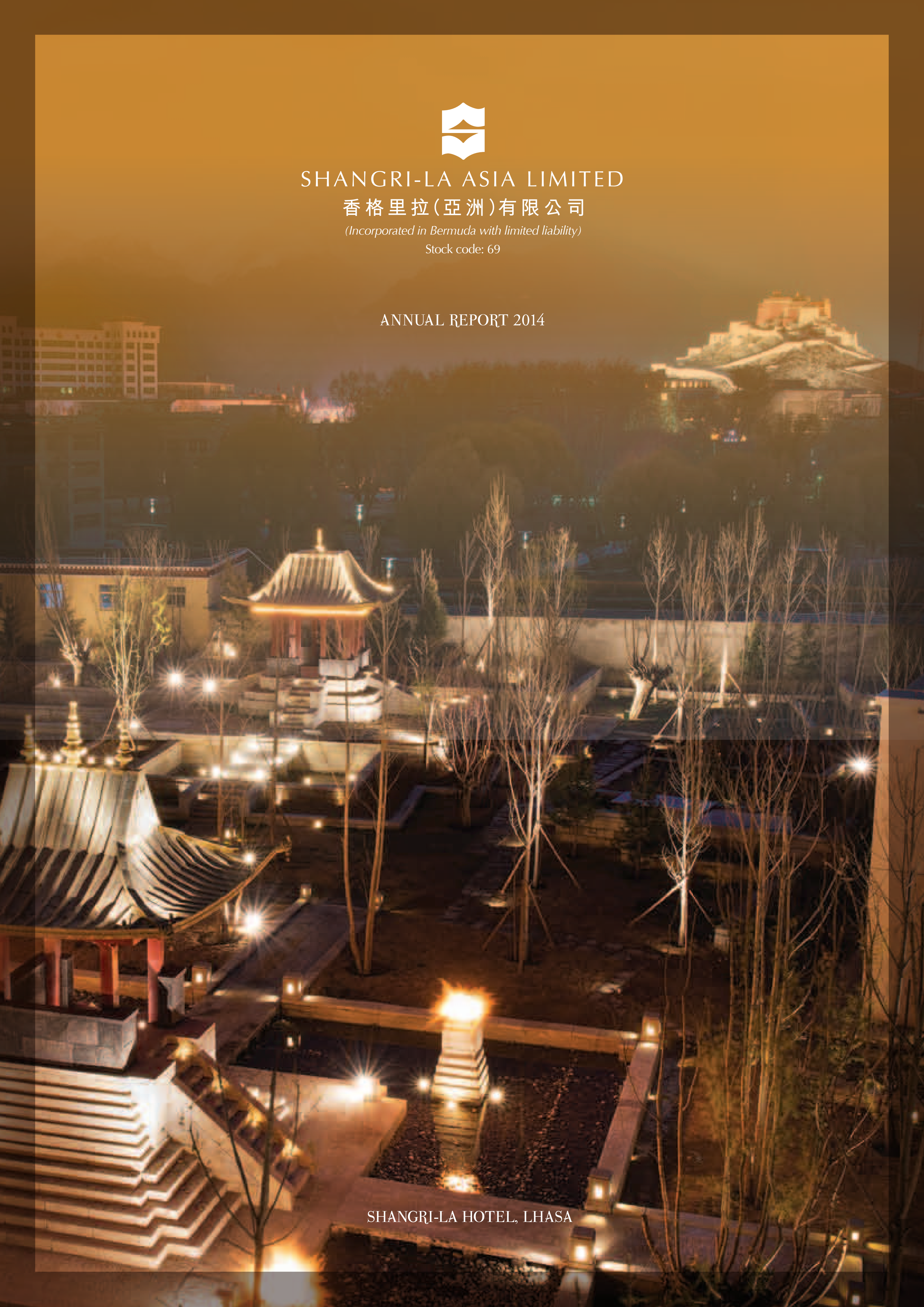
SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 69

ANNUAL REPORT 2014



SHANGRI-LA HOTEL, LHASA


BEST
BUSINESS HOTEL CHAIN
IN ASIA PACIFIC,
BUSINESS TRAVELLER
BEST
HOTEL GROUP,
TRAVEL + LEISURE
(CHINA)
FAVOURITE
HOTEL BRAND,
ASIA TATLER READERS'
CHOICE AWARDS

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CORPORATE INFORMATION

As at 25 March 2015

BOARD OF DIRECTORS

Executive Directors

Mr KUOK Khoon Chen Chairman and CEO

Mr LUI Man Shing Deputy Chairman

Mr Madhu Rama Chandra RAO CFO

Mr Gregory Allan DOGAN COO

Non-executive Directors

Mr HO Kian Guan

Ms KUOK Hui Kwong

Mr HO Kian Hock
(alternate to ***Mr HO Kian Guan***)

Independent Non-executive Directors

Mr Alexander Reid HAMILTON

Mr Timothy David DATTELS

Mr WONG Kai Man
(will retire on 28 May 2015)

Professor LI Kwok Cheung Arthur

EXECUTIVE COMMITTEE

Mr KUOK Khoon Chen chairman

Mr LUI Man Shing

Mr Madhu Rama Chandra RAO

REMUNERATION COMMITTEE

Mr WONG Kai Man chairman
(will cease to be chairman and member on 28 May 2015)

Mr KUOK Khoon Chen

Mr Alexander Reid HAMILTON
(will become chairman on 28 May 2015)

Professor LI Kwok Cheung Arthur

NOMINATION COMMITTEE

Mr KUOK Khoon Chen chairman

Mr Madhu Rama Chandra RAO
(will cease to be member on 28 May 2015)

Mr Alexander Reid HAMILTON

Mr WONG Kai Man
(will cease to be member on 28 May 2015)

Professor LI Kwok Cheung Arthur

AUDIT COMMITTEE

Mr Alexander Reid HAMILTON chairman

Mr WONG Kai Man
(will cease to be member on 28 May 2015 and
Mr HO Kian Guan will become member on 28 May 2015)

Professor LI Kwok Cheung Arthur

COMPANY SECRETARY

Ms TEO Ching Leun

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building, Central, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28/F Kerry Centre, 683 King's Road
Quarry Bay, Hong Kong

REGISTERED ADDRESS

Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building, 69 Pitts Bay Road
Pembroke HM08, Bermuda

STOCK CODES

HKSE	00069
Singapore stock exchange	S07
ADR	SHALY

WEBSITES

Corporate	www.ir.shangri-la.com
Business	www.shangri-la.com

KEY DATES

Closure of registers of members for Annual General Meeting
26 May 2015 to 28 May 2015, both dates inclusive

Annual General Meeting
28 May 2015

Record date for 2014 final dividend
2 June 2015

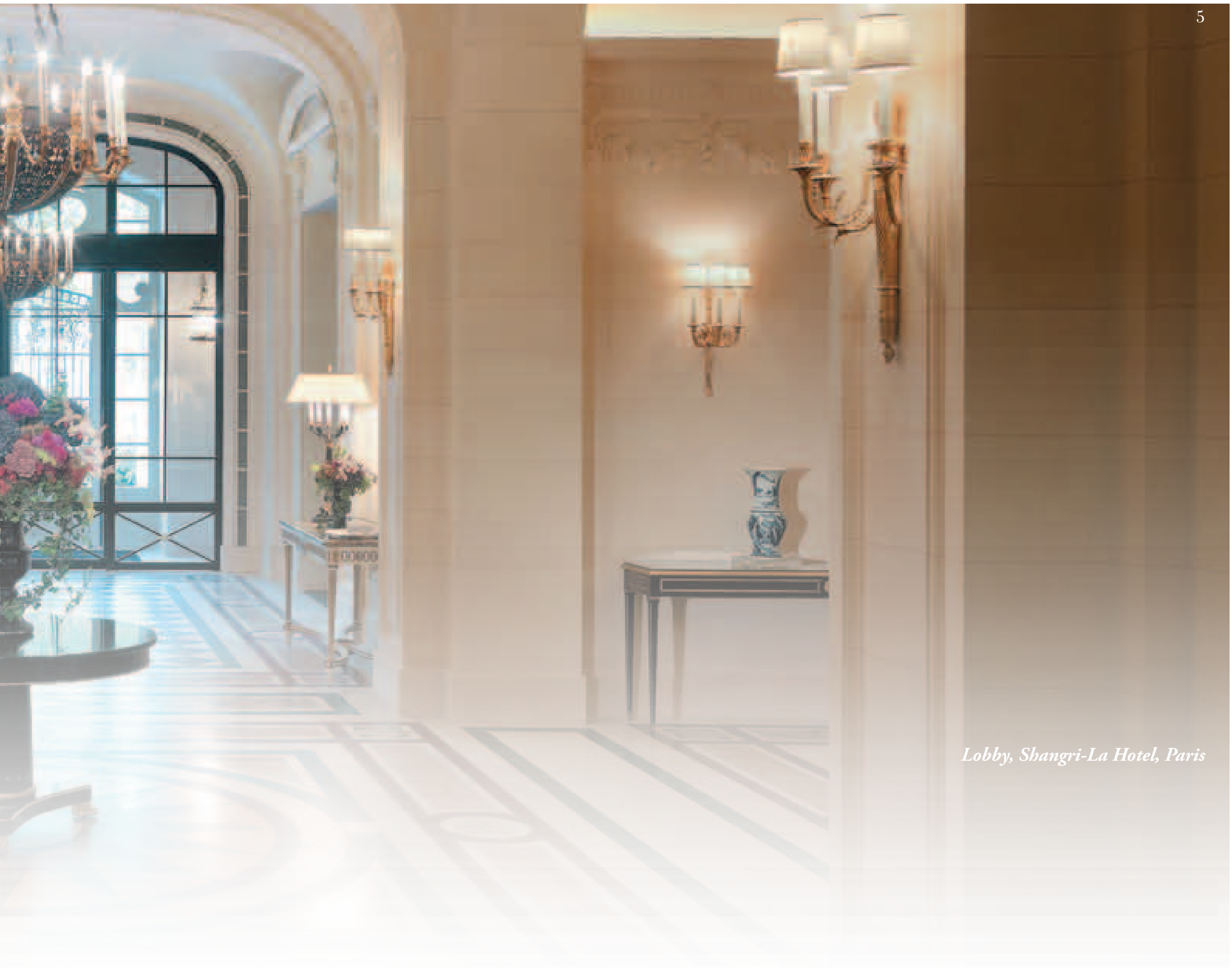
Payment of 2014 final dividend
11 June 2015
(subject to Shareholders' approval at the Annual General Meeting)

Announcement of 2015 interim results
August 2015

Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu

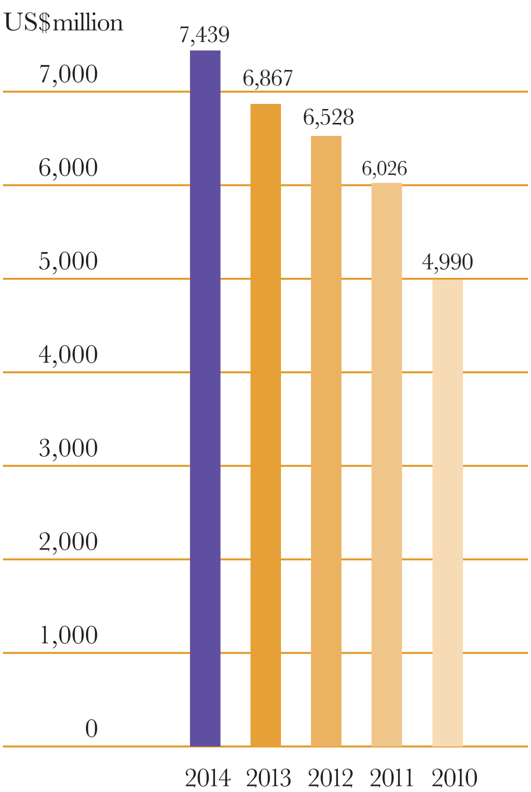
FINANCIAL HIGHLIGHTS

	2014	2013	2014/2013	2012	2011	2010
	US$ MILLION	US$ MILLION	% CHANGE	US$ MILLION	US$ MILLION	US$ MILLION
CONSOLIDATED						
For the year ended 31 December						
Sales	**2,112**	2,081	1%	2,057	1,912	1,575
EBITDA	**542**	572	-5%	608	550	461
Profit attributable to equity holders of the Company	**181**	392	-54%	359	253	287
Dividends	**52**	48	7%	81	81	77
Earnings per share (in US cents)	**5.77**	12.57	-54%	11.50	8.18	9.98
Dividends per share (in HK cents)	**12.00**	12.00	0%	20.00	20.00	20.00
As at 31 December						
Total equity	**7,439**	6,867	8%	6,528	6,026	4,990
Net assets attributable to the Company's equity holders	**6,904**	6,313	9%	6,025	5,605	4,638
Net borrowings to total equity ratio	**49.2%**	54.1%	-9%	54.0%	34.7%	43.0%
Net assets per share attributable to the Company's equity holders (in US dollars)	**1.93**	2.02	-4%	1.92	1.79	1.61
Net assets (total equity) per share (in US dollars)	**2.08**	2.19	-5%	2.08	1.93	1.73

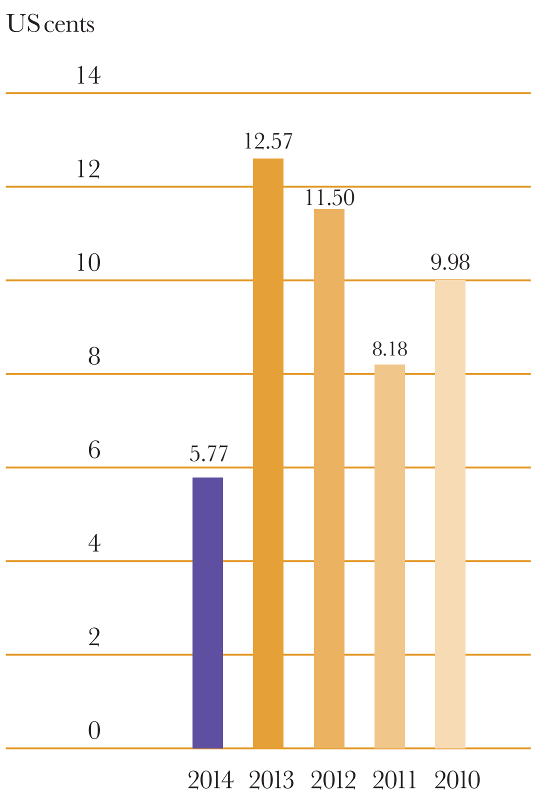


Lobby, Shangri-La Hotel, Paris

TOTAL EQUITY



EARNINGS PER SHARE



Shang Palace Private Dining Room
Shangri-La Hotel, Tianjin

APRIL

Shangri-La Hotel, Lhasa
opens in the heart of the Himalayas, offering guests access to dramatic mountain scenery and culturally significant Buddhist sites

Shangri-La commissions a life-sized infant elephant
statue from acclaimed Hong Kong artist Man Fung-Yi to support the city's Elephant Parade in aid of elephant conservation

Traders Hotel, Yangon in Myanmar
is rebranded the ***Sule Shangri-La, Yangon***
after an extensive renovation

MAY

Shangri-La Hotel, At The Shard, London
opens in the tallest building in Western Europe, marking the Group's first UK property and the city's first high-rise hotel

JULY

Shangri-La Hotel, Paris
is awarded Palace status less than four years after its opening by France's Tourism Development Agency; the prestigious accolade recognizes the property's embodiment of French standards of excellence and contributions to France's international image

AUGUST

Shangri-La unveils the Hotel Jen brand.
Catering to independently minded business and leisure travelers, the new brand was launched in major cities in Asia Pacific with a combination of new and rebranded Traders hotels

The Group acquires a 26% equity interest in Le Touessrok,
the renowned resort in the tropical enclave of Mauritius; the iconic resort will be relaunched as Shangri-La's Le Touessrok Resort & Spa, Mauritius in 2015 following a renovation

Shangri-La Hotel, Tianjin
opens in China's largest northern port city, marking the Group's 85th property

Shangri-La's loyalty programme, Golden Circle,
launches 'Instant Dining Awards,' allowing members to redeem their reward points instantly at all participating hotel restaurants

SEPTEMBER

The first Hotel Jen, Hotel Jen Orchardgateway Singapore,
opens its doors to the public on Singapore's main shopping strip

TĪNG Restaurant, Shangri-La Hotel, At The Shard, London

YEAR IN REVIEW

SEPTEMBER (continued)

Hotel Jen Tanglin Singapore,
located in the heart of the city-state, debuts following the rebranding of Traders Hotel, Singapore

Shangri-La is named Best Business Hotel Brand in Asia-Pacific
for the 13th straight year at the Business Traveller Asia-Pacific Travel Awards

OCTOBER

Hotel Jen Hong Kong
debuts following the rebranding of Traders Hotel, Hong Kong, offering sweeping views of Victoria Harbour from its rooftop pool

Shangri La's Sanya Resort & Spa, Hainan
opens on Haitang Bay on Mainland China's popular resort island

The Group's 88th hotel, Shangri La Hotel, Nanjing,
opens in China's ancient capital

Hotel Jen Brisbane
is unveiled with the rebranding of Traders Hotel, Brisbane

NOVEMBER

Among the first international hotel groups in China, ***Shangri-La celebrates its 30th anniversary*** in the country with nationwide events and special promotions

Hotel Jen Penang
debuts in the heart of George Town with the rebranding of Traders Hotel, Penang

Swimming Pool, Shangri-La Hotel, Nanjing

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to present the Annual Report of Shangri-La Asia Limited for the financial year ended 31 December 2014. While the hotel operating environment remained challenging, there were positive achievements for the Company in 2014.

Consolidated revenues grew 1.5% over the prior year to US$2.112 billion. After tax profits (but before non-operating items) attributable to Shareholders increased by 36.1% compared to 2013 to US$89.8 million due to a notable improvement in the performance of the Company's investment property portfolio. However, after tax profits (inclusive of non-operating items) fell by 53.9% to US$180.9 million in view of the reduced net unrealized revaluation gains on investment properties. A final dividend of HK6 cents per ordinary share has been proposed, which when added to the interim dividend will amount to a total dividend of HK12 cents per share for the financial year. Occupancy rates for our hotel portfolio overall nudged ahead marginally, but yields remained unchanged compared to the previous year.

The Group's results have been bolstered by our efforts to foster rental yields through our investment property portfolio. Rentals represent a recurring income and profit stream that will help sustain us through difficult periods and augment our revenues and profits.

A highlight of 2014 was the conclusion of a successful rights issue to augment the equity capital base of the Company and lower the level of debt.

It was also a year the Group unveiled the Hotel Jen brand to cater to contemporary and independent minded travelers who seek informal and efficient service together with our uncompromising high standards.

I wish to extend my heartfelt thanks to all of our staff and management for their hard work, dedication, and trust, and my fellow Directors for their continued support and guidance.

KUOK Khoon Chen
Chairman

25 March 2015

2014 AWARDS

The Group is proud to have received the following awards and commendations in 2014:

GROUP AWARDS

BEST
BUSINESS HOTEL CHAIN IN ASIA PACIFIC, BUSINESS TRAVELLER

BEST
LUXURY HOTEL BRAND, TTG TRAVEL AWARDS

BEST
BUSINESS HOTEL BRAND IN CHINA, BUSINESS TRAVELLER (CHINA)

FAVOURITE
HOTEL BRAND, ASIA TATLER READERS' CHOICE AWARDS

BEST
HOTEL CHAIN IN ASIA, PREMIER TRAVELER

BEST
USE OF AN EMERGING PLATFORM,
TRAVEL + LEISURE SOCIAL MEDIA
IN TRAVEL + TOURISM AWARDS

BEST
HOTEL GROUP,
TRAVEL + LEISURE
(CHINA)

MOBILE HERO
BRAND AWARD,
GOOGLE

E-TOURISM AWARD
MOST RELEVANT CHINESE
DIGITAL PRESENCE
– OPENING CAMPAIGN OF
SHANGRI-LA HOTEL, LHASA,
DIGITAL INNOVATION ASIA

Grand Ballroom,
Shangri-La Hotel, Tianjin

BOARD OF DIRECTORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

KUOK Khoon Chen

Chairman and CEO

Aged 60, Malaysian

Mr KUOK was appointed Chairman and CEO in August 2013, and was an Executive Director and Chairman from September 1997 to October 2000. He is also the chairman of SLIM-HK. Mr KUOK is an executive director of China World Trade Center Company Limited, an associate of the Company listed on the Shanghai stock exchange, and a non-executive director of Wilmar International Limited, listed on the Singapore stock exchange. He served as the chairman of HKSE-listed KPL until August 2013. Mr KUOK is the deputy chairman and managing director of KGL and the chairman and managing director of KHL (both Substantial Shareholders) and the chairman of Kuok Brothers Sdn Berhad and Paruni Limited (both Other Major Shareholders). He is deemed interested in more than 5% of the share capital of KGL (a Substantial Shareholder) within the meaning of Part XV of the SFO. He holds a bachelor's degree in economics from Monash University, Australia. Mr KUOK is the chairman of the Nomination Committee and the Executive Committee, and a member of the Remuneration Committee. Ms KUOK Hui Kwong, a Non-executive Director, is his sister and Ms TEO Ching Leun, the Company's Company Secretary, is his cousin.

LUI Man Shing

Deputy Chairman

Aged 71, Chinese

Mr LUI was appointed an Executive Director in March 2002 and Deputy Chairman in March 2007. Mr LUI is the vice chairman and managing director of Shangri-La Hotel Public Company Limited, a subsidiary of the Company listed on the Thailand stock exchange. He is also a director of KHL (a Substantial Shareholder) and holds an interest in less than 5% of the share capital of KGL (a Substantial Shareholder). Mr LUI is also a member of the Executive Committee.

Madhu Rama Chandra RAO

CFO

Aged 63, Indian

Mr RAO was appointed an Executive Director in December 2008. He joined SLIM-HK in May 1988 as group financial controller and was appointed CFO in 1997. Mr RAO is also the vice chairman of SLIM-HK. Mr RAO holds an interest in less than 5% of the share capital of KGL (a Substantial Shareholder). He worked previously with a leading chartered accountancy practice in Mumbai, India for 17 years, including 12 years as partner. Mr RAO graduated from the University of Mumbai and is a fellow of the Institute of Chartered Accountants of India. He is also a member of the Nomination Committee and the Executive Committee. He will cease to be a member of the Nomination Committee in May 2015.

Gregory Allan DOGAN

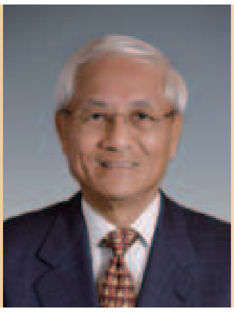
COO

Aged 50, British

Mr DOGAN was appointed an Executive Director in May 2010. He joined the Group in 1997 and is the COO as well as the president and chief executive officer of SLIM-HK. Mr DOGAN holds an interest in less than 5% of the share capital of KGL (a Substantial Shareholder). Prior to joining the Group, Mr DOGAN held senior managerial positions at luxury hotels in Spain, the United Arab Emirates and China.

BOARD OF DIRECTORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS



HO Kian Guan

Non-executive Director

Aged 69, Singaporean

Mr HO was appointed a Non-executive Director in May 1993. He is the executive chairman of Keck Seng (Malaysia) Berhad, listed on the Malaysia stock exchange, and HKSE-listed Keck Seng Investments (Hong Kong) Limited. Mr HO holds a bachelor's degree in business administration and commerce. He will become a member of the Audit Committee in May 2015. Mr HO Kian Hock, his alternate, is his brother.

KUOK Hui Kwong

Non-executive Director

Aged 37, Malaysian

Ms KUOK was appointed a Non-executive Director in October 2014. She is an executive director of SCMP Group Limited (listed on the HKSE) and a director of The Post Publishing Public Company Limited (listed on the Thailand stock exchange). Ms KUOK served as the managing director and chief executive officer of SCMP Group Limited until June 2012. She is the governor of Kerry Group Kuok Foundation (Hong Kong) Limited, a charity organization. Ms KUOK is a director of KHL (a Substantial Shareholder). She is deemed interested in more than 5% of the share capital of KGL (a Substantial Shareholder) within the meaning of Part XV of the SFO. She received her undergraduate degree from Harvard University. Ms KUOK is the sister of Mr KUOK Khoon Chen, the Chairman, and Ms TEO Ching Leun, the Company's Company Secretary, is her cousin.

HO Kian Hock

Alternate Director

Aged 67, Singaporean

Mr HO was appointed alternate Director to Mr HO Kian Guan in November 2004. He is the deputy executive chairman of Keck Seng Investments (Hong Kong) Limited, listed on the HKSE, and the managing director of Keck Seng (Malaysia) Berhad, listed on the Malaysia stock exchange. Mr HO holds a bachelor of science and engineering degree from the University of South Wales, Australia. He is the brother of Mr HO Kian Guan, a Non-executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Alexander Reid HAMILTON

Independent Non-executive Director

Aged 73, British

Mr HAMILTON was appointed an Independent Non-executive Director in November 2001. He is an independent non-executive director of CITIC Limited, Esprit Holdings Limited and COSCO International Holdings Limited, all listed on the HKSE, and JP Morgan China Region Fund Inc, a US-registered, closed-end fund quoted on the New York stock exchange. Mr HAMILTON is also an independent non-executive director of Octopus Cards Limited and DBS Bank (HK) Limited. He is a member of the Institute of Chartered Accountants of Scotland, a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Institute of Directors. He was a partner in Price Waterhouse (now known as PricewaterhouseCoopers) for 16 years. Mr HAMILTON is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. He will become the chairman of the Remuneration Committee in May 2015.

BOARD OF DIRECTORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Timothy David DATTELS

Independent Non-executive Director
Aged 57, American

Mr DATTELS was appointed an Independent Non-executive Director in February 2004. He is currently a managing partner of TPG Capital Asia. Mr DATTELS also serves as a director of BlackBerry Limited, listed on the Toronto stock exchange and NASDAQ. He previously served as a partner and managing director at Goldman Sachs, where he was head of investment banking for Asia ex-Japan from 1996 to 2000, and advised several leading Asian entrepreneurs and governments. Mr DATTELS holds a bachelor's degree from the University of Western Ontario, Canada and an MBA from Harvard Business School.

WONG Kai Man

Independent Non-executive Director
Aged 64, Chinese

Mr WONG was appointed an Independent Non-executive Director in July 2006. He is also an independent non-executive director of SUNeVision Holdings Limited, SCMP Group Limited and VTech Holdings Limited, all listed on the HKSE. Mr WONG served as an independent non-executive director of HKSE-listed China Construction Bank Corporation until December 2013. Mr WONG is also a member of the Financial Reporting Council and a non-executive director of the Securities and Futures Commission, and was a member of HKSE's Growth Enterprise Market Listing Committee from 1999 to 2003. He is an accountant with 32 years of audit experience, and retired as an audit partner from PricewaterhouseCoopers, Hong Kong in 2005. He holds a bachelor of science degree from The University of Hong Kong and an MBA from The Chinese University of Hong Kong. Mr WONG is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. He will retire as a Director and will cease to be member of all these Board committees in May 2015.

LI Kwok Cheung Arthur

Independent Non-executive Director
Aged 69, Chinese

Professor LI was appointed an Independent Non-executive Director in March 2011. He is currently emeritus professor of surgery, The Chinese University of Hong Kong. Professor LI is also a non-executive deputy chairman of HKSE-listed The Bank of East Asia, Limited, an independent non-executive director of HKSE-listed Nature Home Holding Company Limited and a director of CaixaBank, SA, listed on the Spain stock exchange. He served as an independent non-executive director of The Wharf (Holdings) Limited, listed on the HKSE, until August 2013; and as a non-executive director of AFFIN Holdings Berhad (listed on the Malaysia stock exchange) and BioDiem Limited (delisted from the Australia stock exchange in November 2013) until December 2014. He is also the chairman of Digital Broadcasting Corporation Hong Kong Limited and the Council for Sustainable Development of the Government of the Hong Kong Special Administrative Region and a member of the National Committee of the Chinese People's Political Consultative Conference and the Executive Council of the Hong Kong Special Administrative Region. Professor LI obtained his medical degree from the University of Cambridge, and served previously as vice-chancellor (president) of The Chinese University of Hong Kong and Secretary for Education and Manpower. Professor LI is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

COMPANY SECRETARY

TEO Ching Leun

Company Secretary
Aged 54, Singaporean

Ms TEO was appointed Company Secretary in March 2008. She holds an LLB (Hons) degree from the National University of Singapore and an LLM degree from the University of London. She is a solicitor qualified in Hong Kong and has also been admitted as a solicitor of the Supreme Court of England and Wales and as an advocate and solicitor of the Supreme Court of Singapore. Ms TEO is the cousin of Mr KUOK Khoon Chen, the Chairman, and Ms KUOK Hui Kwong, a Non-executive Director.

BOARD OF DIRECTORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Darren GEARING

Executive Vice President
Aged 49, British

Mr GEARING joined the Group in 1990 and is the Executive Vice President and General Manager of Shangri-La Hotel, At The Shard, London. His portfolio includes hotels in Europe, North America, India and the Middle East. Prior to his current role, he was Vice President and General Manager of the Island Shangri-La, Hong Kong, overseeing Hong Kong, Beijing and Inner Mongolia.

Wolfgang KRUEGER

Executive Vice President
Aged 50, German

Mr KRUEGER joined the Group in 2001 and oversees the operations of Shangri-La hotels in Hong Kong, Guangdong, Guangxi, Mongolia, Inner Mongolia, the Philippines, Taiwan and Japan, along with the Aberdeen Marina Club in Hong Kong. He was previously Vice President and General Manager of the Island Shangri-La, Hong Kong. During his tenure with the Group, Mr KRUEGER has managed major Shangri-La hotels in gateway cities like Hong Kong, Tokyo, Taipei and Manila. He has more than 20 years of hospitality experience and has previously held management posts in the United Kingdom, Turkey, Germany, the United States and throughout Asia.

Christopher LIU

Executive Vice President – Projects

Aged 47, Malaysian

Mr LIU rejoined the Group as Executive Vice President – Projects in May 2013 after working for the Group from January 2001 to September 2006. Mr LIU spearheads the Group's development division and oversees new hotel construction and renovation projects. Mr LIU is a qualified architect and holds a bachelor of architecture degree from Cornell University.

Jean-Michel OFFE

Executive Vice President – Development and Innovation

Aged 58, French

Mr OFFE rejoined the Group as Executive Vice President – Development and Innovation in June 2013 after working for the Group from August 1993 to October 2011. He is in charge of the execution and implementation of all new hotel concepts and design visions. With more than 30 years of luxury hotel experience, Mr OFFE has held various senior management positions at the Hong Kong corporate office and the Group's flagship hotels in Bangkok and Singapore. Mr OFFE holds a diploma from CAP Cuisine Classique, Paris.

BOARD OF DIRECTORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

PAW Chuen Kee

Executive Vice President
Aged 57, Singaporean

Mr PAW joined the Group in 1994 and is in charge of a portfolio of hotels in Mainland China. He was previously the Area Vice President and General Manager of Shangri-La Hotel, Guangzhou; Vice President – Sales & Marketing, looking after regional sales offices and a cluster of hotels in China; and General Manager of the Traders Hotel, Beijing. Mr PAW has more than 30 years of hospitality experience and held management posts in China, the United States and his native country Singapore. Mr PAW holds a bachelor's degree in hotel management from Brigham Young University in the United States.

Cetin SEKERCIOGLU

Executive Vice President
Aged 54, Turkish

Mr SEKERCIOGLU joined the Group in 1994, and currently oversees Shangri-La hotels and resorts in Southeast Asia. He was previously responsible for the Shanghai corporate hub and was in charge of hotels in South and East China and Taiwan. Mr SEKERCIOGLU has also held senior executive positions in Hong Kong, Singapore, Shanghai and Thailand, and was the General Manager of various Group hotels. His previous hospitality management experience includes posts in Turkey, the United States, France, England, Switzerland and Italy. Mr SEKERCIOGLU is a graduate of Brighton Technical College, England.

Lothar NESSMANN

Chief Operating Officer – Hotel Jen
Aged 55, German

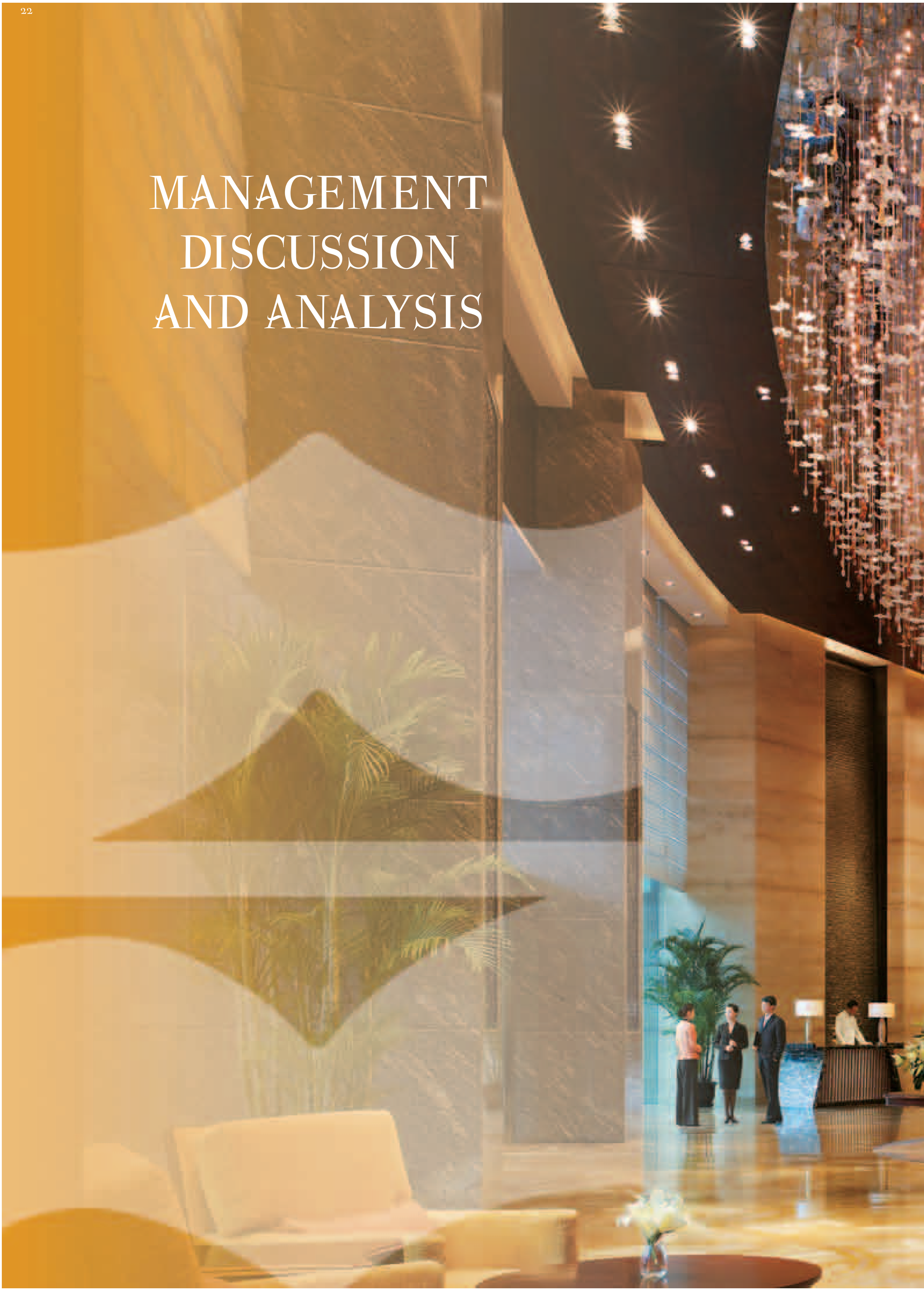
Mr NESSMANN rejoined the Group in August 2001 after working for the Group from August 1993 to September 1998. Mr NESSMANN is responsible for overseeing the Hotel Jen/Traders portfolio in Asia and the Middle East, along with properties in the development pipeline. Prior to his current position, he was Vice President and General Manager of the Shangri-La Hotel, Kuala Lumpur. During his tenure, he held management positions at Shangri-La hotels throughout Asia. With nearly 30 years of luxury hotel experience, he has also held posts in China, the Middle East and the United Kingdom.

Steven TAYLOR

Chief Marketing Officer
Aged 40, British

Mr TAYLOR joined the Group in January 2015 and oversees all functions across Shangri-La's sales and marketing division, including digital marketing, brand communications, loyalty and partner marketing, customer relationship management and corporate communications. Prior to joining the Group, he was vice president of marketing for Starwood Hotels & Resorts in Europe, Africa and the Middle East, where he was responsible for 260 hotels under nine brands. He has over 16 years of experience in brand management, digital marketing, e-commerce and revenue management. Mr TAYLOR holds an EMBA from Swiss School of Hospitality & Tourism.

MANAGEMENT DISCUSSION AND ANALYSIS



Valley Wing Lobby
Shangri-La Hotel. Qingdao

Lobby Lounge Mural
China World Hotel, Beijing

1. PERFORMANCE REVIEW

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

Hotel ownership (including hotels under lease)

Hotel management services for Group-owned hotels and for hotels owned by third parties

Property rentals from ownership and leasing of office properties, commercial properties and serviced apartments/ residences

The Group currently owns and/or manages hotels under five brands:

Shangri-La Hotels are five-star luxury hotels characterized by extensive facilities and exceptional hospitality, located in premier cities.

Shangri-La Resorts offer travelers and families relaxing and engaging holiday experiences in some of the world's most exotic destinations.

