THE HONGKONG AND SHANGHAI HOTELS, LIMITED
香港上海大酒店有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00045) website: www.hshgroup.com

2014 Interim Results

HIGHLIGHTS

- On 1 August 2014, the Group's magnificent new property in France, The Peninsula Paris, opened.
- The Group has made significant progress with Grosvenor, its partner in London, on the design and planning for the future development of The Peninsula London.
- On 28 January 2014, the Group announced a definitive conditional shareholders' agreement with its partners Yoma Strategic Holdings Ltd. for the purpose of restoring the former Myanmar Railway Company headquarters into a hotel to be called The Peninsula Yangon.
- Underlying profit attributable to shareholders increased by 73% to HK$293 million.
- Profit attributable to shareholders amounted to HK$452 million, after including property revaluation gains (net of tax and non-controlling interests).
- Total revenue increased by 7% to HK$2,718 million.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by HK$105 million or 19% to HK$660 million.
- Earnings per share and underlying earnings per share of HK$0.30 (2013: HK$0.56) and HK$0.19 (2013: HK$0.11) respectively.
- Interim dividend of 5 HK cents per share (2013: 4 HK cents per share).
- Shareholders' funds as at 30 June 2014 amounted to HK$35,416 million or HK$23.41 per share (31 December 2013: HK$35,105 million or HK$23.37 per share).
- The overall Group EBITDA margin was 24%.
- Adjusted net assets value as at 30 June 2014 amounted to HK$38,914 million (HK$25.72 per share).
- Gearing ratio at 10% (31 December 2013: 10%).

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2014	2013	Increase/ (Decrease)
CONSOLIDATED INCOME STATEMENT (HK$m)			
Turnover	**2,718**	2,542	7%
EBITDA	**660**	555	19%
Operating profit	**453**	362	25%
Profit attributable to shareholders	**452**	840	(46%)
Underlying profit attributable to shareholders *	**293**	169	73%
Interim dividend	**76**	60	27%
Earnings per share (HK$)	**0.30**	0.56	(46%)
Underlying earnings per share (HK$) *	**0.19**	0.11	73%
Interim dividend per share (HK cents)	**5**	4	25%
Interim dividend cover (times) **	**3.9x**	2.8x	39%
Interest cover (times)	**12.6x**	7.7x	64%
Weighted average gross interest rate	**2.3%**	3.4%	(1.1pp)△
	As at 30 June 2014	As at 31 December 2013	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)			
Total assets	**43,876**	43,119	2%
Net assets attributable to shareholders	**35,416**	35,105	1%
Adjusted net assets attributable to shareholders #	**38,914**	38,486	1%
Net assets per share (HK$)	**23.41**	23.37	-
Adjusted net assets per share (HK$) #	**25.72**	25.62	-
Net borrowings	**3,828**	3,992	(4%)
Funds from operations to net debt ##	**32%**	23%	9pp△
Net debt to EBITDA (annualised)(times)	**2.9x**	3.6x	(19%)
Net debt to equity	**11%**	11%	-
Gearing	**10%**	10%	-
	For the six months ended 30 June 2014	2013	
CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)			
Net cash generated from operating activities	**615**	523	18%
Capital expenditure on fixed assets (excluding new acquisitions)	**(153)**	(567)	(73%)
Acquisition of 21 avenue Kléber	**-**	(605)	n/a
SHARE INFORMATION (HK$)			
Highest share price	**11.54**	14.20	(19%)
Lowest share price	**10.08**	10.90	(8%)
Period end closing share price	**11.04**	12.60	(12%)

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

** *Interim dividend cover is calculated based on underlying profit attributable to shareholders over interim dividend.*

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

Being annualised EBITDA less tax paid and net interest paid as a percentage of net debt.

△ *pp denotes percentage points.*

Chief Executive Officer's Review

The past six months has been a very busy and exciting period for the Company's development. I am excited to announce that our magnificent new property in France, The Peninsula Paris, held its soft opening on 1 August 2014. It has taken us more than 20 years to identify an opportunity which we considered to be appropriate for Peninsula's first hotel in Europe and I am delighted that we are now making our entry in one of the most magical cities in the world. I am immensely proud of our team, who have worked for several years through a variety of challenges to restore this beautiful property and bring it back to life.

We have made significant progress with Grosvenor, our partner in London, on the design and planning for the future development of The Peninsula London. We are also expanding our global presence into one of the world's most exciting emerging markets - Myanmar. In January, we announced a definitive conditional shareholders' agreement with our partners Yoma Strategic Holdings Ltd. for the purpose of restoring the former Myanmar Railway Company headquarters into a hotel to be called The Peninsula Yangon.

The operating results for the period were pleasing, with revenue increasing by 7% and EBITDA increasing by 19% from the previous year. Underlying profit increased 73% to HK$293 million. These results were achieved despite challenging market conditions, with continued intense competition in many of our markets, political instability in Thailand and unusually severe winter weather in the northeast United States during the first quarter. We continue to face the challenge of rising costs, not only from inflation but also as we bring assets back into operation after renovation and expand our offerings and services to cater for increased demand and to continue providing delightful experiences for our guests.

Hotels Division

THE PENINSULA HOTELS

Operating Statistics for the six months ended 30 June 2014

	Available Rooms		Occupancy %		ARR (HK$)		RevPAR (HK$)	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Hong Kong (Note 1)	**300**	186	**74**	69	**5,173**	5,639	**3,820**	3,869
Other Asia (excluding Hong Kong)	**1,941**	1,941	**63**	64	**2,187**	2,131	**1,376**	1,369
United States of America	**772**	772	**72**	71	**4,936**	4,768	**3,554**	3,366
Total	**3,013**	2,899						
Average			**66**	66	**3,282**	3,113	**2,177**	2,062

1. *The renovation in The Peninsula Hong Kong was completed in two phases, resulting in 135 rooms being removed from saleable inventory from January to September 2012, followed by 165 rooms from September 2012 to May 2013. This impacts the first half year of 2013 operating statistics in this report.*
2. *Occupancy rates, Average room rates and RevPAR are weighted averages for the hotels in each grouping.*
3. *The average room rates and RevPAR include undistributed service charge, which is levied at 10% in Hong Kong and at 15% in China and Japan.*

ASIA

The Peninsula Hong Kong	
Revenue	+ 22%
Room Revenue	+ 58%
Available Rooms	+ 60%
RevPAR	- 1%

The Peninsula Hong Kong reported a significant increase in earnings with the hotel being fully operational during the period, as compared to last year when the rooms in the original building were under renovation and were not returned to saleable inventory until May 2013. Although there was a 60% increase in the number of rooms available in the current period as compared with last year, the hotel was able to maintain its RevPAR, resulting in an increase of 58% in room revenue. Our average room rate was the leader in the city during the first half of the year. The in-room technology enhancements that were installed during the renovations have been extremely well-received by guests. We are also making inroads to become established as a preferred hotel in the art community; the Tracey Emin neon installation "My Heart is with You Always", that was displayed as a laser animation on the hotel facade as part of Art Basel Hong Kong, received significant global and local press coverage. The Office Tower and the Arcade remained fully let with leases being renewed favourably amidst a weakening property market in Hong Kong.

The Peninsula Shanghai	
Revenue	+ 8%
Occupancy	+ 0pp
Average Room Rate	+ 5%
RevPAR	+ 6%

The Peninsula Shanghai has had a positive first half of the year and maintained its position as the city's market leader for both average room rate and RevPAR, despite intense competition. Domestic travel remained strong and sales initiatives have seen increased visitors from the Middle East. The hotel also achieved satisfactory growth in food and beverage revenue as high-end family banqueting, weddings and events remained strong. The hotel has initiated a variety of promotional and marketing activities with neighbouring buildings to further establish the Waitanyuan area as a destination within Shanghai, so as to increase foot traffic into the hotel outlets and The Peninsula Arcade. We are delighted that The Peninsula Shanghai has received many awards and accolades including the No. 1 Hotel in Mainland China by *Travel + Leisure* World's Best Awards 2014.

