



SHANGRI-LA ASIA LIMITED

*(Incorporated in Bermuda with limited liability)*

香格里拉(亞洲)有限公司

Stock Code: 69

2009  
INTERIM  
REPORT

## CORPORATE INFORMATION

As at 11 September 2009

### Board of Directors

#### Executive Directors

Mr KUOK Khoon Ean  
(Chairman and Chief Executive Officer)  
Mr LUI Man Shing (Deputy Chairman)  
Mr Madhu Rama Chandra RAO

#### Non-Executive Directors

Mr HO Kian Guan  
Mr KUOK Khoon Loong, Edward  
Mr Roberto V. ONGPIN  
Mr Alexander Reid HAMILTON\*  
Mr Timothy David DATTELS\*  
Mr WONG Kai Man, BBS, JP\*  
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, BBS, JP

### Audit Committee

Mr Alexander Reid HAMILTON (Chairman)  
Mr HO Kian Guan  
Mr WONG Kai Man, BBS, JP

### Company Secretary

Ms TEO Ching Leun

### Auditor

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

### Registered Address

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

### Head Office and Principal Place of Business

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

### Principal Share Registrar

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

### 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](http://www.shangri-la.com)

### Financial Information

[www.ir.shangri-la.com](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 2009. 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 2009 was US\$67.3 million (US2.340 cents per share) compared to US\$135.7 million (US4.707 cents per share) in the same period last year.

The Board has declared an interim dividend of **HK6 cents** per share for 2009 (2008: HK14 cents per share) payable on Thursday, 15 October 2009 to shareholders whose names appear on the Registers of Members of the Company on Tuesday, 6 October 2009.

## GROUP FINANCIAL HIGHLIGHTS

### Consolidated Results

		Six months ended 30 June	
		2009 Unaudited	2008 Unaudited
Sales	US\$'000	533,614	683,112
Profit attributable to the equity holders of the Company	US\$'000	67,264	135,685
Earnings per share	US cents	2.340	4.707
	equivalent to HK cents	18.135	36.479
Dividend per share	HK cents	6	14
Annualized Return on Equity		3.4%	6.8%
	Profit attributable to equity holders of the Company for the six months		
	[ $\frac{\text{Average equity attributable to equity holders of the Company}}{\text{Average equity attributable to equity holders of the Company}} \times 2$ ]		
EBITDA	US\$ million	124.7	239.2
	(earnings before net finance income/(costs), tax, depreciation, amortization and non-operating items)		
EBITDA Margin		23.4%	35.0%
	[EBITDA/Sales]		

### Consolidated Balance Sheet

		As at	
		30 June 2009 Unaudited	31 December 2008 Audited
Total equity	US\$'000	4,315,287	4,251,388
Net assets attributable to the Company's equity holders	US\$'000	4,006,747	3,953,331
Net borrowings	US\$'000	1,758,675	1,465,259
	(total of bank loans and overdrafts less cash and bank balances)		
Net assets per share attributable to the Company's equity holders	US\$	1.39	1.37
Net assets (total equity) per share	US\$	1.50	1.47
Net borrowings to total equity ratio		40.8%	34.5%



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 Central  
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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 30, which comprises the condensed consolidated balance sheet of Shangri-La Asia Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated statements of income, comprehensive 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, 11 September 2009

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in US dollar thousands)

		As at	
		30 June 2009	31 December 2008
	Note	Unaudited	Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	3,900,068	3,789,324
Investment properties	4	593,363	524,309
Leasehold land and land use rights	4	504,124	520,794
Intangible assets	4	94,856	95,452
Interest in associates		1,382,124	1,270,364
Deferred income tax assets		1,956	1,117
Available-for-sale financial assets	5	4,624	4,158
Other receivables	6	20,460	3,683
		6,501,575	6,209,201
<b>Current assets</b>			
Inventories		31,604	31,805
Accounts receivable, prepayments and deposits	7	153,824	191,108
Due from associates		27,249	14,244
Financial assets held for trading	8	20,967	13,326
Cash and bank balances		452,721	463,027
		686,365	713,510
<b>Total assets</b>		<b>7,187,940</b>	<b>6,922,711</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	9	1,941,729	1,940,997
Other reserves	10	1,357,260	1,334,921
Retained earnings			
– Proposed interim/final dividend	21	22,258	37,090
– Others		685,500	640,323
		4,006,747	3,953,331
<b>Non-controlling interests</b>		308,540	298,057
<b>Total equity</b>		<b>4,315,287</b>	<b>4,251,388</b>

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

		As at	
		30 June 2009	31 December 2008
	Note	Unaudited	Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loans	11	1,647,513	1,889,273
Derivative financial instruments	12	44,271	65,916
Due to non-controlling shareholders	13	27,621	27,012
Deferred income tax liabilities		210,209	220,044
		<u>1,929,614</u>	<u>2,202,245</u>
<b>Current liabilities</b>			
Accounts payable and accruals	14	347,427	404,380
Due to non-controlling shareholders	13	8,301	6,355
Current income tax liabilities		18,535	19,330
Bank loans and overdrafts	11	563,883	39,013
Derivative financial instruments	12	4,893	—
		<u>943,039</u>	<u>469,078</u>
<b>Total liabilities</b>		<u>2,872,653</u>	<u>2,671,323</u>
<b>Total equity and liabilities</b>		<u>7,187,940</u>	<u>6,922,711</u>
<b>Net current (liabilities)/assets</b>		<u>(256,674)</u>	<u>244,432</u>
<b>Total assets less current liabilities</b>		<u>6,244,901</u>	<u>6,453,633</u>

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in US dollar thousands)

		Six months ended 30 June	
		2009	2008
	Note	Unaudited	Unaudited
<b>Sales</b>	3	533,614	683,112
Cost of goods sold	15	(232,672)	(261,142)
<b>Gross profit</b>		<b>300,942</b>	421,970
Other gains/(losses) – net	16	4,527	(18,777)
Marketing costs	15	(21,514)	(21,646)
Administrative expenses	15	(49,333)	(51,887)
Other operating expenses	15	(214,530)	(202,144)
<b>Operating profit</b>		<b>20,092</b>	127,516
Finance (costs)/gain – net	17	(10,848)	33,586
Share of profit of associates	18	69,118	32,306
<b>Profit before income tax</b>		<b>78,362</b>	193,408
Income tax expense	19	(10,123)	(47,041)
<b>Profit for the period</b>		<b>68,239</b>	146,367
<b>Profit attributable to:</b>			
Equity holders of the Company		67,264	135,685
Non-controlling interests		975	10,682
		<b>68,239</b>	146,367
<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	20	2.340	4.707
– diluted	20	2.340	4.693
<b>Dividends</b>	21	<b>22,258</b>	52,123

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

*(All amounts in US dollar thousands)*

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Profit for the period	68,239	146,367
Other comprehensive income:		
Currency translation differences – subsidiaries	20,354	107,808
Currency translation differences – associates	2,550	58,696
	<hr/>	<hr/>
Other comprehensive income for the period	22,904	166,504
	<hr/>	<hr/>
Total comprehensive income for the period	91,143	312,871
	<hr/>	<hr/>
Total comprehensive income attributable to:		
Equity holders of the Company	89,223	295,682
Non-controlling interests	1,920	17,189
	<hr/>	<hr/>
	91,143	312,871
	<hr/>	<hr/>



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands)

		Unaudited					
		Attributable to equity holders of the Company				Non-	
	Note	Share capital	Other reserves	Retained earnings	Total	controlling interests	Total
<b>Balance at 1 January 2008</b>		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 recognized directly in equity		–	159,997	–	159,997	6,507	166,504
Profit for the period		–	–	135,685	135,685	10,682	146,367
Total comprehensive 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 non-controlling shareholders		–	–	–	–	(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 non-controlling shareholders		–	–	–	–	(7,109)	(7,109)
Equity acquired by non-controlling shareholders		–	–	–	–	348	348
Net change in equity loans due to non-controlling shareholders		–	–	–	–	(218)	(218)
		5,276	(426)	(55,652)	(50,802)	(14,993)	(65,795)
<b>Balance at 30 June 2008</b>		1,939,853	1,468,845	718,052	4,126,750	305,654	4,432,404

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

(All amounts in US dollar thousands)

