



SHANGRI-LA ASIA LIMITED

*(Incorporated in Bermuda with limited liability)*

香格里拉(亞洲)有限公司

Stock Code: 69

Interim Report 2007

## CORPORATE INFORMATION

As at 4 September 2007

### Board of Directors

#### *Executive Directors*

Mr KUOK Khoon Loong, Edward (*Chairman*)  
 Mr LUI Man Shing (*Deputy Chairman*)  
 Mr Giovanni ANGELINI  
 Mr NG Si Fong, Alan

#### *Non-Executive Directors*

Madam KUOK Oon Kwong  
 Mr HO Kian Guan  
 Mr LEE Yong Sun  
 Mr Roberto V. ONGPIN  
 Mr Alexander Reid HAMILTON\*  
 Mr WONG Kai Man\*  
 Mr Timothy David DATTELS\*  
 Mr Michael Wing-Nin CHIU\*  
 Mr HO Kian Hock  
 (*Alternate to Mr HO Kian Guan*)

\* *Independent Non-Executive Directors*

### Remuneration Committee

Mr KUOK Khoon Loong, Edward (*Chairman*)  
 Mr Alexander Reid HAMILTON  
 Mr WONG Kai Man

### Audit Committee

Mr Alexander Reid HAMILTON (*Chairman*)  
 Mr HO Kian Guan  
 Mr WONG Kai Man

### Company Secretary

Ms KO Sau Lai

### Auditor

PricewaterhouseCoopers  
*Certified Public Accountants*  
 22nd Floor  
 Prince's Building  
 Central  
 Hong Kong

### Head Office and Principal Place of Business

21st Floor  
 CITIC Tower  
 No. 1 Tim Mei Avenue  
 Central  
 Hong Kong

### Branch Share Registrar in Hong Kong

Tricor Abacus Limited  
 26th Floor, Tesbury Centre  
 28 Queen's Road East  
 Wanchai  
 Hong Kong

### Company's Website

<http://www.shangri-la.com>

### Financial Information

<http://www.ir.shangri-la.com>

The board of directors (the "Board") of Shangri-La Asia Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group"), and associates for the six months ended 30 June 2007. These results have been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit Committee of the Board. The review report of the auditors is set out on page 3.

The consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2007 increased to US\$159.7 million (US6.196 cents per share) from US\$82.0 million (US3.241 cents per share) in the same period last year.

The Board has declared an interim dividend of **HK15 cents** per share for 2007 (2006: HK13 cents per share) payable on Thursday, 11 October 2007 to shareholders whose names appear on the registers of members of the Company on Tuesday, 2 October 2007.

## GROUP FINANCIAL HIGHLIGHTS

### Consolidated Results

		Six months ended 30 June	
		2007	2006
		Unaudited	Unaudited
Sales	<i>US\$'000</i>	<b>557,733</b>	469,976
Profit attributable to the equity holders of the Company	<i>US\$'000</i>	<b>159,689</b>	82,006
Earnings per share	<i>US cents</i>	<b>6.196</b>	3.241
Dividend per share	<i>HK cents</i>	<b>15</b>	13
Annualised Return on Equity		<b>11.4%</b>	6.7%
$\left[ \frac{\text{Profit attributable to equity holders of the Company for the six months}}{\text{Average equity attributable to equity holders of the Company}} \times 2 \right]$			
EBITDA	<i>US\$ million</i>	<b>204.1</b>	167.9
[earnings before interest, tax, depreciation, amortisation and non-operating items]			
EBITDA Margin		<b>36.6%</b>	35.7%
[EBITDA / Sales]			

### Consolidated Balance Sheet

		As at	
		30 June	31 December
		2007	2006
		Unaudited	Audited
Total equity	<i>US\$'000</i>	<b>3,218,212</b>	2,975,324
Net assets attributable to the Company's equity holders	<i>US\$'000</i>	<b>2,913,039</b>	2,699,179
Net borrowings			
(total of bank loans, overdrafts, convertible bonds less cash and cash equivalents)			
	<i>US\$'000</i>	<b>1,327,628</b>	1,219,144
Net assets per share attributable to the Company's equity holders	<i>US\$</i>	<b>1.127</b>	1.054
Net assets (total equity) per share	<i>US\$</i>	<b>1.245</b>	1.162
Net borrowings to total equity ratio		<b>41.3%</b>	41.0%



羅兵咸永道會計師事務所

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Central, Hong Kong  
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Facsimile: (852) 2810 9888

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SHANGRI-LA ASIA LIMITED

*(incorporated in Bermuda with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 4 to 28, which comprises the condensed consolidated balance sheet of Shangri-La Asia Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 4 September 2007

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET***(All amounts in US dollar thousands)*

	Note	As at	
		30 June 2007 Unaudited	31 December 2006 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	2,957,555	2,659,861
Investment properties	4	390,465	385,125
Leasehold land and land use rights	4	384,795	381,142
Intangible assets	4	87,780	87,709
Interest in associates		1,030,216	924,256
Deferred income tax assets		406	555
Available-for-sale financial assets	5	3,818	4,052
Derivative financial instruments	13	15,397	1,458
Other receivables	6	4,366	3,923
		<b>4,874,798</b>	<b>4,448,081</b>
<b>Current assets</b>			
Inventories		23,715	22,019
Accounts receivable, prepayments and deposits	7	140,024	205,628
Due from associates		27,004	19,695
Financial assets held for trading	8	55,818	50,094
Cash and cash equivalents		378,991	330,161
		<b>625,552</b>	<b>627,597</b>
<b>Total assets</b>		<b>5,500,350</b>	<b>5,075,678</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	9	1,258,393	1,224,810
Other reserves	10	1,142,109	1,088,174
Retained earnings			
– Proposed interim/final dividend	22	50,119	33,295
– Others		462,418	352,900
		<b>2,913,039</b>	<b>2,699,179</b>
<b>Minority interests</b>		<b>305,173</b>	<b>276,145</b>
<b>Total equity</b>		<b>3,218,212</b>	<b>2,975,324</b>

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET** (Continued)

(All amounts in US dollar thousands)

		As at	
		30 June	31 December
	Note	2007	2006
		Unaudited	Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loans	11	1,650,359	1,479,713
Convertible bonds	12	6,293	26,704
Derivative financial instruments	13	–	11,765
Due to minority shareholders	14	13,982	14,851
Deferred income tax liabilities		202,976	211,941
		<b>1,873,610</b>	<b>1,744,974</b>
<b>Current liabilities</b>			
Accounts payable and accruals	15	313,744	277,503
Due to minority shareholders	14	14,170	15,588
Current income tax liabilities		30,647	19,401
Bank loans and overdrafts	11	49,967	42,888
		<b>408,528</b>	<b>355,380</b>
<b>Total liabilities</b>		<b>2,282,138</b>	<b>2,100,354</b>
<b>Total equity and liabilities</b>		<b>5,500,350</b>	<b>5,075,678</b>
<b>Net current assets</b>		<b>217,024</b>	<b>272,217</b>
<b>Total assets less current liabilities</b>		<b>5,091,822</b>	<b>4,720,298</b>

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT***(All amounts in US dollar thousands)*

		<b>Six months ended 30 June</b>	
		<b>2007</b>	2006
	<i>Note</i>	<b>Unaudited</b>	Unaudited
<b>Sales</b>	3	<b>557,733</b>	469,976
Cost of goods sold	16	<b>(213,306)</b>	(183,136)
<b>Gross profit</b>		<b>344,427</b>	286,840
Other gains – net	17	<b>42,074</b>	32,102
Marketing costs	16	<b>(20,213)</b>	(17,230)
Administrative expenses	16	<b>(44,233)</b>	(38,545)
Other operating expenses	16	<b>(161,877)</b>	(142,722)
<b>Operating profit</b>		<b>160,178</b>	120,445
Finance costs	18	<b>(7,712)</b>	(15,383)
Share of profit of associates	19	<b>51,383</b>	11,408
<b>Profit before income tax</b>		<b>203,849</b>	116,470
Income tax expense	20	<b>(34,976)</b>	(27,083)
<b>Profit for the period</b>		<b>168,873</b>	89,387
<b>Attributable to:</b>			
Equity holders of the Company		<b>159,689</b>	82,006
Minority interests		<b>9,184</b>	7,381
		<b>168,873</b>	89,387
<b>Earnings per share for profit attributable to the equity holders of the Company during the period</b> (expressed in US cents per share)			
– basic	21	<b>6.196</b>	3.241
– diluted	21	<b>6.170</b>	3.237
<b>Dividends</b>	22	<b>50,119</b>	42,569

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY***(All amounts in US dollar thousands)*

	Note	Unaudited				Total
		Attributable to equity holders of the Company			Minority interests	
		Share capital	Other reserves	Retained earnings		
Balance at 1 January 2006		1,181,117	940,569	259,351	249,177	2,630,214
Currency translation differences		–	53,628	–	7,963	61,591
Net income recognised directly in equity		–	53,628	–	7,963	61,591
Profit for the period		–	–	82,006	7,381	89,387
Total recognised income for the six months ended 30 June 2006		–	53,628	82,006	15,344	150,978
Issue of shares upon conversion of convertible bonds – equity component	9	3,944	(439)	–	–	3,505
Exercise of share options – allotment of shares	9	5,201	–	–	–	5,201
Exercise of share options – transfer from option reserve to share premium	9	519	(519)	–	–	–
Granting of share options – value of employee service		–	2,024	–	–	2,024
Payment of 2005 final dividend		–	–	(32,690)	–	(32,690)
Dividend paid to and equity acquired from minority interests		–	–	–	(7,475)	(7,475)
Equity injected from minority interests		–	–	–	9,656	9,656
Net change in equity loans due to minority interests		–	–	–	(118)	(118)
		9,664	1,066	(32,690)	2,063	(19,897)
Balance at 30 June 2006		1,190,781	995,263	308,667	266,584	2,761,295
<b>Balance at 1 January 2007</b>		1,224,810	1,088,174	386,195	276,145	2,975,324
Currency translation differences		–	54,838	–	7,817	62,655
Net income recognised directly in equity		–	54,838	–	7,817	62,655
Profit for the period		–	–	159,689	9,184	168,873
Total recognised income for the six months ended 30 June 2007		–	54,838	159,689	17,001	231,528
Issue of shares upon conversion of convertible bonds – equity component	9	28,353	(2,021)	–	–	26,332
Exercise of share options – allotment of shares	9	4,368	–	–	–	4,368
Exercise of share options – transfer from option reserve to share premium	9	862	(862)	–	–	–
Granting of share options – value of employee service		–	1,980	–	–	1,980
Payment of 2006 final dividend		–	–	(33,347)	–	(33,347)
Dividend paid to minority interests		–	–	–	(7,522)	(7,522)
Equity injected from minority interests		–	–	–	275	275
Net change in equity loans due to minority interests		–	–	–	19,274	19,274
		33,583	(903)	(33,347)	12,027	11,360
<b>Balance at 30 June 2007</b>		<b>1,258,393</b>	<b>1,142,109</b>	<b>512,537</b>	<b>305,173</b>	<b>3,218,212</b>