As disclosed in our 2013 annual report, of the 39 apartments within the hotel complex, 19 apartment units were reclassified from "investment properties" to "assets held for sale" during 2013. During the first half of 2014, three apartment units were sold.

The Peninsula Beijing	
Revenue	- 3%
Occupancy	+ 8pp
Average Room Rate	- 14%
RevPAR	- 2%

The Peninsula Beijing is facing a challenging environment with oversupply of hotel rooms, declining international travel and continued impact from pollution. Occupancies overall in the city are growing but rates continue to decline with aggressive packages being offered by hotels at all levels. US visitors are declining although we are seeing an increase in visitors from the domestic markets, particularly Guangdong and Shanghai. Japanese visitors are also returning in increasing numbers. We are in the planning stages of a significant renovation to reconfigure our rooms to improve our competitiveness.

The Peninsula Tokyo	
Revenue	+ 9%
Occupancy	+ 5 pp
Average Room Rate	+ 11%
RevPAR	+ 18%

The Peninsula Tokyo experienced a very positive first half. The government's financial stimulus policies continued to contribute to local economic recovery and the depreciation of the yen is making Tokyo more affordable for overseas visitors. There was a significant increase in transient family visitors, particularly from Thailand, Malaysia and Indonesia following visa relaxation policies for those regions. On 1 April 2014, the government announced an increase in consumption tax for the first time in 17 years but we are pleased to note that our property did not report any significant effects. Food and beverage performed strongly, with robust patronage from the local market particularly at weekends. Corporate business has continued to thrive with many visitors from the construction industry visiting Tokyo due to increasing infrastructure development in the city ahead of the 2020 Olympics. With such booming inbound tourism, we are optimistic about Tokyo's outlook in the coming year.

The Peninsula Bangkok	
Revenue	- 32%
Occupancy	- 20pp
Average Room Rate	- 4%
RevPAR	- 38%

The Peninsula Bangkok is seeing some return to normality from mid-July after a very challenging start to the year due to the political unrest. Most government travel warnings have now been relaxed but martial law remains in place which has deterred some overseas visitors and has seen our MICE (Meetings, Incentives, Conferences and Exhibitions) business dropping significantly. We are working together with the eight hotels along the river to collaborate and promote Bangkok Riverside as a destination for tourists and MICE. Construction has started on a high-end multipurpose shopping mall, Icon Siam, next door to our property which we believe will enhance our guests' retail experiences when it is completed in 2017. We were delighted to receive strong recognition from *Travel + Leisure* magazine as the No. 2 hotel in Asia in their World's Best 2014 Awards.

The Peninsula Manila	
Revenue	- 7%
Occupancy	- 2pp
Average Room Rate	- 6%
RevPAR	- 9%

The Peninsula Manila reported a stable first six months, with revenue in local currency terms level with the same period last year. Various bans on local airlines were lifted for the EU and US and new routes opened up to Australia and the Middle East, significantly boosting traffic. Japan tourist arrivals to the Philippines are increasing rapidly. The Hong Kong travel ban was recently lifted after being implemented following the Manila hostage tragedy in 2010. The rise of the middle class in the Philippines is having a significant effect on our business as domestic travellers now make up our second largest group. Major conferences such as The World Economic Forum were held in Manila, boosting investor confidence. Our corporate responsibility and sustainability activities are very strong and we are delighted to report that The Peninsula's global campaign for charity, *Hope for the Philippines*, raised more than US$900,000. Renovations have taken place in the club lounge, and we are currently renovating the Old Manila fine dining restaurant.

USA

The Peninsula New York	
Revenue	+ 10%
Occupancy	+ 1pp
Average Room Rate	+ 3%
RevPAR	+ 4%

The Peninsula New York experienced a challenging start to the year with unusually severe winter weather and snowstorms, which dampened both business and leisure travel significantly. However, we were able to recover in the second quarter with a general relaxation in ten-year visa applications which attracted more visitors from Europe and the Middle East and led to New York being considered as a top city destination for families. We are planning for the construction of an additional Grand Suite to be able to attract more business delegations and celebrities who require these larger suites. Our corporate business has seen a satisfactory rebound with good business from the banking industry. We are pleased to report that the new *Clement* restaurant has received several very positive reviews from New York's top restaurant critics.

The Peninsula Chicago	
Revenue	- 5%
Occupancy	- 0pp
Average Room Rate	- 4%
RevPAR	- 4%

The Peninsula Chicago had a challenging start to the year, with the city suffering from the coldest winter in its history and more than 15,000 flights having to be cancelled in the first two months. High demand in the second quarter was offset by the weaker performance in average room rates and the additional 2,000 new hotel rooms in the market compared to last year, which also affected occupancy rates. We opened a Sky Rink for the second year which proved very popular and helped to raise more than US$20,000 for two children's charities from skaters' donations. Disney on Ice partnered with the hotel and with Oprah Winfrey's chef Art Smith as part of First Lady Michelle Obama's "Let's Move" campaign to teach young children about the importance of healthy eating and staying active. The Peninsula Chicago's renovation, which includes the latest generation of in-room technology systems, is projected to commence in mid-December 2014.

The Peninsula Beverly Hills	
Revenue	+ 13%
Occupancy	+ 5pp
Average Room Rate	+ 8%
RevPAR	+ 14%

The Peninsula Beverly Hills had a tremendous first half of the year, with very strong occupancy, increased average room rate and further strengthening of the hotel's position as No. 1 in RevPAR in the city. These results are particularly impressive coming after a record year in 2013. The international travel market was robust, with a significant percentage of guests coming from the Middle East and Australia. The Peninsula Beverly Hills has gained market share in the fashion and entertainment segments as we have been focusing on attracting new customers from these industries. We are particularly pleased that the hotel has been able to grow market share given its already very strong RevPAR position. We were delighted to have been voted as the No. 1 Hotel in California by Travel + Leisure's World's Best Awards 2014.

Commercial Properties Division

Commercial Properties		
The Repulse Bay Complex	Revenue	+ 5%
The Peak Tower	Revenue	+ 18%
St. John's Building	Revenue	+ 18%
The Landmark	Revenue	- 6%
1-5 Grosvenor Place	Revenue	n/a
21 avenue Kléber	Revenue	n/a

The Repulse Bay Complex is a premier residential property and offers one of the finest and most enjoyable living environments in Hong Kong. In the first six months, The Complex reported 5% higher revenue due to increased rental income following the renovation of the de Ricou apartment tower. This tower now comprises 34 unfurnished apartments and 15 serviced apartments with significantly improved layouts and interior design, and was the first in Hong Kong to be awarded the prestigious LEED Gold Award in the Alteration and Addition category. The operating results were pleasing in light of the general weakening of the property market in Hong Kong. It is expected that the high-end residential property market will continue to see weaker demand, especially from the finance sector and other corporate clients. We were delighted that The Repulse Bay was voted Best Residential Complex in *Southside Magazine* Readers Choice Awards, with reasons cited as “fabulous view, convenient location 15 minutes’ drive from the city and five minutes’ walk from the beach, and award-winning restaurants and services”.

The Peak Tower and **St. John’s Building** were fully let during the period and both properties reported revenue growth of 18%. The Peak Tower generates most of its revenue from commercial leasing, with additional revenue coming from tourist entrance fees to the open-air rooftop attraction of Sky Terrace 428 with its panoramic views of Hong Kong. In May, we launched a new promotional campaign video titled “Rendezvous at the Peak” to encourage more local residents to visit.

The Landmark in Ho Chi Minh City, Vietnam, which is a mixed-use commercial building comprised of serviced apartments and office and retail space, reported a decline in revenue of 6% due to increasing competition in the market and partly due to the renovation which temporarily resulted in fewer available apartments in the Complex. With around 4,200 new units planned to enter the market in the next five years, we expect the Vietnam serviced apartment market to remain challenging.

