Office revenue was 2% higher than 2011 despite the conversion of the 6th floor into a Conference Centre and Wedding Salon.

The Peninsula Beijing: Total revenue was HK$31 million (8%) above 2011, with higher occupancy, food and beverage revenue and increased Arcade revenue. The competition amongst luxury hotels in Beijing remains intense resulting in limited opportunity for room rate growth. The hotel achieved improved occupancy from 49% in 2011 to 53% in 2012, though at a lower average room rate, resulting in RevPAR being 4% higher than 2011.

The Arcade remains fully let. The Arcade occupancy reflects an increase from 92% in 2011 to 99% in 2012 because there was preparation work for various tenant movements in the first half of 2011. One of the anchor tenants in the Arcade has completed the remodelling of its store into a three-storey flagship boutique. Meanwhile, another anchor tenant is also constructing a triplex store. The completion of these flagship stores will help to further enhance the pre-eminent status of The Peninsula Arcade in mainland China.

The Peninsula New York: Total revenue was HK$14 million (3%) higher than 2011, with slightly higher revenue throughout the hotel. Room revenue was higher than 2011 due to higher occupancy, despite the lower average room rate. The reduction in Group business, especially from the Middle East, was replaced by transient growth, primarily from on-line travel agents, wholesalers and consortia. There was a noticeable return of business from the key feeder markets of France, Germany and the UK.

The hotel's two-year guestroom renovation programme was completed in September 2012 with the reintroduction of the Peninsula Suite. The new Sun Terrace offers guests an outdoor dining opportunity with Central Park views and is also well utilised for private events.

The Peninsula Chicago: Total revenue was HK$23 million (5%) above 2011, with improved revenue across all areas. The hotel relies almost entirely on domestic business from within North America and it continued to be the leader in Chicago in terms of room rate. The hotel achieved the second highest RevPAR in its competitor set in 2012, with a 7% increase in RevPAR as compared with 2011.

The Avenues restaurant conversion into a junior ballroom was completed in November 2012. This has significantly improved the financial yield from this area and provides a welcome addition to the hotel's range of meeting venues.

The Peninsula Tokyo: Total revenue was HK$115 million (16%) higher than 2011, with significantly improved revenue in all areas, including a 25% increase in RevPAR. Whilst corporate business has returned to pre-earthquake occupancy levels, the long-haul leisure travel has taken longer to return. Official delegations to Japan from the Asia region as well as from the Middle East have had a positive impact on average rates. The territorial dispute between China and Japan continues to strain relations and hampers efforts to grow business from Greater China.

The hotel celebrated its 5th anniversary in September 2012 and benefited from the International Monetary Fund-World Bank meeting in October. Wedding business continues to be strong, with the 1,000th couple getting married in the hotel in September.

The Peninsula Bangkok: Total revenue was HK$32 million (17%) higher than 2011. The political situation has remained stable and business levels and tourist arrivals have shown significant improvement over 2011 with a record number of international arrivals in 2012. Nevertheless, room rates remain subdued in a competitive environment.

There has been a gradual strengthening in the market and it is expected that room rates will improve significantly in the coming year.

The Peninsula Manila: Total revenue was HK$29 million (11%) higher than 2011, which resulted in the hotel having another record year. The Philippines' economy was strong throughout 2012 and remained resilient in the face of continuing global economic uncertainty.

A stable government and an expanding middle class provided strong private and public consumption. International visitor arrivals also enjoyed a significant increase. Both rooms and food and beverage have focused on improving the volume of business, which has raised revenue levels throughout the hotel.

The operating performances of The Peninsula Shanghai and The Peninsula Beverly Hills are provided below, even though these operations are not consolidated as they are not subsidiaries of the Group.

The Peninsula Shanghai: Total revenue was HK$31 million (7%) above 2011, as a result of increased revenue in food and beverage and the commercial areas comprising The Arcade, Bund 33 and The Peninsula Residences.

Despite intense competition in the city, the hotel was able to capture high yield domestic travellers which, in addition to giving further growth in the number of US and European visitors into the hotel, helped it to maintain its leadership position in terms of RevPAR. Catering business was also strong, with a 17% increase in revenue over 2011. The Rose Ballroom has become a very popular and desirable wedding venue. During the year, the hotel entered into exclusive partnerships with selected luxury brands in The Arcade to create unique customer experiences.

The Peninsula Beverly Hills: Total revenue was HK$60 million (14%) above 2011, resulting in 2012 being an exceptional year for the hotel with the highest revenue, the highest number of days with full occupancy and the highest average room rate.

General business conditions in Los Angeles were excellent in 2012 due to healthy growth in international tourist arrivals, particularly from the Middle East and Australia and the easing of visa restrictions. Domestically, the luxury market continued to show signs of recovery.

The hotel completed its four signature Colour Suites during the year, with each suite featuring a dramatic yet tastefully styled colour palette in pink, white, blue and green. The hotel is building a new Deluxe Garden Suite. Food and beverage business was robust throughout the year.

Commercial Properties

The portfolio of the Group's Commercial Properties Division includes The Repulse Bay Complex, The Peak Tower, St. John's Building and The Landmark in Ho Chi Minh City, Vietnam.

Most properties within the Division remained fully occupied in 2012, although there was pressure from increased supply and/or reduced demand. The renovations at The Repulse Bay had a negative impact on this Division's revenue.

The total revenue from the Commercial Properties Division was HK$10 million (1%) below 2011 mainly due to the renovation of de Ricou apartments in The Repulse Bay, despite increased revenue from the other apartments and from The Peak Tower.

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

	2012				2011				2012 vs 2011
HK$m	**Residential properties**	**Office**	**Shopping Arcade**	**Total**	Residential properties	Office	Shopping Arcade	Total	
The Repulse Bay Complex, Hong Kong	**378**	**-**	**140**	**518**	400	-	138	538	(4%)
The Peak Tower, Hong Kong	**-**	**-**	**131**	**131**	-	-	121	121	8%
St. John's Building, Hong Kong	**-**	**45**	**-**	**45**	-	45	-	45	-
The Landmark, Ho Chi Minh City, Vietnam	**12**	**22**	**5**	**39**	10	26	3	39	-
	390	**67**	**276**	**733**	410	71	262	743	(1%)

The Repulse Bay Complex, Hong Kong: Total revenue was HK$20 million (4%) below 2011, due to the renovation of the de Ricou Serviced Apartments, where revenue was HK$38 million below 2011. The ongoing improvement work in the public areas has further enhanced the appeal of The Repulse Bay Complex as a premier residential property, with continued high occupancy and rental rates despite cautious sentiments in the market.

The Peak Tower, Hong Kong: Total revenue was HK$10 million (8%) above 2011. There was higher rental revenue from retail tenants and more visitors to Sky Terrace 428 as compared with 2011. The retail spaces in the Tower remained fully let during 2011, with the majority of existing tenants renewing their leases upon expiry.

St. John’s Building, Hong Kong: Revenue was in line with 2011. Although rental rates were higher in 2012, there was less occupancy due to the vacant periods between tenants.

The Landmark, Ho Chi Minh City, Vietnam: Total revenue was in line with 2011, with higher residential occupancy though less office occupancy and stable rental rates. The competition amongst serviced apartment buildings and office space remains intense, with many new buildings opening up, which limits the opportunity for rate growth.

