

INTERIM
REPORT
2008



SHANGRI-LA ASIA LIMITED

(Incorporated in Bermuda with limited liability)

香格里拉(亞洲)有限公司

Stock Code: 69

CORPORATE INFORMATION

As at 2 September 2008

Board of Directors

Executive Directors

Mr KUOK Khoon Ean (*Chairman*)

Mr KUOK Khoon Loong, Edward
(*President and Chief Executive Officer*)

Mr LUI Man Shing (*Deputy Chairman*)

Mr Giovanni ANGELINI

Non-Executive Directors

Madam KUOK Oon Kwong

Mr HO Kian Guan

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 Ean (*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 TEO Ching Leun

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

www.shangri-la.com

Financial Information

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 2008. 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 2008 was US\$135.7 million (US4.707 cents per share) compared to US\$159.7 million (US6.196 cents per share) in the same period last year.

The Board has declared an interim dividend of **HK14 cents** per share for 2008 (2007: HK15 cents per share) payable on Friday, 10 October 2008, to shareholders whose names appear on the Registers of Members of the Company on Tuesday, 30 September 2008.

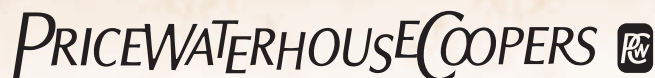
GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

		Six months ended 30 June	
		2008	2007
		Unaudited	Unaudited
Sales	US\$'000	683,112	557,733
Profit attributable to the equity holders of the Company	US\$'000	135,685	159,689
Earnings per share	US cents	4.707	6.196
Dividend per share	HK cents	14	15
Annualised Return on Equity		6.8%	11.4%
	Profit attributable to equity holders of the Company for the six months		
	$\left[\frac{\text{Average equity attributable to equity holders of the Company}}{\text{Average equity attributable to equity holders of the Company}} \times 2 \right]$		
EBITDA	US\$ million	239.2	188.3
	(earnings before net finance income/(costs), tax, depreciation, amortisation and non-operating items)		
EBITDA Margin		35.0%	33.8%
	[EBITDA / Sales]		

Consolidated Balance Sheet

		As at	
		30 June	31 December
		2008	2007
		Unaudited	Audited
Total equity	US\$'000	4,432,404	4,185,328
Net assets attributable to the Company’s equity holders	US\$'000	4,126,750	3,881,870
Net borrowings	US\$'000	1,117,261	859,183
	(total of bank loans and overdrafts less cash and cash equivalents)		
Net assets per share attributable to the Company’s equity holders	US\$	1.43	1.35
Net assets (total equity) per share	US\$	1.54	1.45
Net borrowings to total equity ratio		25.2%	20.5%



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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 27, which comprises the condensed consolidated balance sheet of Shangri-La Asia Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2008 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, 2 September 2008

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

		As at	
		30 June 2008	31 December 2007
	Note	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,583,069	3,260,931
Investment properties	4	554,593	523,633
Leasehold land and land use rights	4	437,559	416,749
Intangible assets	4	86,560	87,172
Interest in associates		1,214,804	1,118,992
Deferred income tax assets		1,690	2,294
Available-for-sale financial assets	5	4,256	4,191
Other receivables	6	5,109	5,091
		5,887,640	5,419,053
Current assets			
Inventories		30,809	28,215
Accounts receivable, prepayments and deposits	7	179,543	171,428
Due from associates		35,462	23,920
Financial assets held for trading	8	50,285	71,710
Cash and cash equivalents		444,064	386,684
		740,163	681,957
Total assets		6,627,803	6,101,010
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	1,939,853	1,934,577
Other reserves	10	1,468,845	1,309,274
Retained earnings			
– Proposed interim/final dividend	21	52,123	44,631
– Others		665,929	593,388
		4,126,750	3,881,870
Minority interests		305,654	303,458
Total equity		4,432,404	4,185,328

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Continued)

(All amounts in US dollar thousands)

		As at	
		30 June	31 December
	Note	2008	2007
		Unaudited	Audited
LIABILITIES			
Non-current liabilities			
Bank loans	11	1,474,111	1,153,939
Derivative financial instruments	12	14,305	20,708
Due to minority shareholders	13	24,903	20,603
Deferred income tax liabilities		215,807	213,288
		1,729,126	1,408,538
Current liabilities			
Accounts payable and accruals	14	336,215	377,405
Due to minority shareholders	13	5,715	10,355
Current income tax liabilities		37,129	27,456
Bank loans and overdrafts	11	87,214	91,928
		466,273	507,144
Total liabilities		2,195,399	1,915,682
Total equity and liabilities		6,627,803	6,101,010
Net current assets		273,890	174,813
Total assets less current liabilities		6,161,530	5,593,866

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

		Six months ended 30 June	
		2008	2007
	<i>Note</i>	Unaudited	Unaudited
Sales	3	683,112	557,733
Cost of goods sold	15	(261,142)	(213,306)
Gross profit		421,970	344,427
Other (losses)/gains – net	16	(18,777)	42,074
Marketing costs	15	(21,646)	(20,213)
Administrative expenses	15	(51,887)	(44,233)
Other operating expenses	15	(202,144)	(161,877)
Operating profit		127,516	160,178
Net finance income/(costs)	17	33,586	(7,712)
Share of profit of associates	18	32,306	51,383
Profit before income tax		193,408	203,849
Income tax expense	19	(47,041)	(34,976)
Profit for the period		146,367	168,873
Attributable to:			
Equity holders of the Company		135,685	159,689
Minority interests		10,682	9,184
		146,367	168,873
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US cents per share)			
– basic	20	4.707	6.196
– diluted	20	4.693	6.170
Dividends	21	52,123	50,119

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

Unaudited						
Attributable to equity holders of the Company						
Note	Share capital	Other reserves	Retained earnings	Total	Minority interests	Total
Balance at 1 January 2007	1,224,810	1,088,174	386,195	2,699,179	276,145	2,975,324
Currency translation differences	–	54,838	–	54,838	7,817	62,655
Net income recognised directly in equity	–	54,838	–	54,838	7,817	62,655
Profit for the period	–	–	159,689	159,689	9,184	168,873
Total recognised income for the six months ended 30 June 2007	–	54,838	159,689	214,527	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)	–	(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)	(667)	12,027
Balance at 30 June 2007	1,258,393	1,142,109	512,537	2,913,039	305,173	3,218,212

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (Continued)

(All amounts in US dollar thousands)

		Unaudited					
		Attributable to equity holders of the Company					
Note	Share capital	Other reserves	Retained earnings	Total	Minority interests	Total	
	Balance at 1 January 2008	1,934,577	1,309,274	638,019	3,881,870	303,458	4,185,328
	Currency translation differences	–	159,997	–	159,997	6,507	166,504
	Net income recognised directly in equity	–	159,997	–	159,997	6,507	166,504
	Profit for the period	–	–	135,685	135,685	10,682	146,367
	Total recognised income for the six months ended 30 June 2008	–	159,997	135,685	295,682	17,189	312,871
	Exercise of share options – allotment of shares	9	4,396	–	4,396	–	4,396
	Exercise of share options – transfer from option reserve to share premium	9	880	(880)	–	–	–
	Granting of share options – value of employee service	–	454	–	454	–	454
	Payment of 2007 final dividend	–	–	(44,644)	(44,644)	–	(44,644)
	Dividend paid and payable to minority interests	–	–	–	–	(8,014)	(8,014)
	Difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration arising from changes in the Company's ownership interest in subsidiaries	–	–	(11,008)	(11,008)	–	(11,008)
	Equity acquired from minority interests	22	–	–	–	(7,109)	(7,109)
	Equity acquired by minority interests	–	–	–	–	348	348
	Net change in equity loans due to minority interests	–	–	–	–	(218)	(218)
		5,276	(426)	(55,652)	(50,802)	(14,993)	(65,795)
	Balance at 30 June 2008	1,939,853	1,468,845	718,052	4,126,750	305,654	4,432,404