The Group’s new commercial properties of **1-5 Grosvenor Place** in London and **21 avenue Kléber** in Paris, which were acquired during 2013, contributed revenues of HK$20 million and HK$10 million respectively. Together with Grosvenor, we are seeking planning permission to demolish the existing building of 1-5 Grosvenor Place and redevelop it into The Peninsula London hotel and residential complex. We target to commence demolition and construction during 2016. We are currently evaluating the best use for 21 avenue Kléber as the current tenant will be vacating at the end of the year.

Clubs and Services Division

Clubs & Services		
The Peak Tram	Revenue	+ 5%
The Peak Tram	Patronage	+ 3%
Thai Country Club	Revenue	- 23%
Quail Lodge & Golf Club	Revenue	+ 36%
Clubs & Consultancy	Revenue	+ 0%
Peninsula Merchandising	Revenue	- 19%
Tai Pan Laundry	Revenue	+ 13%

The various businesses in the Clubs and Services division showed mixed performances for the six months ended 30 June 2014.

The Peak Tram revenue was 5% higher than the same period last year and patronage increased by 3%. Revenue at **Peninsula Merchandising** was 19% lower than the same period last year, owing to lower retail volumes in Hong Kong in general and a reduced number of Japanese travellers. The **Thai Country Club** was affected by political instability and travel advisories by various governments, resulting in revenue declining by 23% over the same period last year.

Peninsula Clubs & Consultancy Services revenue was in line with the same period last year due to the renovation of parts of the Cathay Pacific lounge portfolio at Hong Kong International Airport.

The hotel portion of **Quail Lodge & Golf Club** re-opened in March 2013 after a three-year closure and a complete refurbishment. It continues to build its rooms business and we are delighted to report an increase in revenue of 36% over the same period last year. The Quail Motorcycle Gathering has become a mecca for the motorcycling industry with more than 2,000 visitors in May and we are looking forward to the property's 50th anniversary and The Quail: A Motorsports Gathering to be held later in the summer.

Tai Pan Laundry's revenue increased 13% over the same period last year as a result of the increased volume of laundry.

Projects

The Peninsula Paris

After four years of meticulous restoration work, I am delighted that The Peninsula Paris held its soft opening on 1 August 2014. HSH holds a 20% minority interest in this property and our partners Katara Hospitality are the majority owners with 80%. The property is a late 19th century classic French-style building which first opened in 1908 as one of Paris' *grands hotels*. Restoring the building to her former glory has been a challenging but rewarding task. As previously reported, we encountered a number of delays and cost increases during construction, which led to an increased budget of approximately HK$4,592 million (€429 million) excluding contingencies, for which we are responsible for our 20% proportional interest.

1-5 Grosvenor Place, London

In July 2013, the Group announced an agreement with Grosvenor to enter into a 50:50 joint venture partnership to redevelop the site of 1-5 Grosvenor Place, Belgravia, into a mixed-use scheme incorporating HSH's first hotel in the UK – The Peninsula London. In the past 12 months, significant progress has been made in the design and planning of the project. Subject to obtaining planning approvals, we are targeting to commence demolition and construction by 2016. This project is consistent with our Group's long term strategy, representing our desire to further expand in Europe.

The Peninsula Yangon

The Group announced in January a definitive conditional shareholders' agreement together with our partners Yoma Strategic Holdings Ltd. for the purpose of restoring the former Myanmar Railway Company headquarters into a hotel to be called The Peninsula Yangon. The agreement, subject to conditions and approval, will seek to redevelop and restore the heritage building, which dates from the 1880s and is one of the oldest existing colonial buildings in Yangon. It is located on Bogyoke Aung San Road in the central business district of Yangon, one kilometre north of the Yangon River and adjacent to the tourist attraction known as Scott's Market.

Human Resources

Recruiting and retaining the industry's best talent remains a key focus of our Company and with this in mind, our human resources function undertook several major initiatives in the first half of 2014.

In May, we conducted a very successful mass recruitment exercise in Paris to fully equip our new property in Paris with the best talent. Eight "Peninsula Paris Ambassadors" were chosen for cross-exposure and training in Hong Kong in May and June.

A Competency Framework for more efficient performance and talent management was rolled out in April, focusing on best-practice behaviour and leadership skills across all levels of the organisation.

An internal HSH Engagement Survey – We Care, Please Share - was undertaken and we were delighted to receive a very high response rate of 92% staff participation.

As of 30 June 2014, there were 7,583 full time employees in the Group.

Corporate Responsibility and Sustainability

HSH launched a new vision for the Group in 2013, the Sustainable Luxury Vision 2020. In the first six months of 2014 we continued to roll out this vision across the Group and we are developing implementation guidelines and manuals to support its delivery, including a sustainable procurement guide, a waste management manual and a water management manual. Vision 2020 puts sustainability at the heart of our business model and our brand. To deliver on both luxury and sustainability is not without challenges, but we see a genuine opportunity to achieve this in a way that complements our heritage of quality, thoughtfulness and meticulous attention to detail.

Outlook

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

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

In 2014 to date, we have seen improvements in most of our key hotel markets, with the exception of the situation in Thailand, although room rates and margins continue to be under pressure from intense competition and increasing costs. We hope to see good pickup in the traditional autumn high season for many of our hotels.

We expect our second half results to be negatively affected by our share of the operating results of The Peninsula Paris following its soft opening on 1 August 2014, as we will open with a full staff establishment whereas it will take time to bring all the guestrooms into inventory and build up our revenues.

The Hong Kong residential sector, on which we rely for the bulk of revenue at The Repulse Bay, is facing a challenging environment this year, with reduced demand from finance professionals and expatriates. We expect this weaker demand to continue for the time being.

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

Overall, our Company remains in a strong financial position, with the Peninsula brand enjoying recognition as one of the best luxury brands in the world. With our long-term outlook and the exciting new projects we are developing, we remain confident and positive about the future, whilst being ready and able to ride out the shorter term fluctuations in the markets in which we operate.

The Directors hereby announce the unaudited interim results of the Company for the six months ended 30 June 2014. The Interim Financial Report has been reviewed by the Company's Audit Committee, comprising a majority of Independent Non-Executive Directors, one of whom chairs the Committee. The Interim Financial Report is unaudited but has been reviewed by the Company's auditors, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the Interim Report to be sent to shareholders.

Financial Review

Basis of preparation

The Group's Interim Financial Report has been prepared in accordance with Hong Kong Accounting Standard 34 "*Interim financial reporting*" issued by the Hong Kong Institute of Certified Public Accountants.

The Group's adjusted net asset value

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

Accordingly, we have commissioned an independent third-party fair valuation of the Group's hotels and golf courses as at 30 June 2014, the details of which are set out on page 17. If these assets were to be stated at fair value, the Group's net assets attributable to shareholders would increase to HK$38,914 million as indicated in the table below.

HK$m	**As at 30 June 2014**		As at 31 December 2013	
Net assets attributable to shareholders per statement of financial position		**35,416**		35,105
Adjusting the value of hotels and golf courses to fair market value	**4,232**		4,103	
Less: Related deferred tax and non-controlling interests	**(734)**		(722)	
		3,498		3,381
Adjusted net assets attributable to shareholders		**38,914**		38,486
Net assets per share (HK$)		**23.41**		23.37
Adjusted net assets per share (HK$)		**25.72**		25.62

The Group's underlying earnings

Our operating results are mainly derived from the operation of hotels and letting of commercial properties and we manage the Group's operations with principal reference to their underlying operating cash flows and recurring earnings. However, to comply with the applicable accounting standards, we are required to include non-operating and non-recurring items, such as any changes in fair value of investment properties, in our income statement. In order to provide a better reflection of the performance of the Group excluding the non-operating and non-recurring items, we have provided calculations of the Group's underlying profit attributable to shareholders and underlying earnings per share, which are determined by excluding the post-tax effects of the property revaluation movements and other non-operating and non-recurring items below.

The Group's underlying profit attributable to shareholders for the six months ended 30 June 2014 increased by 73% to HK$293 million.