Kerry Hotels are five-star hotels with unique contemporary designs and sincere, intuitive service.

Hotel Jen is a new brand launched in 2014 that caters to an emerging generation of independently-minded business and leisure travelers with a friendly, technology-centric approach.

Traders Hotels are four-star business hotels that also appeal to leisure travelers.

The property rental market has helped support the Group's profit performance this year.

Mainland China continues to be the primary focus of the Group's principal business activities, accounting for half of the Group's hotel portfolio. The financial performance of the hotel ownership segment for the year has been adversely affected by a difficult operating environment in Mainland China as well as the start-up costs (including depreciation) of newly opened hotels. The weakening of most currencies relative to the US dollar also diluted Group hotels' revenues and profits. Overall, weighted average occupancies of Group-owned hotels improved by 2 percentage points to 62% in 2014, while the weighted Average Room Rate ("**ADR**") decreased by 3% to US$194. Weighted average Room Yields ("**RevPAR**") remained unchanged during the year.

In comparison, investment properties continued to perform well. With the full-year profit contribution from the Jing An Kerry Centre (Phase II) in Shanghai, which opened for business in June 2013, the property rentals segment has replaced the hotel ownership segment as the Group's main source of operating profits for the year.

The Group continued with its rollout plan for new hotels in 2014. In Mainland China, the 262-room and 17-suite Shangri-La Hotel, Lhasa (a 100%-owned hotel) and the 304-room Shangri-La Hotel, Tianjin (a 20%-owned hotel) opened for business on 17 April 2014 and 8 August 2014, respectively. Phase I of the 506-room Shangri-La's Sanya Resort & Spa, Hainan (a 100%-owned hotel), which comprises 340 rooms, and phase I of the 522-room Shangri-La Hotel, Nanjing (a 55%-owned hotel), which comprises 450 rooms, opened for business on 24 October 2014 and 25 October 2014, respectively.

Two new hotels under operating leases were also launched last year. The Group's first hotel in the United Kingdom – Shangri-La Hotel, At The Shard, London – opened on 6 May 2014. The 202-room property is the Group's third hotel in Europe and the city's first high-rise hotel. The 502-room Hotel Jen Orchardgateway Singapore opened for business on 15 September 2014, offering direct access to Singapore's main shopping strip.

Lobby, Shangri-La Hotel, Lhasa

MANAGEMENT DISCUSSION AND ANALYSIS

The Group acquired a 26% equity interest in the 203-room Le Touessrok Resort in Mauritius, one of the most iconic properties in the Indian Ocean.

The Group acquired a 26% equity interest in the 203-room Le Touessrok Resort in Mauritius, one of the most iconic properties in the Indian Ocean, on 4 August 2014. The resort will be closed from April to October 2015 for a major renovation and will be rebranded Shangri-La's Le Touessrok Resort & Spa, Mauritius.

In April 2014, the former Traders Hotel, Yangon in Myanmar was rebranded the Sule Shangri-La, Yangon following the completion of an extensive renovation of its facilities. Existing Traders hotels in Singapore, Hong Kong, Brisbane and Penang were rebranded Hotel Jen in late 2014.

In terms of investment properties, Phase II of Shangri-La Residences in Yangon, Myanmar (a 55.86% Group-owned serviced apartment complex) wholly opened for business in August 2014.

The Group has equity interests in certain joint venture companies which are also engaged in businesses other than the above-mentioned main business segments. These included:

- the sale of residential units in Phase I and II of Arcadia Court held by a project company in Tangshan City (a 35%-owned project) in Mainland China,
- the sale of residential units in Phase I of Tianjin Kerry Centre (a 20%-owned project) in Mainland China,
- the sale of residential units and rental of office spaces in Phase I of Shenyang Kerry Centre (a 25%-owned project) in Mainland China; and
- wine trading in Hong Kong and Mainland China (a 20%-owned business).

These other businesses did not have a material impact on the Group's consolidated results for the year ended 31 December 2014.

(a) Revenues

(i) Hotel Ownership

As of 31 December 2014, the Group had equity interest in 67 operating hotels including the Portman Ritz-Carlton Hotel, Shanghai ("**Portman**") (2013: 62) and 3 hotels under operating lease (2013: 1), representing a room inventory of 30,883 (2013: 28,592) across Asia Pacific and Europe. Details of the operating hotels owned by the subsidiaries and associates are disclosed in Note 42 to the consolidated financial statements included in this Annual Report.

On an unconsolidated basis, as in 2013, room revenues for the year accounted for around 51% of the total revenues from hotel operation while food and beverage revenues accounted for around 43%. Benefiting from additional contributions from newly-opened hotels, room revenues and food and beverage revenues increased by 5% and 6% in 2014, respectively.

Comments on performance by geography:

The People's Republic of China

Hong Kong

The two Shangri-La hotels recorded a 5% increase in weighted average RevPAR in the first half of the year, but there was no gain on a full-year basis as a result of the political developments in the city in the last quarter of the year. Likewise, the Hotel Jen Hong Kong (formerly the Traders Hotel, Hong Kong, rebranded on 6 October 2014) only recorded a 4% increase in RevPAR for the year compared to a 17% rise in the first half. Weighted average occupancies of the three hotels increased from 80% to 82% in 2014 while the weighted ADR decreased marginally from US$331 to US$327.

Mainland China

Three new Shangri-La hotels (in Lhasa, Tianjin and Nanjing) and one resort (in Sanya) opened for business during the year.

As at 31 December 2014, the Group has equity interest in 37 operating hotels in Mainland China. The challenging business environment confronting the luxury hotel segment persists in a market that has been characterized by weak demand and the emergence of additional competitive supply in most cities. While demand in key cities like Beijing and Shanghai is gradually improving, intense price competition continues for some hotels in cities with supply concerns. This led to a decrease in the weighted ADR of 8%. However overall weighted average occupancies increased by 4 percentage points to 55%. Overall weighted average RevPAR decreased marginally by 2%. The Pudong Shangri-La, East Shanghai, the Kerry Hotel Pudong, Shanghai and the Kerry Hotel, Beijing registered increases in RevPAR of 2%, 11% and 19%, respectively. Supported by higher occupancy, the Shangri-La hotels in Futian, Manzhouli, Xian and Yangzhou also recorded gains in RevPAR of 5%, 8%, 10% and 33%, respectively. Among new hotels opened in 2013, the Shangri-La hotels in Qufu, Jing An (Shanghai) and Shenyang registered increases in RevPAR of 6%, 53% and 64%, respectively in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Singapore

The Hotel Jen Orchardgateway Singapore opened for business on 15 September 2014.

The Shangri-La Hotel, Singapore recorded a marginal increase in RevPAR of 3% on the back of a 3 percentage-point increase in occupancy. The Shangri-La's Rasa Sentosa Resort & Spa, Singapore continued to benefit from robust demand from leisure travelers and registered a 10% rise in RevPAR, mainly supported by a 7 percentage-point increase in occupancy. However, a 6% decline in the ADR of the Hotel Jen Tanglin Singapore (the former Traders Hotel, Singapore, rebranded on 25 September 2014) resulted in the overall weighted ADR of the Singapore hotel portfolio decreasing by 3% for the year and a marginal decrease in the weighted average RevPAR of 1%. Weighted average occupancies of the hotels increased 1 percentage point to 76%.

Facade from Siloso Beach
Shangri-La's Rasa Sentosa Resort & Spa, Singapore

The Philippines

Overall, the Group's hotels in the country recorded weighted average occupancies of 72% (2013: 67%) and an increase in weighted average RevPAR of 2%. Weighted ADR declined 5% to US$199 due to a 5% depreciation of the Philippine peso relative to the US dollar.

Malaysia

The Malaysia Airlines tragedies in 2014 resulted in a decline in visitor arrivals to the country. Occupancies at the Shangri-La's Rasa Sayang Resort & Spa, Penang were also adversely affected by the renovation programme of all the guestrooms in the Garden Wing from April to December 2014. All hotels recorded decreases in occupancy of between 4 and 13 percentage points with the exception of the Hotel Jen Penang (the former Traders Hotel, Penang, rebranded on 4 November 2014) and the Golden Sands Resort, Penang. Overall, weighted average RevPAR and weighted average occupancies decreased by 4% and 3 percentage points to 74%, respectively. Weighted ADR remained unchanged at US$148.

Thailand

Affected by the political environment in the city for much of the year, the Shangri-La Hotel, Bangkok recorded a 27% decline in RevPAR, mainly due to occupancy decreasing from 65% in 2013 to 48%. Since December 2014, occupancy rates at the hotel have improved. The performance of the Shangri-La Hotel, Chiang Mai improved, registering increases in ADR and RevPAR of 9% and 6%, respectively. Weighted average occupancies of the two hotels were 54% (2013: 66%). Weighted ADR decreased marginally from US$157 in 2013 to US$154.

Japan

With the weakening of the Japanese yen, foreign visitor arrivals continued to increase. The Shangri-La Hotel, Tokyo registered an increase in RevPAR of 11%, supported by a 6 percentage-point gain in occupancy to 86% and an increase in ADR of 4% to US$460. This operating performance has helped reduce the cash losses caused by the burden of the rental of the property.

Australia

Overall, weighted average occupancies of the three hotels remained at 81%. Both weighted average RevPAR and ADR decreased marginally by 3%, mainly due to the sharp depreciation of the Australian dollar against the US dollar.

France

Supported by a rise in occupancy of 5 percentage points to 75% and of 1% in the ADR, the Shangri-La Hotel, Paris recorded an increase in RevPAR of 9% for the year.

The United Kingdom

The Shangri-La Hotel, At The Shard, London recorded an ADR of US$619 with 60% occupancy since opening in May 2014. The financial performance of the hotel in its opening year was weighed down by the burden of rental and depreciation charges.

Other Countries

The performance of the Shangri-La Bosphorus, Istanbul in Turkey improved substantially during the year. The hotel recorded a 52% gain in RevPAR, led by a significant increase in occupancy of 23 percentage points from 2013 to 62%.

The resort in Fiji registered a 9% increase in RevPAR as a result of a 10 percentage-point increase in occupancy.

The RevPAR of the Shangri-La Hotel, Jakarta decreased by 10% as a result of a 7% fall in ADR linked to the depreciation of the Indonesian rupiah and a 2 percentage-point decline in occupancy.

The total room inventory of the Sule Shangri-La, Yangon increased from 320 to 472 following the completion of a phased major renovation in April 2014. RevPAR decreased by 12% as a result of a 10 percentage-point decline in occupancy to 61% during the year, albeit on a substantially higher inventory base.

The performance of the two hotels in the Maldives continued to improve, registering an increase in weighted average RevPAR of 5%, led by a 7 percentage-point gain in weighted average occupancies.

The resort in Mauritius recorded an occupancy rate of 76% and ADR of US$283 in the post-acquisition period.

Note: The RevPAR of hotels under renovation has been calculated by including the rooms under renovation in the number of available rooms, in line with industry practice.

(ii) Hotel Management Services

In August 2014, the Group took over the hotel management of Le Touessrok Resort in Mauritius following the completion of the Group's acquisition of a 26% equity interest in the resort. Except for the Portman, all the other 66 hotels (2013: 61) in which the Group has equity interest and 3 hotels under lease (2013: 1) are managed by the hotel management subsidiary, SLIM International Limited and its subsidiaries ("**SLIM**") as at 31 December 2014.

As at 31 December 2014, SLIM also managed 19 operating hotels (6,213 available rooms) owned by third parties located in Toronto, Vancouver, New Delhi, Muscat (Oman), Manila, Abu Dhabi (2 hotels), Dubai (2 hotels); Putrajaya, Johor and Kuala Lumpur (Malaysia); Taipei and Tainan (Taiwan); and Beijing, Changzhou (2 hotels), Haikou and Suzhou (Mainland China).

As mentioned earlier, the Group launched its new brand Hotel Jen with the opening of the Hotel Jen Orchardgateway Singapore on 15 September 2014. Existing Traders hotels in Singapore, Hong Kong, Brisbane and Penang were rebranded Hotel Jen before the end of 2014. Progressively, most other Traders hotels will be rebranded Hotel Jen by April 2015.

Consolidated revenues of SLIM, after elimination of revenue earned from fellow subsidiaries, recorded an increase of 11%, mainly due to the opening of new hotels during the year and higher project management fees on hotel projects under development.

The management agreement for a hotel under development in Doha, Qatar was terminated during the year. As at 31 December 2014, SLIM had management agreements on hand for 4 new hotels under development which were owned by third parties.

Existing Traders hotels in Singapore, Hong Kong, Brisbane and Penang were rebranded Hotel Jen before the end of 2014.

Club Lounge
Hotel Jen Tanglin Singapore

(iii) Property Rentals

The Group's major investment properties are located principally in Shanghai and Beijing and are owned by associates. Principal assets include China World Trade Center in Beijing. The Group entered into an agreement on 15 July 2014 with China Shimao Investment Co. Limited, the joint venture shareholder of the development, to extend the joint venture term to 29 August 2052. The extension of the joint venture term was approved by the relevant authorities on 26 September 2014.

Investment properties in Mainland China generally experienced continuous growth in yields during the year.

In Beijing, the China World Trade Center registered 97% occupancy for office spaces and 98% for commercial spaces. Yields of office and commercial spaces recorded increases of 11% and 6%, respectively. In comparison, yields of both the serviced apartments in the Center and in the Century Towers, Beijing recorded a marginal decrease of 2%. Major renovations to the Center's exhibition hall and its connecting area are on-going. The existing spaces will be converted into a shopping mall with higher rental yields and the total lettable area will be increased by approximately 21,500 square meters upon completion. The Beijing Kerry Centre registered remarkable gains in yields of office spaces (20%) and commercial spaces (361%). The serviced apartments in the Centre re-opened for business in April 2014 after the completion of major renovations, and registered 61% occupancy.

In Shanghai, the newly opened Jing An Kerry Centre (Phase II) registered occupancy of 71% for office spaces and 94% for commercial spaces. Yields of both office spaces and commercial spaces climbed 92%. Yields of the serviced apartments of Jing An Kerry Centre Phase I registered further growth of 257% during the year following the completion of major renovations in 2013, while yields of office spaces in the Center declined by 11%. The Kerry Parkside, Pudong also recorded further growth in yields for serviced apartments (3%), office spaces (6%) and commercial spaces (17%). Yields of serviced apartments in the Shanghai Centre recorded an increase of 8%, while yields of commercial spaces and office spaces saw marginal declines of 1% and 3%, respectively.

In other cities in Mainland China, the office spaces of the Chengdu Shangri-La Centre and Shangri-La Centre, Qingdao recorded growth in yields of 1% and 8%, respectively. Yields of the commercial spaces in these centres however recorded declines of 10% and 9%, respectively. Yields of Shangri-La Residences, Dalian gained 48% during the year after completion of phased renovations in January 2014. Yields of the office and commercial spaces in the Shangri-La Hotel, Changchun recorded increases of 5% and 10%, respectively while yields of the serviced apartments in the hotel decreased 6%.

In Singapore, the Group recorded an increase of 9% in yields for the Shangri-La Apartments but a decline of 20% for the Shangri-La Residences. Commercial spaces, however, recorded steady improvements in yields of 3% and 5% for Tanglin Mall and Tanglin Place, respectively. Yields of office spaces in Tanglin Place registered a marginal decrease of 1%.

In Kuala Lumpur, the UBN Apartments and the office spaces of the UBN Tower recorded decreases in yields of 7% and 2%, respectively. Yields of the commercial spaces of UBN Tower however recorded a marginal 2% gain.

In Bangkok, yields for the serviced apartments in the Shangri-La Hotel, Bangkok gained 3% while yields of the commercial spaces and office spaces in the Chao Phya Tower recorded decreases of 6% and 21%, respectively.

In Myanmar, the Shangri-La Residences, Yangon registered a remarkable 789% jump in yields with Phase II opening for business.

In other countries, yields of commercial spaces in the Central Tower, Ulaanbaatar in Mongolia recorded an increase of 3% while the office spaces in the tower registered a 15% decline. Commercial spaces in the Pier Retail Complex, Cairns in Australia also saw yields decrease 19%.

(b) Segment Results

Details of the segment information are provided in Note 5 to the consolidated financial statements included in this Annual Report. The increase in net profit from property rentals (US$30.1 million) and hotel management (US$7.5 million) together with the decline of pre-opening expenses for projects under development (US$21.4 million) have offset the reduction in net profit from hotel ownership of US$38.1 million. Net profit before non-operating items in 2014 increased substantially by 36.1% to US$89.8 million.

The overall results of the hotel ownership segment were adversely affected by the net losses of the Mainland China portfolio and the new hotel in London. Hotels in Hong Kong and Singapore continued to be the key profit contributors for this segment. Overall results of the hotels in Hong Kong and Singapore recorded marginal growth of US$1.9 million and US$3.2 million, respectively. The Mainland China hotel portfolio recorded a net loss of US$15.1 million during the year as a result of lower weighted average RevPAR, start-up losses of newly opened hotels due to high depreciation charges and exchange losses on foreign currency borrowings. Hotels have to contend with a relatively high fixed cost base by the nature of their business, resulting in a disproportionately greater negative impact on financial results in the context of lower revenues. The hotels in the Philippines performed relatively well, recording an increase in net profit of US$2.3 million. Net profit from the hotels in Thailand decreased marginally by US$0.4 million while net profit from the hotels in Malaysia recorded a decline of US$4.5 million as a result of reduced foreign visitor arrivals to both countries. The performance of the hotels in Tokyo and Istanbul continued to improve, with operating losses reduced by US$3.8 million and US$5.0 million, respectively. In contrast, the increase in revenue of the hotel in Paris was entirely offset by the full-year depreciation effect of Phase II, opened in June 2013. The hotel recorded a reduction in net loss of US$1.6 million. The hotels in Australia posted a net loss of US$1.4 million for the year mainly caused by additional loan interest recorded at the subsidiary level following the refinancing of shareholder loans by Australian dollar bank borrowings in the second half of 2013. The new hotel in London recorded a net loss of US$24.7 million in its post-opening period due to start-up costs and the impact of minimum rental under the lease agreement.

The hotel management services segment, benefiting from the opening of new hotels and increased project management services revenues, improved its contribution by US$7.5 million.

The property rentals segment, especially the investment properties in Mainland China, became the key profit contributor to the Group. The incremental net profit from property rentals was contributed mainly by the Jing An Kerry Centre (Phase II) in Shanghai (US$20.1 million) and the China World Trade Center in Beijing (US$4.6 million). The performance of the Shangri-La Residences, Yangon has been very encouraging, registering a net profit of US$2.0 million in 2014 compared to a loss of US$0.4 million the prior year.

(c) EBITDA and Consolidated Profits

In line with the slide in the profitability of the hotel ownership segment, EBITDA in respect of the Company and its subsidiaries decreased by US$29.7 million to US$542.1 million in 2014 and the EBITDA to consolidated sales ratio also declined to 25.7% from 27.5%. In contrast, the Group's share of EBITDA of its associates increased substantially by US$103.2 million to US$244.8 million, representing a year-on-year gain of 72.8%. Some of these associates, including the Jing An Kerry Centre in Shanghai, are also substantially owned by subsidiaries of the controlling shareholder of the Company. Aggregate EBITDA (EBITDA of the Company and its subsidiaries and effective share of EBITDA of its associates) increased by US$73.5 million during the year to US$786.9 million.

EBITDA is defined as earnings before interest expenses on loans and bonds issued, tax, depreciation and amortization, gain or loss on disposal of fixed assets and interest in investee companies and excludes fair value gains on investment properties; fair value gains or losses on interest-rate swap contracts and financial assets held for trading; and impairment loss on fixed assets.

In terms of the consolidated financial results, both the consolidated gross profit margin of the hotels owned by subsidiaries and the overall consolidated gross profit margin improved marginally as a result of the Group's cost control efforts. The consolidated gross profit margin of the hotels owned by subsidiaries improved from 58.2% in 2013 to 58.3% while the overall consolidated gross profit margin climbed from 56.4% in 2013 to 56.8%. The consolidated labour cost increased only marginally by 1.8% during the year. The adjusted comparative labour cost (on a like-for-like basis) actually decreased 2.1% after excluding the cost of new hotels and apartments owned or leased by subsidiaries that opened in 2014 in Lhasa, Sanya, Nanjing, London, Singapore and Yangon; the Shangri-La Hotel, Qufu (opened on 1 August 2013) and the Shangri-La Hotel, Zhongshan (disposed in 2013).

Consolidated operating profit before finance costs for 2014 decreased by 6.2% to US$224.6 million after inclusion of the net credit of non-operating items (before tax and share of non-controlling interests) of US$4.2 million (2013: net credit of US$22.3 million) recorded under "Other gains – net" as detailed in Note 28 to the consolidated financial statements included in this Annual Report. The key non-operating items included under "Other gains – net" in 2014 were the net fair value gain before tax of investment properties of US$1.5 million; impairment provisions for a property under development and leasehold land of US$3.3 million; reversal of impairment provisions for other buildings of US$5.0 million and net unrealized gains on financial assets held for trading of US$1.0 million.

Consolidated finance costs for 2014 increased by US$12.2 million on account of the increase in bank loans during the year to fund new project developments.

The Group's share of profit after tax of associates decreased from US$416.5 million in 2013 to US$207.3 million. This balance included the share of operating profit after tax of US$116.3 million for the year (2013: US$53.3 million). The incremental operating profit after tax mainly arose from the additional US$24.7 million contribution from Jing An Kerry Centre (Phase II) and the China World Trade Center together with the reduction in share of pre-opening expenses of US$18.0 million. In terms of the share of non-operating items of associates, the Group's net share of fair value gains of investment properties fell from US$378.9 million in 2013 to US$91.0 million. In 2013, the Group recorded a total US$361.3 million share of fair value gains for China World Trade Center and the newly opened Jing An Kerry Centre, and this net credit declined to US$64.4 million for the year. The Group also recorded a US$15.7 million share of losses on the major renovation of China World Trade Center in 2013.

The Group's share of the net increase in fair value change of investment properties owned by subsidiaries and associates in 2014 was only US$90.6 million compared to US$398.7 million in the previous year. Accordingly, the Group recorded a 53.9% decrease in consolidated profits attributable to the equity holders of the Company in 2014, despite a 36.1% increase in net profit before non-operating items.

Shangri-La Hotel, At The Shard, London

2. CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Company completed a rights issue of ordinary shares on 22 December 2014 resulting in 447,499,257 new shares being issued at HK$11.10 per share.

At the corporate level, the Company completed a rights issue of ordinary shares on 22 December 2014 resulting in 447,499,257 new shares being issued at HK$11.10 per share. Gross proceeds from the issue were HK$4,967.2 million (approximately US$640.9 million) with issue expenses amounting to approximately US$3.6 million. The funds raised were applied in accordance with the specified uses described in the rights issue prospectus dated 24 November 2014. The Group used a substantial part of the net proceeds from the rights issue to repay corporate bank borrowings totaling an equivalent of US$387.9 million in December 2014 and a further US$114.5 million in January 2015, to save interest costs. US$29.6 million was applied to project funding in January and February 2015, with the remaining balance retained as general working capital and for capital expenditure in 2015.

The Group executed two 5-year unsecured bank loan agreements of HK$1,000 million (approximately US$129.0 million) and US$50 million respectively at the corporate level during the year to secure project funding. The Group cancelled an undrawn corporate bank loan facility of US$70 million due to its relatively high interest margin.

At the subsidiary level, the Group executed the following unsecured bank loan agreements in 2014:

- two 3-year agreements totaling US$29 million, three 3-year agreements totaling RMB210 million (approximately US$34.3 million), one 5-year agreement of US$32 million, one 5-year agreement of RMB274 million (approximately US$44.8 million) and one 7-year agreement of RMB429 million (approximately US$70.1 million) to refinance outstanding bank loans that matured in 2014
- four 5-year agreements totaling RMB1,113 million (approximately US$181.9 million), one 8-year agreement of RMB450 million (approximately US$73.5 million), one 5-year agreement of HK$2,000 million (approximately US$258.1 million), one 3-year agreement of US$50 million and two 8-year agreements totaling US$80 million to fund capital expenditures for on-going development projects

The Group has also extended the maturity of an outstanding bank loan of US$7 million by two years to end of 2016.

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 financial year.

The Group's net borrowings (total bank loans, convertible bonds and fixed-rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, improved from 54.1% as at 31 December 2013 to 49.2% as at 31 December 2014.

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

The analysis of borrowings outstanding as at 31 December 2014 is as follows:

	Maturities of Borrowings Contracted as at 31 December 2014				
			Repayment		
(US$ million)	Within 1 year	In the 2nd year	In the 3rd to 5th year	After 5 years	Total
Borrowings					
Corporate borrowings					
- unsecured bank loans	504.8	711.3	1,001.5	-	2,217.6
- convertible bonds	-	527.3	-	-	527.3
- fixed-rate bonds	-	-	597.8	-	597.8
Project bank loans					
- secured	25.4	180.6	38.4	19.4	263.8
- unsecured	172.9	312.5	869.3	144.7	1,499.4
Total	703.1	1,731.7	2,507.0	164.1	5,105.9
Undrawn but committed facilities					
Bank loans and overdrafts	174.0	142.2	522.2	1.6	840.0

Subsequent to the year-end, the Group executed two 5-year unsecured corporate bank loan agreements totaling an equivalent of US$171.5 million. The corporate together with certain subsidiaries also jointly executed a 2-year bank loan agreement of US$100 million. A 3-year local bank loan facility of US$100 million and a 5-year local bank loan facility of US$50 million for project financing were executed by subsidiaries. In addition, the Group is finalizing a 5-year corporate bank loan facility of US$448 million, a 4-year bank loan facility of S$100 million (approximately US$76.0 million) for the hotel renovation of a subsidiary and a 3-year bank loan facility of RMB30 million (approximately US$4.9 million) for the refinancing of a maturing loan of a subsidiary.

The currency mix of borrowings and cash and bank balances as at 31 December 2014 is as follows:

(US$ million)	Borrowings	Cash and Bank Balances
In United States dollars	2,442.6	220.8
In Hong Kong dollars	1,319.1	451.7
In Renminbi	715.5	538.7
In Euros	243.1	5.7
In Australian dollars	162.8	28.7
In Singapore dollars	78.2	65.3
In British pounds	70.2	2.2
In Japanese yen	41.5	5.5
In Philippine pesos	32.9	28.4
In Thai baht	-	38.3
In Malaysian ringgit	-	16.4
In Fiji dollars	-	16.0
In Mongolian tugrik	-	11.6
In Sri Lankan rupee	-	12.5
In Maldivian rufiyaa	-	0.2
In other currencies	-	0.3
	5,105.9	1,442.3

Excepting convertible bonds, fixed-rate bonds and bank loans in Renminbi, which carry interest at rates specified by the People's Bank of China from time to time, all borrowings are generally at floating interest rates.

Details of financial guarantees, contingencies and charges over assets as at 31 December 2014 are disclosed in Note 38 to the consolidated financial statements included in this Annual Report.

3. TREASURY POLICIES

The group consistently follows treasury policies aimed at minimizing interest and currency risks:

(a) Minimizing Interest Risks

Intra-group financing between subsidiaries in Mainland China by way of entrusted loan agreements through local banks increased to RMB1,122.5 million (approximately US$183.4 million) as at 31 December 2014. The Group will continue to arrange entrusted loans, utilizing the cash surplus of operating hotels to finance the development of its new projects and operating cash requirements in Mainland China.

The Group is now arranging further shareholder loan and equity contributions to certain subsidiaries in Mainland China to repay their Renminbi bank borrowings in order to reduce interest costs.

The Group has endeavoured to hedge its medium-term interest rate risks by entering into interest-rate swap contracts. No new contracts were executed during the year. As at 31 December 2014, the Group has the following outstanding HIBOR and LIBOR interest-rate swap contracts:

- HK$2,200 million (approximately US$283.9 million) at fixed rates ranging between 0.94% and 1.635% per annum maturing during December 2016 to October 2018
- US$206 million at fixed rates ranging between 1.42% and 1.785% per annum maturing during August 2018 to October 2018

All these interest-rate swap contracts qualify for hedge accounting.

Taking into account these interest-rate swap contracts, convertible bonds, fixed-rate bonds and Renminbi bank loans, the Group has fixed its interest liability on 46% of its borrowings outstanding as at 31 December 2014.

(b) Minimizing Currency Risks

There is a natural economic hedge to the extent that most Group-owned hotels derive their revenues (and most of the expenses associated therewith) in local currencies. Most of the Group's hotels quote room tariffs in the local currency. From time to time, the Group reviews its policy on quoting room tariffs. It is the Group's practice, wherever and to the extent possible, to quote tariffs in the stronger currency and maintain bank balances in that currency, if legally permitted.

In general, the Group has not felt it appropriate to substantially hedge against currency risks through currency forward contracts upon consideration of the currency risks involved and the costs of obtaining such cover.

4. INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed semi-annually (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). All changes in the fair value of investment properties (including those under construction) are recorded in the income statement. The Group's share of the net increase in their fair value over their book value (net of provision for deferred taxation) amounted to US$90.6 million and this was credited to the consolidated income statement during the year.

Investment properties are stated at professional valuations carried out by the following independent firms of professional valuers engaged by the Group or the relevant associates as at 31 December 2014:

DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited	: For properties in Mainland China
DTZ Debenham Tie Leung Limited	: For properties in Mongolia
Colliers International Consultancy & Valuation (Singapore) Pte Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd	: For properties in Singapore
W.M. Malik & Kamaruzaman	: For properties in Malaysia
Jones Lang LaSalle Advisory Services Pty Ltd	: For properties in Australia
Knight Frank Chartered (Thailand) Company Limited	: For properties in Myanmar

5. FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The equity securities within the investment portfolio remained unchanged during the year. As at 31 December 2014, the market value of the Group's investment portfolio was US$21.9 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited and 2,241,725 ordinary shares in Kerry Logistics Network Limited. The Group recorded net unrealized fair value gains of US$1.0 million (US$1.0 million after share of non-controlling interests) and dividend income of US$1.0 million (US$0.9 million after share of non-controlling interests) during the year.

6. DEVELOPMENT PROGRAMMES

On 8 February 2015, the 473-room Shangri-La Hotel, Nanchang (part of a composite development project in Nanchang City in which the Group has 20% equity interest) in Mainland China opened for business.

Construction work on the following projects is on-going:

(a) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Long Stay Apartments/ Villas	Projected Opening
Hotels in the People's Republic of China				
Shangri-La Hotel, Qinhuangdao	100%	331	-	May 2015
Shangri-La Hotel, Hefei	100%	401	-	May 2015
Shangri-La Hotel, Tangshan (part of composite development project in Tangshan City)	35%	398	38	2nd half 2015
Shangri-La Hotel, Diqing	100%	223	3	2nd half 2015
Midtown Shangri-La, Hangzhou (part of Kerry Central, Hangzhou)	25%	417	-	2nd half 2015
Shangri-La Hotel, Xiamen	100%	434	15	2016
Shangri-La Harbin, Songbei District	100%	455	33	2016
Shangri-La Hotel, Jinan (part of composite development project in Jinan City)	45%	359	32	2016
Shangri-La Hotel, Hunghom Bay, Hong Kong	100%	550	-	2016
Hotels in other countries				
Shangri-La Hotel, Ulaanbaatar, Mongolia	51%	290	-	June 2015
Extension of the Ocean Wing of Shangri-La's Rasa Ria Resort, Kota Kinabalu, Malaysia	64.59%	81	-	2nd half 2015
Shangri-La Hotel, At The Fort, Manila (part of composite development project in Bonifacio Global City, Metro Manila, the Philippines)	40%	576	97	2nd half 2015
Shangri-La's Hambantota Resort & Spa, Sri Lanka	90%	300	-	2nd half 2015
Shangri-La Hotel, Colombo, Sri Lanka (part of composite development project in Colombo)	90%	500	41	2017
Lakeside Shangri-La, Yangon, Myanmar	55.86%	332	15	2017

(b) Composite Developments and Investment Properties Developments

	Group's Equity Interest	Total gross floor area under development and completed for sale (excluding hotel component) (approximate in square meters)				Projected Opening
		Residential	Office	Commercial	Serviced Apartments	
In Mainland China						
Shenyang Kerry Centre	25%	594,152	205,183	228,978	-	2015-2018*
Arcadia Court, Tangshan City	35%	114,511	-	22,808	-	2015*
Tianjin Kerry Centre	20%	124,369	70,016	117,986	31,420	2015*
Nanchang City Project	20%	82,144	70,546	9,144	-	2015
Phase II of Shangri-La Hotel, Dalian	100%	18,650	-	4,600	12,150	2015
Kerry Central, Hangzhou	25%	-	12,651	108,001	33,512	2016
Jinan City Project	45%	-	35,983	4,705	-	2016
Putian City Project	40%	263,677	-	6,945	-	2016
In other countries						
Bonifacio Global City, Metro Manila, the Philippines	40%	37,522	-	4,405	-	2015
Sule Square, Yangon, Myanmar	59.28%	-	36,135	9,247	-	2016
Composite development project in Colombo, Sri Lanka	90%	111,100	55,500	68,000	-	2016
Composite development project in Ulaanbaatar, Mongolia	51%	-	40,902	46,372	32,328	2016
		1,346,125	526,916	631,191	109,410	

* Being developed in phases. First phase opened in 2014.

Note: Further details of the Group's properties under development as at year-end 2014 are disclosed under the section headed "Properties Under Development" included in the Report of the Directors.

The Group is currently reviewing the development plans of the following projects in which land use rights and leasehold land were acquired in recent years:

Hotel development

- Zhoushan, Mainland China (wholly owned by the Group)
- Wolong Bay in Dalian, Mainland China (wholly owned by the Group)
- Bali, Indonesia (53.3% equity interest owned by the Group)

Composite development

- Zhengzhou, Mainland China (45% equity interest owned by the Group)
- Kunming, Mainland China (45% equity interest owned by the Group)
- Accra, the Republic of Ghana (wholly owned by the Group)

The Group acquired the entire equity interest in a local company which owns a very well-located building in Rome in May 2012. The Group intends to convert the building into a Shangri-La hotel after all existing tenants are vacated. It is expected that vacant possession of the premises can be obtained by the end of 2015. The balance of the cash consideration of EUR29.8 million (approximately US$36.7 million) is not payable until then.

The Group has executed a termination agreement in 2014 with the local government in relation to the acquisition of a piece of land in Zhuhai, Mainland China. Pursuant to the agreement, 10% of the land cost representing RMB6.2 million (approximately US$1.0 million) was forfeited and the Group has already received the refund of the remaining 90% of the land cost of RMB55.5 million (approximately US$9.0 million) from the local government.

The Group continues to review its asset portfolio, and may sell assets that it considers non-core at an acceptable price and introduce strategic investors for some of its operating assets/development projects. The Group adjusts its development plans and investment strategy from time to time in response to changing market conditions and in order to improve the financial position of the Group.

The estimated incremental funding required directly by subsidiaries and the Group's share of the funding obligations of associates for all projects and other renovations involving fund commitments as at 31 December 2014 is estimated at US$1,829.2 million, including US$923.0 million payable in the next 12 months which is expected to be sourced from operating cashflow, available and new bank facilities and cash balances.

7. NEW INVESTMENT

In June 2014, the Group entered into a shareholders' agreement with an independent third party to establish a joint venture company in Mauritius for the acquisition of an operating resort in that country in which the Group has 26% equity interest. Pursuant to the shareholders' agreement, the Group's share of the investment in this joint venture company is US$28.6 million. The Group completed the transaction on 4 August 2014.

8. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

As at the date of this report, the Group has management agreements in respect of 19 operating hotels owned by third parties. The Group also has agreements on hand for development of 4 new hotels owned by third parties. The development projects are located in Bengaluru, India (2 hotels), Doha (Qatar) and Shaoxing (Mainland China). During the year, the Group decided to terminate its management agreement with respect to the Traders Hotel project in Doha based on mutual consent.

The Traders Upper East Hotel, Beijing was rebranded the Hotel Jen Upper East Beijing on 4 March 2015. The Group continues to review proposals it receives for management opportunities and intends to secure management agreements for third-party owned hotels that do not require capital commitments in locations/cities which it considers to be of long-term strategic interest.

9. PROSPECTS

The outlook for the global economy remains challenging. While the US economy is showing signs of a slow recovery the economies of the Eurozone are in recession. The Mainland Chinese economy, which has been a major focus of the Group's investment and operations, is also expected to register lower rates of growth. Oversupply of hotel rooms in the Group's competitive set in many of the secondary cities in Mainland China will continue to exert pressure on the Group's profits. Finally, given linkages that exist amongst the major economies of the world and the continuing global political tensions in the Middle East and Russia, the overall prospects for the Group's hotel business for 2015 do not appear encouraging.

However, on the positive side, the recurring post-tax profits from the Group's investment properties portfolio have shown impressive increases in 2014. These are expected to grow steadily in 2015 and should provide a vital underpinning to the Group's profitability in 2015 and beyond.

10. HUMAN RESOURCES

As of 31 December 2014, the Company and its subsidiaries had approximately 28,100 employees. The headcount of all the Group's managed hotels and resorts totaled approximately 44,000. Salaries and benefits, including provident funds, insurance and medical cover, housing and share option schemes were maintained at competitive levels. Bonuses were awarded based on individual performance as well as the financial performance of business units.

Details of the new share option scheme and the new share award scheme adopted by the shareholders on 28 May 2012 are provided in the section headed "Share Option Schemes" and "Share Award Scheme" included in the Report of the Directors, respectively. The Group has not granted any new option shares under the share option scheme or shares under the share award scheme in 2014.

The Group's total employee benefit expenses (excluding directors' emoluments and share options granted during the year) amounted to US$677,088,000 (2013: US$664,980,000).

The Group remains committed to developing its human capital.