		Unaudited						
		Attributable to equity holders of the Company				Non-		
Note	Share capital	Other reserves	Retained earnings	Total	controlling interests	Total		
	<b>Balance at 1 January 2009</b>	1,940,997	1,334,921	677,413	3,953,331	298,057	4,251,388	
	Currency translation differences	–	21,959	–	21,959	945	22,904	
	Net income recognized directly in equity	–	21,959	–	21,959	945	22,904	
	Profit for the period	–	–	67,264	67,264	975	68,239	
	Total comprehensive income for the six months ended 30 June 2009	–	21,959	67,264	89,223	1,920	91,143	
	Exercise of share options – allotment of shares	9	615	–	–	615	–	615
	Exercise of share options – transfer from option reserve to share premium	9	117	(117)	–	–	–	–
	Payment of 2008 final dividend		–	–	(37,093)	–	(37,093)	
	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 a subsidiary		–	497	174	671	–	671
	Dividend paid and payable to non-controlling shareholders		–	–	–	–	(3,206)	(3,206)
	Equity acquired by non-controlling shareholders		–	–	–	–	5,382	5,382
	Equity injected by a non-controlling shareholder		–	–	–	–	6,710	6,710
	Net change in equity loans due to non-controlling shareholders		–	–	–	–	(323)	(323)
		732	380	(36,919)	(35,807)	8,563	(27,244)	
	<b>Balance at 30 June 2009</b>	<b>1,941,729</b>	<b>1,357,260</b>	<b>707,758</b>	<b>4,006,747</b>	<b>308,540</b>	<b>4,315,287</b>	

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

(All amounts in US dollar thousands)

	Unaudited	
	Six months ended 30 June 2009	2008
<b>Cash flow from operating activities</b>	35,131	112,712
<b>Cash flows from investing activities</b>		
– purchases of property, plant and equipment, investment properties and land use rights	(257,466)	(295,110)
– proceeds on disposal of property, plant and equipment	485	577
– acquisition of additional interests in associates/a subsidiary	(20,752)	(19,624)
– proceeds from disposal of interest in a subsidiary	–	1,935
– decrease in short-term bank deposits more than 3 months maturity	37,368	15,667
– other investing cash flow – net	(21,293)	(15,569)
Net cash used in investing activities	(261,658)	(312,124)
<b>Cash flows from financing activities</b>		
– dividend paid	(38,574)	(56,520)
– net increase in borrowings	285,507	312,370
– other finance cash flows – net	7,002	6,633
Net cash generated from financing activities	253,935	262,483
<b>Net increase in cash and cash equivalents</b>	27,408	63,071
<b>Cash and cash equivalents at 1 January</b>	406,356	357,405
<b>Exchange gains on cash and cash equivalents</b>	158	10,010
<b>Cash and cash equivalents at 30 June</b>	433,922	430,486
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at bank and in hand	301,356	253,808
Short-term bank deposits	151,365	190,256
Cash and bank balances	452,721	444,064
Less: Bank overdrafts	(120)	–
Short-term bank deposits more than 3 months maturity	(18,679)	(13,578)
Cash and cash equivalents	433,922	430,486

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

### 1. General information

The Group owns and operates hotels and associated properties; and provides 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 2009 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 ("HKICPA").

These condensed consolidated interim financial statements should be read in conjunction with the 2008 annual financial statements for the year ended 31 December 2008, 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 2008 except as described below.

Under Amendment to HKAS 40 "Investment Property", property that is being constructed or developed for future use as investment property is classified as investment property before construction or development is completed with effect from 1 January 2009. Investment property is being reviewed for each financial period and carried at fair value. Changes in fair values are recognized in the income statement. For the six months ended 30 June 2009, the Group recognized fair value gains on certain associates' investment properties in an amount of US\$91,051,000 and corresponding deferred tax liabilities of US\$20,112,000, which resulted in a net credit US\$70,939,000 to the share of profit of associates in the consolidated income statement.

The following amendments to standards are relevant to the Group's operation and are mandatory for the financial period beginning 1 July 2009. They have been early adopted by the Group for the financial period beginning 1 January 2008:

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

The following new standards, amendments to standards and new interpretations, and the HKICPA's improvements to HKFRS published in October 2008 are relevant to the Group's operation and are mandatory for the financial period beginning 1 January 2009:

HKAS 1 Revised	Presentation of Financial Statements
HKAS 23 Revised	Borrowing Costs
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKFRS 2 (Amendment)	Share-based Payment
HKFRS 8	Operating Segments
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

## 2. Basis of preparation and accounting policies *(continued)*

The above new standards, amendments to standards and new interpretations had no material impact on the presentation of the Group's financial statements except as follows:

HKAS 1 Revised "Presentation of Financial Statements" prohibits the presentation of certain items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. Entities can choose to present one statement of comprehensive income or two statements (the consolidated income statement and statement of comprehensive income). The Group has opted to present two statements for the financial period beginning 1 January 2009.

HKFRS 8 "Operating Segments" replaces HKAS 14 "Segment Reporting". The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This will result in the segments being reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The Company presented its segment information on that basis for the financial period beginning 1 January 2009.

The following amendments to standards and new interpretations, and the HKICPA's improvements to HKFRS published in May 2009 are relevant to the Group's operation but are not effective for 2009 and have not been early adopted:

HKAS 7 (Amendment)	Cash Flow Statements
HKAS 17 (Amendment)	Leases
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

## 3. Segment information

The Group is managed on a worldwide basis in the following main segments:

### **Hotel operation (hotel ownership and operation)**

- Hong Kong
- Mainland China
- Singapore
- Malaysia
- The Philippines
- Japan
- Thailand
- Fiji
- Other countries (including Myanmar and Indonesia)

### **Property rentals (ownership and leasing of office, commercial and serviced apartments)**

- Mainland China
- Singapore
- Malaysia
- Other countries (including Thailand and the Republic of Mongolia)

### **Hotel management**

The management assesses the performance of the operating segments based on a measure of the profits after tax. This measurement basis excludes the effects of pre-opening expenses of projects, corporate expenses and other non-operating items such as fair value gains or losses on investment properties, fair value adjustments on monetary items and impairments when the impairment is the result of an isolated non-recurring event.

## 3. Segment information (continued)

## Segment income statement

For the six months ended 30 June 2009 and 2008 (US\$ million)

	2009		2008	
	Sales (Note 2)	Profit after tax (Note 1)	Sales (Note 2)	Profit after tax (Note 1)
<b>Hotel operation</b>				
Hong Kong	84.0	15.5	118.9	31.2
Mainland China	218.9	(6.3)	241.9	65.3
Singapore	59.4	12.4	90.4	28.6
Malaysia	44.0	3.3	60.8	5.5
The Philippines	64.8	(2.0)	81.8	9.0
Japan	8.2	(9.2)	–	–
Thailand	13.6	(1.5)	35.8	4.9
Fiji	7.0	(0.2)	15.8	1.5
Other countries	3.8	0.7	3.6	0.8
	<b>503.7</b>	<b>12.7</b>	<b>649.0</b>	<b>146.8</b>
<b>Property rentals</b>				
Mainland China	7.8	22.5	6.0	25.0
Singapore	6.3	4.3	7.4	5.0
Malaysia	3.1	0.8	2.9	0.9
Other countries	1.1	0.1	0.7	–
	<b>18.3</b>	<b>27.7</b>	<b>17.0</b>	<b>30.9</b>
<b>Hotel management</b>	<b>31.5</b>	<b>3.4</b>	<b>44.5</b>	<b>9.5</b>
<b>Total</b>	<b>553.5</b>	<b>43.8</b>	<b>710.5</b>	<b>187.2</b>
Less: Hotel management – Inter-segment sales	(19.9)		(27.4)	
<b>Total external sales</b>	<b>533.6</b>		<b>683.1</b>	

## 3. Segment information (continued)

Segment income statement (continued)  
For the six months ended 30 June 2009 and 2008 (US\$ million)

	2009	2008	
	Sales (Note 2)	Profit after tax (Note 1)	
	Sales (Note 2)	Profit after tax (Note 1)	
Corporate finance costs (net)		(2.2)	(6.9)
Land cost amortization and pre-opening expenses for projects		(22.8)	(14.4)
Corporate expenses		(6.1)	(8.7)
Exchange gains of corporate investment holding companies		0.2	5.0
		<hr/>	<hr/>
<b>Profit before non-operating items</b>		<b>12.9</b>	<b>162.2</b>
<b>Non-operating items</b>			
Fair value gains on investment properties		70.9	–
Unrealized gains/(losses) on financial assets held for trading		7.7	(19.4)
Fair value gains/(losses) on interest-rate swap contracts		1.7	(1.3)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises		(2.9)	(0.5)
Reversal of provision for deferred tax due to reduction in income tax rate in the Philippines and Fiji		11.0	–
Income tax for shareholding restructuring in Mainland China		(5.0)	–
Provision of impairment losses for projects		(29.0)	–
Write-off of the net book value of a building upon demolition for the development of an extension project of an associate		–	(4.8)
Expenses on share options granted		–	(0.5)
		<hr/>	<hr/>
<b>Profit attributable to equity holders of the Company</b>		<b>67.3</b>	<b>135.7</b>

## Notes:

1. Profit after tax includes net of tax results from both associates and subsidiaries after share of non-controlling interests.
2. Sales exclude sales of associates.