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

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2008	2007
Cash flow from operating activities		112,712	114,686
Cash flows from investing activities			
– purchases of property, plant and equipment; investment properties and land use rights		(295,110)	(291,027)
– proceeds on disposal of property, plant and equipment		577	425
– acquisition of additional interest in a subsidiary	22	(19,624)	–
– proceeds from disposal of interest in a subsidiary/subsidiaries		1,935	78,291
– deposit received for proposed disposal of interest in a subsidiary		–	20,840
– other investing cash flow – net		(15,569)	(29,445)
Cash flow from investing activities – net		(327,791)	(220,916)
Cash flows from financing activities			
– dividend paid		(56,520)	(42,679)
– net increase in borrowings		312,370	172,629
– other finance cash flows – net		6,633	17,431
Cash flows from financing activities – net		262,483	147,381
Net increase in cash and cash equivalents and bank overdrafts		47,404	41,151
Cash and cash equivalents and bank overdrafts at 1 January		386,650	330,049
Exchange gains on cash and cash equivalents and bank overdrafts		10,010	5,500
Cash and cash equivalents and bank overdrafts at 30 June		444,064	376,700
Analysis of balances of cash and cash equivalents and bank overdrafts			
Cash at bank and in hand		253,808	179,452
Short-term bank deposits		190,256	199,539
Cash and cash equivalents		444,064	378,991
Bank overdrafts		–	(2,291)
		444,064	376,700

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 2008 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 2007 annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards. 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 2007 with the addition of the following new interpretations which are relevant to the Group's operation and are mandatory for financial year ending 31 December 2008:

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The above new interpretations have no material effect to the Group's accounting policies.

In addition, the Group has early adopted the following amendments to standards which are relevant to the Group's operation for financial period beginning 1 January 2008:

HKAS 27 Revised	Consolidated and Separate Financial Statements
HKFRS 3 Revised	Business Combinations

The adoption of the above amendments to standards does not have a significant impact on the Group's financial statements except the following:

Under HKAS 27 Revised, changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. This was effected prospectively from 1 January 2008 and the effect on the interim financial statements for the six months ended 30 June 2008 is that the Group charged a net amount of US\$11,008,000 to the retained earnings during the period instead of crediting US\$276,000 to the consolidated income statement as gain on disposal of partial interest in a subsidiary and recording US\$11,284,000 in the balance sheet as goodwill acquired upon acquisition of additional equity interest in a subsidiary.

The following new standard, amendments to standards and new interpretation are relevant to the Group's operation but are not effective for 2008 and have not been early adopted:

HKAS 1 Revised	Presentation of Financial Statements
HKAS 23 Revised	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes

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 2008 (US\$ million)**

	Hong Kong	The People's Republic of China Mainland China	The Philippines	Singapore	Thailand	Malaysia	Other	Elimination	Group
Sales									
External sales	119.0	253.6	82.0	98.8	36.5	65.1	28.1	-	683.1
Inter-segment sales	3.7	11.6	4.7	2.8	1.6	1.9	1.1	(27.4)	-
Total	122.7	265.2	86.7	101.6	38.1	67.0	29.2	(27.4)	683.1
Results									
Segment results	18.5	44.9	18.5	38.1	11.1	16.3	8.0	-	155.4
Interest income									3.5
Dividend income									0.6
Net unrealised losses on financial assets held for trading									(21.8)
Fair value losses on derivative financial instruments – interest-rate swap contracts									(1.3)
Unallocated corporate expenses									(8.9)
Operating profit									127.5
Net finance income									33.6
Share of profit of associates	(0.7)	27.7	-	3.5	-	1.3	0.5	-	32.3
Profit before income tax									193.4
Depreciation of property, plant and equipment	(7.0)	(40.3)	(11.5)	(6.6)	(6.8)	(6.1)	(1.9)	-	(80.2)
Amortisation of leasehold land and land use rights	(1.0)	(3.6)	-	(0.1)	-	(0.2)	(0.1)	-	(5.0)
Capital expenditures, excluding intangible assets	2.8	169.2	23.8	3.0	3.3	9.1	90.6	-	301.8
Segment balance sheet As at 30 June 2008 (US\$ million)									
Segment assets	284.1	2,363.5	512.8	854.9	228.3	422.9	571.7	(17.3)	5,220.9
Interest in associates	24.8	983.1	30.3	95.6	-	32.0	49.0	-	1,214.8
Unallocated assets									105.5
Intangible assets									86.6
Total assets									6,627.8
Segment liabilities	(69.2)	(151.5)	(30.7)	(28.2)	(18.7)	(21.2)	(33.2)	17.3	(335.4)
Unallocated liabilities									(1,860.0)
Total liabilities									(2,195.4)

3. SEGMENT INFORMATION (Continued)

Primary reporting format – geographical segments (Continued)

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
Sales									
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)	-
Total	112.6	197.5	75.8	82.7	30.8	56.7	23.2	(21.6)	557.7
Results									
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 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
Operating profit									160.2
Finance costs									(7.7)
Share of profit of associates	0.2	49.9	-	-	-	1.2	0.1	-	51.4
Profit before income tax									203.9
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
Segment balance sheet									
As at 31 December 2007 (US\$ million)									
Segment assets	301.4	2,088.8	507.8	804.6	232.3	418.0	429.2	(13.2)	4,768.9
Interest in associates	39.3	918.8	-	86.9	-	28.7	45.3	-	1,119.0
Unallocated assets									125.9
Intangible assets									87.2
Total assets									6,101.0
Segment liabilities	(80.7)	(157.2)	(39.0)	(30.8)	(26.0)	(25.6)	(31.7)	13.2	(377.8)
Unallocated liabilities									(1,537.9)
Total liabilities									(1,915.7)

3. SEGMENT INFORMATION (Continued)

Secondary reporting format – business segments
For the six months ended/as at 30 June 2008 (US\$ million)

	Sales	Segment results	Total assets	Capital expenditures
Hotel operation				
– Room rentals	347.4			
– Food and beverage sales	256.2			
– Rendering of ancillary services	45.4			
	649.0	137.2	4,568.6	298.6
Hotel management	44.5	10.6	67.6	0.1
Property rentals	17.0	7.6	602.0	3.1
Elimination	(27.4)	–	(17.3)	–
	683.1	155.4	5,220.9	301.8
Interest in associates			1,214.8	
Unallocated assets			105.5	
Intangible assets			86.6	
Total			6,627.8	

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

Hotel operation				
– Room rentals	287.5			
– Food and beverage sales	205.0			
– Rendering of ancillary services	38.5			
	531.0	119.5		300.5
Hotel management	36.8	4.7		1.9
Property rentals	11.5	5.6		1.0
Elimination	(21.6)	–		–
Total	557.7	129.8		303.4

As at 31 December 2007 (US\$ million)

Hotel operation		4,151.5
Hotel management		65.8
Property rentals		564.8
Elimination		(13.2)
		4,768.9
Interest in associates		1,119.0
Unallocated assets		125.9
Intangible assets		87.2
Total		6,101.0

4. CAPITAL EXPENDITURE

	Investment properties	Property, plant & equipment	Leasehold land and land use rights	Intangible assets
Opening net book amount as at 1 January 2008	523,633	3,260,931	416,749	87,172
Additions	3,071	288,985	9,719	–
Exchange differences	27,985	121,110	16,041	–
Disposals	(96)	(7,212)	–	–
Depreciation/amortisation charge (Note 15)	–	(80,745)	(4,950)	(612)
Closing net book amount as at 30 June 2008	554,593	3,583,069	437,559	86,560
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 15)	–	(63,688)	(3,979)	(330)
Closing net book amount as at 30 June 2007	390,465	2,957,555	384,795	87,780

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at	
	30 June 2008	31 December 2007
Equity securities:		
Overseas unlisted shares, at cost	1,916	1,916
– Exchange differences	242	207
– Provision for impairment losses	(14)	(14)
	2,144	2,109
Club debentures, at fair value	2,112	2,082
	4,256	4,191

6. OTHER RECEIVABLES

	As at	
	30 June 2008	31 December 2007
Loans to a managed hotel	5,109	4,620
Other loan	–	471
	5,109	5,091

Loans to a managed hotel 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 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\$1,955,000) (31 December 2007: A\$2,000,000 (equivalent to US\$1,799,000)) which is interest bearing at LIBOR plus 1% per annum. The effective interest rate applied to calculate the fair value upon initial recognition of the interest free portion is 5.74% per annum.