Performance Management and Talent Development

Despite efforts to ensure salaries and benefits were maintained at competitive levels, turnover increased from 24% to 26%. The competition for talent continues to be vigorous particularly in China.

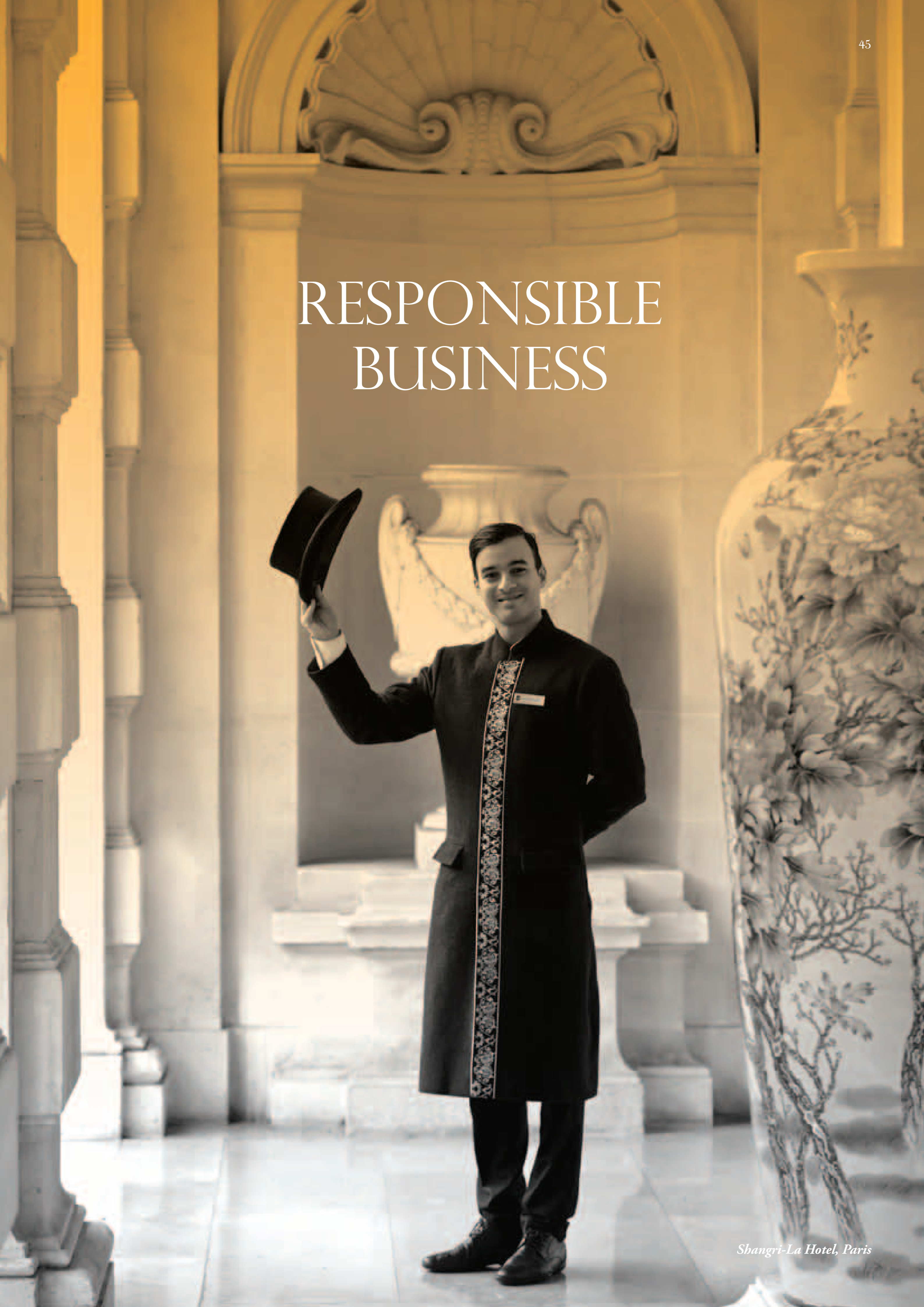
Employee productivity and restructuring of the management levels have both been areas of focus to improve efficiency and manage costs. Multi-skilling and multi-tasking have been implemented at all hotels and continue to be an opportunity for further improvements of operating efficiency.

The use of social media sites, LinkedIn in particular, are important avenues of recruitment as well as employer branding. Experimenting with these channels and alternative sources of talent continue to produce positive results.

The Talent Development Program together with the Human Capital Review has continued to yield positive results with 70% of Leadership vacancies filled by internal promotions. Overall, 20% of permanent employees were offered opportunities for career growth through the development programme.

The Shangri-La Academy has moved to its current location in Shangri-La Hotel, Shenzhen. It continues to offer core certificate and management development programmes but is now developing blended learning experiences as well as on-line learning options to remain current and appealing to the younger generation.

RESPONSIBLE BUSINESS



Shangri-La Hotel, Paris

2014 – A YEAR OF MILESTONES AND NEW FRONTIERS

Even by the high standards set in previous years, 2014 was a period of exceptional progress on multiple fronts in our drive to build a more environmentally and socially responsible business.

Shangri-La remained in 2014 the only hotel group from Asia listed in the Dow Jones Sustainability Index, a major international benchmark of global corporate sustainability leadership, logging significant improvements in categories such as climate strategy and corporate citizenship. Reductions in carbon intensity and water consumption across our property portfolio have exceeded targets, not only minimizing our environmental impact but also producing cost savings that contribute directly to the bottom line. And despite challenging economic conditions, hotels in our core market, China, set the pace for the Group in areas such as the percentage of staff participating in volunteer activities.

Aware that many others share our environmental and social concerns, we made it a priority in 2014 to more proactively communicate with our guests about our sustainability initiatives and invite them to participate, whether through ethical sourcing programmes or new opportunities for community interaction. We also launched pilot projects on the assessment of plastic use and food waste at select properties with the aim of improving waste management initiatives on a company-wide basis.

While we have made significant progress in our sustainability journey over the last six years, we are also committed to a course of constant improvement. To this end we have developed a new series of ambitious sustainability goals for 2020, explained in this report. These goals cut across our operations, the environment and the communities in which we operate, and will ensure Shangri-La maintains its position as a responsible business leader in the hospitality industry.

We trust that our 2020 plans, coupled with our achievements in the last financial year, illustrate the extent of our commitment to responsible business practices, and our determination to build on this legacy in the years ahead.

Doing Our Part to Protect the Environment

In 2014 Shangri-La reinforced its commitment to maximizing resource efficiency and demonstrating leadership in environmental protection initiatives. The Group is well ahead of its targets - to reduce 20% of our carbon footprint intensity and 15% of our water footprint intensity by 2015 from 2010 levels. We have also taken steps to minimize waste generated by our food and beverage offerings both at the point of preparation and after they are served to guests, and to launch plastic and waste management audits across select hotels.

Despite steady growth in the number of rooms and hotels opened over the past four years, our properties continue to demonstrate significant reductions in the consumption of resources year-on-year.

	2010	2011	2012	2013	2014
Number of business unit*	67 hotels	72 hotels	72 hotels	81 hotels	88 hotels
Average Energy Consumption (megajoules per business unit)	414.5	394.8	359.6	344.36	310.59
Average Potable Water Consumption (kiloliters per business unit)	1.00	0.89	0.83	0.80	0.72
% hotels achieving individual targets for reduction of GHG emissions and water consumption	NA	NA	58%	57% (GHG emissions per business unit) 67% (water consumption per business unit)	74% (GHG emissions per per business unit) 70% (water consumption per business unit)
ISO 14001 certified Hotels	35	40	45	46	51
Average scope 1 and scope 2 GHG emissions (kilograms CO_2e per business unit)	61.0	55.0	51.2	48.42	43.88

* Being number of hotel managed by SLIM

In 2014 alone, the Group beat its carbon intensity and water intensity targets for the year by 6% and 16%, respectively. These achievements are a significant milestone for the Group, representing a 21% carbon intensity reduction and 26% water intensity reduction as of end-2014 compared to 2010 levels.

At the same time, Shangri-La continued to lead the way in the hospitality industry in China in support of China's efforts to protect its environment and reduce carbon emissions via the National Development and Reform Commission's (NDRC) Carbon Emission Trading Pilot project.

RESPONSIBLE BUSINESS

Shangri-La has a head start on support for China's environmental drive, given the Group's existing energy and water reduction efforts and our robust carbon management system. Highlights of achievements by our individual hotels include:

Shangri-La Hotel, Beijing regularly submits energy consumption data to the NDRC carbon trading platform, as well as verification reports from an external auditing company.

Pudong Shangri-La, East Shanghai carefully manages its electricity and gas consumption. Investments in new technology such as chiller renewal and a gradual shift to full LED installation delivered strong returns by the end of 2014, helping it reach its goal of not exceeding 80.16 Kg CO_2e per business unit emissions annually.

Traders Hotel, Beijing saw a drop in energy consumption to 12,478,613 KWH in 2014 from 13,163,556 KWH in 2013. The hotel has also installed LED lighting to further rein in energy use.

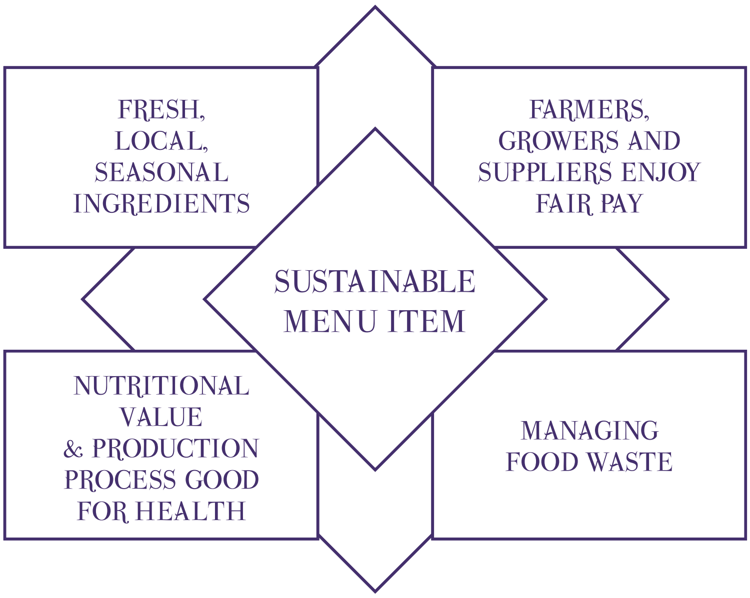
The Magnificent Bund View from Pudong Shangri-La, East Shanghai

Managing the Supply Chain

In 2014 Shangri-La introduced Rooted in Nature, a food and beverage initiative that formalizes our commitment to sourcing from more ethical, sustainable supply chains.

Under the programme, the Group is working to source food from local, small-scale producers wherever possible. We place a high priority on buying local ingredients supplied by farmers, herders, fisheries, butchers, bakers and artisans who preserve traditional knowledge and techniques and work with respect for the environment, the landscape and animal welfare.

Our Rooted in Nature guidelines aim to guard local food traditions and raise awareness about the food we consume – not only where it comes from, but also how our food choices impact our communities and the rest of the world.



Rooted in Nature criteria require that our menu offerings include selections meeting at least one of the following guidelines:

1. Locally grown fruits and vegetables

Produce must come from farmlands located within a 20-kilometer radius from the hotel.

2. Chemical and pesticide-free local produce

Suppliers must show certification verifying that they do not use chemical pesticides, only compost and bio-sourced alternatives.

3. Free-range livestock and meat/poultry/eggs

Food producers must present certification demonstrating adherence with FREPA (Australia), BC-SPCA/ USDA (North America), or RSPCA (UK) standards, among other local or national equivalent credentials.

Responsible Business 2020: Shangri-La's goal is to offer 75% more sustainable and locally sourced food items compared to 2013 volumes.

4. Sustainably-sourced seafood

   Seafood must be certified by the Marine Stewardship Council (MSC) or similar certification bodies. Suppliers must also possess a Certificate of Custody from the MSC. Local fishing groups that are supported by recognized partners such as the WWF are also included in this category.

5. Certified organic, fair trade and other local certifications equivalent to less use of chemical pesticides

   Suppliers must possess fair trade or organic certification and produce MSG-free food.

SHANGRI-LA'S CHINA HOTELS SHOW THEIR SUPPORT

In mid-2014, 13 Shangri-La hotels in China placed sizable orders for produce from seven bases of the Kerry Group Kuok Foundation (KGKF), which works to improve the livelihoods of rural communities. These orders included gold tea from Baojing, Hunan province, black rice from Mojing, Yunnan province, and honey from Xiaochang, Hubei province. Total initial purchases weighed nearly 27,682 kilograms, garnering farmers revenue of RMB209,670.

Shangri-La hotels across Mainland China have also supported farming villages with hygiene, food handling and packaging courses to help local farmers better penetrate commercial markets.

In November 2014, Shangri-La Hotel, Xian and Golden Flower Hotel, Xian spearheaded capacity-building sessions for various staff and local partners from the Kerry Group Kuok Foundation's Chunhua base in Shanxi province. Taking inspiration from modules used in the actual training of Shangri-La colleagues, the hotels tailor-made a 'Train the Trainer' set of programmes including courses on time management and communications skills.

Via initiatives like these, we envision a holistic learning programme that not only focuses on farming techniques and produce management, but practical business skills that villagers can share with their peers in the future.

Hotels placing orders for produce from Kerry Group Kuok Foundation bases included:

Shangri-La Hotel, Guangzhou
Shangri-La Hotel, Changchun
Shangri-La Hotel, Xian
Shangri-La Hotel, Harbin
Pudong Shangri-La, East Shanghai
Shangri-La Hotel, Baotou
Traders Hotel, Shenyang
Shangri-La Hotel, Chengdu
Shangri-La Hotel, Shenzhen
Shangri-La Hotel, Wuhan
Shangri-La Hotel, Changzhou
Shangri-La Hotel, Huhhot
Golden Flower Hotel, Xian

SHANGRI-LA CARE FOR NATURE PROJECTS

Shangri-La's Living Waters Project

Shangri-La Hotel, Qingdao

Shangri-La's Care for Panda Project

Shangri-La Hotel, Chengdu

Shangri-La's Reef Care Project

Shangri-La's Mactan Resort & Spa, Cebu, Philippines
Shangri-La's Fijian Resort & Spa, Yanuca Island, Fiji
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu

Shangri-La's Care for Nature Project

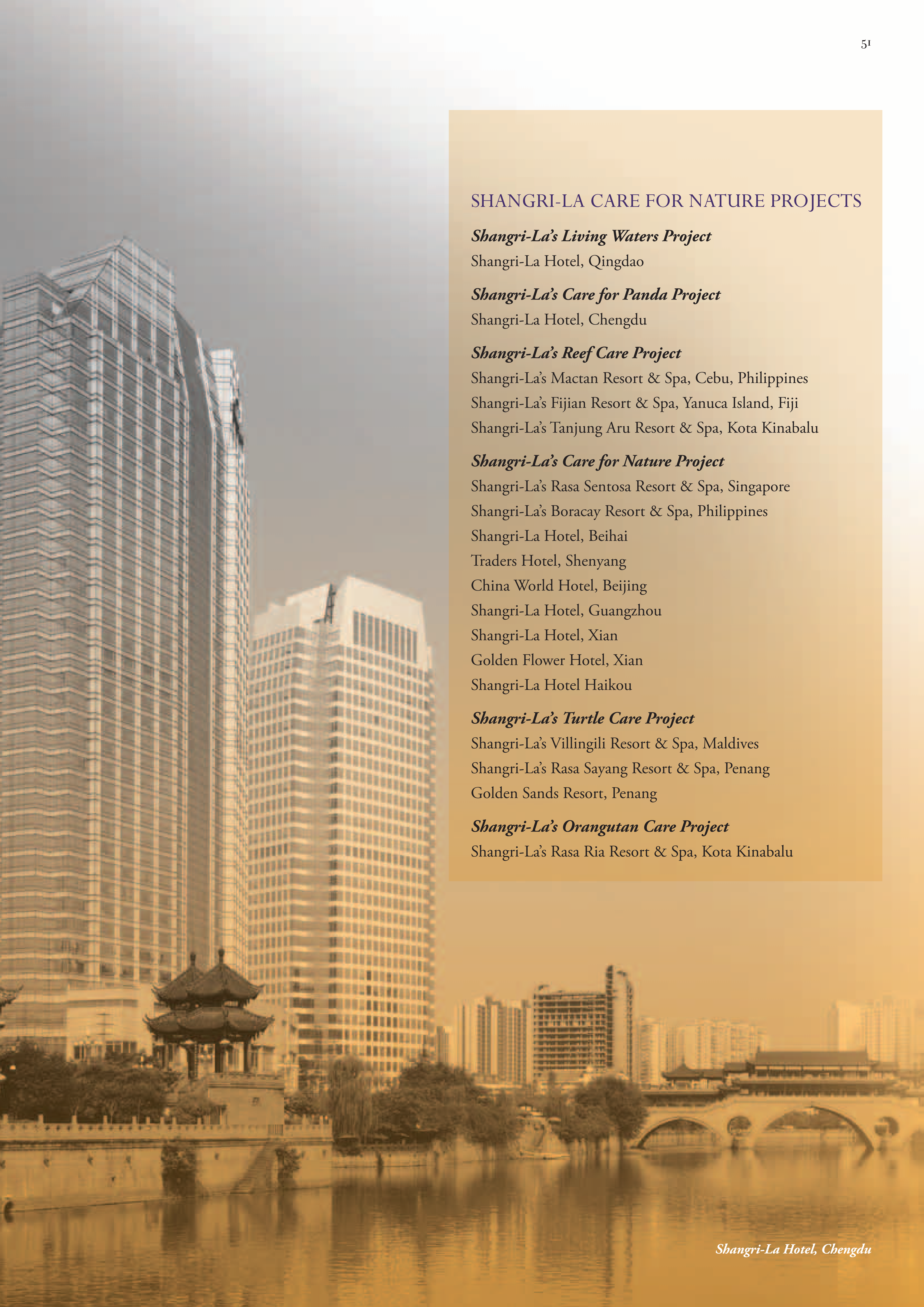
Shangri-La's Rasa Sentosa Resort & Spa, Singapore
Shangri-La's Boracay Resort & Spa, Philippines
Shangri-La Hotel, Beihai
Traders Hotel, Shenyang
China World Hotel, Beijing
Shangri-La Hotel, Guangzhou
Shangri-La Hotel, Xian
Golden Flower Hotel, Xian
Shangri-La Hotel Haikou

Shangri-La's Turtle Care Project

Shangri-La's Villingili Resort & Spa, Maldives
Shangri-La's Rasa Sayang Resort & Spa, Penang
Golden Sands Resort, Penang

Shangri-La's Orangutan Care Project

Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu



Shangri-La Hotel, Chengdu

PRESERVING THE ENVIRONMENT

The Group also made significant strides in 2014 in its commitment to promote biodiversity conservation, launching a series of new initiatives that will enhance this effort over the next decade and beyond.

Sanctuary: Shangri-La's Care for Nature Project

First introduced in 2009, Sanctuary is our overarching vehicle to ensure habitat and biodiversity protection is a priority across all of our locations. In 2014 Shangri-La focused specifically on strengthening the systematic collection of biodiversity data.

Onsite experts and marine biologists amassed information in partnership with local non-governmental organizations and community groups using internationally recognized methodologies and survey standards. The data we collected is now powering our habitat protection efforts, helping our hotels more effectively manage projects and demonstrate measurable results.

Properties with active Sanctuary projects work on an individual basis, with each defining the annual goals and budgets of their respective programmes. Results of the individual initiatives are monitored to ensure no effort is wasted and we achieve the desired outcomes for the Group as a whole.

Sanctuary projects are currently being run across 17 hotels. Among the major accomplishments in 2014 was ***Shangri-La's Rasa Sentosa Resort & Spa***, ***Singapore's*** establishment of an onsite nursery dedicated to showcasing and propagating endemic species of flora and fauna, raising awareness of Sentosa's incredible biological diversity among guests, local schools, and the community at large.

Also in 2014, ***Shangri-La Hotel, Chengdu*** further developed its Care for Panda project. This flagship programme supports the new Dujiangyan Panda Centre through the development of bamboo plantations and panda feeding facilities. The Group set up a panda kitchen to produce food for the endangered bears, as well as a system to allow guests to share their views on the centre. As of the end of 2014, a total of 1.6 hectares of bamboo had been planted.

Shangri-La Hotel, Xian and ***Golden Flower Hotel, Xian*** launched a Care for Nature project to support the national nature reserve of Zhouzhi. The hotels helped upgrade facilities for the reserve's rangers and also promoted the development of nearby communities through traditional Chinese herb planting and bee-keeping ventures.

Shangri-La Hotel, Haikou also launched a Care for Nature project in 2014, raising funds to support a mangrove restoration project in the national nature reserve of Dong Zhai Gang.

Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu has an Orangutan Care project that aims to promote the rehabilitation of the most iconic species in the resort's home state of Sabah. The project has been extended to create a 64-acre protected Nature Reserve in collaboration with the State Wildlife Department to facilitate the rehabilitation of a range of endangered endemic fauna. Since 1996, 40 orangutans have been successfully rehabilitated.

Eco centres in six resorts also continued to promote environmental education. ***Shangri-La's Fijian Resort & Spa, Yanuca Island, Fiji*** maintains a Marine Education Centre that serves not only as an exhibit of underwater species, but also as an assembly point for guest activities such as fish house building and coral tray planting, surrounding the resort with an 85% coral fragment survival rate.

Embrace, Shangri-La's Care for People Project

In addition to the Group's biodiversity efforts, Shangri-La's community outreach initiatives evolved further in 2014 with the opening of five new Embrace: Care for People projects at select hotels, focusing on children's education, special needs support and health-related issues. The Group's Embrace projects have now reached approximately 32,000 children.

RESPONSIBLE BUSINESS

SUSTAINABILITY VISION 2020

Looking towards 2020, we are aiming even higher and setting goals that will have significant impact.

Six years have passed since Shangri-La accelerated its corporate social responsibility drive. The Group is now taking its commitment to the next level over the second half of the decade via our Sustainability Vision 2020 programme. Our refreshed mission statement is simple: to operate a responsible business that improves the lives of people and cares for the environment.

As of end-2014, the Group exceeded its own targets in each of the five focus areas under the 'Sustainability, Shangri-La's Social Responsibility' platform: employees, the supply chain, stakeholder relations, health and safety, and the environment. Looking towards 2020, we are aiming even higher and setting goals that will have significant impact.
These include:

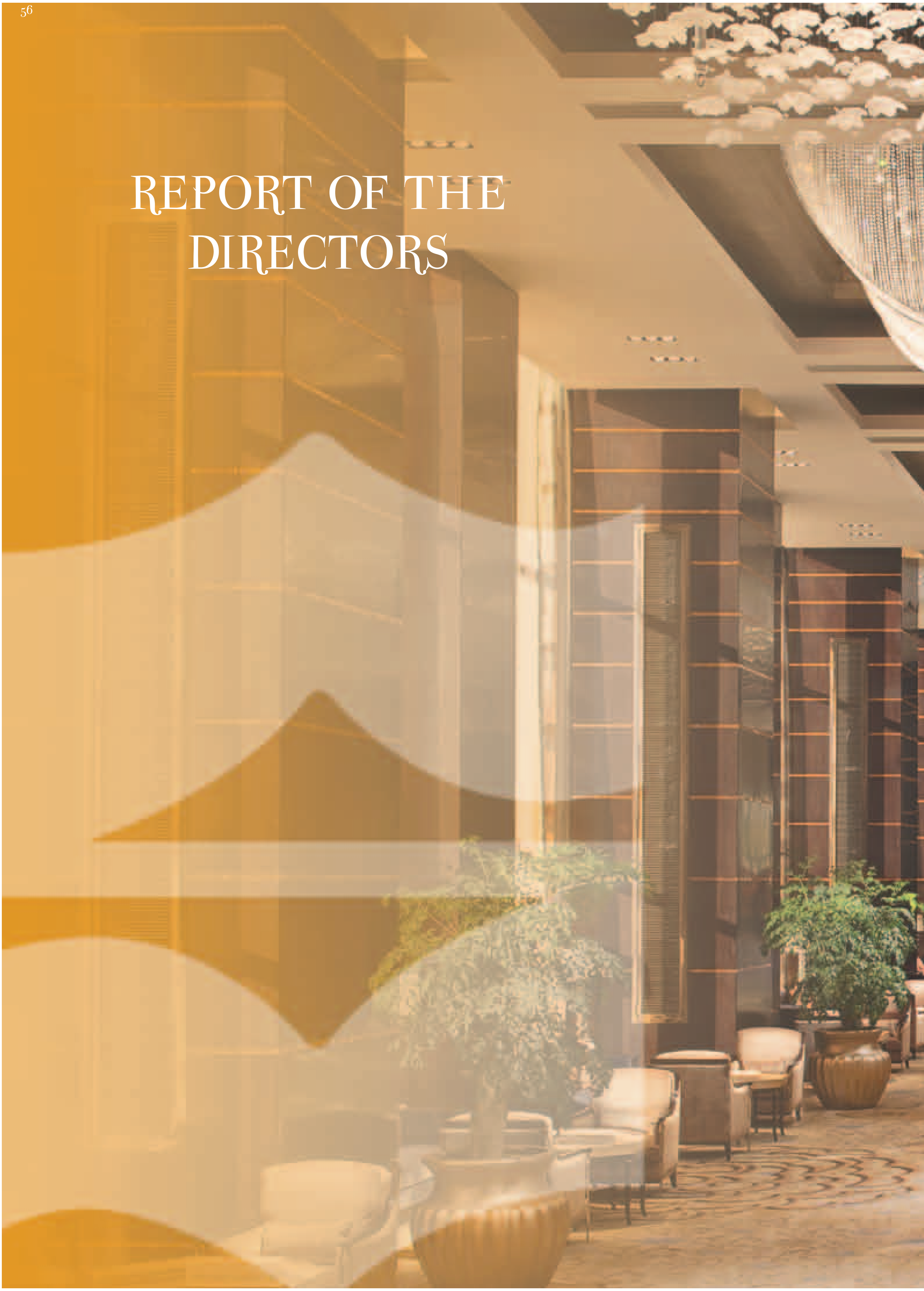
- Further reducing Co2 emissions and water and electricity consumption throughout our hotels
- Placing all hotels under an integrated food management system
- Reducing accidents and absenteeism
- Reducing material usage and waste, including food waste, and boosting recycling
- Offering 75% more sustainable and locally sourced food items on menus versus 2013
- Ensuring all our suppliers comply with our Supply Chain Code of Conduct
- Building new developments according to LEED or equivalent green building standards whenever possible. New developments will also take into greater account surrounding habitats and biodiversity
- Continuing to contribute to the social and economic development of local communities by providing employment and training opportunities
- Using eco-friendly bathroom amenities and paper materials from sustainable sources in guest rooms, as well as better practices in laundry operations such as low temperature water usage

The Chef's Garden at Shangri-La's Mactan Island Spa & Resort, Cebu, Philippines

Among our 2015 priorities are:

- Achieving a 20% reduction in carbon emission intensity from 2010 under the initial five-year target. This translates to 44.63 kilograms CO2e per business unit
- Reaching the water consumption group target set at 0.83 kiloliters per business unit, despite the substantial increase in number of hotels from 67 in 2010 to an expected 98 by 2015
- Launching a Sustainability Advisory Board
- Launching mobile-accessible lectures on best sustainability practices for management and staff
- Enhancing the connectivity of our Embrace and Sanctuary water projects in parts of China and partnering with relevant organizations to promote clean water access and conservation
- Introducing our Sustainability platform and 2020 targets to stakeholders through social media and promotional activities

REPORT OF THE DIRECTORS



Ballroom Foyer
Shangri-La Hotel, Nanjing

REPORT OF THE DIRECTORS

The Directors submit this Directors' Report together with the Financial Statements for the Financial Year.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of the Group are the ownership and operation of hotels and associated properties and the provision of hotel management and related services. The Group members are also the registered proprietors of various trademarks and service marks in various countries, including the brand names "Shangri-La", "Hotel Jen", "Traders", "Rasa", "Summer Palace" and "Shang Palace" and related devices and logos.

The principal activities of the Group's associates are the leasing of office, commercial, residential and exhibition hall space and serviced apartments as well as the ownership and operation of hotels.

An analysis of the performance of the Group for the Financial Year by geographical and business segments is set out in Note 5 to the Financial Statements.

RESULTS AND APPROPRIATIONS

The financial results for the Financial Year are set out in the section titled "Consolidated Income Statement".

The Board has declared an interim dividend of HK6 cents per Share and proposes a final dividend of HK6 cents per Share for the Financial Year.

The details of dividends paid and proposed for the Financial Year are set out in Note 36 to the Financial Statements.

RESERVES

The details of movements in reserves during the Financial Year are set out in Notes 18 and 19 to the Financial Statements.

DONATIONS

Charitable donations and other donations made by the Group during the Financial Year amounted to US$290,000.

PROPERTY, PLANT AND EQUIPMENT INVESTMENT PROPERTIES

The details of movements in the property, plant and equipment, and investment properties during the Financial Year are set out in Notes 7 and 8 to the Financial Statements respectively.

PRINCIPAL PROPERTIES

The details of the Group's hotel properties and investment properties are set out in Notes 42 and 43 to the Financial Statements respectively.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-Laws or the laws in Bermuda.

SHARE CAPITAL

The details of the Company's share capital are set out in Note 18 to the Financial Statements.

Rights Issue

On 23 October 2014, the Company announced a proposed rights issue in the proportion of one rights Share for every seven Shares in issue at a subscription price of HK$11.10 per rights Share. The subscription price represented the closing price of Shares on 22 October 2014, being the last trading day prior to the rights issue proposal.

The rights issue was subsequently completed on 22 December 2014 with an issue of 447,499,257 rights Shares raising estimated net proceeds of approximately HK$4,939 million.

A substantial portion of the proceeds of the rights issue would be applied to repayment of the Group's bank loans to save interest costs and the remainder to the Group's general working capital.

SUBSIDIARIES AND ASSOCIATES

The details of the Company's principal subsidiaries and associates are set out in Note 41 to the Financial Statements.

PARTICULARS OF BANK LOANS AND OVERDRAFTS

The particulars of the bank loans and overdrafts as at Year End are set out in Note 20 to the Financial Statements.

MANAGEMENT CONTRACTS

No contract with any Director or employee of the Group concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Financial Year.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

An insurance policy with permitted indemnity provision insuring claims made against, inter alios, the directors and the management officers of the Group members was in effect throughout the Financial Year and remained in effect up to the date of the Annual Report.

FIVE-YEAR SUMMARY

The summary of the Group's results, assets and liabilities for the last five financial years is set out in the section titled "Five-Year Summary".

REPORT OF THE DIRECTORS

DIRECTORS

The Directors who held office during the Financial Year and the period thereafter up to the date of this Directors' Report were:

Executive Directors

Mr KUOK Khoon Chen *(Chairman and CEO)*

Mr LUI Man Shing *(Deputy Chairman)*

Mr Madhu Rama Chandra RAO *(CFO)*

Mr Gregory Allan DOGAN *(COO)*

Non-executive Directors

Mr KUOK Khoon Ean *(resigned on 1 July 2014)*

Mr HO Kian Guan

Mr Roberto V ONGPIN *(retired on 29 May 2014)*

Ms KUOK Hui Kwong *(appointed on 27 October 2014)*

Mr HO Kian Hock *(alternate to Mr HO Kian Guan)*

Independent Non-executive Directors

Mr Alexander Reid HAMILTON

Mr Timothy David DATTELS

Mr WONG Kai Man

Mr Michael Wing-Nin CHIU *(retired on 29 May 2014)*

Professor LI Kwok Cheung Arthur

At the Annual General Meeting, (1) Ms KUOK Hui Kwong shall retire in accordance with Bye-Law 102(B), and (2) Mr LUI Man Shing, Mr HO Kian Guan and Mr WONG Kai Man shall retire by rotation in accordance with Bye-Law 99. Mr WONG Kai Man informed the Board that he would not offer himself for re-election. Save as abovementioned, all other retiring Directors, being eligible, offer themselves for re-election.

Independence of Independent Non-executive Directors

The Board has received from each Independent Non-executive Director confirmation of his independence according to the guidelines set out in Rule 3.13 of the Listing Rules. The Nomination Committee, on behalf of the Board, has assessed the independence of each of the existing Independent Non-executive Directors and considers all the Independent Non-executive Directors independent.

SIGNIFICANT SHAREHOLDERS' INTERESTS

As at Year End, the interests and short positions of those persons (other than the Directors) in Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or as ascertained by the Company after reasonable enquiry were as follows:

Name	Capacity	Number of Shares held	Approximate % of total issued share capital of the Company
Substantial Shareholders			
KGL *(Note 1)*	Interest of controlled corporations	1,780,361,337	49.73
KHL *(Notes 1 and 2)*	Beneficial owner	87,237,052	2.44
	Interest of controlled corporations	1,546,248,244	43.19
Caninco Investments Limited ("**Caninco**") *(Note 2)*	Beneficial owner	568,568,684	15.88
	Interest of controlled corporation	157,280,233	4.39
Paruni Limited ("**Paruni**") *(Note 2)*	Beneficial owner	382,904,547	10.70
	Interest of controlled corporation	25,163,449	0.70
Other Major Shareholders			
Darmex Holdings Limited ("**Darmex**") *(Note 2)*	Beneficial owner	267,068,070	7.46
Kuok Brothers Sdn Berhad	Beneficial owner	84,441,251	2.36
	Interest of controlled corporations	225,569,761	6.30
Kuok (Singapore) Limited ("**KSL**") *(Note 3)*	Interest of controlled corporation	218,008,907	6.09
Baylite Company Limited ("**Baylite**") *(Note 3)*	Beneficial owner	218,008,907	6.09

Notes:

1. KHL is a wholly owned subsidiary of KGL and accordingly, the Shares in which KHL is shown as interested are also included in the Shares in which KGL is shown as interested.

2. Caninco, Paruni and Darmex are wholly owned subsidiaries of KHL and accordingly, the Shares in which Caninco, Paruni and Darmex are shown as interested are also included in the Shares in which KHL is shown as interested.

3. Baylite is a wholly owned subsidiary of KSL and accordingly, the Shares in which Baylite is shown as interested are also included in the Shares in which KSL is shown as interested.

DIRECTORS' INTERESTS

As at Year End, the interests and short positions of the Directors in shares, underlying shares and debentures in/of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) ("**Associated Corporation(s)**") 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 HKSE pursuant to the Securities Model Code were as follows:

(A) Long positions in shares in the Company and Associated Corporations

Name of company	Name of Director	Class of shares	Number of shares held: Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate % of total issued share capital of the relevant company
The Company	KUOK Khoon Chen	Ordinary	–	–	1,950,194 *(Note 1)*	292,614 *(Note 2)*	2,242,808	0.063
	LUI Man Shing	Ordinary	902,777	–	–	–	902,777	0.025
	Madhu Rama Chandra RAO	Ordinary	38,032	–	–	–	38,032	0.001
	Gregory Allan DOGAN	Ordinary	32,189	–	–	–	32,189	0.001
	HO Kian Guan	Ordinary	841,116	–	145,887,718 *(Note 3)*	–	146,728,834	4.099
	KUOK Hui Kwong	Ordinary	32,833 *(Note 4)*	1,038,000 *(Note 5)*	–	3,380,170 *(Note 2)*	4,451,003	0.124
	HO Kian Hock (alternate to HO Kian Guan)	Ordinary	–	–	145,887,718 *(Note 3)*	–	145,887,718	4.075
Associated Corporation Shangri-La Hotel Public Company Limited	LUI Man Shing	Ordinary	10,000	–	–	–	10,000	0.008

Notes:

1. 1,672,743 Shares were held through a company which was wholly owned by Mr KUOK Khoon Chen.

   277,451 Shares were held through companies in which Mr KUOK Khoon Chen was entitled to exercise or control the exercise of one-third or more of voting power at their respective general meetings.

2. These Shares were held through discretionary trusts.

   292,614 shares were held through discretionary trusts the contingent beneficiaries of which include Mr KUOK Khoon Chen and Ms KUOK Hui Kwong.

3. 95,537,377 Shares were held through companies which were owned as to 50% by each of Mr HO Kian Guan and Mr HO Kian Hock.

   5,730,794 Shares were held through a company which was owned as to 25% by each of Mr HO Kian Guan and Mr HO Kian Hock.

   5,352,617 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.

   39,266,930 Shares were held through companies which were owned as to 6.75% and 6.91% by Mr HO Kian Guan and Mr HO Kian Hock, respectively.

4. 32,000 Shares were held jointly by Ms KUOK Hui Kwong and her spouse.

5. The spouse of Ms KUOK Hui Kwong was deemed interested in these shares.

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

As at Year End, there were share options held by Directors with rights to subscribe for Shares. Details of such options are set out in the section headed "Share Option Schemes" of this Directors' Report.

DIRECTORS' DEALINGS

During the Financial Year, no Directors have deemed dealings in Shares other than those related to the rights issue of the Company as set out in the prospectus to Shareholders dated 24 November 2014.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which any Director had a material interest subsisted at Year End or at any time during the Financial Year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the Annual General Meeting has entered into service contracts with any member of the Group and in which such contracts are not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10(2) of the Listing Rules, the Directors below have disclosed that during the Financial Year and up to the date of this Directors' Report (for the period the respective Directors acted as Directors), they are considered to have interests (other than as directors representing the Group's interest) in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

(1) Mr HO Kian Guan and Mr HO Kian Hock are substantial shareholders and/or directors of the companies which hold various hotels and commercial/office investment properties across different territories.