## 3. Segment information (continued)

## Segment assets

As at 30 June 2009 and 31 December 2008 (US\$ million)

	30 June 2009	As at 31 December 2008
<b>Hotel operation</b>		
Hong Kong	208.3	215.3
Mainland China	2,070.9	1,981.8
Singapore	467.0	467.1
Malaysia	334.5	324.7
The Philippines	565.9	413.8
Japan	81.3	–
Thailand	207.5	213.8
Fiji	64.0	75.1
Other countries	26.9	28.0
	<hr/> 4,026.3	<hr/> 3,719.6
<b>Property rentals</b>		
Mainland China	150.3	137.5
Singapore	330.1	328.5
Malaysia	78.0	77.5
Other countries	42.5	–
	<hr/> 600.9	<hr/> 543.5
<b>Hotel management</b>	42.7	51.8
<b>Elimination</b>	<hr/> (11.0)	<hr/> (13.8)
<b>Total segment assets</b>	<hr/> 4,658.9	<hr/> 4,301.1
<b>Interest in associates</b>	1,382.1	1,270.4
<b>Assets allocated to projects</b>	970.6	1,191.1
<b>Unallocated assets</b>	81.4	64.6
<b>Intangible assets</b>	<hr/> 94.9	<hr/> 95.5
<b>Total assets</b>	<hr/> 7,187.9	<hr/> 6,922.7

Note: Total segment assets refer to assets of subsidiaries only.



#### 4. Capital expenditure

	Investment properties	Property, plant and equipment	Leasehold land and land use rights	Intangible assets
Opening net book amount as at 1 January 2009	524,309	3,789,324	520,794	95,452
Additions	26	265,141	57	–
Transfer	64,718	(58,688)	(6,030)	–
Exchange differences	8,928	6,678	629	16
Disposals	(4,618)	(6,433)	(5,119)	–
Depreciation/amortization charge (Note 15)	–	(95,954)	(6,207)	(612)
<b>Closing net book amount as at 30 June 2009</b>	<b>593,363</b>	<b>3,900,068</b>	<b>504,124</b>	<b>94,856</b>
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/amortization charge (Note 15)	–	(80,745)	(4,950)	(612)
<b>Closing net book amount as at 30 June 2008</b>	<b>554,593</b>	<b>3,583,069</b>	<b>437,559</b>	<b>86,560</b>

#### 5. Available-for-sale financial assets

	As at 30 June 2009	31 December 2008
Equity securities:		
Overseas unlisted shares, at cost	1,916	1,916
– Exchange differences	180	127
	<b>2,096</b>	2,043
Club debentures, at fair value	2,528	2,115
	<b>4,624</b>	4,158

#### 6. Other receivables

	As at 30 June 2009	31 December 2008
Loans to a managed hotel	4,503	3,683
Security deposit on leased premises	15,957	–
	<b>20,460</b>	3,683

## 6. Other receivables (continued)

Loans to a managed hotel with principal balance of A\$6,000,000 (equivalent to US\$4,986,000) (31 December 2008: A\$6,000,000 (equivalent to US\$4,152,000)) 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\$1,663,000) (31 December 2008: A\$2,000,000 (equivalent to US\$1,384,000)) 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.

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US\$18,274,000) was paid to the lessor of the leased premises and will only be recoverable after expiry of the lease. This long term deposit is re-grouped from prepayments and deposits under current assets to other receivables under non-current assets in 2009 upon delivery of the leased premises. The effective interest rate applied to calculate the fair value upon initial recognition of the deposit is 0.556% per annum.

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 other receivables mentioned above.

## 7. Accounts receivable, prepayments and deposits

	As at	
	30 June 2009	31 December 2008
Trade receivables	39,342	54,224
Prepayments and deposits	59,832	74,542
Other receivables	54,650	62,342
	<hr/>	<hr/>
	153,824	191,108
	<hr/>	<hr/>

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. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.
- (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 2009	31 December 2008
0 – 3 months	36,571	51,803
4 – 6 months	1,289	1,696
Over 6 months	1,482	725
	<hr/>	<hr/>
	39,342	54,224
	<hr/>	<hr/>

## 8. Financial assets held for trading

	As at	
	30 June 2009	31 December 2008
Equity securities, at market value		
Shares listed in Hong Kong	19,669	11,917
Shares listed outside Hong Kong	1,298	1,409
	<hr/>	<hr/>
	20,967	13,326
	<hr/>	<hr/>

## 9. Share capital

	No. of shares (‘000)	Amount		Total
		Ordinary shares	Share premium	
<b>Authorized</b>				
– Ordinary shares of HK\$1 each				
At 31 December 2008 and 30 June 2009	5,000,000	646,496	–	646,496
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Issued and fully paid</b>				
– Ordinary shares of HK\$1 each				
At 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
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2008	2,884,657	372,470	1,567,383	1,939,853
Exercise of share options				
– allotment of shares	706	91	864	955
– transfer from option reserve	–	–	189	189
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008 and 1 January 2009	2,885,363	372,561	1,568,436	1,940,997
Exercise of share options				
– allotment of shares	474	61	554	615
– transfer from option reserve	–	–	117	117
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2009	2,885,837	372,622	1,569,107	1,941,729
	<hr/>	<hr/>	<hr/>	<hr/>

## 9. Share capital (continued)

The following share options at various exercise prices granted to option holders of the Company under the Executive Option Scheme and the New Option Scheme were exercised:

	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	
<b>In year 2009</b>							
April	–	53,528	–	120,000	–	–	166
June	–	–	–	–	300,000	–	449
<b>For the six months ended 30 June 2009</b>	<b>–</b>	<b>53,528</b>	<b>–</b>	<b>120,000</b>	<b>300,000</b>	<b>–</b>	<b>615</b>
For the six months ended 30 June 2008	765,008	194,277	–	130,000	1,735,000	344,500	4,396
For the year ended 31 December 2008	765,008	295,805	–	330,000	1,990,000	494,000	5,351

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 2009 was HK\$12.23 (six months ended 30 June 2008: HK\$22.62).

### 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 2009		For the year ended 31 December 2008	
	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>12.20</b>	<b>16,005,410</b>	11.92	20,152,723
Exercised	10.07	(473,528)	10.70	(3,874,813)
Lapsed	11.38	(575,000)	12.84	(272,500)
<b>At 30 June/31 December</b>	<b>12.30</b>	<b>14,956,882</b>	12.20	16,005,410

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 2009	31 December 2008
<b>Executive Option Scheme</b>			
14 January 2010	8.82	860,961	914,489
14 January 2011	8.18	67,921	67,921
		<b>928,882</b>	<b>982,410</b>
<b>New Option Scheme</b>			
31 December 2009	11.60	455,000	–
31 December 2009	14.60	277,500	–
28 May 2012	6.81	740,000	980,000
27 April 2015	11.60	7,302,000	8,362,000
15 June 2016	14.60	5,253,500	5,681,000
		<b>14,028,000</b>	<b>15,023,000</b>

No option was granted during the six months ended 30 June 2009 and 2008.

No options have been exercised subsequent to 30 June 2009 and up to the approval date of the financial statements. Options on 20,000 shares with exercise price of HK\$14.60 per share have lapsed subsequent to 30 June 2009 and up to the approval date of the financial statements.