Clubs and Services

Clubs and Services businesses of the Group include management and consultancy services, wholesaling and retailing of merchandise, operating of the Peak tram, operation of golf clubs and provision of dry cleaning and laundry services.

The Division recorded encouraging growth in revenue in 2012.

Businesses within this Division achieved higher revenue as compared to 2011. The combined revenue was HK$60 million (12%) above 2011.

Set out below is a breakdown of revenue by operations:

HK$m	**2012**	2011	2012 vs 2011
Clubs and Consultancy Services	**154**	131	18%
Peninsula Merchandising	**126**	116	9%
Peak Tram	**114**	108	6%
Thai Country Club	**66**	60	10%
Quail Lodge & Golf Club	**56**	47	19%
Tai Pan Laundry	**44**	38	16%
	560	500	12%

Under Peninsula Clubs & Consultancy, the Group manages the prestigious Hong Kong Club, The Hong Kong Bankers Club and Butterfield's in Hong Kong and operates Cathay Pacific Airway's first and business class lounges at the Hong Kong International Airport.

Clubs and Consultancy Services: Management fees from the clubs that the Group manages were 8% higher than 2011, with positive growth in business levels. Revenue from the operation of the Cathay Pacific Airways' first and business class lounges, where the revenue is based on the number of passengers utilising the lounges, also increased in line with the growth in passenger volumes, which were 9% higher than 2011.

Peninsula Merchandising: Revenue was HK$10 million (9%) above 2011, with another record year for the sale of the division's signature mooncakes during the Mid Autumn Festival period, with revenue of HK$53 million in 2012.

The Peak Tram: Revenue was HK$6 million (6%) above 2011. The Peak Tram's patronage rose 2% as compared with 2011 to 5.9 million passengers, marking an all-time record.

Thai Country Club: Revenue was HK$6 million (10%) higher than 2011, with 8% more golf rounds and increased spend per round.

Quail Lodge & Golf Club: Revenue was HK$9 million (19%) above 2011 due to increased revenue from The Quail, A Motorsports Gathering event.

From September 2012, KemperSports Management is managing the Golf Clubhouse Operations including golf, membership, food and beverage outlets and banquet operations.

The Lodge remains closed and is currently undergoing renovation. The new design by Bob Barry Design Associates will reflect California Ranch and Spanish Colonial designs giving the hotel a fresh new look that is comfortable, appealing and distinctly Californian. The renovated lodge is expected to open at the end of March 2013.

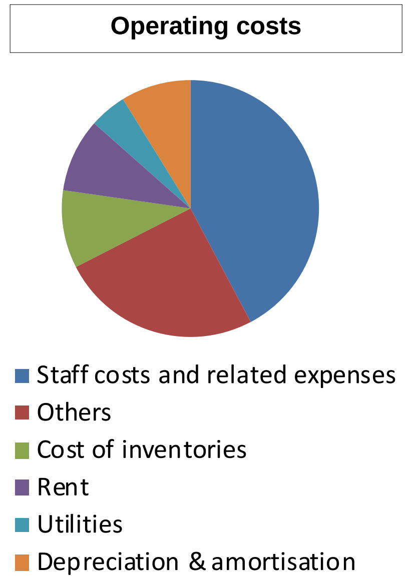
Tai Pan Laundry: Total revenue in Tai Pan Laundry was HK$6 million (16%) higher than 2011, as a result of the increased business from airport lounges and one new hotel account.

Operating costs

All business operations have exercised cost control measures to maintain or improve profit margins.

Excluding depreciation and amortisation, direct operating costs of the Group for the year amounted to HK$3,977 million, which was only 5% higher than 2011 despite pressure on the cost base from rising staffing levels and remuneration rates as well as other cost increases.

The majority of the increase was due to the increased staff costs and related expenses which accounted for 46% (2011: 45%) of the Group's direct operating costs. As business levels returned in 2012, the Group's operations gradually filled vacant positions to cope with staffing needs. The breakdown of the Group's and managed operations' full-time headcount as at 31 December is set out in the following table.



Full time headcount at year end	2012 Direct operations	2012 Managed operations	2012 Total	2011 Direct operations	2011 Managed operations	2011 Total	2012 vs 2011
By division:							
Hotel	**4,354**	**1,258**	**5,612**	4,349	1,126	5,475	3%
Commercial Properties	**314**	**-**	**314**	323	-	323	(3%)
Clubs and Services	**816**	**427**	**1,243**	808	416	1,224	2%
	5,484	**1,685**	**7,169**	5,480	1,542	7,022	2%
By geographical location:							
Hong Kong	**1,778**	**427**	**2,205**	1,772	416	2,188	1%
Other Asia	**2,701**	**847**	**3,548**	2,742	723	3,465	2%
United States of America	**1,005**	**411**	**1,416**	966	403	1,369	3%
	5,484	**1,685**	**7,169**	5,480	1,542	7,022	2%

At the end of 2012, the Group had 5,484 full-time employees for its direct operations around the world. Staff costs include HK$19 million which was invested in the learning and development programmes of our employees. Attracting the right talents and developing them are keys to ensure that we continue to provide the highest standard of luxury and quality to our customers. In 2012, the Group was able to keep its annual staff turnover rate at 19%, whilst that for our Hotels Division was 18%, which compares favourably with the industry average. The level of turnover has an impact on the costs of employee recruitment and training.

In addition, the Group managed to reduce staff injury and occupational disease rates significantly through a more robust health and safety management system and enhanced staff training and awareness programmes. This has a positive impact on the Group's staff insurance costs and productivity.

The Group is cognizant of the importance of protecting our environment. In 2012, the average per unit cost for energy and water inflated by 4.4% and 8% respectively across the cities in which our operations are based. Our environmental programme for driving efficient use of energy and water not only helped the Group to reduce our impact on the environment but also enabled us to control the overall utility cost to a net increase of 3.4%. For example, by investing in the on-going re-lamping exercise and a new building automation system, The Peninsula hotels in New York and Chicago generated an overall savings of HK$1.4 million utility charges in 2012 despite the effects of increased business levels and inflation.

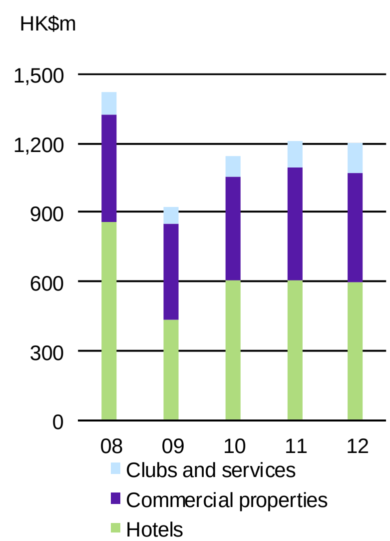
EBITDA and EBITDA Margin

EBITDA (earnings before interest, taxation, depreciation and amortisation) decreased by 1% to HK$1,201 million.

The EBITDA margin of the Group remained flat in 2012 due to the impact of the renovations at The Peninsula Hong Kong and The Repulse Bay Complex which limited the revenue growth of the Hotels and Commercial Properties Divisions.