While such businesses may compete with the Group's businesses, the Directors believe that this competition does not pose any material threat to the Group's business prospects because:

(a) the hotels operated by the Group and those by the above Directors with competing interests are targeting different geographical markets and/or different segments or groups of customers in the market, and the differentiation of the clientele segments is based on a combination of factors, such as the geographical locations of the hotels, the breadth of services and amenities available, the positioning of the hotels in the local market, the level of room rates, the size and scale of the hotels and the guest recognition programme; and/or

(b) the Group's hotel business is effectively marketed on the strength of SLIM-HK's renowned position in the hotel industry worldwide built on its strong brand recognition and high-quality services; and/or

(c) the investment properties as interested by the above Directors are situated in territories/locations in which the Group maintains no similar business operations.

The abovementioned competing businesses are operated and managed by companies with independent management and administration. The Board is independent of the board of each of the abovementioned companies carrying on the competing businesses.

Accordingly, the Group is capable of carrying on its business independent of, and at arm's length from, the competing businesses mentioned above.

(2) Mr LUI Man Shing was/is a director of some of the subsidiaries of KPL. The principal businesses of KPL include (a) property development in Hong Kong, China and the Asia Pacific region, and/or (b) hotel ownership and operations in Hong Kong and China.

The business activity of the said subsidiaries of KPL of which Mr LUI Man Shing was/is a director is property development. Each such company and the Group do not compete directly in the same business activity in the same geographical location.

Accordingly, the Group is capable of carrying on its business independent of, and at arm's length from, the competing businesses mentioned above.

SHARE OPTION SCHEMES

A share option scheme of the Company was adopted by Shareholders on 24 May 2002 ("**2002 Option Scheme**") and expired on 23 May 2012. A new share option scheme of the Company was adopted by Shareholders on 28 May 2012 ("**2012 Option Scheme**") to replace the expired 2002 Option Scheme.

The major terms of the 2002 Option Scheme and the 2012 Option Scheme (referred to as "**Option Scheme**", individually or collectively, as the case may be) are as follows:

(1) Purpose of the Option Scheme

The purpose of the Option Scheme is to motivate eligible participants of the Option Scheme to optimize their future contributions to the Company and its subsidiaries and associates, and the entities in which any of the aforesaid companies holds an interest (collectively referred to as "**Enlarged Group**"); and/or to reward them for their past contributions; and to attract and retain or otherwise maintain on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Enlarged Group.

(2) *Eligible participants of the Option Scheme*

The eligible participants of the Option Scheme include:

(a) an employee or proposed employee of any member of the Enlarged Group or a person seconded to work for any member of the Enlarged Group;

(b) a director or proposed director of any member of the Enlarged Group;

(c) an officer or proposed officer of any member of the Enlarged Group;

(d) a direct or indirect shareholder of any member of the Enlarged Group;

(e) a supplier of goods or services to any member of the Enlarged Group;

(f) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Enlarged Group;

(g) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Enlarged Group;

(h) a landlord or tenant (including a sub-tenant) of any member of the Enlarged Group;

(i) any person approved by Shareholders; and

(j) an associate of any of the foregoing persons.

(3) *Life of the Option Scheme*

The Option Scheme shall remain valid and effective for 10 years from its date of adoption unless the Option Scheme is terminated early by a resolution of Shareholders.

(4) *Maximum number of Shares available to be granted under the Option Scheme*

The maximum number of Shares in respect of which options may be granted under the Option Scheme (and under any other share option scheme) shall not in aggregate exceed 10% of the Shares in issue as at the adoption date of the Option Scheme. The Company may from time to time as the Board may think fit seek approval from Shareholders to refresh this limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Option Scheme (and under any other share option scheme) shall not exceed 10% of the Shares in issue as at the date of Shareholders' resolution refreshing the limit. Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme (and under any other share option scheme) shall not exceed 30% of the Shares in issue from time to time.

As at the date of this Directors' Report, only the 2012 Option Scheme was in effect, and under the 2012 Option Scheme, options with right to subscribe for a total of 296,025,679 Shares (representing about 8.27% of the issued share capital thereby) were available for grant.

(5) Maximum number of Shares allowed to be granted to any one grantee under the Option Scheme

The maximum number of Shares issued and issuable upon full exercise of the options granted to any one grantee (including exercised, lapsed, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

(6) Exercise period

The period within which an option may be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that the period shall not be beyond 10 years commencing on the date of grant of an option. The minimum period for which an option must be held (if any) or the fulfilment of any condition (if any) before it can be exercised shall be determined by the Board upon the grant of an option. The amount payable on acceptance of an option is HK$1 under the 2002 Option Scheme and nil under the 2012 Option Scheme. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.

(7) Exercise price for Shares under the Option Scheme

The exercise price for any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option, but the exercise price shall not be less than the highest of:

(a) the nominal value of a Share;

(b) the closing price of the Shares as stated in HKSE's daily quotation sheets on the date of the resolution of the Board approving the grant of options, which must be a day on which HKSE is open for the business of dealing in securities; and

(c) the average of the closing price of the Shares as stated in HKSE's daily quotation sheets for the five trading days immediately preceding the date of grant.

Details and movements of option shares which were granted under the Option Scheme and remained outstanding during the Financial Year are as follows:

			Number of option shares			
Grantees	Date of grant	Tranche	Held as at 1 January 2014	Granted during the year	Transferred from other category during the year	Transferred to other category during the year
2002 Option Scheme						
1. Directors						
LUI Man Shing	16 June 2006	II	60,000	-	-	-
Madhu Rama Chandra RAO	28 April 2005	II	250,000	-	-	-
	16 June 2006	I	50,000	-	-	-
	16 June 2006	II	50,000	-	-	-
Gregory Allan DOGAN	28 April 2005	II	50,000	-	-	-
	16 June 2006	I	37,500	-	-	-
	16 June 2006	II	37,500	-	-	-
Roberto V ONGPIN *(Note 3)*	28 April 2005	I	75,000	-	-	(75,000)
	28 April 2005	II	75,000	-	-	(75,000)
	16 June 2006	I	30,000	-	-	(30,000)
	16 June 2006	II	30,000	-	-	(30,000)
Timothy David DATTELS	28 April 2005	I	75,000	-	-	-
	28 April 2005	II	75,000	-	-	-
	16 June 2006	I	30,000	-	-	-
	16 June 2006	II	30,000	-	-	-
2. Employees	28 April 2005	I	1,230,000	-	-	(125,000)
	28 April 2005	II	1,465,000	-	-	(125,000)
	16 June 2006	I	842,500	-	-	(70,000)
	16 June 2006	II	934,000	-	-	(70,000)
3. Other participants	28 April 2005	I	-	-	100,000	-
	28 April 2005	I	-	-	25,000	-
	28 April 2005	I	640,000	-	75,000	-
	28 April 2005	II	-	-	100,000	-
	28 April 2005	II	-	-	25,000	-
	28 April 2005	II	640,000	-	75,000	-
	16 June 2006	I	-	-	40,000	-
	16 June 2006	I	-	-	10,000	-
	16 June 2006	I	436,500	-	50,000	-
	16 June 2006	II	-	-	40,000	-
	16 June 2006	II	-	-	10,000	-
	16 June 2006	II	650,000	-	50,000	-
Sub-total			7,793,000	-	600,000	(600,000)

Exercised during the year	Lapsed during the year	Held as at 31 December 2014	Exercise price per option share (HK$)	Exercise period
-	-	60,000	14.60	16 June 2008 - 15 June 2016
-	-	250,000	11.60	28 April 2007 - 27 April 2015
-	-	50,000	14.60	16 June 2007 - 15 June 2016
-	-	50,000	14.60	16 June 2008 - 15 June 2016
-	-	50,000	11.60	28 April 2007 - 27 April 2015
-	-	37,500	14.60	16 June 2007 - 15 June 2016
-	-	37,500	14.60	16 June 2008 - 15 June 2016
-	-	-	11.60	28 April 2006 - 27 April 2015
-	-	-	11.60	28 April 2007 - 27 April 2015
-	-	-	14.60	16 June 2007 - 15 June 2016
-	-	-	14.60	16 June 2008 - 15 June 2016
-	-	75,000	11.60	28 April 2006 - 27 April 2015
-	-	75,000	11.60	28 April 2007 - 27 April 2015
-	-	30,000	14.60	16 June 2007 - 15 June 2016
-	-	30,000	14.60	16 June 2008 - 15 June 2016
(15,000)	(50,000)	1,040,000	11.60	28 April 2006 - 27 April 2015
(15,000)	(50,000)	1,275,000	11.60	28 April 2007 - 27 April 2015
-	(40,000)	732,500	14.60	16 June 2007 - 15 June 2016
-	(52,500)	811,500	14.60	16 June 2008 - 15 June 2016
-	(100,000)	-	11.60	28 April 2006 - 31 December 2014
-	-	25,000	11.60	28 April 2006 - 14 January 2015
-	-	715,000	11.60	28 April 2006 - 27 April 2015
-	(100,000)	-	11.60	28 April 2007 - 31 December 2014
-	-	25,000	11.60	28 April 2007 - 14 January 2015
-	-	715,000	11.60	28 April 2007 - 27 April 2015
-	(40,000)	-	14.60	16 June 2007 - 31 December 2014
-	-	10,000	14.60	16 June 2007 - 14 January 2015
-	-	486,500	14.60	16 June 2007 - 15 June 2016
-	(40,000)	-	14.60	16 June 2008 - 31 December 2014
-	-	10,000	14.60	16 June 2008 - 14 January 2015
-	-	700,000	14.60	16 June 2008 - 15 June 2016
(30,000)	(472,500)	7,290,500		

Grantees	Date of grant	Tranche	Number of option shares Held as at 1 January 2014	Granted during the year	Transferred from other category during the year	Transferred to other category during the year
2012 Option Scheme						
1. Directors						
KUOK Khoon Chen	23 August 2013	-	350,000	-	-	-
LUI Man Shing	23 August 2013	-	350,000	-	-	-
Madhu Rama Chandra RAO	23 August 2013	-	350,000	-	-	-
Gregory Allan DOGAN	23 August 2013	-	350,000	-	-	-
KUOK Khoon Ean *(Note 4)*	23 August 2013	-	350,000	-	-	(350,000)
HO Kian Guan	23 August 2013	-	100,000	-	-	-
Roberto V ONGPIN *(Note 3)*	23 August 2013	-	100,000	-	-	(100,000)
Alexander Reid HAMILTON	23 August 2013	-	100,000	-	-	-
Timothy David DATTELS	23 August 2013	-	100,000	-	-	-
WONG Kai Man	23 August 2013	-	100,000	-	-	-
Michael Wing-Nin CHIU *(Note 3)*	23 August 2013	-	100,000	-	-	(100,000)
LI Kwok Cheung Arthur	23 August 2013	-	100,000	-	-	-
2. Employees	23 August 2013	-	16,228,000	-	-	(730,000)
3. Other participants	23 August 2013	-	-	-	550,000	-
	23 August 2013	-	-	-	80,000	
	23 August 2013	-	120,000	-	650,000	-
Sub-total			18,798,000	-	1,280,000	(1,280,000)
Total			26,591,000	-	1,880,000	(1,880,000)

Notes:

1. No options were cancelled during the Financial Year.
2. The weighted average closing price of the Shares immediately before the dates on which the options were exercised are set out in Note 18 to the Financial Statements.
3. Mr Roberto V ONGPIN and Mr Michael Wing-Nin CHIU retired as Directors on 29 May 2014.
4. Mr KUOK Khoon Ean resigned as a Director on 1 July 2014.

Exercised during the year	Lapsed during the year	Held as at 31 December 2014	Exercise price per option share (HK$)	Exercise period
-	-	350,000	12.11	23 August 2013 – 22 August 2023
-	-	350,000	12.11	23 August 2013 – 22 August 2023
-	-	350,000	12.11	23 August 2013 – 22 August 2023
-	-	350,000	12.11	23 August 2013 – 22 August 2023
-	-	-	12.11	23 August 2013 – 22 August 2023
-	-	100,000	12.11	23 August 2013 – 22 August 2023
-	-	-	12.11	23 August 2013 – 22 August 2023
-	-	100,000	12.11	23 August 2013 – 22 August 2023
-	-	100,000	12.11	23 August 2013 – 22 August 2023
-	-	100,000	12.11	23 August 2013 – 22 August 2023
-	-	-	12.11	23 August 2013 – 22 August 2023
-	-	100,000	12.11	23 August 2013 – 22 August 2023
(80,000)	(980,000)	14,438,000	12.11	23 August 2013 – 22 August 2023
-	(550,000)	-	12.11	23 August 2013 – 31 December 2014
-	-	80,000	12.11	23 August 2013 – 14 January 2015
-	-	770,000	12.11	23 August 2013 – 22 August 2023
(80,000)	(1,530,000)	17,188,000		
(110,000)	(2,002,500)	24,478,500		

SHARE AWARD SCHEME

A share award scheme of the Company was adopted by Shareholders on 28 May 2012 and was revised on 10 August 2012 with further restraints/limits imposed ("**Award Scheme**").

The major terms of the Award Scheme (as amended) are as follows:

(1) Purpose of the Award Scheme

The purpose of the Award Scheme is to motivate qualified participants of the Award Scheme to optimize their future contributions to the Group; and/or to reward them for their past contributions; and to attract and retain or otherwise maintain on-going relationships with such qualified participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

(2) Qualified participants of the Award Scheme

The qualified participants of the Award Scheme include:

(a) a director;

(b) an employee; or

(c) an officer,

of any member of the Group other than those who reside in jurisdictions where the grant of Shares or the transfer of Shares to such persons under the Award Scheme will not be permitted under the laws and regulations of such jurisdictions; or will be subject to requirements with which compliance will, in the Board's sole discretion, be unduly burdensome or impractical.

(3) Life of the Award Scheme

The Award Scheme shall remain valid and effective for an initial term of 10 years from its date of adoption ("**Initial Term**"), which shall be automatically extended by 7 successive extended terms of 10 years each ("**Subsequent Term**") unless (a) the Board decides not to continue with any new Subsequent Term; or (b) the Award Scheme is terminated early by a resolution of the Board or the Shareholders, provided that the duration of the Award Scheme shall not exceed 80 years.

(4) Maximum number of Shares available to be granted under the Award Scheme

The total number of the Shares, excluding those that would not be vested or have been forfeited ("**Lapsed Shares**"), granted and to be granted to qualified participants under the Award Scheme shall not exceed 10% of the Shares in issue from time to time. Subject to the aforesaid limit, in addition, no further grant may be made under the Award Scheme if (i) in the Initial Term, the total number of Shares (excluding Lapsed Shares) granted and to be granted pursuant to the Award Scheme exceed 3% of the Shares in issue at the time of the relevant grant; and (ii) in each Subsequent Term, the total number of Shares (excluding Lapsed Shares) granted and to be granted pursuant to the Award Scheme exceed such limit as determined by the Board from time to time for each such Subsequent Term. No further grant may be made under the Award Scheme if this will result in any of the aforesaid limits being exceeded.

As at the date of this Directors' Report, a maximum of 107,399,821 Shares (representing 3% of the issued share capital thereby) were available for grant under the Award Scheme.

(5) Maximum number of Shares allowed to be granted to any one grantee under the Award Scheme

The maximum number of Shares granted and to be granted to any one grantee (including Shares that have been vested and/or accepted and Lapsed Shares) in any 12-month period shall not exceed 0.1% of the Shares in issue from time to time.

(6) Vesting

The vesting conditions (if any) of Shares granted under the Award Scheme shall be determined by the Board in its absolute discretion at the time of grant, provided that the grantee shall accept the Shares within 6 months from the Shares becoming vested. If no acceptance is received within the stipulated period, such unaccepted vested Shares will be forfeited.

(7) Consideration for Shares granted under the Award Scheme

The price/consideration (if any) per Share to be granted under the Award Scheme shall be determined by the Board in its absolute discretion at the time of grant and shall be payable by the grantee upon the grantee accepting the vested Shares.

(8) Operation and administration of the Award Scheme

The Board may select and grant to any qualified participant Shares under the Award Scheme for free or at a price/consideration per Share. A trust has been set up for the operation of the Award Scheme. The Board may from time to time pay to the trustee monies to enable the trustee to purchase on the HKSE Shares which will be held upon trust pending the making of grants to qualified participants under the Award Scheme. BOCI-Prudential Trustee Limited has been appointed as the first trustee of the trust and will hold and deal with the assets of the trust for the benefit of the qualified participants.

During the Financial Year, no Shares were granted under the Award Scheme.

CONNECTED TRANSACTION

During the Financial Year, the Group entered into a connected transaction which is subject to the reporting requirements under Chapter 14A of the Listing Rules. Details of the transaction is as follows:

(1) On 8 October 2014, Kerry Properties (China) Limited ("**KPCL**", a subsidiary of KPL) and Moneyeasy Holdings Limited ("**MHL**") entered into a sale and purchase agreement pursuant to which MHL agreed to sell to KPCL (i) its entire 20% of the issued share capital of and (ii) its outstanding shareholder's loans advanced by MHL to Shangri-La International Hotels (Kunming) Limited ("**HK JVCO**"), a company then owned by Shangri-La China Limited ("**SACL**", a wholly-owned subsidiary of the Company), KPCL and MHL as to 45%, 35% and 20% respectively, for an aggregate amount of approximately US$8.4 million.

After completion of the sale and purchase, HK JVCO would be owned by SACL and KPCL as to 45% and 55%, respectively. Therefore, on 8 October 2014, KPCL, SACL and their shareholders entered into a new shareholders' agreement to govern their relationship in the HK JVCO. In addition, the maximum funding commitment to be contributed by KPCL and SACL will be increased from RMB1,070 million to RMB1,400 million.

KPCL is a subsidiary of KPL which is a subsidiary of KGL (Substantial Shareholder). Accordingly, KPCL is a connected person of the Company at holding level and the new shareholders' agreement as described above constitutes a connected transaction for the Company.

CONTINUING CONNECTED TRANSACTIONS

During the Financial Year, there were also continuing connected transactions for the Company in effect which are subject to the reporting requirements under Chapter 14A of the Listing Rules. Details of these transactions are as follows:

(1) On 28 January 1995, the Company entered into a discloseable and connected transaction to acquire various hotel interests from certain parties, including connected persons of the Company. Included in these hotel interests was Edsa Shangri-La, Manila ("**Edsa Hotel**") which is built on land leased from Shang Properties, Inc ("**SPI**") under a 25-year lease commencing in 1992, with an option to renew the lease for a further term of 25 years. Upon expiration of the further term, SPI agrees to grant to Edsa Shangri-La Hotel & Resort, Inc (the owner of Edsa Hotel) a new lease term of 25 years subject to the prevailing Philippines laws.

SPI is an associate of KGL (Substantial Shareholder). Accordingly, SPI is a connected person of the Company at holding level, and the lease as described above constitutes a continuing connected transaction for the Company.

For the Financial Year, an aggregate amount of US$1,919,000 (2013: US$1,847,000) was paid to SPI under the said lease.

(2) SLIM provided Hotel Management Services to various hotels (which are owned by certain connected persons of the Company) pursuant to certain hotel management, marketing and related agreements entered into between a member of SLIM and each of the said connected persons of the Company. The provision of Hotel Management Services to the following entities remained as continuing connected transactions for the Company during the Financial Year and are required for disclosure in this Annual Report:

(a) Hotel Jen Tanglin Singapore

Hotel Jen Tanglin Singapore (previously known as Traders Hotel, Singapore) is owned by Cuscaden Properties Pte Limited ("**CPPL**") which is owned as to 44.6% by the Company and 55.4% by Allgreen Properties Limited ("**Allgreen**"). CPPL is a subsidiary of Allgreen which is an associate of KGL (Substantial Shareholder). Accordingly, CPPL is regarded as a connected person of the Company at holding level.

(b) Kerry Hotel, Beijing

Kerry Hotel, Beijing is owned by Beijing Kerry Hotel Co, Limited ("**BKH**") which is owned as to 23.75% by the Company, 71.25% by KPL and 5% by a third party, and is a subsidiary of KPL. KPL is a subsidiary of KGL (Substantial Shareholder). Accordingly, BKH is regarded as a connected person of the Company at holding level.

Details of relevant agreements in relation to the Hotel Management Services for the above and the transaction amounts involved in the Financial Year and the prior year are set out below:

Hotel	Date of transaction	Nature of agreement	Counter party	Aggregate amount received by SLIM 2014 (US$)	Aggregate amount received by SLIM 2013 (US$)
(a) Hotel Jen Tanglin Singapore	1 March 1994 (as supplemented)	Management agreement	CPPL	1,774,000	1,853,000
(b) Kerry Hotel, Beijing	30 June 1998 (as supplemented)	Management and marketing services agreement	BKH	2,500,000	1,915,000

The transaction of (a) above also constitutes a related party transaction in accordance with HKFRS and the amount of this transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(b) to the Financial Statements.

The transaction of (b) above also constitutes a related party transaction in accordance with HKFRS and the amount of this transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) to the Financial Statements.

(3) On 2 June 2010, SLIM-HK and Shanghai Pudong Kerry City Properties Co, Limited ("**SPKCP**", a company owned as to 23.2% by the Company, 40.8% by KPL, 16% by Allgreen, and 20% by a third party) entered into a hotel management agreement pursuant to which SLIM-HK was appointed as the manager to provide Hotel Management Services to Kerry Hotel Pudong, Shanghai ("**Pudong Hotel**"), a hotel owned by SPKCP.

On 11 June 2013, the Company announced that the hotel management agreement had been renewed for another consecutive 3-year term which would expire on 5 January 2017.

SPKCP is an associate of KPL which is a subsidiary of KGL (Substantial Shareholder). Accordingly, SPKCP is a connected person of the Company at holding level, and the agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement, the expected occupancy of Pudong Hotel, possible inflation, and reasonable increases in occupancy and reasonable allowance for unexpected increases in occupancy and/or the room rates of Pudong Hotel, the Company has set an annual cap for each of the following financial years:

Financial year	Annual cap (US$)
2014	7,100,000
2015	8,800,000
2016	11,000,000

For the Financial Year, an aggregate amount of US$3,793,000 (2013: US$3,505,000) was received from SPKCP. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(b) to the Financial Statements.

(4) Since 18 November 2010, SLIM-HK has been leasing/licensing from Ubagan Limited ("**Ubagan**"), a subsidiary of KGL (Substantial Shareholder), various office premises and car parking spaces at Kerry Centre.

On 25 October 2013, SLIM-HK and Ubagan (a) entered into a tenancy offer letter to renew the tenancies in respect of various office premises at Kerry Centre for another 3-year term which would expire on 18 November 2016, and (b) agreed to continue the licences of the car parking spaces.

As of Year End, the monthly rental/fee(s) for (a) the tenancy of the office premises was HK$4,491,000 (excluding the management fee and air-conditioning charge of HK$593,000); and (b) each motorcycle parking space, each floating car parking space and each fixed car parking space were HK$800, HK$2,700 and HK$3,500, respectively.

Ubagan is a subsidiary of KGL (Substantial Shareholder). Accordingly, Ubagan is a connected person of the Company at holding level, and the lease and the licence agreements as described above constitute continuing connected transactions for the Company.

Based on the rentals and fees payable under the lease and the licence agreements, and taking into account possible additional costs for management fees, air-conditioning charges and any further lease(s) or licence(s) of office premises or car parking space(s) in the event of business expansion/change of the Group, the Company has set an annual cap for each of the following financial years:

Financial year	Annual cap (HK$)
2014	70,000,000
2015	75,000,000
2016 (up to expiry of the lease)	75,000,000

For the Financial Year, an aggregate amount of HK$62,182,000 (equivalent to US$8,023,000) (2013: US$6,877,000) was paid to Ubagan. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the payment of office rental, management fees and rates under Note 40(a) to the Financial Statements.

(5) On 17 October 2012, SLIM-HK and Shanghai Ji Xiang Properties Co, Limited ("**SJXP**", a company owned as to 49% by the Company and 51% by KPL) entered into a hotel management agreement pursuant to which SLIM-HK would provide Hotel Management Services to Jing An Shangri-La, West Shanghai ("**Jing An Hotel**"), a hotel owned by SJXP. The agreement has a 20-year term commencing from the opening date of the Jing An Hotel. The Company has obtained an independent financial adviser's opinion confirming that it is normal business practice for the agreement to be of such duration.

SJXP is a subsidiary of KPL which is a subsidiary of KGL (Substantial Shareholder). Accordingly, SJXP is a connected person of the Company at holding level, and the agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement and the expected occupancy of the Jing An Hotel, and taking into account possible inflation and possible reasonable increases in occupancy of the Jing An Hotel and the prevailing Renminbi to US dollar exchange rate, the annual cap for each financial year throughout the duration of the said agreement ending 31 December 2033 will not exceed US$14,000,000.

For the Financial Year, an aggregate amount of US$3,834,000 (2013: US$1,240,000) was received from SJXP. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) to the Financial Statements.

(6) On 20 June 2013, SLIM-HK and Kerry (Shenyang) Real Estate Development Co, Limited ("**KSRE**", a company owned as to 25% by the Company, 60% by KPL and 15% by Allgreen) entered into a hotel management agreement pursuant to which SLIM-HK would provide Hotel Management Services to Shangri-La Hotel, Shenyang ("**Shenyang Hotel**"), a hotel which was originally owned by KSRE. Subsequently, Shangri-La Hotel (Shenyang) Co, Limited ("**SLHS**"), having the same shareholding structure of KSRE, was formed through the division of KSRE and had become the owner of the Shenyang Hotel in place of KSRE. On 20 May 2014, SLIM-HK, KSRE and SLHS entered an assignment agreement pursuant to which the hotel management agreement was assigned by KSRE to SLHS. The agreement has a 3-year term commencing from the opening date of the Shenyang Hotel and SLIM-HK has the right to decide whether the term shall be renewed for another consecutive 3-year term provided that the entire term of the agreement as renewed shall not be longer than 20 years.

Both KSRE and SLHS are subsidiaries of KPL which is a subsidiary of KGL (Substantial Shareholder). Accordingly, KSRE and SLHS are connected persons of the Company at holding level, and the hotel management agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement and the expected occupancy of the Shenyang Hotel, and taking into account possible inflation and a reasonable buffer to allow for increases in room rates and the occupancy of the Shenyang Hotel, the Company has set an annual cap for each of the following financial years:

Financial year	Annual cap (US$)
2014	2,000,000
2015	2,500,000
2016 (assuming the hotel management agreement will be renewed upon expiry of the initial 3-year term)	2,800,000

For the Financial Year, an aggregate amount of US$1,101,000 (2013: US$397,000) was received from KSRE and SLHS. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) to the Financial Statements.

(7) On 26 June 2014, SLIM-HK and each of Shangri-La Hotel (Nanjing) Co, Limited (previously known as Ji Xiang Real Estate (Nanjing) Co, Limited) ("**Nanjing Co**", a company owned as to 55% by the Company and 45% by KPL) and Tianjin Kerry Real Estate Development Co, Limited ("**Tianjin Co**", a company owned as to 20% by the Company, 49% by KPL and 31% by Allgreen) (altogether "**Project Cos**") entered into a hotel management agreement, pursuant to which SLIM-HK would provide Hotel Management Services to Shangri-La Hotel, Nanjing and Shangri-La Hotel, Tianjin which are owned by Nanjing Co and Tianjin Co respectively. Each of the said agreements has a 3-year term commencing from the opening date of the hotel in concern and SLIM-HK has the right to decide whether the term shall be renewed for another consecutive 3-year term provided that the entire term of each of the said agreements shall not be longer than 20 years.

The Project Cos are associates of KPL which is subsidiary of KGL (Substantial Shareholder). One of the Project Cos (being Tianjin Co) is also an associate of Allgreen which is an associate of KGL, and a substantial shareholder of a non-wholly owned subsidiary of the Company. Accordingly, the Project Cos are connected persons of the Company at holding level, and the agreements as described above constitute continuing connected transactions for the Company.

Based on the terms of the said agreements and the expected occupancy of each of the Hotels, and taking into account possible inflation and a reasonable buffer to allow for increases in room rates and the occupancy of the Hotels, the Company has set annual caps for each of the following financial years:

Financial year	Annual cap for Shangri-La Hotel, Nanjing (US$)	Annual cap for Shangri-La Hotel, Tianjin (US$)
31 December 2014	310,000	500,000
31 December 2015	1,700,000	1,100,000
31 December 2016	2,100,000	1,900,000
31 December 2017 (for the entire year assuming the hotel management agreement will be renewed upon expiry of the initial 3-year term)	2,600,000	2,100,000

For the Financial Year, the aggregate amount of US$94,000 and US$314,000 (2013: N/A) were received from Nanjing Co and Tianjin Co respectively. The transaction in respect of Tianjin Co also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(b) to the Financial Statements.

(8) On 19 September 2014, the Company announced that certain subsidiaries of the Group order wines from wine suppliers on an ongoing basis for the food and beverage segments of the Group's hotel operations. The Group has maintained a wine programme with various wine suppliers including Kerry Wines Limited ("**Kerry Wines**", a company owned as to 20% by the Company, 60% by KHL and 20% by a company which is an associate of Mr KUOK Khoon Chen, a Director, under the Listing Rules). Throughout the Financial Year, certain subsidiaries of the Group respectively entered into customer agreements with Kerry Wines or its subsidiary ("**KW Member(s)**") in connection with the purchase arrangements under the wine programme. Under the wine programme and pursuant to the customer agreements, the KW Member(s) offer such subsidiaries of the Group certain readily available wines listed under the wine programme at agreed unit prices, subject to revision from time to time, and/or other specific types of wines at prices to be agreed between them when the purchase orders are placed. Besides, the Group may, if it considers appropriate and necessary, also purchase wines en primeur from KW Member(s). All wines purchased from KW Member(s) were/will be effected by purchase orders.

Each KW Member is a subsidiary of KGL (Substantial Shareholder). Accordingly, the KW Members are connected persons of the Company at holding level, and the purchases of wines described above constitute continuing connected transactions for the Company.

Based on (i) the value of the wine orders recognized during the period from 1 January 2014 to 31 August 2014, and (ii) the business plans of the Group for the remaining months of 2014, the Group has set the annual cap of the wine orders to be placed with the KW Members for the Financial Year at US$4,000,000.

For the Financial Year, the actual aggregate value of such purchases amounted to US$2,743,000 (2013: US$2,224,000). The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the purchase of wine under Note 40(a) to the Financial Statements.

The continuing connected transactions mentioned in (1) to (8) above have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
3. in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of Shareholders as a whole.

The Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to HKSE.

PROPERTIES UNDER DEVELOPMENT

Details of the Group's properties under development as at Year End are as follows:

(A) Hotels owned and managed by the Group

Location	Properties	Group's effective interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)	Number of projected rooms
1 Qinhuangdao, China	Shangri-La Hotel	100%	39,860	75,745	331
2 Hefei, China	Shangri-La Hotel	100%	21,255	97,861	401
3 Ulaanbaatar, Mongolia	Shangri-La Hotel	51%	30,000	32,851	290
4 Tangshan, China	Shangri-La Hotel (part of Tangshan Kerry Centre)	35%	N/A	56,419	398
5 Diqing, China	Shangri-La Hotel	100%	25,429	40,231	223
6 Hangzhou, China	Shangri-La Hotel (part of Kerry Central, Hangzhou)	25%	N/A	45,782	417
7 Kota Kinabalu, Malaysia	Shangri-La's Rasa Ria Resort (Extension)	64.59%	N/A	12,286	81
8 Hambantota, Sri Lanka	Shangri-La Hotel	90%	135,000	54,988	300
9 Bonifacio Global City, Metro Manila, The Philippines	Shangri-La Hotel (part of composite development)	40%	N/A	69,201	576
10 Xiamen, China	Shangri-La Hotel	100%	13,852	45,419	434
11 Harbin Songbei, China	Shangri-La Hotel	100%	40,000	57,000	455
12 Jinan, China	Shangri-La Hotel (part of composite development)	45%	N/A	71,600	359

Number of apartments or villas	Stage of completion	Projected opening	Address
-	Interior renovation in progress	May 2015	Lot No. 5, Golden Dream Bay, Haigang District, Qinhuangdao, Hebei Province, China
-	Superstructure work completed, mechanical and engineering work in progress	May 2015	Northeast of the Intersection of the Northern 1st Ring Road and Jieshou Road, Luyang District, Hefei City, Anhui Province, China
-	Interior renovation in progress	June 2015	North East of National Amusement Park Place, Khoroo 1 of Sukhbaatar District, Ulaanbaatar, The Republic of Mongolia
38	Interior decoration and landscape works in progress	Second half of 2015	Da Li Road, Changhong Street, Chaoyang Street, Feng Huang Xin Cheng,Tangshan, China
3	Superstructure work completed, mechanical and engineering work in progress	Second half of 2015	5 Chi Ci Ka Road, Shangri-La County, Diqing Tibetan, Yunnan Province, China
-	Basement construction and superstructure work in progress	Second half of 2015	East to Yan An Road, South to Qing Chun Road, West to Planned, Chang Shou Road, North to Hai Er Xiang, Xia Cheng District, Hangzhou, China
-	Interior renovation in progress	Second half of 2015	Pantai Dalit Beach, Tuaran, Sabah, 89208, Malaysia
-	Main building completed	Second half of 2015	Sithrakkala Estate, Chithragala, Ambalantota, Sri Lanka
97	Main structure completed, curtain wall installation work in progress	Second half of 2015	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, The Philippines
15	Basement construction completed	2016	Southeast section of intersection of Taibei Road and Taidong Road, Guan Yin Shan Area, Land 03-07, Siming District, Xiamen, Fujian, China
33	Superstructure work in progress	2016	East of Hei Da Gong Road, North of the northern dike of Songhua River, Songbei District, Harbin City, China
32	Superstructure work in progress	2016	Site No. 2011-G043 to G044 South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, China

Location	Properties	Group's effective interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)	Number of projected rooms
13 Hung Hom, Hong Kong	Shangri-La Hotel	100%	15,623	62,492	550
14 Yangon, Myanmar	Lakeside Shangri-La Hotel	55.86%	36,038	75,039	332
15 Colombo, Sri Lanka	Shangri-La Hotel (part of composite development)	90%	N/A	67,317	500
	Total				5,647

(B) Other properties owned by the Group

Location	Properties/ Purpose	Group's effective interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)
1 Tangshan, China	Tangshan Kerry Centre	35%	101,107	
	- Residential			114,511
	- Commercial			22,808
2 Tianjin, China	Tianjin Kerry Centre	20%	86,164	
	- Residential			124,369
	- Office			70,016
	- Commercial			117,986
	- Serviced apartment			31,420
3 Nanchang, China	Composite Development	20%	47,738	
	- Residential			82,144
	- Office			70,546
	- Commercial			9,144
4 Dalian, China	Composite Development	100%	5,900	
	- Residential			18,650
	- Commercial			4,600
	- Serviced apartment			12,150

Number of apartments or villas	Stage of completion	Projected opening	Address
-	Basement construction work in progress	2016	Junction of Hung Luen Road and Wa Shun Street, Hung Hom, Kowloon of Inland Lot No. 11205, Hong Kong
15	Piling completed	2017	No. 150/150 (A), Kan Yeik Thar Road, Between Upper Pansodan Road and Thein Phyu Road, Mingalar Tuang Nyunt Township, Yangon, Myanmar
41	Superstructure work commenced	2017	1 Galle Road, Colombo, Sri Lanka
274			

Stage of completion	Projected opening	Address
Phase II: Superstructure work completed, interior decoration in progress	2015	Da Li Road, Changhong Street, Chaoyang Street, Feng Huang Xin Cheng, Tangshan, China
Phase I : Completion verification in progress	Phase I in 2015	Junction of Liuwei Road and Liujin Road, Hedong District, Tianjin, China
Residential structure work and external work in progress	Phase I in 2015	Lot No. B-7, Honggutan Central District, Nanchang, China
Main structure completed, curtain wall installation work in progress	Phase II in 2015	Chang Jiang Road South, Zhi Gong Jie West, Zhi Fu Jie East, Zhongshan District, Dalian, China

Location	Properties/ Purpose	Group's effective interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)
5 Bonifacio Global City, Metro Manila, The Philippines	Composite Development	40%	15,120	
	- Residential			37,522
	- Commercial			4,405
6 Shenyang, China	Shenyang Kerry Centre	25%	157,828	
	- Residential			594,152
	- Office			205,183
	- Commercial			228,978
7 Hangzhou, China	Kerry Central, Hangzhou	25%	67,374	
	- Office			12,651
	- Commercial			108,001
	- Serviced apartment			33,512
8 Jinan, China	Composite development	45%	22,293	
	- Office			35,983
	- Commercial			4,705
9 Putian, China	Composite Development	40%	147,577	
	- Residential			263,677
	- Commercial			6,945
10 Ulaanbaatar, Mongolia	Composite Development	51%	18,667	
	- Office			40,902
	- Commercial			46,372
	- Serviced apartment			32,328
11 Sule Square, Yangon, Myanmar	Composite development	59.28%	4,280	
	- Office			36,135
	- Commercial			9,247
12 Colombo, Sri Lanka	Composite Development	90%	40,469	
	- Residential			111,100
	- Office			55,500
	- Commercial			68,000

Stage of completion	Projected opening	Address
Main structure completed, curtain wall installation work in progress	2015	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, The Philippines
Phase I : Residential interior decoration and mechanical and engineering work in progress Phase II: Superstructure work in progress	Phase I in 2015 and Phase II in 2018	Lot No. 2007-053, No. 8 Golden Corridor, 113 Qingnian Da Street, Shenhe District, Shenyang, China
Basement construction and superstructure work in progress	2016	East to Yan An Road, South to Qing Chun Road, West to Planned, Chang Shou Road, North to Hai Er Xiang, Xia Cheng District, Hangzhou, China
Superstructure work in progress	2016	Site No. 2011-G043 to G044 South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, China
Superstructure work in progress	Phase I in 2016	Yanshou Village, Longqiao Street Office, Chengxiang District and Xibai Village, Xitianwei Town, Lincheng District, Putian City, China
Superstructure work in progress	2016	North East of National Amusement Park Place, Khoroo 1 of Sukhbaatar District, Ulaanbaatar, The Republic of Mongolia
Superstructure work in progress	2016	No. 223, Sule Pagoda Road, Pabedan Township, Yangon, Myanmar
Foundation construction in progress	2016	1 Galle Road, Colombo, Sri Lanka

(C) Properties under concept planning

Location	Purpose	Group's effective interest as at Year End	Approximate total site area (m^2)
1 Zhengzhou, China	Composite Development	45%	44,573
2 Kunming, China	Composite Development	45%	15,446
3 Zhoushan, China	Hotel	100%	28,541
4 Dalian Wolong Bay, China	Hotel	100%	47,615
5 Bali Nusa Dua, Indonesia	Shangri-La Hotel and golf club	53.30%	64,460
6 Accra, The Republic of Ghana	Composite Development	100%	49,870

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the five largest customers combined and the five largest suppliers combined are less than 10% of the Group's total turnover and purchases respectively.