## 10. Other reserves

	Option	Capital redemption	Exchange fluctuation	Capital	Other	Contributed surplus	Total
At 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
Currency translation differences	–	–	(133,735)	–	–	–	(133,735)
Exercise of share options – transfer to share premium	(189)	–	–	–	–	–	(189)
At 31 December 2008 and 1 January 2009	6,845	10,666	324,811	601,490	1,368	389,741	1,334,921
Currency translation differences	–	–	21,959	–	–	–	21,959
Transfer of exchange reserve upon disposal of partial interest in a subsidiary	–	–	497	–	–	–	497
Exercise of share options – transfer to share premium	(117)	–	–	–	–	–	(117)
At 30 June 2009	6,728	10,666	347,267	601,490	1,368	389,741	1,357,260

## 11. Bank loans and overdrafts

	30 June 2009	As at 31 December 2008
Overdrafts – unsecured	120	624
Bank loans – secured (Note 23(c))	51,714	51,702
Bank loans – unsecured	2,159,562	1,875,960
	<b>2,211,396</b>	<b>1,928,286</b>

The maturity of bank loans and overdrafts is as follows:

	30 June 2009	As at 31 December 2008
Within 1 year	563,883	39,013
Between 1 and 2 years	307,534	617,536
Between 2 and 5 years	1,283,719	1,210,714
Wholly repayable within 5 years	2,155,136	1,867,263
Over 5 years	56,260	61,023
	<b>2,211,396</b>	<b>1,928,286</b>

## 11. Bank loans and overdrafts (continued)

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

	30 June 2009							
	HK\$	RMB	MYR	US\$	JPY	Pesos	Euro	Baht
Bank overdrafts	–	–	6.05%	–	–	–	–	7.15%
Bank borrowings	0.44%	5.44%	2.83%	0.74%	0.91%	5.48%	1.34%	–

  

	31 December 2008							
	HK\$	RMB	MYR	US\$	JPY	Pesos	Euro	Baht
Bank overdrafts	5.00%	–	–	–	–	–	–	8.20%
Bank borrowings	0.92%	6.27%	4.05%	2.51%	1.20%	6.94%	3.55%	–

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

	As at	
	30 June 2009	31 December 2008
Hong Kong dollars	1,045,670	988,607
Renminbi	272,102	165,618
Malaysian Ringgit	48,792	44,808
United States dollars	602,460	512,460
Japanese Yen	41,745	44,321
Philippines Pesos	59,357	59,321
Euros	141,163	112,739
Thai Baht	107	412
	<b>2,211,396</b>	<b>1,928,286</b>

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2009	31 December 2008
Floating rate		
– expiring within one year	300,879	175,747
– expiring beyond one year	598,971	820,393
Fixed rate		
– expiring within one year	2,635	–
– expiring beyond one year	51,229	–
	<b>953,714</b>	<b>996,140</b>

As at 30 June 2009, an undrawn floating rate borrowing facility of Thai Baht 800 million (31 December 2008: Thai Baht 800 million) expiring beyond one year is secured by a freehold land with net book value of US\$7,243,000 (31 December 2008: US\$7,064,000).

## 12. Derivative financial instruments

	As at	
	30 June 2009	31 December 2008
<b>Liabilities</b>		
Interest-rate swap contracts – non hedging	49,164	65,916
Less: current portion of interest-rate swap contracts	(4,893)	–
	<hr/>	<hr/>
Non-current portion	44,271	65,916
	<hr/>	<hr/>

The Group has endeavored to hedge its medium term interest rate risk by entering into fixed HIBOR and LIBOR interest-rate swap contracts in prior years. However, these swap contracts do not qualify for hedge accounting. These derivatives were initially recognized at fair value on the date the contract was entered and are subsequently re-measured at fair value. The recorded fair value could be an asset or liability depending on the prevailing financial market conditions and the anticipated interest rate environment. Changes in fair value together with the net cash payment/receipt (difference between paid fixed HIBOR/LIBOR rates and received floating rates) are recognized immediately in the consolidated income statement within "Other gains/(losses) – net".

The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 30 June 2009 were HK\$4,760,000,000 and US\$100,000,000, respectively (31 December 2008: HK\$4,760,000,000 and US\$100,000,000, respectively).

At 30 June 2009, the fixed interest rates vary from 4.28% to 4.70% per annum (31 December 2008: 4.28% to 4.70% per annum).

## 13. Due to non-controlling shareholders

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

	As at	
	30 June 2009	31 December 2008
LIBOR plus 2.5% per annum and wholly repayable on 30 June 2015	772	772
Interest free and not payable within 12 months	26,849	26,240
	<hr/>	<hr/>
	27,621	27,012
	<hr/>	<hr/>

The effective interest rate applied to calculate the fair value upon initial recognition of the interest free portion of the amounts due to non-controlling shareholders is 4.1% per annum.

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

	As at	
	30 June 2009	31 December 2008
Interest free with no fixed repayment terms	8,301	6,355
	<hr/>	<hr/>

The fair value of the amounts due to non-controlling 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 2009	As at 31 December 2008
Trade payables	49,012	54,219
Construction cost payable and accrued expenses	298,415	350,161
	<b>347,427</b>	<b>404,380</b>

The ageing analysis of the trade payables is as follows:

	30 June 2009	As at 31 December 2008
0 – 3 months	43,612	49,480
4 – 6 months	2,244	2,092
Over 6 months	3,156	2,647
	<b>49,012</b>	<b>54,219</b>

#### 15. Expenses by nature

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

	30 June 2009	For the six months ended 30 June 2008
Depreciation of property, plant and equipment (net of amount capitalized of US\$211,000 (2008: US\$572,000)) (Note 4)	95,743	80,173
Amortization of leasehold land and land use rights (Note 4)	6,207	4,950
Amortization of trade mark and web site development (Note 4)	612	612
Employee benefit expenses	164,774	176,603
Cost of inventories sold or consumed in operation	74,784	84,616
Loss on disposal of property, plant and equipment and partial replacement of investment properties	850	1,413
Discarding of property, plant and equipment due to renovation of hotels	1,855	5,321
Provision for impairment loss on property under development	3,827	–
Expenses on share options granted	–	454

#### 16. Other gains/(losses) – net

	30 June 2009	For the six months ended 30 June 2008
Net unrealized gains/(losses) on financial assets held for trading	7,641	(21,793)
Fair value gains/(losses) on derivative financial instruments – interest-rate swap contracts	1,739	(1,341)
Provision for income tax arising from shareholding restructure of an associate	(5,000)	–
Fair value adjustment on security deposit on leased premises	(2,364)	–
Interest income	2,325	3,523
Dividend income	249	555
Others	(63)	279
	<b>4,527</b>	<b>(18,777)</b>

**17. Finance (costs)/gain – net**

	For the six months ended	
	30 June 2009	30 June 2008
Interest expense		
– bank loans and overdrafts	(17,302)	(23,783)
– other loans	(768)	(1,002)
	<u>(18,070)</u>	<u>(24,785)</u>
Less: amount capitalized	7,482	6,093
	<u>(10,588)</u>	<u>(18,692)</u>
Net foreign exchange transactions (losses)/gains	(260)	52,278
	<u>(10,848)</u>	<u>33,586</u>

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 1.7% per annum for the period (2008: 3.4%).

**18. Share of profit of associates**

	For the six months ended	
	30 June 2009	30 June 2008
Share of profit before tax of associates before share of net increase in fair value of investment properties and provision for impairment loss	31,520	50,918
Share of net increase in fair value of Shanghai Kerry Centre, Jing An Kerry Centre project and Kerry Parkside project in Shanghai	91,051	–
Provision for impairment loss for development project in New York	(24,800)	–
Share of loss in the net book value of a building upon demolition for the development of an extension project of China World Trade Center Ltd.	–	(4,751)
	<u>97,771</u>	<u>46,167</u>
Share of profit before tax of associates		
Share of associates' taxation before provision for deferred tax liabilities on fair value gains of investment properties	(8,541)	(13,861)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(20,112)	–
	<u>(28,653)</u>	<u>(13,861)</u>
Share of associates' taxation		
Share of profit of associates	<u>69,118</u>	<u>32,306</u>

**19. Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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 2009	30 June 2008
Current income tax		
– Hong Kong profits tax	4,071	7,586
– Overseas taxation	17,330	38,329
Deferred income tax (credit)/charge	(11,278)	1,126
	10,123	47,041

Deferred income tax for the six months ended 30 June 2009 had been stated after the reversal of provision for deferred tax liabilities of subsidiaries of US\$11,049,000 due to reduction of income tax rate in the Philippines and Fiji effective 1 January 2009.

**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 2009	30 June 2008
Profit attributable to equity holders of the Company (US\$'000)	67,264	135,685
Weighted average number of ordinary shares in issue (thousands)	2,874,578	2,882,589
Basic earnings per share (US cents per share)	2.340	4.707

**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 2009, the share options with exercise price of HK\$8.82 and HK\$8.18 issued under the Executive Option Scheme together with the share options with exercise price of HK\$6.81 issued under the New Option Scheme have the greatest dilution effect. For the six months ended 30 June 2008, all the share options issued under the Executive Option Scheme and the New Option Scheme have the greatest dilution effect.