	For the 6 months ended 30 June	
HK$m	**2014**	2013
Profit attributable to shareholders	**452**	840
Increase in fair value of investment properties	**(166)**	(665)
Share of property revaluation gain of The Peninsula Shanghai, net of tax	**(18)**	-
Other non-operating and non-recurring items	**11**	(1)
Tax and non-controlling interests attributable to non-operating items	**14**	(5)
Underlying profit attributable to shareholders	**293**	169
Underlying earnings per share (HK$)	**0.19**	0.11

Income statement

The Group's consolidated income statement for the six months ended 30 June 2014 is set out on page 20. The following table summarises the key components of the Group's profit and loss. This table should be read in tandem with the commentaries set out on pages 3 to 10 of the Chief Executive Officer's Review.

	For the 6 months ended 30 June		2014 vs
HK$m	**2014**	2013	2013
Turnover	**2,718**	2,542	7%
Direct operating costs	**(2,058)**	(1,987)	4%
EBITDA	**660**	555	19%
Depreciation and amortisation	**(207)**	(193)	7%
Net financing charges	**(36)**	(47)	(23%)
Share of results of associates*	**(8)**	-	n/a
Share of result of a joint venture**	**(4)**	(60)	(93%)
Non-operating items	**166**	666	(75%)
Taxation	**(118)**	(80)	48%
Profit for the period	**453**	841	(46%)
Non-controlling interests	**(1)**	(1)	-
Profit attributable to shareholders	**452**	840	(46%)

* *Being the Group's 20% share of The Peninsula Paris' pre-opening expenses and 20% share of The Peninsula Beverly Hills' ("PBH") operating result. The Group did not equity account for the result of PBH in 2013 as it was previously classified as an unlisted equity instrument instead of an associate.*

** *Being the Group's 50% share of The Peninsula Shanghai's ("PSH") result. Further details of PSH's performance are set out on pages 34 to 35.*

Turnover

The Group's turnover for the six months ended 30 June 2014 increased by 7% to HK$2,718 million and the breakdown of this by business segment and geographical segment is set out in the table below.

Consolidated revenue by business segment	**For the 6 months ended 30 June**		2014 vs
HK$m	**2014**	2013	2013
Hotels	**2,019**	1,904	6%
Commercial Properties	**437**	378	16%
Clubs and Services	**262**	260	1%
	2,718	2,542	7%

Consolidated revenue by geographic location	**For the 6 months ended 30 June**		2014 vs
HK$m	**2014**	2013	2013
Arising in			
Hong Kong	**1,276**	1,125	13%
Other Asia	**852**	884	(4%)
United States of America	**560**	533	5%
Europe	**30**	-	n/a
	2,718	2,542	7%

Our hotels division is the main contributor to the Group's revenue, accounting for 74% of total revenue. Our commercial properties division and clubs and services division achieved a revenue growth of 16% and 1% respectively.

EBITDA and EBITDA Margin

EBITDA (earnings before interest, taxation, depreciation and amortisation) of the Group increased by HK$105 million or 19% to HK$660 million in the first half of 2014. The table below sets out the breakdown of the Group's EBITDA by business segment and by geographical segment.

EBITDA (HK$m)	Hong Kong	Other Asia	United States of America	Europe	Total
2014					
Hotels	**263**	**93**	**(12)**	**-**	**344**
Commercial Properties	**255**	**8**	**-**	**25**	**288**
Clubs and Services	**40**	**4**	**(16)**	**-**	**28**
	558	**105**	**(28)**	**25**	**660**
	84%	**16%**	**(4%)**	**4%**	**100%**
2013					
Hotels	190	86	-	-	276
Commercial Properties	234	8	-	-	242
Clubs and Services	49	9	(21)	-	37
	473	103	(21)	-	555
	84%	19%	(4%)	-	100%
Change 2014 vs 2013	18%	2%	33%	n/a	19%

EBITDA margin	2014	2013
Hotels	**17%**	14%
Commercial Properties	**66%**	64%
Clubs and Services	**11%**	14%
Overall EBITDA margin	**24%**	22%
Arising in:		
Hong Kong	**44%**	42%
Other Asia	**12%**	12%
United States of America	**(5%)**	(4%)
Europe	**83%**	-

The EBITDA margins of the hotels division and commercial properties division were 3% and 2% above the same period in 2013 due to increased revenues and our efforts to control increases in costs. However, there was a decrease in the EBITDA margin for the clubs and services division by 3%, mainly due to the higher licence fee charged by the Hong Kong government to The Peak Tram for the two-year extension of its operating right to end of 2015 and the revenue shortfall suffered by the Thai Country Club from the political unrest in Bangkok which continued in the first half of 2014.

Non-operating items

The non-operating items represented the revaluation surplus of the Group's investment properties, which amounted to HK$166 million (2013: HK$665 million). The decrease in revaluation surplus for the 6 months ended 30 June 2014 was mainly due to softer conditions in the Hong Kong residential property market, resulting in a lower increase in rental yield compared to the same period last year.

Share of results of The Peninsula Shanghai

The Group, through its joint venture The Peninsula Shanghai Waitan Hotel Company Limited ("PSW"), owns a 50% interest in The Peninsula Shanghai Complex which comprises a hotel, a shopping arcade and a residential tower of 39 apartments. As disclosed in the Group's 2013 Annual Report, in order to reduce financing charges, PSW resolved in July 2013 to sell 19 apartment units in the market. Accordingly, these apartment units were reclassified from "investment properties" to "assets held for sale" during 2013.

During the first half of 2014, The Peninsula Shanghai performed well and the hotel remained as the market leader in terms of average room rate and RevPAR in its competitive set and generated an EBITDA of HK$97 million (2013: HK$37 million), of which HK$43 million was derived from the sale of three apartment units (2013: HK$nil). In addition, The Peninsula Shanghai Complex also recorded a net unrealised gain of HK$36 million (2013: HK$nil) on revaluation of the hotel arcade and the 20 apartments held for leasing.

As The Peninsula Shanghai Complex is a highly-geared property and the hotel building is subject to a high depreciation charge given the lease term, after accounting for depreciation and net financing charges, the net loss amounted to HK$9 million (2013: HK$119 million) in the first half of 2014 and the Group's share of result of The Peninsula Shanghai amounted to HK$4 million (2013: HK$60 million).

Balance sheet

The Group's financial position as at 30 June 2014 remained strong and net assets attributable to shareholders amounted HK$35,416 million, representing a per share value of HK$23.41 compared to HK$23.37 as at 31 December 2013. The key components of the Group's assets and liabilities as at 30 June 2014 and 31 December 2013 are set out in the table below.

HK$m	**As at 30 June 2014**	As at 31 December 2013	2014 vs 2013
Fixed assets	**38,317**	38,187	-
Other long term assets	**2,630**	2,571	2%
Cash at banks and in hand	**2,059**	1,494	38%
Other assets	**870**	867	-
	43,876	43,119	2%
Interest-bearing borrowings	**(5,887)**	(5,486)	7%
Other liabilities	**(2,301)**	(2,259)	2%
	(8,188)	(7,745)	6%
Net assets	**35,688**	35,374	1%
Represented by			
Shareholders' funds	**35,416**	35,105	1%
Non-controlling interests	**272**	269	1%
Total equity	**35,688**	35,374	1%

Fixed assets

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

Our hotel properties and investment properties are accounted for in different ways. The hotel properties (other than shopping arcades and offices within the hotels) and golf courses are stated at cost less accumulated depreciation and any provision for impairment losses, while investment properties are stated at fair value. Therefore independent valuers have been engaged to conduct a fair valuation of these properties as at 30 June 2014, and a summary of the Group's hotel, commercial and other properties showing both the book value and the fair value as at 30 June 2014 is set out in the table on the following page.