AUDITOR

The Financial Statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment as the Auditor of the Company at the Annual General Meeting.

On behalf of the Board

KUOK Khoon Chen
Chairman

Hong Kong, 25 March 2015

Approximate total gross floor area (m^2)	Address
218,406	East of Huayuan Road, South of Weier Road, Zhengzhou City, China
74,802	No. 88-96 Dongfeng Road, Panlong District, Kunming City, China
85,623	LKC 1-3 Block of Lincheng Street, Dinghai District, Zhoushan, Zhejiang Province, China
151,094	Zhong Yang Chuang Zhi District, Xiao Yao Bay, Jin Zhou Xin District, Dalian, China
52,197	JI Terompong, Bualu, Dusa Dua, Kei Venoa, Kec Kuta Selatan, Kab/ Badung, Bali, Republic of Indonesia
174,545	Airport North on Spintex Road, City of Accra, The Republic of Ghana

CORPORATE GOVERNANCE REPORT

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.

DIRECTORS HANDBOOK

The Board adopted a composite handbook ("**Directors Handbook**") comprising the Securities Principles and the CG Principles, terms of both of which align with or are stricter than the requirements set out in the Securities Model Code and the CG Model Code save for the provision that the positions of the Chairman and the CEO may be served by the same person. The Directors Handbook serves as a comprehensive guidebook for all Directors.

The Directors Handbook incorporates (amongst other things):

(1) Securities Principles

(a) the restricted acts and dealings of Directors in relation to the Company's securities;

(b) the Directors' obligation and the board procedures for the mandatory notification to and acknowledgement from the Company prior to any deemed dealings of Directors and the required notification to the Company subsequent to such dealings;

(c) the requirements of the Directors' mandatory filing with the regulatory body(ies) of their deemed dealings; and

(d) the terms of the extended application of the Securities Principles to non-Directors.

(2) CG Principles

(a) the terms of the operation of the Board including the obligations of each Director;

(b) the establishment of each Board committee, including the terms of reference of and/or the policy for each such committee;

(c) the terms of the corporate governance functions;

(d) the rights of each Director (including member of any Board committee) for and/or the procedures for independent access to the Group's information and professional advice;

(e) the written procedures resolved by the Board for Shareholders to exercise their certain rights in the Company; and

(f) the references to and/or the summary of various important regulatory rules and the Company's corporate policies which the Directors are obliged to strictly observe.

The Directors Handbook will be updated and revised from time to time where necessary to, amongst other things, (a) align with the mandatory requirements under the Listing Rules and/or any other governing rules which the Directors or the Company shall observe, and (b) incorporate any corporate governance terms which the Board considers necessary for better corporate governance of the Company. Any change to the terms of the Securities Principles and the CG Principles shall be determined and approved by the Board.

Code on securities transactions

The Company has made specific enquiry of each of the Directors and all the Directors have confirmed compliance with the Securities Principles throughout the Financial Year.

The Securities Principles also applied to certain employees ("**Relevant Employees**") in respect of their dealings in the securities of the Company for the Financial Year. The code with which the Relevant Employees are obliged to comply is similar to that with which the Directors are obliged to comply except that the Relevant Employees are not required to fulfil the public filing requirement. The Company has made specific enquiry of each of the Relevant Employees and they have confirmed compliance with the Securities Principles throughout the Financial Year.

Code on corporate governance

The Company has met the CG Principles and the CG Model Code for the Financial Year except for the deviations summarized below:

CG Model Code		Deviation and reason
A.2.1	The roles of the Chairman and the CEO should be separate and should not be performed by the same individual	Mr KUOK Khoon Chen served as both the Chairman and the CEO during the Financial Year. The Company believes that the non-separation of the two roles is not significant given that Mr Gregory Allan DOGAN, an Executive Director and the COO, is also the president and chief executive officer of SLIM-HK, the hotel management subsidiary of the Company, which is entrusted with the primary responsibility of operating the assets of the Group.

CORPORATE GOVERNANCE FUNCTIONS

Under the CG Principles, the Audit Committee has the delegated responsibility to oversee, monitor and observe the terms of the Company's corporate governance functions, which include the following major duties:

(1) to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board;

(2) to review and monitor the training and continuous professional development of Directors and senior management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the members of the Group;

(5) to review the Company's compliance with the relevant code and disclosure requirements in relation to corporate governance in accordance with the Listing Rules;

(6) to review the Directors Handbook from time to time to ensure the Directors Handbook has sufficiently covered the corporate governance matters which the Board and the Company are required to observe under the Listing Rules; and

(7) to monitor whether the terms set out in the Directors Handbook are duly observed and complied with.

The Audit Committee had duly performed its duties relating to the corporate governance functions, and save for the deviations from the CG Model Code as aforesaid, it was not aware of any terms of corporate governance being violated during the Financial Year.

THE BOARD

The Board is accountable to Shareholders for leading the Group in a responsible and effective manner.

Members, meetings held and attendance

During the Financial Year, the Board held four board meetings. The Directors during the Financial Year and the attendance of each of them in the meetings are as follows:

Name of Director	Meetings attended/ eligible to attend
Executive Directors	
KUOK Khoon Chen (Chairman & CEO)	4/4
LUI Man Shing (Deputy Chairman)	4/4
Madhu Rama Chandra RAO (CFO)	4/4
Gregory Allan DOGAN (COO)	4/4
Non-executive Directors	
KUOK Khoon Ean (resigned on 1 July 2014)	0/2
HO Kian Guan (alternate – HO Kian Hock)	4 (0)/4
Roberto V ONGPIN (retired on 29 May 2014)	0/1
KUOK Hui Kwong (appointed on 27 October 2014)	1/1
Independent Non-executive Directors	
Alexander Reid HAMILTON	4/4
Timothy David DATTELS	4/4
WONG Kai Man	4/4
Michael Wing-Nin CHIU (retired on 29 May 2014)	1/1
LI Kwok Cheung Arthur	4/4

Other than the above full Board meetings, the Chairman also held an annual meeting with the Directors without the presence of other Executive Directors. The attendance of the Directors at the meeting is as follows:

Name of Director	Attendance
Chairman	
KUOK Khoon Chen	✓
Non-executive Directors	
KUOK Khoon Ean (resigned on 1 July 2014)	X
HO Kian Guan (alternate – HO Kian Hock)	✓ (X)
Roberto V ONGPIN (retired on 29 May 2014)	X
KUOK Hui Kwong (appointed on 27 October 2014)	N/A
Independent Non-executive Directors	
Alexander Reid HAMILTON	✓
Timothy David DATTELS	X
WONG Kai Man	✓
Michael Wing-Nin CHIU (retired on 29 May 2014)	✓
LI Kwok Cheung Arthur	✓
Total attendance	6/9

The relationship between members of the Board is set out in the section titled "Board of Directors, Company Secretary and Senior Management" in the Annual Report.

Term of appointment of Directors

Each Director shall be subject to terms of retirement, but shall be eligible for re-election in accordance with the Bye-Laws, the Listing Rules and the Company's nomination policy, in particular:

(1) any Director who was newly appointed by the Board or by the Shareholders in a general meeting to fill a casual vacancy, or as an addition to the Board, shall retire from office at the next general meeting of the Company;

(2) every Director shall retire from office by rotation no later than the third annual general meeting after he was last elected or re-elected; and

(3) at each annual general meeting, at least one-third or otherwise the number nearest one-third of the Directors for the time being shall retire from office by rotation.

Accordingly, the term of appointment of each Director is effectively not more than around three years.

Directors' training

The Company encourages Directors to participate in continuous professional development to enhance and refresh their skills and knowledge in acting as Directors of the Company. The Company also organizes presentations and training sessions that help update Directors on the latest corporate governance and regulatory/legal issues as well as other current topics. Separately from those the Company arranges, some Directors also attend external training sessions and presentations.

A summary of the current Directors' professional development initiatives during the Financial Year is set out below:

	Category of training topics		
	Corporate governance	Regulatory	Others
Executive Directors			
KUOK Khoon Chen (Chairman & CEO)		✓	✓
LUI Man Shing (Deputy Chairman)		✓	✓
Madhu Rama Chandra RAO (CFO)		✓	✓
Gregory Allan DOGAN (COO)		✓	✓
Non-executive Directors			
HO Kian Guan (alternate – HO Kian Hock)		✓(✓)	✓
KUOK Hui Kwong (appointed on 27 October 2014)			✓
Independent Non-executive Directors			
Alexander Reid HAMILTON	✓	✓	✓
Timothy David DATTELS		✓	✓
WONG Kai Man	✓	✓	✓
LI Kwok Cheung Arthur	✓	✓	✓

EXECUTIVE COMMITTEE

The Executive Committee was established by the Board on 21 June 1993. The Executive Committee is delegated with power and authority to oversee the Group's ordinary business, transactions and development. The written terms of reference of the Executive Committee include its defined powers and duties, except that the following matters are explicitly reserved to the Board for decision:

(1) constitution and share capital

(2) corporate objectives and strategy

(3) corporate policies relating to securities transactions by Directors and senior management

(4) interim and annual results

(5) significant investments

(6) major financings, borrowings and guarantees other than those of ordinary terms and for the ordinary operations or for general working capital requirements of the Group

(7) corporate governance and internal controls

(8) risk management

(9) major acquisitions and disposals

(10) material contracts

(11) Board members and Auditor

(12) any other significant matters that will affect the operations of the Group as a whole

During the Financial Year, most material decisions of the Executive Committee were recorded by written resolutions. The members of the Executive Committee during the Financial Year were as follows:

Member	Board capacity
KUOK Khoon Chen (chairman)	Chairman, CEO & ED
LUI Man Shing	Deputy Chairman & ED
Madhu Rama Chandra RAO	ED & CFO

NOMINATION COMMITTEE

The Nomination Committee was established by the Board on 19 March 2012. The Nomination Committee, amongst other things, considers any proposed change to members or composition of the Board and/or evaluates the performance of Directors in accordance with the Company's nomination policy. The written terms of reference of the Nomination Committee include the following major duties:

(1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(2) to identify individuals suitably qualified to become members of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;

(3) to assess the independence of each newly proposed Independent Non-executive Director and existing Independent Non-executive Director on an annual basis or as and when the Nomination Committee considers necessary;

(4) to make recommendations to the Board on proposed appointment, designation, election or re-election of Directors and succession planning for Directors, in particular the Chairman and the CEO;

(5) to make recommendations to the Board on tendered resignation or proposed removal of Directors;

(6) to provide opinions on any proposed election or re-election of person(s) as Independent Non-executive Director(s) at general meeting(s) of the Company and to provide reasons why they consider the nominated person(s) to be independent;

(7) if a Director has been serving the Board as an Independent Non-executive Director for more than 9 years and will make himself available for re-election at a general meeting of the Company, to consider if such Director remains independent and suitable to continue to act as an Independent Non-executive Director and to make recommendations to the Board accordingly; and

(8) to observe the terms of the Company's nomination policy and to make recommendations to the Board on the nomination policy.

The latest full version of the terms of reference of the Nomination Committee has been posted on the Company's corporate website.

During the Financial Year, all decisions of the Nomination Committee were resolved by written resolutions. The members of the Nomination Committee during the Financial Year were as follows:

Member	Board capacity
KUOK Khoon Chen (chairman)	Chairman, CEO & ED
Madhu Rama Chandra RAO	ED & CFO
Alexander Reid HAMILTON	INED
WONG Kai Man	INED
LI Kwok Cheung Arthur	INED

During the Financial Year, the work performed by the Nomination Committee included:

(i) For the purpose of re-election of the retiring Directors at the 2014 annual general meeting of the Company, the Nomination Committee:

- assessed and confirmed the independence of all Independent Non-executive Directors;
- recommended the Board to accept the cessation of directorship of the retiring Directors who did not offer themselves for re-election;
- evaluated and confirmed the contribution of each of the relevant retiring Directors who offered themselves for re-election; and
- recommended the Board to propose the re-election of each of those relevant retiring Directors at the 2014 annual general meeting of the Company.

(ii) In relation to (a) the wish of Mr KUOK Khoon Ean to resign as a Non-executive Director, and (b) the proposed appointment of Ms KUOK Hui Kwong as a Non-executive Director, the Nomination Committee:

- recommended the Board to accept the resignation of Mr KUOK Khoon Ean; and
- assessed the record and personal particulars of Ms KUOK Hui Kwong and recommended the appointment to the Board.

The Board considered that the appointment of Ms KUOK Hui Kwong during the year fully achieved the Company's board diversity policy (as described below).

Nomination policy

The terms of the nomination policy of the Company in effect during the Financial Year were as follows:

(1) the total number of Directors (excluding their alternates) shall not exceed 20, with at least 3 Independent Non-executive Directors and at least one-third of the Board members being Independent Non-executive Directors;

(2) the Board shall be composed of members with mixed skills and experience with appropriate qualifications necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities;

(3) each new Director shall complement the existing Board composition to ensure that there is an appropriate mix of Directors with different abilities and experiences; shall have the required skills, knowledge and expertise to add value to the Board; and shall be able to commit the necessary time to the position;

(4) each Independent Non-executive Director shall meet the mandatory qualification requirements as set out in the Listing Rules from time to time;

(5) the Board shall observe the board diversity policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, including diversity of age, culture and gender;

(6) the Board shall have the primary responsibility for identifying appropriate candidates to act as new members of the Board;

(7) Shareholders may also propose candidates for election as a Director provided that the proposal follows the procedures posted on the Company's corporate website;

(8) each proposed new appointment, election or re-election of a Director shall be evaluated, assessed and/or considered against the criteria and qualifications set out in the Company's nomination policy by the Nomination Committee, which shall recommend its views to the Board and/or the Shareholders for consideration and determination; and

(9) each resignation or removal of a Director shall also be considered by the Nomination Committee, which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Board on 17 October 1997. The Remuneration Committee shall, amongst other things, review, endorse and/or approve the remuneration of each Director and the Senior Management in accordance with the Company's remuneration policy for Directors and the Senior Management. During the Financial Year, the written terms of reference of the Remuneration Committee included the following major duties:

(1) to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and the Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(2) to determine the remuneration packages of individual Executive Directors and the Senior Management, with such packages including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, taking into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(3) to make recommendations to the Board on the Directors' fees and the fees for members of each committee of the Board;

(4) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(5) to review and approve compensation payable to Executive Directors and the Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(6) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are reasonable and appropriate; and

(7) to advise Shareholders on how to vote with respect to any Director's service contract that requires Shareholders' approval under the Listing Rules.

The latest full version of the terms of reference of the Remuneration Committee has been posted on the Company's corporate website.

Members, meetings held and attendance

During the Financial Year, the Remuneration Committee held one meeting. The members of the Remuneration Committee and the attendance of each of them in the meeting are as follows:

Member	Board capacity	Meetings attended/ eligible to attend
WONG Kai Man (chairman)	INED	1/1
KUOK Khoon Chen	Chairman, CEO & ED	1/1
Alexander Reid HAMILTON	INED	1/1
LI Kwok Cheung Arthur	INED	1/1

During the Financial Year, the work performed by the Remuneration Committee included:

(i) assessing the performance of the Executive Directors and the Senior Management in the context of the financial performance of the Group and its development strategy in the medium term; and

(ii) approving the terms of remuneration of the Executive Directors and the Senior Management, having considered the financial results of the Group, its growth plans, the competitive environment in the hotel industry for obtaining competent management talent and the need to adequately reward outstanding performances.

Remuneration policy for Executive Directors and Senior Management

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of the individual Executive Directors and the Senior Management.

The remuneration for the Executive Directors and the Senior Management comprises salary, discretionary bonus, pensions and/or housing, and annual leave fare for expatriate Executive Directors and expatriate Senior Management.

Salaries are reviewed annually. Salary increases of Executive Directors and Senior Management are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

In addition to salary, Executive Directors and Senior Management are eligible to receive a discretionary bonus the amount of which shall be reviewed and approved by the Remuneration Committee, which shall take into consideration factors such as market conditions as well as corporate and individual performances.

In order to attract, retain and motivate executives and key employees serving any member of the Group, Directors and Senior Management are also eligible to participate in the Company's share option scheme and share award scheme. The grant of share options and share awards to Directors and/or Senior Management and the terms thereto shall be approved by the Remuneration Committee.

Remuneration of Directors and Senior Management

For the Financial Year, the Non-executive Directors (including Independent Non-executive Directors) and the members of the Board committees (other than Executive Director(s)), were entitled to the following annual fees which were approved by Shareholders at the previous annual general meeting:

Annual fee	Amount (HK$)	Basis of pro-rating for the year
As NED/INED	200,000	Period of directorship
As Remuneration Committee member	50,000	Period of membership
As Nomination Committee member	50,000	Period of membership
As Audit Committee member	100,000	Period of membership
	100,000	Attendance rate at meetings

Details of the remuneration paid to each of the Directors for the Financial Year are set out in Note 30 to the Financial Statements.

The remuneration (including bonus but excluding other benefits) paid to the current Senior Management for the Financial Year is set out below (by band):

Range of remuneration	Number of members of Senior Management
HK$3,000,001 to HK$4,000,000	3
HK$4,000,001 to HK$5,000,000	3
HK$13,000,001 to HK$14,000,000	1
	7

Note: One member of the Senior Management joined the Group after the Year End and thus the remuneration of the member is not included in the above list.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 25 August 1998. The Audit Committee shall, amongst other things, supervise the financial reporting and the internal controls within the Group. During the Financial Year, the written terms of reference of the Audit Committee included the following major duties:

(1) to make recommendations to the Board on the appointment, re-appointment and removal of the Auditor, to approve the remuneration and terms of engagement of the Auditor, and to consider any questions of its resignation or dismissal;

(2) to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(3) to review and monitor the integrity of the Company's interim and annual financial statements, reports and accounts, and to review significant financial reporting judgements contained therein, before submission to the Board;

(4) to review the Company's financial controls, internal controls and risk management systems;

(5) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system;

(6) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;

(7) to review the internal audit programme to ensure co-ordination between the internal and the external auditors, and to review and monitor its effectiveness;

(8) to review the Group's financial and accounting policies and practices;

(9) to report to the Board on the matters set out in the terms of reference and, in particular, the matters required to be performed by the Audit Committee under the Listing Rules;

(10) to review arrangements made for employees of and/or those who deal with the Group who may, in confidence, raise concerns about possible improprieties in financial reporting, internal controls or other matters; and

(11) to oversee, monitor and observe the Company's corporate governance matters.

The latest full version of the terms of reference of the Audit Committee has been posted on the Company's corporate website.

Members, meetings held and attendance

During the Financial Year, the Audit Committee held four meetings. The members of the Audit Committee and the attendance of each of them in the meetings are as follows:

Member	Board capacity	Meetings attended/ eligible to attend
Alexander Reid HAMILTON (chairman)	INED	4/4
WONG Kai Man	INED	4/4
LI Kwok Cheung Arthur	INED	4/4

During the Financial Year, the work performed by the Audit Committee included:

(i) reviewing the Group's financial controls and the conducting of the internal audit of the Group;

(ii) making recommendations on the remuneration payable to the Auditor for the Financial Year and the re-appointment of the Auditor, and satisfying itself on the Auditor's independence and objectivity;

(iii) reviewing financial issues with the Auditor in the committee meetings;

(iv) reviewing the interim and annual financial statements before these were submitted to the Board for approval;

(v) reviewing the reports issued by the internal audit team and discussing the risk and internal controls of the Group;

(vi) reviewing significant legal, litigation or in-house investigation matters of the Group; and

(vii) overseeing the Company's corporate governance matters with reference to the Company's terms of reference for corporate governance functions.

The Audit Committee was satisfied with its review for the Financial Year and concluded that no material issues were identified which needed to be brought to the particular attention of the Board or the Shareholders.

INTERNAL CONTROLS

The Board has overall responsibility for maintaining sound and effective internal control systems in the Group. Internal control policies and procedures are designed to identify and manage the risks that the Group may be exposed to, thereby providing reasonable assurance regarding the achievement of corporate objectives. Internal financial systems also allow the Board to monitor the Group's overall financial position, to protect the Group's assets and to mitigate against material financial misstatement or loss. Through the Audit Committee, the Board has conducted reviews of the effectiveness of the system of internal controls of the Group. The reviews cover all material controls, including financial, operational and compliance controls and risk management functions. The Board considers the internal control system effective and adequate.

INTERNAL AUDIT

The Board also monitors its internal financial control systems through management reviews and a programme of internal audits. The internal audit team reviews the major operational and financial systems of the Group on a continuing basis and aims to cover all major operations within every division on a rotational basis. The scope of its review and the audit programme is determined and approved by the Audit Committee at the beginning of each financial year. The internal audit function reports directly to the Audit Committee and submits regular reports for its review in accordance with the approved programme.

EXTERNAL AUDITORS

The Company's Auditor is PricewaterhouseCoopers, Hong Kong.

For the Financial Year, the external auditors (including their other member firms) provided audit and non-audit services to the Group as follows:

Services	Fees charged (US$'000)
PricewaterhouseCoopers	
Audit services (including interim review)	1,095
Non-audit services	
(a) tax services	261
(b) other advisory services	114
Total	1,470
Other auditor(s)	
Audit services	592
Non-audit services	
(a) tax services	154
(b) other advisory services	43
Total	789

The Auditor, PricewaterhouseCoopers, Hong Kong, will retire and offer itself for reappointment at the Annual General Meeting.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Financial Statements. In preparing the Financial Statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the Financial Statements.

The statement of the Auditor about its reporting responsibilities on the Financial Statements is set out in the section titled "Independent Auditor's Report".

GENERAL MEETINGS OF THE COMPANY

During the Financial Year, the following general meeting of Shareholders was held:

- annual general meeting held on 29 May 2014 at 10:30 am in Hong Kong

All proposed Shareholders' resolutions put to the above general meeting were resolved by poll vote and were duly passed. The vote tally of each such resolution was set out in the Company's announcement released on the day of the general meeting.

The attendance of the members of the Board and/or each Board committee in the general meeting is as follows:

	Attended in the capacity of a member of			
Meeting date: 29 May 2014	Board	Remuneration Committee	Audit Committee	Nomination Committee
Executive Directors				
KUOK Khoon Chen (Chairman & CEO)	✓	✓		✓
LUI Man Shing (Deputy Chairman)	✓			
Madhu Rama Chandra RAO (CFO)	✓			✓
Gregory Allan DOGAN (COO)	✓			
Non-executive Directors				
KUOK Khoon Ean (resigned on 1 July 2014)	X			
HO Kian Guan (alternate – HO Kian Hock)	✓ (X)			
Roberto V ONGPIN (retired on 29 May 2014)	X			
KUOK Hui Kwong (appointed on 27 October 2014)	N/A			

Meeting date: 29 May 2014	Board	Remuneration Committee	Audit Committee	Nomination Committee
	Attended in the capacity of a member of			
Independent Non-executive Directors				
Alexander Reid HAMILTON	✓	✓	✓	✓
Timothy David DATTELS	X			
WONG Kai Man	✓	✓	✓	✓
Michael Wing-Nin CHIU (retired on 29 May 2014)	X			
LI Kwok Cheung Arthur	✓	✓	✓	✓
Total attendance	8			

NEW ISSUE MANDATE GRANTED TO DIRECTORS

At the Company's annual general meeting in 2014, Shareholders granted to the Directors a general mandate to issue new Shares (subject to the requirements of the Listing Rules) representing not more than 20% of the Company's issued share capital as at the date of the general meeting.

Up to the date of the Annual Report, the general mandate has not been exercised. The general mandate will expire not later than the conclusion of the Annual General Meeting.

The approval of a similar and refreshed general mandate will also be sought from Shareholders at the Annual General Meeting. Details of the mandate have been set out in the notice convening the Annual General Meeting which is issued simultaneously with the Annual Report.

SHARE REPURCHASE MANDATE GRANTED TO DIRECTORS

At the Company's annual general meeting in 2014, Shareholders granted to the Directors a general mandate to repurchase Shares (subject to the requirements of the Listing Rules) representing not more than 10% of the Company's issued share capital as at the date of the general meeting.

Up to the date of the Annual Report, the general mandate has not been exercised. The general mandate will expire not later than the conclusion of the Annual General Meeting.

The approval of a similar and refreshed general mandate will also be sought from Shareholders at the Annual General Meeting. Details of the mandate have been set out in the notice convening the Annual General Meeting and a separate circular of the Company, both of which are issued simultaneously with the Annual Report.

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

During the Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

DIVIDEND POLICY

The Board considered that the Company's dividend policy should be based on the profits of the Group that were not affected by exceptional items (recurring profits). Given the capital expenditure requirements to support the Group's expansion plans, the Board was of the view that generally between 50% to 55% of recurring profits could be paid by way of dividends to Shareholders.

The total dividend paid/declared for the Financial Year represents 58% of the annual recurring profits.

The Board reviews the Company's dividend policy regularly to ensure that the policy is in line with market practice and is appropriate considering the Group's ongoing development plans.

INVESTOR RELATIONS

Shareholders' right to propose a person for election as a Director

Shareholders shall have right to propose a person for election as a Director at the Company's general meeting. Detailed procedures for this right have been posted on the Company's corporate website, referred to as "Procedures for Shareholders to Propose a Person for Election as a Director".

Shareholders' right to request convening of general meeting

Shareholders shall also have right to request the Board to convene a general meeting of the Company. Detailed procedures for this right have been posted on the Company's corporate website. Any Shareholder who wishes to exercise his/her right hereof shall refer to the "Procedures for Shareholders' Requests to Convene a General Meeting" ("**Procedures to Convene General Meeting**") as posted on the Company's corporate website. The major terms of the Procedures to Convene General Meeting are summarized as follows:

(1) Holder(s) of Shares and registered in the Company's register(s) of members as registered Shareholder(s) ("**Requisitionist(s)**") may submit a written request ("**Requisition**") to convene a special general meeting provided that the Requisitionist(s) is/are holding not less than one-tenth of the paid up capital of the Company as at the date of the request.

(2) The Requisition must:

(a) state the purpose(s) of the special general meeting and, where appropriate, be accompanied with all necessary materials and information for the purposes of the subject matter of the special general meeting;

(b) state the full name of each Requisitionist;

(c) state the number of the Shares held by each Requisitionist as at the date of the Requisition;

(d) state the valid contact of each Requisitionist, including phone number and email address;

(e) be signed by each Requisitionist;

(f) be accompanied with a sum reasonably sufficient to meet the Company's expenses in giving any notice or statement to Shareholders; and

(g) be delivered to the Company at its registered office in Bermuda as well as its principal place of business in Hong Kong and shall be addressed for the attention of the Company's company secretary.

(3) If the Board receives a due Requisition:

(a) the Board shall convene a special general meeting within 21 calendar days immediately after the Requisition is duly lodged with the Company in accordance with the Procedures to Convene General Meeting; and

(b) the Board shall simultaneously issue notice and information of the special general meeting (specifying the place, date and hour of the meeting and the general nature of the business to be considered) to all Shareholders subject to and in accordance with the Bye-Laws, the Listing Rules and the Bermuda Companies Act to convene the meeting, which shall be held at least (i) 10 clear business days in Hong Kong (excluding Saturdays) and (ii) 14 clear calendar days (excluding the day of notice and the day it is deemed to have been served as well as the day of the meeting) after the notice.

(4) If the Board fails to convene a special general meeting in accordance with (3)(a) hereinabove, the Requisitionist(s) or any of them may convene a special general meeting for the Requisition provided that:

(a) the aggregate voting rights of the Shares registered in the name of such Requisitionist(s) convening the special general meeting represent more than one half of the total voting rights of the Shares registered in the name of all the Requisitionist(s); and

(b) such Requisitionist(s) shall issue proper notice of the special general meeting to all Shareholders in a similar manner to that set out in (3)(b) hereinabove to convene a special general meeting, and such meeting shall be held within 3 calendar months immediately after the Requisition is duly lodged with the Company in accordance with the Procedures to Convene General Meeting.

(5) The Board shall have the absolute right to request the Requisitionist(s) to provide further materials or information in relation to the Requisition that the Board considers necessary to facilitate the convening, if appropriate, of the special general meeting as requested. The Requisitionist(s) shall provide such further materials and information that the Company may request in a timely fashion. The Board may reject a Requisition which does not fulfil any condition as set out in the Procedures to Convene General Meeting, or if a special general meeting is, in the Board's reasonable and absolute discretion, not appropriately requested to be convened, and the Board shall inform the Requisitionists within 21 calendar days therefrom that the request under the Requisition will not be proceeded with.

Shareholders' and investors' communications

The Company reports on its financial and operating performance to Shareholders through interim and annual reports. At annual general meetings of the Company, Shareholders may raise questions with the Directors relating to the performance and future direction of the Group.

In addition, press conferences and analyst briefings are held at least twice a year subsequent to the interim and final results announcements at which appropriate Executive Directors and management members are available to answer queries on the Group.

Shareholders and investors may also address their enquiries to the Board through the enquiry channel available on the Company's corporate website.

In the event any Shareholder wishes to put forward any proposal to a general meeting of Shareholders or for the Board's consideration, the Shareholder shall raise his/her proposal to the Board in writing to the Company's head office and principal place of business in Hong Kong or through the enquiry channel on the Company's corporate website. If the Board considers the proposal appropriate, the Board will take appropriate action or arrangement for consideration at the next available general meeting or Board meeting.

Key dates for shareholders in 2015

The key dates are set out in the section titled "Corporate Information" in the Annual Report.

PUBLIC FLOAT

Based on the information recorded in the registers required to be kept by the Company under Sections 336 and 352 of the SFO or otherwise notified to the Company and within the knowledge of the Directors:

(1) as at Year End, the public float of the Shares made up 45.96% or a capitalization of approximately HK$17.61 billion based on the closing price of the Shares as at Year End; and

(2) a sufficient public float of the Shares as required by the Listing Rules has been maintained during the Financial Year and the period thereafter up to the date of the Annual Report.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of Shangri-La Asia Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shangri-La Asia Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 111 to 241, which comprise the consolidated and Company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	6,465,821	6,075,567
Investment properties	8	1,071,038	1,072,942
Leasehold land and land use rights	9	615,898	653,768
Intangible assets	10	91,233	93,065
Interest in associates	12	3,584,567	3,396,955
Deferred income tax assets	25	553	758
Available-for-sale financial assets	13	4,906	4,947
Derivative financial instruments	23	342	1,550
Other receivables	14	13,099	14,954
		11,847,457	11,314,506
Current assets			
Inventories		46,433	48,383
Properties for sale		23,499	24,439
Accounts receivable, prepayments and deposits	15	283,396	312,596
Amounts due from associates	12	75,072	41,688
Derivative financial instruments	23	161	443
Amounts due from non-controlling shareholders	24	57	160
Financial assets held for trading	16	21,947	20,952
Cash and bank balances	17	1,442,257	1,135,090
		1,892,822	1,583,751
Total assets		13,740,279	12,898,257
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	3,191,745	2,554,222
Other reserves	19	1,716,784	1,904,254
Retained earnings			
- Proposed final dividend	36	27,635	16,113
- Others		1,968,034	1,837,992
		6,904,198	6,312,581
Non-controlling interests	24	535,049	554,763
Total equity		7,439,247	6,867,344

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2014 US$'000	2013 US$'000
LIABILITIES			
Non-current liabilities			
Bank loans	20	3,277,663	3,345,807
Convertible bonds	21	527,305	505,126
Fixed rate bonds	22	597,787	596,814
Derivative financial instruments	23	2,500	1,265
Amounts due to non-controlling shareholders	24	27,579	26,896
Deferred income tax liabilities	25	304,957	285,452
		4,737,791	4,761,360
Current liabilities			
Accounts payable and accruals	26	829,245	842,991
Amounts due to non-controlling shareholders	24	8,605	7,912
Current income tax liabilities		21,280	12,955
Bank loans	20	703,133	405,329
Derivative financial instruments	23	978	366
		1,563,241	1,269,553
Total liabilities		6,301,032	6,030,913
Total equity and liabilities		13,740,279	12,898,257
Net current assets		329,581	314,198
Total assets less current liabilities		12,177,038	11,628,704

KUOK Khoon Chen
Director

Madhu Rama Chandra RAO
Director

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,318	1,499
Investments in subsidiaries	11	3,992,662	3,607,072
Club debentures	13	840	840
		3,994,820	3,609,411
Current assets			
Amounts due from subsidiaries	11	71,786	86,439
Dividends receivable, prepayments and deposits		704,981	611,970
Cash and bank balances	17	293,341	40,122
		1,070,108	738,531
Total assets		5,064,928	4,347,942
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	3,191,745	2,554,222
Other reserves	19	1,547,459	1,547,504
Retained earnings			
- Proposed final dividend	34,36	27,716	16,167
- Others	34	42,543	42,884
Total equity		4,809,463	4,160,777
LIABILITIES			
Current liabilities			
Accounts payable and accruals		8,738	7,885
Amounts due to subsidiaries	11	246,727	179,280
Total liabilities		255,465	187,165
Total equity and liabilities		5,064,928	4,347,942
Net current assets		814,643	551,366
Total assets less current liabilities		4,809,463	4,160,777

KUOK Khoon Chen
Director

Madhu Rama Chandra RAO
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2014 US$'000	2013 US$'000
Sales	5	2,111,584	2,081,081
Cost of sales	27	(912,646)	(906,747)
Gross profit		1,198,938	1,174,334
Other gains – net	28	19,342	35,107
Marketing costs	27	(84,858)	(84,236)
Administrative expenses	27	(203,959)	(195,280)
Other operating expenses	27	(704,889)	(690,395)
Operating profit		224,574	239,530
Finance costs – net	31	(117,294)	(105,075)
Share of profit of associates	32	207,286	416,532
Profit before income tax		314,566	550,987
Income tax expense	33	(107,071)	(109,871)
Profit for the year		207,495	441,116
Attributable to:			
Equity holders of the Company		180,889	392,298
Non-controlling interests		26,606	48,818
		207,495	441,116
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)			
- basic	35	5.77	12.57
- diluted	35	5.77	12.56
Dividends	36	51,805	48,337

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	US$'000	US$'000
Profit for the year	207,495	441,116
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	970	(1,764)
Items that may be reclassified subsequently to profit or loss		
Fair value changes of interest-rate swap contracts – hedging	(3,337)	1,210
Currency translation differences – subsidiaries	(161,765)	(88,971)
Currency translation differences – associates	(41,626)	41,896
Other comprehensive loss for the year	(205,758)	(47,629)
Total comprehensive income for the year	1,737	393,487
Attributable to:		
Equity holders of the Company	(5,578)	363,446
Non-controlling interests	7,315	30,041
	1,737	393,487

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company					
	Note	Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2014		2,554,222	1,904,254	1,854,105	6,312,581	554,763	6,867,344
Remeasurements of post-employment benefit obligations		-	-	958	958	12	970
Fair value changes of interest-rate swap contracts – hedging		-	(3,337)	-	(3,337)	-	(3,337)
Currency translation differences		-	(184,088)	-	(184,088)	(19,303)	(203,391)
Other comprehensive income/(loss) for the year recognized directly in equity		-	(187,425)	958	(186,467)	(19,291)	(205,758)
Profit for the year		-	-	180,889	180,889	26,606	207,495
Total comprehensive income/(loss) for the year ended 31 December 2014		-	(187,425)	181,847	(5,578)	7,315	1,737
Rights issue	18	637,308	-	-	637,308	-	637,308
Exercise of share options – allotment of shares	18	170	-	-	170	-	170
Exercise of share options – transfer from share option reserve to share premium	18, 19	45	(45)	-	-	-	-
Payment of 2013 final dividend		-	-	(16,113)	(16,113)	-	(16,113)
Payment of 2014 interim dividend		-	-	(24,170)	(24,170)	-	(24,170)
Dividend paid and payable to non-controlling shareholders		-	-	-	-	(21,724)	(21,724)
Net change in equity loans due to non-controlling shareholders		-	-	-	-	(5,305)	(5,305)
		637,523	(45)	(40,283)	597,195	(27,029)	570,166
Balance at 31 December 2014		3,191,745	1,716,784	1,995,669	6,904,198	535,049	7,439,247

	Note	Attributable to equity holders of the Company Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2013		2,553,647	1,923,620	1,547,609	6,024,876	502,674	6,527,550
Remeasurements of post-employment benefit obligations		-	-	(1,738)	(1,738)	(26)	(1,764)
Fair value changes of interest-rate swap contracts – hedging		-	1,210	-	1,210	-	1,210
Currency translation differences		-	(28,324)	-	(28,324)	(18,751)	(47,075)
Other comprehensive loss for the year recognized directly in equity		-	(27,114)	(1,738)	(28,852)	(18,777)	(47,629)
Profit for the year		-	-	392,298	392,298	48,818	441,116
Total comprehensive income/(loss) for the year ended 31 December 2013		-	(27,114)	390,560	363,446	30,041	393,487
Granting of share options – value of employee service	19	-	7,870	-	7,870	-	7,870
Exercise of share options – allotment of shares	18	453	-	-	453	-	453
Exercise of share options – transfer from share option reserve to share premium	18, 19	122	(122)	-	-	-	-
Payment of 2012 final dividend		-	-	(40,280)	(40,280)	-	(40,280)
Payment of 2013 interim dividend		-	-	(32,224)	(32,224)	-	(32,224)
Difference between the consideration paid and the portion of the non-controlling interests arising from acquisition of partial equity interest in a subsidiary from a non-controlling shareholder		-	-	(11,560)	(11,560)	-	(11,560)
Equity interest in a subsidiary acquired from a non-controlling shareholder		-	-	-	-	11,560	11,560
Dividend paid and payable to non-controlling shareholders		-	-	-	-	(19,686)	(19,686)
Equity injected by non-controlling shareholders		-	-	-	-	13,092	13,092
Net change in equity loans due to non-controlling shareholders		-	-	-	-	17,219	17,219
Disposal of equity interest in a subsidiary		-	-	-	-	(137)	(137)
		575	7,748	(84,064)	(75,741)	22,048	(53,693)
Balance at 31 December 2013		2,554,222	1,904,254	1,854,105	6,312,581	554,763	6,867,344

Included in the retained earnings are statutory funds of approximately US$61,605,000 (2013: US$58,596,000). These funds are set up by way of appropriation from the profit after taxation of the respective companies, established and operating in Mainland China, in accordance with the relevant laws and regulations.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2014 US$'000	2013 US$'000
Cash flows from operating activities			
Cash generated from operations	37	564,586	598,038
Interest paid		(143,133)	(142,003)
Hong Kong profits tax paid		(16,478)	(15,182)
Overseas tax paid		(56,867)	(57,815)
Net cash generated from operating activities		348,108	383,038
Cash flows from investing activities			
Purchase of property, plant and equipment		(164,708)	(138,612)
Expenditure on properties under development		(671,845)	(455,523)
Purchase of leasehold land and land use rights		(55)	(1,202)
Capital expenditure on investment properties		(34,062)	(94,447)
Proceeds from disposal of property, plant and equipment; leasehold land and land use rights; and investment properties		953	6,868
Refund of land cost previously paid		8,991	79,347
Net proceeds from disposal of interest in a subsidiary		-	17,701
Net proceeds from disposal of interests in associates		-	15,226
Capital contribution to associates		(59,310)	(28,876)
Net increase in loans to associates		(35,651)	(19,067)
Interest received		12,299	11,158
Dividends received from associates		41,777	72,677
Dividends received from listed securities		1,045	1,026
Acquisition of available-for-sale financial assets		-	(646)
Increase in short-term bank deposits with original maturities over 3 months		(90,767)	(6,021)
Net cash used in investing activities		(991,333)	(540,391)
Cash flows from financing activities			
Dividends paid to the Company's equity holders		(40,283)	(72,504)
Dividends paid to non-controlling shareholders		(23,177)	(20,114)
Net proceeds from issuance of ordinary shares		170	453
Net proceeds from rights issue		637,308	-
Net (decrease)/increase in loans from non-controlling shareholders		(5,654)	46,076
Capital injection from non-controlling shareholders		-	13,092
Increase in short-term advance from an associate of the Company's controlling shareholder		16,343	-
Repayment of bank loans		(512,097)	(1,154,533)
Bank loans drawn down		805,701	1,640,885
Net cash generated from financing activities		878,311	453,355
Net increase in cash and cash equivalents		235,086	296,002
Cash and cash equivalents at beginning of the year		1,111,435	821,284
Exchange losses on cash and cash equivalents		(18,686)	(5,851)
Cash and cash equivalents at end of the year	17	1,327,835	1,111,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Shangri-La Asia Limited ("**Company**") and its subsidiaries (together, "**Group**") own/lease and operate hotels and associated properties; and provide hotel management and related services.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention except that certain financial assets, financial liabilities (including derivative financial instruments) and investment properties are stated at fair value.