The interest free loan of Euro 416,000 (equivalent to US\$658,000) granted to an officer by a wholly owned subsidiary according to the terms of the employment contract will be wholly repayable before end of 2008 and thus has been reclassified as current asset as at 30 June 2008.

The fair values of these other receivables are not materially different from their carrying values. The maximum exposure to credit risk at the reporting date is the fair value of the other receivables mentioned above.

7. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	As at	
	30 June 2008	31 December 2007
Trade receivables	58,284	71,706
Prepayments and deposits	70,626	60,024
Other receivables	50,633	39,698
	179,543	171,428

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

- (a) The fair values of the trade and other receivables are not materially different from their carrying values.
- (b) A significant part of the Group's sales are by credit cards or against payment of deposits. 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 after provision of impairment is as follows:

	As at	
	30 June 2008	31 December 2007
0 – 3 months	54,747	69,676
4 – 6 months	2,887	1,546
Over 6 months	650	484
	58,284	71,706

8. FINANCIAL ASSETS HELD FOR TRADING

	As at	
	30 June 2008	31 December 2007
Equity securities, at market value		
Shares listed in Hong Kong	48,798	70,131
Shares listed outside Hong Kong	1,487	1,579
	50,285	71,710

Equity securities listed in Hong Kong included 10,867,055 (31 December 2007: 10,867,055) ordinary shares in the Company with a carrying value of US\$25,520,000 (31 December 2007: US\$34,634,000) held by a wholly owned subsidiary of Shangri-La Hotel Public Company Limited, Thailand ("SHPCL"). Such shares, representing approximately 0.4% (31 December 2007: 0.4%) of the issued share capital of the Company as at 30 June 2008, were held by the wholly owned subsidiary of SHPCL before the Company acquired the controlling interests 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 (‘000)	Amount		Total
		Ordinary shares	Share premium	
Authorised				
– Ordinary shares of HK\$1 each				
At 31 December 2007 and 30 June 2008	5,000,000	646,496	–	646,496
Issued and fully paid				
– Ordinary shares of HK\$1 each				
At 1 January 2007	2,560,753	330,676	894,134	1,224,810
Exercise of share options				
– allotment of shares	3,191	412	3,956	4,368
– transfer from option reserve	–	–	862	862
Issue of shares upon conversion of convertible bonds	21,192	2,734	25,619	28,353
At 30 June 2007	2,585,136	333,822	924,571	1,258,393
Exercise of share options				
– allotment of shares	3,605	465	4,784	5,249
– transfer from option reserve	–	–	1,182	1,182
Issue of shares upon conversion of convertible bonds	5,060	653	6,328	6,981
Rights issue	287,687	37,121	625,651	662,772
At 31 December 2007 and 1 January 2008	2,881,488	372,061	1,562,516	1,934,577
Exercise of share options				
– allotment of shares	3,169	409	3,987	4,396
– transfer from option reserve	–	–	880	880
At 30 June 2008	2,884,657	372,470	1,567,383	1,939,853

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 2008	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	–	48,911	–	–	40,000	15,000	144
February	30,000	–	–	50,000	165,000	10,000	342
March	57,084	96,911	–	80,000	250,000	110,000	823
April	500,560	–	–	–	105,000	–	690
May	177,364	–	–	–	100,000	20,000	376
June	–	48,455	–	–	1,075,000	189,500	2,021
For the six months ended 30 June 2008	765,008	194,277	–	130,000	1,735,000	344,500	4,396
For the six months ended 30 June 2007	327,084	125,528	331,490	170,000	2,162,000	75,000	4,368
For the year ended 31 December 2007	700,448	475,950	399,411	230,000	4,383,000	607,500	9,617

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 2008 was HK\$22.62 (six months ended 30 June 2007: HK\$20.22).

9. SHARE CAPITAL (Continued)

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.

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 2008		For the year ended 31 December 2007	
	Average exercise price in HK\$ per option share	Number of option shares	Average exercise price in HK\$ per option share	Number of option shares
At 1 January	11.92	20,152,723	11.69	27,141,532
Exercised	10.75	(3,168,785)	10.97	(6,796,309)
Lapsed	14.60	(35,000)	13.04	(192,500)
At 30 June/31 December	12.13	16,948,938	11.92	20,152,723

Outstanding option shares at the end of the period/year 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 2008	31 December 2007
Executive Option Scheme			
30 April 2008	8.26	–	765,008
14 January 2010	8.82	1,016,017	1,210,294
14 January 2011	8.18	67,921	67,921
		1,083,938	2,043,223
New Option Scheme			
2 May 2008	11.60	–	50,000
30 June 2008	14.60	–	37,500
28 May 2012	6.81	1,180,000	1,310,000
27 April 2015	11.60	8,777,000	10,462,000
15 June 2016	14.60	5,908,000	6,250,000
		15,865,000	18,109,500

No option was granted during the six months ended 30 June 2008 and 2007.

According to the terms of the two option schemes, options on 101,528 shares, 200,000 shares, 255,000 shares and 149,500 shares with exercise price per share of HK\$8.82, HK\$6.81, HK\$11.60 and HK\$14.60, respectively have been exercised subsequent to 30 June 2008 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 2008 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
At 1 January 2007	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	-	(2,021)	-	-	-	-	-	(2,021)
Granting of share options	1,980	-	-	-	-	-	-	1,980
Exercise of share options – transfer to share premium	(862)	-	-	-	-	-	-	(862)
At 30 June 2007	8,138	602	10,666	130,104	601,490	1,368	389,741	1,142,109
Currency translation differences	-	-	-	171,533	-	-	-	171,533
Transfer to income statement on disposal of partial interests in subsidiaries	-	-	-	(3,088)	-	-	-	(3,088)
Issue of shares upon conversion of convertible bonds	-	(602)	-	-	-	-	-	(602)
Granting of share options	504	-	-	-	-	-	-	504
Exercise of share options – transfer to share premium	(1,182)	-	-	-	-	-	-	(1,182)
At 31 December 2007 and 1 January 2008	7,460	-	10,666	298,549	601,490	1,368	389,741	1,309,274
Currency translation differences	-	-	-	159,997	-	-	-	159,997
Granting of share options	454	-	-	-	-	-	-	454
Exercise of share options – transfer to share premium	(880)	-	-	-	-	-	-	(880)
At 30 June 2008	7,034	-	10,666	458,546	601,490	1,368	389,741	1,468,845

11. BANK LOANS AND OVERDRAFTS

	As at	
	30 June 2008	31 December 2007
Overdrafts – unsecured	-	34
Bank loans – secured (<i>Note 23(c)</i>)	54,528	52,774
Bank loans – unsecured	1,506,797	1,193,059
	1,561,325	1,245,867

The maturity of bank loans and overdrafts is as follows:

	As at	
	30 June 2008	31 December 2007
Within 1 year	87,214	91,928
Between 1 and 2 years	538,973	18,118
Between 2 and 5 years	902,993	1,119,822
Wholly repayable within 5 years	1,529,180	1,229,868
Over 5 years	32,145	15,999
	1,561,325	1,245,867

11. BANK LOANS AND OVERDRAFTS (Continued)

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

	30 June 2008						
	HK\$	RMB	MYR	US\$	JPY	Pesos	Euros
Bank borrowings	2.27%	6.87%	4.23%	3.00%	1.17%	5.70%	5.34%
	31 December 2007						
	HK\$	RMB	MYR	US\$	S\$	JPY	Pesos
Bank overdrafts	6.75%	–	–	–	–	–	–
Bank borrowings	3.69%	6.35%	4.19%	5.52%	2.36%	1.20%	4.93%

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

	As at	
	30 June 2008	31 December 2007
Hong Kong dollars	793,052	739,724
Renminbi	76,542	48,209
Malaysian Ringgit	43,507	44,069
Singapore dollars	–	2,761
United States dollars	513,460	391,460
Japanese Yen	12,828	446
Philippines Pesos	42,860	19,198
Euros	79,076	–
	1,561,325	1,245,867

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2008	31 December 2007
Floating rate		
– expiring within one year	146,458	170,020
– expiring beyond one year	1,119,259	1,147,772
Fixed rate		
– expiring beyond one year	43,738	45,600
	1,309,455	1,363,392

As at 30 June 2008, an undrawn floating rate borrowing facility of Thai Baht 800 million (equivalent to US\$24,060,000) (31 December 2007: Thai Baht 800 million) expiring beyond one year is secured by a freehold land with net book value of US\$7,459,000 (31 December 2007: US\$7,337,000).