	Group's interest	100% value: Fair value based on independent valuation (HK$m)	100% value: Book value (HK$m)
Hotels			
The Peninsula Hong Kong	100%	11,938	9,898
The Peninsula New York	100%	2,356	1,747
The Peninsula Beijing	76.6% *	1,748	1,344
The Peninsula Chicago	100%	1,342	1,115
The Peninsula Tokyo	100%	1,327	849
The Peninsula Bangkok	75%	766	773
The Peninsula Manila	77.4%	188	251
		19,665	15,977
Commercial properties			
The Repulse Bay Complex	100%	16,410	16,410
The Peak Tower	100%	1,303	1,303
St. John's Building	100%	897	897
21 avenue Kléber	100%	635	635
1-5 Grosvenor Place	50%	3,769	3,769
The Landmark	70%**	86	86
		23,100	23,100
Other properties			
Thai Country Club golf course	75%	248	245
Quail Lodge resort, golf course and vacant land	100%	292	253
Vacant land near Bangkok	75%	335	335
Others	100%	189	95
		1,064	928
Total market/ book value		43,829	40,005
Hotel and investment property held by a joint venture			
The Peninsula Shanghai Complex ***	50%	5,346	5,062
Hotel property held by an associate			
The Peninsula Beverly Hills	20%	2,246	445

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

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

*** *Excluding the 16 apartment units held for sale.*

Other long-term assets

The balance of HK$2,630 million of other long-term assets as at 30 June 2014 (31 December 2013: HK$2,571 million) principally represents the Group's 50% interest in The Peninsula Shanghai and 20% in The Peninsula Paris.

Statement of cash flows

The Group's cash flows for the first six months of 2014 are summarised as follows.

	For the 6 months ended 30 June	
HK$m	**2014**	2013
EBITDA	**660**	555
Net change in debtors/creditors	**(18)**	13
Tax payment	**(27)**	(45)
Net cash generated from operating activities	**615**	523
Capital expenditure on existing assets	**(153)**	(567)
Net cash inflow/(outflow) after normal capital expenditure	**462**	(44)
Acquisition of 21 avenue Kléber, Paris	**-**	(605)
Net cash inflow/(outflow) before dividends and other payments	**462**	(649)

During the period, net cash generated from operating activities amounted to HK$615 million (2013: HK$523 million). Following the completion of the major renovation programmes at The Peninsula Hong Kong and The Repulse Bay in 2013, capital expenditure on existing assets for the six months ended 30 June 2014 decreased by HK$414 million to HK$153 million.

Treasury Management

The Group's financing and treasury activities are centrally managed and controlled at the corporate level, where currency and interest rate risk exposures are monitored.

During the period, net borrowings decreased by 4% to HK$3,828 million (31 December 2013: HK$3,992 million) and the Group's gearing, expressed as the percentage of net borrowings to the total of net borrowings and shareholders' funds, remained at 10% (31 December 2013: 10%). Net interest cover, expressed as operating profit divided by net financing charges, increased to 12.6 times (2013: 7.7 times), mainly due to the improved operating results and lower net financing charges.

In addition to the Group's consolidated borrowings, The Peninsula Beverly Hills (20% owned), The Peninsula Shanghai (50% owned) and The Peninsula Paris (20% owned) have non-recourse bank borrowings, which are not consolidated in the statement of financial position as the entities owning the assets are not subsidiaries of the Group. Including the Group's share of the net debt of these non-consolidated entities, total net borrowings would amount to HK$5,519 million at 30 June 2014 (31 December 2013: HK$5,930 million).

The Group's interest rate risk management policy focuses on reducing the Group's exposure to changes in interest rates. As at 30 June 2014, the Group's fixed-to-floating interest rate ratio of 45% remained comparable to that as at 31 December 2013. The weighted average gross interest rate for the period decreased to 2.3% (2013: 3.4%) after taking hedging activities into account.

The Company manages its liquidity risk by constantly monitoring its loan portfolio and by obtaining sufficient borrowing facilities to meet its obligations and commitments. During the period, the Company arranged a credit facility of JPY2 billion for a wholly owned subsidiary and a credit facility of Baht800 million for a subsidiary to refinance their maturing term loans.

The table below illustrates the maturity profile of the committed facilities of the Group as at 30 June 2014 and 31 December 2013 respectively.

HK$m	**30 June 2014**		31 December 2013	
Maturing in 2014	**195**	**(3%)**	532	(8%)
Maturing in 2015	**1,042**	**(16%)**	1,009	(15%)
Maturing in 2016	**815**	**(12%)**	813	(13%)
Maturing in 2018	**4,199**	**(64%)**	4,181	(64%)
Maturing in 2019	**191**	**(3%)**	-	-
Maturing in 2022	**153**	**(2%)**	-	-
Total committed facilities	**6,595**	**(100%)**	6,535	(100%)

Consolidated Income Statement - unaudited (HK$m)

	Note	For the six months ended 30 June 2014	2013
Turnover	3	**2,718**	2,542
Cost of inventories		**(201)**	(198)
Staff costs and related expenses		**(1,009)**	(958)
Rent and utilities		**(291)**	(285)
Other operating expenses		**(557)**	(546)
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)	3	**660**	555
Depreciation and amortisation		**(207)**	(193)
Operating profit		**453**	362
Interest income		**30**	23
Financing charges	4	**(66)**	(70)
Net financing charges		**(36)**	(47)
Profit after net financing charges	5	**417**	315
Share of result of a joint venture	11	**(4)**	(60)
Share of results of associates		**(8)**	-
Increase in fair value of investment properties	9(b)	**166**	665
Gain on disposal of an unlisted equity instrument		**-**	1
Profit before taxation		**571**	921
Taxation			
Current tax	6	**(88)**	(46)
Deferred tax	6	**(30)**	(34)
Profit for the period		**453**	841
Profit attributable to:			
Shareholders of the Company		**452**	840
Non-controlling interests		**1**	1
Profit for the period		**453**	841
Earnings per share, basic and diluted (HK$)	7	**0.30**	0.56

Details of dividends payable to shareholders of the Company are set out in note 8.

Consolidated Statement of Comprehensive Income - unaudited (HK$m)

	For the six months ended 30 June	
	2014	2013
Profit for the period	**453**	841
Other comprehensive income for the period, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain/(loss) on translation of:		
- financial statements of overseas subsidiaries	**(20)**	142
- financial statements of a joint venture	**(26)**	17
- loans to an associate	**(10)**	(8)
- hotel operating rights	**(7)**	(8)
	(63)	143
Cash flow hedges:		
- effective portion of changes in fair value	**(28)**	(2)
- transfer from equity to profit or loss	**12**	22
	(79)	163
Total comprehensive income for the period	**374**	1,004
Total comprehensive income attributable to:		
Shareholders of the Company	**371**	1,007
Non-controlling interests	**3**	(3)
Total comprehensive income for the period	**374**	1,004

Consolidated Statement of Financial Position – unaudited (HK$m)

	Note	As at 30 June 2014	As at 31 December 2013
Non-current assets			
Fixed assets			
Properties, plant and equipment		**5,876**	5,963
Investment properties		**32,441**	32,224
	9	**38,317**	38,187
Interest in associates	10	**927**	822
Interest in a joint venture	11	**1,015**	1,045
Hotel operating rights	12	**684**	693
Derivative financial instruments	13	**-**	8
Deferred tax assets		**4**	3
		40,947	40,758
Current assets			
Inventories		**97**	100
Trade and other receivables	14	**586**	575
Amount due from a joint venture		**187**	192
Cash at banks and in hand		**2,059**	1,494
		2,929	2,361
Current liabilities			
Trade and other payables	15	**(1,122)**	(1,175)
Interest-bearing borrowings	16	**(1,125)**	(550)
Derivative financial instruments	13	**-**	(13)
Current taxation		**(109)**	(48)
		(2,356)	(1,786)
Net current assets		**573**	575
Total assets less current liabilities		**41,520**	41,333
Non-current liabilities			
Interest-bearing borrowings	16	**(4,762)**	(4,936)
Trade and other payables	15	**(272)**	(276)
Net defined benefit retirement obligations		**(18)**	(18)
Derivative financial instruments	13	**(46)**	(22)
Deferred tax liabilities		**(734)**	(707)
		(5,832)	(5,959)
Net assets		**35,688**	35,374
Capital and reserves			
Share capital and other statutory capital reserves	17	**4,494**	4,374
Other reserves		**30,922**	30,731
Total equity attributable to shareholders of the Company		**35,416**	35,105
Non-controlling interests		**272**	269
Total equity		**35,688**	35,374