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

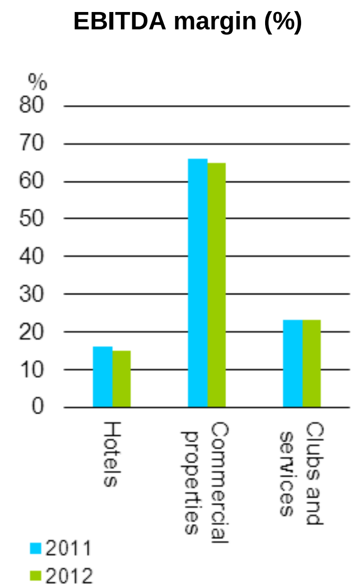
EBITDA by activity



EBITDA (HK$m)	Hong Kong	Other Asia	United States of America	Total
2012				
Hotels	**384**	**181**	**31**	**596**
Commercial Properties	**453**	**21**	**-**	**474**
Clubs and Services	**135**	**18**	**(22)**	**131**
	972	**220**	**9**	**1,201**
	81%	**18%**	**1%**	**100%**
2011				
Hotels	503	71	31	605
Commercial Properties	471	22	-	493
Clubs and Services	125	15	(27)	113
	1,099	108	4	1,211
	91%	9%	0%	100%
Change				
2012 vs 2011	(12%)	104%	125%	(1%)

The EBITDA margin of the Hotels Division in 2012 was 1% lower than 2011 because of the impact of the renovation of The Peninsula Hong Kong, despite the gains in other locations. There was a 1% decrease in the EBITDA margin of the Commercial Properties Division due to the renovation of the de Ricou serviced apartments in The Repulse Bay Complex. The EBITDA margin of the Clubs and Services Division was stable.

The breakdown of EBITDA margins by business segment and geographical segment are set out below.



EBITDA Margin	**2012**	2011
Hotels	**15%**	16%
Commercial Properties	**65%**	66%
Clubs and Services	**23%**	23%
Overall EBITDA margin	**23%**	24%
Arising in:		
Hong Kong	**44%**	47%
Other Asia	**12%**	7%
United States of America	**1%**	0%

Depreciation and amortisation

The Group has selected the cost model instead of the fair value model under the HKFRS to account for its hotels. Accordingly, the Group's hotels are subject to depreciation.

The depreciation and amortisation charge of HK$384 million (2011: HK$377 million) largely relates to the hotels. The Group has a 5-year capital expenditure plan that is reviewed annually. This includes planned replacement of fully depreciated furniture, fixtures and equipment, purchase of new items and major upgrade projects such as The Peninsula Hong Kong room enhancement project and reconfiguration of the de Ricou serviced apartment tower at The Repulse Bay.

Non-operating items

Non-operating items are gains or losses from sources unrelated to the normal operating activities of the business. These include gains or losses from investments and property revaluation.

The increase in fair value of investment properties for the year was principally attributable to the increase in the appraised market value for The Repulse Bay Complex and the shopping arcade at The Peninsula Hong Kong. Such increase was a reflection of the continued strong demand for luxury residential and high-end commercial properties in Hong Kong.

During the year, the Group disposed of its interest in Inncom International, Inc., an unlisted equity investment, and recognised a non-operating gain of HK$46 million.

In 2011, the provision for impairment losses of HK$20 million was in relation to Quail Lodge & Golf Club. Given the adverse operating environment faced by the club during 2011, the Directors considered its carrying amount should be written down by HK$20 million to its recoverable amount based on its fair value determined by an independent professional valuer with reference to the discounted cash flow valuation model of the assets.

The non-operating items are analysed below:

HK$m	**2012**	2011
Increase in fair value of investment properties	**1,073**	1,841
Gain on disposal of unlisted equity instrument	**46**	-
Provision for impairment losses	**-**	(20)
	1,119	1,821

Share of result of a jointly controlled entity

The Group accounts for its jointly controlled entity under the equity method and recognises its share of the jointly controlled entity's post-acquisition post tax results, including non-operating items, in its consolidated income statement.

The Group, through its jointly controlled entity, The Peninsula Shanghai Waitan Hotel Company Limited ("PSW"), owns a 50% interest in The Peninsula Shanghai complex. The complex comprises a hotel, a shopping arcade and a hotel apartment tower of 39 units. In addition to operation of the hotel and leasing of the shopping arcade and apartments, PSW also sublet No. 1 Waitanyuan which is adjacent to the complex.

The Peninsula Shanghai remained the market leader in terms of RevPAR and generated an EBITDA of HK$68 million (2011: HK$68 million). However, due to the increase in borrowings to fund the payment of contractors' costs for the development of the hotel and apartments and the inclusion of a post-tax non-operating loss arising from property revaluation, the Group's share of loss increased to HK$125 million in 2012 (2011: HK$85 million).

Set out below is an extract of the income statement of PSW.

HK$m	**2012**	2011	2012 vs 2011
Income	**492**	461	7%
Operating expenses	**(424)**	(393)	8%
EBITDA	**68**	68	-
Depreciation	**(102)**	(105)	(3%)
Net financing charges	**(188)**	(125)	50%
Loss before non-operating items	**(222)**	(162)	37%
Non-operating item, net of tax	**(28)**	(8)	250%
Loss for the year	**(250)**	(170)	47%

Statement of financial position

The consolidated statement of financial position of the Group as at 31 December 2012 is presented on page 31 and the following is a summary of its key components.

Fixed assets

According to the Group's accounting policies, hotel properties (other than shopping arcades and offices within the hotels) and golf courses are stated at cost less accumulated depreciation and any provision for impairment losses, while investment properties are stated at fair value. In order to provide users of the Financial Statements with additional information on the current market value of our hotels and golf courses, the Directors have commissioned independent valuers to perform a fair valuation of these properties (except for The Peninsula Beverly Hills which is 20% owned by the Group) as at 31 December 2012.

The Group has interests in and manages nine operating hotels in Asia and the USA and is developing a hotel in Paris, in which the Group has a 20% interest.

In addition to hotel properties, the Group owns residential apartments, office towers and shopping arcades for rental purposes.

A summary of the Group's hotel, investment and other properties showing both the book value and the market value as at 31 December 2012 is set out in the table on the following page.

	Group's Interest	100% Value Market Value (HK$m)	100% Value Book Value (HK$m)
Hotels			
The Peninsula Hong Kong	100%	11,276	9,407
The Peninsula Beijing	76.6%*	1,896	1,413
The Peninsula New York	100%	1,710	1,186
The Peninsula Chicago	100%	1,313	1,152
The Peninsula Tokyo	100%	1,468	1,059
The Peninsula Bangkok	75%	852	848
The Peninsula Manila	77.4%	307	291
		18,822	15,356
Investment properties			
The Repulse Bay	100%	15,577	15,577
The Peak Tower	100%	1,234	1,234
St. John's Building	100%	861	861
The Landmark	70%	88	88
		17,760	17,760
Other properties			
Thai Country Club golf course	75%	262	257
Quail Lodge resort, golf course and vacant land	100%	168	159
Vacant land near Bangkok	75%	340	340
Others	100%	173	105
		943	861
Total market/book value		37,525	33,977
Hotel and investment property held by a jointly controlled party			
The Peninsula Shanghai complex	50%	6,747	6,468

* *Despite its 76.6% legal interest in The Peninsula Beijing, the Group owns 100% economic interest in the hotel with a reversionary interest to the PRC partner at the end of the co-operative joint venture period.*

Interest in a jointly controlled entity

According to the Group's accounting policy, its investment in jointly controlled entity is accounted for under the equity method and is initially stated at cost, adjusted for the Group's share of post-tax results.