12. DERIVATIVE FINANCIAL INSTRUMENTS

	As at	
	30 June 2008	31 December 2007
Non-current liabilities		
Interest-rate swap contracts – non hedging	14,305	20,708

The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 30 June 2008 were HK\$4,760,000,000 and US\$100,000,000, respectively (31 December 2007: HK\$4,760,000,000 and US\$100,000,000, respectively).

At 30 June 2008, the fixed interest rates vary from 4.28% to 4.70% per annum (31 December 2007: 4.28% to 4.70%).

13. DUE TO MINORITY SHAREHOLDERS

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

	30 June 2008	As at 31 December 2007
LIBOR plus 2.5% per annum and wholly repayable on 30 June 2015	693	693
Interest free with no fixed repayment terms	24,210	19,910
	24,903	20,603

The effective interest rate applied to calculate the fair value upon initial recognition of the interest free portion of the amounts due to minority shareholders is 4.4% per annum.

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

	30 June 2008	As at 31 December 2007
Interest free with no fixed repayment terms	5,715	10,355

The fair values of the amounts due to minority shareholders (both current and non-current portion under (a) and (b) above) are not materially different from their carrying values.

14. ACCOUNTS PAYABLE AND ACCRUALS

	30 June 2008	As at 31 December 2007
Trade payables	55,240	64,374
Construction cost payable and accrued expenses	280,975	313,031
	336,215	377,405

The ageing analysis of the trade payables is as follows:

	30 June 2008	As at 31 December 2007
0 – 3 months	45,009	60,687
4 – 6 months	2,322	1,526
Over 6 months	7,909	2,161
	55,240	64,374

15. EXPENSES BY NATURE

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

	For the six months ended 30 June 2008	30 June 2007
Depreciation of property, plant and equipment (net of amount capitalised of US\$572,000 (2007: US\$193,000)) (Note 4)	80,173	63,495
Amortisation of leasehold land and land use rights (Note 4)	4,950	3,979
Amortisation of trade mark and website development (Note 4)	612	330
Employee benefit expenses	176,603	150,057
Cost of inventories sold or consumed in operation	84,616	67,040
Loss on disposal of property, plant and equipment and partial replacement of investment properties	1,413	332
Discarding of property, plant and equipment due to renovation of hotels	5,321	80
Expenses on share options granted	454	1,980

16. OTHER (LOSSES)/GAINS – NET

	For the six months ended	
	30 June 2008	30 June 2007
Impairment losses on available-for-sale financial assets	–	(309)
Net unrealised (losses)/gains on financial assets held for trading	(21,793)	5,363
Fair value (losses)/gains on derivative financial instruments		
– interest-rate swap contracts	(1,341)	25,184
Gain on disposal of partial interests in subsidiaries	–	6,175
Interest income	3,523	4,266
Dividend income	555	500
Others	279	895
	(18,777)	42,074

17. NET FINANCE INCOME/(COSTS)

	For the six months ended	
	30 June 2008	30 June 2007
Interest expense		
– bank loans and overdrafts	(23,783)	(37,357)
– other loans	(1,002)	(732)
– convertible bonds wholly repayable within five years	–	(315)
	(24,785)	(38,404)
Less: amount capitalised	6,093	14,875
	(18,692)	(23,529)
Net foreign exchange transactions gains	52,278	15,817
	33,586	(7,712)

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.4% per annum for the period (2007: 4.6%).

18. SHARE OF PROFIT OF ASSOCIATES

Share of profit of associates for the six months ended 30 June 2008 is stated after the share of losses of US\$4,751,000 on write-off of the net book value of a building upon demolition for the development of an extension project of an associate.

Share of associates' taxation for the six months ended 30 June 2008 of US\$13,861,000 (2007: a net credit of US\$9,751,000) is included in the income statement as share of profit of associates. The net credit in 2007 had 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.

19. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong includes withholding tax paid and payable on dividends from subsidiaries and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

	For the six months ended	
	30 June 2008	30 June 2007
Current income tax		
– Hong Kong profits tax	7,586	6,654
– Overseas taxation	38,329	33,138
Deferred income tax charge/(credit)	1,126	(4,816)
	47,041	34,976

Deferred income tax for the six months ended 30 June 2007 had 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.

20. 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.

	For the six months ended	
	30 June 2008	30 June 2007
Profit attributable to equity holders of the Company (<i>US\$'000</i>)	135,685	159,689
Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,882,589	2,577,490
Basic earnings per share (<i>US cents per share</i>)	4.707	6.196

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. 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.

For the six months ended 30 June 2008 and 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 2008	30 June 2007
Profit attributable to equity holders of the Company (<i>US\$'000</i>)	135,685	159,689
Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,882,589	2,577,490
Adjustments for share options (<i>thousands</i>)	8,419	10,785
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	2,891,008	2,588,275
Diluted earnings per share (<i>US cents per share</i>)	4.693	6.170

21. DIVIDENDS

	For the six months ended	
	30 June 2008	30 June 2007
Interim dividend proposed of HK14 cents (2007: HK15 cents) per ordinary share	52,123	50,119

Notes:

- (a) At a meeting held on 1 April 2008, the Board proposed a final dividend of HK12 cents per ordinary share for the year ended 31 December 2007, which was paid on 4 June 2008, and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2008.
- (b) At a meeting held on 2 September 2008, the Board declared an interim dividend of HK14 cents per ordinary share for the year ending 31 December 2008. 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 2008. The proposed interim dividend of US\$52,123,000 for the six months ended 30 June 2008 is calculated based on 2,885,362,678 shares of the Company in issue as at the approval date of these financial statements.

22. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 30 May 2008, the Group acquired an additional 23% interest in the share capital and the proportionate shareholder's loan in Shangri-La Hotels (Shenzhen) Limited ("Shangri-La Shenzhen"), which owns 90% interest in Shangri-La Hotel, Shenzhen, from a minority shareholder of Shangri-La Shenzhen at a cash consideration of Renminbi 135,115,000 (equivalent to US\$19,605,000). Immediately prior to the acquisition, Shangri-La Shenzhen was an indirect 57% owned subsidiary of the Company. Following completion of the acquisition, Shangri-La Shenzhen has become an indirect 80% owned subsidiary of the Company. Details of net assets and loan acquired are as follows:

Purchase consideration:	
– cash consideration	19,605
– direct costs relating to the acquisition	19
Total purchase consideration	19,624
Less: effective interest of carrying amount of net assets acquired	(7,109)
principal amount of shareholder's loan in Shangri-La Shenzhen acquired	(1,231)
Difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid which has been recognised directly in equity	11,284

The carrying amount of consolidated assets and liabilities of Shangri-La Shenzhen at the date of acquisition are as follows:

Fixed assets	42,416
Land use rights	2,937
Current assets	5,687
Current liabilities	(10,759)
Loans advanced from shareholders	(5,350)
Minority interests	(4,022)
Net assets	30,909
Share of net assets acquired	7,109

23. FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS**(a) Financial guarantees**

As at 30 June 2008, the Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The Group also executed a counter guarantee in favour of the major shareholder of an associate which had provided full guarantee in favour of a bank for securing banking facilities granted to the associate. The utilised amount of such facilities covered by the Group's guarantees for these associates amounts to US\$47,632,000 (31 December 2007: US\$46,332,000). The guarantees are stated at their respective contracted amounts. The Board is of the opinion that it is not probable that such guarantees will be called upon.