Consolidated Statement of Changes in Equity – unaudited (HK$m)

		Attributable to shareholders of the Company								
	Note	Share capital	Share premium	Capital redemption reserve	Hedging reserve	Exchange and other reserves	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2013		751	3,610	13	(72)	161	28,687	33,150	289	33,439
Changes in equity for the six months ended 30 June 2013										
Profit for the period		-	-	-	-	-	840	840	1	841
Other comprehensive income		-	-	-	20	147	-	167	(4)	163
Total comprehensive income for the period		-	-	-	20	147	840	1,007	(3)	1,004
Dividends approved in respect of the previous year		-	-	-	-	-	(150)	(150)	-	(150)
Balance at 30 June 2013 and 1 July 2013		751	3,610	13	(52)	308	29,377	34,007	286	34,293
Changes in equity for the six months ended 31 December 2013										
Profit for the period		-	-	-	-	-	872	872	(1)	871
Other comprehensive income		-	-	-	17	269	-	286	(12)	274
Total comprehensive income for the period		-	-	-	17	269	872	1,158	(13)	1,145
Dividends approved in respect of the current year		-	-	-	-	-	(60)	(60)	-	(60)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(4)	(4)
Balance at 31 December 2013 and 1 January 2014		**751**	**3,610**	**13**	**(35)**	**577**	**30,189**	**35,105**	**269**	**35,374**
Changes in equity for the six months ended 30 June 2014										
Profit for the period		**-**	**-**	**-**	**-**	**-**	**452**	**452**	**1**	**453**
Other comprehensive income		**-**	**-**	**-**	**(16)**	**(65)**	**-**	**(81)**	**2**	**(79)**
Total comprehensive income for the period		**-**	**-**	**-**	**(16)**	**(65)**	**452**	**371**	**3**	**374**
Transition to no-par value regime on 3 March 2014	17	**3,623**	**(3,610)**	**(13)**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends approved in respect of the previous year										
- By mean of cash		**-**	**-**	**-**	**-**	**-**	**(60)**	**(60)**	**-**	**(60)**
- By mean of scrip	17	**120**	**-**	**-**	**-**	**-**	**(120)**	**-**	**-**	**-**
Balance at 30 June 2014		**4,494**	**-**	**-**	**(51)**	**512**	**30,461**	**35,416**	**272**	**35,688**

Condensed Consolidated Statement of Cash Flows - unaudited (HK$m)

	For the six months ended 30 June	
	2014	2013
Operating activities		
EBITDA	**660**	555
Tax paid	**(27)**	(45)
Changes in working capital	**(18)**	13
Net cash generated from operating activities	**615**	523
Investing activities		
Payment for the purchase of fixed assets	**(153)**	(567)
Payment for the acquisition of an investment property	**-**	(605)
Net advance to associates/a joint venture	**(123)**	(1)
Proceeds from disposal of an unlisted equity instrument	**-**	1
Net cash used in investing activities	**(276)**	(1,172)
Financing activities		
Interest received	**29**	23
Interest and other financing charges paid	**(58)**	(65)
Placement of interest-bearing bank deposits with maturity of more than three months	**(207)**	(57)
Net increase in bank borrowings	**343**	586
Dividends paid to shareholders of the Company	**(60)**	(150)
Net cash generated from financing activities	**47**	337
Net increase/(decrease) in cash and cash equivalents	**386**	(312)
Cash and cash equivalents at 1 January	**1,036**	1,682
Effect of changes in foreign exchange rates	**(23)**	9
Cash and cash equivalents at 30 June (note)	**1,399**	1,379

Note *Analysis of cash and cash equivalents*

	As at 30 June	
	2014	*2013*
Interest-bearing bank deposits	***1,917***	*1,833*
Cash at banks and in hand	***142***	*106*
Total cash at banks and in hand	***2,059***	*1,939*
Less: Interest-bearing bank deposits with maturity of more than three months	***(647)***	*(551)*
Less: Bank overdrafts (note 16)	***(13)***	*(9)*
Cash and cash equivalents in the condensed consolidated statement of cash flows	***1,399***	*1,379*

Total cash at banks and in hand at the end of the reporting period include deposits with banks of HK$952 million (30 June 2013: HK$791 million) held by overseas subsidiaries which are subject to prevailing regulations and foreign exchange restrictions.

Notes to the unaudited interim financial report

1. Significant accounting policies

Basis of preparation

This unaudited Interim Financial Report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with the Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue by the Board of Directors of the Company on 20 August 2014.

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these relevant changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This Interim Financial Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

The Interim Financial Report is unaudited, but has been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2013 that is included in the Interim Financial Report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 March 2014.

2. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRS and one new Interpretation that are first effective for the current accounting period of the Group.

2. Changes in accounting policies *continued*

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss.

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal.

Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

HK (IFRIC) 21, *Levies*
The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised.

The adoption of these amendments and new interpretation does not have any material impact on the contents of this Interim Financial Report.

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

3. 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:

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

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 comprises 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 comprises the operation of golf courses and resort, The Peak Tram, wholesaling and retailing of food and beverage products, laundry services and the provision of management and consultancy services for clubs.

No operating segments have been aggregated to form the reportable segments.

(a) Segment results (HK$m)

The results of the Group's reportable segments for the six months ended 30 June 2014 and 2013 are set out as follow:

	Hotels		**Commercial Properties**		**Clubs and Services**		**Consolidated**	
	For the six months ended 30 June							
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Reportable segment revenue*	**2,019**	1,904	**437**	378	**262**	260	**2,718**	2,542
Reportable segment operating profit before interest, taxation, depreciation and amortisation (EBITDA)	**344**	276	**288**	242	**28**	37	**660**	555
Depreciation and amortisation	**(188)**	(177)	**(5)**	(4)	**(14)**	(12)	**(207)**	(193)
Segment operating profit	**156**	99	**283**	238	**14**	25	**453**	362

* *Analysis of segment revenue*

	2014	*2013*
Hotels		
- Rooms	***891***	*817*
- Food and beverage	***582***	*568*
- Commercial	***370***	*339*
- Others	***176***	*180*
	2,019	*1,904*
Commercial Properties		
- Residential properties	***218***	*208*
- Offices	***65***	*33*
- Shopping arcades	***154***	*137*
	437	*378*
Clubs and Services		
- Clubs and consultancy services	***85***	*85*
- Peak Tram operation	***60***	*57*
- Others	***117***	*118*
	262	*260*
Total	***2,718***	*2,542*

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

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

(b) Segment assets (HK$m)

Segment assets include all tangible and intangible assets and current assets held directly by the respective segments.

The Group's segment assets and unallocated assets as at 30 June 2014 and 31 December 2013 are set out as follows:

	As at 30 June 2014	As at 31 December 2013
Reportable segment assets		
Hotels	**17,210**	17,269
Commercial properties	**21,445**	21,273
Clubs and services	**1,029**	1,013
	39,684	39,555
Unallocated assets		
Interest in associates	**927**	822
Interest in a joint venture	**1,015**	1,045
Derivative financial instruments	**-**	8
Deferred tax assets	**4**	3
Amount due from a joint venture	**187**	192
Cash at banks and in hand	**2,059**	1,494
	4,192	3,564
Consolidated total assets	**43,876**	43,119

4. Financing charges (HK$m)

	For the six months ended 30 June **2014**	2013
Interest on bank borrowings	**44**	36
Other borrowing costs	**9**	9
Total interest expense on financial liabilities carried at amortised cost	**53**	45
Derivative financial instruments:		
- cash flow hedges, transfer from equity	**13**	24
- at fair value through profit or loss	**-**	1
	66	70

5. Profit after net financing charges (HK$m)

Profit after net financing charges is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2014	2013
Amortisation of hotel operating rights	**2**	2
Depreciation	**205**	191
Interest income	**(30)**	(23)

6. Taxation (HK$m)

	For the six months ended 30 June	
	2014	2013
Current tax		
Hong Kong	**66**	26
Overseas	**22**	20
	88	46
Deferred tax		
Increase/(decrease) in net deferred tax liabilities relating to revaluation of overseas investment properties	**10**	(4)
Increase in net deferred tax liabilities relating to other temporary differences	**20**	38
	30	34
	118	80

The provision for Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is calculated at the current tax rates applicable in the relevant jurisdictions.

