

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## 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

### 2016 Annual Results

## HIGHLIGHTS

### Key financial results

- Revenue and EBITDA amounted to HK\$5,631 million (2015: HK\$5,741 million) and HK\$1,288 million (2015: HK\$1,440 million) respectively
- Underlying profit attributable to shareholders amounted to HK\$606 million (2015: HK\$688 million). The earnings of the Company were affected by the partial closure of The Peninsula Beijing for its extensive renovation project
- Profit attributable to shareholders amounted to HK\$675 million (2015: HK\$1,000 million), inclusive of net property revaluation gain of HK\$29 million (2015: HK\$277 million)
- Earnings per share and underlying earnings per share of HK\$0.43 (2015: HK\$0.65) and HK\$0.39 (2015: HK\$0.45) respectively
- Final dividend of 15 HK cents per share (2015: 15 HK cents per share), making a total dividend of 19 HK cents per share for 2016 (2015: 20 HK cents per share)
- Shareholders' funds as at 31 December 2016 amounted to HK\$36,359 million (2015: HK\$36,427 million) or HK\$23.20 per share (2015: HK\$23.61 per share)

### Key developments

- In September 2016, we acquired the 50% remaining leasehold interest in The Peninsula London project from Grosvenor. This restructure will result in our Group having full control over the development, management and future operations of The Peninsula London, as well as be entitled to 100% of the proceeds from the future sales of the residential units in the project and the profits of the hotel. We are excited to move forward with this project given the importance of London as a business and tourism destination. Completion is expected in 2021
- Construction has started on the site of The Peninsula Istanbul and all of the conditions in the shareholders' agreement were met. Completion is expected in 2019
- For The Peninsula Yangon, the assignment and extension of the master lease and the approval of the Myanmar Investment Commission were obtained and the groundbreaking ceremony was held in February 2017. Completion is expected in 2021
- The Peninsula Beijing has completed the first phase of its renovation in August 2016 and the full inventory of 230 renovated rooms will be in operation by mid-2017. This extensive renovation has resulted in a doubling of the average room size, reducing the number of keys from 525 to 230, with a much higher average room rate being achieved
- The Peninsula Chicago completed its rooms renovation in April 2016, placing it at the top of the city in RevPAR for 2016

## FINANCIAL HIGHLIGHTS

|  | 2016    | 2015   | Increase/ (Decrease) |
|--|---------|--------|----------------------|
| <b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b> (HK\$m)      |         |        |                      |
| Revenue  | 5,631   | 5,741  | (2%)                 |
| EBITDA   | 1,288   | 1,440  | (11%)                |
| Operating profit   | 824     | 1,014  | (19%)                |
| Profit attributable to shareholders                          | 675     | 1,000  | (33%)                |
| Underlying profit attributable to shareholders *             | 606     | 688    | (12%)                |
| Dividends  | 297     | 308    | (4%)                 |
| Earnings per share (HK\$)                                    | 0.43    | 0.65   | (34%)                |
| Underlying earnings per share (HK\$) *                       | 0.39    | 0.45   | (13%)                |
| Dividends per share (HK cents)                               | 19      | 20     | (5%)                 |
| Dividend cover (times) **                                    | 2.0x    | 2.2x   | (9%)                 |
| Interest cover (times)                                       | 8.6x    | 14.9x  | (42%)                |
| Weighted average gross interest rate                         | 2.1%    | 2.2%   | (0.1pp)              |
| <b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b> (HK\$m)  |         |        |                      |
| Total assets   | 45,870  | 45,089 | 2%                   |
| Audited net assets attributable to shareholders              | 36,359  | 36,427 | -                    |
| Adjusted net assets attributable to shareholders #           | 39,711  | 39,627 | -                    |
| Audited net assets per share (HK\$)                          | 23.20   | 23.61  | (2%)                 |
| Adjusted net assets per share (HK\$) #                       | 25.34   | 25.68  | (1%)                 |
| Net borrowings   | 4,911   | 3,273  | 50%                  |
| Funds from operations to net debt ##                         | 22%     | 35%    | (13pp)               |
| Net debt to EBITDA (times)                                   | 3.8x    | 2.3x   | 65%                  |
| Net debt to equity attributable to shareholders              | 14%     | 9%     | 5pp                  |
| Gearing  | 12%     | 8%     | 4pp                  |
| <b>CONSOLIDATED STATEMENT OF CASH FLOWS</b> (HK\$m)          |         |        |                      |
| Net cash generated from operating activities before taxation | 1,312   | 1,444  | (9%)                 |
| Capital expenditure on existing assets                       |         |        |                      |
| - The Peninsula Beijing and The Peninsula Chicago            | (686)   | (195)  | 252%                 |
| - Others   | (314)   | (281)  | 12%                  |
| Capital expenditure on new projects/new acquisitions         | (1,419) | (916)  | 55%                  |
| <b>SHARE INFORMATION</b> (HK\$)                              |         |        |                      |
| Highest share price  | 9.49    | 12.20  | (22%)                |
| Lowest share price   | 7.15    | 8.00   | (11%)                |
| Year end closing share price                                 | 8.60    | 8.64   | -                    |

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

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

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

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

pp Denotes percentage points

## CEO's STRATEGIC REVIEW

I am proud to share that The Hongkong and Shanghai Hotels celebrated its 150<sup>th</sup> anniversary in 2016. Over many decades, our company has focused its business philosophy on the provision of luxury hospitality, giving people an experience that they treasure and enjoy, and not only to meet but to exceed our guests' expectations. This is the essence of our brand and reputation and has helped us weather many ups and downs over our long history. Our company remains well placed for the future, with The Peninsula brand enjoying recognition as one of the leading luxury city hotel brands in the world. We have a valuable portfolio of quality hotel and other assets located in some of the most exceptional locations in leading cities around the world.

While we always look at the long-term strategy and future of our business, 2016 proved to be a year of considerable global economic, political and security uncertainties. The "Brexit" vote, the US presidential elections, mixed economic performance in many of the countries in which we operate and continued terrorist incidents and threats all pose uncertainties to our business. In addition, sentiment in our main market of Hong Kong was negative towards tourism and retail business for much of 2016 although we believe we have seen some stabilisation since.

Given the circumstances in which we were operating, we believe our 2016 financial results for the Group were satisfactory. While operating profit and underlying profit attributable to shareholders declined compared to the same period last year, the bulk of this decrease was due to the earnings disruption arising from the partial closure of The Peninsula Beijing for the extensive renovation project being undertaken at that hotel, as we had reported and forewarned in our 2015 Annual Report. Excluding the results of The Peninsula Beijing, which was under renovation for the year, the underlying profit of the Group in 2016 would have remained flat, which we consider to be a creditable result in the light of the market circumstances described above.

2016 was a year that saw increasing consolidation and commoditisation in the hotel market globally, meaning that our Group is becoming increasingly unique as an owner-operator amongst the top international luxury brands. One of the benefits of being an owner-operator is that we can have more control over our assets and the timing of our investments. The Group has invested heavily in raising the standards of our existing hotel assets. This was our key strategy during 2016, with significant renovations at The Peninsula Chicago and The Peninsula Beijing and a new Grand "Fifth Avenue" Suite in New York.

With the renovation of The Peninsula Beijing being completed in the first half of 2017, our current programme of renovations on existing hotels has largely been completed and our focus for the next few years will be on the successful delivery and completion of our new hotel developments underway in London, Istanbul and Yangon.

Significant progress has been made on each of these projects during the year. For The Peninsula London which is our largest project under development, we have restructured our partnership with Grosvenor whereby as of 30 September 2016, HSH has increased its interest to 100% of the leasehold interest, following which we have taken over full control and responsibility for the development and management of the project. For The Peninsula Istanbul project, the shareholders' agreement that was signed with our Turkish partners in July 2015 became unconditional with the granting of satisfactory planning approvals from 30 December 2016. Good progress is being made and construction has been underway since June 2016. For The Peninsula Yangon project, the assignment and extension of the master lease and the approval of the Myanmar Investment Commission were obtained after an extended period of application, following which the groundbreaking ceremony was held on 16 February 2017.

A detailed review of our business performance is illustrated on the next page.

## BUSINESS PERFORMANCE

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

### Hotels Division

| Hotels                         | Revenue | Variance |                   |
|--------------------------------|---------|----------|-------------------|
|                                | HK\$m   | In HK\$  | In Local Currency |
| <b>Consolidated hotels</b>     |         |          |                   |
| The Peninsula Hong Kong        | 1,295   | -4%      | -4%               |
| The Peninsula Beijing          | 137     | -50%     | -47%              |
| The Peninsula New York         | 695     | 7%       | 7%                |
| The Peninsula Chicago          | 545     | 12%      | 12%               |
| The Peninsula Tokyo            | 802     | 13%      | 2%                |
| The Peninsula Bangkok          | 235     | 9%       | 12%               |
| The Peninsula Manila           | 257     | -10%     | -6%               |
| <b>Non-consolidated hotels</b> |         |          |                   |
| The Peninsula Shanghai         | 598*    | 1%       | 7%                |
| The Peninsula Beverly Hills    | 619     | 10%      | 10%               |
| The Peninsula Paris            | 481     | -10%     | -10%              |

\* Excluding proceeds from sale of apartments

### The Peninsula Hong Kong

| The Peninsula Hong Kong |            |      |
|-------------------------|------------|------|
| Revenue                 | HK\$1,295m | -4%  |
| Occupancy               |            | -1pp |
| Average Room Rate       |            | +2%  |
| RevPAR                  |            | +0%  |

The tourism market in Hong Kong was challenging in the beginning of the year, although the situation improved in the second half of 2016. Overnight visitor arrivals from non-mainland China markets increased more than 5% year-on-year, although total overnight arrivals declined. We remain optimistic that Hong Kong will continue to be an attractive destination for travellers and we are committed to working with industry peers and government departments to support new ideas and initiatives for Hong Kong's tourism industry.

As the flagship property of the Group, we were delighted to receive the accolade of “Best Hotel in the World for Service” from the readers of *Conde Nast Traveller UK* for **The Peninsula Hong Kong** in September 2016, as well as “Best Business Hotel in Asia Pacific” from *Business Traveller*. An enduring bastion of the Hong Kong dining scene, The Peninsula Hong Kong's Cantonese restaurant *Spring Moon* received a Michelin star in December 2016. These awards are a testament to our long-serving team of colleagues who combine the spirit of integrity, passion and commitment to provide the best experiences for our guests.

During the year, hotel occupancy declined slightly although we were able to maintain our position in terms of market share and an improved average room rate. We continued to have a well-balanced customer base with diverse market segmentation and we have placed a stronger focus on marketing efforts targeting corporate business and groups to strengthen both occupancy and rates.

The Peninsula Office Tower continues to perform well and was fully let throughout 2016, and the immediate outlook is stable. In spite of this, we are sensitive to the pressure on our tenants in The Peninsula Arcade as a result of the city-wide downturn facing the luxury retail market in Hong Kong. Many of our loyal tenants have been with us for decades, and we believe the long-term relationships we enjoy with them, coupled with our ability to offer access to Peninsula Hotel guests, will help to support their business needs. We are proactively working with our key retail tenants to establish marketing collaborations and promotional opportunities to support their business development efforts, such as the successful marketing campaign, “Legendary Artisans”, which took place in the summer to promote the Arcade’s tenants, showcasing exclusive collection launches and culinary collaborations such as the Tiffany-inspired “New York Spirit” Afternoon Tea.

In March 2016, the hotel’s three-year collaboration with Britain’s Royal Academy of Arts, “Love Art at The Peninsula”, continued with the launch of a robotic sculptural installation entitled “The Ada Project” by British conceptual artist Conrad Shawcross RA, which generated extensive press coverage and standout reviews from the international art community during Art Basel HK, which has become a highly successful event for the city.

On 25 November 2016, the Group celebrated its 150<sup>th</sup> anniversary with a spectacular Gala party for around 2,000 VIP guests and media including a group of 20 VIP travel editors from around the world, which generated significant valuable coverage for Hong Kong and our hotel.

As part of the ongoing implementation of the Sustainable Luxury Vision 2020, the hotel continued to support the “Honing Skills for Hospitality” programme for selected secondary students studying hospitality from the ethnic minority community in Hong Kong, which included a five-week internship programme and an opportunity to learn about the hospitality industry.

### The Peninsula Shanghai

| The Peninsula Shanghai           |                    |      |
|----------------------------------|--------------------|------|
| Revenue                          | RMB512m (HK\$598m) | +7%  |
| Occupancy                        |                    | +0pp |
| Average Room Rate                |                    | +6%  |
| RevPAR                           |                    | +7%  |
| Proceeds from sale of apartments | RMB196m (HK\$229m) |      |

**The Peninsula Shanghai** reported a solid 2016 with increased average room rates and RevPAR. The hotel remains the market leader in RevPAR in the city and we were delighted to receive the accolade of Number 1 in Best City Hotels in Asia by *Travel + Leisure* magazine. We are pleased to report that *Yi Long Court* received two Michelin stars and *Sir Elly’s* one Michelin star, becoming the only establishment in China with two in-house restaurants to have Michelin stars. We have been recognised by the Chinese government as an “official” destination for high level state visits and government delegations.

The Shanghai market reported a 7% increase in visitor arrivals during the year, driven by the opening of the new Shanghai Disneyland in June 2016 which encouraged larger numbers of domestic travellers to visit the city. Competition was intense with hotels striving for market share at the expense of average room rates, and the fact we have been able to grow rates in this environment is a testament to the quality of our product and our exceptional service levels.

The domestic market remained strong and we are also seeing growth in guests from The Middle East. We are working on strategies to drive more direct internet bookings and interaction with our guests in popular online channels such as Ctrip and Booking.com.

The Peninsula Arcade was fully occupied, and we are working with our tenants on renewed rental contracts to secure long-term partnerships. The Arcade participated in the “Legendary Artisans” marketing campaign to promote our retail tenants which was also held in Hong Kong and Beijing.

The Peninsula Shanghai continues to embrace the Chinese government’s efforts to promote low-emissions energy and environmental conservation. The Peninsula Shanghai sponsored China’s Techeetah Formula E racing team, which competed for the first time at the 2016 Hong Kong ePrix in October 2016, with the aim of encouraging sustainable driving in China and worldwide. The Peninsula Shanghai continued to promote wellness and fitness for employees during 2016 and staff had the pleasure of meeting Chen Penbin, China’s first international ultra-marathon champion and Fitness Ambassador for The Peninsula Shanghai, who delivered a motivational speech at the opening of the new staff gym.

Our Group’s developmental strategy includes the development of residential properties for lease and sale in certain key markets. Four sales of apartments at The Peninsula Shanghai Residences were recognised in 2016 with total proceeds of HK\$229 million, leasing another 20 apartments.

### The Peninsula Beijing

| The Peninsula Beijing |                    |       |
|-----------------------|--------------------|-------|
| Revenue               | RMB118m (HK\$137m) | -47%  |
| Room revenue          | RMB14m (HK\$16m)   | -79%  |
| Available Rooms       |                    | -60%  |
| Occupancy             |                    | -40pp |
| Average Room Rate     |                    | +29%  |
| RevPAR                |                    | -47%  |

**The Peninsula Beijing** is well advanced in its extensive renovation, with the first phase of public areas finalised in August 2016 and the second phase of rooms to be completed in mid-2017. The previous 525 rooms of the hotel are being combined to create 230 elegant new rooms and suites which are the largest in Beijing and among the most spacious luxury hotel rooms in the country. At a press conference held in June 2016, we unveiled spectacular new public spaces including the Lobby and newly revamped restaurants, *Huang Ting* and *Jing*. The latter introduced a new “farm to table” dining concept and a 70% organic, sustainable menu, which is a unique feature in the Chinese mainland.