The balance of HK$1,229 million as at 31 December 2012 (2011: HK$1,340 million) represented the Group's 50% indirect interest in The Peninsula Shanghai Waitan Hotel Company Limited, an enterprise incorporated in the People's Republic of China which owns 100% of The Peninsula Shanghai complex. The decrease in balance was mainly due to the Group's share of loss which amounting to HK$125 million (2011: HK$85 million) for the year, which included a post-tax non-operating loss arising from property revaluation.

Interest in associates

Similar to the accounting treatment of interest in a jointly controlled entity, the Group accounts for its associates under the equity method.

The balance of HK$572 million as at 31 December 2012 (2011: HK$562 million) represented the Group's 20% equity interest in and 20% share of the shareholder's loan to Al Maha Majestic S.à r.l., a company incorporated in Luxembourg which indirectly owns a 100% interest in a property in Paris to be redeveloped into The Peninsula Paris.

Investment in hotel management contracts

The Groups states its investment in hotel management contracts at cost less accumulated amortisation and impairment losses.

As at 31 December 2012, investment in hotel management contracts amounted to HK$670 million (2011: HK$662 million). The balance included an attributed consideration of EUR57.7 million in respect of the right acquired to manage The Peninsula Paris to be developed jointly by the Group and its associate, Al Maha Majestic S.à r.l.. The increase in the balance was mainly due to exchange rate adjustment on retranslating the Euro currency at the year end.

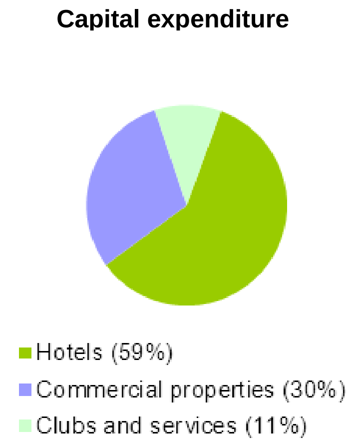
Statement of cash flows

The consolidated statement of cash flows of the Group for the year ended 31 December 2012 is set out on page 33 and the table below summarises the key cash inflows and outflows.

HK$m	**2012**	2011
EBITDA	**1,201**	1,211
Changes in working capital and other adjustments	**(67)**	(65)
Net tax paid	**(169)**	(146)
Purchase of fixed assets	**(875)**	(312)
Payment for the acquisition of additional interest in a subsidiary	**-**	(578)
Proceeds for disposal of an equity instrument	**46**	-
Repayment from / (loans to) an associate and a jointly controlled entity	**181**	(580)
Net financing charges and dividends paid	**(171)**	(144)
Net increase / (decrease) in bank borrowings	**48**	(88)
Net (placement) / withdrawal of interest-bearing bank deposits with maturity of more than three months	**(487)**	990
Net cash (outflow) / inflow for the year	**(293)**	288
Cash and cash equivalents at 1 January	**1,963**	1,644
Effect of changes in foreign exchange rates	**12**	31
Cash and cash equivalents at 31 December	**1,682**	1,963

Capital expenditure incurred by the Group on upgrading its properties during 2012 amounted to HK$875 million (2011: HK$312 million) and the breakdown of this sum is as follows:

HK$m	**2012**	2011
Hotels		
The Peninsula Hong Kong (including guestroom renovation)	**336**	36
Others	**183**	178
Commercial properties		
The Repulse Bay Complex (including de Ricou reconfiguration)	**220**	56
Others	**42**	26
Clubs and services	**94**	16
	875	312



After accounting for investing and financing activities and excluding bank deposits maturing after more than three months amounting to HK$494 million (2011: HK$7 million), cash and cash equivalents as at 31 December 2012 amounted to HK$1,682 million (2011: HK$1,963 million).

Off balance sheet information

The following transactions and events are not reflected in the Group's income statement, statement of financial position and statement of cash flows but are considered relevant to the users of the Financial Statements.

Capital commitments

The Group is committed to enhancing the asset value of its hotel and investment properties and improving the service quality of these assets. As at 31 December 2012, the Group's capital commitments amounted to HK$1,520 million (2011: HK$1,818 million) and the breakdown is set out on the following page.

Capital commitment outstanding at 31 December 2012 and not provided for in the financial statements were as follows:

	2012			2011		
HK$m	**Contracted for**	**Authorised but not contracted for**	**Total**	Contracted for	Authorised but not contracted for	Total
Capital expenditure						
The Peninsula Hong Kong	**173**	**143**	**316**	236	328	564
The Repulse Bay	**225**	**208**	**433**	88	623	711
Others	**53**	**718**	**771**	36	507	543
	451	**1,069**	**1,520**	360	1,458	1,818
The Group's share of capital commitments of						
- A jointly controlled entity	**3**	**19**	**22**	-	13	13
- Associates	**227**	**160**	**387**	195	215	410

Contingent liabilities

Contingent liabilities are potential obligations that may or may not be incurred by the Group depending on the outcome of a future event such as a lawsuit. Contingent liabilities are not booked in the Group’s Statement of Financial Position as it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably.

Contingent liabilities as at 31 December 2012 for the Group are analysed in the table below. The Directors consider that the below contingent liabilities are unlikely to materialise. Therefore, no provision was made in the Financial Statements.

HK$m	**2012**	2011
Other guarantee	**1**	1

Non-adjusting post reporting period events

Non-adjusting post reporting events are those not related to any situations that existed on the balance sheet date. Rather, they provide evidence of conditions that arose after the balance sheet date which should be accounted for in the next financial period.

After the end of the reporting period, the Directors proposed a final dividend of 10 HK cents per share in respect of the year ended 31 December 2012, which will be payable on 20 May 2013. The final dividend is subject to the approval by shareholders at the forthcoming Annual General Meeting to be held on 3 May 2013 and no provision has been made in the Financial Statements.

CONSOLIDATED INCOME STATEMENT (HK$m)

	Note	Year ended 31 December 2012	2011
Turnover	3	**5,178**	5,009
Cost of inventories		**(427)**	(418)
Staff costs and related expenses		**(1,842)**	(1,728)
Rent and utilities		**(607)**	(592)
Other operating expenses		**(1,101)**	(1,060)
Operating profit before interest, taxation, depreciation and amortisation ("EBITDA")		**1,201**	1,211
Depreciation and amortisation		**(384)**	(377)
Operating profit		**817**	834
Interest income		**56**	49
Financing charges		**(141)**	(137)
Net financing charges		**(85)**	(88)
Profit after net financing charges		**732**	746
Share of result of a jointly controlled entity	10	**(125)**	(85)
Increase in fair value of investment properties	8(b)	**1,073**	1,841
Gain on disposal of unlisted equity instrument		**46**	-
Provision for impairment losses	8(a)	**-**	(20)
Profit before taxation		**1,726**	2,482
Taxation			
Current tax	4	**(106)**	(165)
Deferred tax	4	**(64)**	(38)
Profit for the year		**1,556**	2,279
Profit attributable to:			
Shareholders of the Company		**1,555**	2,259
Non-controlling interests		**1**	20
Profit for the year		**1,556**	2,279
Earnings per share, basic and diluted (HK$)	5	**1.04**	1.52

Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (HK$m)