7. Earnings per share

(a) Earnings per share - basic

	For the six months ended 30 June **2014**	2013
Profit attributable to shareholders of the Company (HK$m)	**452**	840
Weighted average number of shares in issue (million shares)	**1,503**	1,502
Earnings per share (HK$)	**0.30**	0.56

	2014 *(million shares)*	*2013* *(million shares)*
Issued shares at 1 January	***1,502***	*1,502*
Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of the 2013 final dividend	***1***	*-*
Weighted average number of shares in issue at 30 June	***1,503***	*1,502*

(b) Earnings per share - diluted

There were no potential dilutive ordinary shares in existence during the periods ended 30 June 2014 and 30 June 2013 and hence diluted earnings per share is the same as the basic earnings per share.

8. Dividends (HK$m)

(a) Dividends payable to shareholders of the Company attributable to the interim period

	For the six months ended 30 June **2014**	2013
Interim dividend declared and to be paid after the interim period of 5 HK cents per share (2013: 4 HK cents per share)	**76**	60

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

8. Dividends (HK$m) *continued*

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

	For the six months ended 30 June	
	2014	2013
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 12 HK cents per share (year ended 31 December 2012: 10 HK cents per share)	**180**	150

For the final dividend in respect of 2013, scrip dividend elections were offered to shareholders other than those with registered addresses in Australia and the United States of America. Shareholders holding approximately 67% of the issued share capital of the Company elected to receive their entitlement to the 2013 final dividend in the form of scrip, which resulted in the issue and allotment of approximately 10.7 million new shares on 20 June 2014.

9. Fixed assets (HK$m)

(a) Acquisitions and disposals

During the six months ended 30 June 2014, the Group acquired items of fixed assets with a cost of HK$107 million (six months ended 30 June 2013: HK$1,166 million, of which HK$605 million related to the acquisition of an investment property in Paris). Items of fixed assets disposed of during the six months ended 30 June 2014 and 30 June 2013 were insignificant in value.

(b) Valuation of investment properties

All investment properties of the Group were revalued as at 30 June 2014 on an open market value basis, mainly calculated by reference to net rental income and allowing for reversionary income potential, which are the same valuation techniques as were used by the valuers when carrying out the December 2013 valuations. The changes in fair value of the investment properties during the period were accounted for in the consolidated income statement. The valuations were carried out by valuers independent of the Group, whose staff have recent and relevant experience in the location and category of the properties being valued. Details of the valuers are as follows:

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

(b) Valuation of investment properties *continued*

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

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

As a result of the revaluation, a net gain of HK$166 million (2013: HK$665 million) has been included in the consolidated income statement.

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

(c) Valuation of hotel properties and golf courses

To provide additional information for shareholders, the Directors commissioned an independent valuation of the Group's hotel properties and golf courses as at 30 June 2014. The total valuation placed on the hotel properties and golf courses, which have a net book value of HK$5,610 million (31 December 2013: HK$5,712 million), was HK$9,340 million as at 30 June 2014 (31 December 2013: HK$9,320 million). It is important to note that the surplus of HK$3,730 million (31 December 2013: HK$3,608 million) and the related deferred taxation and non-controlling interests have not been incorporated in this Interim Financial Report but are provided for additional information only. The valuations were carried out by valuers independent of the Group, details of which are as follows:

Description of hotels and golf courses	Name of valuer	Qualification of the staff of the valuer conducting the valuation
Hong Kong and other Asia		
Hotels and golf course	HVS	Members of the Singapore Institute of Surveyors and Valuers
United States of America		
Hotels and golf course	HVS	Members of the Appraisal Institute, United States of America

10. Interest in associates (HK$m)

	As at 30 June 2014	As at 31 December 2013
Share of net assets and loans to an associate *	**927**	822

* *As at 30 June 2014, shareholder's loans totalling HK$935 million (EUR88.4 million)(31 December 2013: HK$822 million (EUR76.8 million)) were advanced to an associate. The loans are denominated in Euros, unsecured, bear interest at rates related to the rates published by the French tax authorities and are carried at their estimated recoverable amounts. EUR45.6 million (31 December 2013: EUR34.0 million) of the loans is repayable in or before December 2020 while the remaining balance of the loans is repayable in April 2017.*

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

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	EUR 12,500	20%	Investment holding
Majestic EURL (“Majestic”)	Incorporated	France	EUR 80,000,000	20%	Hotel investment and investment holding
Le 19 Avenue Kléber	Incorporated	France	EUR 100,000	20%	Hotel operation
The Belvedere Hotel Partnership (“BHP”) #	Partnership	United States of America	US$43.5 million	20%	Hotel investment

* *The Group’s effective interest is held indirectly by the Company.*
** *Al Maha holds a 100% direct interest in Majestic which in turn owns The Peninsula Paris.*
\# *BHP holds 100% interest in The Peninsula Beverly Hills.*

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

	As at 30 June 2014	As at 31 December 2013
Share of net assets	**494**	524
Loan to a joint venture *(note 11(b))*	**521**	521
	1,015	1,045

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

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

* *The Group’s interest in TPS is held indirectly by the Company. TPS holds a 100% direct interest in Evermore Gain Limited (“EGL”), a company incorporated in Hong Kong in 2007, which in turn holds a 100% direct interest in The Peninsula Shanghai Waitan Hotel Company Limited (“PSW”). PSW is a wholly owned foreign enterprise incorporated in the People’s Republic of China and is engaged in the development and operation of the hotel, apartments, retail arcade and ancillary facilities of The Peninsula Shanghai. At 30 June 2014, the paid up capital of EGL and PSW amounted to HK$1 (31 December 2013: HK$1) and US$117,500,000 (31 December 2013: US$117,500,000) respectively.*

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

(b) The loan to the joint venture is denominated in US dollars, unsecured, interest free and has no fixed repayment terms. It is neither past due nor impaired. As at 30 June 2014, the loan to the joint venture amounted to US$66.9 million (HK$521 million) (31 December 2013: US$66.9 million (HK$521 million)), of which US$58.8 million (HK$458 million) (31 December 2013: US$58.8 million (HK$458 million)) was contributed as capital of PSW described in note 11(a) above.

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

	As at 30 June 2014	As at 31 December 2013
Non-current assets	**5,062**	5,201
Current assets	**1,238**	1,189
Current liabilities	**(1,083)**	(955)
Non-current liabilities	**(4,230)**	(4,388)
Net assets	**987**	1,047

	For the six months ended 30 June **2014**	2013
Income	**671**	261
Operating expenses	**(574)**	(224)
EBITDA	**97**	37
Depreciation	**(52)**	(50)
Net financing charges	**(90)**	(98)
Loss before non-operating items	**(45)**	(111)
Increase in fair value of investment properties	**52**	-
Deferred tax	**(16)**	(8)
Loss for the period	**(9)**	(119)

(d) During 2012, PSW entered into a 15-year RMB2,500 million term loan agreement with an independent financial institution to refinance its maturing facilities. As at 30 June 2014, the loan drawn down amounted to RMB2,159 million (HK$2,691 million) (31 December 2013: RMB2,209 million (HK$2,825 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 RMB4,435 million (HK$5,528 million) (31 December 2013: RMB4,776 million (HK$6,108 million)).

12. Hotel operating rights

Hotel operating rights represent the cost attributable to securing the Group's rights to operate The Peninsula Beverly Hills and The Peninsula Paris ("PPR"). The operating right in respect of for PPR will be amortised from the date of commencement of hotel operation.