Amendments to standards and interpretation adopted by the Group

The following amendments to standards and interpretation effective in 2014 which are relevant to the Group's operations have been adopted by the Group for the first time for the financial year beginning on 1 January 2014:

Amendments to HKAS 32 - Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Amendments to HKAS 32 clarify that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also consider settlement mechanisms. The amendments did not have an impact on the financial statements.

Amendments to HKAS 36 - Impairment of assets – Recoverable Amount Disclosures for Non-Financial Assets

Amendments to HKAS 36 removed certain disclosures of the recoverable amount of cash generating units which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

HK(IFRIC) 21 – Levies

HK(IFRIC) 21 sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised. The Group is not currently subjected to significant levies. The interpretation did not have a significant impact on the financial statements.

The following new standards and amendments to standards are relevant to the Group's operations but are not effective for the year 2014 and have not been early adopted:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 9	Financial Instruments
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 15	Revenue from Contracts with Customers
Annual improvements to HKFRSs 2010-2012 cycle	
Annual improvements to HKFRSs 2011-2013 cycle	
Annual improvements to HKFRSs 2012-2014 cycle	

The Group expects that the adoption of these new standards and amendments to standards will affect presentation of the financial statements only and will not have material impact on the Group's financial position.

2.2 Consolidation

The consolidated financial statements included the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to obtain, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets.

The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement as negative goodwill.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of additional interest in subsidiaries from non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interest in subsidiaries to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests and no gain or loss is recognized.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(c) Disposal of subsidiaries (continued)

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (see Note 2.8).

If the ownership interest in an associate is reduced but significant influence is retained, only the proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performances of the operating segments, has been identified as the executive directors of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's principal subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States dollars (US$), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except those arising from qualifying cash flow hedges and qualifying net investment hedges which would be recognized in other comprehensive income.

Foreign exchange gains and losses including those relate to borrowings and cash and bank balances are presented in the consolidated income statement within "Finance costs – net".

Translation differences on non-monetary items, such as financial assets held for trading at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments on assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of the statement of financial position.

2.5 Property, plant and equipment

Buildings comprise mainly hotel properties. Property, plant and equipment, including leasehold land classified as finance lease, are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation is calculated to write off the cost to their residual value on a straight-line basis over the expected useful lives. The useful lives or principal annual rates used are:

Leasehold land classified as finance lease	Underlying land lease term
Hotel properties and other buildings	Lower of underlying land lease term or 50 years
Plant and machinery	5% to 10%
Furniture, fixtures and equipment	10% to 33 1/3%
Motor vehicles	20% to 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

Properties under development and freehold land for hotel properties are not subject to depreciation and are stated at cost less accumulated impairment, if any. Leasehold land classified as finance lease commences depreciation from the time when the land is available for its intended use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other operating expenses in the income statement if the disposal is arising from normal operation of the business.

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Property that is being constructed or developed for future use as investment property is also classified as investment property before construction or development is completed.

Investment property comprises land held under operating lease or freehold and buildings. Land held under operating leases are classified and accounted for as investment property without amortization when the rest of the definition of investment property is met.

Investment property is measured initially at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value, representing open market value determined by external professional valuers. Property under construction that is being classified as investment property is revalued to fair value when it becomes reliably determinable on a continuing basis. Changes in fair values are recognized in the income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

2.7 Leasehold land and land use rights

Prepaid leasehold land premiums or land use rights for hotel properties or for development of hotel properties, other than those considered as finance lease as grouped under property, plant and equipment, are classified and accounted for as leasehold land and land use rights and are stated at cost and amortized over the period of the lease on a straight-line basis to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in interest in associates. Goodwill on acquisitions is tested for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortization and impairment, if any. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 20 to 50 years.

(c) Website development costs

Website development costs that are directly associated with the development of identifiable and unique products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Such development costs are carried at cost less accumulated amortization and impairment, if any. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 years upon commencement of operation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of investments in subsidiaries, associates and non-financial assets

Intangible assets that have an indefinite useful life, for example goodwill, or intangible assets not ready for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Investments

The Group classifies its investments in the following categories: financial assets held for trading, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this classification at every reporting date.

(a) Financial assets held for trading

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the date of the statement of financial position; otherwise, they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the date of the statement of financial position which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position (Note 2.14).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the date of the statement of financial position.

Purchases and sales of investments are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets held for trading are subsequently carried at fair value based on current market closing bid prices with realized and unrealized gains and losses arising from changes in the fair value included in the income statement in the period in which they arise. Loans and receivables are carried at amortized cost using the effective interest method less impairment with changes in carrying value to be recognized in the income statement. Unlisted equity as included in available-for-sale financial assets are stated at cost less impairment (which is charged to the income statement) as the fair value of these unlisted financial assets cannot be reliably measured. Club debentures held for long-term investment purpose and included in available-for-sale financial assets are stated at fair value and the changes in fair value are recognized in equity.

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value below its cost is considered as an indicator whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement) is removed from equity and recognized in the income statement. Impairment testing of loans and receivables is the same as trade and other receivables as disclosed in Note 2.14.

2.11 Derivative financial instruments (hedging and non-hedging)

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

In order to determine whether the instruments qualify for hedge accounting or not, the Group performs an analysis to assess whether changes in the cash flows of the instruments are deemed highly effective in offsetting changes in the cash flows of the hedged items.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Derivative financial instruments (hedging and non-hedging) (continued)

(a) Hedging

Hedging instruments are initially recognized at fair value on the date of the contract entered into and are re-measured to their fair value at subsequent reporting dates. The effective portion of the change in the fair value of the contracts is recognized in "Hedging reserve" in equity. The gain or loss relating to the ineffective portion is recognized immediately in the "Other gains/(losses) – net" of income statement.

For interest-rate swap contracts used for hedging bank loan interest payment under bank loan agreements in order to swap the floating interest rate borrowings to fixed interest rate borrowings, the related cash flows in the same period of the hedged transaction are classified as interest expenses in the income statement.

For currency forward contracts used to hedge the currency risk associated with the forecast foreign currency payment obligation under certain sale and purchase agreements for capital expenditure investment executed, the amounts accumulated in the "Hedging reserve" were transferred out and were included in the initial investment cost of the net asset acquired when the payment was made.

For currency forward contracts used to hedge the currency risk associated with the forecast foreign currency receipt during the year, the difference between the net cash received and the then book value of the receivable are classified as finance cost.

If at any time the hedging instruments are no longer highly effective as a hedge, the Group discontinues hedge accounting for those hedging instruments and all subsequent changes in fair value are recorded in "Other gains/(losses) – net".

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognized in equity is immediately transferred to the income statement within "Other gains/(losses) – net".

(b) Non-hedging

Derivative financial instruments that do not qualify for hedge accounting are categorized as derivatives at fair value through profit or loss and changes in the fair value of these derivative instruments are recognized immediately in the consolidated income statement within "Other gains/(losses) – net".

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost, being cost of purchase, is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Properties for sale

Properties for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, the properties are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses.

2.14 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of loss is recognized in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank loans in current liabilities on the statement of financial position.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the consolidated equity attributable to the Company's equity holders until the shares are resold. Where such shares are subsequently resold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, will increase the consolidated equity attributable to the Company's equity holders. The dividends on these own shares held are excluded from the dividend distribution to the Company's equity holders recognized in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. The difference between the proceeds received and fair value at inception (fair value gain/loss) is recognized in the income statement. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

2.19 Convertible bonds

Convertible bonds issued are split into their liability and equity components at initial recognition. The liability component at its fair value is determined using a market interest rate for equivalent non-convertible bonds. The difference between the net proceeds from the issue and the fair value of the liability component is the equity component. The liability component is subsequently carried at amortized cost. The equity component is recognized in the convertible bonds reserve until the bond is either converted (in which case it is transferred to share premium) or the bond is redeemed (in which case it is released directly to retained earnings).

2.20 Pre-operating expenditure

Pre-operating expenditure is charged to the income statement in the year in which it is incurred.

2.21 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted for the year, and any adjustment to tax payable in respect of previous years in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, associates and joint arrangements, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profit is not recognised.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (continued)

(a) Employee leave entitlements (continued)

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group operates a number of defined benefit and defined contribution plans, most of the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the applicable laws and regulations at different jurisdictions and the recommendations of independent qualified actuaries for defined benefit plans.

For the Group's defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, where applicable. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

For defined benefit plans, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans at least every 3 years. The pension obligation is measured as the present value of the estimated future cash outflows less the fair value of plan assets. Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income.

The Group's defined benefit plans are funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries.

(c) Bonus plans

The Group recognizes a provision where contractually obliged or when it prepares to declare discretionary bonus after evaluating employee performance as well as the financial performance of business units.

2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of an amount can be made. Provisions are not recognized for future operating losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition

Revenue comprises the fair value for the sales of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue/income is recognized as follows:

(i) Hotel revenue from room rental, food and beverage sales and other ancillary services is recognized when the services are rendered.

(ii) Revenue in respect of hotel management and related services is recognized when the services are rendered.

(iii) Rental revenue from investment properties is recognized on a straight-line basis over the periods of the respective leases.

(iv) Revenue from sales of properties is recognized when the significant risks and rewards of ownership of properties are transferred to the purchasers.

(v) Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

(vi) Dividend income from other investments is recognized when the right to receive payment is established.

2.25 Operating leases

(a) As the lessee

Leases, other than those leasehold land and land use rights as stated in Note 2.7, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the leases.

(b) As the lessor

Assets leased out under operating leases are included in either property, plant and equipment or investment properties in the statement of financial position. In case of property, plant and equipment, they are depreciated over their expected useful lives on a basis consistent with other similar property, plant and equipment owned by the Group. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 Share-based compensation

The Group operates two equity-settled, share-based compensation plans. For options granted on or before 7 November 2002, the Group has taken advantage of the transitional provisions in HKFRS 2 under which the fair value recognition and measurement policies have not been applied. For options granted after 7 November 2002, the fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets) and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each date of the statement of financial position, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The related balance previously recognized in the option reserve is also credited to the share premium.

2.28 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are charged to the income statement in the year in which they are incurred.

2.29 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Financial guarantee contracts (continued)

The Company has not charged any fee for guarantee issued on behalf of its subsidiaries and associates and does not expect the guarantees issued by the Company will be called upon.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group Treasury under guidance of the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management and covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Group has investments in different foreign operations, whose net assets are exposed to foreign currency translation risk.

There is a natural economic hedge to the extent that all the Group's business units in Hong Kong, Mainland China, the Philippines, Singapore, Malaysia, Thailand, Japan, France, United Kingdom, Turkey, Australia and Indonesia derive their revenues (and most of the expenses associated therewith) in local currencies. Most of the Group's hotels are quoting room tariffs in the local currency. It is the Group's endeavour, wherever and to the extent possible, to quote tariffs in the stronger currency and maintain bank balances in that currency, if legally permitted.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group analyzes its exchange exposure based on the financial position at year end. The Group's exchange risk mainly arises from long-term bank loans and shareholders' loans and the Group calculates such impact on the income statement. The Group calculates the impact on the exchange fluctuation reserve of the exchange risk on consolidation arising from the translation of the net investment in foreign entities. At 31 December 2014, if US dollar has weakened/strengthened by 5% against all other currencies (except Hong Kong dollar) with all other variables held constant, the Group's profit attributable to the equity holders of the Company and exchange fluctuation reserve would have increased/decreased by US$23,522,000 (2013: US$23,545,000) and US$415,196,000 (2013: US$413,689,000), respectively. The exchange rate between US dollar and Hong Kong dollar is only allowed to fluctuate in a narrow range under the Hong Kong's linked exchange rate system.

(ii) Equity securities price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position as financial assets held for trading and are stated at fair value through profit or loss. Available-for-sale financial assets are mainly investments in unquoted shares which are not subject to price risk. The Group is not exposed to commodity price risk.

Equity securities price risk is the risk that the fair values of the trading securities decrease as a result of changes in the value of individual securities which are also affected by the change in the level of equity indices.

For every 5% increase/decrease in the fair value of the trading securities classified under financial assets held for trading, the carrying value of the trading securities will increase/decrease by US$1,097,000 (2013: US$1,048,000) while the Group's profit attributable to the equity holders of the Company will increase/decrease by US$1,069,000 (2013: US$1,018,000) assuming that no account is given for factors such as impairment which may have additional impact on the income statement.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Equity securities price risk (continued)

Based on the market value of all the trading securities as at 31 December 2014, 90.2% (2013: 89.2%) of the Group's trading securities are listed on The Stock Exchange of Hong Kong Limited ("**HKSE**") and are valued at closing market bid prices at the date of the statement of financial position. The market equity index for the HKSE, at the close of business of the nearest trading day in the year to the date of the statement of financial position, and the highest and lowest points during the year were as follows:

	31 December 2014	High/low 2014	31 December 2013	High/low 2013
Hong Kong - Hang Seng Index	23,605	25,363/ 21,138	23,306	24,112/ 19,426

(iii) Cash flow and fair value interest-rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from long-term bank loans under floating rates.

Bank loans issued at variable rates expose the Group to cash flow interest-rate risk. Group policy is to maintain an optimal portion of its borrowings at fixed rate, considering the convertible bonds, fixed rate bonds and Renminbi bank loans are fixed rate in nature and taking into account the principal amount of all interest-rate swap contracts executed. As at 31 December 2014, 46% (31 December 2013: 43%) of borrowings were at fixed rates on that basis.

The Group analyzes its interest rate exposure on bank loans based on the assumption that the loan position at year end could be wholly refinanced and/or renewed. The Group calculates the impact on income statement of a defined interest rate shift. The same interest rate shift is used for all currencies. The sensitivity test is run only for bank loans that represent the major interest bearing portion. Based on the simulation performed, the impact on income statement of one percentage point increase would be a decrease of the Group's profit attributable to the equity holders of the Company of US$28,548,000 (2013: US$29,438,000) after interest capitalization for properties under development.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest-rate risk (continued)

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest-rate swap contracts which qualify for hedge accounting. Such interest-rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term bank loans at floating rates. The Group closely monitors the movement of interest rates from time to time and enters into interest-rate swap contracts. Under the interest-rate swap contracts, the Group agrees with other parties to exchange the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sale of rooms to wholesalers are made to customers with an appropriate credit history. Sales to retail customers are made via credit cards to a significant extent. Sales to corporate customers are made to customers with good credit history. The Group has policies that limit the amount of global credit exposure to any customer. Cash and bank deposits are mainly placed in major international and local banks.

The maximum exposure of credit risk at the reporting date in respect of each class of financial assets is disclosed in the notes to the consolidated financial statements of the relevant financial assets.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The analysis of the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date is as follows. The Group's estimated and actual financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Group	Less than 3 months US$'000	Between 3 months and 1 year US$'000	Between 1 and 2 years US$'000	Over 2 years US$'000
At 31 December 2014				
Bank loans	160,321	542,812	1,204,420	2,073,243
Convertible bonds	-	-	559,200	-
Fixed rate bonds	-	-	-	600,000
Interest payable for bank loans	24,806	72,567	76,395	112,663
Interest payable for fixed rate bonds	-	28,500	28,500	14,250
Derivative financial instruments	244	734	978	1,522
Due to non-controlling shareholders	-	8,605	-	-
Accounts payable and accruals	91,167	738,078	-	-
Financial guarantee contracts for bank loans granted to associates	12,350	49,515	64,134	294,898
At 31 December 2013				
Bank loans	102,067	303,262	861,885	2,483,922
Convertible bonds	-	-	-	559,200
Fixed rate bonds	-	-	-	600,000
Interest payable for bank loans	21,172	57,444	63,192	77,215
Interest payable for fixed rate bonds	-	28,500	28,500	42,750
Derivative financial instruments	92	274	366	899
Due to non-controlling shareholders	-	7,912	-	30,881
Accounts payable and accruals	85,570	757,421	-	-
Financial guarantee contracts for bank loans granted to associates	223	36,900	50,072	300,529

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The amounts disclosed in the table are the contractual undiscounted cash flows which are equal to their carrying balances in the respective consolidated statement of financial position except that the amount due to non-controlling shareholders with maturities over two years, the convertible bonds and the fixed rate bonds included in the consolidated statement of financial position as at 31 December 2014 are US$27,579,000 (2013: US$ 26,896,000), US$527,305,000 (2013: US$ 505,126,000) and US$597,787,000 (2013: US$596,814,000), respectively; and that the estimated amount of interest payable for bank loans are arrived based on the principal loan balance and prevailing interest rates at year end date up to the final maturity date of the loan agreements.

The analysis of the Company's off financial statement items based on the forecasted undiscounted contractual maturities is as follows:

Company	Less than 3 months US$'000	Between 3 months and 1 year US$'000	Between 1 and 2 years US$'000	Over 2 years US$'000
At 31 December 2014				
Financial guarantee contracts for bank loans granted to subsidiaries and associates	135,937	558,829	1,202,810	2,138,172
At 31 December 2013				
Financial guarantee contracts for bank loans granted to subsidiaries and associates	63,955	277,817	874,302	2,651,894

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current bank loans; convertible bonds and fixed rate bonds as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (continued)

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 US$'000	2013 US$'000
Total borrowings	5,105,888	4,853,076
Less: Cash and bank balances (Note 17)	(1,442,257)	(1,135,090)
Net debt	3,663,631	3,717,986
Total equity	7,439,247	6,867,344
Gearing ratio (net debt over total equity)	49.2%	54.1%

The Group's bank loan facilities require it to meet certain ratios based on adjusted consolidated capital and reserves attributable to the Company's equity holders and adjusted consolidated total equity. The Group monitors compliance with these ratios on a monthly basis. The Group has satisfactorily complied with all covenants under its borrowing agreements.

3.3 Accounting for interest rate swap contracts

Interest-rate swap contracts, a kind of derivative financial instruments, are set up for the purpose of managing risk (since the Group's policy does not permit speculative transactions). Interest-rate swap contracts are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at their fair value.

As at 31 December 2014, the Group had interest-rate swap contracts with a total principal amount of HK$2,200,000,000 (equivalent to US$283,871,000) and US$206,000,000, all these contracts qualify for hedge accounting. For these contracts, the effective portion of the change in the fair value of the contracts is recognized in "Hedging reserve" in equity while the gain or loss relating to the ineffective portion is recognized immediately in "Other gains/(losses) – net" of income statement and the related cash flows arising from these interest-rate swap contracts in the period is classified as interest expenses in the income statement.

3.4 Fair value estimation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

The fair value of financial instruments traded in active markets (such as publicly traded equity securities and available-for-sale securities) is based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value estimation of financial instruments (continued)

The Group uses widely recognized valuation models for determining the fair value of common and simple financial instruments, like interest-rate swap contracts, that use only observable market data and require little management judgement and estimation.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014. See Note 8 for disclosures of the investment properties that are measured at fair value.

Group	Level 1 US$'000	Level 2 US$'000	Total US$'000
Assets			
Available-for-sale financial assets (Note 13)			
- Club debentures	2,086	-	2,086
Financial assets held for trading (Note 16)			
- Equity securities	21,947	-	21,947
Derivative financial instruments (Note 23)			
- Interest-rate swap contracts	-	503	503
Total assets	24,033	503	24,536
Liabilities			
Derivative financial instruments (Note 23)			
- Interest-rate swap contracts	-	3,478	3,478

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

Group	Level 1 US$'000	Level 2 US$'000	Total US$'000
Assets			
Available-for-sale financial assets (Note 13)			
- Club debentures	2,090	-	2,090
Financial assets held for trading (Note 16)			
- Equity securities	20,952	-	20,952
Derivative financial instruments (Note 23)			
- Interest-rate swap contracts	-	1,993	1,993
Total assets	23,042	1,993	25,035
Liabilities			
Derivative financial instruments (Note 23)			
- Interest-rate swap contracts	-	1,631	1,631

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. There were no transfers between levels 1 and 2 during the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value estimation of financial instruments (continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to arrive at the fair value of an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments.
- The fair value of interest-rate swap contracts is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statement of financial position, with the resulting value discounted back to present value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (continued)

(a) Estimated impairment of goodwill; property, plant and equipment; and investments in subsidiaries, associates and non-financial assets

The Group tests whether goodwill and investments in subsidiaries, associates and non-financial assets have suffered any impairment in accordance with the accounting policies stated in Note 2.8 and Note 2.9, respectively. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts of cash-generating units are determined based on value-in-use calculations which require the use of estimates. The Group assesses the fair value of some of its property, plant and equipment based on valuations determined by independent professional qualified valuers on an open market for existing use basis or sales basis.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in accordance with local tax practice and professional advice. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Estimate of fair value of investment properties

The Group assesses the fair value of its investment properties based on valuations determined by independent professional qualified valuers. The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the date of the statement of financial position, expected rental from future leases in the light of current market conditions and appropriate capitalization rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. For investment properties under construction, the Group has also taken into account estimated costs to completion and allowances for contingencies.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying the entity's accounting policies Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for these portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

5. SALES AND SEGMENT INFORMATION

The Group owns/leases and operates hotels and associated properties and provides hotel management and related services. Sales recognized during the year are as follows:

	2014 US$'000	2013 US$'000
Sales		
Hotel operations:		
Room rentals	1,029,154	1,018,607
Food and beverage sales	837,519	828,511
Rendering of ancillary services	116,311	120,366
Hotel management and related service fees	51,752	46,761
Property rentals	76,848	66,836
	2,111,584	2,081,081

The Group is domiciled in Hong Kong. The sales revenue from external customers attributed to Hong Kong and other countries are US$318,367,000 (2013: US$ 311,369,000) and US$1,793,217,000 (2013: US$1,769,712,000), respectively.

The total of non-current assets other than available-for-sale financial assets, deferred income tax assets and interest in associates located in Hong Kong and other countries are US$605,728,000 (2013: US$574,469,000) and US$7,651,361,000 (2013: US$7,335,827,000), respectively.

In accordance with HKFRS 8 "Operating Segments", segment information disclosed in the financial statements has been prepared in a manner consistent with the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

5 SALES AND SEGMENT INFORMATION (CONTINUED)

The Group's sales revenue is derived from various external customers in which there is no significant sales revenue derived from a single external customer of the Group. The Group's management considers the business from both a geographic and business perspective.

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

i. Hotel ownership (including those under lease)

- Hong Kong
- Mainland China
- Singapore
- Malaysia
- The Philippines
- Japan
- Thailand
- Australia
- France
- United Kingdom
- Other countries (including Fiji, Myanmar, Maldives, Turkey, Mauritius and Indonesia)

The operating results of the hotel in Turkey is included in "Other countries" in the current year while it was separately disclosed in the 2013 segment income statement.

ii. Property rentals (ownership and leasing of office, commercial and serviced apartments/residences)

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

iii. Hotel management services

The Group also engaged in other businesses including the sale of residential units, wines trading and golf course operation. These other businesses did not have a material impact on the Group's results.

The chief operating decision-maker assesses the performance of the operating segments based on a measure of the share of profit after tax and non-controlling interests. 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 for any isolated non-recurring event.

5 SALES AND SEGMENT INFORMATION (CONTINUED)

Segment income statement
For year ended 31 December 2014 and 2013 (US$ million)

	2014		2013	
	Sales (Note ii)	Profit/ (Loss) after tax (Note i)	Sales (Note ii)	Profit/ (Loss) after tax (Note i)
Hotel ownership				
Hong Kong	277.8	67.5	275.7	65.6
Mainland China	734.5	(15.1)	772.3	11.0
Singapore	204.4	39.4	189.7	36.2
Malaysia	149.0	16.5	154.4	21.0
The Philippines	202.3	13.4	195.4	11.1
Japan	56.6	(5.8)	54.1	(9.6)
Thailand	56.2	5.9	70.5	6.3
Australia	101.6	(1.4)	103.5	3.3
France	62.0	(27.0)	54.6	(28.6)
United Kingdom	28.7	(24.7)	-	-
Other countries	109.9	1.7	97.3	(7.8)
	1,983.0	70.4	1,967.5	108.5
Property rentals				
Mainland China	29.4	110.5	26.8	81.3
Singapore	14.6	10.9	15.0	11.9
Malaysia	7.3	1.9	7.3	1.9
Other countries	25.5	4.1	17.7	2.2
	76.8	127.4	66.8	97.3
Hotel management services	150.7	18.7	131.7	11.2
Other business	-	3.8	-	1.5
Total	2,210.5	220.3	2,166.0	218.5
Less: Hotel management – Inter-segment sales	(98.9)		(84.9)	
Total external sales	2,111.6		2,081.1	
Net corporate finance costs (including foreign exchange gains and losses)		(62.4)		(56.0)
Land cost amortization and pre-opening expenses for projects		(50.0)		(71.4)
Corporate expenses		(18.1)		(25.1)
Profit before non-operating items		89.8		66.0

5 SALES AND SEGMENT INFORMATION (CONTINUED)

Segment income statement (continued)
For year ended 31 December 2014 and 2013 (US$ million)

	2014 Profit/ (Loss) after tax (Note i)	2013 Profit/(Loss) after tax (Note i)
Profit before non-operating items	89.8	66.0
Non-operating items		
Fair value gains on investment properties	90.6	398.7
Loss on major renovation of an investment property owned by an associate	-	(15.6)
Net unrealized gains/(losses) on financial assets held for trading	1.0	(4.1)
Fair value losses on interest-rate swap contracts - non-hedging	-	(0.1)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	(0.9)	(0.9)
Reversal of/(provision for) impairment losses on hotel properties and other properties	5.0	(62.2)
Provision for deferred tax on reversal of impairment losses	(1.4)	-
(Provision for)/reversal of impairment loss for a property under development	(3.2)	1.5
Reversal of impairment loss for a vacant land	-	4.0
Gain on disposal of a vacant land	-	1.3
Reversal of deferred tax credit on revaluation gain of investment properties owned by an associate	-	(0.5)
Provision for taxation relating to a rationalization of the ownership structure of an associate	-	(3.3)
Gain on disposal of interests in a subsidiary which owns a hotel and associates which own properties under development	-	23.0
Exchange losses arising from the refinancing of Australian dollars shareholder's loan	-	(15.5)
Total non-operating items	91.1	326.3
Profit attributable to equity holders of the Company	180.9	392.3

Notes:

i. Profit/(Loss) after tax includes net of tax results from both associates and subsidiaries after share of non-controlling interests.

ii. Sales exclude sales of associates.

5 SALES AND SEGMENT INFORMATION (CONTINUED)

Segment income statement (continued)
For year ended 31 December 2014 and 2013 (US$ million)

The Group's share of profit of associates (excluding projects under development) by operating segments included in profit before non-operating items in the segment income statement are analyzed as follows:

	2014 Share of profit of associates	2013 Share of profit of associates
Hotel ownership		
Hong Kong	(0.2)	0.1
Mainland China	(2.8)	(5.6)
Singapore	3.3	2.8
Malaysia	4.2	4.6
The Philippines	1.1	1.0
Other countries	1.1	(5.2)
	6.7	(2.3)
Property rentals		
Mainland China	106.5	77.9
Singapore	5.3	5.9
	111.8	83.8
Other business	4.4	1.6
Total	122.9	83.1

5 SALES AND SEGMENT INFORMATION (CONTINUED)

Segment income statement (continued)
For year ended 31 December 2014 and 2013 (US$ million)

The amount of depreciation and amortization and income tax expense before share of non-controlling interests included in the results of operating segments from subsidiaries (excluding projects under development) are analyzed as follows:

	2014		2013	
	Depreciation and amortization	Income tax expense	Depreciation and amortization	Income tax expense
Hotel ownership				
Hong Kong	14.7	15.3	16.3	14.0
Mainland China	130.6	27.0	130.8	31.0
Singapore	18.4	7.6	18.8	6.3
Malaysia	16.6	9.2	17.6	6.2
The Philippines	37.2	11.6	37.9	2.4
Japan	2.1	-	2.7	-
Thailand	14.5	1.8	16.8	3.1
Australia	15.4	-	17.7	-
France	28.2	-	30.1	-
United Kingdom	7.5	(0.1)	-	-
Other countries	20.8	3.0	20.6	1.5
	306.0	75.4	309.3	64.5
Property rentals				
Mainland China	-	5.8	-	3.9
Singapore	-	1.1	-	1.2
Malaysia	-	1.0	-	1.2
Other countries	-	3.0	-	1.7
	-	10.9	-	8.0
Hotel management services	4.0	10.3	4.2	8.4
Other business	-	0.5	-	0.1
Total	310.0	97.1	313.5	81.0

5 SALES AND SEGMENT INFORMATION (CONTINUED)

Segment assets
As at 31 December 2014 and 2013 (US$ million)

	2014	2013
Hotel ownership		
Hong Kong	288.9	253.3
Mainland China	3,298.1	2,654.2
Singapore	571.9	602.3
Malaysia	349.0	367.7
The Philippines	513.0	512.5
Japan	25.7	28.5
Thailand	252.4	248.7
Australia	364.2	396.3
France	379.8	512.4
United Kingdom	177.0	-
Other countries	312.1	323.9
	6,532.1	5,899.8
Property rentals		
Mainland China	359.2	346.1
Singapore	434.2	458.4
Malaysia	87.4	94.6
Other countries	257.3	231.4
	1,138.1	1,130.5
Hotel management services	209.9	174.0
Elimination	(57.6)	(42.6)
Total segment assets	7,822.5	7,161.7
Assets allocated to projects	1,797.7	1,981.0
Unallocated assets	444.3	265.5
Intangible assets	91.2	93.1
Total assets of the Company and its subsidiaries	10,155.7	9,501.3
Interest in associates	3,584.6	3,397.0
Total assets	13,740.3	12,898.3

Unallocated assets mainly comprise other assets of the Company and non-properties holding companies of the Group as well as the available-for-sale financial assets, financial assets held for trading and deferred income tax assets.

6 FINANCIAL INSTRUMENTS BY CATEGORY

Group	Loans and receivables US$'000	Assets at fair value through income statement US$'000	Derivatives qualifying for hedge accounting US$'000	Available-for-sale assets US$'000	Total US$'000
Assets as per consolidated statement of financial position					
31 December 2014					
Available-for-sale financial assets (Note 13)	-	-	-	4,906	4,906
Other receivables (Note 14)	13,099	-	-	-	13,099
Accounts receivable (Note 15)	190,913	-	-	-	190,913
Due from associates (Note 12)	157,684	-	-	-	157,684
Due from non-controlling shareholders (Note 24)	57	-	-	-	57
Financial assets held for trading (Note 16)	-	21,947	-	-	21,947
Derivative financial instruments (Note 23)	-	-	503	-	503
Cash and bank balances (Note 17)	1,442,257	-	-	-	1,442,257
Total	1,804,010	21,947	503	4,906	1,831,366
31 December 2013					
Available-for-sale financial assets (Note 13)	-	-	-	4,947	4,947
Other receivables (Note 14)	14,954	-	-	-	14,954
Accounts receivable (Note 15)	253,210	-	-	-	253,210
Due from associates (Note 12)	122,735	-	-	-	122,735
Due from non-controlling shareholders (Note 24)	160	-	-	-	160
Financial assets held for trading (Note 16)	-	20,952	-	-	20,952
Derivative financial instruments (Note 23)	-	-	1,993	-	1,993
Cash and bank balances (Note 17)	1,135,090	-	-	-	1,135,090
Total	1,526,149	20,952	1,993	4,947	1,554,041

6 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Derivatives qualifying for hedge accounting US$'000	Other financial liabilities US$'000	Total US$'000
Liabilities as per consolidated statement of financial position			
31 December 2014			
Bank loans (Note 20)	-	3,980,796	3,980,796
Convertible bonds (Note 21)	-	527,305	527,305
Fixed rate bonds (Note 22)	-	597,787	597,787
Derivative financial instruments (Note 23)	3,478	-	3,478
Due to non-controlling shareholders (Note 24)	-	36,184	36,184
Accounts payable and accruals (Note 26)	-	829,245	829,245
Total	3,478	5,971,317	5,974,795
31 December 2013			
Bank loans (Note 20)	-	3,751,136	3,751,136
Convertible bonds (Note 21)	-	505,126	505,126
Fixed rate bonds (Note 22)	-	596,814	596,814
Derivative financial instruments (Note 23)	1,631	-	1,631
Due to non-controlling shareholders (Note 24)	-	34,808	34,808
Accounts payable and accruals (Note 26)	-	842,991	842,991
Total	1,631	5,730,875	5,732,506

6 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company	Loans and receivables US$'000	Available-for-sale assets US$'000	Total US$'000
Assets as per statement of financial position			
31 December 2014			
Amount due from subsidiaries (Note 11)	71,786	-	71,786
Club debentures (Note 13)	-	840	840
Dividend receivable	679,118	-	679,118
Cash and bank balances (Note 17)	293,341	-	293,341
Total	1,044,245	840	1,045,085
31 December 2013			
Amount due from subsidiaries (Note 11)	86,439	-	86,439
Club debentures (Note 13)	-	840	840
Dividend receivable	599,118	-	599,118
Cash and bank balances (Note 17)	40,122	-	40,122
Total	725,679	840	726,519

	Other financial liabilities US$'000	Total US$'000
Liabilities as per statement of financial position		
31 December 2014		
Amounts due to subsidiaries (Note 11)	246,727	246,727
Accounts payable and accruals	8,738	8,738
Total	255,465	255,465
31 December 2013		
Amounts due to subsidiaries (Note 11)	179,280	179,280
Accounts payable and accruals	7,885	7,885
Total	187,165	187,165

7 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings US$'000	Vehicles and machinery US$'000	Furniture, fixtures and equipment US$'000	Properties under development US$'000	Total US$'000
At 1 January 2013					
Cost	6,005,623	476,484	1,185,024	738,318	8,405,449
Accumulated depreciation and impairment provision	(1,443,355)	(274,374)	(779,376)	-	(2,497,105)
Net book amount	4,562,268	202,110	405,648	738,318	5,908,344
Year ended 31 December 2013					
Opening net book amount	4,562,268	202,110	405,648	738,318	5,908,344
Exchange differences	(53,838)	(1,319)	(10,044)	(8,476)	(73,677)
Additions	83,236	15,544	39,832	506,923	645,535
(Provision for)/reversal of impairment loss (Note 28)	(62,229)	-	-	2,759	(59,470)
Disposals	(3,002)	(340)	(2,123)	-	(5,465)
Disposal of a subsidiary	(47,907)	(266)	(447)	(905)	(49,525)
Transfer	208,232	65,183	26,405	(299,820)	-
Reclassification from investment properties	-	-	-	14,526	14,526
Depreciation	(149,193)	(46,034)	(109,474)	-	(304,701)
Closing net book amount	4,537,567	234,878	349,797	953,325	6,075,567
At 31 December 2013					
Cost	6,089,148	546,135	1,199,371	953,325	8,787,979
Accumulated depreciation and impairment provision	(1,551,581)	(311,257)	(849,574)	-	(2,712,412)
Net book amount	4,537,567	234,878	349,797	953,325	6,075,567
Year ended 31 December 2014					
Opening net book amount	4,537,567	234,878	349,797	953,325	6,075,567
Exchange differences	(136,940)	(2,782)	(23,496)	(32,336)	(195,554)
Additions	73,368	14,112	77,228	724,655	889,363
(Provision for)/reversal of impairment loss (Note 28)	4,956	-	-	(2,352)	2,604
Disposals	(3,008)	(429)	(2,205)	(47)	(5,689)
Transfer	367,945	50,305	306,474	(724,724)	-
Depreciation	(148,090)	(43,941)	(108,439)	-	(300,470)
Closing net book amount	4,695,798	252,143	599,359	918,521	6,465,821
At 31 December 2014					
Cost	6,353,340	599,439	1,517,784	918,521	9,389,084
Accumulated depreciation and impairment provision	(1,657,542)	(347,296)	(918,425)	-	(2,923,263)
Net book amount	4,695,798	252,143	599,359	918,521	6,465,821

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) All depreciation expenses (net of amount capitalized of US$232,000 in 2014 (2013: US$374,000)) have been included as part of the other operating expenses.