	Year ended 31 December	
	2012	2011
Profit for the year	**1,556**	2,279
Other comprehensive income for the year, net of tax:		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries	**179**	(30)
- financial statements of a jointly controlled entity	**13**	51
- loans to an associate	**10**	(20)
- investment in hotel management contracts	**11**	(19)
	213	(18)
Cash flow hedges:		
- effective portion of changes in fair values	**(18)**	(27)
- transfer from equity to profit or loss	**44**	54
	239	9
Total comprehensive income for the year	**1,795**	2,288
Total comprehensive income attributable to:		
Shareholders of the Company	**1,784**	2,260
Non-controlling interests	**11**	28
Total comprehensive income for the year	**1,795**	2,288

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)

	Note	At 31 December 2012	2011
Non-current assets			
Fixed assets			
Properties, plant and equipment		**6,015**	5,679
Investment properties		**28,108**	26,803
	8	**34,123**	32,482
Interest in associates	9	**572**	562
Interest in a jointly controlled entity	10	**1,229**	1,340
Interest in unlisted equity instruments		**-**	-
Investment in hotel management contracts	11	**670**	662
Derivative financial instruments		**-**	7
Deferred tax assets		**46**	86
		36,640	35,139
Current assets			
Inventories		**96**	99
Trade and other receivables	12	**568**	508
Amount due from a jointly controlled entity		**311**	492
Derivative financial instruments		**7**	11
Cash at banks and in hand	13	**2,185**	1,984
		3,167	3,094
Current liabilities			
Trade and other payables	14	**(1,113)**	(1,063)
Interest-bearing borrowings	15	**(1,078)**	(1,090)
Derivative financial instruments		**(52)**	(63)
Current taxation		**(34)**	(72)
		(2,277)	(2,288)
Net current assets		**890**	806
Total assets less current liabilities		**37,530**	35,945
Non-current liabilities			
Interest-bearing borrowings	15	**(3,096)**	(3,229)
Trade and other payables	14	**(285)**	(254)
Net defined benefit retirement obligations		**(25)**	(24)
Derivative financial instruments		**(36)**	(77)
Deferred tax liabilities		**(655)**	(623)
		(4,097)	(4,207)
Net assets		**33,433**	31,738
Capital and reserves			
Share capital	16	**751**	745
Reserves		**32,393**	30,710
Total equity attributable to shareholders of the Company		**33,144**	31,455
Non-controlling interests		**289**	283
Total equity		**33,433**	31,738

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (HK$m)

	Note	Share capital	Share premium	Capital redemp -tion reserve	Hedging reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		Year ended 31 December Attributable to shareholders of the Company								
At 1 January 2011		740	3,373	13	(125)	(22)	25,124	29,103	981	30,084
Changes in equity for 2011:										
Profit for the year		-	-	-	-	-	2,259	2,259	20	2,279
Other comprehensive income		-	-	-	27	(26)	-	1	8	9
Total comprehensive income for the year		-	-	-	27	(26)	2,259	2,260	28	2,288
Dividends approved in respect of the previous year										
- by means of cash		-	-	-	-	-	(17)	(17)	-	(17)
- by means of scrip	16	4	97	-	-	-	(101)	-	-	-
Dividends approved in respect of the current year										
- by means of cash		-	-	-	-	-	(26)	(26)	-	(26)
- by means of scrip	16	1	32	-	-	-	(33)	-	-	-
Acquisition of non-controlling interest in a subsidiary		-	-	-	-	-	135	135	(713)	(578)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	(13)	(13)
Balance at 31 December 2011		745	3,502	13	(98)	(48)	27,341	31,455	283	31,738
Changes in equity for 2012:										
Profit for the year		**-**	**-**	**-**	**-**	**-**	**1,555**	**1,555**	**1**	**1,556**
Other comprehensive income		**-**	**-**	**-**	**26**	**203**	**-**	**229**	**10**	**239**
Total comprehensive income for the year		**-**	**-**	**-**	**26**	**203**	**1,555**	**1,784**	**11**	**1,795**
Dividends approved in respect of the previous year										
- by means of cash		**-**	**-**	**-**	**-**	**-**	**(35)**	**(35)**	**-**	**(35)**
- by means of scrip	16	**6**	**108**	**-**	**-**	**-**	**(114)**	**-**	**-**	**-**
Dividends approved in respect of the current year		**-**	**-**	**-**	**-**	**-**	**(60)**	**(60)**	**-**	**(60)**
Dividend paid to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**	**(5)**
Balance at 31 December 2012		**751**	**3,610**	**13**	**(72)**	**155**	**28,687**	**33,144**	**289**	**33,433**

CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)

	Note	Year ended 31 December 2012	2011
Operating activities			
Profit after net financing charges		**732**	746
Adjustments for:			
Depreciation	8(a)	**381**	374
Amortisation of hotel management contracts	11	**3**	3
Interest income		**(56)**	(49)
Financing charges		**141**	137
Loss on disposal of fixed assets		**1**	1
Operating profit before changes in working capital		**1,202**	1,212
Decrease in inventories		**2**	7
Increase in trade and other receivables		**(62)**	(51)
Decrease in trade and other payables		**(9)**	(23)
Cash generated from operations		**1,133**	1,145
Net tax paid:			
Hong Kong profits tax paid		**(117)**	(106)
Overseas tax paid		**(52)**	(40)
Net cash generated from operating activities		**964**	999
Investing activities			
Payment for the purchase of fixed assets		**(875)**	(312)
Payment for the acquisition of additional interest in a subsidiary		**-**	(578)
Loans to an associate		**-**	(88)
Repayment from/(loan to) a jointly controlled entity		**181**	(492)
Proceeds from sale of fixed assets		**1**	1
Proceeds from disposal of an equity instrument		**46**	-
Net cash used in investing activities		**(647)**	(1,469)
Financing activities			
Drawdown of term loans		**1,495**	593
Repayment of term loans		**(533)**	(196)
Net decrease in revolving loans		**(914)**	(485)
Net (placement)/withdrawal of interest-bearing bank deposits with maturity of more than three months		**(487)**	990
Interest paid and other financing charges		**(127)**	(139)
Interest received		**56**	51
Dividends paid to shareholders of the Company		**(95)**	(43)
Dividends paid to holders of non-controlling interests		**(5)**	(13)
Net cash (used in)/generated from financing activities		**(610)**	758
Net (decrease)/increase in cash and cash equivalents		**(293)**	288
Cash and cash equivalents at 1 January		**1,963**	1,644
Effect of changes in foreign exchange rates		**12**	31
Cash and cash equivalents at 31 December	13	**1,682**	1,963

Notes to the Financial Statements

1. Statement of compliance

These Financial Statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These Financial Statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

The HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting years.

2. Changes in accounting policies

The HKICPA has issued several amendments to HKFRS that are first effective for the current accounting period of the Group. Of these, "Amendments to HKFRS 7, *Financial instruments: Disclosure – Transfers of financial assets*" are the only development relevant to the Group's Financial Statements.

The amendments to HKFRS 7 require certain disclosures to be included in the Financial Statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous years or the current year which require disclosure in the current accounting year under the amendments.

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

3. Turnover (HK$m)

The Company is an investment holding company; its subsidiary companies, associated companies and jointly controlled entity are engaged in the ownership, management and operation of hotels, commercial properties and clubs and services.