The renovation was inspired by the Imperial architecture of ancient China and we have combined our traditional Peninsula hospitality with the best of Chinese tradition, culture and artisanship and contemporary standards of luxury, including our up-to-date modern technology. Occupancy and average rates were significantly impacted by the renovation. However, we have already seen that the renovated rooms are able to achieve a much higher average rate. The feedback from guests and media on the first phase of the renovation has been positive and we believe this investment will place The Peninsula Beijing at the top of the highly competitive Beijing market. The Peninsula Arcade reported a stable performance despite the disruption during the renovation, and tenant interest remains strong.

As part of our extensive renovation at The Peninsula Beijing, sustainable guidelines such as the Building Research Establishment Environmental Assessment Method (BREEAM) were incorporated since the beginning of project planning, with certification targeted in 2017. This included the implementation of energy efficient LEDs, sustainably sourced wood for most of the wood work and furniture, as well as avoiding harmful glues, paints, wall coverings and carpeting. This is an example of our Vision 2020 commitment in action.

While offering a high quality guest experience, we feel it is equally important to provide a comfortable and healthy back of house environment for our staff. One of the key elements of the renovation at The Peninsula Beijing was to design the best “Back of House” area for our employees in Beijing, with nutritious menus and entertainment in the staff restaurant. We also decided not to implement lay-offs

during the renovation and instead focused on developing and training our staff with cross-exposure programmes to other hotels and increased learning and development programmes.

## The Peninsula Tokyo

| The Peninsula Tokyo |                      |      |
|---------------------|----------------------|------|
| Revenue             | JPY11.28b (HK\$802m) | +2%  |
| Occupancy           |                      | -5pp |
| Average Room Rate   |                      | +13% |
| RevPAR              |                      | +6%  |

Tourist arrivals in Tokyo exceeded 20 million in 2016 and are expected to expand to 40 million by 2020 for the Olympics. Against this fast-growing and dynamic backdrop, **The Peninsula Tokyo** had a strong year with the hotel reporting an increase of 13% in average room rates – the highest ever in its ten-year history, and a corresponding increase in RevPAR. We reported a slightly lower occupancy rate due to the strategy to drive average room rate, but the overall outcome was that we achieved the highest revenue for the hotel since its opening.

Across the city, Tokyo recorded softer demand from international markets, particularly corporate business, due to the strengthening yen. Although there were no major new hotel openings in the city, the growth of restaurants within the local area resulted in a slightly lower food and beverage revenue. Weddings still remain as our largest non-rooms revenue contributor and we anticipate the weddings market will be stronger in 2017 than last year.

The Spa performance was robust in the second half with revenue driven by an innovative new treatment line, “Pedi:Mani:Cure Studio” by French podiatrist Bastien Gonzalez, which includes a proprietary line of cures and formulas offered in Japan for the first time and which can be experienced only at The Peninsula Spa.

Maintaining an appropriate work-life balance is currently a hot topic in modern Japanese society. This made frequent headlines in the local and international press, and as a result the government is seeking to address this by promoting a “Premium Friday” scheme where workers can leave early on the last Friday of each month, with the aim of improving the work-life balance of employees. The Peninsula Tokyo is adhering to this scheme and we are also in discussions to instigate an “email-free day” for our hotel employees.

All classic tea, chocolate and coffee served in The Peninsula Tokyo are from certified sustainable sources. The hotel partnered with “Clean the World” to recycle its used soap bars to promote cleanliness in needy communities.

In celebration of our tenth anniversary in 2017, The Peninsula Tokyo also announced its sponsorship of “The Peninsula Tokyo Rally Nippon 2017 – A Peninsula Signature Event” which is scheduled to take place 21-24 October 2017.

## The Peninsula Bangkok

| The Peninsula Bangkok |                      |      |
|-----------------------|----------------------|------|
| Revenue               | THB1,070m (HK\$235m) | +12% |
| Occupancy             |                      | +7pp |
| Average Room Rate     |                      | +1%  |
| RevPAR                |                      | +12% |

**The Peninsula Bangkok** had a solid year in 2016 with a reasonable recovery after the political upheaval of 2014, although the passing away of His Majesty King Bhumibol Adulyadej of Thailand in October 2016 had an impact on our business. The country entered a period of mourning for one year starting from October 2016 which led to the cancellation of corporate events and banquets. MICE business (Meetings, Incentives, Conferences and Exhibitions) remained soft for the year. Visitor arrivals improved significantly from the US, Chinese mainland and from around the Asian region, especially Japan and South Korea. We aim to increase group and corporate business and offer special packages to encourage groups to return to Thailand and this has been facilitated by the Thai Government's waiving of visa-on-arrival costs for tourists from 18 countries including China.

Although the traditional "Peninsula in Pink" charitable activities had to be scaled down due to the sad passing away of His Majesty King Bhumibol Adulyadej in October 2016, the hotel continued to organise charitable events such as a sponsored run to the top of The Peninsula Bangkok's 36-storey building to raise funds for underprivileged students' education. The Peninsula Academy programme was enhanced to include sustainability elements related to local Thai nature conservation; for example, guests can participate in a tour of Thailand's first urban Nature Education Centre, Bang Pu, guided by award-winning naturalists.

We expect the outlook for 2017 to remain soft until the official mourning period ends in October 2017.

## The Peninsula Manila

| The Peninsula Manila |                      |      |
|----------------------|----------------------|------|
| Revenue              | Php1,571m (HK\$257m) | -6%  |
| Occupancy            |                      | -2pp |
| Average Room Rate    |                      | -4%  |
| RevPAR               |                      | -7%  |

**The Peninsula Manila** had a challenging 2016, with revenue decreasing 6% in local currency terms over the same period last year. This was partially due to a softer business environment in the first half due to uncertainty over the Philippine Presidential Elections, which took place in May 2016.

Generally, the rise of the middle class in the Philippines continues to have a positive effect on the Philippine economy, and domestic travellers now comprise the hotel's second largest group after the US. We are delighted to report that The Peninsula's global campaign for charity, "Hope for the Philippines", completed Phase 1 of the project with construction of 75 new homes for people displaced after Typhoon Yolanda in 2013. All 75 houses were turned over to their new owners in January 2016. The second and third phases of this initiative will involve an education component, as well as life-skills training for the inhabitants of the Village.

The Peninsula Manila celebrated its 40<sup>th</sup> anniversary in September 2016 with a Gala celebration honouring our partners, staff and guests who have been instrumental in building this hotel into a legendary icon of Manila's high society.



## The Peninsula New York

| The Peninsula New York |                    |      |
|------------------------|--------------------|------|
| Revenue                | US\$89m (HK\$695m) | +7%  |
| Occupancy              |                    | +6pp |
| Average Room Rate      |                    | -6%  |
| RevPAR                 |                    | +2%  |

During 2016, New York City reported significant additional supply with more than 2,400 new hotel rooms coming onto the market, many in the luxury sector. **The Peninsula New York** experienced intense competition as a result of this increased supply, but we were pleased to report a positive increase in both revenue and occupancy over the previous year, as well as a stable RevPAR positioning and good market share growth.

Government and diplomatic business such as that associated with the UN General Assembly conference in September 2016 was particularly strong. The new 250 square metre Fifth Avenue suite, created by Manhattan designers Bill Rooney Studio Inc., opened in September 2016 to cater for increased top-end demand and has been well received by guests. We introduced a new monthly series concept at *Clement* restaurant, “Kitchen Table at Clement”, hosted by Chef Remi van Peteghem, and “Jazz at Clement Bar”, which helped drive food and beverage revenue. The hotel’s rooftop bar, *Salon de Ning*, is consistently rated as one of the best bars in New York.

The Peninsula Garden on the rooftop of the hotel contributes organic herbs and fresh vegetables to our menus and the hotel’s chefs continued to place an emphasis on sourcing local sustainable seafood and fresh produce. The Peninsula New York continued to work closely with the local community and in November 2016 staff contributed to a “Refurbishment Project” at The New York Center for Children, its local charity partner.

We are optimistic for continued growth in 2017 and will continue to focus on driving corporate and diplomatic business whilst monitoring costs to drive margins.

## The Peninsula Chicago

| The Peninsula Chicago |                    |      |
|-----------------------|--------------------|------|
| Revenue               | US\$70m (HK\$545m) | +12% |
| Occupancy             |                    | +4pp |
| Average Room Rate     |                    | +7%  |
| RevPAR                |                    | +15% |

Following the completion of the renovation in April 2016, **The Peninsula Chicago** enjoyed a 15% increase in RevPAR, 12% increase in revenue and a RevPAR ranking of No. 1 for the year despite significant new supply. This was due to our renovated rooms achieving a significant increase in room rate to become rate leader in the city. Chicago is a city that is highly dependent on the convention industry and in 2016 the city experienced a significant slowdown in large-scale events, with the number of events declining 20% year-on-year. In 2016, Choose Chicago, the official tourism organisation for Chicago, announced an increased focus on attracting international visitors to the city which is usually heavily dependent on the domestic US market. Boutique hotels remain popular in Chicago and more than 2,700 new hotel rooms became available on the market in the past year.

In June 2016, we celebrated the hotel’s 15<sup>th</sup> anniversary with an elegant gala event for our VIP guests and media, and the hotel invited several groups of international media from China, Australia and Germany to experience its newly renovated rooms which generated positive reviews.

The contemporary design of the renovated guestrooms drew inspiration from the hotel’s French Deco public spaces, as well as Lake Michigan and the Chicago River, and also introduced the Peninsula’s proprietary advanced guestroom technology to the United States. Two new service initiatives were introduced to Chicago – 24-hour check-in for web bookings and "Keys to the City," which provides guests with special access to Chicago’s art museums, top restaurants and tourist attractions. The Peninsula Chicago’s Chinese restaurant, *Shanghai Terrace*, was ranked “Best Chinese restaurant in the city” by *Zagat*, and overall the hotel’s food and beverage revenue increased by almost 10% year-on-year, as a result of increased traffic following the renovation.

As part of our group-wide strategy to connect our local communities with the art world, The Peninsula Chicago was honoured to feature a significant art exhibition entitled *Whoville* showcasing a number of renowned artists with connections to Chicago. This exhibition coincided with the annual EXPO CHICAGO, the International Exposition of Contemporary & Modern Art, in September 2016.

The Peninsula Chicago remains committed to sustainable business practices and we continued to place an emphasis on sourcing local sustainable seafood and fresh produce.

### The Peninsula Beverly Hills

| The Peninsula Beverly Hills |                    |      |
|-----------------------------|--------------------|------|
| Revenue                     | US\$79m (HK\$619m) | +10% |
| Occupancy                   |                    | +3pp |
| Average Room Rate           |                    | +2%  |
| RevPAR                      |                    | +7%  |

We were delighted that **The Peninsula Beverly Hills** was once again voted “The Best Hotel in the US” by *Global Traveler* magazine in 2016. The Peninsula Beverly Hills remains the only AAA Five Diamond and Forbes Five Star-rated hotel in Southern California, an accolade it has achieved every year since 1993.

The hotel enjoyed a positive 2016 with steady market growth and increased occupancy over the previous year. The hotel remained number one in RevPAR within its competitive set. Revenue increased by 10% as a result of implementing a relentless approach to revenue maximisation, with a focus on attracting long-term guests and selling suites. The newly renovated *Belvedere* restaurant opened in January 2016 and has achieved positive reviews and feedback from guests, and its new outdoor terrace area created a beautiful additional space for private parties, contributing to growth in revenue.

The Middle East and Australian markets remained particularly strong and the UK market held up despite the decline in the sterling currency.

We continued to pioneer new sustainability initiatives, including an innovative “waterless carwash” staffed by employees with special needs. We co-sponsored events with our local charity partner “A Place called Home” which provides a safe environment for underprivileged children in the LA community. In June 2016, we launched a new Peninsula Academy LA-themed experience for children, “Red Carpet Kids”, in line with our strategy of attracting more family travellers.

## The Peninsula Paris

| The Peninsula Paris |                   |      |
|---------------------|-------------------|------|
| Revenue             | EUR56m (HK\$481m) | -10% |
| Occupancy           |                   | -5pp |
| Average Room Rate   |                   | -10% |
| RevPAR              |                   | -18% |

The Paris market is recovering slowly following the major terrorist attacks in Paris in 2015 and Nice in 2016. The tragic attacks on Brussels airport in March 2016 and Berlin city centre in December 2016 also had an impact on travellers coming to France. Paris was also negatively affected by flooding of the Seine in June 2016 and the city has a long way to go to return to the high occupancy levels of pre-2014. We are optimistic that Paris, one of the world's most beautiful cities, remains an attractive destination for business and leisure and we are confident of a recovery in the medium term.

The hotel continues to garner a high level of acclaim from guests, media and the industry after its spectacular Grand Opening in 2015. Despite the challenging environment in 2016, we were pleased to achieve the highly sought-after "Palace" rating for **The Peninsula Paris**, bestowed by the French Tourism Development Agency, ATOUT France, to reward the hotel excellence in "promoting the French way of life on the international stage". We also achieved a Forbes Five-star ranking during the year. We were delighted to be the selected partner for the highly prestigious event "le Bal", the traditional annual debutantes' ball, which was held in November 2016.

*La Terrasse Kléber* and *L'Oiseau Blanc* rooftop terrace have become established as popular venues for the local Parisian nightlife scene as well as for overseas visitors, particularly in the summer months when Paris enjoys a social buzz. During 2016 our key markets were Saudi Arabia, US and France domestic visitors, with increasing brand recognition in the Middle East as a result of our partnership with Katara Hospitality.

Private accommodation online aggregators are particularly popular in Europe and Paris, which is indirectly creating a new level of competition for French hoteliers even at the high end. We recognise that visitors to France desire an authentic, glamorous Parisian experience; to enhance our guests' experience of the city beyond the hotel, we have developed a variety of bespoke Peninsula Academy experiences with a unique Parisian flair. These include a private exclusive tour of haute couture design boutiques in Paris and a trip by choice of helicopter, Rolls-Royce Phantom or BMW to the heart of the Champagne region and the House of Deutz, producer of one of the world's finest champagnes and partner to The Peninsula Hotels worldwide.

The hotel uses nearly all of its paper from certified sustainably managed forests and continues to procure most of its seafood and fresh produce locally.

## Commercial Properties Division

| Commercial Properties   | Revenue | Variance |                   |
|-------------------------|---------|----------|-------------------|
|                         | HK\$m   | In HK\$  | In Local Currency |
| The Repulse Bay Complex | 615     | -2%      | -2%               |
| The Peak Tower          | 183     | +2%      | +2%               |
| St. John's Building     | 52      | -4%      | -4%               |
| The Landmark            | 38      | +0%      | +3%               |
| 1-5 Grosvenor Place     | 34      | -3%      | +14%              |

Revenue at our largest investment property, **The Repulse Bay Complex**, reported a slight decline compared with the same period last year. However, we consider these operating results to be satisfactory in the light of softer demand in Hong Kong, where the luxury residential leasing market is experiencing a downward trend, multinational companies are cutting housing allowances and more expatriates are being transferred to local packages. The majority of our tenants come from Europe, US and the Chinese mainland and we expect to see demand from these markets continuing to grow.

The Repulse Bay Shopping Arcade, which offers an eclectic blend of boutique and lifestyle amenities, was fully occupied for most of the year, with tenants recognising the value of the spectacular location and benefiting from robust traffic at weekends as city residents flocked to the south side to escape the city. Food and beverage revenue was slightly down over the same period last year and we implemented new promotional campaigns such as “Jazz on the Lawn” and themed wine evenings at *The Verandah*. A new website was launched at the end of 2016 to better promote the property and its restaurants. The Repulse Bay offers a beautiful location for weddings overlooking the ocean and our weddings and banqueting business remained stable in 2016.