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT***(All amounts in US dollar thousands)*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
<b>Cash flow from operating activities</b>	<b>114,686</b>	82,156
<b>Cash flows from investing activities</b>		
– purchases of property, plant and equipment; investment properties and land use rights	<b>(291,027)</b>	(269,592)
– proceeds on disposal of property, plant and equipment	<b>425</b>	760
– acquisition of additional interest in a subsidiary	–	(2,520)
– proceeds from disposal of interest in subsidiaries	<b>78,291</b>	–
– deposit received for proposed disposal of interest in a subsidiary	<b>20,840</b>	–
– other investing cash flow – net	<b>(29,445)</b>	(44,029)
Net cash used in investing activities – net	<b>(220,916)</b>	(315,381)
<b>Cash flows from financing activities</b>		
– dividend paid	<b>(42,679)</b>	(41,579)
– net increase in borrowings	<b>172,629</b>	318,873
– other finance cash flows – net	<b>17,431</b>	12,186
Cash flows from financing activities – net	<b>147,381</b>	289,480
<b>Net increase in cash and cash equivalents and bank overdrafts</b>	<b>41,151</b>	56,255
<b>Cash and cash equivalents and bank overdrafts at 1 January</b>	<b>330,049</b>	266,985
<b>Exchange gains on cash, cash equivalents and bank overdrafts</b>	<b>5,500</b>	–
<b>Cash and cash equivalents and bank overdrafts at 30 June</b>	<b>376,700</b>	323,240
<b>Analysis of balances of cash and cash equivalents and bank overdrafts</b>		
Cash at bank and in hand	<b>179,452</b>	122,488
Short-term bank deposits	<b>199,539</b>	201,767
Cash and cash equivalents	<b>378,991</b>	324,255
Bank overdrafts	<b>(2,291)</b>	(1,015)
	<b>376,700</b>	323,240

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

### 1. GENERAL INFORMATION

The Company and its subsidiaries own and operate hotels and associated properties; and provide hotel management and related services.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited with secondary listing on the Singapore Exchange Securities Trading Limited.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated interim financial statements should be read in conjunction with the 2006 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006 with the addition of the following new standard, amendment to standard and interpretations which are relevant to the Group's operation and are mandatory for financial year ending 31 December 2007:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The above new standard, amendment to standard and interpretations have no material effect to the Group's accounting policies except that there will be additional disclosures required by HKAS 1 Amendment and HKFRS 7 in the Group's 2007 annual financial statements.

The following new standard, amendment to standard and interpretations are relevant to the operation but are not effective for 2007 and have not been early adopted:

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements

### 3. SEGMENT INFORMATION

#### *Primary reporting format – geographical segments*

The Group is managed on a worldwide basis in six main geographical areas:

Hong Kong	– hotel ownership, operation and management
Mainland China	– hotel ownership, operation and management – ownership and leasing of office, commercial and serviced apartments
The Philippines	– hotel ownership, operation and management
Singapore	– hotel ownership, operation and management – ownership and leasing of office, commercial and serviced apartments
Thailand	– hotel ownership, operation and management – ownership and leasing of office, commercial and serviced apartments
Malaysia	– hotel ownership, operation and management, golf club ownership and operation – ownership and leasing of office, commercial and serviced apartments
Other countries	– hotel ownership, operation and management

#### *Secondary reporting format – business segments*

The Group is organised on a worldwide basis into three main business segments:

Hotel operation	– ownership and operation of hotel business
Hotel management	– provision of hotel management and related services
Property rentals	– ownership and leasing of office, commercial and serviced apartments

### 3. SEGMENT INFORMATION (Continued)

#### Primary reporting format – geographical segments

#### Segment income statement For the six months ended 30 June 2007 (US\$ million)

	Hong Kong	The People's Republic of China Mainland China	The Philippines	Singapore	Thailand	Malaysia	Other	Elimination	Group
<b>Sales</b>									
External sales	109.2	189.0	71.8	80.5	30.4	55.0	21.8	-	557.7
Inter-segment sales	3.4	8.5	4.0	2.2	0.4	1.7	1.4	(21.6)	-
<b>Total</b>	<b>112.6</b>	<b>197.5</b>	<b>75.8</b>	<b>82.7</b>	<b>30.8</b>	<b>56.7</b>	<b>23.2</b>	<b>(21.6)</b>	<b>557.7</b>
<b>Result</b>									
Segment results	11.7	43.1	14.6	27.0	11.4	14.5	7.5	-	129.8
Interest income									4.2
Dividend income									0.5
Net realised and unrealised gains on financial assets held for trading									5.4
Fair value gains on derivative financial instruments – interest-rate swap contracts									25.2
Unallocated corporate expenses									(11.1)
Gain on disposal of partial interests in subsidiaries									6.2
<b>Operating profit</b>									<b>160.2</b>
Finance costs									(7.7)
Share of profit of associates	0.2	49.9	-	-	-	1.2	0.1	-	51.4
<b>Profit before income tax</b>									<b>203.9</b>
Depreciation of property, plant and equipment	(7.3)	(27.2)	(10.5)	(6.7)	(4.4)	(5.6)	(1.8)	-	(63.5)
Amortisation of leasehold land and land use rights	(1.0)	(2.7)	-	(0.1)	-	(0.1)	(0.1)	-	(4.0)
Capital expenditures, excluding intangible assets	4.7	219.4	20.7	5.5	17.6	9.4	26.1	-	303.4
<b>Segment balance sheet</b> <b>As at 30 June 2007 (US\$ million)</b>									
Segment assets	276.4	1,891.5	467.4	715.6	211.4	397.3	316.0	(13.4)	4,262.2
Interest in associates	24.2	861.8	-	71.4	-	26.1	46.7	-	1,030.2
Unallocated assets									120.1
Intangible assets									87.8
<b>Total assets</b>									<b>5,500.3</b>
Segment liabilities	(54.9)	(165.8)	(30.9)	(24.2)	(15.8)	(21.2)	(20.7)	13.4	(320.1)
Unallocated liabilities									(1,962.0)
<b>Total liabilities</b>									<b>(2,282.1)</b>

## 3. SEGMENT INFORMATION (Continued)

**Primary reporting format – geographical segments** (Continued)**Segment income statement**

For the six months ended 30 June 2006 (US\$ million)

	Hong Kong	The People's Republic of China Mainland China	The Philippines	Singapore	Thailand	Malaysia	Other	Elimination	Group
<b>Sales</b>									
External sales	102.4	153.6	58.3	66.0	27.4	41.3	21.0	-	470.0
Inter-segment sales	3.6	8.5	3.7	1.7	1.3	1.2	0.5	(20.5)	-
<b>Total</b>	<b>106.0</b>	<b>162.1</b>	<b>62.0</b>	<b>67.7</b>	<b>28.7</b>	<b>42.5</b>	<b>21.5</b>	<b>(20.5)</b>	<b>470.0</b>
<b>Result</b>									
Segment results	10.1	33.8	12.2	19.4	10.6	8.4	4.5	-	99.0
Interest income									4.2
Dividend income									0.5
Net realised and unrealised gains on financial assets held for trading									8.1
Fair value gains on derivative financial instruments – interest-rate swap contracts									19.5
Unallocated corporate expenses									(10.5)
Excess of net assets over the cost of acquisition of additional interest in a subsidiary									0.7
Goodwill impairment									(1.0)
<b>Operating profit</b>									<b>120.5</b>
Finance costs									(15.4)
Share of profit of associates	-	9.8	-	0.7	-	0.9	-	-	11.4
<b>Profit before income tax</b>									<b>116.5</b>
Depreciation of property, plant and equipment	(6.6)	(24.6)	(9.1)	(6.4)	(4.0)	(4.5)	(1.5)	-	(56.7)
Amortisation of leasehold land and land use rights	(1.0)	(2.8)	-	(0.1)	-	(0.1)	(0.1)	-	(4.1)
Capital expenditures, excluding intangible assets	2.9	107.8	13.2	6.8	5.9	8.8	130.1	-	275.5
<b>Segment balance sheet</b>									
As at 31 December 2006 (US\$ million)									
Segment assets	288.1	1,666.2	445.7	716.3	204.8	378.5	277.2	(16.9)	3,959.9
Interest in associates	24.0	768.9	-	71.3	-	25.9	34.2	-	924.3
Unallocated assets									103.8
Intangible assets									87.7
<b>Total assets</b>									<b>5,075.7</b>
Segment liabilities	(69.4)	(107.0)	(33.3)	(25.7)	(17.5)	(22.5)	(21.5)	16.9	(280.0)
Unallocated liabilities									(1,820.4)
<b>Total liabilities</b>									<b>(2,100.4)</b>

## 3. SEGMENT INFORMATION (Continued)

**Secondary reporting format – business segments**

For the six months ended/as at 30 June 2007 (US\$ million)

	Sales	Segment results	Total assets	Capital expenditures
Hotel operation				
– Room rentals	287.5			
– Food and beverage sales	205.0			
– Rendering of ancillary services	38.5			
	<b>531.0</b>	<b>119.5</b>	<b>3,811.7</b>	<b>300.5</b>
Hotel management	36.8	4.7	47.6	1.9
Property rentals	11.5	5.6	416.3	1.0
Elimination	(21.6)	–	(13.4)	–
	<b>557.7</b>	<b>129.8</b>	<b>4,262.2</b>	<b>303.4</b>
Interest in associates			1,030.2	
Unallocated assets			120.1	
Intangible assets			87.8	
Total			<b>5,500.3</b>	

For the six months ended 30 June 2006 (US\$ million)

Hotel operation				
– Room rentals	243.5			
– Food and beverage sales	173.9			
– Rendering of ancillary services	33.6			
	451.0	92.9		273.9
Hotel management	29.8	2.6		0.1
Property rentals	9.7	3.5		1.5
Elimination	(20.5)	–		–
Total	<b>470.0</b>	<b>99.0</b>		<b>275.5</b>

As at 31 December 2006 (US\$ million)

Hotel operation		3,422.2
Hotel management		48.9
Property rentals		505.7
Elimination		(16.9)
		<b>3,959.9</b>
Interest in associates		924.3
Unallocated assets		103.8
Intangible assets		87.7
Total		<b>5,075.7</b>

#### 4. CAPITAL EXPENDITURE

	Investment properties	Property, plant & equipment	Leasehold land and land use rights	Intangible assets
Opening net book amount as at 1 January 2007	385,125	2,659,861	381,142	87,709
Additions	964	300,511	1,903	401
Exchange differences	4,466	61,740	5,729	–
Disposal of a subsidiary	–	(118)	–	–
Disposals	(90)	(751)	–	–
Depreciation/amortisation charge (Note 16)	–	(63,688)	(3,979)	(330)
<b>Closing net book amount as at 30 June 2007</b>	<b>390,465</b>	<b>2,957,555</b>	<b>384,795</b>	<b>87,780</b>
Opening net book amount as at 1 January 2006	353,159	2,155,403	375,143	86,692
Additions	1,638	268,830	5,006	958
Exchange differences	12,717	44,876	4,044	–
Disposals/goodwill impairment	(44)	(7,182)	–	(1,026)
Reclassified as deposit	(43,668)	–	–	–
Depreciation/amortisation charge (Note 16)	–	(56,775)	(4,132)	(266)
<b>Closing net book amount as at 30 June 2006</b>	<b>323,802</b>	<b>2,405,152</b>	<b>380,061</b>	<b>86,358</b>

#### 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at	
	30 June 2007	31 December 2006
Equity securities:		
Overseas unlisted shares, at cost	1,916	1,916
– Exchange differences	148	83
– Provision for impairment losses	(309)	–
	<b>1,755</b>	1,999
Club debentures	<b>2,063</b>	2,053
	<b>3,818</b>	4,052

#### 6. OTHER RECEIVABLES

	As at	
	30 June 2007	31 December 2006
Loans to a managed hotel	<b>4,366</b>	3,923

The loans were granted to a managed hotel in Australia owned by an independent third party under the provision of the hotel management agreement. The loans are secured by a second mortgage over that hotel property and wholly repayable by year 2012 according to a fixed repayment schedule. These loans are interest-free except for a fixed amount of A\$2,000,000 (equivalent to US\$1,730,000) which is interest bearing at LIBOR plus 1% per annum.