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

	2012	2011
Hotels *(note 7(a))*		
Rooms	**1,637**	1,642
Food and beverage	**1,232**	1,175
Commercial	**639**	597
Others	**377**	352
	3,885	3,766
Commercial Properties *(note 7(a))*	**733**	743
Clubs and Services *(note 7(a))*	**560**	500
	5,178	5,009

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

	2012	2011
Current tax - Hong Kong profits tax		
Net provision for the year	**63**	116
Current tax - overseas		
Net provision for the year	**43**	49
	106	165
Deferred tax		
Increase in net deferred tax liabilities relating to revaluation of overseas investment properties	**24**	14
Increase in net deferred tax liabilities relating to other temporary differences	**40**	24
	64	38
Total	**170**	203

The provision for Hong Kong profits tax for 2012 is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

5. Earnings per share

(a) Earnings per share - basic

	2012	2011
Profit attributable to shareholders of the Company (HK$m)	**1,555**	2,259
Weighted average number of shares in issue (million shares)	**1,496**	1,484
Earnings per share (HK$)	**1.04**	1.52

	2012 (million shares)	*2011 (million shares)*
Issued shares at 1 January	***1,490***	*1,480*
Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of the 2011 final dividend	***6***	*4*
Weighted average number of shares at 31 December	***1,496***	*1,484*

(b) Earnings per share - diluted

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2012 and 2011 and hence the diluted earnings per share is the same as the basic earnings per share.

6. Dividends (HK$m)

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

	2012	2011
Interim dividend declared and paid of 4 HK cents per share (2011: 4 HK cents per share)	**60**	59
Final dividend proposed after the end of reporting period of 10 HK cents per share (2011: 10 HK cents per share)	**150**	149
	210	208

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.

6. Dividends **(HK$m)** *continued*

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

	2012	2011
Final dividend in respect of the previous financial year, approved and paid during the year, of 10 HK cents per share (2011: 8 HK cents per share)	**149**	118

7. Segment reporting **(HK$m)**

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 and assets **(HK$m)**

The Group's senior executive management monitors the results attributable to each reportable segment on the basis that revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses directly incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Other expenses, including head office expenses not directly attributable to the reportable segments, are allocated to the segments by reference to the respective segments' earnings before interest, taxation, depreciation and amortisation (EBITDA). Interest income and expenses, results of associates and jointly controlled entities, taxes and any non-operating items are not allocated to the various segments.

The measure used for reporting segment results is EBITDA. In addition to receiving information concerning EBITDA, management is provided with segment information concerning depreciation and amortisation.

Segment assets include all tangible and intangible assets and current assets held directly by the respective segments with the exception of interests in associates, interest in and amount due from a jointly controlled entity, derivative financial instruments, deferred tax assets, as well as cash at bank and in hand. Corporate level assets are allocated to the segments by reference to the respective total segments' assets.

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

(a) Segment results and assets (HK$m) *continued*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	Year ended 31 December							
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Reportable segment revenue*	**3,885**	3,766	**733**	743	**560**	500	**5,178**	5,009
Reportable segment earnings before interest, taxation, depreciation and amortisation (EBITDA)	**596**	605	**474**	493	**131**	113	**1,201**	1,211
Depreciation and amortisation	**(355)**	(349)	**(7)**	(7)	**(22)**	(21)	**(384)**	(377)
Segment operating profit	**241**	256	**467**	486	**109**	92	**817**	834
Reportable segments assets	**16,635**	15,908	**17,899**	17,056	**923**	787	**35,457**	33,751

**** Analysis of segment revenue***

	2012	*2011*
Hotels		
- *Rooms*	***1,637***	*1,642*
- *Food and beverage*	***1,232***	*1,175*
- *Commercial*	***639***	*597*
- *Others*	***377***	*352*
	3,885	*3,766*
Commercial properties		
Rental revenue from:		
- *Residential properties*	***390***	*410*
- *Offices*	***67***	*71*
- *Shopping arcades*	***276***	*262*
	733	*743*
Clubs and Services		
- *Clubs and consultancy services*	***154***	*131*
- *Peak Tram operation*	***114***	*108*
- *Others*	***292***	*261*
	560	*500*
	5,178	*5,009*

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

(b) Reconciliations of reportable segment profit or loss and assets (HK$m)

Profit

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.

Assets

	Note	**2012**	2011
Reportable segments' assets		**35,457**	33,751
Interest in associates	9	**572**	562
Interest in a jointly controlled entity	10	**1,229**	1,340
Derivative financial instruments		**7**	18
Deferred tax assets		**46**	86
Amount due from a jointly controlled entity		**311**	492
Cash at banks and in hand		**2,185**	1,984
Consolidated total assets		**39,807**	38,233

(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 intangible asset and the location of operations in the case of interests in associates, jointly controlled entity and unlisted equity instruments and investment in hotel management contracts.

	Revenue from external customers		Specified non-current assets	
	2012	2011	**2012**	2011
Hong Kong	**2,224**	2,314	**27,289**	25,597
Mainland China	**417**	386	**2,642**	2,793
United States	**1,090**	1,045	**2,575**	2,463
Japan	**814**	699	**1,059**	1,242
Thailand	**292**	253	**1,454**	1,421
The Philippines	**302**	273	**291**	295
Vietnam	**39**	39	**89**	92
France	**-**	-	**1,195**	1,143
	5,178	5,009	**36,594**	35,046

8. Fixed assets (HK$m)

(a) Movements of fixed assets

	Freehold land	Hotel and other buildings held for own use	Plant, machinery and other fixed assets	Sub-total	Investment properties	Interests in leasehold land held under finance leases	Total fixed assets
Cost or valuation:							
At 1 January 2011	995	7,081	4,008	12,084	24,840	1	36,925
Exchange adjustments	(39)	(47)	22	(64)	12	-	(52)
Additions	-	53	172	225	110	-	335
Disposals	-	(3)	(28)	(31)	-	-	(31)
Fair value adjustment	-	-	-	-	1,841	-	1,841
At 31 December 2011	956	7,084	4,174	12,214	26,803	1	39,018
Representing:							
Cost	956	7,084	4,174	12,214	-	1	12,215
Valuation - 2011	-	-	-	-	26,803	-	26,803
	956	7,084	4,174	12,214	26,803	1	39,018
At 1 January 2012	**956**	**7,084**	**4,174**	**12,214**	**26,803**	**1**	**39,018**
Exchange adjustments	**22**	**8**	**(35)**	**(5)**	**15**	**-**	**10**
Additions	**32**	**128**	**518**	**678**	**307**	**-**	**985**
Disposals	**-**	**(114)**	**(390)**	**(504)**	**(1)**	**-**	**(505)**
Transfer	**-**	**89**	**-**	**89**	**(89)**	**-**	**-**
Fair value adjustment	**-**	**-**	**-**	**-**	**1,073**	**-**	**1,073**
At 31 December 2012	**1,010**	**7,195**	**4,267**	**12,472**	**28,108**	**1**	**40,581**
Representing:							
Cost	**1,010**	**7,195**	**4,267**	**12,472**	**-**	**1**	**12,473**
Valuation - 2012	**-**	**-**	**-**	**-**	**28,108**	**-**	**28,108**
	1,010	**7,195**	**4,267**	**12,472**	**28,108**	**1**	**40,581**
Accumulated depreciation and impairment losses:							
At 1 January 2011	386	3,160	2,688	6,234	-	1	6,235
Exchange adjustments	(20)	(53)	9	(64)	-	-	(64)
Charge for the year	-	140	234	374	-	-	374
Impairment loss	-	13	7	20	-	-	20
Written back on disposals	-	(2)	(27)	(29)	-	-	(29)
At 31 December 2011	366	3,258	2,911	6,535	-	1	6,536
At 1 January 2012	**366**	**3,258**	**2,911**	**6,535**	**-**	**1**	**6,536**
Exchange adjustments	**11**	**45**	**(12)**	**44**	**-**	**-**	**44**
Charge for the year	**-**	**150**	**231**	**381**	**-**	**-**	**381**
Written back on disposals	**-**	**(114)**	**(389)**	**(503)**	**-**	**-**	**(503)**
At 31 December 2012	**377**	**3,339**	**2,741**	**6,457**	**-**	**1**	**6,458**
Net book value:							
At 31 December 2012	**633**	**3,856**	**1,526**	**6,015**	**28,108**	**-**	**34,123**
At 31 December 2011	590	3,826	1,263	5,679	26,803	-	32,482