**20. Earnings per share (continued)****Diluted (continued)**

	For the six months ended	
	30 June 2009	30 June 2008
Profit attributable to equity holders of the Company (US\$'000)	67,264	135,685
Weighted average number of ordinary shares in issue (thousands)	2,874,578	2,882,589
Adjustments for share options (thousands)	442	8,419
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,875,020	2,891,008
Diluted earnings per share (US cents per share)	2.340	4.693

**21. Dividends**

	For the six months ended	
	30 June 2009	30 June 2008
Interim dividend proposed of HK6 cents (2008: HK14 cents) per ordinary share	22,258	52,123

**Notes:**

- (a) At a meeting held on 17 March 2009, the Board proposed a final dividend of HK10 cents per ordinary share for the year ended 31 December 2008, which was paid on 5 June 2009, and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2009.
- (b) At a meeting held on 11 September 2009, the Board declared an interim dividend of HK6 cents per ordinary share for the year ending 31 December 2009. 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 2009. The proposed interim dividend of US\$22,258,000 for the six months ended 30 June 2009 is calculated based on 2,885,836,206 shares of the Company in issue as at the approval date of these financial statements adjusted by 10,867,055 ordinary shares in the Company held by a subsidiary of the Company with the amount of US\$84,000 being eliminated on consolidation.

**22. Acquisition and disposal of interests in associates and a subsidiary**

During the six months ended 30 June 2009, the Group has completed a series of transactions with connected persons for the acquisition and the restructuring of certain property interests in the Philippines. Upon completion of the acquisition and the restructuring, the Group disposed of approximately 6.05% equity interest in Mactan Shangri-La Hotel & Resort, Inc. ("MSH") (which originally owned 100% interest in Shangri-La's Mactan Resort & Spa, Cebu) to Shang Properties, Inc. ("SPI") (a connected person of the Company) and acquired approximately 93.95% economic interests in certain Philippines property holding companies (which own certain lands in the Philippines) from Kerry Holdings Limited (a substantial shareholder of the Company) and SPI. The Group paid a net cash consideration of approximately US\$20.8 million and the fair value of the companies acquired was approximately US\$26.8 million. Following completion of the acquisition and the restructuring, the Group has 93.95% equity interest in MSH and an economic interest of 93.95% in each of the Philippines property holding companies whilst the remaining approximately 6.05% equity interests of MSH and the Philippines property holding companies are held by the connected persons. The Group has significant influence in the acquired Philippines property holding companies and are treated as associates of the Group.

## 23. Financial guarantees, contingencies and charges over assets

### (a) Financial guarantees

As at 30 June 2009, the Group executed proportionate guarantees in favour of banks for securing banking facilities granted to Beijing Jia Ao Real Estate Development Co., Ltd. (a 23.75% owned associate which is the owner of Beijing Kerry Centre), Shanghai Xin Ci Hou Properties Co., Ltd. (a 24.75% owned associate which is the owner of Shanghai Kerry Centre), Shanghai Ji Xiang Properties Co., Ltd. (a 49% owned associate which is the owner of Jing An Kerry Centre project in Shanghai) and Fine Winner Holdings Limited (a 30% owned associate which is the owner of the Hotel JEN, Hong Kong). 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 Beijing Shangri-La Hotel Co., Ltd. (a 38% owned associate which is the owner of Shangri-La Hotel, Beijing). The utilized amount of such facilities covered by the Group's guarantees for these associates amounts to US\$42,767,000 (31 December 2008: US\$42,416,000). 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.

The Company, together with three other guarantors (collectively, the "Guarantors"), has executed a recourse carve-out guarantee in favour of certain lenders to secure those certain banking facilities granted to Park Avenue Hotel Acquisition, LLC (the "Borrower") (a 75% subsidiary of a 25.9% owned associate of the Group, which is the owner of the project located at 610 Lexington Avenue, New York, New York, United States (the "Project")) by the lenders. The lenders have brought a foreclosure claim against the Project due to the failure of the Borrower to pay the outstanding loan balance due on the maturity date, which was 8 April 2009. Additionally, based upon an allegation that a full recourse event has occurred, the lenders have amended their foreclosure complaint against the Project to include a claim for a deficiency judgment against all of the Guarantors of the loan encumbering the Project, including the Company, should the foreclosure sale of the Project not realize sufficient proceeds to repay the entirety of the outstanding loan balance due and owing. The lenders are claiming the amount of approximately US\$133,602,000 plus all accrued interest and other charges due and owing under the loan documents and are only making a claim against the Guarantors for any deficiency remaining after the sale of the Project in the foreclosure action. The Company intends to vigorously defend the action by the lenders against the Guarantors and believes the other Guarantors intend to do likewise. The Board has been advised by its legal advisers that the Company has legitimate defenses to the claim raised by the lenders under the guarantee. In addition to pursuing the defense against the action by the lenders against the Company, the Board intends, to the extent a judgment is ultimately entered against the Guarantors, to enforce the Company's rights under the Contribution Agreement among the Guarantors. Such Contribution Agreement provides that the other Guarantors are liable for 80.575% of any liability imposed under the recourse carve-out guarantee and that the Company is only liable for 19.425% of any such liability imposed upon the Guarantors in the aggregate.

### (b) Contingent liabilities

As at 30 June 2009, 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\$1,213,000 (equivalent to US\$1,008,000) (31 December 2008: A\$2,425,000 (equivalent to US\$1,678,000)).
- (ii) The Group executed guarantees for securing standby documentary credit granted by banks in favour of certain building contractors relating to the execution of construction works for hotel buildings for the amount of US\$11,515,000 (31 December 2008: US\$39,845,000). These facilities were undrawn as at 30 June 2009.

### (c) Charges over assets

As at 30 June 2009, bank borrowings of a subsidiary of US\$51,714,000 (31 December 2008: US\$51,702,000) 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\$55,919,000 (31 December 2008: US\$57,751,000).

## 24. Commitments

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

	30 June 2009	As at 31 December 2008
Existing properties – Property, plant and equipment and investment properties		
Contracted but not provided for	128,144	80,813
Authorized but not contracted for	80,468	73,552
Development projects		
Contracted but not provided for	237,600	431,397
Authorized but not contracted for	834,850	1,573,282
	<u>1,281,062</u>	<u>2,159,044</u>

## 25. Related party transactions

Kerry Group Limited ("KGL"), which owns approximately 49.06% 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 2009, has significant influence over the Company.

The following transactions were carried out with related parties:

	For the six months ended 30 June 2009	30 June 2008
(a) Transactions with subsidiaries of KGL (other than subsidiaries of the Company)		
Receipt of hotel management and related services and royalty fees	777	1,268
Payment of project management services and project consultancy services fees	200	2,814
Reimbursement of office expenses and payment of administration and related expenses	892	923
Payment of office rental, management fees and rates	1,094	280
	<u>For the six months ended 30 June 2009</u>	<u>30 June 2008</u>
(b) Transactions with associates of the Group		
Receipt of hotel management and related services and royalty fees	3,336	5,786
Receipt of laundry services	306	422
Payment for flight services	146	75

## 25. Related party transactions (continued)

	30 June 2009	As at 31 December 2008
(c) Financial assistance provided to subsidiaries of KGL (other than subsidiaries of the Company)		
Balance of loan to associates of the Group	83,455	83,455
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	24,268	23,924

	30 June 2009	As at 31 December 2008
(d) Financial assistance provided to associates of the Group (excluding item (c) above)		
Balance of loan to associates of the Group	98,356	97,383
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to an associate of the Group	18,499	18,491

There are no material changes to the terms of the above transactions during the period.

	30 June 2009	For the six months ended 30 June 2008
(e) Key management compensation		
Fees, salaries and other short-term employee benefits	1,534	1,380
Post employment benefits	56	69
	<hr/> 1,590	<hr/> 1,449

## 26. Events after the balance sheet date

- (a) In July 2009, subsidiaries of the Group executed one 5-year and one 6-year unsecured bilateral bank loan agreement for a total of RMB460 million (equivalent to US\$67 million). In August 2009, a subsidiary of the Group also executed a 5-year unsecured bilateral bank loan agreement of RMB274 million (equivalent to US\$40 million).
- (b) On 29 July 2009, the Group entered into a sale and purchase agreement with a connected person pursuant to which the Group agreed to purchase the entire equity interest in a company, owning a piece of land in Qufu City, Shangdong Province, Mainland China which could be used primarily for hotel development, at a consideration of HK\$51,148,000 (equivalent to US\$6,600,000) (subject to adjustments). The transaction is still subject to approval and registration by the relevant local authorities.