As part of the Group's 150<sup>th</sup> anniversary celebrations, we held a large-scale two-day charity event for more than 1,000 underprivileged and special needs children, working with some 80 partner charities to bring children to The Repulse Bay for a fun day out with a Christmas Carnival theme.

**The Peak Tower** was fully leased for most of the year in 2016 and revenue remained stable, with new rental agreements signed for two additional restaurant tenants in the first half. The Peak Tower generates most of its revenue from commercial leasing, with additional revenue coming from admission fees to the open-air rooftop attraction of Sky Terrace 428 with its panoramic views of Hong Kong. Visitor numbers to Sky Terrace 428 reached record levels with 8% higher revenue than 2015, thanks to increased sales of “combo tickets” with the Peak Tram. We are working with our tenants to promote traffic and have created new marketing campaigns and innovative photography areas free of charge.

As part of our community responsibility efforts and to commemorate the Group's 150<sup>th</sup> anniversary The Peak Complex gave out 150 umbrellas to homeless people in Hong Kong, and promoted special offers to children and the elderly.

**St John's Building**, located at the lower terminus of the Peak Tram, offers an excellent location for office space. The property was fully let, although revenue decreased by 4% over the previous year due to lower advertising income on the façade of the building.

**The Landmark**, a 16-storey residential and office property, is located on a prime river-waterfront site in the central business district of Ho Chi Minh City, Vietnam. The complex has 65 serviced apartments, a fully equipped business centre and Health Club, as well as 100,000 square feet of first class office space for leasing. Revenue increased 3% year-on-year as a result of increased demand for serviced apartments. The Landmark maintains its popularity and leadership in a competitive market, and continues to attract awards for its management and facilities. We were delighted to receive the accolade of “Best Serviced Apartments in Vietnam” in 2016.

**1-5 Grosvenor Place** in London, the project site of The Peninsula London hotel and residences, was acquired during 2013. On 30 September 2016 we completed an agreement to change the structure in our partnership with Grosvenor to assume 100% ownership of the project. We reported a revenue increase of 14% as a result of HSH being entitled to 100% of the rental income following the completion of the change of structure instead of 50%. Nevertheless, in Hong Kong dollar terms, there was a decrease of 3% in revenue due to the depreciation in local currency. We target to obtain vacant possession and commence demolition and construction of The Peninsula London project in April 2017.

The renovation of **21 avenue Kléber** is progressing well and is expected to complete at the end of summer 2017. The property offers a spectacular location immediately adjacent to The Peninsula Paris on Avenue Kléber, in a chic neighbourhood just steps from the Arc de Triomphe. The building has been restored in keeping with the heritage of the building, while opening up and modernising the internal space into contemporary offices, spacious terraces and a large courtyard. The property has achieved international BREEAM Excellent and HQE Outstanding environmental certifications which are the highest level of sustainable building assessments in Europe.

### Clubs and Services Division

| Clubs and Services                     | Revenue | Variance |                   |
|--|---------|----------|-------------------|
|  | HK\$m   | In HK\$  | In Local Currency |
| The Peak Tram                          | 120     | -2%      | -2%               |
| The Thai Country Club                  | 56      | -3%      | -2%               |
| Quail Lodge & Golf Club                | 145     | +7%      | +7%               |
| Peninsula Clubs & Consultancy Services | 68      | -63%     | -63%              |
| Peninsula Merchandising                | 217     | +21%     | +21%              |
| Tai Pan Laundry                        | 50      | -9%      | -9%               |

**The Peak Tram** is one of Hong Kong’s most popular tourist attractions and, following weak tourism trends earlier in 2016, we started to see a pick up towards the end of the year, with December reporting record visitor numbers. However, overall revenue decreased by 2% and patronage declined slightly for the full year 2016.

We renewed our operating rights to the Peak Tram from 1 January 2016 for a ten-year period, which paves the way for a project to increase the capacity of the trams and create additional waiting areas for our customers. The Peak Tram is considered a “must-see” attraction for most visitors to Hong Kong and while it is a unique, once-in-a-lifetime experience, we recognise the long queues to board during peak hours can be a source of frustration for visitors and we are working to improve their experience and comfort. Significant improvement work is expected to begin in 2017 and be completed in 2020, subject to the extension of the operating period being approved by the Hong Kong Government.

We were pleased to receive several accolades for **Thai Country Club** during 2016 at the Asian Golf Awards. These included “Best Managed Golf Club in Asia Pacific” and “Best Food and Beverage Experience in Asia Pacific”. However, the Club, which is located in Bangkok, recorded a small decrease in revenue for the full year as Thailand experienced a soft market, fewer visitors and fewer golf membership sales during the one-year mourning period following the sad passing of His Majesty King Bhumibol Adulyadej. Corporate events and tour groups were cancelled and we expect the market to remain soft in 2017.

**Quail Lodge & Golf Club** had a stronger year with revenue increasing by 7%. This was due to a successful marketing strategy, online travel agency (OTA) promotions, cost reductions, as well as improved golf membership sales and golf rounds following the major golf course renovation in 2015. The wedding market was strong in 2016 and our food and beverage revenue from *Edgar’s* improved thanks to increased business from the Lodge and new monthly wine dinner initiatives. The results could have been better were it not for extreme rain at the beginning of 2016 and the Soberanes wildfires in the summer which both impacted business.

“The Quail Motorcycle Gathering”, a Peninsula Signature event, welcomed 2,000 visitors in May 2016, followed in August by the highly successful “The Quail: A Motorsports Gathering”, which occurs during Monterey Car Week and has become one of the world’s leading concours events for classic car aficionados, attracting more than 5,000 visitors. Also in August, to coincide with “The Quail: A Motorsports Gathering”, we launched “The Peninsula Classics Best of the Best Award” – an event bringing together the “2015 Best of Show winners” from six of the top concours events around the globe to compete for the title of the most exceptional car in the world. This brought the Peninsula brand to the attention of leading car aficionados and collectors.

Monterey Car Week, and The Quail event, is an important event in terms of giving back to the local community. During summer 2016 more than US\$40,000 was raised for the community foundation’s Kiwanis Foundation Community Fund. Quail Lodge donated the proceeds from a community party silent auction to this fund, which contributed to local scholarships and services in Carmel Valley. Our employees doubled their volunteer hours during 2016 to help with community activities, and we also donated guestrooms for firefighters when they were fighting the aforementioned Soberanes wildfires.

**Peninsula Clubs & Consultancy Services** manages prestigious clubs in Hong Kong including The Hong Kong Club, Hong Kong Bankers Club and Butterfield’s. As of 1 May 2016, HSH and Cathay Pacific Airways Limited agreed to end the Peninsula’s management of the Cathay Pacific Lounges at Hong Kong International Airport. This decision was taken with a strategic long-term view of both companies’ business interests. The decline in revenue was due to the termination of the Lounges management, although there were also commensurate cost savings.

Revenue at **Peninsula Merchandising** was 21% higher than the same period last year, driven by higher sales and brand awareness following the launch of the new Peninsula Boutique at Hong Kong International Airport. The Peninsula Boutique is investing in its marketing including a new e-commerce website launched in May 2016 which won the “Silver Award for Excellence in Design” at the Marketing Magazine’s Marketing Excellence Awards 2016. Peninsula Merchandising sales are driven by the very popular Peninsula Mooncakes which are sold in autumn and are gaining popularity around the world beyond the traditional market of Hong Kong. Peninsula Merchandising has implemented a new strategy of a broader product range and seasonal promotions, which requires an initial investment but is expected to lead to a long-term increase in revenue as well as a broader earnings base.

**Tai Pan Laundry** decreased revenue by 9% to HK\$50 million, mainly due to the loss of a large client.

## Projects

### **The Peninsula London**

In 2013, our Group purchased a 50% interest in the leasehold of 1-5 Grosvenor Place in Belgravia, central London, for a cash consideration of £132.5 million and entered into a joint venture with Grosvenor to develop the site into The Peninsula London hotel and residences. As announced on 26 July 2016, we signed Heads of Terms to change the structure of our partnership with Grosvenor into a pure landlord and tenant relationship, whereby HSH assumed 100% ownership of the project for an additional cash consideration of £107.5 million. Grosvenor will remain as the landlord under the 150-year lease.

Upon completion of the restructuring on 30 September 2016, HSH assumed full responsibility and control for the development of the London project, including the remaining development costs. The final project budget is still being finalised but is expected to be in the region of £600 million. In return for this additional investment, we will have full control over the development, management and future operations of The Peninsula London, as well as be entitled to 100% of the proceeds from the future sales of the residential units in the project and the profits of the hotel. This is a significant transaction for our Group, given the importance of London as a business and tourism destination.

This property is in a spectacular location overlooking Hyde Park Corner and the Wellington Arch. The current 1960s offices will start to be demolished in 2Q 2017, to be replaced with a luxury 189-room hotel and a select number of luxury residential apartments for sale. The hotel and apartments will set new standards in luxury and service and we believe they will be the finest in the London market when complete, currently scheduled for 2021.

### **The Peninsula Istanbul**

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

The partners have agreed to jointly develop the property with an investment commitment of approximately €300 million, of which HSH is responsible for 50% or approximately €150 million.

All the conditions have been met and the project is well under way. Demolition on the project site began in June 2016 and is making significant progress. We expect it will be the first of our three hotel projects to be opened, with an expected completion date in 2019. There will be 180 rooms, a ballroom with sweeping views of the Bosphorus, rooftop restaurant, indoor and outdoor swimming pool, Spa and verdant garden area on the waterfront.

Istanbul is a beautiful historic city that embodies the meeting point of East and West, and the location of The Peninsula Istanbul on the Bosphorus is truly spectacular. The Peninsula Istanbul will form part of the wider *Galataport* project being developed by our partners, which incorporates a promenade, museums, art galleries, restaurants, boutiques, retail units, parks and public spaces for the local community as well as a cruise passenger terminal with global standards. Our partners have a long track record of investment in Turkey and share the same values of integrity and long-term commitment as HSH. We remain concerned about the uncertain political situation in Turkey and the tragic terrorist attacks in December 2016 which have had a negative impact on the tourism industry. However, we remain committed to this project as we believe in the long-term future of Istanbul as one of the world's fastest-growing tourism destinations and we will continue to monitor the security situation closely.

## **The Peninsula Yangon**

The Company entered into a conditional agreement with Yoma Strategic Holdings in January 2014 to acquire a 70% majority interest for a proposed hotel development on the site of the former headquarters of the Myanmar Railway Company in central Yangon, Myanmar. The property will be renovated to become The Peninsula Yangon and will be adjacent to a mixed-use development called Yoma Central, previously known as the Landmark Development. We will also receive fees on the sale of The Peninsula Residences Yangon, luxury residential apartments within the development, and also continue to manage the residences post sale.

The Peninsula Yangon will have 88 high-ceilinged guestrooms, surrounded by garden terraces and tropical landscaped gardens with an outdoor swimming pool.

The final project budget is still being finalised but the Group's overall investment is expected to be around US\$100 million, including the value of the leasehold interest and estimated development costs. The assignment and extension of the master lease and the approval of the Myanmar Investment Commission were obtained after an extended period of application, following which the groundbreaking ceremony was held on 16 February 2017. We look forward to continue to work with our partners to complete this project by 2021.

## **Human Resources**

Attracting and developing our talent remains a key focus of our company. We are committed to creating a culture of engaged employees across the Group, and a particular focus is to attract and retain talent, as well as widening our succession planning in the light of our development. The travel and tourism sector often suffers from high turnover of staff, but despite challenging times for our industry and an uncertain economic outlook in our home market of Hong Kong, we are pleased to report a low voluntary turnover rate among our staff compared with the industry. Having a well-trained and engaged workforce is critical to our work culture and in order to deliver the quality of service to our guests.

As of 31 December 2016, there were 7,474 full time employees in the Group.

## **Sustainable Luxury Vision 2020**

As a company with 150 years of history, HSH is committed to delivering the highest standards of luxury in a sustainable way, this is reflected in our Sustainable Luxury Vision 2020, launched in 2013.

In 2016, we saw a good outcome of our continued energy and water efficiency efforts with energy intensity at 2.9% lower than 2015 and water use decreased by 6.5%. In 2016 we focused on delivering a natural, organic and sustainably farmed choices on our menus worldwide, as part of our relaunch of Naturally Peninsula, including the menus in our newly renovated restaurants at The Peninsula Beijing. More details on our ambitions for Vision 2020 can be read on our website and in the Corporate Responsibility and Sustainability Report which is online this year to be more environmentally friendly.

## **Outlook**

The strength of our Group continues to emanate from our genuine focus and commitment to long-term value creation. This provides the vision and willingness to make decisions that are in the best long-term interests of the company and its shareholders and the staying power to ride through shorter-term cycles in the economy. In the volatile economic, political and social circumstances that we see today, this approach 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 pursue a course which will maximise the value of our assets and operations and deliver appropriate returns to our shareholders over time.



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.

As has been mentioned, the retail and tourism markets in Hong Kong in 2016 were subdued and we are seeking to address this by focusing on driving revenues with more focused marketing on the hotel side and closer interaction with guests on retail, as well as containing costs. More generally, our focus is to maintain and drive our operating margins throughout the Group.

Despite the uncertainties arising from political, economic and security factors, we remain cautiously optimistic that we will see improved financial performance in 2017. More specifically, we expect that The Peninsula Chicago will continue to benefit in terms of room rate from its recently completed renovation and The Peninsula Beijing to increase its earnings after the completion of its rooms renovation when it returns to full inventory in mid-2017. We have seen more stability and optimism regarding the Hong Kong economy and tourism and hope to see a gradual recovery in the coming year.

Looking to the longer term, according to the World Travel and Tourism Council (WTTC) the global travel and tourism industry is expected to grow at above global GDP rates for the next decade. This is in spite of an uncertain global economy, political uncertainty, and increasing competition for the hotel industry in the form of private accommodation online aggregators. To remain competitive against such aggregators, we are taking steps to enhance our appeal to discerning guests who are searching for a bespoke, tailored travel experience.

Overall, our company remains in a strong financial position, and the core operations are performing well when the renovations are taken into account. With our long-term outlook and the exciting new projects that 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.

**Clement K.M. Kwok**  
20 March 2017

The financial information sets out in this results announcement has been reviewed by the Company's Audit Committee, comprising a majority of Independent Non-Executive Directors, one of whom chairs the Committee, and has been agreed by the Company's auditor, KPMG, Certified Public Accountants. The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been compared by KPMG to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

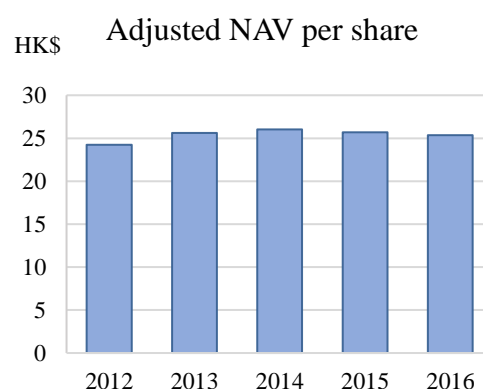
## FINANCIAL REVIEW

### The Group's adjusted net assets 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, and not at fair value.

Accordingly, we have commissioned an independent third-party fair valuation of the Group's hotels and golf courses as at 31 December 2016, the details of which are set out on page 25. If these assets were to be stated at fair value, the Group's net assets attributable to shareholders would increase by 9% to HK\$39,711 million as indicated in the table below.