(b) For year 2014, bank loans of US$263,844,000 (2013: US$311,268,000) are secured on certain fixed assets as disclosed under Note 38(c).

(c) Buildings comprise mainly hotel properties. Details of the hotel properties of the Company's subsidiaries are summarized in Note 42(a).

(d) Properties under development include construction work in progress in respect of the renovation of certain hotel properties.

(e) For the year 2014, an impairment loss of US$2,352,000 for properties under development was recognized due to the termination of a hotel project upon the return of the underlying land back to the local government and the impaired amount represents the entire properties under development relate to the hotel project.

(f) For the year 2014, a reversal of impairment loss of US$4,956,000 for land and buildings was recognized. The recoverable amount was based on the fair value provided by independent valuer using market comparison approach and the fair value on which the recoverable amount is based on is categorized as a Level 3 measurement (based on significant unobservable inputs).

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(g) Details of movements in property, plant and equipment of the Company are as follows:

	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
At 1 January 2013			
Cost	2,924	145	3,069
Accumulated depreciation	(1,389)	(145)	(1,534)
Net book amount	1,535	-	1,535
Year ended 31 December 2013			
Opening net book amount	1,535	-	1,535
Additions	25	206	231
Disposals	(34)	-	(34)
Depreciation	(199)	(34)	(233)
Closing net book amount	1,327	172	1,499
At 31 December 2013			
Cost	2,772	351	3,123
Accumulated depreciation	(1,445)	(179)	(1,624)
Net book amount	1,327	172	1,499
Year ended 31 December 2014			
Opening net book amount	1,327	172	1,499
Additions	52	2	54
Disposals	(2)	-	(2)
Depreciation	(180)	(53)	(233)
Closing net book amount	1,197	121	1,318
At 31 December 2014			
Cost	2,809	353	3,162
Accumulated depreciation	(1,612)	(232)	(1,844)
Net book amount	1,197	121	1,318

8 INVESTMENT PROPERTIES

	2014 US$'000	2013 US$'000
At 1 January	1,072,942	956,412
Exchange differences	(35,380)	(20,649)
Additions	34,062	94,447
Disposals	(198)	(311)
Transferred to leasehold land and land use right	(1,925)	-
Transferred to property, plant and equipment	-	(14,526)
Fair value gains (Note 28)	1,537	57,569
At 31 December	1,071,038	1,072,942

(a) As at 31 December 2014, except for the carrying amount of an investment property under construction held by a subsidiary amounted to US$25,863,000 (US$11,488,000 as at 31 December 2013) which is recorded at historical cost as its fair value cannot be reliably determinable, all other investment properties were revalued by independent professionally qualified valuers on the basis of their market value as fully operational entities for existing use which equates to the highest and best use of the assets. The valuations performed by the independent valuers for financial reporting purposes would be reviewed by the Group's management and discussions of valuation processes and results are held with the valuers at least once every six months to be in line with the Group's interim and annual reporting requirements. The fair value gains or losses on revaluation are included in "Other gains – net" in the income statement (Note 28).

(b) The carrying values of investment properties comprised:

	2014 US$'000	2013 US$'000
Outside Hong Kong, held on:		
Freehold	495,918	523,051
Leases of over 50 years	98,140	101,906
Leases of between 10 to 50 years	476,980	447,985
	1,071,038	1,072,942

(c) The investment property amounting to US$25,863,000 recorded at historical cost as at 31 December 2014, is a commercial complex comprising office and retail mall under construction in Yangon. As at 31 December 2014 and 2013, its fair value is not able to be reliably measured as the property is still at a preliminary construction stage.

(d) Details of investment properties of the Company's subsidiaries are summarized in Note 43(a).

8 INVESTMENT PROPERTIES (CONTINUED)

The following table presents the Group's investment properties that are measured at fair value at 31 December 2014.

	Fair value measurements at 31 December 2014 using		
	Quoted prices in active markets for identical assets (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000
Recurring fair value measurements			
Investment properties:			
- Office, serviced apartments and commercial complex in Mainland China	-	-	328,648
- Serviced apartments in Singapore	-	-	413,840
- Office, serviced apartments and commercial complex in other regions	-	-	302,687
	-	-	1,045,175

	Fair value measurements at 31 December 2013 using		
	Quoted prices in active markets for identical assets (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000
Recurring fair value measurements			
Investment properties:			
- Office, serviced apartments and commercial complex in Mainland China	-	-	324,316
- Serviced apartments in Singapore	-	-	436,632
- Office, serviced apartments and commercial complex in other regions	-	-	300,506
	-	-	1,061,454

The fair value of an asset to be transferred between the levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, 2 and 3 during the year.

8 INVESTMENT PROPERTIES (CONTINUED)

The following table shows a reconciliation of Level 3 fair values using significant unobservable inputs.

	Office, serviced apartments and commercial complex in Mainland China US$'000	Serviced apartments in Singapore US$'000	Office, serviced apartments and commercial complex in other regions US$'000	Total US$'000
At 1 January 2014	324,316	436,632	300,506	1,061,454
Transferred to leasehold land and land use right	-	-	(1,925)	(1,925)
Additions	5,631	210	13,846	19,687
Disposals	(16)	-	(182)	(198)
Changes in fair value	1,622	(2,503)	2,418	1,537
Exchange differences	(2,905)	(20,499)	(11,976)	(35,380)
At 31 December 2014	328,648	413,840	302,687	1,045,175

	Office, serviced apartments and commercial complex in Mainland China US$'000	Serviced apartments in Singapore US$'000	Office, serviced apartments and commercial complex in other regions US$'000	Total US$'000
At 1 January 2013	297,319	450,288	208,805	956,412
Transferred to property, plant and equipment	-	-	(16,096)	(16,096)
Additions	22,668	328	61,533	84,529
Disposals	(96)	(214)	(1)	(311)
Changes in fair value	(3,634)	(114)	61,317	57,569
Exchange differences	8,059	(13,656)	(15,052)	(20,649)
At 31 December 2013	324,316	436,632	300,506	1,061,454

8 INVESTMENT PROPERTIES (CONTINUED)

The following table shows the valuation techniques used by the valuers in the determination of Level 3 fair values. There were no significant changes to the valuation techniques during the year.

Description	Fair value at 31 December 2014 US$'000	Valuation technique	Unobservable inputs	
Mainland China - Office, serviced apartments and commercial complex	328,648	Direct comparison approach and income capitalization approach	Rental rate from US$19 to US$39 per sq.m. per month and occupancy from 84% to 96%	Capitalization rate in the range of 7.0% to 8.5%
Singapore - Serviced apartments	413,840	Direct comparison approach and income capitalization approach	Rental rate at US$262 per room per day and occupancy at 81%	Capitalization rate of 3%
Other regions - Office, serviced apartments and commercial complex	302,687	Direct comparison approach and income capitalization approach	Rental rate from US$8 to US$36 per sq.m. per month	Capitalization rate in the range of 6% to 11%

Description	Fair value at 31 December 2013 US$'000	Valuation technique	Unobservable inputs	
Mainland China - Office, serviced apartments and commercial complex	324,316	Direct comparison approach and income capitalization approach	Rental rate from US$15 to US$48 per sq.m. per month and occupancy from 83% to 95%	Capitalization rate in the range of 4.25% to 9.5%
Singapore - Serviced apartments	436,632	Direct comparison approach and income capitalization approach	Occupancy at 82%	Capitalization rate of 3%
Other regions - Office, serviced apartments and commercial complex	300,506	Direct comparison approach and income capitalization approach or Replacement cost approach	Rental rate from US$19 to US$50 per sq.m. per month or Replacement cost and future cost to complete (estimated at US$18,000,000)	Capitalization rate in the range of 6% to 12%

8 INVESTMENT PROPERTIES (CONTINUED)

Under the income capitalization approach, fair value is determined by discounting the projected cash flow streams with the properties using risk-adjusted discount rate. An exit or terminal value projected based on capitalization rate is also included in the projection. The valuation takes into account expected market rental rate and occupancy rate of the respective properties. The capitalization rates used are based on the quality and location of the properties and taking into account market data at the valuation date. The fair value measurement is positively correlated to the rental rate and occupancy rate, and negatively correlated to the capitalization rate and discount rate.

Under the direct comparison approach, fair value is determined with reference to recent sales price of comparable properties in nearby locations and adjusting a premium or a discount specific to the quality of the respective properties compared to the recent sales. Higher premium for higher quality properties will result in a higher fair value measurement.

Under the replacement cost approach, fair value is estimated based on the cost of reproducing or replacing the property, less depreciation from physical deterioration, and functional and economic obsolescence. For properties under construction, the costs to complete and the completion dates would be considered.

9 LEASEHOLD LAND AND LAND USE RIGHTS

	2014 US$'000	2013 US$'000
At 1 January		
Cost	796,927	812,207
Accumulated amortization and impairment provision	(143,159)	(126,114)
Net book amount	653,768	686,093
Opening net book amount	653,768	686,093
Exchange differences	(13,078)	3,811
Transferred from investment properties	1,925	-
Additions	55	1,202
(Provision for)/reversal of impairment loss	(923)	4,000
Disposal	(8,991)	(4,000)
Disposal of a subsidiary	-	(20,419)
Amortization of prepaid operating lease payment	(16,858)	(16,919)
Closing net book value	615,898	653,768
At 31 December		
Cost	774,269	796,927
Accumulated amortization	(158,371)	(143,159)
Net book amount	615,898	653,768

9 LEASEHOLD LAND AND LAND USE RIGHTS (CONTINUED)

For year 2014, an impairment loss of US$923,000 was recognized on a piece of land for a hotel project development that was returned back to the local government.

All amortization expenses in 2014 and 2013 have been included as part of the other operating expenses.

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	2014 US$'000	2013 US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	81,794	87,766
Leases of between 10 and 50 years	534,104	566,002
	615,898	653,768

10 INTANGIBLE ASSETS

	Goodwill US$'000	Trademark and licences US$'000	Website development US$'000	Total US$'000
At 1 January 2013				
Cost	84,686	12,348	2,642	99,676
Accumulated amortization	-	(3,982)	(2,183)	(6,165)
Net book amount	84,686	8,366	459	93,511
Year ended 31 December 2013				
Opening net book amount	84,686	8,366	459	93,511
Exchange difference	406	(73)	-	333
Amortization expenses	-	(575)	(204)	(779)
Closing net book amount	85,092	7,718	255	93,065
At 31 December 2013				
Cost	85,092	12,273	2,642	100,007
Accumulated amortization	-	(4,555)	(2,387)	(6,942)
Net book amount	85,092	7,718	255	93,065
Year ended 31 December 2014				
Opening net book amount	85,092	7,718	255	93,065
Exchange difference	(984)	(71)	-	(1,055)
Amortization expenses	-	(573)	(204)	(777)
Closing net book amount	84,108	7,074	51	91,233
At 31 December 2014				
Cost	84,108	12,197	2,642	98,947
Accumulated amortization	-	(5,123)	(2,591)	(7,714)
Net book amount	84,108	7,074	51	91,233

The principal component of goodwill represented the excess of cost of acquisition of the hotel management group, SLIM International Limited, over the fair value of the identified net assets acquired. Due to the synergies of the combination of the hotel operation and hotel management sub-groups, the goodwill impairment assessment is based on the future cashflow generated from the hotel management group. The future cashflow is based on the recent forecasts taking into account the terms and final maturities of all existing management agreements, the past performance of the hotels and the prevailing market conditions. A growth rate of 5% per annum on net cash inflow from 2014 has been applied to the cashflow projection. In view of the cashflow projection, provision for impairment losses is not considered necessary.

11 INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Investments in subsidiaries

Company	2014 US$'000	2013 US$'000
Investments, at cost		
Unlisted shares	2,004,287	1,912,066
Equity loans	1,988,375	1,695,006
	3,992,662	3,607,072

Equity loans are unsecured, interest-free with no fixed repayment terms except for the principal amounts of equity loans in Euro and Australian dollar of equivalent US$41,924,000 (2013: US$46,884,000) and US$214,876,000 (2013: US$234,234,000) which are bearing interest at EURIBOR+1.5% per annum and a fixed rate of 3% per annum, respectively.

(b) Amounts due from subsidiaries - unsecured

	2014 US$'000	2013 US$'000
Current – interest free and repayable on demand	71,786	86,439

(c) Amounts due to subsidiaries - unsecured

	2014 US$'000	2013 US$'000
Current – interest free and repayable on demand	246,727	179,280

(d) Details of principal subsidiaries are set out in Note 41(a).

11 INVESTMENTS IN AND AMOUNTS DUE FROM/ TO SUBSIDIARIES (CONTINUED)

(e) Material non-controlling interests

The total non-controlling interests as at 31 December 2014 is US$535,049,000, of which US$203,270,000 is attributable to Shangri-La Hotels (Malaysia) Berhad Group and US$10,667,000 is attributable to Shangri-La International Hotels (Pacific Place) Limited. The remaining non-controlling interests in respect of other subsidiaries are not material in terms of profit contribution.

Summarized financial information of subsidiaries with material non-controlling interests

Set out below are the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. These summarized financial information are based on the local statutory financial statements of the relevant subsidiaries after adjustments for compliance with the Group's accounting policies.

Summarized statement of financial position as at 31 December

	Shangri-La Hotels (Malaysia) Berhad		Shangri-La International Hotels (Pacific Place) Limited	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Current				
Assets	26,342	39,901	49,346	49,352
Liabilities	(55,399)	(65,576)	(64,611)	(26,806)
Total net current (liabilities)/assets	(29,057)	(25,675)	(15,265)	22,546
Non-current				
Assets	437,045	457,791	73,273	78,095
Liabilities	(14,247)	(13,611)	(4,671)	(51,006)
Total non-current net assets	422,798	444,180	68,602	27,089
Net assets	393,741	418,505	53,337	49,635
Attributable to:				
Equity holders of the Company	190,471	203,217	42,670	39,708
Non-controlling interests	203,270	215,288	10,667	9,927
	393,741	418,505	53,337	49,635

11 INVESTMENTS IN AND AMOUNTS DUE FROM/ TO SUBSIDIARIES (CONTINUED)

(e) Material non-controlling interests (continued)

Summarized statement of comprehensive income for the year ended 31 December

	Shangri-La Hotels (Malaysia) Berhad		Shangri-La International Hotels (Pacific Place) Limited	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Revenue	156,284	161,728	154,204	155,990
Profit before income tax	39,127	42,048	51,084	51,011
Income tax expense	(10,212)	(9,148)	(8,674)	(8,028)
Other comprehensive loss	(27,044)	(25,560)	-	-
Total comprehensive income	1,871	7,340	42,410	42,983
Attributable to:				
Equity holders of the Company	(63)	2,337	33,928	34,386
Non-controlling interests	1,934	5,003	8,482	8,597
	1,871	7,340	42,410	42,983
Dividends paid to non-controlling interests	11,632	6,771	7,742	9,032

Summarized cash flows for the year ended 31 December

	Shangri-La Hotels (Malaysia) Berhad		Shangri-La International Hotels (Pacific Place) Limited	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Net cash generated from operating activities	43,011	48,271	49,960	46,728
Net cash used in investing activities	(30,602)	(11,801)	(1,844)	(1,729)
Net cash used in financing activities	(23,076)	(16,127)	(45,161)	(45,161)
Net (decrease)/increase in cash and cash equivalents	(10,667)	20,343	2,955	(162)
Cash and cash equivalents at beginning of the year	28,837	9,021	33,658	33,820
Exchange losses on cash and cash equivalents	(1,907)	(527)	-	-
Cash and cash equivalents at end of the year	16,263	28,837	36,613	33,658

12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

	2014 US$'000	2013 US$'000
Interest in associates		
At 1 January	3,184,055	2,772,128
Share of profit of associates (Note 32)		
- profit before taxation	275,664	554,374
- taxation	(68,378)	(137,842)
	207,286	416,532
Exchange difference	(41,709)	41,358
Capital contribution to associates	59,310	28,876
Transfer to equity loans	-	(10,000)
Dividends declared by associates	(43,494)	(50,984)
Disposal of associates	-	(13,855)
Investment in associates under equity method	3,365,448	3,184,055
Equity loans (Note (a))	136,507	131,853
Other long term shareholder loans (Note (b))	82,612	81,047
	3,584,567	3,396,955
Amounts due from associates (Note (c))	75,072	41,688

Notes:

(a) Equity loans are unsecured, interest-free and with no fixed repayment terms.

(b) Other long term shareholder loans are interest bearing at:

	2014 US$'000	2013 US$'000
- HIBOR plus 2% per annum and wholly repayable on 31 December 2015 (in Hong Kong dollars)	-	29,210
- HIBOR plus 1.5% per annum and wholly repayable on 15 May 2016 (in Hong Kong dollars)	36,981	24,654
- HIBOR plus 2% per annum and wholly repayable on 21 November 2017 (in Hong Kong dollars)	7,312	4,731
- HIBOR plus 2.6% per annum and wholly repayable on 17 July 2018 (in Hong Kong dollars)	22,065	22,452
- PBOC rate per annum and wholly repayable on 2 January 2017 (in Renminbi)	4,004	-
- LIBOR plus 2% per annum and wholly repayable on 31 December 2020 (in United States dollars)	12,250	-
	82,612	81,047

Other long term shareholder loans are unsecured and not repayable within twelve months. The fair values of other long term shareholder loans are not materially different from their carrying amounts.

12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(c) Amounts due from associates are unsecured, interest-free and repayable within one year except for an amount of US$29,210,000 (2013: Nil) which is interest bearing at HIBOR plus 2% per annum.

(d) The maximum exposure to credit risk at the reporting date is the fair value of the long term shareholder loans of US$82,612,000 (2013: US$81,047,000) and amounts due from associates of US$75,072,000 (2013: US$41,688,000).

(e) Set out below are the associates of the Group as at 31 December 2014, which, in the opinion of the directors, are material to the Group. The associates as listed below are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Nature of investment in the associates as at 31 December 2014 and 2013:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the business	Measurement method
China World Trade Center Ltd	The People's Republic of China	50	Note	Equity
Shanghai Ji Xiang Properties Co, Ltd	The People's Republic of China	49	Note	Equity

Note: Both China World Trade Center Ltd and Shanghai Ji Xiang Properties Co, Ltd own and operate hotels and investment properties.

There are no contingent liabilities relating to the Group's interest in the associates.

12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(e) (continued)

Summarized financial information for associates

Set out below are the summarized financial information for China World Trade Center Ltd and Shanghai Ji Xiang Properties Co, Ltd which are accounted for using the equity method. These summarized financial information are based on the local statutory financial statements of the relevant associates after adjustments for compliance with the Group's accounting policies.

	China World Trade Center Ltd		Shanghai Ji Xiang Properties Co, Ltd	
	As at 31 December		As at 31 December	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Current				
Assets	261,298	195,676	90,227	35,262
Liabilities	(431,944)	(226,157)	(156,343)	(163,200)
Net current liabilities	(170,646)	(30,481)	(66,116)	(127,938)
Non-current				
Assets	4,821,337	4,573,319	1,994,400	2,055,371
Liabilities	(1,806,175)	(1,878,434)	(865,035)	(862,406)
Net non-current assets	3,015,162	2,694,885	1,129,365	1,192,965
Net assets	2,844,516	2,664,404	1,063,249	1,065,027

Summarized statement of comprehensive income

	China World Trade Center Ltd		Shanghai Ji Xiang Properties Co, Ltd	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Revenue	502,071	475,401	187,103	36,680
Profit before tax (including fair value gains on investment properties)	336,312	535,270	43,739	487,177
Income tax expense	(83,104)	(133,142)	(10,855)	(112,675)
Other comprehensive (loss)/income	(22,968)	63,150	(8,220)	20,620
Total comprehensive income	230,240	465,278	24,664	395,122
Dividends received from associates (net of tax)	41,552	55,425	-	-

12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(e) (continued)

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interest in the associates.

	China World Trade Center Ltd		Shanghai Ji Xiang Properties Co, Ltd	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Closing net assets	2,844,516	2,664,404	1,063,249	1,065,027
Respective equity interest	50%	50%	49%	49%
Interest in associates	1,422,258	1,332,202	520,992	521,863
Goodwill	-	-	290	290
Carrying amount	1,422,258	1,332,202	521,282	522,153

(f) The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The aggregated financial information on these associates are as follows:

	2014 US$'000	2013 US$'000
Aggregate carrying amount of individually immaterial associates	1,611,817	1,542,600
Aggregate amounts of the Group's share of		
Profit after tax	64,569	31,962
Other comprehensive loss	(26,417)	(855)
Total comprehensive income	38,152	31,107

There were no contingent liabilities relating to the Group's interest in associates as at 31 December 2014 and 2013.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Equity securities:				
Overseas unlisted shares, at cost	2,562	2,562	-	-
- Exchange differences	258	295	-	-
	2,820	2,857	-	-
Club debentures, at fair value	2,086	2,090	840	840
	4,906	4,947	840	840

There were no disposals on available-for-sale financial assets in 2014 and 2013.

14 OTHER RECEIVABLES

	2014 US$'000	2013 US$'000
Security deposit on leased premises	13,099	14,954

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US$14,528,000) (31 December 2013: JPY1,751,000,000 (equivalent to US$16,681,000)) was paid to the lessor of the leased premises and will only be recoverable after expiry of the lease. 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.

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2014 US$'000	2013 US$'000
Trade receivables	90,361	96,702
Less: Provision for impairment of receivables	(1,506)	(4,467)
Trade receivables – net	88,855	92,235
Other receivables	102,058	93,407
Value-added-tax receivable under a reorganization scheme	-	67,568
Prepayments and other deposits	92,483	59,386
	283,396	312,596

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

(a) The fair values of the trade and other receivables are not materially different from their carrying values.

(b) A significant part of the Group's sales are by credit cards or against payment of deposits. The remaining amounts are with general credit term of 30 days. The Group has a defined credit policy. The ageing analysis of the trade receivables after provision for impairment is as follows:

	2014 US$'000	2013 US$'000
0 – 3 months	79,528	82,603
4 – 6 months	3,977	3,670
Over 6 months	5,350	5,962
	88,855	92,235

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2014, trade receivables of US$38,382,000 (2013: US$41,216,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 US$'000	2013 US$'000
Up to 3 months	30,746	32,019
4 – 6 months	2,772	3,422
Over 6 months	4,864	5,775
	38,382	41,216

As of 31 December 2014, trade receivables of US$1,506,000 (2013: US$4,467,000) were considered impaired. These receivables were all overdue for more than three months.

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014 US$'000	2013 US$'000
Hong Kong dollars	26,548	36,283
United States dollars	26,002	32,092
Renminbi	43,925	33,434
Singapore dollars	15,890	12,753
Malaysian Ringgit	5,593	6,140
Thai Baht	5,287	5,570
Philippines Pesos	19,653	15,137
Japanese Yen	3,284	6,227
Euros	8,485	7,811
Australian dollars	6,033	7,966
British Pounds	3,476	6,092
Mongolian Tugrik	19,006	12,070
Other currencies	7,731	4,067
	190,913	185,642

Movements on the Group's provision for impairment of trade receivables are as follows:

	2014 US$'000	2013 US$'000
At 1 January	4,467	1,500
Exchange differences	(187)	(11)
Provision for receivables impairment	1,139	5,313
Receivables written off during the year as uncollectible	(15)	(274)
Unused amounts reversed	(3,898)	(2,061)
At 31 December	1,506	4,467

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

16 FINANCIAL ASSETS HELD FOR TRADING

	2014 US$'000	2013 US$'000
Equity securities, at market value		
Shares listed in Hong Kong	19,802	18,686
Shares listed outside Hong Kong	2,145	2,266
	21,947	20,952

17 CASH AND BANK BALANCES

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Cash at bank and in hand	495,709	449,870	293,341	20,302
Short-term bank deposits	946,548	685,220	-	19,820
Cash and bank balances	1,442,257	1,135,090	293,341	40,122
Maximum exposure to credit risk for all balances at bank	1,436,099	1,129,173	293,341	40,120

The effective interest rate on short-term bank deposits was 1.6% per annum (2013: 2.0% per annum); these deposits have an average maturity of 1.7 months (2013: 1.3 months).

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	Group	
	2014 US$'000	2013 US$'000
Cash and bank balances (as above)	1,442,257	1,135,090
Less: Short-term bank deposits with original maturities over 3 months	(114,422)	(23,655)
Cash and cash equivalents	1,327,835	1,111,435

18 SHARE CAPITAL

	No. of shares ('000)	Amount: Ordinary shares US$'000	Amount: Share premium US$'000	Amount: Total US$'000
Authorized – Ordinary shares of HK$1 each				
At 31 December 2013 and 31 December 2014	5,000,000	646,496	-	646,496
Issued and fully paid - Ordinary shares of HK$1 each				
At 1 January 2013	3,132,097	404,398	2,149,249	2,553,647
Exercise of share options				
- allotment of shares	288	37	416	453
- transfer from share option reserve	-	-	122	122
At 31 December 2013 and 1 January 2014	3,132,385	404,435	2,149,787	2,554,222
Exercise of share options				
- allotment of shares	110	14	156	170
- transfer from share option reserve	-	-	45	45
Rights issue	447,499	57,742	579,566	637,308
At 31 December 2014	3,579,994	462,191	2,729,554	3,191,745

On 22 December 2014, the Company completed a rights issue of ordinary shares in the proportion of one rights share for every seven shares in issue resulting in 447,499,257 new shares being issued at HK$11.10 per share. Gross proceeds on the issue were approximately HK$4,967,242,000 (equivalent to US$640,934,000) with issue expenses amounting to approximately US$3,626,000. Further details of the rights issue arrangement associated with the Company's related parties are set out in Note 40(f).

As at 31 December 2014, 10,501,055 ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognized in equity in prior years.

Share options

The share option scheme approved by the shareholders of the Company on 24 May 2002 ("**2002 Option Scheme**") expired on 23 May 2012. No further option shares will be granted under the 2002 Option Scheme thereafter but the subsisting option shares granted in the past years prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2002 Option Scheme.

18 SHARE CAPITAL (CONTINUED)

Share options (continued)

The shareholders of the Company approved the adoption of a new share option scheme on 28 May 2012 ("**2012 Option Scheme**") to replace the expired 2002 Option Scheme. On 23 August 2013, the Company granted a total of 19,000,000 option shares under the 2012 Option Scheme at an exercise price of HK$12.11 per share to the directors and key employees of the Group. The options under the 2012 Option Scheme are immediately exercisable on the grant date and 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 following option shares at various exercise prices granted to option holders of the Company under the 2002 Option Scheme and 2012 Option Scheme were exercised:

	Number of option shares issued			
	At HK$11.60 per option share	At HK$14.60 per option share	At HK$12.11 per option share	Total consideration US$'000
In year 2014				
January	-	-	80,000	125
September	30,000	-	-	45
For the year ended 31 December 2014	30,000	-	80,000	170
In year 2013				
February	50,000	16,000	-	105
March	-	20,000	-	38
April	50,000	-	-	75
November	40,000	-	50,000	138
December	50,000	10,000	2,000	97
For the year ended 31 December 2013	190,000	46,000	52,000	453

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$14.18 (2013: HK$15.57).

18 SHARE CAPITAL (CONTINUED)

Share options (continued)

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

	For the year ended 31 December 2014		For the year ended 31 December 2013	
	Weighted average exercise price in HK$ per option share	Number of outstanding option shares	Weighted average exercise price in HK$ per option share	Number of outstanding option shares
At 1 January	12.32	26,591,000	12.85	8,169,000
Granted	-	-	12.11	19,000,000
Exercised	11.97	(110,000)	12.17	(288,000)
Lapsed	12.25	(2,002,500)	13.31	(290,000)
At 31 December	12.33	24,478,500	12.32	26,591,000

Outstanding option shares at the end of the year are as follows:

		Number of outstanding option shares as at	
Last exercisable date	Exercise price in HK$ per option share	31 December 2014	31 December 2013
27 April 2015	11.60	4,245,000	4,575,000
15 June 2016	14.60	3,045,500	3,218,000
22 August 2023	12.11	17,188,000	18,798,000
		24,478,500	26,591,000

No options have been exercised subsequent to 31 December 2014 and up to the approval date of the financial statements. Options on 50,000 shares, 20,000 shares and 180,000 shares with exercise price of HK$11.60, HK$14.60 and HK$12.11 per share, respectively have lapsed subsequent to 31 December 2014 and up to the approval date of the financial statements.

19 OTHER RESERVES

	Share option reserve US$'000	Hedging reserve US$'000
Group		
Balance at 1 January 2013	4,859	(848)
Currency translation differences	-	-
Granting of share options – value of employee service	7,870	-
Exercise of share options – transfer to share premium	(122)	-
Fair value changes of interest-rate swap contracts	-	1,210
Balance at 31 December 2013 and 1 January 2014	12,607	362
Currency translation differences	-	-
Exercise of share options – transfer to share premium	(45)	-
Fair value changes of interest-rate swap contracts	-	(3,337)
Balance at 31 December 2014	12,562	(2,975)
Company		
Balance at 1 January 2013	4,859	-
Granting of share options – value of employee service	7,870	-
Exercise of share options – transfer to share premium	(122)	-
Balance at 31 December 2013 and 1 January 2014	12,607	-
Exercise of share options – transfer to share premium	(45)	-
Balance at 31 December 2014	12,562	-

Convertible bonds reserve US$'000	Capital redemption reserve US$'000	Exchange fluctuation reserve US$'000	Capital reserve US$'000	Other reserve US$'000 (Note (a))	Contributed surplus US$'000 (Note (b))	Total US$'000
44,518	10,666	871,826	601,490	1,368	389,741	1,923,620
-	-	(28,324)	-	-	-	(28,324)
-	-	-	-	-	-	7,870
-	-	-	-	-	-	(122)
-	-	-	-	-	-	1,210
44,518	10,666	843,502	601,490	1,368	389,741	1,904,254
-	-	(184,088)	-	-	-	(184,088)
-	-	-	-	-	-	(45)
-	-	-	-	-	-	(3,337)
44,518	10,666	659,414	601,490	1,368	389,741	1,716,784
-	10,666	-	-	-	1,524,231	1,539,756
-	-	-	-	-	-	7,870
-	-	-	-	-	-	(122)
-	10,666	-	-	-	1,524,231	1,547,504
-	-	-	-	-	-	(45)
-	10,666	-	-	-	1,524,231	1,547,459

19 OTHER RESERVES (CONTINUED)

(a) A subsidiary is required by local law to appropriate a certain percentage of its annual net profits as other reserve until the reserve reaches 10 percent of its registered share capital. This reserve is not available for dividend distribution.

(b) The contributed surplus of the Company arises when the Company issues shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's issued shares and the value of net assets of the companies acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At the Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries, whenever appropriate.

(c) As at 31 December 2014, the Company's distributable reserves comprised:

	2014 US$'000	2013 US$'000
Distributable retained earnings	70,259	59,051
Contributed surplus	1,524,231	1,524,231
	1,594,490	1,583,282

20 BANK LOANS

	Group	
	2014 US$'000	2013 US$'000
Bank loans – secured (Note 38(c))	263,844	311,268
Bank loans – unsecured	3,716,952	3,439,868
Total	3,980,796	3,751,136
Less: Non-current portion	(3,277,663)	(3,345,807)
Current portion	703,133	405,329

The maturity of bank loans is as follows:

	2014 US$'000	2013 US$'000
Within 1 year	703,133	405,329
Between 1 and 2 years	1,204,420	861,885
Between 2 and 5 years	1,909,195	2,428,660
Repayable within 5 years	3,816,748	3,695,874
Over 5 years	164,048	55,262
	3,980,796	3,751,136

20 BANK LOANS (CONTINUED)

The effective interest rates at the date of the statement of financial position were as follows:

	31 December 2014								
	HK$	RMB	GBP	US$	JPY	Pesos	Euros	SGD	AUD
Bank overdrafts	-	-	-	-	-	-	-	-	-
Bank loans	1.72%	6.29%	1.94%	1.81%	1.43%	3.01%	2.00%	1.43%	3.97%

	31 December 2013								
	HK$	RMB	GBP	US$	JPY	Pesos	Euros	SGD	AUD
Bank overdrafts	-	-	-	-	-	-	-	-	-
Bank loans	1.30%	6.33%	2.59%	1.60%	1.46%	1.20%	2.12%	1.31%	3.96%

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

	2014 US$'000	2013 US$'000
Hong Kong dollars	1,319,071	1,409,755
Renminbi	715,533	515,923
United States dollars	1,317,498	1,112,010
Euros	243,074	283,220
Japanese Yen	41,483	47,632
Philippines Pesos	32,853	45,849
Singapore dollars	78,251	86,911
Australian dollars	162,810	175,676
British pounds	70,223	74,160
	3,980,796	3,751,136

20 BANK LOANS (CONTINUED)

The Group has the following undrawn borrowing facilities:

	2014 US$'000	2013 US$'000
Floating rate		
- expiring within one year	173,536	171,893
- expiring beyond one year	630,690	544,812
Fixed rate		
- expiring within one year	435	1,386
- expiring beyond one year	35,380	105,745
	840,041	823,836

21 CONVERTIBLE BONDS

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 ("**Maturity Date**"), in the aggregate principal amount of US$500 million. Each bond will, at the option of the holder, be convertible on or after 22 June 2011 up to the close of business on the business day immediately prior to 2 May 2016 into fully paid ordinary shares of the Company with a par value of HK$1.00 each at an initial conversion price of HK$29.03 per ordinary share of the Company (subject to adjustment) and the conversion price has been adjusted to HK$28.02 per ordinary share of the Company on 7 October 2013. Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at 111.84% of their principal amount on the Maturity Date.

The initial fair values of the liability component and the equity conversion component, based on net proceeds, were determined at issuance of the bonds. The fair value of the liability component, included under non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 19).

The convertible bonds recognized in the consolidated statement of financial position is calculated as follows:

	2014 US$'000	2013 US$'000
Face value of convertible bonds issued on 12 May 2011	500,000	500,000
Issuing expenses	(4,400)	(4,400)
Equity component credited to the equity	(44,518)	(44,518)
Liability component on initial recognition at 12 May 2011	451,082	451,082
Accumulated interest expense	76,223	54,044
Liability component at 31 December	527,305	505,126

21 CONVERTIBLE BONDS (CONTINUED)

The face value of outstanding bonds at 31 December 2014 amounted to US$500,000,000. No convertible bonds were converted to ordinary shares of the Company during the year or subsequent to 31 December 2014 and up to the date of this report. The carrying amount of the liability component which approximates to its fair value is calculated using cash flows discounted at an initial market interest rate of 4.34% per annum.

22 FIXED RATE BONDS

On 10 April 2012, a wholly owned subsidiary of the Company issued fixed rate bonds in the aggregate principal amount of US$600,000,000 which carry a coupon rate of 4.75% per annum and have a maturity term of 5 years. The fixed rate bonds recognized in the statement of financial position is calculated as follows:

	2014 US$'000	2013 US$'000
Face value of fixed rate bonds issued on 10 April 2012	600,000	600,000
Issuing expenses	(4,859)	(4,859)
Net bonds proceeds received	595,141	595,141
Accumulated amortization of issuing expenses	2,646	1,673
Carrying amount of fixed rate bonds at 31 December	597,787	596,814

As at 31 December 2014, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US$6,333,000 (31 December 2013: US$6,333,000). The carrying amount of the bonds approximates to its fair value.