## OPERATIONS REVIEW

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

The Group's business is organized 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 2009, the Group has equity interest in 46 operating hotels with 23,463 available guest rooms owned by subsidiaries and associates, including the Portman Ritz-Carlton Hotel, Shanghai (the "Portman") and the Hotel JEN, Hong Kong (the "Hotel JEN"). The Group also has a 10% interest in the 389-room Shangri-La Hotel, Surabaya. The 202-room Shangri-La Hotel, Tokyo ("Shangri-La Tokyo") is operating under a medium term operating lease.
- Results for the first half of 2009 were materially affected by the unprecedented meltdown of the global financial markets. The outbreak of the H1N1 flu (Swine Flu) in the second quarter globally also generally discouraged travel.
- The weighted average occupancy, weighted average room rate and weighted average room yields ("RevPAR") of the Group's hotels in all countries decreased save for Myanmar which recorded a 15% increase in RevPAR. Segment results are outlined on pages 13 and 14 of this report.
- The 409-room Shangri-La Hotel, Wenzhou in Mainland China (a 75% owned hotel) opened for business on 16 January 2009. The Shangri-La Tokyo and the 219-room Shangri-La's Boracay Resort & Spa, the Philippines ("Shangri-La Boracay") opened for business on 2 March 2009.
- The results in the Philippines have been adversely affected by the performance of the newly opened Shangri-La Boracay in a weak market and the heavy charge of depreciation in its first year of operation.
- The performance of the newly opened Shangri-La Tokyo was also adversely affected by weak market demand and recorded a loss for the period after depreciation charges and lease rentals.
- Subsequent to the period end, Shangri-La's Villingili Resort and Spa, Maldives opened for business on 26 July 2009. The resort comprises 142 spacious stand-alone villas. The 564-room Shangri-La Hotel, Ningbo opened for business on 21 August 2009.



## 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	2009 Weighted Average Transient			2008 Weighted Average Transient		
	Occupancy (%)	Room Rate (US\$)	RevPAR (US\$)	Occupancy (%)	Room Rate (US\$)	RevPAR (US\$)
The People's Republic of China						
Hong Kong	57	252	138	72	303	216
Mainland China	46	134	60	59	153	91
Singapore	61	184	115	80	231	186
Malaysia	54	118	73	67	125	87
The Philippines	68	149	97	77	172	129
Japan	24	543	124	N/A	N/A	N/A
Thailand	26	159	63	62	172	102
Fiji	39	117	45	69	150	101
Other countries	58	93	53	63	100	57
Group	50	147	74	65	170	110

Note: The RevPAR of hotels under renovation has been computed by excluding the number of rooms under renovation.

- In response to the weak market situation, management took immediate actions to minimize expenditures by initiating various cost containment measures, without compromising on standards and levels of service.

## Hotel Management

- Except for the Hotel JEN and the Portman, all the other 45 hotels in which the Group has equity interest together with Shangri-La Tokyo are managed by the hotel management subsidiary, SLIM International Limited and its subsidiaries ("SLIM").
- The 119-room Shangri-La Hotel, Vancouver in Canada opened for business in January 2009 and SLIM had hotel management agreements in respect of 16 operating hotels owned by third parties as at 30 June 2009. Overall weighted average RevPAR of these 16 hotels decreased by 10% while average room rates increased by 5%.
- Due to the poor performance of the hotels, SLIM recorded a 32% fall in revenue on consolidation, after elimination of revenue earned from fellow subsidiaries.
- In March 2009, SLIM signed a new hotel management agreement for the 301-room Traders Hotel, Qaryat Al Beri, Abu Dhabi which has opened for business on 1 August 2009. In June 2009, SLIM signed a hotel management agreement for a 400-room hotel in Moscow which will open for business in 2012. As at the date of this report, SLIM has management agreements on hand for 11 hotels under development owned by third parties.

## OPERATIONS REVIEW *(continued)*

### Revenues *(continued)*

#### Property Rentals

- The Group's investment properties are located principally in Shanghai and Beijing and are owned by associates.
- The office tower in Ulaanbaatar, the Republic of Mongolia in which the Group has 51% equity interest, commenced business in June 2009.
- Yields at the Group's investment properties in Mainland China reflected a mixed trend with office spaces generally experiencing stable or increasing yields with the serviced apartments and commercial spaces generally experiencing decline in yields.

#### Consolidated Profits

- On a segment basis, net profit attributable to equity holders of the Company from hotel operation decreased materially by US\$134.1 million while net contribution from investment properties only decreased marginally by US\$3.2 million. Segment results of the same period last year were favourably affected by the exchange gains of US\$49.9 million due to appreciation of the Renminbi and other Asian currencies against the US dollar. The exchange loss for the current period was US\$0.4 million.
- Net profit before non-operating items after charging US\$18.3 million pre-opening expenses of new hotels and projects (US\$11.3 million in the same period last year) decreased from US\$162.2 million in 2008 to the current period's US\$12.9 million.
- Net credit from non-operating items during the current period was US\$54.4 million, mainly contributed by the US\$70.9 million fair value gains on investment properties (net of tax), US\$11.0 million reversal of provision for deferred tax for hotels in the Philippines and Fiji due to a reduction in income tax rate, US\$7.7 million unrealized gains on financial assets held for trading and after offset by a provision for impairment loss on projects of US\$29.0 million. During the same period last year, there was a net charge from non-operating items of US\$26.5 million.

## CORPORATE DEBT AND FINANCIAL CONDITIONS

During the period, the Group executed a new 4-year term unsecured bank loan agreement of Malaysian Ringgit 42 million (approximately US\$12 million) and new 5-year term unsecured bank loan agreements aggregating to equivalent US\$206.9 million. In February 2009, a non-wholly owned subsidiary in Maldives executed a 7-year US\$50 million secured project loan agreement with the International Finance Corporation, Washington. A subsidiary in Mainland China has also extended its unsecured bank loan in an amount equivalent to US\$7.3 million for a year.

The Group has not encountered any difficulty when drawing down loans from committed banking facilities. None of the banking facilities were cancelled by the banks during or after the close of the current financial period.

The net borrowings (total of bank loans and overdrafts less cash and bank balances) to total equity ratio increased from 34.5% as at 31 December 2008 to 40.8% as at 30 June 2009.

The Group has satisfactorily complied with all covenants under its borrowing agreements.

CORPORATE DEBT AND FINANCIAL CONDITIONS *(continued)*

The analysis of borrowings outstanding as at 30 June 2009 is as follows:

<i>(US\$ million)</i>	Maturities of Borrowings Contracted as at 30 June 2009				Total
	Within 1 year	In the 2nd year	Repayment In the 3rd to 5th year	After 5 years	
<b>Borrowings</b>					
Corporate bank loans					
– unsecured	468.3	178.0	558.4	–	1,204.7
Project bank loans and overdrafts					
– secured	51.7	–	–	–	51.7
– unsecured	43.9	129.5	725.3	56.3	955.0
<b>Total</b>	<b>563.9</b>	<b>307.5</b>	<b>1,283.7</b>	<b>56.3</b>	<b>2,211.4</b>
<b>Undrawn but committed facilities</b>					
Bank loans and overdrafts	303.5	134.9	497.7	17.6	953.7

Subsequent to the period end and up to the date of this report, subsidiaries of the Group executed three unsecured bilateral bank loan agreements in a total amount of RMB734 million (equivalent to US\$107 million).

The currency-mix of the borrowings and cash and bank balances as at 30 June 2009 is as follows:

<i>(US\$ million)</i>	Borrowings	Cash and Bank Balances
In Hong Kong dollars	1,045.7	37.5
In Renminbi	272.1	255.9
In United States dollars	602.4	92.2
In Singapore dollars	–	12.1
In Malaysian Ringgit	48.8	8.6
In Japanese Yen	41.7	4.1
In Philippines Pesos	59.4	13.8
In Euros	141.2	16.0
In Thai Baht	0.1	9.3
In other currencies	–	3.2
	<b>2,211.4</b>	<b>452.7</b>

Excepting 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 interest rates.

Details of contingent liabilities as at 30 June 2009 are disclosed in Note 23 to the unaudited financial statements included in this report.

## TREASURY POLICIES

Treasury policies aimed at minimizing interest and currency risk have been consistently followed by the Group as disclosed in the 2008 annual report. The principal amount, maturity profile and fixed rates swap of the outstanding HIBOR and LIBOR interest-rate swap contracts are the same as those disclosed in the 2008 annual report. Taking into account the interest-rate swap contracts and the Renminbi loans, the Group has fixed its interest liability on 45% of its loans outstanding.

The Group has not felt it appropriate to substantially hedge against currency risks through forward exchange contracts upon consideration of the currency risks involved and the cost of obtaining such cover.

## INVESTMENT PROPERTIES VALUATIONS

Certain associates of the Group have engaged independent firms of professional valuers to assess the fair value of their investment properties, including those being constructed for future use as investment properties, at 30 June 2009 following the amendments of the Hong Kong Accounting Standard for investment properties. The Group's share of the excess of the fair value over their book value and after provision for deferred tax expenses, of US\$70.9 million, was credited to the consolidated income statement during the period.

## FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The investment portfolio remained unchanged during the period. Following a rebound in the stock market, the Group recorded net unrealized fair value gains of US\$7.6 million (US\$7.7 million after share of non-controlling interests) and dividend income of US\$0.2 million (US\$0.2 million after share of non-controlling interests).

## DEVELOPMENT PROGRAMMES

Construction work on the following projects is on-going:

	Group's Interest	Hotel Rooms	Serviced Apartments	Projected Opening
<b>Hotels in Mainland China</b>				
Shangri-La Hotel, Guilin	100%	449	–	Late 2009
Shangri-La Hotel, Manzhouli	100%	201	16	2011
<b>Hotels in other countries</b>				
Shangri-La Hotel, Paris, France	100%	101	–	Late 2010
Shangri-La Hotel, Vienna, Austria	Operating lease	207	–	Late 2010
<b>Other projects and composite developments</b>				
Office Tower, Qingdao	100%	N/A	–	Late 2009
China World Trade Center Phase III – Grand Tower (including China World Summit Wing), Beijing	40.17%	278	–	Late 2009
Kerry Parkside, Pudong (with a Shangri-La managed hotel), Shanghai	23.20%	574	182	Late 2010
Tianjin Kerry Centre (with Shangri-La Hotel, Tianjin)	20%	528	12	2012
Jing An Kerry Centre (with Jing An Shangri-La), Shanghai	49%	518	–	2012

## DEVELOPMENT PROGRAMMES *(continued)*

- The Group's wholly owned subsidiaries have acquired land use rights in certain provincial cities in Mainland China including Sanya and Qinhuangdao for hotel development and the Group is now reviewing the development scale and roll-out schedule. The Group has just initiated development work for a hotel in Ulaanbaatar in the Republic of Mongolia in which the Group has 75% equity interest.
- The Group also has equity interests in the following projects and land use rights have been acquired in the respective cities for new development projects:
  - 20% interest in a composite development in Nanchang City, Mainland China.
  - 35% interest in a composite development in Tangshan City, Mainland China. Details of changes in the joint venture during the period are set out in the following section headed "Disposals and Acquisitions".
  - 55% interest in a composite development in Nanjing City, Mainland China. Details of changes in the joint venture during the period are set out in the following section headed "Disposals and Acquisitions".
  - 40% interest in a composite development in the Bonifacio Global City located at Taguig, Metro Manila, the Philippines.

The Group is now reviewing the development plan of these projects with the respective joint venture partners.

- The Group has also carried out design and concept planning for a 195-room Shangri-La Hotel at London Bridge Tower, London in the United Kingdom. The hotel under operating lease is scheduled to be opened for business in 2012.
- In view of the prevailing economic conditions in the United States and after considering the financial viability of the investment, the Group, together with the major shareholder of the joint venture, has decided not to proceed with the development of the mixed use development project located at 610 Lexington Avenue, New York, New York, United States. A provision of US\$24.8 million was charged to the income statement representing the balance of the contributed capital and the Group's share of estimated expenses to wind down the project.
- The estimated incremental funding required directly by the subsidiaries and the Group's share of funding obligations of its associates for all the projects (including the hotel project in Qufu City in Mainland China) and other renovations involving fund commitments, is currently estimated at US\$1,371 million which includes US\$168 million guarantees to be executed by the Group in favour of bank loans granted to associates.

## DISPOSALS AND ACQUISITIONS

- The Group and the other joint venture parties (Kerry Properties Limited ("KPL") and Allgreen Properties Limited ("APL") (both being connected persons to the Company), and Kuok Brothers Sdn. Bhd. ("Kuok Brothers")) formed a consortium and jointly won the bids to acquire the land use rights of three sites in Tangshan City in Mainland China in 2008. On 15 January 2009, the joint venture parties entered into a cancellation agreement to relinquish their rights to acquire these land use rights and shared a total penalty of RMB21 million (approximately US\$3.1 million). On 11 February 2009, the same joint venture parties successfully won the bids to acquire the land use rights of two sites in the same city and entered into a new master joint venture agreement relating to the establishment of joint venture for the acquisition and development of the land sites and terminated the original master joint venture agreement. The maximum total investment under the new joint venture is estimated at RMB2,136 million (approximately US\$312.5 million) and the Group's 20% share is estimated at US\$62.5 million. The designated use of the sites includes a hotel.

## DISPOSALS AND ACQUISITIONS *(continued)*

On 11 May 2009, the joint venture parties entered into a novation deed pursuant to which Kuok Brothers' subsidiary shall transfer and novate to the Group all of its 15% rights, title and interests under and in the new master joint venture agreement and the joint bid agreement, including the part of the land deposit of RMB35,850,000 (approximately US\$5.2 million) already contributed by Kuok Brothers' subsidiary and its share of the penalty paid for the cancellation of the previous land bid, for a cash consideration of HK\$45 million (approximately US\$5.8 million). The transactions were completed in July 2009 following the approval from the local bureau of land and resources. The Group's interest in the joint venture increased to 35% and its share of the total maximum investment amount increased to RMB747.6 million (approximately US\$109.5 million).

- On 8 May 2009, the independent shareholders of the Company approved the connected transaction under which the Group and the other joint venture parties KPL and APL entered into a novation deed pursuant to which APL shall transfer and assign to the Group all of its 15% rights, title and interests under and in the master joint venture agreement relating to the joint venture for the acquisition, holding and development of land in Nanjing City in Mainland China, including APL's share of the deposit paid for the land use rights. This transaction was completed in the same month following the approval from the local bureau of land and resources. The Group's interest in the joint venture increased to 55% and its share of the total maximum investment amount increased to RMB825 million (approximately US\$120.8 million).
- In June 2009, the Group completed connected transactions to acquire approximately 93.95% economic interests and related loans in certain Philippines property holding companies which own the land sites where the Shangri-La's Mactan Resort & Spa, Cebu ("Shangri-La Mactan") is built and to dispose of approximately 6.05% equity interest in Mactan Shangri-La Hotel & Resort, Inc. ("MSH") (an indirect wholly owned subsidiary of the Company which owns Shangri-La Mactan). The completion of these transactions provided an economic hedge in the land leasing expenses to be paid by the Group and enabled the Group to secure sufficient land space in adjacent sites for future expansion and development of Shangri-La Mactan. Details of these transactions are provided in Note 22 to the condensed consolidated financial statements included in this report.
- Subsequent to the period end, on 29 July 2009, the Group entered into a sale and purchase agreement with KPL. Details of this transaction is provided in Note 26(b) to the condensed consolidated financial statements included in this report.

## MANAGEMENT AGREEMENTS

- As at the date of this report, the Group has 17 management agreements in respect of operating hotels owned by third parties.
- In addition, the Group has agreements on hand for development of 11 new hotels. The development projects are located in Doha (Qatar) (2 hotels), Toronto, Seychelles, Bangalore (3 hotels), Mumbai, Macau (2 hotels), and Moscow.

## PROSPECTS

The global economic situation continues to pose challenges to the hotel industry across the world. The performance of the Group's hotels is symptomatic of this situation. In general, the Group's hotels in the provincial cities in Mainland China which largely rely on domestic patronage have been less affected by the global economic downturn than those in international gateway cities and the Group's hotels in the ASEAN region.

## HUMAN RESOURCES

As at 30 June 2009, the Company and its subsidiaries had approximately 25,100 employees. The headcount of all the Group's managed hotels totalled 36,300.

Remuneration policies, share option schemes and training schemes have been consistently applied by the Group as disclosed in the 2008 annual report.