**Adjusted NAV**  
HK\$39,711m → flat



| HK\$m   | 2016          | 2015   |
|---|---------------|--------|
| Net assets attributable to shareholders per the audited statement of financial position | <b>36,359</b> | 36,427 |
| Adjusting the value of hotels and golf courses to fair value                            | <b>3,815</b>  | 3,685  |
| Less: Related deferred tax and non-controlling interests                                | <b>(463)</b>  | (485)  |
|   | <b>3,352</b>  | 3,200  |
| Adjusted net assets attributable to shareholders  | <b>39,711</b> | 39,627 |
| Audited net assets per share (HK\$)   | <b>23.20</b>  | 23.61  |
| Adjusted net assets per share (HK\$)  | <b>25.34</b>  | 25.68  |

## The Group's underlying earnings

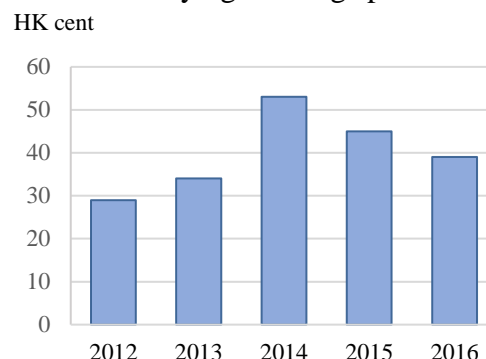
Our operating results are mainly derived from the operation of hotels and leasing of commercial properties. We manage the Group's operations with principal reference to their underlying operating cash flows and recurring earnings. To comply with accounting standards, we are required to include non-operating and non-recurring items, such as any changes in the fair value of investment properties, in our statement of profit or loss. To reflect the true performance of the Group, we have provided calculations of the underlying profit attributable to shareholders and underlying earnings per share. These are determined by excluding the post-tax effects of the property revaluation movements and other non-operating and non-recurring items.

The Group's underlying profit attributable to shareholders for the year ended 31 December 2016 amounted to HK\$606 million, a decrease of 12% compared to 2015, mainly due to the renovation at The Peninsula Beijing. The challenging retail market in Hong Kong and China also had an impact on our retail arcades.

### Underlying Earnings

HK\$606m ↓ 12%

### Underlying Earnings per share



| HK\$m  | 2016        | 2015  | 2016 vs<br>2015 |
|--|-------------|-------|-----------------|
| <b>Profit attributable to shareholders</b>   | <b>675</b>  | 1,000 |                 |
| Adjustment for fair value movement of investment properties, including the Group's share of revaluation movement of The Peninsula Shanghai, net of tax and non-controlling interests | (69)        | (258) |                 |
| Effect of decrease in tax rates on deferred tax liabilities arising from revaluation gains on investment properties  | -           | (54)  |                 |
| <b>Underlying profit attributable to shareholders</b>  | <b>606</b>  | 688   | (12%)           |
| <b>Underlying earnings per share (HK\$)</b>  | <b>0.39</b> | 0.45  | (13%)           |

## Statement of profit or loss

The Group's consolidated statement of profit or loss for the year ended 31 December 2016 is set out on page 31. The following table summarises the key components of the Group's profit attributable to shareholders. This table should be read in conjunction with the commentaries set out on pages 20 to 24 of this Financial Review.

| HK\$m  | 2016           | 2015    | 2016 vs<br>2015 |
|--|----------------|---------|-----------------|
| Revenue  | <b>5,631</b>   | 5,741   | (2%)            |
| Operating costs  | <b>(4,343)</b> | (4,301) | 1%              |
| EBITDA   | <b>1,288</b>   | 1,440   | (11%)           |
| Depreciation and amortisation  | <b>(464)</b>   | (426)   | 9%              |
| Net financing charges  | <b>(96)</b>    | (68)    | 41%             |
| Share of result of The Peninsula Shanghai*                                   | <b>20</b>      | (71)    | n/a             |
| Share of results of The Peninsula Paris and<br>The Peninsula Beverly Hills** | <b>(25)</b>    | (23)    | 9%              |
| Increase in fair value of investment properties                              | <b>29</b>      | 277     | (90%)           |
| Taxation   | <b>(85)</b>    | (124)   | (31%)           |
| Profit for the year  | <b>667</b>     | 1,005   | (34%)           |
| Non-controlling interests  | <b>8</b>       | (5)     | n/a             |
| Profit attributable to shareholders  | <b>675</b>     | 1,000   | (33%)           |

\* Being the Group's 50% share of The Peninsula Shanghai's (PSH) result. The 2016 figure includes the Group's share of unrealised loss of HK\$19 million (2015: HK\$37 million) arising from the revaluation of PSH's investment properties, net of tax

\*\* Being the Group's 20% share of The Peninsula Paris' operating loss net of its 20% share of The Peninsula Beverly Hills' profit

### Revenue

The Group's revenue in 2016 decreased by 2% to HK\$5,631 million. A breakdown of this by business segment and geographical segment is set out in the tables on the following page.

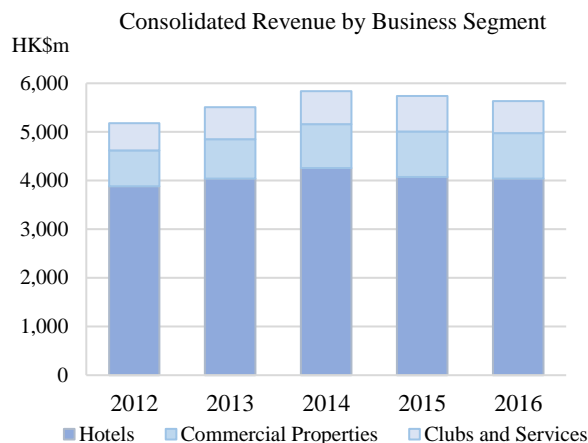
**Revenue** HK\$5,631m ↓ 2%

**Hotels**  
HK\$4,040m ↓ 1%

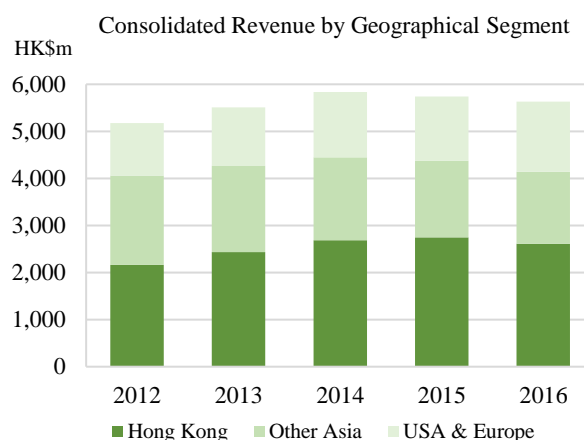
**Commercial Properties**  
HK\$935m → flat

**Clubs and Services**  
HK\$656m ↓ 10%

| Consolidated revenue by business segment | 2016 vs             |              |       |
|--|---------------------|--------------|-------|
| HK\$m                                    | 2016                | 2015         | 2015  |
| Hotels                                   | <b>4,040</b>        | 4,073        | (1%)  |
| Commercial Properties                    | <b>935</b>          | 937          | -     |
| Clubs and Services                       | <b>656</b>          | 731          | (10%) |
|  | <b><u>5,631</u></b> | <u>5,741</u> | (2%)  |



| Consolidated revenue by geographical segment* | 2016 vs             |              |      |
|---|---------------------|--------------|------|
| HK\$m   | 2016                | 2015         | 2015 |
| Hong Kong                                     | <b>2,615</b>        | 2,749        | (5%) |
| Other Asia                                    | <b>1,526</b>        | 1,624        | (6%) |
| USA and Europe                                | <b>1,490</b>        | 1,368        | 9%   |
|   | <b><u>5,631</u></b> | <u>5,741</u> | (2%) |



\* The segment revenue of the Group is analysed based on the geographical location at which the properties are located and the services were provided

The hotels division is the main contributor to the Group's revenue, accounting for 72% (2015: 71%) of total revenue. The operating performance of the Group's hotel businesses is subject to a higher degree of volatility by nature. The decrease in revenue of the hotels division was predominantly due to the room closures for the renovation undertaken by The Peninsula Beijing.

The operating performance of the commercial properties division remained stable compared with last year. The decrease in revenue for the clubs and services division was mainly due to the loss of income from Peninsula Clubs & Consultancy Services following the termination of the management contracts for the Cathay Pacific Lounges at Hong Kong International Airport with effect from 1 May 2016.

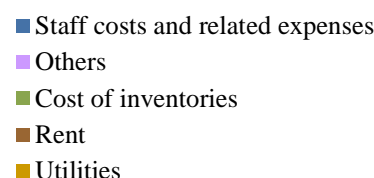
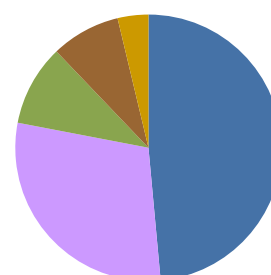
Details of the operating performances of the Group's individual operations are set out on pages 4 to 14 of the CEO's Strategic Review.

## Operating costs

In 2016, our operating costs (excluding depreciation and amortisation) increased by 1% to HK\$4,343 million (2015: HK\$4,301 million).

Given the nature of operating high-end luxury hotels, staff costs continued to be the largest portion of operating costs. Staff costs and related expenses for the year increased by 2% to HK\$2,108 million, representing 49% (2015: 48%) of the Group's operating costs and 37% (2015: 36%) of the Group's revenue.

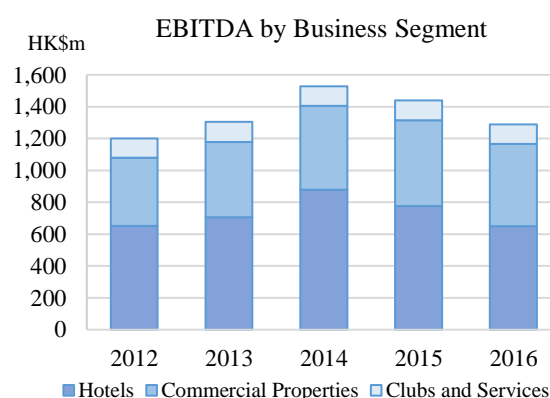
**Operating Costs**  
HK\$4,343m ↑ 1%



## EBITDA and EBITDA Margin

EBITDA (earnings before interest, taxation, depreciation and amortisation) of the Group decreased by HK\$152 million or 11% to HK\$1,288 million in 2016. 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 | USA and Europe | Total        |
|-----------------------|--------------|------------|----------------|--------------|
| <b>2016</b>           |              |            |                |              |
| Hotels                | 493          | 74         | 82             | 649          |
| Commercial Properties | 479          | 15         | 24             | 518          |
| Clubs and Services    | 123          | 5          | (7)            | 121          |
|                       | <b>1,095</b> | <b>94</b>  | <b>99</b>      | <b>1,288</b> |
|                       | 85%          | 7%         | 8%             | 100%         |
| <b>2015</b>           |              |            |                |              |
| Hotels                | 539          | 166        | 72             | 777          |
| Commercial Properties | 502          | 15         | 21             | 538          |
| Clubs and Services    | 123          | 8          | (6)            | 125          |
|                       | <b>1,164</b> | <b>189</b> | <b>87</b>      | <b>1,440</b> |
|                       | 81%          | 13%        | 6%             | 100%         |
| Change 2016 vs 2015   | (6%)         | (50%)      | 14%            | (11%)        |



\* With effect from 2016, to more accurately reflect the profitability of each segment, the inter-company fees charged by the Head Office to individual properties are included in the segment relating to that entity. The comparative figures have been restated to conform to the current year's presentation

| EBITDA Margin         | 2016 | 2015 |
|-----------------------|------|------|
| Hotels                | 16%  | 19%  |
| Commercial Properties | 55%  | 57%  |
| Clubs and Services    | 18%  | 17%  |
| Overall EBITDA margin | 23%  | 25%  |
| By region:            |      |      |
| Hong Kong             | 42%  | 42%  |
| Other Asia            | 6%   | 12%  |
| USA and Europe        | 7%   | 6%   |

The luxury hotel business is a labour-intensive industry with high fixed costs. The decrease in EBITDA margin for the hotels division in 2016 was mainly due to the low margins earned by The Peninsula Beijing and The Peninsula Chicago during their renovations. Revenue was down significantly due to the closure of rooms, and we made a strategic decision to not lay off any staff during the renovation period – instead investing in our people and improving service levels by increasing their training and cross-exposure to other hotels. Therefore, we could not achieve a corresponding reduction in operating costs due to continuing staff costs and overhead expenses. The decrease in the EBITDA margin for the commercial properties division was mainly due to the increase in operating costs and a reduction in net rental yield from 1-5 Grosvenor Place, as the property is offering shorter-term leasing in preparation for vacant possession of the building in the second quarter of 2017. For the clubs and services division, despite the loss of income following the termination of the Cathay Pacific Lounges’ management contracts, with continuous efforts to contain costs, we were able to maintain our EBITDA margin at a healthy level.

### **Depreciation and amortisation**

The depreciation and amortisation charge of HK\$464 million (2015: HK\$426 million) largely relates to hotels. Depreciation charges are substantial and as such the Group adopts a rolling 5-year capital expenditure plan that is reviewed regularly to monitor planned replacement of furniture, fixtures and equipment, purchase of new items and major upgrade or enhancement projects.

### **Increase in fair value of investment properties**

Investment properties of the Group were revalued as at 31 December 2016 by independent firms of valuers based on income capitalisation approach. The reduction in revaluation surplus was a reflection of the general market conditions. The net surplus in 2016 was principally attributable to the increase in the appraised market value of The Repulse Bay Complex, The Peninsula Office Tower, The Peak Tower, St. John’s Building and 21 avenue Kléber net of the decrease in appraised market value of The Landmark, Vietnam and commercial arcades at The Peninsula Hong Kong and The Peninsula Beijing.

### **Share of result of The Peninsula Shanghai**

The Group, through its joint venture The Peninsula Shanghai Waitan Hotel Company Limited (PSW), owns a 50% interest in The Peninsula Shanghai Complex which comprises a hotel, a shopping arcade and a residential tower of 39 apartments, of which 19 apartment units were reclassified as apartments held for sale in 2013.

During 2016, The Peninsula Shanghai remained the market leader in terms of average room rate and RevPAR in its competitor set, generating an EBITDA of HK\$273 million (2015: HK\$159 million), of which HK\$72 million (2015: HK\$35 million) was derived from the sale of 4 apartment units (2015: 2 apartment units). In addition, The Peninsula Shanghai Complex recorded a net unrealised loss of HK\$38 million on revaluation of the hotel arcade (2015: HK\$74 million). After accounting for the unrealised revaluation loss, depreciation and interest, PSW generated a net profit of HK\$40 million (2015: net loss of HK\$142 million). The Group’s share of profit thereon amounted to HK\$20 million (2015: share of loss of HK\$71 million).

Details of the operating performance of The Peninsula Shanghai are set out in the CEO’s Strategic Review section on pages 5 and 6.

## Share of results of The Peninsula Beverly Hills and The Peninsula Paris

The Group has a 20% interest in each of The Peninsula Beverly Hills and The Peninsula Paris. The Group's share of net loss of these two hotels for 2016 amounted to HK\$25 million (2015: HK\$23 million).

Details of the operating performances of The Peninsula Beverly Hills and The Peninsula Paris are set out in the CEO's Strategic Review section on pages 10 and 11.