(b) Contingent liabilities

As at 30 June 2008, 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 for the financial performance of the hotel under a management contract. The maximum cumulative amount of liability under such guarantee is A\$4,537,000 (equivalent to US\$4,435,000) (31 December 2007: A\$4,537,000 (equivalent to US\$4,080,000)).
- (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 28 November 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 2007: US\$4,375,000).
- (iii) The Group executed guarantees for securing standby documentary credit granted by banks in favour of a local government authority in Mainland China for the acquisition of the land use rights of a site and certain building contractors relating to the execution of construction works for hotel buildings with the amount of US\$20,000,000 (31 December 2007: US\$20,000,000) and US\$46,562,000 (31 December 2007: Nil), respectively. The US\$20,000,000 guarantee was discharged upon full payment of the land price in July 2008. The Group also executed a guarantee for securing standby documentary credit granted by a bank in favour of an associate of up to US\$16,500,000 (31 December 2007: US\$22,000,000) as capital commitment to the development project. These facilities are undrawn as at 30 June 2008.

(c) Charges over assets

As at 30 June 2008, bank borrowings of a subsidiary of US\$54,528,000 (31 December 2007: US\$52,774,000) are secured by the rights and benefits of the insurance policies on the subsidiary's hotel building, vehicles and machinery; and furniture, fixture and equipment with net book amount of US\$59,535,000 (31 December 2007: US\$58,613,000).

24. COMMITMENTS

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

	30 June 2008	As at 31 December 2007
Existing properties – Property, plant and equipment and investment properties		
Contracted but not provided for	130,378	18,624
Authorised but not contracted for	108,360	56,424
Development projects		
Contracted but not provided for	690,085	590,652
Authorised but not contracted for	1,429,550	1,628,916
	2,358,373	2,294,616

25. RELATED PARTY TRANSACTIONS

Kerry Group Limited (“KGL”), which owns approximately 49.51% 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 2008, has significant influence over the Company.

The following transactions were carried out with related parties :

	For the six months ended	
	30 June 2008	30 June 2007
(a) Transactions with subsidiaries of KGL (other than subsidiaries of the Company)		
Receipt of hotel management and related services and royalty fees	1,268	1,128
Payment of project management services and project consultancy services fees	2,814	–
Reimbursement of office expenses and payment of administration and related expenses	923	706
Payment of office rental, management fees and rates	280	123
	For the six months ended	
	30 June 2008	30 June 2007
(b) Transactions with associates of the Group		
Receipt of hotel management and related services and royalty fees	5,786	4,678
Receipt of charges for laundry services	422	413
	As at	
	30 June 2008	31 December 2007
(c) Financial assistance provided to subsidiaries of KGL (other than subsidiaries of the Company)		
Balance of loan to associates of the Group	95,239	108,953
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	26,435	26,430
	As at	
	30 June 2008	31 December 2007
(d) Financial assistance provided to associates of the Group (excluding item (c) above)		
Balance of loan to associates of the Group	89,245	59,315
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to an associate of the Group	21,197	19,903
There are no material changes to the terms of the above transactions during the period.		
	For the six months ended	
	30 June 2008	30 June 2007
(e) Key management compensation		
Fees, salaries and other short-term employee benefits	1,380	1,082
Post employment benefits	69	58
	1,449	1,140

26. EVENTS AFTER THE BALANCE SHEET DATE

- (a) The Company issued a total of 706,028 new ordinary shares to share option holders who have exercised their rights to subscribe for shares of the Company subsequent to 30 June 2008 and up to the approval date of these financial statements.
- (b) On 21 July 2008, the Group, together with two connected persons and a third party, jointly won the bids at the open biddings to acquire the land use rights of the project sites in Tangshan City, Hebei Province, Mainland China. Following the successful biddings of the project sites, the Group entered into a master joint venture agreement with these parties to establish no more than three joint venture companies for the acquisition, holding and development of the project sites. The joint venture agreement and the establishment of the joint venture company/companies are subject to approval by the respective independent shareholders of the Company and a connected person; and the relevant government authorities in Mainland China. The Group will have a 20% interest in the joint venture company/companies and the Group's share of the maximum total investment amount shall be approximately Renminbi 1,460 million (equivalent to US\$214 million).
- (c) In August 2008, the Group executed a 5-year US\$40 million unsecured bilateral bank loan agreement.

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

- Continued to be the main source of revenue and operating profits.
- As at 30 June 2008, the Group has equity interest in 43 operating hotels with 22,131 available guest rooms owned by subsidiaries and associates, including the Portman Ritz-Carlton Hotel, Shanghai and the Hotel JEN, Hong Kong. The Group also has a 10% interest in the 389-room Shangri-La Hotel, Surabaya.
- Weighted average occupancy for hotels in Mainland China decreased mainly due to a reduction in foreign visitor arrivals in the second quarter following visa restrictions introduced in the run-up to the Beijing Olympics. Occupancies in the second quarter were also affected by the earthquake in Sichuan and the adverse weather conditions in Southern China.
- The Group's weighted average room rate increased by 14%, both due to a general increase in room rates quoted in local currencies across the board and the effect of the continuing appreciation of most Asian currencies against the US dollar.
- Weighted average room yields ("RevPAR") increased in all countries except for Mainland China (remained flat) and Thailand (decreased by 6% affected by the newly opened Shangri-La Hotel, Chiang Mai). Overall weighted average RevPAR increased by 7.5%.
- The Valley Wing of Shangri-La Hotel, Qingdao which consists of 196 guest rooms and 13 serviced apartments opened for business on 12 March 2008.

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	2008 Weighted Average Transient			2007 Weighted Average Transient		
	Occupancy (%)	Room Rate (US\$)	RevPAR (US\$)	Occupancy (%)	Room Rate (US\$)	RevPAR (US\$)
The People's Republic of China (the "PRC")						
Hong Kong	72	303	216	77	269	203
Mainland China	59	153	91	66	139	91
Singapore	80	231	186	82	180	146
The Philippines	77	172	129	81	143	115
Malaysia	67	125	87	68	105	70
Thailand	62	172	102	75	151	108
Fiji	69	150	101	64	129	80
Indonesia	67	118	69	59	115	58
Myanmar	56	51	28	57	38	21
Group	65	170	110	70	148	102

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

Weighted average	Full Year				
	2007	2006	2005	2004	2003
Occupancy (%)	71	73	73	71	55
Transient Room Rate (US\$)	152	135	117	102	90
RevPAR (US\$)	105	96	84	73	52

Notes:

- (i) The RevPAR of hotels under renovation has been computed by excluding the number of rooms under renovation.
- (ii) Performance indicators for 2006 to 2008 for hotels in Hong Kong and Malaysia include the Hotel JEN in which the Group acquired 30% equity interest in September 2006 and Shangri-La's Rasa Sayang Resort & Spa, Penang ("RSR"), respectively. RSR, a resort that was closed down since 1 December 2004 for redevelopment, re-opened for business in September 2006. The performance of the Shangri-La Hotel, Surabaya has not been included in these indicators.

OPERATIONS REVIEW *(Continued)*

Revenues *(Continued)*

Hotel Management

- Except for the Hotel JEN and the Portman Ritz-Carlton Hotel, Shanghai, all the other 42 hotels in which the Group has equity interest are managed by the hotel management subsidiary, SLIM International Limited and its subsidiaries (“SLIM”).
- SLIM also had hotel management agreements in respect of 13 operating hotels (4,722 rooms) owned by third parties as at 30 June 2008. Overall weighted average RevPAR and room rates of these 13 hotels increased by 9% and 5%, respectively.
- Aided by the continuing growth of business, SLIM recorded a 13% increase in revenue on consolidation, after elimination of revenue earned from fellow subsidiaries.
- SLIM also has management agreements on hand for 19 hotels under development with 7,235 rooms, owned by third parties.