The effective interest rate applied to calculate the fair value on the interest free portion is 5.74% per annum.

## 7. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	As at	
	30 June 2007	31 December 2006
Trade receivables	55,969	57,605
Prepayments and deposits	39,865	113,346
Accounts receivable	44,190	34,677
	<b>140,024</b>	205,628

- (a) The fair value of the trade and other receivables are not materially different from their carrying value.
- (b) A significant part of the Group's sales are by credit cards or with deposit payment. The remaining amounts are with general credit term of 30 days. The Group has a defined credit policy. The ageing analysis of the trade receivables were as follows:

	As at	
	30 June 2007	31 December 2006
0 – 3 months	52,149	54,775
4 – 6 months	1,920	1,945
Over 6 months	1,900	885
	<b>55,969</b>	57,605

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

## 8. FINANCIAL ASSETS HELD FOR TRADING

	As at	
	30 June 2007	31 December 2006
Equity securities, at market value		
Shares listed in Hong Kong	53,902	48,279
Shares listed outside Hong Kong	1,916	1,815
	<b>55,818</b>	50,094

Equity securities listed in Hong Kong included 10,867,055 (31 December 2006: 10,867,055) ordinary shares in the Company with a carrying value of US\$26,474,000 (31 December 2006: US\$28,114,000) held by a wholly-owned subsidiary of Shangri-La Hotel Public Company Limited, Thailand ("SHPCL"). Such shares, representing approximately 0.4% (31 December 2006: 0.4%) of the issued share capital of the Company as at 30 June 2007, were held by the wholly-owned subsidiary of SHPCL before the Company acquired a controlling interest in SHPCL in late 1999. The Company has undertaken, subject to market conditions, to use its reasonable endeavours to procure SHPCL to dispose of all such shares to independent parties. In view of the temporary nature of this holding in such shares, they have been classified as financial assets held for trading in these financial statements.

## 9. SHARE CAPITAL

	No. of shares ( <i>'000</i> )	Amount		Total
		Ordinary shares	Share premium	
<b>Authorised</b>				
<b>– Ordinary shares of HK\$1 each</b>				
At 31 December 2006 and 30 June 2007	5,000,000	646,496	–	646,496
<b>Issued and fully paid</b>				
<b>– Ordinary shares of HK\$1 each</b>				
At 1 January 2007	2,560,753	330,676	894,134	1,224,810
Exercise of share options				
– allotment of shares ( <i>note (a)</i> )	3,191	412	3,956	4,368
– transfer from option reserve	–	–	862	862
Issue of shares upon conversion of convertible bonds ( <i>note (b)</i> )	21,192	2,734	25,619	28,353
<b>At 30 June 2007</b>	<b>2,585,136</b>	<b>333,822</b>	<b>924,571</b>	<b>1,258,393</b>
At 1 January 2006	2,527,439	326,377	854,740	1,181,117
Exercise of share options				
– allotment of shares ( <i>note (a)</i> )	4,336	560	4,641	5,201
– transfer from option reserve	–	–	519	519
Issue of shares upon conversion of convertible bonds ( <i>note (b)</i> )	3,078	397	3,547	3,944
At 30 June 2006	2,534,853	327,334	863,447	1,190,781
Exercise of share options				
– allotment of shares ( <i>note (a)</i> )	3,799	490	3,951	4,441
– transfer from option reserve	–	–	344	344
Issue of shares upon conversion of convertible bonds ( <i>note (b)</i> )	22,101	2,852	26,392	29,244
At 31 December 2006	2,560,753	330,676	894,134	1,224,810

## 9. SHARE CAPITAL (Continued)

- (a) The following option shares at various exercise prices granted to option holders of the Company under the Executive Option Scheme and the New Option Scheme were exercised:

In year 2007	Number of option shares issued						Total consideration US\$'000
	At HK\$8.26 per option share	At HK\$8.82 per option share	At HK\$8.18 per option share	At HK\$6.81 per option share	At HK\$11.60 per option share	At HK\$14.60 per option share	
January	327,084	–	67,921	–	150,000	–	645
February	–	–	67,921	50,000	125,000	–	303
March	–	48,000	195,648	60,000	376,000	–	877
April	–	–	–	20,000	152,000	–	245
May	–	77,528	–	40,000	984,000	–	1,596
June	–	–	–	–	375,000	75,000	702
<b>For the six months ended 30 June 2007</b>	<b>327,084</b>	<b>125,528</b>	<b>331,490</b>	<b>170,000</b>	<b>2,162,000</b>	<b>75,000</b>	<b>4,368</b>
For the six months ended 30 June 2006	1,555,099	630,538	600,000	210,000	1,341,000	–	5,201
For the year ended 31 December 2006	2,221,256	1,996,656	1,026,932	660,000	2,230,000	–	9,642

The weighted average closing price of the shares immediately before the dates on which the options were exercised for the six months ended 30 June 2007 was HK\$20.22.

- (b) During the period, the following ordinary shares of the Company have been issued to holders of convertible bonds issued by a wholly-owned subsidiary of the Company who have exercised their rights of conversion at a conversion price of HK\$9.25 per ordinary share of the Company:

Issue date of ordinary shares	Face value of convertible bonds US\$'000	Number of new ordinary shares issued
January 2007	5,000	4,216,216
February 2007	16,932	14,277,794
April 2007	3,200	2,698,377
	<b>25,132</b>	<b>21,192,387</b>

### Share options

Share options are granted to directors and to key employees. The exercise price of the granted options is equal to/higher than the closing price of the shares on the date of the grant. Options are conditional on the directors and employees completing one year's service (the vesting period). The options are exercisable starting one year from the grant date and the options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The Company has two share option schemes: the Executive Option Scheme and the New Option Scheme. Details of these two schemes are stated under the section headed "SHARE OPTIONS" of this report.

## 9. SHARE CAPITAL (Continued)

Movements in the number of outstanding option shares and their related weighted average exercise prices are as follows:

	For the six months ended 30 June 2007		For the year ended 31 December 2006	
	Average exercise price in HK\$ per option share	Number of option shares	Average exercise price in HK\$ per option share	Number of option shares
<b>At 1 January</b>	<b>11.69</b>	<b>27,141,532</b>	10.26	29,023,876
Granted	–	–	14.60	7,080,000
Exercised	<b>10.61</b>	<b>(3,191,102)</b>	9.19	(8,134,844)
Lapsed	<b>13.17</b>	<b>(105,000)</b>	11.12	(827,500)
<b>At 30 June/31 December</b>	<b>11.83</b>	<b>23,845,430</b>	11.69	27,141,532

Outstanding option shares at the end of the period have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK\$ per option share	Number of option shares as at	
		30 June 2007	31 December 2006
<b>Executive Option Scheme</b>			
30 April 2008	8.26	<b>1,138,372</b>	1,465,456
14 January 2010	8.82	<b>1,560,716</b>	1,686,244
14 January 2011	8.18	<b>135,842</b>	467,332
		<b>2,834,930</b>	3,619,032
<b>New Option Scheme</b>			
30 June 2007	11.60	–	200,000
30 June 2007	14.60	–	37,500
2 May 2008	11.60	<b>50,000</b>	50,000
28 May 2012	6.81	<b>1,370,000</b>	1,540,000
27 April 2015	11.60	<b>12,733,000</b>	14,745,000
15 June 2016	14.60	<b>6,857,500</b>	6,950,000
		<b>21,010,500</b>	23,522,500

No option was granted during the six months ended 30 June 2007.

According to the terms of the two option schemes, options on 162,028 shares, 60,000 shares, 1,230,000 shares and 342,500 shares with exercise price per share of HK\$8.26, HK\$6.81, HK\$11.60 and HK\$14.60, respectively have been exercised subsequent to 30 June 2007 and up to the approval date of these financial statements. No options were lapsed under the Executive Option Scheme and the New Option Scheme subsequent to 30 June 2007 and up to the approval date of these financial statements.

## 10. OTHER RESERVES

	Option	Convertible bonds	Capital redemption	Exchange fluctuation	Capital	Other	Contributed surplus	Total
<b>Balance at 1 January 2006</b>	3,468	6,122	10,666	(72,286)	601,490	1,368	389,741	940,569
Currency translation differences	-	-	-	53,628	-	-	-	53,628
Issue of shares upon conversion of convertible bonds – equity component	-	(439)	-	-	-	-	-	(439)
Granting of share options	2,024	-	-	-	-	-	-	2,024
Exercise of share options – transfer to share premium	(519)	-	-	-	-	-	-	(519)
<b>Balance at 30 June 2006</b>	4,973	5,683	10,666	(18,658)	601,490	1,368	389,741	995,263
Currency translation differences	-	-	-	93,924	-	-	-	93,924
Issue of shares upon conversion of convertible bonds – equity component	-	(3,060)	-	-	-	-	-	(3,060)
Granting of share options	2,391	-	-	-	-	-	-	2,391
Exercise of share options – transfer to share premium	(344)	-	-	-	-	-	-	(344)
<b>Balance at 31 December 2006 and 1 January 2007</b>	7,020	2,623	10,666	75,266	601,490	1,368	389,741	1,088,174
Currency translation differences	-	-	-	54,838	-	-	-	54,838
Issue of shares upon conversion of convertible bonds – equity component	-	(2,021)	-	-	-	-	-	(2,021)
Granting of share options	1,980	-	-	-	-	-	-	1,980
Exercise of share options – transfer to share premium	(862)	-	-	-	-	-	-	(862)
<b>Balance at 30 June 2007</b>	8,138	602	10,666	130,104	601,490	1,368	389,741	1,142,109

## 11. BANK LOANS AND OVERDRAFTS

	As at	
	30 June 2007	31 December 2006
Overdrafts – unsecured	2,291	112
Bank loans – secured	–	3
Bank loans – unsecured	1,698,035	1,522,486
	<b>1,700,326</b>	<b>1,522,601</b>

The maturity of bank loans and overdrafts is as follows:

	As at	
	30 June 2007	31 December 2006
Within 1 year	49,967	42,888
Between 1 and 2 years	163,374	162,261
Between 2 and 5 years	1,486,985	1,317,452
Wholly repayable within 5 years	<b>1,700,326</b>	<b>1,522,601</b>

The bank loans of a subsidiary as at 31 December 2006 which were secured by charges over certain motor vehicles of the subsidiary with net book values totaling US\$70,000 were wholly repaid during the current period.