## Statement of financial position

The Group's financial position as at 31 December 2016 remained strong and net assets attributable to shareholders amounted to HK\$36,359 million, representing a per share value of HK\$23.20 compared to HK\$23.61 in 2015. The consolidated statement of financial position of the Group as at 31 December 2016 is presented on page 33 and the key components of the Group's assets and liabilities are set out in the following table:

| HK\$m                       | 2016           | 2015    | 2016 vs<br>2015 |
|-----------------------------|----------------|---------|-----------------|
| Fixed assets                | <b>40,712</b>  | 39,097  | 4%              |
| Other long-term assets      | <b>2,223</b>   | 2,169   | 2%              |
| Cash at banks and in hand   | <b>2,087</b>   | 2,919   | (29%)           |
| Other assets                | <b>848</b>     | 904     | (6%)            |
|                             | <b>45,870</b>  | 45,089  | 2%              |
| Interest-bearing borrowings | <b>(6,998)</b> | (6,192) | 13%             |
| Other liabilities           | <b>(2,298)</b> | (2,237) | 3%              |
|                             | <b>(9,296)</b> | (8,429) | 10%             |
| Net assets                  | <b>36,574</b>  | 36,660  | -               |
| <i>Represented by</i>       |                |         |                 |
| Shareholders' funds         | <b>36,359</b>  | 36,427  | -               |
| Non-controlling interests   | <b>215</b>     | 233     | (8%)            |
| Total equity                | <b>36,574</b>  | 36,660  | -               |

## Fixed assets

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

Our hotel properties and investment properties are dealt with under different accounting policies as required by accounting standards. The hotel properties (other than shopping arcades and offices within the hotels) and golf courses are stated at cost less accumulated depreciation and any provision for impairment losses, whilst investment properties are stated at fair value. Therefore, independent valuers have been engaged to conduct a fair valuation of the hotel properties and golf courses as at 31 December 2016. A summary of the Group's hotel, commercial and other properties showing both the book value and the fair value as at 31 December 2016 is set out in the table on the following page.



|  | Group's interest | 2016                                  |               | 2015                 |            |
|--|------------------|---------------------------------------|---------------|----------------------|------------|
|  |                  | Value of 100% of the property (HK\$m) |               |                      |            |
|  |                  | Fair value valuation                  | Book value    | Fair value valuation | Book value |
| <b>Hotel properties *</b>                                      |                  |                                       |               |                      |            |
| The Peninsula Hong Kong  | 100%             | 12,031                                | 9,882         | 12,084               | 9,989      |
| The Peninsula New York   | 100%             | 2,378                                 | 1,757         | 2,414                | 1,741      |
| The Peninsula Beijing  | 76.6% **         | 1,716                                 | 1,485         | 1,321                | 1,156      |
| The Peninsula Tokyo  | 100%             | 1,567                                 | 1,446         | 1,458                | 1,420      |
| The Peninsula Chicago  | 100%             | 1,331                                 | 1,268         | 1,340                | 1,221      |
| The Peninsula Bangkok  | 75%              | 606                                   | 590           | 597                  | 595        |
| The Peninsula Manila   | 77.4%            | 139                                   | 138           | 163                  | 160        |
|  |                  | <b>19,768</b>                         | <b>16,566</b> | 19,377               | 16,282     |
| <b>Commercial properties</b>                                   |                  |                                       |               |                      |            |
| The Repulse Bay Complex  | 100%             | 16,930                                | 16,930        | 16,862               | 16,862     |
| The Peak Tower   | 100%             | 1,362                                 | 1,362         | 1,345                | 1,345      |
| St. John's Building  | 100%             | 1,027                                 | 1,027         | 967                  | 967        |
| 21 avenue Kléber   | 100%             | 621                                   | 621           | 509                  | 509        |
| 1-5 Grosvenor Place  | 100% #           | 2,583                                 | 2,583         | 3,278                | 3,278      |
| The Landmark   | 70% △            | 68                                    | 68            | 77                   | 77         |
|  |                  | <b>22,591</b>                         | <b>22,591</b> | 23,038               | 23,038     |
| <b>Other properties</b>  |                  |                                       |               |                      |            |
| Thai Country Club golf course                                  | 75%              | 211                                   | 242           | 210                  | 237        |
| Quail Lodge resort, golf course and vacant land                | 100%             | 307                                   | 286           | 305                  | 289        |
| Vacant land in Thailand  | 75%              | 390                                   | 390           | 382                  | 382        |
| Others   | 100%             | 344                                   | 219           | 335                  | 225        |
|  |                  | <b>1,252</b>                          | <b>1,137</b>  | 1,232                | 1,133      |
| <b>Total market/ book value</b>                                |                  | <b>43,611</b>                         | <b>40,294</b> | 43,647               | 40,453     |
| <b>Hotel and investment properties held by a joint venture</b> |                  |                                       |               |                      |            |
| The Peninsula Shanghai Complex △△                              | 50%              | 4,556                                 | 4,256         | 4,895                | 4,628      |
| <b>Hotel properties held by associates</b>                     |                  |                                       |               |                      |            |
| The Peninsula Paris  | 20%              | 5,220                                 | 5,017         | 5,517                | 5,347      |
| The Peninsula Beverly Hills                                    | 20%              | 2,640                                 | 479           | 2,636                | 467        |

\* Including the shopping arcades and offices within the hotels

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

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

△△ Excluding the apartment units held for sale

# The Group acquired the remaining 50% interest in 1-5 Grosvenor Place in September 2016 and the property is now wholly-owned

## Other long-term assets

The other long-term assets as at 31 December 2016 of HK\$2,223 million (2015: HK\$2,169 million) principally comprise the Group's 50% interest in The Peninsula Shanghai, the Group's 20% interest in The Peninsula Paris (PPR) and the related hotel operating right in respect of PPR and the Group's 50% interest in The Peninsula Istanbul which is under development.

## Cash at banks and in hand and interest-bearing borrowings

As at 31 December 2016, the Group's cash at banks and in hand and interest-bearing borrowings amounted to HK\$2,087 million (2015: HK\$2,919 million) and HK\$6,998 million (2015: HK\$6,192 million) respectively. The increase in interest-bearing borrowings was mainly due to the acquisition of additional interest in 1-5 Grosvenor Place. A breakdown of the Group's capital expenditure for the year ended 31 December 2016 is set out on page 27.

## Cash flows

The consolidated statement of cash flows of the Group for the year ended 31 December 2016 is set out on page 35. The following table summarises the key cash movements for the year ended 31 December 2016.

| HK\$m   | 2016           | 2015  |
|---|----------------|-------|
| EBITDA  | <b>1,288</b>   | 1,440 |
| Net change in working capital                             | <b>24</b>      | 4     |
| Tax payment   | <b>(136)</b>   | (224) |
| Net cash generated from operating activities              | <b>1,176</b>   | 1,220 |
| Capital expenditure on existing assets                    |                |       |
| - The Peninsula Beijing and The Peninsula Chicago         | <b>(686)</b>   | (195) |
| - Others  | <b>(314)</b>   | (281) |
| Net cash inflow after normal capital expenditure          | <b>176</b>     | 744   |
| Acquisition of additional interest in 1-5 Grosvenor Place | <b>(1,288)</b> | -     |
| Acquisition of The Peninsula Tokyo's hotel building       | -              | (732) |
| Capital expenditure on new projects                       | <b>(131)</b>   | (184) |
| Net cash outflow before dividends and other payments      | <b>(1,243)</b> | (172) |

The after-tax net cash generated from operating activities for the year amounted to HK\$1,176 million (2015: HK\$1,220 million), of which HK\$1,000 million (2015: HK\$476 million) was applied to fund capital expenditure on existing assets.

The breakdown of the Group's spending on its existing assets is analysed below:

| HK\$m   | 2016         | 2015 |
|---|--------------|------|
| Hotels  |              |      |
| The Peninsula Beijing and The Peninsula Chicago | <b>686</b>   | 195  |
| Others  | <b>170</b>   | 139  |
| Commercial properties                           | <b>105</b>   | 77   |
| Clubs and services                              | <b>39</b>    | 65   |
|   | <b>1,000</b> | 476  |

## Capital and Treasury Management

The Group is exposed to liquidity, foreign exchange, interest rate and credit risks in the normal course of business and have policies and procedures in place to manage such risks.

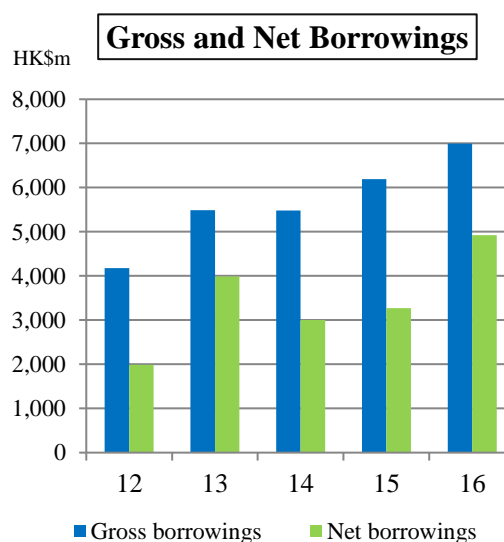
The Group manages treasury activities centrally at its corporate office in Hong Kong. The Group also regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting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

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

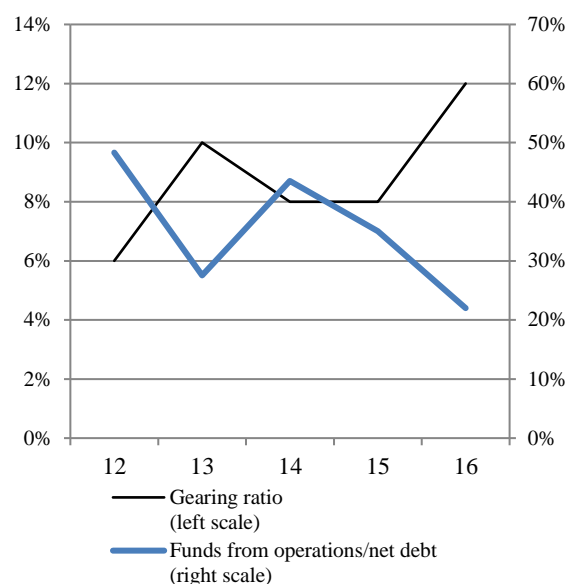
### Liquidity/Financing

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

In 2016, gross borrowings increased to HK\$6,998 million (2015: HK\$6,192 million) mainly due to the payment for the acquisition of Grosvenor's 50% interest in the London project. Consolidated net debt increased to HK\$4,911 million as compared to HK\$3,273 million in 2015, after taking into account cash of HK\$2,087 million (2015: HK\$2,919 million). The Group's net gearing increased to 12%, whilst the funds from operations (EBITDA less tax paid and less net interest paid) to net debt ratio decreased from 35% to 22%. These ratios continue to reflect a healthy financial position for the Group.

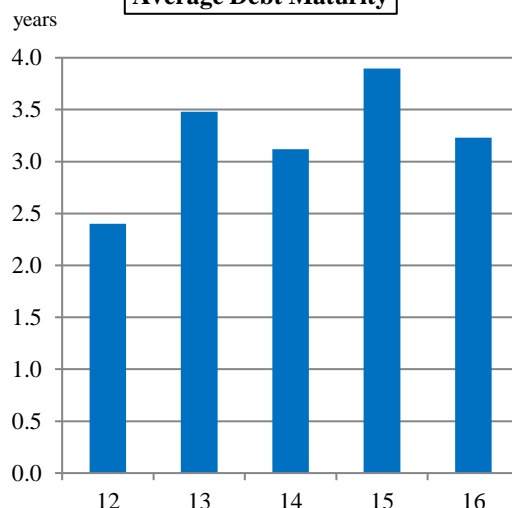


**Gearing and Funds from Operations to Net Debt**



The average debt maturity decreased from 3.9 years to 3.2 years.

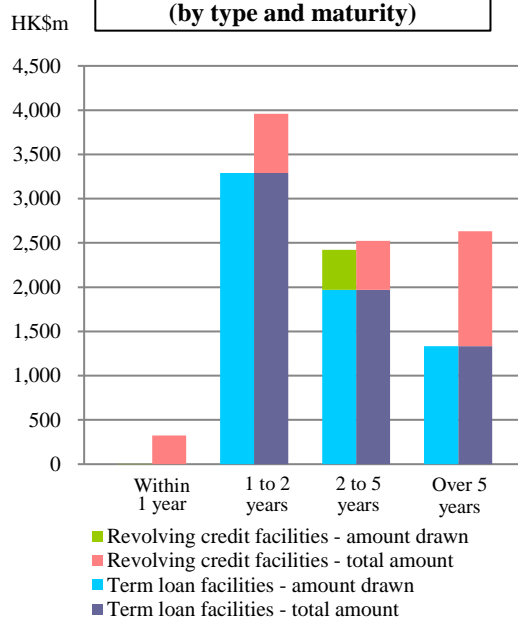
**Average Debt Maturity**



During the year, the Company has obtained 2 new credit facilities totalling HK\$2,100 million in Hong Kong and a credit facility of THB800 million for a subsidiary to refinance its maturing loans.

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

**Banking Facilities and Borrowings (by type and maturity)**



The consolidated and non-consolidated borrowings as at 31 December 2016 are summarised as follows:

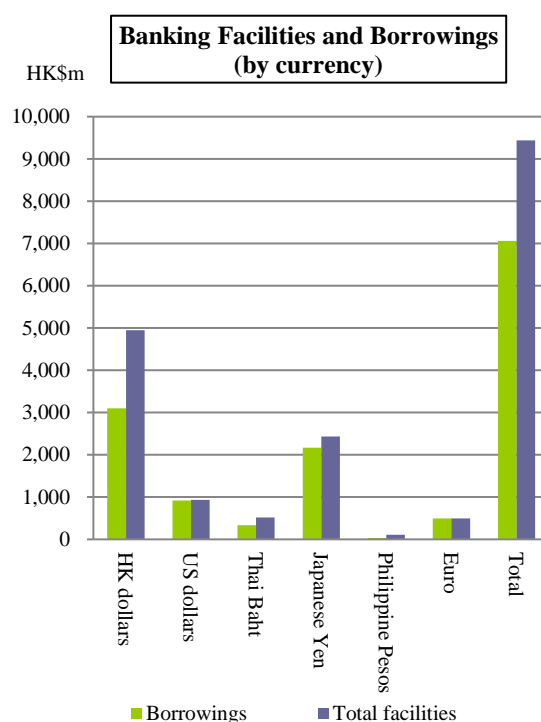
| HK\$m   | 2016      |            |                          |        |       | 2015  |
|---|-----------|------------|--------------------------|--------|-------|-------|
|   | Hong Kong | Other Asia | United States of America | Europe | Total | Total |
| Consolidated gross borrowings                                 | 3,070     | 2,529      | 910                      | 489    | 6,998 | 6,192 |
| Non-consolidated gross borrowings attributable to the Group*: |           |            |                          |        |       |       |
| The Peninsula Shanghai (50%)                                  | -         | 989        | -                        | -      | 989   | 1,088 |
| The Peninsula Beverly Hills (20%)                             | -         | -          | 214                      | -      | 214   | 219   |
| The Peninsula Paris (20%)                                     | -         | -          | -                        | 357    | 357   | 370   |
| Non-consolidated borrowings                                   | -         | 989        | 214                      | 357    | 1,560 | 1,677 |
| Consolidated and non-consolidated gross borrowings            | 3,070     | 3,518      | 1,124                    | 846    | 8,558 | 7,869 |

\* Represents HSH's attributable share of borrowings

## Foreign Exchange

The Group reports its financial results in Hong Kong dollars and does not hedge US dollar exposures in the light of the HK-US dollar peg. The Group mostly uses cross currency swaps, foreign exchange swaps or forward exchange contracts to hedge foreign exchange exposures.

All of the Group's borrowings are denominated in the functional currency of the operations to which they relate. As at 31 December 2016, Hong Kong dollar borrowings represented 44% (2015: 37%) of total borrowings. Other balances were mainly in US dollars, Japanese yen and other local currencies of the Group's entities.



## Interest Rate Risk

The Group has an interest rate risk management policy which focuses on reducing the Group's exposure to changes in interest rates by maintaining a prudent mix of fixed and floating rate liabilities. In addition to raising funds directly on a fixed rate basis, the Group also uses interest rate swaps or cross currency interest rate swaps in managing its long-term interest rate exposure.