Property Rentals

- The Group’s investment properties are located principally in Shanghai and Beijing and are owned by associates.
- Nearly all the properties recorded double digit increment in yields. The yields of the serviced apartments in the UBN Apartments in Malaysia and the commercial space in Chao Phya Tower in Bangkok recorded a marginal decline by 1% and 3%, respectively.

OPERATIONS REVIEW *(Continued)*

Consolidated Profits

- Gross profit margin was maintained despite increase in food costs and labour costs.
- On top of increases in RevPAR and yields of investment properties, net profit attributable to equity holders of the Company were favourably affected by the increase in exchange gains of US\$34.1 million (including US\$0.5 million from share of results of associates) due to appreciation of the Renminbi and other Asian currencies against the US dollar. Interest expenses after capitalisation for the period decreased by US\$4.8 million following a reduction in bank borrowings consequent to the rights issue in September 2007. Net profit attributable to equity holders of the Company before non-operating items for the period increased substantially from US\$86.0 million in the same period last year to US\$162.1 million. Net profit attributable to equity holders of the Company was affected by the following non-operating items:

<i>(US\$ million)</i>	2008	2007
: Net unrealised (losses)/gains on financial assets held for trading	(19.4)	5.8
: Fair value (losses)/gains on derivative financial instruments		
– interest-rate swap contracts	(1.3)	25.2
: Gains on disposal of partial interests in subsidiaries	–	6.2
: Reversal of provision for deferred tax liabilities due to reduction in corporate income tax rate in Mainland China	–	37.6
: Interest on land cost deposit	–	0.9
: Expenses on share options granted	(0.5)	(2.0)
: Fair value adjustment on loans from minority shareholders	(0.5)	–
: Share of loss on demolition of a building owned by an associate	(4.8)	–

CORPORATE DEBT AND FINANCIAL CONDITIONS

The Group executed a HK\$300 million unsecured bilateral loan agreement, a Euro 50 million unsecured loan agreement and a Renminbi 230 million unsecured loan agreement during the period. These bank loan facilities (approximately equivalent to total US\$151 million) have a maturity of 5 years. The Group has also executed a 5.5-year Malaysian Ringgit 95 million (approximately US\$29 million) unsecured bank loan agreement.

The Group has satisfactorily complied with all covenants under its borrowing agreements. The analysis of borrowings outstanding as at 30 June 2008 is as follows:

<i>(US\$ million)</i>	Maturities of Borrowings Contracted as at 30 June 2008				Total
	Within 1 year	In the 2nd year	Repayment In the 3rd to 5th year	After 5 years	
Borrowings					
Corporate bank loans	38.7	464.6	398.7	–	902.0
Project bank loans and overdrafts	48.5	74.4	504.3	32.1	659.3
Total	87.2	539.0	903.0	32.1	1,561.3
Undrawn but committed facilities					
Bank loans and overdrafts	146.5	131.1	1,006.9	25.0	1,309.5

CORPORATE DEBT AND FINANCIAL CONDITIONS *(Continued)*

In August 2008, the Group executed a 5-year US\$40 million unsecured bilateral bank loan agreement.

Except for the bank loans of a non-wholly owned subsidiary of Renminbi 197 million and HK\$200 million (approximately equivalent to total US\$54.5 million) which are secured by the rights and benefits of the insurance policies on the hotel property owned by that subsidiary, all other loans are unsecured.

The currency-mix of the borrowings, and cash and cash equivalents as at 30 June 2008 is as follows:

<i>(US\$ million)</i>	Borrowings	Cash and cash equivalents
In Hong Kong dollars	793.0	40.7
In Singapore dollars	–	18.0
In Malaysian Ringgit	43.5	4.5
In Renminbi	76.5	155.5
In United States dollars	513.5	126.3
In Thai Baht	–	21.5
In Philippines Pesos	42.9	16.2
In Fiji dollars	–	3.3
In Euros	79.1	53.7
In Japanese Yen	12.8	0.3
In other currencies	–	4.1
	1,561.3	444.1

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

Details of contingent liabilities as at 30 June 2008 are disclosed in note 23 to the unaudited financial statements included in this report.

TREASURY POLICIES

Treasury policies aimed at minimising interest and currency risk have been consistently followed by the Group as disclosed in the 2007 annual report.

- Intragroup financing between subsidiaries in Mainland China by way of entrusted loan arrangements through local banks increased to Renminbi 241 million (approximately US\$35 million) as at 30 June 2008.
- At 30 June 2008, the Group had outstanding interest-rate swap contracts for an aggregate principal amount of HK\$4,760 million (approximately US\$614 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 and the Renminbi loans, the Group has fixed its interest liability on 51% of its outstanding loans.
- There is a natural economic hedge to the extent that all the Group's business units in Hong Kong, Mainland China, Singapore, Malaysia, Thailand and the Philippines derive their revenues (and most of the expenses associated therewith) in local currencies. It is the Group's endeavour, wherever and to the extent possible, to quote tariffs in the stronger currency and maintain bank balances in that currency, if legally permitted.

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\$25.5 million held by a subsidiary. Details of financial assets held for trading as at 30 June 2008 are disclosed in note 8 to the unaudited 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
Hotels in Mainland China				
Futian Shangri-La, Shenzhen	100%	548	53	Late 2008
Shangri-La Hotel, Wenzhou	75%	408	10	Late 2008
Shangri-La Hotel, Ningbo	95%	564	60	Late 2008
Shangri-La Hotel, Manzhouli	100%	200	16	Mid 2009
Shangri-La Hotel, Guilin	100%	430	–	Mid 2009
Hotels in other countries				
Shangri-La's Boracay Resort & Spa, The Philippines	100%	174	45	Late 2008
Shangri-La's Villingili Resort & Spa, Maldives	70%	142	–	Early 2009
Shangri-La Hotel, Tokyo, Japan	Operating lease	206	–	Early 2009
Shangri-La Hotel, Paris, France	100%	191	–	Late 2009
Other projects and composite developments				
Office Tower, Ulaanbaatar, the Republic of Mongolia	51%	N/A	–	Late 2008
Office and serviced apartment tower, Qingdao	100%	N/A	130	Late 2008
China World Trade Center Phase III – Mega Tower (including a deluxe hotel), Beijing	40.07%	275	–	Mid 2009
Pudong Kerry Centre (with Shangri-La's Pudong Kerry Centre Hotel), Shanghai	23.20%	574	140	2010
Tianjin Kerry Centre (with Shangri-La Hotel, Tianjin)	20%	700	30	2011
Jing An Kerry Centre (with Jing An Shangri-La and Shangri-La's Jing An Kerry Centre Hotel), Shanghai	49%	928	–	2011

- The Group has acquired land use rights for several hotel development projects. Design and concept planning is being carried out for the projects in Lhasa, Zhoushan, Sanya, Ordos City, Hefei and Qinhuangdao (all in Mainland China), Ulaanbaatar in the Republic of Mongolia, Malé in Maldives and New York in the USA. These hotels with a total of 2,825 guest rooms and 70 serviced apartments are scheduled to be opened for business between 2010 to 2012. Save for the New York project in which the Group has 25.9% equity interest, all the other projects are currently wholly owned by the Group.
- The Group has also carried out design and concept planning for the 202-room Shangri-La Hotel, Vienna in Austria and the 175-room Shangri-La Hotel At London Bridge Tower, London in the United Kingdom. These two hotels under operating lease are scheduled to be opened for business in 2010 and 2012, respectively.