The effective interest rates at the balance sheet date were as follows:

	30 June 2007					31 December 2006				
	HK\$	RMB	MYR	US\$	S\$	HK\$	RMB	MYR	US\$	S\$
Bank overdrafts	7.75%	–	–	–	–	–	–	6.80%	–	–
Bank borrowings	4.79%	6.03%	4.21%	5.76%	2.59%	4.26%	5.64%	4.31%	5.80%	3.63%

The carrying amounts of the bank loans and overdrafts approximate their fair value and are denominated in the following currencies:

	As at	
	30 June 2007	31 December 2006
Hong Kong dollar	1,200,834	1,113,092
Renminbi	37,334	40,538
Malaysian Ringgit	52,825	49,926
US dollar	404,128	315,800
Singapore dollar	5,205	3,245
	<b>1,700,326</b>	<b>1,522,601</b>

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2007	31 December 2006
Floating rate		
– expiring within one year	124,760	148,817
– expiring beyond one year	640,025	768,767
Fixed rate		
– expiring within one year	–	24,828
– expiring beyond one year	74,728	45,069
	<b>839,513</b>	<b>987,481</b>

As at 30 June 2007, an undrawn floating rate borrowing facility of Baht 800 million (31 December 2006: Baht 800 million) expiring beyond one year is secured by a freehold land with net book value of US\$7,151,000 (31 December 2006: US\$6,910,000).

## 12. CONVERTIBLE BONDS

On 15 March 2004, a wholly-owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due March 2009 (the "Maturity Date"), in the aggregate principal amount of US\$200 million with an initial conversion price of HK\$9.25 per ordinary share of the Company (subject to adjustment). Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at 114.633 per cent of their principal amount on the Maturity Date.

The fair values of the liability component and the equity conversion component were determined at issuance of the bonds.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 10).

The value of convertible bonds recognised in the balance sheet is calculated as follows:

	30 June 2007	As at 31 December 2006
Face value of convertible bonds issued on 15 March 2004	200,000	200,000
Issuing expenses	(3,185)	(3,185)
Equity component	(20,075)	(20,075)
	<hr/>	<hr/>
Liability component on initial recognition at 15 March 2004	176,740	176,740
Accumulated interest expense	17,233	16,918
Right of conversion exercised by bond holders	(187,680)	(166,954)
	<hr/>	<hr/>
Liability component	6,293	26,704

The face value of the outstanding bonds at 30 June 2007 amounted to US\$6,000,000. The carrying value of the liability component is calculated using cash flows discounted at an effective borrowing rate of 5.27% per annum. The fair value of the liability component as at 30 June 2007 amounted to US\$6,143,000 and is calculated using cash flows discounted at a rate based on the borrowings rate of 5.425%.

In January 2007, the Company issued 4,216,216 new ordinary shares to a holder of convertible bonds with face value US\$5,000,000 who had exercised the right of conversion at a conversion price of HK\$9.25 per ordinary share before 31 December 2006. During the period, convertible bonds with face value US\$20,132,000 were converted and 16,976,171 ordinary shares of the Company were allotted during the period (Note 9(b)).

Subsequent to 30 June 2007 and up to the approval date of these financial statements, a bond holder has served conversion notice and convertible bonds with face value of US\$3,000,000 have been converted to 2,529,729 ordinary shares of the Company.

## 13. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2007	As at 31 December 2006
<b>Liabilities</b>		
Interest-rate swaps contracts – non hedging	–	(11,765)
Less: current portion of interest-rate swaps contracts	–	–
	<hr/>	<hr/>
Non-current portion	–	(11,765)
<b>Assets</b>		
Non-current portion of interest-rate swaps contracts – non hedging	15,397	1,458
	<hr/>	<hr/>
Net assets/(liabilities)	15,397	(10,307)

The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 30 June 2007 were HK\$4,760,000,000 and US\$100,000,000, respectively (31 December 2006: HK\$4,460,000,000 and US\$100,000,000 respectively).

At 30 June 2007, the fixed interest rates vary from 4.28% to 4.70% per annum (31 December 2006: 4.335% to 4.70%).

**14. DUE TO MINORITY SHAREHOLDERS**

(a) Due to minority shareholders (non-current portion) are unsecured and with following terms:

	As at	
	30 June 2007	31 December 2006
HIBOR plus 1.0% per annum and wholly repayable on 30 June 2015	13,289	14,175
LIBOR plus 2.5% per annum and wholly repayable on 30 June 2015	693	676
	13,982	14,851

(b) Due to minority shareholders (current portion) are unsecured and with following terms:

	As at	
	30 June 2007	31 December 2006
HIBOR plus 1.0% per annum and wholly repayable on 30 June 2015	1,772	1,772
Interest free with no fixed repayment terms	12,398	13,816
	14,170	15,588

**15. ACCOUNTS PAYABLE AND ACCRUALS**

	As at	
	30 June 2007	31 December 2006
Trade payables	45,060	48,637
Construction cost payable and accrued expenses	268,684	228,866
	313,744	277,503

The ageing analysis of the trade payables were as follows:

	As at	
	30 June 2007	31 December 2006
0 – 3 months	41,368	46,465
4 – 6 months	1,673	531
Over 6 months	2,019	1,641
	45,060	48,637

**16. EXPENSES BY NATURE**

Expenses included in cost of goods sold, marketing costs, administrative expenses and other operating expenses are analysed as follows:

	<b>For the six months ended</b>	
	<b>30 June 2007</b>	30 June 2006
Depreciation of property, plant and equipment (net of amount capitalised of US\$193,000 (2006: US\$86,000)) (Note 4)	<b>63,495</b>	56,689
Amortisation of leasehold land and land use rights (Note 4)	<b>3,979</b>	4,132
Amortisation of trade mark and licences (Note 4)	<b>330</b>	266
Employee benefit expenses	<b>150,057</b>	130,166
Cost of inventories sold or consumed in operation	<b>67,040</b>	56,880
Loss on disposal of property, plant and equipment and investment properties	<b>332</b>	227
Discarding of property, plant and equipment due to renovation of hotels	<b>80</b>	3,001
Impairment loss on properties under development	<b>–</b>	2,758
Expenses on share options granted	<b>1,980</b>	2,024

**17. OTHER GAINS – NET**

	<b>For the six months ended</b>	
	<b>30 June 2007</b>	30 June 2006
Impairment losses on available-for-sale financial assets	<b>(309)</b>	–
Gains (realised and unrealised) on financial assets held for trading	<b>5,363</b>	8,059
Fair value gains on derivative financial instruments		
– interest-rate swap contracts	<b>25,184</b>	19,520
Gain on disposal of partial interests in subsidiaries	<b>6,175</b>	–
Excess of net assets over the cost of acquisition of additional interest in a subsidiary acquired	<b>–</b>	694
Goodwill impairment	<b>–</b>	(1,026)
Interest income	<b>4,266</b>	4,188
Dividend income	<b>500</b>	545
Others	<b>895</b>	122

**18. FINANCE COSTS**

	<b>For the six months ended</b>	
	<b>30 June 2007</b>	30 June 2006
Interest expense		
– bank loans and overdrafts	<b>37,357</b>	29,410
– other loans	<b>732</b>	736
– convertible bonds wholly repayable within five years	<b>315</b>	1,502
	<b>38,404</b>	31,648
Less: amount capitalised	<b>(14,875)</b>	(5,796)
	<b>23,529</b>	25,852
Net foreign exchange transactions gains	<b>(15,817)</b>	(10,469)
	<b>7,712</b>	15,383

**19. SHARE OF PROFIT OF ASSOCIATES**

Share of associates' taxation for the six months ended 30 June 2007 being a net credit of US\$9,751,000 (2006: net charge of US\$14,078,000) is included in the income statement as share of profit of associates. The net credit in 2007 has resulted from the reversal of provision for deferred tax liabilities of US\$27,921,000 due to reduction of income tax rate in Mainland China from 33% to 25% effective 1 January 2008.

Share of profit in 2006 was stated after the share of loss of US\$14,677,000 due to implementation of the share reform scheme of a listed subsidiary in Mainland China owned by an associate.

**20. INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	<b>For the six months ended</b>	
	<b>30 June 2007</b>	30 June 2006
Current income tax		
– Hong Kong profits tax	<b>6,654</b>	5,767
– Overseas taxation	<b>33,138</b>	19,220
Deferred income tax	<b>(4,816)</b>	2,096
	<b>34,976</b>	27,083

Deferred income tax for the six months ended 30 June 2007 has been stated after the reversal of provision for deferred tax liabilities of subsidiaries of US\$9,726,000 due to reduction of income tax rate in Mainland China from 33% to 25% effective 1 January 2008.

**21. EARNINGS PER SHARE****Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>For the six months ended</b>	
	<b>30 June 2007</b>	30 June 2006
Profit attributable to equity holders of the Company ( <i>US\$'000</i> )	<b>159,689</b>	82,006
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<b>2,577,490</b>	2,530,302
Basic earnings per share ( <i>US cents per share</i> )	<b>6.196</b>	3.241

**Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is increased by the number of shares that would have been issued assuming the exercise of the share options.

**21. EARNINGS PER SHARE (Continued)**

For the six months ended 30 June 2007, all the share options issued under the Executive Option Scheme and the New Option Scheme have the greatest dilution effect. For the six months ended 30 June 2006, all the share options issued under the Executive Option Scheme and share options at exercise price of HK\$6.81 and HK\$11.60 per option share issued under the New Option Scheme have the greatest dilution effect.