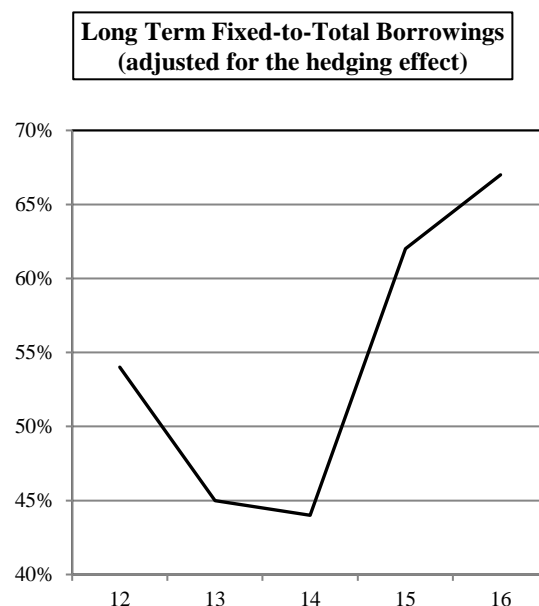
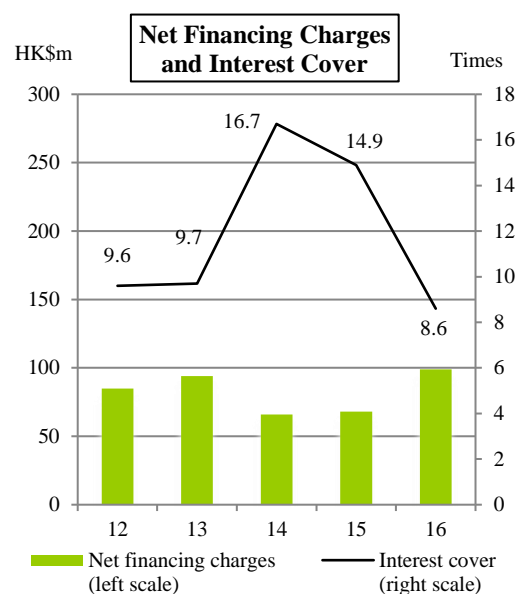
Financing charges on borrowings in 2016 amounted to HK\$133 million (2015: HK\$124 million). After interest income of HK\$37 million (2015: HK\$56 million), a net charge of HK\$96 million (2015: HK\$68 million) was recognised in the statement of profit or loss. Interest cover (operating profit divided by net financing charges) decreased to 8.6 times (2015: 14.9 times) in 2016. As at 31 December 2016, the Group's fixed to floating interest rate ratio increased to 67% (2015: 62%) arising from fixed rate borrowings of HK\$800 million arranged during the year. The weighted average gross interest rate for the year decreased from 2.2% to 2.1%.

## Credit Risk

The Group manages its exposure to non-performance of counterparties by transacting with those who have a credit rating of at least investment grade when depositing surplus funds. However, in developing countries, it may be necessary to deal with banks of lower credit rating.

Derivatives are used solely for hedging purposes and not for speculation and the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade, even in developing countries, because of the longer-term effect.

As at 31 December 2016, bank deposits of HK\$2,075 million (2015: HK\$2,902 million) and derivatives with notional amount of HK\$1,850 million (2015: HK\$1,843 million) were transacted with financial institutions with credit ratings of at least investment grade.



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS (HK\$m)

|   |      | Year ended 31 December |         |
|---|------|------------------------|---------|
|   | Note | 2016                   | 2015    |
| <b>Revenue</b>  | 2    | <b>5,631</b>           | 5,741   |
| Cost of inventories   |      | <b>(428)</b>           | (454)   |
| Staff costs and related expenses  |      | <b>(2,108)</b>         | (2,063) |
| Rent and utilities  |      | <b>(527)</b>           | (545)   |
| Other operating expenses  |      | <b>(1,280)</b>         | (1,239) |
| <b>Operating profit before interest, taxation, depreciation and amortisation (EBITDA)</b> |      | <b>1,288</b>           | 1,440   |
| Depreciation and amortisation   |      | <b>(464)</b>           | (426)   |
| <b>Operating profit</b>   |      | <b>824</b>             | 1,014   |
| Interest income   |      | <b>37</b>              | 56      |
| Financing charges   |      | <b>(133)</b>           | (124)   |
| Net financing charges   |      | <b>(96)</b>            | (68)    |
| <b>Profit after net financing charges</b>   |      | <b>728</b>             | 946     |
| Share of result of a joint venture  | 8    | <b>20</b>              | (71)    |
| Share of results of associates  | 9    | <b>(25)</b>            | (23)    |
| Increase in fair value of investment properties   | 7(b) | <b>29</b>              | 277     |
| <b>Profit before taxation</b>   |      | <b>752</b>             | 1,129   |
| Taxation  |      |                        |         |
| Current tax   | 3    | <b>(139)</b>           | (172)   |
| Deferred tax  | 3    | <b>54</b>              | 48      |
| <b>Profit for the year</b>  |      | <b>667</b>             | 1,005   |
| <b>Profit attributable to:</b>  |      |                        |         |
| Shareholders of the Company   |      | <b>675</b>             | 1,000   |
| Non-controlling interests   |      | <b>(8)</b>             | 5       |
| <b>Profit for the year</b>  |      | <b>667</b>             | 1,005   |
| <b>Earnings per share, basic and diluted (HK\$)</b>                                       | 4    | <b>0.43</b>            | 0.65    |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (HK\$m)

|   | Year ended 31 December |       |
|---|------------------------|-------|
|   | 2016                   | 2015  |
| <b>Profit for the year</b>  | <b>667</b>             | 1,005 |
| <b>Other comprehensive income for the year, net of tax:</b>   |                        |       |
| Items that may be reclassified subsequently to profit or loss:  |                        |       |
| Exchange differences on translation of:   |                        |       |
| - financial statements of overseas subsidiaries   | (572)                  | (244) |
| - financial statements of joint ventures  | (63)                   | (44)  |
| - loans to an associate   | (21)                   | (90)  |
| - hotel operating rights  | (16)                   | (54)  |
|   | <b>(672)</b>           | (432) |
| Cash flow hedges:   |                        |       |
| - effective portion of changes in fair values   | (2)                    | (22)  |
| - transfer from equity to profit or loss  | 22                     | 22    |
|   | <b>(652)</b>           | (432) |
| Items that will not be reclassified to profit or loss:  |                        |       |
| Remeasurement of net defined benefit retirement obligations   | -                      | 2     |
| Surplus on revaluation of land and buildings held for<br>own use transferred to investment properties | -                      | 25    |
| Other comprehensive income  | <b>(652)</b>           | (405) |
| <b>Total comprehensive income for the year</b>  | <b>15</b>              | 600   |
| <b>Total comprehensive income attributable to:</b>  |                        |       |
| Shareholders of the Company   | 28                     | 612   |
| Non-controlling interests   | (13)                   | (12)  |
| <b>Total comprehensive income for the year</b>  | <b>15</b>              | 600   |



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK\$m)**

|   |      | <b>At 31 December</b> |         |
|---|------|-----------------------|---------|
|   | Note | <b>2016</b>           | 2015    |
| <b>Non-current assets</b>                                       |      |                       |         |
| Investment properties   |      | <b>33,896</b>         | 32,783  |
| Other properties, plant and equipment                           |      | <b>6,816</b>          | 6,314   |
|   | 7    | <b>40,712</b>         | 39,097  |
| Interest in joint ventures                                      | 8    | <b>1,019</b>          | 901     |
| Interest in associates  | 9    | <b>642</b>            | 694     |
| Hotel operating rights  | 10   | <b>515</b>            | 544     |
| Deferred tax assets   |      | <b>47</b>             | 30      |
|   |      | <b>42,935</b>         | 41,266  |
| <b>Current assets</b>   |      |                       |         |
| Inventories   |      | <b>82</b>             | 82      |
| Trade and other receivables                                     | 11   | <b>655</b>            | 643     |
| Amount due from a joint venture                                 |      | <b>111</b>            | 179     |
| Cash at banks and in hand                                       | 12   | <b>2,087</b>          | 2,919   |
|   |      | <b>2,935</b>          | 3,823   |
| <b>Current liabilities</b>                                      |      |                       |         |
| Trade and other payables  | 13   | <b>(1,359)</b>        | (1,214) |
| Interest-bearing borrowings                                     | 14   | <b>(2)</b>            | (186)   |
| Derivative financial instruments                                |      | <b>(7)</b>            | -       |
| Current taxation  |      | <b>(26)</b>           | (28)    |
|   |      | <b>(1,394)</b>        | (1,428) |
| <b>Net current assets</b>                                       |      | <b>1,541</b>          | 2,395   |
| <b>Total assets less current liabilities</b>                    |      | <b>44,476</b>         | 43,661  |
| <b>Non-current liabilities</b>                                  |      |                       |         |
| Interest-bearing borrowings                                     | 14   | <b>(6,996)</b>        | (6,006) |
| Trade and other payables  | 13   | <b>(229)</b>          | (239)   |
| Net defined benefit retirement obligations                      |      | <b>(16)</b>           | (16)    |
| Derivative financial instruments                                |      | <b>(9)</b>            | (39)    |
| Deferred tax liabilities  |      | <b>(652)</b>          | (701)   |
|   |      | <b>(7,902)</b>        | (7,001) |
| <b>Net assets</b>   |      | <b>36,574</b>         | 36,660  |
| <b>Capital and reserves</b>                                     |      |                       |         |
| Share capital   | 15   | <b>5,005</b>          | 4,808   |
| Reserves  |      | <b>31,354</b>         | 31,619  |
| <b>Total equity attributable to shareholders of the Company</b> |      | <b>36,359</b>         | 36,427  |
| Non-controlling interests                                       |      | <b>215</b>            | 233     |
| <b>Total equity</b>   |      | <b>36,574</b>         | 36,660  |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (HK\$m)

Year ended 31 December  
Attributable to shareholders of the Company

|  | Note | Share capital | Hedging reserve | Exchange and other reserves | Retained profits | Total  | Non-controlling interests | Total equity |
|--|------|---------------|-----------------|-----------------------------|------------------|--------|---------------------------|--------------|
| <b>At 1 January 2015</b>                           |      | 4,544         | (47)            | 325                         | 31,079           | 35,901 | 250                       | 36,151       |
| Changes in equity for 2015:                        |      |               |                 |                             |                  |        |                           |              |
| Profit for the year                                |      | -             | -               | -                           | 1,000            | 1,000  | 5                         | 1,005        |
| Other comprehensive income                         |      | -             | -               | (388)                       | -                | (388)  | (17)                      | (405)        |
| <b>Total comprehensive income for the year</b>     |      | -             | -               | (388)                       | 1,000            | 612    | (12)                      | 600          |
| Dividends approved in respect of the previous year | 5    | 202           | -               | -                           | (273)            | (71)   | -                         | (71)         |
| Dividends approved in respect of the current year  | 5    | 62            | -               | -                           | (77)             | (15)   | -                         | (15)         |
| Dividend paid to non-controlling interests         |      | -             | -               | -                           | -                | -      | (5)                       | (5)          |
| <b>Balance at 31 December 2015</b>                 |      | 4,808         | (47)            | (63)                        | 31,729           | 36,427 | 233                       | 36,660       |
| <b>Changes in equity for 2016:</b>                 |      |               |                 |                             |                  |        |                           |              |
| <b>Profit for the year</b>                         |      | -             | -               | -                           | 675              | 675    | (8)                       | 667          |
| <b>Other comprehensive income</b>                  |      | -             | 20              | (667)                       | -                | (647)  | (5)                       | (652)        |
| <b>Total comprehensive income for the year</b>     |      | -             | 20              | (667)                       | 675              | 28     | (13)                      | 15           |
| Dividends approved in respect of the previous year | 5    | 155           | -               | -                           | (231)            | (76)   | -                         | (76)         |
| Dividends approved in respect of the current year  | 5    | 42            | -               | -                           | (62)             | (20)   | -                         | (20)         |
| Dividend paid to non-controlling interests         |      | -             | -               | -                           | -                | -      | (5)                       | (5)          |
| <b>Balance at 31 December 2016</b>                 |      | 5,005         | (27)            | (730)                       | 32,111           | 36,359 | 215                       | 36,574       |

## CONSOLIDATED STATEMENT OF CASH FLOWS (HK\$m)

|  | Note | Year ended 31 December |                |
|--|------|------------------------|----------------|
|  |      | 2016                   | 2015           |
| <b>Operating activities</b>  |      |                        |                |
| Profit after net financing charges   |      | 728                    | 946            |
| Adjustments for:   |      |                        |                |
| Depreciation   | 7(a) | 451                    | 413            |
| Amortisation of hotel operating rights   | 10   | 13                     | 13             |
| Interest income  |      | (37)                   | (56)           |
| Financing charges  |      | 133                    | 124            |
| <b>Operating profit before changes in working capital</b>  |      | <b>1,288</b>           | <b>1,440</b>   |
| Decrease in inventories  |      | -                      | 8              |
| Increase in trade and other receivables  |      | -                      | (62)           |
| Increase in trade and other payables   |      | 24                     | 58             |
| <b>Cash generated from operations</b>  |      | <b>1,312</b>           | <b>1,444</b>   |
| Net tax (paid)/refunded:   |      |                        |                |
| Hong Kong profits tax paid   |      | (137)                  | (191)          |
| Overseas tax refunded/(paid)   |      | 1                      | (33)           |
| <b>Net cash generated from operating activities</b>  |      | <b>1,176</b>           | <b>1,220</b>   |
| <b>Investing activities</b>  |      |                        |                |
| Payment for the purchase of property, plant and equipment  |      | (1,131)                | (660)          |
| Payment for the acquisition of additional interest in 1-5 Grosvenor Place                            |      | (1,288)                | -              |
| Payment for the acquisition of The Peninsula Tokyo's hotel building                                  |      | -                      | (732)          |
| Dividend from an associate   |      | 5                      | -              |
| Capital injection into a joint venture   |      | (161)                  | -              |
| Loan repayment from a joint venture/associate  |      | 58                     | -              |
| <b>Net cash used in investing activities</b>   |      | <b>(2,517)</b>         | <b>(1,392)</b> |
| <b>Financial activities</b>  |      |                        |                |
| Drawdown of term loans   |      | 800                    | 2,114          |
| Repayment of term loans  |      | -                      | (1,249)        |
| Net decrease in revolving loans  |      | (53)                   | (43)           |
| Net withdrawal/(placement) of interest-bearing bank deposits with maturity of more than three months |      | 2,016                  | (513)          |
| Interest paid and other financing charges  |      | (138)                  | (126)          |
| Interest received  |      | 45                     | 58             |
| Dividends paid to shareholders of the Company  |      | (96)                   | (86)           |
| Dividends paid to holders of non-controlling interests   |      | (5)                    | (5)            |
| <b>Net cash generated from financing activities</b>  |      | <b>2,569</b>           | <b>150</b>     |
| Net increase/(decrease) in cash and cash equivalents   |      | 1,228                  | (22)           |
| Cash and cash equivalents at 1 January   |      | 768                    | 839            |
| Effect of changes in foreign exchange rates  |      | (41)                   | (49)           |
| <b>Cash and cash equivalents at 31 December</b>  | 12   | <b>1,955</b>           | <b>768</b>     |

## Notes to the Financial Statements

### 1. Statement of compliance

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

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

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. These developments do not have material impact on the Group's Financial Statements.