DEVELOPMENT PROGRAMMES *(Continued)*

- On 10 March 2008, the Group entered into connected transactions with Kerry Properties Limited (“KPL”) by forming a consortium and was successful in acquiring the land use rights for a land site in Nanchang City, Mainland China. KPL is an associate of Kerry Holdings Limited which is the controlling shareholder of each of the Company and KPL and thus a connected person of the Company. The Group has 20% equity interest in the joint venture company which owns this composite development which is expected to comprise offices, hotel, commercial and high-end apartments. The maximum funding commitments of the Group’s 20% interest in the joint venture company is approximately Renminbi 440 million (approximately US\$64 million) (whether equity, loan, financial assistance or otherwise).
- On 7 May 2008, the Group entered into connected transactions by entering into a shareholders’ agreement with an associate of KPL and a third party to subscribe for 5,000 common shares of a joint venture company. The principal purpose and business of this joint venture company is to purchase and own a piece of land in the Bonifacio Global City located at Taguig, Metro Manila in the Philippines. On 30 June 2008, the Group entered into a shareholders’ agreement with the same parties to subscribe for 5,000 common shares of another joint venture company whose principal purpose and business is to enter into an unincorporated joint venture with the previously mentioned joint venture company for the construction of a five star hotel and high-end residential development on the land. The maximum funding commitments of the Group’s 40% interest in each of the two joint venture companies are approximately US\$27 million and US\$18.4 million, respectively (whether equity, loan, financial assistance or otherwise).
- On 21 July 2008, the Group entered into connected transactions with KPL and Allgreen Properties Limited (both being connected persons to the Company) and Kuok Brothers Sdn. Bhd. by forming a consortium and jointly won the bids at the open biddings to acquire the land use rights of three sites in Tangshan City in Mainland China. The parties have entered into a master joint venture agreement on the same date for the acquisition, holding and development of the sites and have agreed to enter into shareholders’ agreements in connection with the establishment of no more than three joint venture company/companies and the development of the sites which are designated for hotel and residential uses with ancillary commercial use. The maximum funding commitments of the Group’s 20% interest in the joint venture company/companies are approximately Renminbi 1,460 million (approximately US\$214 million) (whether equity, loan, financial assistance or otherwise). The Group has already refunded to KPL HK\$156 million (approximately US\$20 million) together with the interest expenses for its 20% share in the deposit paid for bidding the land. The entering into of these connected transactions is conditional upon approval by the independent shareholders of KPL and the Company; and obtaining all necessary approvals from the relevant PRC authorities. Failure in any one of the conditions will result in the Company withdrawing from the joint venture and obtaining reimbursement of any payment made or expenses incurred.
- In July 2008, the Group completed the acquisition of the entire equity interest of a local company in Paris which owns the building adjacent to the site of the Shangri-La Hotel, Paris, at a net consideration of Euro 20.9 million (approximately US\$31 million). The building will be refurbished as an extension of the hotel.
- The estimated incremental funding required directly by the subsidiaries and the Group’s share of the funding obligations of the associates for all the projects and other renovations involving fund commitments is currently estimated at US\$2,572 million which included US\$507 million guarantees to be executed by the Group in favour of bank loans granted to associates.

OTHER CONNECTED TRANSACTIONS

- On 18 January 2008, the minority shareholder of the Company's subsidiary Shangri-La Mongolia Limited ("SML") exercised its option under the shareholders' agreement to acquire from the Group an additional 9% equity interest and proportionate shareholder's loans in SML which owns the office tower development project in Ulaanbaatar, the Republic of Mongolia through its wholly owned subsidiary. The total consideration for the transfer was approximately US\$1,935,000, yielding the Group a nominal gain on this transaction. The Group holds 51% equity interest in SML after this dilution.
- On 30 May 2008, the Group acquired an additional 23% shareholding interest together with the proportionate shareholder's loan in Shangri-La Hotels (Shenzhen) Limited ("Shangri-La Shenzhen"), an indirect 57% owned subsidiary, from a substantial shareholder of this indirect owned subsidiary at a total consideration of approximately Renminbi 135.1 million (approximately US\$20 million). Shangri-La Shenzhen is the registered owner of 90% interest in a joint venture company established in the PRC which owns and operates the Shangri-La Hotel, Shenzhen. Following completion of the acquisition, the Group owns a 72% effective interest in the Shangri-La Hotel, Shenzhen. The amount of US\$11,284,000 being the difference between the value of the 23% interest and the consideration was charged to the Group's retained earnings.

MANAGEMENT AGREEMENTS

- As at the date of this report, the Group has 13 management agreements in respect of operating hotels (4,722 rooms) owned by third parties.
- In addition, the Group has agreements on hand for development of 19 new hotels (7,235 rooms). The development projects are located in Doha (Qatar) (2 hotels), Vancouver, Toronto, Chicago, Las Vegas, Miami, Kuwait, Seychelles, Phuket, Bangalore (3 hotels), Mumbai, Tainan (Taiwan), Macau (2 hotels), Beijing, and Urumqi.

CORPORATE SOCIAL RESPONSIBILITY

- The Group issued a corporate social responsibility policy in 2007 and launched a two-year development programme to enhance its exiting corporate social responsibility ("CSR") activities.
- A corporate CSR Committee guides fulfillment of the Group's responsibilities in five key areas; the environment; employees and the community; health and safety; supply chain management; and stakeholder relations.
- To help the victims of the Sichuan earthquake, the Company donated Renminbi 5 million (approximately US\$0.7 million) to the local government. Employees of the Group and its managed hotels also donated a total of US\$335,000 to the Red Cross.
- The Directors approved donations of HK\$1 million (approximately US\$0.1 million) to provide aid to the families of Myanmar nationals employed by the Group's hotels who suffered from the cyclone which hit Myanmar earlier this year. The Group also received donations of US\$181,000 from its employees. The donation is being administered by the management team of the hotel in Yangon.

PROSPECTS

Following on from a robust operating performance last year, the Group's hotels maintained the momentum in the first quarter of this year. Since then, the combined effect of the economic slow down in the United States of America, the increase in airfares caused by unprecedentedly high fuel prices, the natural disasters that struck Mainland China and the tightening of visa regulations for visits to Mainland China in the run-up to the Beijing Olympics have resulted in a drop in occupancies at the Group's hotels in Mainland China, Hong Kong, Philippines and Singapore. While some rebound in occupancies for hotels in Mainland China and Hong Kong are envisaged after the Olympics, it is generally considered unlikely that hotels will experience the high levels of occupancies witnessed in 2007, till the global economic sentiment turns more positive.

HUMAN RESOURCES

- As at 30 June 2008, the Company and its subsidiaries had approximately 24,100 employees. The headcount of all the Group's managed hotels totaled 35,500.
- 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 Group intends to increase its investment in this area in order to cope with its expansion plans.
- Efforts to develop managerial staff with high potential continue under the Group's three core talent development programmes – the Corporate Management Trainee Programme, the Corporate Executive Training Programme and the Corporate Trainee Programme.

SHARE OPTIONS

Details of the outstanding option shares as at 30 June 2008 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 2008	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 2008	Exercise price per option share HK\$	Exercisable Period
1. Continuous Contract Employees	1 May 1998	I	77,408	-	-	-	(77,408)	-	-	8.26	1 May 1999 – 30 April 2008
	1 May 1998	II	94,168	-	-	-	(94,168)	-	-	8.26	1 May 2000 – 30 April 2008
	1 May 1998	III	154,816	-	-	-	(154,816)	-	-	8.26	1 May 2001 – 30 April 2008
	15 January 2000	I	285,887	-	-	-	(72,684)	-	213,203	8.82	15 January 2001 – 14 January 2010
	15 January 2000	II	285,885	-	-	-	(72,682)	-	213,203	8.82	15 January 2002 – 14 January 2010
	15 January 2001	I	33,961	-	-	-	-	-	33,961	8.18	15 January 2002 – 14 January 2011
	15 January 2001	II	33,960	-	-	-	-	-	33,960	8.18	15 January 2003 – 14 January 2011
2. Other Participants	1 May 1998	I	116,112	-	-	-	(116,112)	-	-	8.26	1 May 1999 – 30 April 2008
	1 May 1998	II	116,112	-	-	-	(116,112)	-	-	8.26	1 May 2000 – 30 April 2008
	1 May 1998	III	206,392	-	-	-	(206,392)	-	-	8.26	1 May 2001 – 30 April 2008
	15 January 2000	I	270,262	-	-	-	(456)	-	269,806	8.82	15 January 2001 – 14 January 2010
	15 January 2000	II	368,260	-	-	-	(48,455)	-	319,805	8.82	15 January 2002 – 14 January 2010
Total:			2,043,223	-	-	-	(959,285)	-	1,083,938		