	<b>For the six months ended</b>	
	<b>30 June 2007</b>	30 June 2006
Profit attributable to equity holders of the Company ( <i>US\$'000</i> )	<b>159,689</b>	82,006
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<b>2,577,490</b>	2,530,302
Adjustments for – share options ( <i>thousands</i> )	<b>10,785</b>	3,225
Weighted average number of ordinary shares for diluted earnings per share ( <i>thousands</i> )	<b>2,588,275</b>	2,533,527
Diluted earnings per share ( <i>US cents per share</i> )	<b>6.170</b>	3.237

**22. DIVIDENDS**

	<b>For the six months ended</b>	
	<b>30 June 2007</b>	30 June 2006
Interim dividend proposed of HK15 cents (2006: HK13 cents) per ordinary share	<b>50,119</b>	42,569

*Notes:*

- (a) At a meeting held on 27 March 2007, the Board proposed a final dividend of HK10 cents per ordinary share for the year ended 31 December 2006, which was paid on 6 June 2007 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2007.
- (b) At a meeting held on 4 September 2007, the Board declared an interim dividend of HK15 cents per ordinary share for the year ending 31 December 2007. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as a distribution of retained earnings for the year ending 31 December 2007. The proposed interim dividend of US\$50,119,000 for the six months ended 30 June 2007 is calculated based on 2,589,460,512 shares of the Company in issue as at the approval date of these financial statements.

**23. FINANCIAL GUARANTEES AND CONTINGENCIES**

## (a) Financial guarantees

As at 30 June 2007, the Group executed proportionate guarantees for securing banking facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees for these associates amounted to US\$37,478,000 (31 December 2006: US\$41,039,000). The guarantees are stated at their respective contracted amounts. The Board is of the opinion that it is not likely that such guarantees will be called upon.

## (b) Contingent liabilities

As at 30 June 2007, contingent liabilities of the Group were as follows:

- (i) The Group executed a performance guarantee in favour of the owner of a hotel in Sydney, Australia for the financial performance of the hotel under a management contract. The maximum cumulative amount of liability under such guarantee is A\$3,133,000 (equivalent to US\$2,710,000) (31 December 2006: A\$5,376,000).
- (ii) The Group executed a performance guarantee in favour of the Government of the Republic of Maldives for the development of a resort in Maldives in accordance with an agreed work plan. The guarantee is valid until 26 April 2008 and will be discharged no later than 30 days following the date of completion of the resort in accordance with the agreement. The maximum cumulative amount of liability under such guarantee is US\$4,375,000 (31 December 2006: US\$4,375,000).
- (iii) The Group executed a guarantee for securing a standby documentary credit granted by a bank in favour of an associate of up to US\$22,000,000. This facility is undrawn as at 30 June 2007 (31 December 2006: Nil).

**24. COMMITMENTS**

Capital expenditure at the balance sheet date committed but not yet incurred is as follows:

	As at	
	30 June 2007	31 December 2006
Property, plant and equipment and investment properties at existing properties		
Contracted but not provided for	13,580	20,986
Authorised but not contracted for	38,272	43,046
Development projects		
Contracted but not provided for	457,071	461,038
Authorised but not contracted for	1,465,797	927,670
	<b>1,974,720</b>	<b>1,452,740</b>

**25. RELATED-PARTY TRANSACTIONS**

Kerry Group Limited ("KGL"), which owns approximately 48.75% of the Company's issued ordinary shares as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance as at 30 June 2007, has significant influence over the Company.

The following transactions were carried out with related parties:

	<b>For the six months ended</b>	
	<b>30 June 2007</b>	30 June 2006
(a) Transactions with subsidiaries of KGL		
Receipt of hotel management and related services and royalty fees	<b>1,128</b>	1,037
Reimbursement of office expenses and payment of administration and related expenses	<b>706</b>	573
Payment of office rental, management fee and rates	<b>123</b>	159
Purchase of edible oil	–	33
	<b>For the six months ended</b>	
	<b>30 June 2007</b>	30 June 2006
(b) Transactions with associates (excluding a subsidiary of KGL included under item (a) above)		
Receipt of hotel management and related services and royalty fees	<b>4,678</b>	4,093
Receipt for laundry service	<b>413</b>	340
	<b>As at</b>	
	<b>30 June 2007</b>	31 December 2006
(c) Financial assistance provided to subsidiaries of KGL		
Balance of loan to associates	<b>93,566</b>	84,082
Balance of guarantees executed in favor of banks for securing bank loans/facilities granted to associates	<b>18,388</b>	22,418
	<b>As at</b>	
	<b>30 June 2007</b>	31 December 2006
(d) Financial assistance provided to associates (excluding item (c) above)		
Balance of loan to associates	<b>58,172</b>	56,145
Balance of guarantees executed in favor of banks for securing bank loans/facilities granted to an associate	<b>19,090</b>	18,620
There are no material changes to the terms of these transactions during the period.		
	<b>For the six months ended</b>	
	<b>30 June 2007</b>	30 June 2006
(e) Key management compensation		
Fees, salaries and other short-term employee benefits	<b>1,082</b>	1,298
Post employment benefits	<b>58</b>	59
	<b>1,140</b>	1,357

**26. EVENTS AFTER THE BALANCE SHEET DATE**

- (a) The Company issued the following new ordinary shares to a holder of convertible bonds who has exercised the right of conversion at a conversion price of HK\$9.25 per ordinary share subsequent to 30 June 2007 and up to the approval date of these financial statements:

<b>Issue date of ordinary shares</b>	<b>Face value of convertible bonds <i>US\$'000</i></b>	<b>Number of new ordinary shares issued</b>
August 2007	3,000	2,529,729

- (b) The Company issued a total of 1,794,528 new ordinary shares to share option holders who have exercised their rights to subscribe for shares of the Company subsequent to 30 June 2007 and up to the approval date of these financial statements.
- (c) On 3 July 2007, the Company announced a proposed rights issue of ordinary shares. Under the rights issue, qualifying shareholders are being offered the right to apply for the rights shares on the basis of one rights share for every nine shares of the Company held on the record date at the price of HK\$18.00 per rights share. As at 10 August 2007, the record date for the rights issue, the Company had 2,589,182,512 shares in issue. The number of rights shares to be issued will be 287,686,945. The underwriters (being members of the Kuok Group) have, pursuant to the underwriting agreement, agreed to fully underwrite all the rights shares, other than the 149,779,591 right shares agreed to be subscribed for by the Kuok Group companies pursuant to the irrevocable undertakings, subject to fulfillment of the conditions of the rights issue set out in the underwriting agreement. The Company will announce the results of acceptance of the rights issue on 12 September 2007. The Company will receive gross proceeds of approximately HK\$5,178 million, before the estimated expenses of HK\$41 million.
- (d) On 17 July 2007, the Group entered into joint venture agreements with two connected persons and an independent third party to establish two joint venture companies for the purposes of acquiring, owning, managing, operating and chartering two aircrafts. The Group has a 25% interest in each of the joint venture companies. The Group's share of the maximum funding commitment is US\$10,050,000.

## OPERATIONS REVIEW

*(Performance compared to the corresponding period last year)*

The Group's business is organised into three main segments:

- |                  |   |   |
|------------------|---|---|
| Hotel operation  | – | Hotel ownership and operation   |
| Hotel management | – | Provision of hotel management and related services to Group-owned hotels and to hotels owned by third parties |
| Property rentals | – | Ownership and leasing of office properties, commercial properties and serviced apartments.                    |

### Revenues

#### **Hotel Operation**

- Main source of revenue and operating profits.
- As at 30 June 2007, the Group has equity interest in 39 operating hotels with 20,229 available guest rooms owned by subsidiaries and associates, including the Portman Ritz-Carlton Hotel, Shanghai and the Novotel Century Harbourview, Hong Kong (the "Novotel"). The Group also has a 10% interest in the 389-room Shangri-La Hotel, Surabaya.
- Most of the Group's owned hotels benefited from the continuing robust demand from both leisure and business travel.
- Occupancies of some hotels experienced marginal declines pending the absorption of increased supply and/or due to increased room rates. Overall weighted average room yields ("RevPAR") and room rates increased by 9% and 13%, respectively.
- The following are the list of newly opened hotels:
  - The Shangri-La Hotel, Guangzhou which comprises 704 guest rooms and 26 serviced apartments opened for business on 27 January 2007.
  - The Valley Wing of the Shangri-La Hotel, Beijing which consists of 142 guest rooms opened for business on 8 March 2007.
  - The Shangri-La Hotel, Chengdu which comprises 594 guest rooms and 26 serviced apartments opened for business on 20 May 2007.
  - The Shangri-La Hotel, Huhhot which consists of 375 guest rooms and 11 serviced apartments opened for business on 21 August 2007.

**OPERATIONS REVIEW** (Continued)**Revenues** (Continued)**Hotel Operation** (Continued)

The key performance indicators of the Group on a combined basis for the period are as follows:

Country	2007			2006		
	Occupancy (%)	Weighted Average Transient Room Rate (US\$)	RevPAR (US\$)	Occupancy (%)	Weighted Average Transient Room Rate (US\$)	RevPAR (US\$)
The People's Republic of China						
Hong Kong*	77	269	203	80	277	217
Mainland China	66	139	91	68	125	84
Singapore	82	180	146	79	150	117
The Philippines	81	143	115	75	121	101
Malaysia	68	105	70	77	80	60
Thailand	75	151	108	80	130	101
Fiji	64	129	80	71	144	101
Indonesia	59	115	58	52	109	51
Myanmar	57	38	21	51	35	18
Group	70	148	102	72	132	93

\* 2007 numbers include those of Novotel.

The key performance indicators of the Group on a combined basis for the last 5 years are as follows:

Weighted average	Full Year				
	2006	2005	2004	2003	2002
Occupancy (%)	73	73	71	55	63
Transient Room Rate (US\$)	135	117	102	90	91
RevPAR (US\$)	96	84	73	52	58

Notes:

- (i) The RevPAR of hotels under renovation has been computed by excluding the number of rooms under renovation.
- (ii) Excludes performance of the Shangri-La Hotel, Surabaya and the Novotel in which the Group only has 10% and 30% equity interest, respectively.

## OPERATIONS REVIEW *(Continued)*

### Revenues *(Continued)*

#### **Hotel Management**

- Except for the Novotel and the Portman Ritz-Carlton Hotel, Shanghai, all the other 38 hotels in which the Group has equity interest are managed by the hotel management arm, SLIM International Limited and its subsidiaries (the “SLIM Group”).
- The SLIM Group also had hotel management agreements in respect of 13 operating hotels (4,924 rooms) owned by third parties as at 30 June 2007. Overall weighted average RevPAR and room rates of these 13 hotels increased by 16% and 12%, respectively.
- Aided by the continuing growth of business and successful signing of new management agreements, the SLIM Group recorded a 64% increase in revenue on consolidation, after elimination of revenue earned from fellow subsidiaries.
- On 12 August 2007, the 375-room Shangri-La Hotel, Qaryat Al Beri, Abu Dhabi soft opened for business.
- On 1 July 2007, the SLIM Group ceased the management agreement of the Traders Hotel, Kunshan in Mainland China due to change of ownership.
- In 2007, the SLIM Group signed four new hotel management agreements for hotel projects owned by third parties:
  - 212-room Shangri-La Hotel, Toronto, Canada (opening in mid 2011)
  - 419-room Traders Upper East Hotel, Beijing (opening in mid 2008)
  - 257-room Traders Hotel, Doha (opening mid 2009)
  - 400-room Shangri-La Hotel, Mumbai (opening end 2009)

With these, the SLIM Group has management agreements on hand for 31 hotels (including those under development) representing 12,105 rooms, owned by third parties.