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

(a) Movements of fixed assets *continued*

The Group assessed the recoverable amounts of its fixed assets (other than investment properties) at the end of the reporting date. No provision for or reversal of impairment is required as at 31 December 2012.

Impairment loss (2011)

The Directors considered that Quail Lodge & Golf Club was further impaired as at 31 December 2011 due to the adverse operating environment. On that basis, its carrying amount was written down by HK$20 million to its recoverable amount based on its fair value determined by an independent professional valuer by making reference to the discounted cash flow valuation model of the property, applying a discount rate of 15% and a growth rate of 3% on 10-year cash flow projections.

(b) All investment properties of the Group were revalued as at 31 December 2012 on an open market value basis, mainly calculated by reference to net rental income and allowing for reversionary income potential. 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. 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	Members of the Hong Kong Institute of Surveyors
Other Asia *		
Retail shops, offices, residential apartments and vacant land	Savills Valuation and Professional Services Limited	Members of the Hong Kong Institute of Surveyors
	HVS	Members of the Singapore Institute of Surveyors and Valuers
United States of America		
Retail shops and vacant land	HVS	Members of the Appraisal Institute, United States of America

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

9. Interest in associates (HK$m)

	2012	2011
Loans to an associate *	**572**	562

* *The loans to an associate are denominated in Euros, unsecured, interest-bearing at rates related to the rates published by the French tax authorities and are carried at their estimated recoverable amounts. EUR13 million (HK$133.3 million) (2011: EUR13 million (HK$130.9 million)) of the loans is repayable in or before November 2014 while the remaining balance of the loans is repayable on 25 April 2017.*

(a) Details of the principal unlisted associates are as follows:

Company name	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest*	Principal activity
Al Maha Majestic S.à r.l. (“Al Maha”)	Incorporated	Luxembourg/ France	EUR 12,500	20%	Investment holding
Majestic EURL (“Majestic”)	Incorporated	France	EUR 80,000,000	20%	Hotel investment and investment holding

* *The Group’s effective interest is held indirectly by the Company. Al Maha holds a 100% direct interest in Majestic.*

(b) The associates’ attributable revenue for the year ended 31 December 2012 was HK$nil (2011: HK$nil) and the attributable results for the year ended 31 December 2012 are considered to be HK$nil (2011: HK$nil). The attributable assets of the associates as at 31 December 2012 were HK$857 million (2011: HK$647 million) and the attributable liabilities as at 31 December 2012 were HK$857 million (2011: HK$647 million). The associates’ attributable accumulated results as at 31 December 2012 were not significant (2011: not significant).

(c) Majestic has pledged its properties under development as security for a loan facility amounting to HK$2,256 million (EUR220 million). As at 31 December 2012, the loan drawn down amounted to HK$1,120 million (EUR109 million) (2011: HK$265 million (EUR26 million)). The net carrying amount of these pledged assets amounted to HK$4,144 million (EUR404 million) (2011: HK$3,102 million (EUR308 million)).

10. Interest in a jointly controlled entity (HK$m)

	2012	2011
Share of exchange reserve	**178**	165
Share of retained profits	**593**	717
Share of net assets	**771**	882
Loan to a jointly controlled entity *(note 10(b))*	**458**	458
	1,229	1,340

10. Interest in a jointly controlled entity (HK$m) *continued*

(a) Details of the jointly controlled entity are as follows:

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

* *The Group's interest in TPS is held indirectly by the Company. TPS holds a 100% direct interest in Evermore Gain Limited ("EGL"), a company incorporated in Hong Kong in 2007, which in turn holds a 100% direct interest in The Peninsula Shanghai Waitan Hotel Company Limited ("PSW"). PSW is a wholly owned foreign enterprise incorporated in the People's Republic of China and is engaged in the development and operation of The Peninsula Shanghai hotel, Peninsula hotel apartments, a retail arcade and ancillary facilities. At 31 December 2012, the paid up capital of EGL and PSW amounted to HK$1 (2011: HK$1) and US$117,500,000 (2011: US$117,500,000) respectively.*

(b) The loan to the jointly controlled entity is denominated in US dollars, unsecured, interest free and has no fixed repayment terms. It is neither past due nor impaired. The entire loan was contributed as capital of PSW described in note 10(a) above.

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

	2012	2011
Non-current assets	**6,469**	6,510
Current assets	**227**	103
Current liabilities	**(789)**	(3,226)
Non-current liabilities	**(4,366)**	(1,623)
Net assets	**1,541**	1,764
Income	**492**	461
Operating expenses	**(424)**	(393)
EBITDA	**68**	68
Depreciation	**(102)**	(105)
Net financing charges	**(188)**	(125)
Loss before non-operating items	**(222)**	(162)
Non-operating item, net of tax *	**(28)**	(8)
Loss for the year	**(250)**	(170)

* *Being decrease in fair value of investment properties, net of tax.*

10. Interest in a jointly controlled entity (HK$m) *continued*

(d) During 2012, PSW entered into a 15-year RMB2,500 million term loan agreement with an independent financial institution to re-finance its maturing facilities which amounted to RMB1,600 million. As at 31 December 2012, the loan drawn down amounted to RMB2,292 million (2011: RMB1,600 million). The loan is secured by PSW's properties inclusive of the land use rights. The net carrying amount of these pledged assets amounted to HK$6,469 million (RMB5,201 million) (2011: HK$6,510 million (RMB5,292 million)).

11. Investment in hotel management contracts (HK$m)

	2012	2011
Cost		
At 1 January	**764**	783
Exchange adjustments	**11**	(19)
At 31 December	**775**	764
Accumulated amortisation		
At 1 January	**(102)**	(99)
Amortisation for the year	**(3)**	(3)
At 31 December	**(105)**	(102)
Net book value	**670**	662

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

Investment in hotel management contracts represents the cost attributable to securing the Group's long term management contracts in respect of The Peninsula Beverly Hills and The Peninsula Paris ("PPR"). The management contract for PPR will be amortised from the date of commencement of hotel operation.