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

### 2. Revenue (HK\$m)

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

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

## 2. Revenue (HK\$m) continued

|                                  | 2016         | 2015         |
|----------------------------------|--------------|--------------|
| Hotels                           |              |              |
| - Rooms                          | 1,812        | 1,765        |
| - Food and beverage              | 1,173        | 1,168        |
| - Shopping arcades and offices   | 691          | 761          |
| - Others                         | 364          | 379          |
|                                  | <u>4,040</u> | <u>4,073</u> |
| Commercial properties            |              |              |
| - Residential properties         | 480          | 486          |
| - Offices                        | 121          | 110          |
| - Shopping arcades               | 334          | 341          |
|                                  | <u>935</u>   | <u>937</u>   |
| Clubs and Services               |              |              |
| - Clubs and consultancy services | 68           | 182          |
| - Peak Tram operation            | 120          | 122          |
| - Others                         | 468          | 427          |
|                                  | <u>656</u>   | <u>731</u>   |
|                                  | <u>5,631</u> | <u>5,741</u> |

## 3. Income tax in the consolidated statement of profit or loss (HK\$m)

|   | 2016        | 2015        |
|---|-------------|-------------|
| <b>Current tax - Hong Kong profits tax</b>  |             |             |
| Provision for the year  | 142         | 152         |
| Over-provision in respect of prior years  | (5)         | (3)         |
|   | <u>137</u>  | <u>149</u>  |
| <b>Current tax - Overseas</b>   |             |             |
| Net charge for the year   | 2           | 23          |
|   | <u>139</u>  | <u>172</u>  |
| <b>Deferred tax</b>   |             |             |
| Decrease in net deferred tax liabilities relating<br>to revaluation of overseas investment properties | (21)        | (20)        |
| (Decrease)/increase in net deferred tax liabilities relating<br>to other temporary differences        | (32)        | 26          |
| Effect of decrease in tax rates on deferred tax balances  | (1)         | (54)        |
|   | <u>(54)</u> | <u>(48)</u> |
| <b>Total</b>  | <u>85</u>   | <u>124</u>  |

The provision for Hong Kong profits tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

#### 4. Earnings per share

##### (a) Earnings per share - basic

|   | 2016  | 2015  |
|---|-------|-------|
| Profit attributable to shareholders of the Company (HK\$m)  | 675   | 1,000 |
| Weighted average number of shares in issue (million shares) | 1,554 | 1,528 |
| Earnings per share (HK\$)                                   | 0.43  | 0.65  |

|  | 2016<br>(million shares) | 2015<br>(million shares) |
|--|--------------------------|--------------------------|
| Issued shares at 1 January   | 1,543                    | 1,517                    |
| Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of the 2015 final dividend and 2016 interim dividend | 11                       | 11                       |
| Weighted average number of shares at 31 December   | 1,554                    | 1,528                    |

##### (b) Earnings per share - diluted

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2016 and 2015 and hence the diluted earnings per share is the same as the basic earnings per share.

#### 5. Dividends (HK\$m)

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

|  | 2016 | 2015 |
|--|------|------|
| Interim dividend declared and paid of 4 HK cents per share (2015: 5 HK cents per share)                              | 62   | 77   |
| Final dividend proposed after the end of the reporting period of 15 HK cents per share (2015: 15 HK cents per share) | 235  | 231  |
|  | 297  | 308  |

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

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

|   | 2016 | 2015 |
|---|------|------|
| Final dividend in respect of the previous financial year, approved and paid during the year, of 15 HK cents per share (2015: 18 HK cents per share) | 231  | 273  |

## 6. Segment reporting (HK\$m)

The Group is organised on a divisional basis. In a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group's reportable segments are as follows:

|                       |  |
|-----------------------|--|
| Hotels                | This segment includes revenue generated from operating hotels, leasing of commercial shopping arcades and office premises located within the hotel buildings.  |
| Commercial Properties | This segment is engaged in the leasing of commercial and office premises (other than those in hotel properties) and residential apartments, as well as operating food and beverage outlets in such premises.           |
| Clubs and Services    | This segment is engaged in the operation of golf courses, The Peak Tram, wholesaling and retailing of food and beverage products, laundry services and the provision of management and consultancy services for clubs. |

No operating segments have been aggregated to form the reportable segments. Comparative figures have been restated to conform to the current year's presentation of internal report to the Group's senior executive management for the purposes of resource allocation and performance assessment.

### (a) Segment results (HK\$m)

The results of the Group's reportable segments for the years ended 31 December 2016 and 2015 are set out as follows:

|   | Hotels       |       | Commercial Properties |      | Clubs and Services |      | Consolidated |       |
|---|--------------|-------|-----------------------|------|--------------------|------|--------------|-------|
|   | 2016         | 2015  | 2016                  | 2015 | 2016               | 2015 | 2016         | 2015  |
| <b>Reportable segment revenue*</b>  | <b>4,040</b> | 4,073 | <b>935</b>            | 937  | <b>656</b>         | 731  | <b>5,631</b> | 5,741 |
| <b>Reportable segment operating profits before interest, taxation, depreciation and amortisation (EBITDA)</b> | <b>649</b>   | 777   | <b>518</b>            | 538  | <b>121</b>         | 125  | <b>1,288</b> | 1,440 |
| Depreciation and amortisation   | <b>(418)</b> | (385) | <b>(11)</b>           | (9)  | <b>(35)</b>        | (32) | <b>(464)</b> | (426) |
| <b>Segment operating profit</b>   | <b>231</b>   | 392   | <b>507</b>            | 529  | <b>86</b>          | 93   | <b>824</b>   | 1,014 |

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

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

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

### (b) Segment assets (HK\$m)

Segment assets include all tangible and current assets and hotel operating rights held directly by the respective segments. The Group's segment assets and unallocated assets as at 31 December 2016 and 2015 are set out as follows:

|                                  | Note | 2016          | 2015   |
|----------------------------------|------|---------------|--------|
| <b>Reportable segment assets</b> |      |               |        |
| Hotels                           |      | <b>17,868</b> | 17,602 |
| Commercial properties            |      | <b>23,087</b> | 21,747 |
| Clubs and services               |      | <b>1,009</b>  | 1,017  |
|                                  |      | <b>41,964</b> | 40,366 |
| <b>Unallocated assets</b>        |      |               |        |
| Interest in joint ventures       | 8    | <b>1,019</b>  | 901    |
| Interest in associates           | 9    | <b>642</b>    | 694    |
| Deferred tax assets              |      | <b>47</b>     | 30     |
| Amount due from a joint venture  |      | <b>111</b>    | 179    |
| Cash at banks and in hand        | 12   | <b>2,087</b>  | 2,919  |
| Consolidated total assets        |      | <b>45,870</b> | 45,089 |

### (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 were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, the location of the operation to which they are allocated in the case of hotel operating rights and the location of operations in the case of interests in joint ventures and associates.

|                                     | Revenue from<br>external customers |       | Specified<br>non-current assets |        |
|-------------------------------------|------------------------------------|-------|---------------------------------|--------|
|                                     | 2016                               | 2015  | 2016                            | 2015   |
| Hong Kong                           | <b>2,615</b>                       | 2,749 | <b>29,579</b>                   | 29,547 |
| Other Asia *                        | <b>1,526</b>                       | 1,624 | <b>5,224</b>                    | 4,930  |
| United States of America and Europe | <b>1,490</b>                       | 1,368 | <b>8,085</b>                    | 6,759  |
|                                     | <b>5,631</b>                       | 5,741 | <b>42,888</b>                   | 41,236 |

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



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

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

|  | Freehold<br>land | Hotel and<br>other<br>buildings<br>held for<br>own use | Plant,<br>machinery<br>and<br>equipment | Sub-total     | Other<br>investment<br>properties | Investment<br>property held<br>for<br>redevelopment | Interests in<br>leasehold land<br>held under<br>finance leases | Total         |
|--|------------------|--|---|---------------|-----------------------------------|---|--|---------------|
| <b>Cost or valuation:</b>                                  |                  |  |   |               |                                   |   |  |               |
| At 1 January 2015  | 962              | 6,898  | 4,799                                   | 12,659        | 30,825                            | 1,723   | 1  | 45,208        |
| Exchange adjustments                                       | (53)             | (190)  | (87)                                    | (330)         | (138)                             | (85)  | -  | (553)         |
| Additions  | -                | 900  | 414                                     | 1,314         | 65                                | -   | -  | 1,379         |
| Disposals  | -                | (125)  | (381)                                   | (506)         | -                                 | -   | -  | (506)         |
| Revaluation surplus  | -                | 25   | -                                       | 25            | -                                 | -   | -  | 25            |
| Transfer   | (83)             | (1)  | (32)                                    | (116)         | 116                               | -   | -  | -             |
| Fair value adjustment                                      | -                | -  | -                                       | -             | 277                               | -   | -  | 277           |
| <b>At 31 December 2015</b>                                 | <b>826</b>       | <b>7,507</b>   | <b>4,713</b>                            | <b>13,046</b> | <b>31,145</b>                     | <b>1,638</b>  | <b>1</b>   | <b>45,830</b> |
| <b>Representing:</b>                                       |                  |  |   |               |                                   |   |  |               |
| Cost   | 826              | 7,507  | 4,713                                   | 13,046        | -                                 | -   | 1  | 13,047        |
| Valuation - 2015   | -                | -  | -                                       | -             | 31,145                            | 1,638   | -  | 32,783        |
|  | 826              | 7,507  | 4,713                                   | 13,046        | 31,145                            | 1,638   | 1  | 45,830        |
| <b>At 1 January 2016</b>                                   | <b>826</b>       | <b>7,507</b>   | <b>4,713</b>                            | <b>13,046</b> | <b>31,145</b>                     | <b>1,638</b>  | <b>1</b>   | <b>45,830</b> |
| Exchange adjustments                                       | 2                | (17)   | (41)                                    | (56)          | (78)                              | (344)   | -  | (478)         |
| Additions  | -                | 19   | 1,061                                   | 1,080         | 111                               | 1,288   | -  | 2,479         |
| Disposals  | -                | (6)  | (262)                                   | (268)         | -                                 | -   | -  | (268)         |
| Transfer   | -                | 461  | (568)                                   | (107)         | 107                               | -   | -  | -             |
| Fair value adjustment                                      | -                | -  | -                                       | -             | 28                                | 1   | -  | 29            |
| <b>At 31 December 2016</b>                                 | <b>828</b>       | <b>7,964</b>   | <b>4,903</b>                            | <b>13,695</b> | <b>31,313</b>                     | <b>2,583</b>  | <b>1</b>   | <b>47,592</b> |
| <b>Representing:</b>                                       |                  |  |   |               |                                   |   |  |               |
| Cost   | 828              | 7,964  | 4,903                                   | 13,695        | -                                 | -   | 1  | 13,696        |
| Valuation - 2016   | -                | -  | -                                       | -             | 31,313                            | 2,583   | -  | 33,896        |
|  | 828              | 7,964  | 4,903                                   | 13,695        | 31,313                            | 2,583   | 1  | 47,592        |
| <b>Accumulated depreciation<br/>and impairment losses:</b> |                  |  |   |               |                                   |   |  |               |
| At 1 January 2015  | 351              | 3,571  | 3,117                                   | 7,039         | -                                 | -   | 1  | 7,040         |
| Exchange adjustments                                       | (28)             | (124)  | (62)                                    | (214)         | -                                 | -   | -  | (214)         |
| Charge for the year  | -                | 138  | 275                                     | 413           | -                                 | -   | -  | 413           |
| Written back on disposals                                  | -                | (125)  | (381)                                   | (506)         | -                                 | -   | -  | (506)         |
| <b>At 31 December 2015</b>                                 | <b>323</b>       | <b>3,460</b>   | <b>2,949</b>                            | <b>6,732</b>  | <b>-</b>                          | <b>-</b>  | <b>1</b>   | <b>6,733</b>  |
| <b>At 1 January 2016</b>                                   | <b>323</b>       | <b>3,460</b>   | <b>2,949</b>                            | <b>6,732</b>  | <b>-</b>                          | <b>-</b>  | <b>1</b>   | <b>6,733</b>  |
| Exchange adjustments                                       | 1                | (29)   | (8)                                     | (36)          | -                                 | -   | -  | (36)          |
| Charge for the year  | -                | 162  | 289                                     | 451           | -                                 | -   | -  | 451           |
| Written back on disposals                                  | -                | (6)  | (262)                                   | (268)         | -                                 | -   | -  | (268)         |
| <b>At 31 December 2016</b>                                 | <b>324</b>       | <b>3,587</b>   | <b>2,968</b>                            | <b>6,879</b>  | <b>-</b>                          | <b>-</b>  | <b>1</b>   | <b>6,880</b>  |
| <b>Net book value:</b>                                     |                  |  |   |               |                                   |   |  |               |
| <b>At 31 December 2016</b>                                 | <b>504</b>       | <b>4,377</b>   | <b>1,935</b>                            | <b>6,816</b>  | <b>31,313</b>                     | <b>2,583</b>  | <b>-</b>   | <b>40,712</b> |
| At 31 December 2015  | 503              | 4,047  | 1,764                                   | 6,314         | 31,145                            | 1,638   | -  | 39,097        |

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

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

During 2016, the Group acquired items of investment properties and other properties, plant and equipment with a cost of HK\$2,479 million, of which HK\$1,288 million related to the cash consideration paid for the acquisition of additional interest in 1-5 Grosvenor Place (2015: HK\$1,379 million, of which HK\$732 million related to the cash consideration paid for the acquisition of The Peninsula Tokyo's hotel building). Included in the balance of other properties, plant and equipment are construction in progress of HK\$486 million (2015: HK\$434 million).

The Group assessed the recoverable amounts of its other properties, plant and equipment at the reporting date in accordance with the accounting policy. Based on the assessment, the directors considered that no provision for or reversal of impairment was required as at 31 December 2016 and 2015.

- (b) All investment properties of the Group were revalued as at 31 December 2016. The changes in fair value of the investment properties during the year were accounted for in the consolidated statement of profit or loss. The valuations were carried out by valuers independent of the Group who have staff with recent experience in the location and category of the property being valued. Discussions have been held with the valuers on the valuation assumptions and valuation results when the valuation is performed at each reporting date. Details of the valuers are as follows:

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

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

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

### (c) Investment property held for re-development

The investment property held for re-development represents the Group's economic interest in 1-5 Grosvenor Place, London (the Property). The Group initially acquired a 50% interest in the Property on 25 July 2013. On 30 September 2016, the Group further acquired the remaining 50% interest in the Property at a total cost of HK\$1,288 million, inclusive of stamp duty land tax and other transaction costs. As at 31 December 2016, the Property was held for leasing purpose and its fair value amounted to HK\$2,583 million (GBP271 million) (2015: HK\$1,638 million (GBP142 million)). The Property will be re-developed into a mixed used complex consisting of a Peninsula hotel and luxury residences.

## 8. Interest in joint ventures (HK\$m)

|                          | 2016         | 2015       |
|--------------------------|--------------|------------|
| Share of net assets      | 498          | 380        |
| Loans to a joint venture | 521          | 521        |
|                          | <b>1,019</b> | <b>901</b> |

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

| Company name   | Form of business structure | Place of incorporation | 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 |
| PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT)** | Incorporated               | Turkey                 | TRY130,600,000                            | 50%                        | Hotel investment   |

\* The Group's interest in TPS is held indirectly by the Company. TPS holds a 100% direct interest in Evermore Gain Limited (EGL), a company incorporated in Hong Kong, which in turn holds a 100% direct interest in The Peninsula Shanghai Waitan Hotel Company Limited (PSW). PSW is a wholly owned foreign enterprise incorporated in the People's Republic of China and is engaged in the development and operation of The Peninsula Shanghai hotel, Peninsula hotel apartments, a retail arcade and ancillary facilities. At 31 December 2016, the paid up capital of EGL and PSW amounted to HK\$1 (2015: HK\$1) and US\$117,500,000 (2015: US\$117,500,000) respectively.

\*\* PIT was incorporated on 10 February 2016 and the Group's interest in this joint venture is held indirectly by the Company. PIT has redevelopment and operating rights in respect of a property within the Salıpaazarı Port Project Area in Istanbul, Turkey. The Group, together with its joint venture partner, intend to redevelop the property into The Peninsula Istanbul. As at 31 December 2016, capital injected into PIT amounted to HK\$161 million. The net assets of PIT at 31 December 2016 mainly comprised of property, plant and equipment and cash at bank and in hand of HK\$132 million and HK\$25 million respectively.