#### **Property Rentals**

- The Group’s investment properties are located principally in Shanghai and Beijing and are owned by associates.
- Most of the properties recorded favourable increase in yields save for the yields of the serviced apartments in the Beijing Kerry Centre and Shanghai Kerry Centre and the commercial space in Singapore which recorded a decline by 8%, 28% and 9%, respectively.
- On 21 August 2007, the office tower adjacent to the Shangri-La Hotel, Chengdu soft-opened for business.

## OPERATIONS REVIEW *(Continued)*

### Consolidated Profits

- Gross profit margin increased only slightly by 0.7 percentage point due to the start up costs associated with newly opened hotels.
- Net finance costs decreased by US\$7.7 million mainly due to an increased capitalisation of interest costs on projects under development (US\$9.1 million) and the favourable impact of the appreciation of the Euro against the US dollar (US\$4.2 million).
- Other gains included US\$5.4 million representing unrealised gains on financial assets held for trading before adjustment for minority interests (US\$5.8 million after minority interests), US\$25.2 million gains on interest-rate swap contracts and US\$6.2 million gains on disposal of 80% interest in the Tianjin project.
- Profits were favourably affected by a reversal of provision for deferred tax liabilities due to a recent reduction in the corporate income tax rate from 33% to 25% in Mainland China which will take effect from 1 January 2008. The amount in respect of subsidiaries was US\$9.7million, both before and after adjustment for minority interests, and in respect of associates the Group's effective share was US\$27.9 million.

## CORPORATE DEBT AND FINANCIAL CONDITIONS

The Group has satisfactorily complied with all covenants under its borrowing agreements. The analysis of borrowings outstanding as at 30 June 2007 is as follows:

### Maturities of Borrowings Contracted as at 30 June 2007

<i>(US\$ million)</i>	Repayment				Total
	Within 1 year	In the 2nd year	In the 3rd to 5th year	After 5 years	
<b>Borrowings – unsecured</b>					
Convertible bonds	–	6.3	–	–	6.3
Corporate bank loans	–	141.9	1,165.0	–	1,306.9
Project bank loans and overdrafts	50.0	21.4	322.0	–	393.4
Total	50.0	169.6	1,487.0	–	1,706.6
<b>Undrawn but committed facilities</b>					
Bank loans and overdrafts	124.8	–	707.4	7.3	839.5

## CORPORATE DEBT AND FINANCIAL CONDITIONS *(Continued)*

The currency-mix of the borrowings, and cash and cash equivalents as at 30 June 2007 is as follows:

<i>(US\$ million)</i>	<b>Borrowings</b>	<b>Cash and cash equivalents</b>
In Hong Kong dollars	1,200.8	51.0
In Singapore dollars	5.2	4.5
In Malaysian Ringgit	52.8	3.8
In Renminbi	37.4	100.4
In United States dollars	410.4	166.9
In Thai Baht	–	33.0
In Philippine Pesos	–	7.8
In Fiji dollars	–	3.9
In Euros	–	5.1
In other currencies	–	2.6
	1,706.6	379.0

Save for the loans in Renminbi at rates specified by The People's Bank of China from time to time and the convertible bonds, all the borrowings are at floating rates.

As at 30 June 2007, of the Group's cash and cash equivalents, US\$298.5 million (31 December 2006: US\$247.3 million) were kept in Mainland China, Malaysia, Thailand, the Philippines, Fiji, Myanmar and Republic of Mongolia. The remittance of funds out of these countries is subject to rules and regulations of foreign exchange control promulgated by the governments of the respective countries.

Details of financial guarantees and contingent liabilities as at 30 June 2007 were disclosed in note 23 to the condensed consolidated interim financial statements included in this report.

## RIGHTS ISSUE

- On 3 July 2007, the Company announced a proposed rights issue of ordinary shares. Details of this proposed rights issue were disclosed in note 26 to the condensed consolidated interim financial statements included in this report.
- The Company intends to apply approximately HK\$5,087 million of the net proceeds to settle a substantial part of the Group's bank loans with the remaining HK\$50 million as general working capital. The Company will subsequently, however, progressively continue to draw down bank loans to fund its on-going hotel development programme, primarily in Mainland China.
- The latest time for the rights issue and underwriting agreement to become unconditional is 4:00 p.m. on 10 September 2007 and the Company will announce the results of acceptance of the rights issue on 12 September 2007.

## TREASURY POLICIES

Treasury policies aimed at minimising interest and currency risk have been consistently followed by the Group as disclosed in the 2006 annual report.

- In January 2007, the Group contracted a new seven-year HIBOR interest-rate swap contract for a principal amount of HK\$300 million. At 30 June 2007, the Group had outstanding contracts for an aggregate principal amount of HK\$4,760 million at fixed interest rates ranging between 4.28% and 4.63% per annum, and US\$100 million at a fixed interest rate of 4.70% per annum. The interest cover continues through January 2014.
- Taking into account the interest-rate swap contracts together with the convertible bonds outstanding and the Renminbi loans, the Group has fixed its interest liability on 44.4% of its outstanding borrowings. The Group has not executed further interest-rate swap contracts upon consideration of the approximately HK\$5,137 million net proceeds from the rights issue to be received in early September 2007 of which HK\$5,087 million will be applied to repay outstanding bank loans.

## FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The investment portfolio included 10,867,055 ordinary shares in the Company with a market value of US\$26.5 million held by a wholly-owned subsidiary. Details of financial assets held for trading as at 30 June 2007 were disclosed in note 8 to the condensed consolidated interim financial statements included in this report.

## DEVELOPMENT PROGRAMMES

Construction work on the following projects is progressing satisfactorily:

	Group's Interest	Hotel Rooms	Serviced Apartments	Projected Opening
<b>Hotels in Mainland China</b>				
Shangri-La Hotel, Baotou	100%	360	11	Late 2007
Shangri-La Hotel, Xian	100%	397	–	Late 2007
Shangri-La Hotel, Qingdao (Phase II)	100%	196	13	Late 2007
Shangri-La Hotel, Futian	100%	549	53	Early 2008
Shangri-La Hotel, Ningbo	95%	561	60	Mid 2008
Shangri-La Hotel, Manzhouli	100%	216	–	Late 2008
Shangri-La Hotel, Wenzhou	75%	419	–	Late 2008
Shangri-La Hotel, Guilin	100%	430	–	Early 2009
Shangri-La Hotel, Zhoushan	100%	280	–	Mid 2009
China World Hotel, Beijing (Phase III – Mega Tower)	40.07%	276	–	Late 2009
<b>Hotels in other countries</b>				
Shangri-La's Rasa Ria Resort, Dalit Bay Golf Club & Spa, Sabah (Phase II)	64.59%	90	–	End 2007
Shangri-La Hotel & Spa, Chiangmai, Thailand	73.61%	281	–	End 2007
Shangri-La Villingili Resort & Spa, Maldives	70%	142	–	Mid 2008
Shangri-La Resort & Spa, Boracay, The Philippines	100%	219	–	Late 2008
Shangri-La Hotel, Tokyo, Japan	Operating lease	204	–	Early 2009
Shangri-La Hotel, Paris, France	100%	110	–	Mid 2009
Shangri-La Hotel At London Bridge Tower, London, United Kingdom	Operating lease	195	–	2011
<b>Other projects</b>				
Office Tower, Ulaanbaatar, Republic of Mongolia	60%	N/A	–	Mid 2008
Composite development (with 1 hotel), Pudong, Shanghai	23.20%	550	154	Mid 2010
Composite development (with 1 hotel), Tianjin	20%	640	–	2011
Composite development (with 2 hotels), Jingan, Shanghai	49%	947	–	2011

## DEVELOPMENT PROGRAMMES *(Continued)*

- In May 2007, the Group entered into development and operating agreements to construct a 206-room luxury Shangri-La Hotel, New York in the Park Avenue corridor of Midtown Manhattan and will operate the property under a long-term hotel management agreement. The hotel will be in a new 64-storey tower adjacent to the landmark Seagram Building. Sixty-six of the 206 guest rooms will be sold as condominium hotel units. These units will be operated as part of the hotel and interspersed throughout hotel floors. In addition, 17 ultra high-end residential condominiums ranging from 1,500 to 3,000 square feet will occupy the top 10 floors of the tower. The Group has 25.9% interest in the entire project. The project is scheduled to open in 2010.
- In May 2007, the Group entered into a long-term operating lease agreement for the 207-room deluxe Shangri-La Hotel, Vienna, opening late 2009. The hotel will be located in the former Erste Bank headquarters on the Schuberting in the city's 1st district, Bezirk, within walking distance of upscale shopping, fine dining and other local national attractions.
- In June 2007, the Group entered into a shareholders' agreement with MCS Holding LLC, a local company which also holds 40% interest in the Group's office tower project in Ulaanbaatar, for the establishment of a project company in which the Group will have 75% interest. The project company will invest in a 220-room Shangri-La hotel development project to be completed by end 2010. Construction work will commence once the land use rights are transferred to the project company from a wholly-owned subsidiary of MCS Holding LLC before end of December 2007.
- In July 2007, a wholly-owned subsidiary of the Company was successfully awarded the land use rights for a hotel development in a land auction in Hefei, Mainland China. Construction work for this 400-room Shangri-La will commence in the fourth quarter 2007.
- The estimated incremental funding required directly at the corporate level, by the subsidiaries and the Group's share of the funding obligations of its associates for these projects and other renovations being undertaken is currently estimated at US\$1,975 million and will be mainly financed by available borrowing facilities and the net proceeds from the rights issue, funds from operation and locally contracted project loans as appropriate. Joint venture partners will provide the balance of funds required for those developments not wholly-owned by the Group.

## CONNECTED TRANSACTION

- In July 2007, the Group entered into joint venture agreements with two connected persons and an independent third party to establish two joint venture companies for the purposes of acquiring, owning, managing, operating and chartering two aircrafts. The Group has a 25% interest in each of the joint venture companies. The Group's share of the maximum funding commitment is US\$10,050,000. Given the extensive network of hotels, properties, production facilities and other interests of the Group and its other three partners in this joint venture within Mainland China and the Asia Pacific region, the use of the aircrafts will provide the respective key management staff and the team the flexibility to travel to locations as determined by business exigencies. This will help to shorten the overall travel time, improve productivity and enhance management effectiveness.