SHARE OPTIONS (Continued)

Details of the outstanding option shares as at 30 June 2008 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 2008	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 2008	Exercise price per option share HK\$	Exercisable Period
1. Directors											
Mr KUOK Khoo Loong, Edward	16 June 2006	II	100,000	-	-	-	-	-	100,000	14.60	16 June 2008 – 15 June 2016
Mr LUI Man Shing	16 June 2006	II	60,000	-	-	-	-	-	60,000	14.60	16 June 2008 – 15 June 2016
Mr Giovanni ANGELINI	28 April 2005	I	500,000	-	-	-	(500,000)	-	-	11.60	28 April 2006 – 27 April 2015
	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, Alan (Note 2)	29 May 2002	I	60,000	-	-	(60,000)	-	-	-	6.81	29 May 2003 – 28 May 2012
	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 Oon Kwong	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	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	16 June 2006	II	30,000	-	-	-	(30,000)	-	-	14.60	16 June 2008 – 15 June 2016
Mr LEE Yong Sun (Note 2)	16 June 2006	II	30,000	-	-	(30,000)	-	-	-	14.60	16 June 2008 – 15 June 2016
Mr Roberto V. ONGPIN	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 Alexander Reid HAMILTON	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 DATTELS	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

SHARE OPTIONS (Continued)

	Date of grant	Tranche	No. of option shares held as at 1 January 2008	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 2008	Exercise price per option share HK\$	Exercisable Period
2. Continuous	29 May 2002	I	249,500	-	60,000	-	(40,000)	-	269,500	6.81	29 May 2003 – 28 May 2012
Contract	29 May 2002	II	180,500	-	60,000	-	(90,000)	-	150,500	6.81	29 May 2004 – 28 May 2012
Employees	28 April 2005	I	3,198,000	-	150,000	-	(255,000)	-	3,093,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	4,284,000	-	150,000	-	(350,000)	-	4,084,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	2,122,500	-	50,000	-	(175,000)	(5,000)	1,992,500	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	2,372,500	-	50,000	(17,500)	(64,500)	(30,000)	2,310,500	14.60	16 June 2008 – 15 June 2016
	3. Other Participants	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	540,000	-	-	-	(40,000)	-	500,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	540,000	-	-	-	(40,000)	-	500,000	11.60	28 April 2007 – 27 April 2015
	28 April 2005	II	50,000	-	-	-	(50,000)	-	-	11.60	28 April 2007 – 2 May 2008
	16 June 2006	I	457,500	-	-	-	(27,500)	-	430,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	37,500	-	-	-	(37,500)	-	-	14.60	16 June 2008 – 30 June 2008
	16 June 2006	II	477,500	-	47,500	-	(10,000)	-	515,000	14.60	16 June 2008 – 15 June 2016
Total:			18,109,500	-	567,500	(567,500)	(2,209,500)	(35,000)	15,865,000		

Notes:

- The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$22.62.
- Mr NG Si Fong, Alan and Mr LEE Yong Sun retired by rotation as Directors of the Company with effect from 23 May 2008.
- 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 2008 and up to the approval 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 2008 and up to the approval date of this report.
- Options on 101,528 shares were exercised under the Executive Option Scheme and options on 604,500 shares were exercised under the New Option Scheme subsequent to 30 June 2008 and up to the approval date of this report.

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

As at 30 June 2008, 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 (the "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 2008
				Family Interests	Corporate Interests	Other Interests		
(i) The Company	Mr KUOK Khoon Ean	Ordinary	438,240	79,693 (Note 2)	1,808,240 (Note 3)	–	2,326,173	0.08%
	Mr KUOK Khoon Loong, Edward	Ordinary	1,002,222	–	–	–	1,002,222	0.03%
	Mr LUI Man Shing	Ordinary	833,333	–	–	–	833,333	0.03%
	Mr Giovanni ANGELINI	Ordinary	216,666	–	–	–	216,666	0.01%
	Madam KUOK Oon Kwong	Ordinary	168,197	213,345 (Note 2)	120,747 (Note 4)	–	502,289	0.02%
	Mr HO Kian Guan	Ordinary	628,750	–	117,612,393 (Note 5)	–	118,241,143	4.10%
	Mr HO Kian Hock (Alternate to Mr HO Kian Guan)	Ordinary	–	–	117,612,393 (Note 5)	–	117,612,393	4.08%
(ii) Associated Corporations								
Shangri-La Hotels (Malaysia) Berhad	Madam KUOK Oon Kwong	Ordinary	–	–	10,000 (Note 4)	–	10,000	0.00%
Shangri-La Hotel Public Company Limited	Mr LUI Man Shing	Ordinary	10,000	–	–	–	10,000	0.01%

Notes:

- These shares were held by the relevant Directors as beneficial owners.
- These shares were held by the spouse of the relevant Directors.
- These shares were held through a company which was controlled as to 100% by Mr KUOK Khoon Ean and his spouse.
- These shares were held through a company which was controlled as to 50% by Madam KUOK Oon Kwong.
- 76,944,807 shares were held through companies which were controlled as to 50% by each of Mr HO Kian Guan and Mr HO Kian Hock.

4,628,719 shares were held through a company which was controlled as to 25% by each of Mr HO Kian Guan and Mr HO Kian Hock.

4,323,268 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.

31,715,599 shares were held through companies which were controlled as to 6.70% and 6.81% by Mr HO Kian Guan and Mr HO Kian Hock respectively.

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

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

As at 30 June 2008, 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 2008, 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 2008, 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:

(a) 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 2008
Substantial Shareholders			
Kerry Group Limited ("KGL")	Interest of controlled corporations	1,428,283,194	49.51%
Kerry Holdings Limited ("KHL") <i>(Notes 1 and 2)</i>	Beneficial owner	70,460,697	49.51%
	Interest of controlled corporations	1,357,822,497	
Caninco Investments Limited <i>(Notes 2 and 3)</i>	Beneficial owner	532,694,242	22.87%
	Interest of a controlled corporation	127,034,035	
Paruni Limited <i>(Notes 2 and 3)</i>	Beneficial owner	307,345,059	10.70%
	Interest of a controlled corporation	1,393,154	
Persons other than Substantial Shareholders			
Darmex Holdings Limited <i>(Notes 2 and 3)</i>	Beneficial owner	265,892,194	9.22%
JPMorgan Chase & Co. <i>(Note 4)</i>	Beneficial owner	3,088,730	5.03%
	Investment manager	1,653,178	
	Lending pool	140,319,211	

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY (Continued)**(b) Short 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 2008
Person other than Substantial Shareholders			
JPMorgan Chase & Co.	Beneficial owner	417,000	0.01%

Notes:

1. Out of KHL's corporate interest in 1,357,822,497 shares, 1,333,768,150 shares were held through its wholly owned subsidiaries, 13,187,292 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.
4. The total interests in 145,061,119 shares held by JPMorgan Chase & Co. include the derivative interests in 2,529,730 underlying shares of the Company derived from listed and physically settled derivatives.

Save as mentioned above, as at 30 June 2008, 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 2008.

CORPORATE GOVERNANCE

The Company recognises 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 alignment with generally acceptable practices and standards.

During the period under review, save for the fact that the Company did not appoint a Chief Executive Officer until 2 April 2008, the Company has met all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the HK Listing Rules. As stated in the Corporate Governance Report in the Company's 2007 Annual Report, in view of the expansion of the Company's operations, the roles of the Chairman and the Chief Executive Officer have been separated and performed by different individuals with effect from 2 April 2008 with Mr KUOK Khoon Ean acting as the Chairman of the Board and having, amongst other things, the responsibilities as set out in the HK Listing Rules, and Mr KUOK Khoon Loong, Edward acting as the President and Chief Executive Officer of the Company.

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 of the Company will be closed from Friday, 26 September 2008, to Tuesday, 30 September 2008, 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 4:30 p.m. on Thursday, 25 September 2008.

On behalf of the Board



KUOK Khoon Ean
Chairman

Hong Kong, 2 September 2008