## SHARE OPTIONS

Details of the outstanding option shares as at 30 June 2009 which have been granted under the executive share option scheme<sup>(Note 4)</sup> 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 2009	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 2009	Exercise price per option share HK\$	Exercisable period
1. Continuous Contract Employees	15 January 2000	I	213,203	-	-	-	(14,764)	-	198,439	8.82	15 January 2001 – 14 January 2010
	15 January 2000	II	213,203	-	-	-	(38,764)	-	174,439	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	15 January 2000	I	207,042	-	-	-	-	-	207,042	8.82	15 January 2001 – 14 January 2010
	15 January 2000	II	281,041	-	-	-	-	-	281,041	8.82	15 January 2002 – 14 January 2010
<b>Total:</b>			<b>982,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53,528)</b>	<b>-</b>	<b>928,882</b>		

## SHARE OPTIONS (continued)

Details of the outstanding option shares as at 30 June 2009 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	No. of	Transfer	Transfer	No. of	No. of	No. of	Exercise price per share HK\$	Exercisable period
			option shares held as at 1 January 2009	option shares granted during the period	from other category during the period	to other category during the period	option shares exercised during the period (Note 1)	option shares lapsed during the period	option shares held as at 30 June 2009		
<b>I. Directors</b>											
Mr LUI Man Shing	16 June 2006	II	60,000	-	-	-	-	-	60,000	14.60	16 June 2008 – 15 June 2016
Mr Madhu Rama	28 April 2005	II	250,000	-	-	-	-	-	250,000	11.60	28 April 2007 – 27 April 2015
Chandra RAO	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
Mr KUOK Khoon Loong, Edward	16 June 2006	II	100,000	-	-	-	-	-	100,000	14.60	16 June 2008 – 15 June 2016
Mr Roberto V.	28 April 2005	I	75,000	-	-	-	-	-	75,000	11.60	28 April 2006 – 27 April 2015
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	16 June 2006	I	30,000	-	-	-	-	-	30,000	14.60	16 June 2007 – 15 June 2016
HAMILTON	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 Giovanni	16 June 2006	I	100,000	-	-	(100,000)	-	-	-	14.60	16 June 2007 – 15 June 2016
ANGELINI (Note 2)	16 June 2006	II	100,000	-	-	(100,000)	-	-	-	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
(Note 3)	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



## SHARE OPTIONS (continued)

			No. of option shares held as at 1 January	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 2009	Exercise price per option share HK\$	Exercisable period	
	Date of grant	Tranche	2009	the period	the period	the period	the period	the period	2009			
2.	Continuous	29 May 2002	I	269,500	-	-	-	(60,000)	(60,000)	149,500	6.81	29 May 2003 – 28 May 2012
	Contract	29 May 2002	II	150,500	-	-	-	(60,000)	(60,000)	30,500	6.81	29 May 2004 – 28 May 2012
	Employees	28 April 2005	I	2,948,000	-	-	(175,000)	(150,000)	(140,000)	2,483,000	11.60	28 April 2006 – 27 April 2015
		28 April 2005	II	3,714,000	-	-	(280,000)	(150,000)	(165,000)	3,119,000	11.60	28 April 2007 – 27 April 2015
		16 June 2006	I	1,875,000	-	-	(157,500)	-	(75,000)	1,642,500	14.60	16 June 2007 – 15 June 2016
		16 June 2006	II	2,178,500	-	-	(195,000)	-	(75,000)	1,908,500	14.60	16 June 2008 – 15 June 2016
3.	Other Participants	29 May 2002	I	275,000	-	-	-	-	-	275,000	6.81	29 May 2003 – 28 May 2012
		29 May 2002	II	285,000	-	-	-	-	-	285,000	6.81	29 May 2004 – 28 May 2012
		28 April 2005	I	-	-	175,000	-	-	-	175,000	11.60	28 April 2006 – 31 December 2009
		28 April 2005	I	425,000	-	150,000	-	-	-	575,000	11.60	28 April 2006 – 27 April 2015
		28 April 2005	II	-	-	280,000	-	-	-	280,000	11.60	28 April 2007 – 31 December 2009
		28 April 2005	II	425,000	-	150,000	-	-	-	575,000	11.60	28 April 2007 – 27 April 2015
		16 June 2006	I	-	-	120,000	-	-	-	120,000	14.60	16 June 2007 – 31 December 2009
		16 June 2006	I	350,000	-	197,500	-	-	-	547,500	14.60	16 June 2007 – 15 June 2016
		16 June 2006	II	-	-	157,500	-	-	-	157,500	14.60	16 June 2008 – 31 December 2009
		16 June 2006	II	517,500	-	197,500	-	-	-	715,000	14.60	16 June 2008 – 15 June 2016
<b>Total:</b>				15,023,000	-	1,427,500	(1,427,500)	(420,000)	(575,000)	14,028,000		

## Notes:

- The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$12.23.
- Mr Giovanni ANGELINI retired as a Director of the Company with effect from 30 April 2009.
- Madam KUOK Oon Kwong retired by rotation as a Director of the Company with effect from 27 May 2009.
- 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 2009 and up to the date of this report.
- Options on 20,000 shares with exercise price of HK\$14.60 per share have lapsed subsequent to 30 June 2009 and up to the date of this report.
- No options were exercised under the Executive Option Scheme and the New Option Scheme subsequent to 30 June 2009 and up to the date of this report.

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

As at 30 June 2009, 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 Corporation

Name of Company	Name of Director	Class of shares	Number of shares held				Total	Percentage of total issued share capital of the relevant Company as at 30 June 2009
			Personal interests (Note 1)	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 LUI Man Shing	Ordinary	833,333	–	–	–	833,333	0.03%
	Mr Madhu Rama Chandra RAO	Ordinary	30,000	–	–	–	30,000	0.00%
	Mr HO Kian Guan	Ordinary	628,750	–	117,832,393 (Note 4)	–	118,461,143	4.10%
	Mr KUOK Khoon Loong, Edward	Ordinary	1,032,222	–	–	–	1,032,222	0.04%
	Mr HO Kian Hock (Alternate to Mr HO Kian Guan)	Ordinary	–	–	117,832,393 (Note 4)	–	117,832,393	4.08%
(ii) Associated Corporation								
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.
- 77,164,807 shares were held through companies which were owned 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 owned 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 owned 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 owned 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 Corporation

As at 30 June 2009, 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 section headed "Share Options" of this report.

Save as mentioned above, as at 30 June 2009, 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 2009, 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 2009
<b>Substantial shareholders</b>			
Kerry Group Limited ("KGL") (Note 1)	Interest of controlled corporations	1,415,692,102	49.06%
Kerry Holdings Limited ("KHL") (Notes 2 and 3)	Beneficial owner	70,460,697	45.69%
	Interest of controlled corporations	1,248,117,055	
Caninco Investments Limited (Notes 3 and 4)	Beneficial owner	500,582,400	21.75%
	Interest of a controlled corporation	127,034,035	
Paruni Limited (Notes 3 and 4)	Beneficial owner	309,269,059	10.86%
	Interest of a controlled corporation	4,115,154	
<b>Persons other than substantial shareholders</b>			
Darmex Holdings Limited (Notes 3 and 4)	Beneficial owner	265,892,194	9.21%
JPMorgan Chase & Co.	Beneficial owner	6,950,100	5.91%
	Investment manager	820,600	
	Lending pool	162,692,516	

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 2009
<b>Person other than substantial shareholders</b>			
JPMorgan Chase & Co.	Beneficial owner	6,560,100	0.23%

## Notes:

1. Out of KGL's corporate interest in 1,415,692,102 shares, 1,318,577,752 shares were held through KHL and its controlled corporations and 97,114,350 shares were held by other wholly owned subsidiaries of KGL.
2. Out of KHL's corporate interest in 1,248,117,055 shares, 1,222,562,708 shares were held through its wholly owned subsidiaries, 14,687,292 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, a 73.61% owned subsidiary of the Company.
3. 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.
4. 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 2009, 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 2009.

## CORPORATE GOVERNANCE

The Company recognizes the importance of transparency in governance and accountability to shareholders. The Board believes that shareholders can maximize 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, 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 following the redesignation of Mr KUOK Khoon Loong, Edward as a Non-Executive Director on 1 June 2009, Mr KUOK Khoon Ean serves as both the Chairman and the Chief Executive Officer of the Company. The Company believes that the merging of the two roles is not significant given that Mr Madhu Rama Chandra RAO, an Executive Director of the Company, continues his role as the Chief Executive Officer of Shangri-La International Hotel Management Limited, the hotel management subsidiary of the Company which is entrusted with the primary responsibility of operating the assets of the Group.

## CORPORATE GOVERNANCE *(continued)*

There have been some changes to the particulars of Directors since the publication of the Company's 2008 annual report as follows:

1. China Central Properties Limited, of which Mr Alexander Reid HAMILTON is an Independent Non-Executive Director, has ceased to be a company listed on the London Stock Exchange's Alternative Investment Market (AIM).
2. Mr WONG Kai Man, BBS, JP has been appointed as a Non-Executive Director of the Securities and Futures Commission, Hong Kong.
3. Mr Roberto V. ONGPIN has been appointed as a Director of San Miguel Corporation, a company listed on the Philippine Stock Exchange, Inc and Forum Energy PLC, a company listed on the London Stock Exchange.

## 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, 2 October 2009 to Tuesday, 6 October 2009, 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 Wednesday, 30 September 2009.

On behalf of the Board



KUOK Khoon Ean  
*Chairman*

Hong Kong, 11 September 2009