## DISPOSALS

- In March 2007, the Group transferred a 25% interest in the holding company which owns the project company of the Shangri-La Hotel, Wenzhou and proportionate shareholder's loans to a strategic investor at a consideration of US\$5.6 million. The Group recorded a nominal gain on this transaction.
- In June 2007, the Group completed the share transfer agreement for the transfer of 80% interest and proportionate shareholder's loans in the project company in Tianjin, Mainland China to two connected persons and recorded a net gain of US\$6.2 million, including an exchange gain of US\$3 million due to appreciation of the consideration receivable which was fixed in Renminbi. The Group currently holds 20% interest in this high-end composite development project.
- In June 2007, the Group entered into agreements for the transfer of 20% equity interest and proportionate shareholder's loans in the project company which owns the Shangri-La Hotel, Guangzhou to three connected persons. The total consideration for the transfer was approximately US\$20,840,000. Upon signing of the agreements, the Group has received the entire consideration amount as a deposit. The disposal is contingent upon receipt of approval from the relevant local authorities.

## MANAGEMENT AGREEMENTS

- As at the date of this report, the Group has 13 management agreements in respect of operating hotels (4,912 rooms) owned by third parties.
- In addition, the Group has agreements on hand for development of 18 new hotels (7,193 rooms). The development projects are located in Doha (Qatar) (2 hotels), Vancouver, Toronto, Chicago, Las Vegas, Miami, Seychelles, Phuket, Bangalore (3 hotels), Mumbai, Tainan (Taiwan), Macau (2 hotels), Beijing, and Urumqi (all in Mainland China).
- The Group continues to review proposals it receives for management opportunities worldwide and intends to secure contracts in locations/cities which it considers to be of long-term strategic interest.

## CORPORATE SOCIAL RESPONSIBILITY

- The Group has a long history of ensuring that it operates in the interests of all stakeholders. A special committee, the Corporate Social Responsibility Committee (the "CSR Committee"), headed by the Chief Operating Officer of the SLIM Group seeks to widen the scope of the Group's support of worthy social and environmental causes.
- The CSR Committee focuses on five key areas, environment, employees and the community, health and safety, supply chain management; and stakeholder relations. Each sub committee is led by the respective senior executives from various divisions at the Group's corporate office and a hotel general manager. The sub committees will in turn be communicating with the hotels for implementation of the best practices issued.
- The Group has also engaged an independent consultant to review and help to set up benchmarking and best practices for the hotels.
- The Environment sub committee has set up a target of reducing utilities consumption by 12% in 2008.
- The Group has launched its first nation-wide charity mooncake sale this year. 24 hotels in Mainland China and Hong Kong have joined forces to raise Renminbi 1 million for Shangri-La's charity partner, Care for Children.

## PROSPECTS

After the strong performance experienced in 2006, the hotel operations and property investments have maintained the momentum for the six months ended 30 June 2007. This is generally expected to continue for the rest of this year. The Group has embarked on several new hotel and mixed use property developments primarily in Mainland China. Progress on implementation of these projects has been satisfactory and the Group has not experienced any major delays in commissioning its new developments. The Group remains optimistic about the medium term prospects for its business in Mainland China and the rest of Asia where most of its investments are located. The Group continues to identify and evaluate opportunities mainly in the Asian region and in the near term expects to add to the list of development projects currently on hand. The Group also expects the management agreements it has signed for third-party owned hotels under development to contribute meaningfully to its profits once these hotels reach stable operating conditions. These agreements, also serve to increase the exposure of the Group's hotel brands and indirectly underpin the performance of the Group's owned properties in the Asian region.

## HUMAN RESOURCES

- As at 30 June 2007, the Group had approximately 23,000 employees. The headcount of all the Group's managed hotels totaled 33,400.
- Salaries and benefits including provident fund, insurance and medical cover, housing and share option schemes are maintained at competitive levels and bonuses are awarded based on individual performance as well as the financial performance of business units. The Board's Remuneration Committee reviews matters relating to the compensation and the incentives proposed for senior management and executive Directors.
- The Shangri-La Academy in Beijing continued to accelerate and intensify employee training commensurate with the Group's expansion, especially in Mainland China. The Spa Academy recently established adjacent to the Edsa Shangri-La, Manila offers on-going training for therapists attached to the Group's Spas.
- Efforts to develop managerial staff with high potential continue under the Group's three core talent development programs - the Corporate Management Trainee Program, the Corporate Executive Training Program and the Corporate Trainee Program.

## SHARE OPTIONS

Details of the outstanding option shares as at 30 June 2007 which have been granted under the executive share option scheme adopted by the shareholders of the Company on 16 December 1997 (the "Executive Option Scheme") are as follows:

	Date of grant	Tranche	No. of option shares held as at 1 January 2007	No. of option shares granted during the period	Transfer from other category during the period	Transfer to other category during the period	No. of option shares exercised during the period (Note 1)	No. of option shares lapsed during the period	No. of option shares held as at 30 June 2007	Exercise price per option share HK\$	Exercisable Period
<b>1. Director</b>											
Mr YE Longfei (Note 2)	15 January 2001	II	79,212	-	-	-	(79,212)	-	-	8.18	15 January 2003 – 14 January 2011
<b>2. Continuous</b>	1 May 1998	I	203,196	-	-	-	(69,028)	-	134,168	8.26	1 May 1999 – 30 April 2008
<b>Contract</b>	1 May 1998	II	203,196	-	-	-	(29,028)	-	174,168	8.26	1 May 2000 – 30 April 2008
<b>Employees</b>	1 May 1998	III	203,196	-	-	-	(29,028)	-	174,168	8.26	1 May 2001 – 30 April 2008
	15 January 2000	I	397,335	-	-	-	-	-	397,335	8.82	15 January 2001 – 14 January 2010
	15 January 2000	II	397,331	-	-	-	-	-	397,331	8.82	15 January 2002 – 14 January 2010
	15 January 2001	I	126,140	-	-	-	(92,179)	-	33,961	8.18	15 January 2002 – 14 January 2011
	15 January 2001	II	126,138	-	-	-	(92,178)	-	33,960	8.18	15 January 2003 – 14 January 2011
<b>3. Other Participants</b>	1 May 1998	I	255,956	-	-	-	(96,760)	-	159,196	8.26	1 May 1999 – 30 April 2008
	1 May 1998	II	299,956	-	-	-	(96,760)	-	203,196	8.26	1 May 2000 – 30 April 2008
	1 May 1998	III	299,956	-	-	-	(6,480)	-	293,476	8.26	1 May 2001 – 30 April 2008
	15 January 2000	I	445,790	-	-	-	(86,764)	-	359,026	8.82	15 January 2001 – 14 January 2010
	15 January 2000	II	445,788	-	-	-	(38,764)	-	407,024	8.82	15 January 2002 – 14 January 2010
	15 January 2001	I	67,922	-	-	-	(33,961)	-	33,961	8.18	15 January 2002 – 14 January 2011
	15 January 2001	II	67,920	-	-	-	(33,960)	-	33,960	8.18	15 January 2003 – 14 January 2011
<b>Total:</b>			<b>3,619,032</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(784,102)</b>	<b>-</b>	<b>2,834,930</b>		

## SHARE OPTIONS (Continued)

Details of the outstanding option shares as at 30 June 2007 which have been granted under the share option scheme adopted by the shareholders of the Company on 24 May 2002 (the "New Option Scheme") are as follows:

	Date of grant	Tranche	No. of option shares held as at 1 January 2007	No. of option shares granted during the period	Transfer from other category during the period	Transfer to other category during the period	No. of option shares exercised during the period <i>(Note 1)</i>	No. of option shares lapsed during the period	No. of option shares held as at 30 June 2007	Exercise price per option share <i>HK\$</i>	Exercisable Period
<b>1. Directors</b>											
Mr KUOK	28 April 2005	I	20,000	-	-	-	-	-	20,000	11.60	28 April 2006 – 27 April 2015
Khoo Loong	28 April 2005	II	250,000	-	-	-	-	-	250,000	11.60	28 April 2007 – 27 April 2015
Edward	16 June 2006	I	100,000	-	-	-	-	-	100,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	100,000	-	-	-	-	-	100,000	14.60	16 June 2008 – 15 June 2016
Mr LUI Man Shing	28 April 2005	II	150,000	-	-	-	-	-	150,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	60,000	-	-	-	-	-	60,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	60,000	-	-	-	-	-	60,000	14.60	16 June 2008 – 15 June 2016
Mr Giovanni	28 April 2005	I	500,000	-	-	-	-	-	500,000	11.60	28 April 2006 – 27 April 2015
ANGELINI	28 April 2005	II	500,000	-	-	-	-	-	500,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	100,000	-	-	-	-	-	100,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	100,000	-	-	-	-	-	100,000	14.60	16 June 2008 – 15 June 2016
Mr NG Si Fong	29 May 2002	I	60,000	-	-	-	-	-	60,000	6.81	29 May 2003 – 28 May 2012
Alan	29 May 2002	II	60,000	-	-	-	-	-	60,000	6.81	29 May 2004 – 28 May 2012
	28 April 2005	I	150,000	-	-	-	-	-	150,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	150,000	-	-	-	-	-	150,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	50,000	-	-	-	-	-	50,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	50,000	-	-	-	-	-	50,000	14.60	16 June 2008 – 15 June 2016
Madam KUOK	28 April 2005	I	150,000	-	-	-	-	-	150,000	11.60	28 April 2006 – 27 April 2015
Oon Kwong	28 April 2005	II	150,000	-	-	-	-	-	150,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	60,000	-	-	-	-	-	60,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	60,000	-	-	-	-	-	60,000	14.60	16 June 2008 – 15 June 2016
Mr HO Kian Guan	28 April 2005	I	75,000	-	-	-	(75,000)	-	-	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	75,000	-	-	-	(75,000)	-	-	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	30,000	-	-	-	-	-	30,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	30,000	-	-	-	-	-	30,000	14.60	16 June 2008 – 15 June 2016
Mr LEE Yong Sun	28 April 2005	II	75,000	-	-	-	-	-	75,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	30,000	-	-	-	-	-	30,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	30,000	-	-	-	-	-	30,000	14.60	16 June 2008 – 15 June 2016