(b) PSW has pledged its properties inclusive of the land use rights as security for a loan facility amounting to RMB2,500 million. As at 31 December 2016, the loan drawn down amounted to HK\$1,977 million (RMB1,774 million) (2015: HK\$2,177 million (RMB1,823 million)). The net carrying amount of these pledged assets amounted to HK\$4,300 million (RMB3,857 million) (2015: HK\$4,794 million (RMB4,015 million)).

## 8. Interest in joint ventures (HK\$m) *continued*

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

|  | 2016       | 2015         |
|--|------------|--------------|
| Non-current assets                         | 4,256      | 4,628        |
| Cash at bank and in hand                   | 127        | 89           |
| Other current assets                       | 163        | 236          |
| Current liabilities                        | (349)      | (439)        |
| Non-current liabilities                    | (3,515)    | (3,754)      |
| <b>Net assets</b>                          | <b>682</b> | <b>760</b>   |
| Income*                                    | 827        | 760          |
| Cost of inventories and operating expenses | (554)      | (601)        |
| EBITDA                                     | 273        | 159          |
| Depreciation                               | (81)       | (84)         |
| Net financing charges                      | (114)      | (143)        |
| Profit/(loss) before non-operating item    | 78         | (68)         |
| Non-operating item, net of tax **          | (38)       | (74)         |
| <b>Profit/(loss) for the year</b>          | <b>40</b>  | <b>(142)</b> |
| <b>The Group's share of result of PSW</b>  | <b>20</b>  | <b>(71)</b>  |

\* Including proceeds of HK\$229 million (2015: HK\$171 million) from sale of apartments.

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

## 9. Interest in associates (HK\$m)

|                        | 2016 | 2015 |
|------------------------|------|------|
| Interest in associates | 642  | 694  |

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

| Company name                            | Form of business structure | Place of incorporation and operation | Particulars of issued and paid up /contributed capital | Group's effective interest* | Principal activity                      |
|---|----------------------------|--------------------------------------|--|-----------------------------|---|
| 19 Holding SAS (19 Holding) **          | Incorporated               | France                               | EUR1,000   | 20%                         | Investment holding                      |
| Majestic EURL (Majestic)                | Incorporated               | France                               | EUR80,000,000  | 20%                         | Hotel investment and investment holding |
| Le 19 Avenue Kléber                     | Incorporated               | France                               | EUR100,000   | 20%                         | Hotel operation                         |
| The Belvedere Hotel Partnership (BHP) # | Partnership                | United States of America             | US\$46,500,000   | 20%                         | Hotel investment                        |

## 9. Interest in associates (HK\$m) continued

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

\*\* 19 Holding was incorporated in 2016 to replace the investment holding company, Al Maha Majestic S.à r.l., which was dissolved following a restructuring of the holding structure in 2016. 19 Holding holds a 100% direct interest in Majestic which owns The Peninsula Paris.

# BHP holds a 100% interest in The Peninsula Beverly Hills.

- (b) Included in the balance of interest in associates are unsecured loans to 19 Holding of HK\$616 million (2015: HK\$678 million) which are repayable after more than one year. These loans were made pro rata to the Group's shareholding in 19 Holding and bear interest at rates related to the rates published by the French tax authorities.
- (c) Majestic has pledged its hotel property as security for a loan facility amounting to EUR220 million (HK\$1,802 million). As at 31 December 2016, the loan drawn down amounted to EUR220 million (HK\$1,802 million) (2015: EUR220 million (HK\$1,864 million)). As at 31 December 2016, the net carrying amount of these pledged assets amounted to EUR613 million (HK\$5,017 million) (2015: EUR631 million (HK\$5,350 million)).
- (d) BHP has pledged its hotel property to an independent financial institution as security for BHP's loan facility, amounting to US\$145 million (HK\$1,131 million) (2015: US\$145 million (HK\$1,131 million)). As at 31 December 2016, the loan drawn down amounted to US\$137 million (HK\$1,069 million) (2015: US\$140 million (HK\$1,092 million)). The net carrying amount of the pledged assets amounted to US\$61 million (HK\$476 million) (2015: US\$60 million (HK\$468 million)).
- (e) Set out below is a summary of the aggregate financial information of the associates, of which the Group has a 20% share:

|   | <b>2016</b>  | 2015  |
|---|--------------|-------|
| Net loss from continuing operations                   | <b>(125)</b> | (115) |
| Post-tax profit or loss from discontinued operations  | -            | -     |
| Other comprehensive income                            | -            | -     |
| Total comprehensive income                            | <b>(125)</b> | (115) |
| <b>The Group's share of results of the associates</b> | <b>(25)</b>  | (23)  |

## 10. Hotel operating rights (HK\$m)

|                                 | 2016         | 2015         |
|---------------------------------|--------------|--------------|
| <b>Cost</b>                     |              |              |
| At 1 January                    | 674          | 727          |
| Exchange adjustments            | (17)         | (53)         |
| At 31 December                  | <u>657</u>   | <u>674</u>   |
| <b>Accumulated amortisation</b> |              |              |
| At 1 January                    | (130)        | (116)        |
| Exchange adjustments            | 1            | (1)          |
| Amortisation for the year       | (13)         | (13)         |
| At 31 December                  | <u>(142)</u> | <u>(130)</u> |
| Net book value                  | <u>515</u>   | <u>544</u>   |

The amortisation charge for the year is included in “Depreciation and amortisation” in the consolidated statement of profit or loss.

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

## 11. Trade and other receivables (HK\$m)

|   | 2016       | 2015       |
|---|------------|------------|
| Trade debtors   | 271        | 254        |
| Rental deposits, payments in advance<br>and other receivables | 378        | 377        |
| Tax recoverable   | 6          | 12         |
|   | <u>655</u> | <u>643</u> |

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\$139 million (2015: HK\$86 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:

|   | 2016       | 2015       |
|---|------------|------------|
| Current   | <u>255</u> | <u>238</u> |
| Less than one month past due                            | 10         | 10         |
| One to three months past due                            | 5          | 6          |
| More than three months but less than 12 months past due | 1          | -          |
| Amounts past due  | <u>16</u>  | <u>16</u>  |
|   | <u>271</u> | <u>254</u> |

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

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

|   | 2016  | 2015    |
|---|-------|---------|
| Interest-bearing bank deposits  | 1,902 | 2,765   |
| Cash at banks and in hand   | 185   | 154     |
| Total cash at banks and in hand                                       | 2,087 | 2,919   |
| Less: Bank deposits with maturity of more than three months           | (130) | (2,146) |
| Bank overdrafts ( <i>note 14</i> )                                    | (2)   | (5)     |
| Cash and cash equivalents in the consolidated statement of cash flows | 1,955 | 768     |

Cash at banks and in hand at the end of the reporting period include amounts of HK\$314 million (2015: HK\$932 million) held by overseas subsidiaries which are subject to regulatory and foreign exchange restrictions.

## 13. Trade and other payables (HK\$m)

|   | 2016  | 2015  |
|---|-------|-------|
| Trade creditors                                       | 148   | 150   |
| Interest payable                                      | 7     | 8     |
| Accruals for property, plant and equipment            | 145   | 45    |
| Tenants' deposits                                     | 381   | 382   |
| Guest deposits and gift vouchers                      | 157   | 135   |
| Golf membership deposits                              | 76    | 87    |
| Other payables  | 674   | 646   |
| Financial liabilities measured at amortised cost      | 1,588 | 1,453 |
| Less: Non-current portion of trade and other payables | (229) | (239) |
| Current portion of trade and other payables           | 1,359 | 1,214 |

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\$310 million (2015: HK\$343 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 Directors consider that the carrying amount of all trade and other payables approximates their fair value.

The ageing analysis of trade creditors is as follows:

|                        | 2016 | 2015 |
|------------------------|------|------|
| Less than three months | 144  | 149  |
| Three to six months    | 2    | -    |
| More than six months   | 2    | 1    |
|                        | 148  | 150  |

#### 14. Interest-bearing borrowings (HK\$m)

|   | 2016         | 2015         |
|---|--------------|--------------|
| Total facilities available:                                   |              |              |
| Term loans and revolving credits                              | 9,116        | 6,956        |
| Uncommitted facilities, including bank overdrafts             | 323          | 319          |
|   | <u>9,439</u> | <u>7,275</u> |
| Utilised at 31 December:                                      |              |              |
| Term loans and revolving credits                              | 7,047        | 6,184        |
| Uncommitted facilities, including bank overdrafts             | 2            | 53           |
|   | <u>7,049</u> | <u>6,237</u> |
| Less: Unamortised financing charges                           | (51)         | (45)         |
|   | <u>6,998</u> | <u>6,192</u> |
| <i>Represented by:</i>  |              |              |
| Short-term bank loans, repayable within one year or on demand | -            | 181          |
| Bank overdrafts, repayable on demand ( <i>note 12</i> )       | 2            | 5            |
|   | <u>2</u>     | <u>186</u>   |
| Long-term bank loans, repayable:                              |              |              |
| Between one and two years                                     | 3,291        | -            |
| Between two and five years                                    | 2,423        | 4,764        |
| Over five years   | 1,333        | 1,287        |
|   | <u>7,047</u> | <u>6,051</u> |
| Less: Unamortised financing charges                           | (51)         | (45)         |
| Non-current portion of long-term bank loans                   | <u>6,996</u> | <u>6,006</u> |
| <b>Total interest-bearing borrowings</b>                      | <u>6,998</u> | <u>6,192</u> |

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 2016 and 2015, none of the covenants relating to drawn down facilities had been breached.



## 15. Share capital

|   | 2016                    |              | 2015                    |              |
|---|-------------------------|--------------|-------------------------|--------------|
|   | No. of shares (million) | HK\$m        | No. of shares (million) | HK\$m        |
| <b>Ordinary shares, issued and fully paid:</b>            |                         |              |                         |              |
| At 1 January  | 1,543                   | 4,808        | 1,517                   | 4,544        |
| Shares issued under scrip dividend scheme ( <i>note</i> ) | <u>24</u>               | <u>197</u>   | <u>26</u>               | <u>264</u>   |
| At 31 December  | <u>1,567</u>            | <u>5,005</u> | <u>1,543</u>            | <u>4,808</u> |

In accordance with Section 135 of the Companies Ordinance, the ordinary shares of the Company do not have a par value.

All ordinary shares issued during 2016 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 2016, 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) |
|-----------------------------|----------------------------|--------------------|-----------------------------------|
| 2015 final scrip dividend   | 19                         | 8.362              | 155                               |
| 2016 interim scrip dividend | <u>5</u>                   | <u>7.902</u>       | <u>42</u>                         |
|                             | <u>24</u>                  |                    | <u>197</u>                        |

## 16. Capital commitments (HK\$m)

Capital commitments outstanding as at 31 December 2016 not provided for in the Financial Statements were as follows:

|   | 2016              |  |              | 2015              |  |              |
|---|-------------------|--|--------------|-------------------|--|--------------|
|   | Contracted<br>for | Authorised<br>but not<br>contracted<br>for | Total        | Contracted<br>for | Authorised<br>but not<br>contracted<br>for | Total        |
| Capital commitments in respect<br>of existing properties and<br>new projects    | 849               | 7,782                                      | 8,631        | 798               | 2,164                                      | 2,962        |
| The Group's share of capital<br>commitments of joint<br>ventures and associates | 517               | 598  | 1,115        | 1                 | 17   | 18           |
|   | <b>1,366</b>      | <b>8,380</b>                               | <b>9,746</b> | <b>799</b>        | <b>2,181</b>                               | <b>2,980</b> |

The Group's capital commitments include the capital expenditure for the renovation of The Peninsula Beijing, 21 avenue Kléber and the major upgrade project to be undertaken by The Peak Tram as well as the development costs to be incurred for The Peninsula London and The Peninsula Yangon projects.

Furthermore, the Group has a 50% interest in a proposed joint development of a luxury hotel property within the Salıpazarı Port Project Area in Istanbul, Turkey and the Group's share of development cost in respect of this project is included in the share of capital commitments of joint ventures.

The significant movements reflect the inclusion of the capital commitments in respect of the hotel projects in London, Yangon and Istanbul as the conditions precedent of these projects were fully satisfied during 2016.

## 17. Non-adjusting post reporting period events

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

## **OTHER CORPORATE INFORMATION**

### **Corporate governance**

Good corporate governance is crucial to sustain the Group in the long-run through the changing regulatory and market environment. The Board of Directors of the Company sees corporate governance as an integral part of its business strategy. By putting in place the right governance framework, the Board of Directors has set a culture of integrity, transparency and accountability that permeates throughout the Group. This in turn fosters and maintains shareholders' and stakeholders' confidence in the Company. The Corporate Governance Report in the 2016 Annual Report outlines the Company's approach to governance and its initiatives and activities.

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

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

### **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 specific economic, social and environmental goals that we are targeting to achieve by year 2020.

The Corporate Responsibility and Sustainability Report (CRS Report) discusses in detail our progress towards Vision 2020 and specific material issues that contribute to the sustainable development of the Group. The CRS Report discloses the Group's corporate responsibility and sustainability performance which complies with the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules as well as contains the standard disclosures on core level of the recently launched Global Reporting Initiative Standards. KPMG was commissioned to provide assurance on the reported data and an independent opinion of the Report's alignment with the relevant standards. The CRS Report will be published on the websites of the Company and the Stock Exchange together with the 2016 Annual Report.

### **Purchase, sale or redemption of listed securities**

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

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

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

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

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

### **Final dividend**

The Board has recommended a final dividend of 15 HK cents per share (2015: 15 HK cents per share) for the year ended 31 December 2016. Subject to the approval by shareholders at the forthcoming Annual General Meeting (AGM), such dividend will be payable on 16 June 2017 to shareholders whose names appear on the register of members on 16 May 2017.

The proposed final dividend will be offered with a scrip alternative for shareholders to elect to receive such final dividend wholly or partly in the form of new fully paid shares instead of in cash. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of the Stock Exchange.

A circular containing details of this scrip dividend scheme will be dispatched to shareholders together with an election form for the scrip dividend on 19 May 2017.

### **Closure of register of members**

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

|   |  |
|---|--|
| Latest time to lodge transfer documents | 4:30pm on 28 April 2017                      |
| Closure of register of members          | 2 May to 8 May 2017<br>(both days inclusive) |
| Record date                             | 8 May 2017                                   |
| AGM                                     | 8 May 2017                                   |

For shareholders' entitlement to receive the final dividend:

|  |  |
|--|--|
| Latest time to lodge transfer documents              | 4:30pm on 11 May 2017                          |
| Closure of register of members                       | 12 May to 16 May 2017<br>(both days inclusive) |
| Record date  | 16 May 2017                                    |
| Deadline for return of scrip dividend election forms | 4:30pm on 7 June 2017                          |
| Final dividend payment date                          | 16 June 2017                                   |

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

### **AGM and Annual Report**

The AGM will be held at The Peninsula Hong Kong on 8 May 2017 at 12 noon. The Notice of AGM and 2016 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 31 March 2017.

By Order of the Board

**Christobelle Liao**

*Company Secretary*

Hong Kong, 20 March 2017

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*

Matthew James Lawson

**Non-Executive Directors**

Ronald James McAulay

William Elkin Mocatta

John Andrew Harry Leigh

Nicholas Timothy James Colfer

**Independent Non-Executive Directors**

Dr the Hon. Sir David Kwok Po Li

Patrick Blackwell Paul

Pierre Roger Boppe

Dr William Kwok Lun Fung

Dr Rosanna Yick Ming Wong

Dr Kim Lesley Winser