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

13. Derivative financial instruments (HK$m)

	As at 30 June 2014		As at 31 December 2013	
	Assets	**Liabilities**	Assets	Liabilities
Cash flow hedges:				
Interest rate swaps	**-**	**(46)**	8	(35)
Less: Portion to be settled within one year	**-**	**-**	-	(13)
Portion to be (settled)/recovered after one year	**-**	**(46)**	8	(22)

14. Trade and other receivables (HK$m)

	As at 30 June 2014	As at 31 December 2013
Trade debtors	**236**	242
Rental deposits, payments in advance and other receivables	**345**	328
Prepaid tax	**5**	5
	586	575

The amount of the Group's trade and other receivables expected to be recovered or recognised as expenses after more than one year is HK$101 million (31 December 2013: HK$133 million). All the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

The Directors consider that the carrying amounts of all trade and other receivables approximate their fair value.

The Group has no concentrations of credit risk in view of its large number of customers. The Group maintains a defined credit policy to ensure that credit is given only to customers with an appropriate credit history. In respect of the Group's rental income from operating leases, rentals are normally received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. As such, the Group normally does not obtain collateral from its customers.

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

The ageing analysis of trade debtors is as follows:

	As at 30 June 2014	As at 31 December 2013
Current	**185**	196
Less than one month past due	**41**	32
One to three months past due	**7**	12
More than three months but less than 12 months past due	**3**	2
Amounts past due	**51**	46
	236	242

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

No impairment is considered necessary for any of the trade debtors including those that are past due as they relate to a wide range of independent customers that have a good track record with the Group, with no recent history of default and are considered by the management to be fully recoverable.

15. Trade and other payables (HK$m)

	As at 30 June 2014	As at 31 December 2013
Trade creditors	**111**	140
Interest payable	**7**	6
Accruals for fixed assets	**60**	103
Tenants' deposits	**369**	357
Guest deposits	**154**	110
Golf membership deposits	**103**	102
Other payables	**590**	633
Financial liabilities measured at amortised cost	**1,394**	1,451
Less: Non-current portion of trade and other payables	**(272)**	(276)
Current portion of trade and other payables	**1,122**	1,175

The amount of trade and other payables of the Group expected to be settled or recognised as income after more than one year is HK$391 million (31 December 2013: HK$369 million). All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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

The ageing analysis of trade creditors is as follows:

	As at 30 June 2014	As at 31 December 2013
Less than three months	**109**	138
Three to six months	**2**	1
More than six months	**-**	1
	111	140

16. Interest-bearing borrowings (HK$m)

	As at 30 June 2014	As at 31 December 2013
Total facilities available:		
Term loans and revolving credits	**6,595**	6,535
Uncommitted facilities, including bank overdrafts	**279**	276
	6,874	6,811
Utilised:		
Term loans and revolving credits	**5,918**	5,519
Uncommitted facilities, including bank overdrafts	**13**	18
	5,931	5,537
Less: Unamortised financing charges	**(44)**	(51)
	5,887	5,486
Represented by:		
Short-term bank loans, repayable within one year or on demand	**1,112**	532
Bank overdrafts, repayable on demand	**13**	18
	1,125	550
Long-term bank loans, repayable:		
Between one and two years	**204**	951
Between two and five years	**4,449**	4,036
Over five years	**153**	-
	4,806	4,987
Less: Unamortised financing charges	**(44)**	(51)
Non-current portion of long-term bank loans	**4,762**	4,936
Total interest-bearing borrowings	**5,887**	5,486

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

17. Share capital and other statutory capital reserves

(a) Share capital and other statutory capital reserves

As at 31 December 2013, 1,800 million ordinary shares, with par value of HK$0.5 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which became effective on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the Company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

	At 30 June 2014		At 31 December 2013	
	No. of shares (million shares)	HK$m	No. of shares (million shares)	HK$m
Ordinary shares, issued and fully paid				
As at 1 January	**1,502**	**751**	1,502	751
Shares issued under scrip dividend scheme	**11**	**120**	-	-
Transition to no-par value regime on 3 March 2014 (note b)	**-**	**3,623**	-	-
At 30 June 2014/31 December 2013	**1,513**	**4,494**	1,502	751
Share premium		**-**		3,610
Capital redemption reserve		**-**		13
		-		3,623
Share capital and other statutory capital reserves		**4,494**		4,374

During the six months ended 30 June 2014, the Company issued and allotted approximately 10.7 million new ordinary shares at HK$11.188 per share in respect of the 2013 final scrip dividend. The new shares issued have resulted in an increase in fully paid share capital of approximately HK$120 million. All ordinary shares issued during the period rank pari passu in all respects with the then 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. The Group did not issue any new shares during the six months ended 30 June 2013.

17. Share capital and other statutory capital reserves *continued*

(b) Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

18. Fair values measurement of financial instruments (HK$m)

(a) Financial instruments carried at fair value

HKFRS 13, *Fair value measurement* requires disclosure of the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

All derivative financial instruments carried at fair value are categorised as falling under Level 2 of the fair value hierarchy.

(b) Fair values of financial instruments carried at other than fair value

Financial instruments are carried at amounts not materially different from their fair values as at 30 June 2014. The loans to an associate (note 10) are at floating interest rates and the carrying amount of these loans approximate their fair value. The loan to a joint venture (note 11(b)) is unsecured, interest free and has no fixed repayment terms. Given these terms, it is not meaningful to disclose its fair value. The Group has no intention of disposing of the loans to an associate and a joint venture.

19. Commitments (HK$m)

Capital commitments outstanding at 30 June 2014 not provided for in the Interim Financial Report were as follows:

	As at 30 June 2014			As at 31 December 2013		
	Contracted for	Authorised but not contracted for	Total	Contracted for	Authorised but not contracted for	Total
Capital commitments						
Major renovation/ development projects						
The Peninsula Beijing	**59**	**1,050**	**1,109**	-	1,138	1,138
The Peninsula Yangon	**-**	**840**	**840**	-	-	-
The Peninsula Chicago	**2**	**150**	**152**	-	164	164
Quail Lodge & Golf Club	**5**	**65**	**70**	3	69	72
Others	**77**	**610**	**687**	81	591	672
	143	**2,715**	**2,858**	84	1,962	2,046
The Group's share of capital commitments of						
- a joint venture	**1**	**7**	**8**	-	9	9
- associates	**12**	**40**	**52**	86	124	210

20. Material related party transactions

There were no material related party transactions during the six months ended 30 June 2014, other than the nature of those as disclosed in the Group’s annual financial statements for the year ended 31 December 2013.

OTHER CORPORATE INFORMATION

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

The Sustainability Review and Data Statements (the "Sustainability Report") in the 2013 Annual Report discuss in detail specific environmental and social issues that contribute to the sustainable development of the Group, and report on the Group's corporate responsibility and sustainability performance. The Sustainability Report is in accordance with the G4 Sustainability Reporting Guidelines of Global Reporting Initiative ("GRI") at Core disclosure level and accredited by GRI in Materiality Matters check.

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 period.

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

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

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

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

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

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

Interim Dividend

The Board of Directors has resolved to declare an interim dividend of 5 HK cents per share (2013: 4 HK cents per share) for the six months ended 30 June 2014. The interim dividend will be payable on 31 October 2014 to shareholders whose names appear on the register of members of the Company on 24 September 2014.

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

A circular containing details of this scrip dividend scheme will be dispatched to shareholders together with an election form for the scrip dividend on 30 September 2014.

Closure of Register of Members

The register of members of the Company will be closed from 22 September 2014 to 24 September 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to receive the interim dividend, shareholders must ensure that all transfer documents accompanied by the relevant share certificates are lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 19 September 2014.

Interim Report

The Interim Report of the Company will be dispatched to the shareholders as well as published on the websites of the Company and the Stock Exchange on or about 10 September 2014.

By Order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 20 August 2014

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

Non-Executive Chairman
The Hon. Sir Michael Kadoorie

Non-Executive Deputy Chairman
Andrew Clifford Winawer Brandler

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

Chief Operating Officer
Peter Camille Borer

Chief Financial Officer
Alan Philip Clark

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

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