## SHARE OPTIONS (Continued)

	Date of grant	Tranche	No. of option shares held as at 1 January 2007	No. of option shares granted during the period	Transfer from other category during the period	Transfer to other category during the period	No. of option shares exercised during the period (Note 1)	No. of option shares lapsed during the period	No. of option shares held as at 30 June 2007	Exercise price per option share HK\$	Exercisable Period
<b>1. Directors (Continued)</b>											
Mr Roberto	28 April 2005	I	75,000	-	-	-	-	75,000	11.60	28 April 2006 – 27 April 2015	
V. ONGPIN	28 April 2005	II	75,000	-	-	-	-	75,000	11.60	28 April 2007 – 27 April 2015	
	16 June 2006	I	30,000	-	-	-	-	30,000	14.60	16 June 2007 – 15 June 2016	
	16 June 2006	II	30,000	-	-	-	-	30,000	14.60	16 June 2008 – 15 June 2016	
Mr Alexander Reid	28 April 2005	I	75,000	-	-	-	(75,000)	-	11.60	28 April 2006 – 27 April 2015	
HAMILTON	28 April 2005	II	75,000	-	-	-	(75,000)	-	11.60	28 April 2007 – 27 April 2015	
	16 June 2006	I	30,000	-	-	-	-	30,000	14.60	16 June 2007 – 15 June 2016	
	16 June 2006	II	30,000	-	-	-	-	30,000	14.60	16 June 2008 – 15 June 2016	
Mr Timothy David	28 April 2005	I	75,000	-	-	-	-	75,000	11.60	28 April 2006 – 27 April 2015	
DATTELS	28 April 2005	II	75,000	-	-	-	-	75,000	11.60	28 April 2007 – 27 April 2015	
	16 June 2006	I	30,000	-	-	-	-	30,000	14.60	16 June 2007 – 15 June 2016	
	16 June 2006	II	30,000	-	-	-	-	30,000	14.60	16 June 2008 – 15 June 2016	
Mr YE Longfei	28 April 2005	I	250,000	-	-	-	(250,000)	-	11.60	28 April 2006 – 27 April 2015	
(Note 2)	28 April 2005	II	250,000	-	-	(250,000)	-	-	11.60	28 April 2007 – 27 April 2015	
	16 June 2006	I	100,000	-	-	(100,000)	-	-	14.60	16 June 2007 – 15 June 2016	
	16 June 2006	II	100,000	-	-	(100,000)	-	-	14.60	16 June 2008 – 15 June 2016	
<b>2. Continuous</b>											
Contract	29 May 2002	I	389,500	-	-	-	(110,000)	-	6.81	29 May 2003 – 28 May 2012	
Employees	29 May 2002	II	270,500	-	-	-	(60,000)	-	6.81	29 May 2004 – 28 May 2012	
	28 April 2005	I	4,310,000	-	-	-	(600,000)	-	11.60	28 April 2006 – 27 April 2015	
	28 April 2005	II	5,785,000	-	-	-	(622,000)	(50,000)	11.60	28 April 2007 – 27 April 2015	
	16 June 2006	I	2,477,500	-	-	-	(37,500)	(25,000)	14.60	16 June 2007 – 15 June 2016	
	16 June 2006	II	2,477,500	-	-	-	-	(30,000)	14.60	16 June 2008 – 15 June 2016	
<b>3. Other Participants</b>											
	29 May 2002	I	375,000	-	-	-	-	375,000	6.81	29 May 2003 – 28 May 2012	
	29 May 2002	II	385,000	-	-	-	-	385,000	6.81	29 May 2004 – 28 May 2012	
	28 April 2005	I	640,000	-	-	-	(75,000)	-	11.60	28 April 2006 – 27 April 2015	
	28 April 2005	II	815,000	-	250,000	-	(115,000)	-	11.60	28 April 2007 – 27 April 2015	
	28 April 2005	I	100,000	-	-	-	(100,000)	-	11.60	28 April 2006 – 30 June 2007	
	28 April 2005	II	100,000	-	-	-	(100,000)	-	11.60	28 April 2007 – 30 June 2007	
	28 April 2005	II	50,000	-	-	-	-	50,000	11.60	28 April 2007 – 2 May 2008	
	16 June 2006	I	377,500	-	100,000	-	-	-	14.60	16 June 2007 – 15 June 2016	
	16 June 2006	I	37,500	-	-	-	(37,500)	-	14.60	16 June 2007 – 30 June 2007	
	16 June 2006	II	377,500	-	100,000	-	-	-	14.60	16 June 2008 – 15 June 2016	
Total:			23,522,500	-	450,000	(450,000)	(2,407,000)	(105,000)	21,010,500		

## SHARE OPTIONS *(Continued)*

### Notes:

- The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$20.22.
- Mr YE Longfei resigned as Director of the Company with effect from 27 March 2007.
- At the Special General Meeting of the Company held on 24 May 2002, the shareholders of the Company approved the adoption of the New Option Scheme and the termination of the operation of the Executive Option Scheme such that no further options shall thereafter be offered under the Executive Option Scheme but in all other respects the provision of the Executive Option Scheme shall remain in full force and effect.
- No options were cancelled under the Executive Option Scheme and the New Option Scheme during the period and subsequent to 30 June 2007 and up to the date of this report.
- No options were lapsed under the Executive Option Scheme during the period and no options were lapsed under the Executive Option Scheme and the New Option Scheme subsequent to 30 June 2007 and up to the date of this report.
- Options on 162,028 shares were exercised under the Executive Option Scheme and options on 1,632,500 shares were exercised under the New Option Scheme subsequent to 30 June 2007 and up to the date of this report.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "HKSE") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the HKSE (the "HK Listing Rules") were as follows:

### (a) Long positions in shares of the Company and Associated Corporations

Name of Company	Name of Director	Class of Shares	Personal Interests (Note 1)	Number of Shares held			Total	Percentage of Total Issued Share Capital of the Relevant Company as at 30 June 2007
				Family Interests	Corporate Interests	Other Interests		
(i) The Company	Mr KUOK Khoon Loong, Edward	Ordinary	460,000	-	-	-	460,000	0.02%
	Mr LUI Man Shing	Ordinary	450,000	-	-	-	450,000	0.02%
	Mr Giovanni ANGELINI	Ordinary	100,000	-	-	-	100,000	0.00%
	Madam KUOK Oon Kwong	Ordinary	151,379	192,011 (Note 2)	108,673 (Note 3)	-	452,063	0.02%
	Mr HO Kian Guan	Ordinary	467,475	-	105,451,160 (Note 4)	-	105,918,635	4.10%
	Mr HO Kian Hock (Alternate to Mr HO Kian Guan)	Ordinary	-	-	105,451,160 (Note 4)	-	105,451,160	4.08%
(ii) Associated Corporations								
Shangri-La Hotels (Malaysia) Berhad	Madam KUOK Oon Kwong	Ordinary	-	-	10,000 (Note 3)	-	10,000	0.00%
Shangri-La Hotel Public Company Limited	Mr LUI Man Shing	Ordinary	10,000	-	-	-	10,000	0.01%

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES** *(Continued)*

### **(a) Long positions in shares of the Company and Associated Corporations** *(Continued)*

*Notes:*

1. These shares were held by the relevant Directors as beneficial owners.
2. These shares were held by the spouse of the relevant Director.
3. These shares were held through a company which was controlled as to 50% by Madam KUOK Oon Kwong.
4. 68,850,329 shares were held through companies which were controlled as to 50% by each of Mr HO Kian Guan and Mr HO Kian Hock.  
  
4,165,848 shares were held through a company which was controlled as to 25% by each of Mr HO Kian Guan and Mr HO Kian Hock.  
  
3,890,942 shares were held through a company which was controlled as to 13.33% and 7.08% by Mr HO Kian Guan and Mr HO Kian Hock respectively.  
  
28,544,041 shares were held through companies which were controlled as to 6.64% and 6.80% by Mr HO Kian Guan and Mr HO Kian Hock respectively.

### **(b) Long positions in underlying shares of the Company and Associated Corporations**

As at 30 June 2007, details of share options granted under the Executive Option Scheme and the New Option Scheme to the Directors of the Company who held office during the period were stated in the previous section headed "SHARE OPTIONS" of this report.

Save as mentioned above, as at 30 June 2007, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2007, the interests and short positions of those persons (other than the Directors) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long positions in shares and underlying shares of the Company

Name	Capacity in which Shares were Held	Number of Ordinary Shares Held	Percentage of Total Issued Share Capital of the Company as at 30 June 2007
<b>Substantial Shareholders</b>			
Kerry Group Limited ("KGL")	Interest of controlled corporations	1,260,243,372	48.75%
Kerry Holdings Limited ("KHL") (Notes 1 and 2)	Beneficial owner	63,414,628	48.75%
	Interest of controlled corporations	1,196,828,744	
Caninco Investments Limited (Notes 2 and 3)	Beneficial owner	479,424,818	22.27%
	Interest of a controlled corporation	96,330,633	
Paruni Limited (Notes 2 and 3)	Beneficial owner	270,596,554	10.48%
	Interest of a controlled corporation	420,665	
<b>Person other than Substantial Shareholders</b>			
Darmex Holdings Limited (Notes 2 and 3)	Beneficial owner	239,302,975	9.26%

#### Notes:

1. Out of KHL's corporate interest in 1,196,828,744 shares, 1,174,194,166 shares were held through its wholly-owned subsidiaries, 11,767,523 shares were held through companies in which KHL controls more than one third of the voting power (other than those wholly-owned subsidiaries as aforementioned) and 10,867,055 shares were held through a wholly-owned subsidiary of Shangri-La Hotel Public Company Limited, Thailand, a 73.61% owned subsidiary of the Company.
2. These companies are wholly-owned subsidiaries of KGL, and their interests in the shares of the Company are included in the interests held by KGL.
3. These companies are wholly-owned subsidiaries of KHL, and their interests in the shares of the Company are included in the interests held by KHL.

Save as mentioned above, as at 30 June 2007, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept by the Company under Section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2007.

## CORPORATE GOVERNANCE

The Company has always recognised the importance of transparency in governance and accountability to shareholders. The Board believes that shareholders can maximise their benefits from good corporate governance. Therefore, the Company continuously reviews its corporate governance framework to ensure that it is aligned with generally acceptable practices and standards.

During the period under review, the Company has met the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the HK Listing Rules, except that the Company has not appointed a chief executive officer since Mr Giovanni ANGELINI is already, and has been since 1999, a chief executive officer of Shangri-La International Hotel Management Limited, which administers on a day-to-day basis the hotel business which accounts for a substantial portion of the Group's business interests. The Board therefore considers it unnecessary to appoint a chief executive officer of the Company. As for the management of the Board, this is a function already performed by Mr KUOK Khoon Loong, Edward as the Chairman of the Board. The Board considers this structure will not impair the balance of power and authority between the Board and the Management.

The Board meets at least four times a year at quarterly intervals and meets more frequently as and when required. Mr ANGELINI, being an Executive Director of the Company, reports to the Board on the Group's affairs. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code as set out in Appendix 10 of the HK Listing Rules as the Code for Securities Transactions by Directors of the Company (the "Securities Dealing Code"). The Company has made specific enquiry of all Directors who confirmed compliance with the required standard set out in the Securities Dealing Code during the period under review.

## REGISTERS OF MEMBERS

The registers of members will be closed from Thursday, 27 September 2007 to Tuesday, 2 October 2007, both dates inclusive. To qualify for the proposed interim dividend, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on Tuesday, 25 September 2007.

On behalf of the Board



**KUOK Khoon Loong, Edward**  
Chairman

Hong Kong, 4 September 2007