12. Trade and other receivables (HK$m)

	2012	2011
Trade debtors (ageing analysis is shown below)	**223**	202
Rental deposits, payments in advance and other receivables	**320**	306
Tax recoverable	**25**	-
	568	508

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$127 million (2011: HK$139 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:

	2012	2011
Current	**191**	177
Less than one month past due	**21**	18
One to three months past due	**9**	6
More than three months but less than 12 months past due	**2**	1
Amounts past due	**32**	25
	223	202

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.

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

	2012	2011
Interest-bearing bank deposits	**2,075**	1,882
Cash at banks and in hand	**110**	102
Total cash at banks and in hand	**2,185**	1,984
Less: Bank deposits with maturity of more than three months	**(494)**	(7)
Bank overdrafts *(note 15)*	**(9)**	(14)
Cash and cash equivalents in the consolidated statement of cash flows	**1,682**	1,963

Cash at banks and in hand at the end of the reporting period include deposits with banks of HK$688 million (2011: HK$416 million) held by overseas subsidiaries which are subject to prevailing regulatory and foreign exchange restrictions.

14. Trade and other payables (HK$m)

	2012	2011
Trade creditors (ageing analysis in shown next page)	**144**	148
Interest payable	**7**	4
Accruals for fixed assets	**141**	50
Tenants' deposits	**331**	324
Guest deposits	**104**	116
Golf membership deposits	**107**	107
Other payables	**564**	568
Financial liabilities measured at amortised cost	**1,398**	1,317
Less: Non-current portion of trade and other payables	**(285)**	(254)
Current portion of trade and other payables	**1,113**	1,063

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$387 million (2011: HK$341 million). All the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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

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

The ageing analysis of trade creditors is as follows:

	2012	2011
Less than three months	**141**	145
Three to six months	**3**	3
	144	148

15. Interest-bearing borrowings (HK$m)

	2012	2011
Total facilities available:		
Term loans and revolving credits	**4,543**	4,605
Uncommitted facilities, including bank overdrafts	**298**	296
	4,841	4,901
Utilised at 31 December:		
Term loans and revolving credits	**4,144**	4,335
Uncommitted facilities, including bank overdrafts	**53**	14
	4,197	4,349
Less: Unamortised financing charges	**(23)**	(30)
	4,174	4,319
Represented by:		
Short term bank loans, repayable within one year or on demand	**1,069**	1,076
Bank overdrafts, repayable on demand *(note 13)*	**9**	14
	1,078	1,090
Long term bank loans, repayable:		
Between one and two years	**578**	1,072
Between two and five years	**2,090**	2,187
Over five years	**451**	-
	3,119	3,259
Less: Unamortised financing charges	**(23)**	(30)
Non-current portion of long term bank loans	**3,096**	3,229
Total interest-bearing borrowings	**4,174**	4,319

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 2012 and 2011, none of the covenants relating to drawn down facilities had been breached.

16. Share capital

	2012	2011
Number of ordinary shares of HK$0.50 each (million)		
Authorised	**1,800**	1,800
Issued		
At 1 January	**1,490**	1,480
New shares issued under scrip dividend scheme *(note)*	**12**	10
At 31 December	**1,502**	1,490
Nominal value of ordinary shares (HK$m)		
Authorised	**900**	900
Issued		
At 1 January	**745**	740
New shares issued under scrip dividend scheme *(note)*	**6**	5
At 31 December	**751**	745

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

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

	Number of shares million	Scrip price HK$	Increase in share capital HK$m	Increase in share premium HK$m
2012				
2011 final scrip dividend	**11.8**	**9.74**	**6**	**108**
2011				
2010 final scrip dividend	7.7	13.20	4	97
2011 interim scrip dividend	3.1	10.88	1	32
	10.8		5	129

17. Capital commitments (HK$m)

Capital commitments outstanding at 31 December 2012 not provided for in the Financial Statements were as follows:

	2012			2011		
	Contracted for	Authorised but not contracted for	Total	Contracted for	Authorised but not contracted for	Total
Capital expenditure						
The Peninsula Hong Kong	**173**	**143**	**316**	236	328	564
The Repulse Bay Complex	**225**	**208**	**433**	88	623	711
Others	**53**	**718**	**771**	36	507	543
	451	**1,069**	**1,520**	360	1,458	1,818
The Group's share of						
capital commitments of						
- a jointly controlled entity	**3**	**19**	**22**	-	13	13
- associates	**227**	**160**	**387**	195	215	410

18. Non-adjusting post reporting period events

After the end of the reporting period, the Directors proposed a final dividend, the details of which are disclosed in note 6(a).

OTHER CORPORATE INFORMATION

Corporate Responsibility

The Group's Corporate Responsibility Committee provides a formal governance structure to address the wider aspects of the Group's environmental, social and ethical responsibilities and to guide Group operations in integrating sustainable practices and principles in our day-to-day operation.

The Sustainability Review and Data Statements ("Sustainability Report") in the 2012 Annual Report discuss in detail specific environmental and social issues that contribute to the sustainable development of the Group, and report on the Group's corporate responsibility and sustainability performance. The Sustainability Report follows the Sustainability Reporting Guidelines of the Global Reporting Initiative ("GRI") G3.1. Information provided in the Sustainability Report has been verified by the Group's auditor KPMG and accredited by GRI as meeting Application Level B+.

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.

Corporate governance

The Company is committed to good corporate governance, which is central to the achievement of long term goals, for the benefit of its shareholders and other stakeholders. The Company strives to continuously review its corporate governance practices and actively seeks to make improvements in this area. The Corporate Governance Report in the 2012 Annual Report sets out in detail the Company's corporate governance policies and practices.

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", formerly known as "Code on Corporate Governance Practices"). 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, disclosure of individual senior management remuneration and board evaluation, as disclosed in the 2012 Annual Report.

Throughout the year, the Company has complied with all the code provisions in the former CG Code (for the period before 1 April 2012) and the CG Code (for the period since 1 April 2012).

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

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 standards 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 Individuals.

Final dividend

The Directors have recommended a final dividend of 10 HK cents per share (2011: 10 HK cents per share) for the year ended 31 December 2012. Subject to the approval by shareholders at the forthcoming Annual General Meeting ("AGM"), such dividend will be payable on 20 May 2013 to shareholders whose names appear on the register of members on 13 May 2013.

Closure of register of members

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

Latest time to lodge transfer documents	4:30 p.m. on 29 April 2013
Closure of register of members	30 April 2013 to 3 May 2013 (both days inclusive)
Record date	3 May 2013
AGM	3 May 2013

For shareholders' entitlement to receive the final dividend:

Latest time to lodge transfer documents	4:30 p.m. on 8 May 2013
Closure of register of members	9 May 2013 to 13 May 2013 (both days inclusive)
Record date	13 May 2013
Final dividend payment date	20 May 2013

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

AGM and Annual Report

The AGM will be held at The Peninsula Hong Kong on 3 May 2013 at 12 noon. The Notice of AGM and 2012 Annual Report will be dispatched to the shareholders as well as published on the websites of the Company and the Stock Exchange on or about 2 April 2013.

By Order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 13 March 2013

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

Non-Executive Chairman
The Hon. Sir Michael Kadoorie

Non-Executive Deputy Chairman
Ian Duncan Boyce

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

Chief Financial Officer
Neil John Galloway

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
Robert Warren Miller
Patrick Blackwell Paul
Pierre Roger Boppe
Dr. William Kwok Lun Fung
Dr. Rosanna Yick Ming Wong