23 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2014 US$'000	2013 US$'000
Non-current liabilities		
Interest-rate swap contracts – hedging	2,500	1,265
Current liabilities		
Interest-rate swap contracts – hedging	978	366
Total	3,478	1,631
Non-current assets		
Interest-rate swap contracts – hedging	342	1,550
Current assets		
Interest-rate swap contracts – hedging	161	443
Total	503	1,993

23 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

All the interest-rate swap contracts qualify for hedging. The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 31 December 2014 were as follows:

- HK$2,200,000,000 (31 December 2013: HK$2,200,000,000) with fixed interest rate of 0.940% to 1.635% per annum (31 December 2013: 0.940% to 1.635% per annum).
- US$206,000,000 (31 December 2013: US$206,000,000) with fixed interest rates of 1.420% to 1.785% per annum (31 December 2013: 1.420% to 1.785% per annum).

24 NON-CONTROLLING INTERESTS AND BALANCES WITH NON-CONTROLLING SHAREHOLDERS

	2014 US$'000	2013 US$'000
Non-controlling interests		
Share of equity	410,598	425,188
Equity loans (Note (a))	124,451	129,575
	535,049	554,763

Notes:

(a) Equity loans are unsecured, with no fixed repayment terms and bearing interest at:

	2014 US$'000	2013 US$'000
- LIBOR per annum	9,490	10,787
- LIBOR plus 1% per annum	71,591	61,173
- LIBOR plus 3% per annum	22,050	22,050
- fixed rate of 2.5% per annum	17,911	13,355
- Interest-free	3,409	22,210
	124,451	129,575

24 NON-CONTROLLING INTERESTS AND BALANCES WITH NON-CONTROLLING SHAREHOLDERS (CONTINUED)

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

	2014 US$'000	2013 US$'000
- Interest-free and not payable within 12 months	27,579	26,896

The effective interest rate of the interest-free portion of the amounts due to non-controlling shareholders at the date of the statement of financial position is 4.1% (2013: 4.1%) per annum.

(c) Amounts due to/(from) non-controlling shareholders (current portion) are unsecured and with the following terms:

	2014 US$'000	2013 US$'000
Amounts due to non-controlling shareholders		
- Interest-free with no fixed repayment terms	8,605	7,912
Amounts due from non-controlling shareholders		
- Interest-free with no fixed repayment terms	(57)	(160)
	8,548	7,752

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

25 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2013: 16.5%) for subsidiaries operating in Hong Kong. Deferred income tax assets and liabilities of overseas subsidiaries are calculated at the rates of taxation prevailing in the countries in which the respective subsidiaries operate.

The movement on the deferred income tax account is as follows:

	Group	
	2014 US$'000	2013 US$'000
At 1 January	284,694	246,589
Exchange differences	(3,654)	661
Deferred taxation charged to consolidated income statement (Note 33)	22,945	38,330
Deferred taxation charged/(credited) to other comprehensive income	419	(886)
At 31 December	304,404	284,694

The following amounts which are expected only to be substantially recovered/settled after more than twelve months from the date of the statement of financial position, determined after appropriate offsetting, are shown in the consolidated statement of financial position. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	31 December 2014 US$'000	31 December 2013 US$'000
Deferred income tax assets	(553)	(758)
Deferred income tax liabilities	304,957	285,452
	304,404	284,694

25 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognized for tax loss carry forwards to the extent that realization of the related tax benefit through the future taxable profits is probable. As at 31 December 2014, the Group has the following unrecognized tax losses to carry forward against future taxable income.

	Group	
	2014 US$'000	2013 US$'000
With no expiry date	155,188	92,966
Lapsed within the next five years	239,480	181,336
Lapsed within the next ten years	41,349	62,693
	436,017	336,995

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities	Accelerated tax depreciation		Properties valuation surplus		Dividend withholding tax		Total	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
At 1 January	182,015	178,662	54,449	37,563	62,885	51,016	299,349	267,241
Charged to income statement	10,734	5,573	1,449	16,250	9,309	10,472	21,492	32,295
Exchange differences	(3,456)	(2,220)	(366)	636	(298)	1,397	(4,120)	(187)
At 31 December	189,293	182,015	55,532	54,449	71,896	62,885	316,721	299,349

25 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets	Provision of assets		Tax losses		Others		Total	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
At 1 January	(3,191)	(6,326)	(2,400)	(6,251)	(9,064)	(8,075)	(14,655)	(20,652)
Charged/(credited) to income statement	45	670	1,749	3,774	(341)	1,591	1,453	6,035
Charged/(credited) to other comprehensive income	-	-	-	-	419	(886)	419	(886)
Exchange differences	30	2,465	(56)	77	492	(1,694)	466	848
At 31 December	(3,116)	(3,191)	(707)	(2,400)	(8,494)	(9,064)	(12,317)	(14,655)

26 ACCOUNTS PAYABLE AND ACCRUALS

	2014 US$'000	2013 US$'000
Trade payables	102,867	94,958
Value-added-tax payable under a reorganization scheme	-	67,568
Construction cost payable, other payables and accrued expenses	710,035	680,465
Short term advance from an associate of the Company's controlling shareholder	16,343	-
	829,245	842,991

The short term advance from an associate of the Company's controlling shareholder is unsecured and bearing interest at a fixed rate of 6.02% per annum.

At 31 December 2014, the ageing analysis of the trade payables is as follows:

	2014 US$'000	2013 US$'000
0 – 3 months	91,167	85,570
4 – 6 months	5,434	5,294
Over 6 months	6,266	4,094
	102,867	94,958

27 EXPENSES BY NATURE

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

	2014 US$'000	2013 US$'000
Depreciation of property, plant and equipment (net of amount capitalized of US$232,000 (2013: US$374,000)) (Note 7)	300,238	304,327
Amortization of leasehold land and land use rights (Note 9)	16,858	16,919
Amortization of trademark and website development (Note 10)	777	779
Employee benefit expenses excluding directors' emoluments (net of amount capitalized and amount grouped under pre-opening expenses) (Note 29)	669,087	656,711
Share options granted to directors and employees	-	7,870
Cost of inventories sold or consumed in operation	280,410	276,094
Loss on disposal of property, plant and equipment and partial replacement of investment properties	3,305	1,451
Discarding of property, plant and equipment due to renovation of hotels and resorts	1,354	2,397
Operating lease expenses	55,824	41,780
Pre-opening expenses	29,342	23,707
Auditors' remuneration	1,687	1,691

28 OTHER GAINS – NET

	2014 US$'000	2013 US$'000
Fair value gains on investment properties (Note 8)	1,537	57,569
Net unrealized gains/(losses) on financial assets held for trading – equity securities	996	(3,977)
Fair value losses on interest-rate swap contracts – non-hedging	-	(55)
Reversal of/(provision for) impairment losses on hotel properties and other properties (Note 7)	4,956	(62,229)
(Provision of)/reversal of impairment provision for a property under development and the underlying land (Note 7 and 9)	(3,275)	2,759
Reversal of impairment provision for a vacant land (Note 9)	-	4,000
Gain on disposal of a vacant land	-	1,305
Gain on disposal of interests in a subsidiary which owns a hotel	-	20,398
Gain on disposal of interests in associates which own properties under development	-	2,563
Non-operating items	4,214	22,333
Interest income	13,816	11,698
Dividend income	1,045	1,026
Others	267	50
	19,342	35,107

29 EMPLOYEE BENEFIT EXPENSES

(excluding Directors' emoluments and share options granted to Directors and employees)

	2014 US$'000	2013 US$'000
Wages and salaries (including unutilized annual leave)	519,683	505,928
Pension costs – defined contribution plans	38,147	36,851
Pension costs – defined benefit plans	1,695	1,748
Other welfare	117,563	120,453
	677,088	664,980
Less: Amount included in pre-opening expenses	(8,001)	(8,269)
	669,087	656,711

Total pension cost including charges for Directors charged to the income statement for the year under all pension schemes was US$39,967,000 (2013: US$38,714,000).

29 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

Pension scheme arrangement

The Group operates and participates in a number of pension and retirement schemes of both the defined contribution and defined benefit types. Principal schemes are described below:

(a) Defined contribution retirement plan

The Company and subsidiaries in Hong Kong participate in a mandatory provident fund scheme ("**MPF**") which requires both the employers and employees in Hong Kong to contribute 5% of their monthly gross earnings with a ceiling of HK$1,500 (equivalent to US$194) . Normally, the employees can only take all the benefits when reaching the statutory retirement age. These companies also participate in other defined contribution schemes which only require the employers to make monthly contribution of the net difference between 10% of the employees' monthly basic salaries (subject to a ceiling of HK$10,000) and the amount already contributed by the employers to the MPF for the relevant employees. Under such schemes, any unvested benefits of employees terminating employment can be utilized by the employers to reduce their future contributions. The assets of these schemes are held separately in independently administrated funds. Contributions made by the employers were charged to income statements as incurred.

The Group's subsidiaries in Mainland China, Singapore and Malaysia participate in defined contribution schemes managed by the respective local governments in these countries. The Group's subsidiaries in Australia participate in the government-supported superannuation fund scheme (a defined contribution scheme). Contributions are made based on a percentage, ranging from 9% to 22%, of the employee's salaries and bonuses, as applicable, and are charged to the income statement as incurred. The maximum contributions by the subsidiaries for each employee for the Group's subsidiaries in Singapore are fixed by the government at S$800 (equivalent to US$608) per month for monthly salaries and bonus payment. The employees of the Group's subsidiaries in Singapore and Malaysia are also required to contribute 16% and 12%, respectively of their gross salaries and bonus, if applicable, to the respective local fund.

The Group also operates a global defined contribution scheme for senior expatriates employed by the Group which requires the employers to contribute 6% to 10% (varying with staff grading) of the employees' basic salaries. Employees can contribute to the scheme on a voluntary basis. Under such scheme, the unvested benefits of employees terminating employment can be utilized by the employers to reduce their future contributions. The assets of the scheme are held separately in independently administered funds. Contributions made by the employers were charged to income statements as incurred.

29 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

Pension scheme arrangement (continued)

(b) Defined benefit retirement plan

The hotels in the Philippines and Malaysia have adopted funded non-contributory defined benefit pension plans covering their regular employees. The benefits are based on years of service and the employees' final covered compensation. The plans require periodic contributions by the participating subsidiaries as determined by periodic actuarial reviews. For the hotels in the Philippines and Malaysia, actuarial valuations were performed by qualified actuaries, Orlando J. Manalang and Actuarial Partners Consulting Sdn Bhd, respectively at 31 December 2014 using the Projected Unit Credit Actuarial Cost Method.

Movements in the present value of the defined benefit obligations:

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Balance at 1 January	16,685	15,023	(6,501)	(7,435)	10,184	7,588
Exchange difference	(508)	(1,112)	72	511	(436)	(601)
Included in income statement						
Current service cost	1,208	997	-	-	1,208	997
Past service cost	-	402	-	-	-	402
Interest cost on benefit obligation	772	716	(285)	(367)	487	349
	1,980	2,115	(285)	(367)	1,695	1,748
Included in other comprehensive income						
Actuarial (gains)/ losses	(1,423)	2,663	-	-	(1,423)	2,663
Return on assets excluding amount included in net interest cost	-	-	37	(13)	37	(13)
	(1,423)	2,663	37	(13)	(1,386)	2,650
Other						
Contributions	-	-	(1,031)	(1,005)	(1,031)	(1,005)
Benefits paid	(584)	(2,004)	504	1,808	(80)	(196)
	(584)	(2,004)	(527)	803	(1,111)	(1,201)
Balance at 31 December	16,150	16,685	(7,204)	(6,501)	8,946	10,184

29 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

Pension scheme arrangement (continued)

(b) Defined benefit retirement plan (continued)

The distribution of the plan assets at year end is as follows:

	2014	2013
Cash equivalents	14%	-
Equity securities	44%	41%
Government bonds, treasury notes and other assets	42%	59%

The principal actuarial assumptions used to determine retirement benefits costs are as follows:

	2014		2013	
For hotels in	Malaysia	The Philippines	Malaysia	The Philippines
Discount rate at 31 December	5.5%	4.30% to 4.53%	5.5%	4.04% to 4.54%
Future salary growth rate	4% to 7%	4%	4% to 7%	5%

The average duration of the defined benefit obligation as of 31 December 2014 ranged from 12.20 years to 17.49 years (31 December 2013: ranged from 12.89 years to 20.01 years).

The pension liability is subject to several key assumptions. The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of 31 December 2014 by assuming all other assumptions were held constant. The defined benefit obligation would be affected by the amount as shown below.

	Increase/(decrease) in percentage points	Increase/(decrease) in the Group's net defined benefit obligation US$'000
Discount rate	1.00%	(1,477)
	(1.00%)	1,700
Future salary growth rate	1.00%	1,786
	(1.00%)	(1,570)

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2014 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits(6)	Employer's Contribution to pension schemes	Compensation for loss of office as director	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
KUOK Khoon Chen(2)	-	743	1,548	-	16	15	-	2,322
LUI Man Shing	6	418	903	-	26	15	-	1,368
Madhu Rama Chandra RAO	-	449	1,419	-	247	45	-	2,160
Gregory Allan DOGAN	-	495	1,677	-	239	50	-	2,461
KUOK Khoon Ean(3)	15	-	-	-	-	-	-	15
KUOK Hui Kwong(5)	5	-	-	-	-	-	-	5
HO Kian Guan	26	-	-	-	-	-	-	26
Roberto V ONGPIN(4)	11	-	-	-	-	-	-	11
Alexander Reid HAMILTON	64	-	-	-	-	-	-	64
Timothy David DATTELS	26	-	-	-	-	-	-	26
WONG Kai Man	64	-	-	-	-	-	-	64
Michael Wing-Nin CHIU(4)	11	-	-	-	-	-	-	11
LI Kwok Cheung Arthur	64	-	-	-	-	-	-	64
HO Kian Hock(1)	-	-	-	-	-	-	-	-

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2013 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits[6]	Employer's Contribution to pension schemes	Compensation for loss of office as director	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
KUOK Khoon Chen[2]	-	268	774	-	5	6	-	1,053
LUI Man Shing	6	418	1,161	-	29	15	-	1,629
Madhu Rama Chandra RAO	-	449	1,556	-	277	45	-	2,327
Gregory Allan DOGAN	-	449	1,814	-	252	45	-	2,560
KUOK Khoon Ean[3]	15	265	387	-	12	4	-	683
HO Kian Guan	26	-	-	-	-	-	-	26
Roberto V ONGPIN[4]	26	-	-	-	-	-	-	26
Alexander Reid HAMILTON	64	-	-	-	-	-	-	64
Timothy David DATTELS	26	-	-	-	-	-	-	26
WONG Kai Man	64	-	-	-	-	-	-	64
Michael Wing-Nin CHIU[4]	26	-	-	-	-	-	-	26
LI Kwok Cheung Arthur	64	-	-	-	-	-	-	64
HO Kian Hock[1]	-	-	-	-	-	-	-	-

Notes:

(1) Mr HO Kian Hock is Alternate Director to Mr HO Kian Guan.

(2) Mr KUOK Khoon Chen was appointed as Director on 22 August 2013.

(3) Mr KUOK Khoon Ean was re-designated as Non-Executive Director on 22 August 2013 and resigned as Director on 1 July 2014.

(4) Mr Roberto V ONGPIN and Mr Michael Wing-Nin CHIU retired as Directors on 29 May 2014.

(5) Ms KUOK Hui Kwong was appointed as Director on 27 October 2014.

(6) Other benefits include housing, holiday warrant, medical expenses and insurance premium. Pursuant to the existing option scheme of the Company (Note 18), the Company granted to the Directors options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of option shares granted to the Directors in 2013 were included in the total expenses on share options granted in the same year.

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2014 are as follows:

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2014
KUOK Khoon Chen	23 Aug 2013	-	11.92	350,000
LUI Man Shing	16 Jun 2006	II	14.00	60,000
	23 Aug 2013	-	11.92	350,000
Madhu Rama Chandra RAO	28 Apr 2005	II	11.75	250,000
	16 Jun 2006	I	14.00	50,000
	16 Jun 2006	II	14.00	50,000
	23 Aug 2013	-	11.92	350,000
Gregory Allan DOGAN	28 Apr 2005	II	11.75	50,000
	16 Jun 2006	I	14.00	37,500
	16 Jun 2006	II	14.00	37,500
	23 Aug 2013	-	11.92	350,000

No. of option shares granted during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2014	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
-	-	-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	-	-	60,000	14.60	-	16 Jun 2008 – 15 Jun 2016
-	-	-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	-	-	250,000	11.60	-	28 Apr 2007 – 27 Apr 2015
-	-	-	-	-	50,000	14.60	-	16 Jun 2007 – 15 Jun 2016
-	-	-	-	-	50,000	14.60	-	16 Jun 2008 – 15 Jun 2016
-	-	-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	-	-	50,000	11.60	-	28 Apr 2007 – 27 Apr 2015
-	-	-	-	-	37,500	14.60	-	16 Jun 2007 – 15 Jun 2016
-	-	-	-	-	37,500	14.60	-	16 Jun 2008 – 15 Jun 2016
-	-	-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2014 are as follows: (continued)

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2014
KUOK Khoon Ean	23 Aug 2013	-	11.92	350,000
HO Kian Guan	23 Aug 2013	-	11.92	100,000
Roberto V ONGPIN	28 Apr 2005	I	11.75	75,000
	28 Apr 2005	II	11.75	75,000
	16 Jun 2006	I	14.00	30,000
	16 Jun 2006	II	14.00	30,000
	23 Aug 2013	-	11.92	100,000
Alexander Reid HAMILTON	23 Aug 2013	-	11.92	100,000

No. of option shares granted during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2014	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
-	-	(350,000)	-	-	-	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	(75,000)	-	-	-	11.60	-	28 Apr 2006 – 27 Apr 2015
-	-	(75,000)	-	-	-	11.60	-	28 Apr 2007 – 27 Apr 2015
-	-	(30,000)	-	-	-	14.60	-	16 Jun 2007 – 15 Jun 2016
-	-	(30,000)	-	-	-	14.60	-	16 Jun 2008 – 15 Jun 2016
-	-	(100,000)	-	-	-	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2014 are as follows: (continued)

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	28 Apr 2005	II	11.75	75,000
	16 Jun 2006	I	14.00	30,000
	16 Jun 2006	II	14.00	30,000
	23 Aug 2013	-	11.92	100,000
WONG Kai Man	23 Aug 2013	-	11.92	100,000
Michael Wing-Nin CHIU	23 Aug 2013	-	11.92	100,000
LI Kwok Cheung Arthur	23 Aug 2013	-	11.92	100,000

No. of option shares granted during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2014	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
-	-	-	-	-	75,000	11.60	-	28 Apr 2006 – 27 Apr 2015
-	-	-	-	-	75,000	11.60	-	28 Apr 2007 – 27 Apr 2015
-	-	-	-	-	30,000	14.60	-	16 Jun 2007 – 15 Jun 2016
-	-	-	-	-	30,000	14.60	-	16 Jun 2008 – 15 Jun 2016
-	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	(100,000)	-	-	-	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2013 are as follows:

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LUI Man Shing	16 Jun 2006	II	14.00	60,000
	23 Aug 2013	-	11.92	-
Madhu Rama Chandra RAO	28 Apr 2005	II	11.75	250,000
	16 Jun 2006	I	14.00	50,000
	16 Jun 2006	II	14.00	50,000
	23 Aug 2013	-	11.92	-
Gregory Allan DOGAN	28 Apr 2005	II	11.75	50,000
	16 Jun 2006	I	14.00	37,500
	16 Jun 2006	II	14.00	37,500
	23 Aug 2013	-	11.92	-

No. of option shares granted during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2013	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
350,000	-	-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	-	-	60,000	14.60	-	16 Jun 2008 – 15 Jun 2016
350,000	-	-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	-	-	250,000	11.60	-	28 Apr 2007 – 27 Apr 2015
-	-	-	-	-	50,000	14.60	-	16 Jun 2007 – 15 Jun 2016
-	-	-	-	-	50,000	14.60	-	16 Jun 2008 – 15 Jun 2016
350,000	-	-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	-	-	50,000	11.60	-	28 Apr 2007 – 27 Apr 2015
-	-	-	-	-	37,500	14.60	-	16 Jun 2007 – 15 Jun 2016
-	-	-	-	-	37,500	14.60	-	16 Jun 2008 – 15 Jun 2016
350,000	-	-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2013 are as follows: (continued)

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2013
KUOK Khoon Ean	23 Aug 2013	-	11.92	-
HO Kian Guan	23 Aug 2013	-	11.92	-
Roberto V ONGPIN	28 Apr 2005	I	11.75	75,000
	28 Apr 2005	II	11.75	75,000
	16 Jun 2006	I	14.00	30,000
	16 Jun 2006	II	14.00	30,000
	23 Aug 2013	-	11.92	-
Alexander Reid HAMILTON	23 Aug 2013	-	11.92	-

No. of option shares granted during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2013	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
350,000	-	-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023
100,000	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	-	-	75,000	11.60	-	28 Apr 2006 – 27 Apr 2015
-	-	-	-	-	75,000	11.60	-	28 Apr 2007 – 27 Apr 2015
-	-	-	-	-	30,000	14.60	-	16 Jun 2007 – 15 Jun 2016
-	-	-	-	-	30,000	14.60	-	16 Jun 2008 – 15 Jun 2016
100,000	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023
100,000	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2013 are as follows: (continued)

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2013
Timothy David DATTELS	28 Apr 2005	I	11.75	75,000
	28 Apr 2005	II	11.75	75,000
	16 Jun 2006	I	14.00	30,000
	16 Jun 2006	II	14.00	30,000
	23 Aug 2013	-	11.92	-
WONG Kai Man	23 Aug 2013	-	11.92	-
Michael Wing-Nin CHIU	23 Aug 2013	-	11.92	-
LI Kwok Cheung Arthur	23 Aug 2013	-	11.92	-

The option shares granted in 2013 are under the 2012 Option Scheme and the details of the 2012 Option Scheme are provided in the section headed "Share Option Schemes" in the Report of the Directors.

No. of option shares granted during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2013	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
-	-	-	-	-	75,000	11.60	-	28 Apr 2006 – 27 Apr 2015
-	-	-	-	-	75,000	11.60	-	28 Apr 2007 – 27 Apr 2015
-	-	-	-	-	30,000	14.60	-	16 Jun 2007 – 15 Jun 2016
-	-	-	-	-	30,000	14.60	-	16 Jun 2008 – 15 Jun 2016
100,000	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023
100,000	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023
100,000	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023
100,000	-	-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2013: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2013: one) individual during the year are as follows:

	2014 US$'000	2013 US$'000
Basic salaries, housing allowances, other allowances and benefits in kind	473	558
Employer's contribution to pension scheme	15	37
Discretionary bonuses	1,298	588
Inducement fee to join the Group	-	-
Compensation for loss of office	-	-
	1,786	1,183

Pursuant to the 2012 Option Scheme of the Company (Note 18), the Company also granted to the individual options to subscribe for shares in the Company subject to terms and conditions stipulated therein.

31 FINANCE COSTS - NET

	2014 US$'000	2013 US$'000
Interest expense:		
- bank loans	113,104	107,030
- convertible bonds	22,179	21,247
- fixed rate bonds	29,476	29,475
- other loans	3,292	2,464
	168,051	160,216
Less: amount capitalized	(51,285)	(49,697)
	116,766	110,519
Net foreign exchange losses/(gains)	528	(5,444)
	117,294	105,075

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 3.2% per annum (2013: 3.4%).

32 SHARE OF PROFIT OF ASSOCIATES

	2014 US$'000	2013 US$'000
Share of profit before tax and non-operating items	155,269	71,124
Share of net increase in fair value of investment properties	120,395	504,130
Share of loss on major renovation of an investment property	-	(20,880)
Share of profit before tax of associates	275,664	554,374
Share of tax before provision for taxation for non-operating items	(39,015)	(17,821)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(29,363)	(125,241)
Share of deferred tax credit arising from the loss on major renovation of an investment property	-	5,220
Share of associates' taxation	(68,378)	(137,842)
Share of profit of associates	207,286	416,532

33 INCOME TAX EXPENSE

	2014 US$'000	2013 US$'000
Current income tax		
- Hong Kong profits tax	16,696	14,793
- Overseas taxation	67,430	56,748
Deferred income tax (Note 25)	22,945	38,330
	107,071	109,871

Share of associates' taxation for the year ended 31 December 2014 of US$68,378,000 (2013: US$137,842,000) is included in the consolidated income statement as share of profit of associates.

33 INCOME TAX EXPENSE (CONTINUED)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2014 US$'000	2013 US$'000
Profit before income tax	314,566	550,987
Calculated at a taxation rate of 16.5% (2013: 16.5%)	51,903	90,913
Effect of different taxation rates of subsidiaries operating in other countries	18,390	22,578
Income not subject to taxation	(38,417)	(79,859)
Tax effect on unrecognized tax losses	23,773	18,802
Expenses not deductible for taxation purposes	41,783	48,710
Utilization of previously unrecognized tax losses	(864)	(517)
Over provision in prior year	(648)	(1,783)
Withholding tax	11,261	11,123
Tax incentive	(110)	(96)
Taxation charge	107,071	109,871

(a) Hong Kong profits tax is provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profits of group companies operating in Hong Kong.

(b) 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.

34 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS AND RETAINED EARNINGS OF THE COMPANY

The profit attributable to equity holders is dealt with in the financial statements of the Company to the extent of US$51,628,000 (2013: US$72,759,000).

Movement of retained earnings of the Company

	2014 US$'000	2013 US$'000
Balance at 1 January	59,051	59,041
Profit for the year	51,628	72,759
2013/2012 final dividend paid	(16,168)	(40,416)
2014/2013 interim dividend paid (Note 36)	(24,252)	(32,333)
Balance at 31 December	70,259	59,051
Representing:		
2014/2013 final dividend proposed (Note 36)	27,716	16,167
Retained earnings	42,543	42,884
Balance at 31 December	70,259	59,051

35 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 year (including the effect of the rights issue) after adjustment of those issued ordinary shares of the Company held by a subsidiary.

	2014	2013
Profit attributable to equity holders of the Company (US$'000)	180,889	392,298
Weighted average number of ordinary shares in issue (thousands)	3,134,231	3,121,722
Basic earnings per share (US cents per share)	5.77	12.57

35 EARNINGS PER SHARE (CONTINUED)

Diluted

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

For the year ended 31 December 2014 and 2013, share options of HK$11.60 issued under the 2002 Option Scheme and HK$12.11 issued under the 2012 Option Scheme have the greatest dilution effect.

	2014	2013
Profit attributable to equity holders of the Company (US$'000)	180,889	392,298
Weighted average number of ordinary shares in issue (thousands)	3,134,231	3,121,722
Adjustments for – share options (thousands)	366	2,066
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,134,597	3,123,788
Diluted earnings per share (US cents per share)	5.77	12.56

36 DIVIDENDS

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Interim dividend paid of HK6 cents (2013: HK8 cents) per ordinary share	24,170	32,224	24,252	32,333
Proposed final dividend of HK6 cents (2013: HK4 cents) per ordinary share	27,635	16,113	27,716	16,167
	51,805	48,337	51,968	48,500

At a meeting held on 25 March 2015, the Board proposed a final dividend of HK6 cents per ordinary share for the year ended 31 December 2014. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2015.

The proposed final dividend of US$27,635,000 for the year ended 31 December 2014 is calculated based on 3,579,994,056 shares in issue as at 25 March 2015, after elimination on consolidation the amount of US$81,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (Note 18).

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash generated from operations

	2014 US$'000	2013 US$'000
Profit before income tax	314,566	550,987
Share of profit of associates	(207,286)	(416,532)
Fair value gains on investment properties	(1,537)	(57,569)
Gain on disposal of interests in a subsidiary which owns a hotel	-	(20,398)
Gain on disposal of a vacant land	-	(1,305)
Gain on disposal of interests in associates which own properties under development	-	(2,563)
(Reversal of)/provision for impairment losses on hotel properties and other properties	(4,956)	62,229
Provision of/(reversal of) impairment loss for a property under development	3,275	(2,759)
Reversal of impairment provision for a vacant land	-	(4,000)
Depreciation	300,238	304,327
Amortization of leasehold land and land use rights, trademark and website development	17,635	17,698
Interest on convertible bonds, fixed rate bonds, bank loans and overdrafts	116,766	110,519
Interest income	(13,816)	(11,698)
Dividend income	(1,045)	(1,026)
Loss on disposal of fixed assets and discarding of fixed assets due to properties renovations	4,659	3,848
Net realized and unrealized (gains)/losses on financial assets held for trading	(996)	3,977
Fair value losses on interest-rate swap contracts — non-hedging	-	55
Net foreign exchange transaction losses/(gains)	528	(5,444)
Share options expenses	-	7,870
Operating profit before working capital changes	528,031	538,216
Decrease in inventories	2,661	1,371
Decrease/(increase) in accounts receivable, prepayments and deposits	23,579	(29,310)
Increase in amounts due from associates	(2,480)	(714)
Increase in accounts payable and accruals	12,795	88,475
Net cash generated from operations	564,586	598,038

38 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

As at 31 December 2014, financial guarantees of the Company and the Group were as follows:

(i) The Company executed proportionate guarantees in favour of banks for securing banking facilities granted to certain subsidiaries and associates. The utilized amount of such facilities covered by the Company's guarantees and which also represented the financial exposure of the Company at the date of the statement of financial position amounts to US$3,441,374,000 (2013: US$3,360,988,000) for the subsidiaries and US$420,897,000 (2013: US$387,724,000) for associates.

(ii) The Company executed guarantees in favour of banks for securing certain banking facilities granted to five non-wholly owned subsidiaries. The non-controlling shareholders of five non-wholly owned subsidiaries provided proportionate counter guarantees to the Company under the joint venture agreements. The utilized amount of these facilities covered by the Company's guarantees after setting off the amount of counter guarantees from the non-controlling shareholders and which also represented the net financial exposure of the Company at the date of the statement of financial position amounts to US$173,477,000 (2013: US$119,256,000).

(iii) The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilized amount of such facilities covered by the Group's guarantees for these associates amounts to US$420,897,000 (2013: US$387,724,000).

Guarantees are stated at their respective contracted amounts. The Board is of the opinion that it is not probable that the above guarantees will be called upon.

(b) Contingent liabilities

As at 31 December 2014, 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 with the amount of US$17,977,000 (2013: US$9,897,000). These facilities were undrawn as at 31 December 2014.

38 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS (CONTINUED)

(c) Charges over assets

As at 31 December 2014, bank loans of certain subsidiaries amounting to US$263,844,000 (2013: US$ 311,268,000) were secured by:

(i) Land lease rights and all immovable assets owned by a subsidiary with net book value of US$127,416,000 (2013: US$136,557,000) together with a pledge of all the equity shares of the subsidiary.

(ii) Legal mortgage over the property owned by five subsidiaries with an aggregate net book value of US$548,661,000 (2013: US$601,780,000).

39 COMMITMENTS

(a) The Group's commitment for capital expenditure at the date of the consolidated statement of financial position but not yet incurred is as follows:

	2014 US$'000	2013 US$'000
Existing properties - Property, plant and equipment and investment properties		
Contracted but not provided for	66,601	40,524
Authorized but not contracted for	124,780	92,435
Development projects		
Contracted but not provided for	285,402	1,044,283
Authorized but not contracted for	1,352,396	1,245,047
	1,829,179	2,422,289

(b) The Group's commitments under operating leases to make future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2014 US$'000	2013 US$'000
Not later than one year	51,848	50,550
Later than one year and not later than five years	171,372	170,506
Later than five years	1,046,658	1,010,773
	1,269,878	1,231,829

39 COMMITMENTS (CONTINUED)

(c) At 31 December 2014, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2014 US$'000	2013 US$'000
Not later than one year	46,649	51,321
Later than one year and not later than five years	32,519	34,993
Later than five years	120	596
	79,288	86,910

40 RELATED PARTY TRANSACTIONS

Kerry Group Limited ("**KGL**"), which owns approximately 49.73% 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 31 December 2014, has significant influence over the Company.

The following transactions were carried out with related parties:

	2014 US$'000	2013 US$'000
(a) Transactions with subsidiaries of KGL during the year (other than subsidiaries of the Company)		
Receipt of hotel management, consultancy and related services and royalty fees	(Note ii) 9,813	4,586
Reimbursement of office expenses and payment of administration and related expenses	2,890	2,776
Reimbursement of office rental, management fees and rates	342	272
Payment of office rental, management fees and rates	8,023	6,877
Payment for magazine publication, newspaper subscription and advertisement	(Note i) 63	393
Purchase of wine	2,743	2,224

40 RELATED PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties: (continued)

	2014 US$'000	2013 US$'000
(b) Transactions with associates of the Group during the year (other than the subsidiaries of KGL included under item (a) above)		
Receipt of hotel management, consultancy and related services and royalty fees	18,683	18,870
Receipt for laundry services	(Note i) 672	731
(c) Financial assistance provided to subsidiaries of KGL as at 31 December (other than subsidiaries of the Company)		
Balance of loan to associates of the Group	153,588	97,864
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	320,473	323,295
(d) Financial assistance provided to associates of the Group as at 31 December (excluding item (c) above)		
Balance of loan to associates of the Group	81,690	101,986
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	100,425	64,428

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

	2014 US$'000	2013 US$'000
(e) Key management compensation		
Fees, salaries and other short-term employee benefits of executive directors	8,186	7,458
Post employment benefits of executive directors	125	111

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Rights Issue

On 22 December 2014, the company completed a rights issue of ordinary shares in the proportion of one rights share for every seven shares in issue at a subscription price of HK$11.10 per rights share. A total of 15 covenantors have undertaken to take up a total of 249,729,040 rights shares to be provisionally allotted to them. Pursuant to the underwriting agreement, the underwriters agreed to underwrite for all rights shares other than those having been undertaken by the covenantors. All the covenantors and the underwriters are companies owned or controlled by Mr KUOK Hock Nien and/or interests associated with him. The Company paid a total underwriting commission of HK$21,952,000 (equivalent to US$2,833,000).

Notes:

(i) These transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of The Rules Governing the Listing of Securities on HKSE ("**Listing Rules**") and are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

(ii) These transactions include continuing connected transactions as defined in Chapter 14A of Listing Rules of US$2,378,000 which are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) At 31 December 2014, the Company held interests in the following principal subsidiaries:

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Seanoble Assets Limited	The British Virgin Islands	HK$578,083,745	100	-	Investment holding	1
Shangri-La Asia Treasury Limited	The British Virgin Islands	HK$780	100	-	Group financing	1
Shangri-La China Limited	Hong Kong	HK$1,162,500,000	-	100	Investment holding	1
Shangri-La Hotels (Europe)	Luxembourg	EUR206,600,000	100	-	Investment holding	
Kerry Industrial Company Limited	Hong Kong	HK$10,000,002	-	100	Investment holding	1
Shangri-La Hotel (Kowloon) Limited	Hong Kong	HK$10,000,002	-	100	Hotel ownership and operation	1
Shangri-La International Hotels (Pacific Place) Limited	Hong Kong	HK$10,005,000	-	80	Hotel ownership and operation	1
Shenzhen Shangri-La Hotel Limited	The People's Republic of China	US$32,000,000	-	72	Hotel ownership and operation	2,5,7
Beihai Shangri-La Hotel Ltd	The People's Republic of China	US$16,000,000	-	100	Hotel ownership and operation	6,7
Shanghai Pudong New Area Shangri-La Hotel Co, Ltd	The People's Republic of China	US$47,000,000	-	100	Hotel ownership and operation	2,4,7
Shenyang Traders Hotel Ltd	The People's Republic of China	US$39,040,470	-	100	Hotel ownership and operation	6,7
Changchun Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB167,000,000	-	100	Hotel ownership and operation and real estate operation	6,7
Jilin Province Kerry Real Estate Development Ltd	The People's Republic of China	RMB25,000,000	-	100	Real estate development and operation	6,7
Qingdao Shangri-La Hotel Co, Ltd	The People's Republic of China	US$79,000,000	-	100	Hotel ownership and operation and real estate development and operation	6,7

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2014, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Dalian Shangri-La Hotel Co, Ltd.	The People's Republic of China	US$136,053,336	-	100	Hotel ownership and operation and real estate development and operation	6,7
Xian Shangri-La Golden Flower Hotel Co, Ltd	The People's Republic of China	US$12,000,000	-	100	Hotel ownership and operation	4,7
Harbin Shangri-La Hotel Co, Ltd	The People's Republic of China	US$20,767,000	-	100	Hotel ownership and operation	6,7
Wuhan Shangri-La Hotel Co, Ltd	The People's Republic of China	US$32,667,000	-	92	Hotel ownership and operation	5,7
Fujian Kerry World Trade Centre Co, Ltd	The People's Republic of China	HK$700,000,000	-	100	Real estate development	3,6,7
Fuzhou Shangri-La Hotel Co, Ltd	The People's Republic of China	US$22,200,000	-	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Chengdu) Co, Ltd	The People's Republic of China	US$53,340,000	-	80	Hotel ownership and operation and real estate development and operation	6,7
Shangri-La Hotel (Guangzhou Pazhou) Co, Ltd	The People's Republic of China	US$60,340,000	-	80	Hotel ownership and operation	6,7
Shangri-La Hotel (Shenzhen Futian) Co, Ltd	The People's Republic of China	US$71,000,000	-	100	Hotel ownership and operation	2,6,7
Shangri-La Hotel (Ningbo) Co, Ltd	The People's Republic of China	US$83,000,000	-	95	Hotel ownership and operation	6,7
Shangri-La Hotel (Wenzhou) Co, Ltd	The People's Republic of China	US$46,250,000	-	75	Hotel ownership and operation	6,7
Shangri-La Hotel (Xian) Co, Ltd	The People's Republic of China	US$42,800,000	-	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Guilin) Co, Ltd	The People's Republic of China	US$53,750,000	-	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Baotou) Co, Ltd	The People's Republic of China	US$24,400,000	-	100	Hotel ownership and operation	6,7

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2014, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Shangri-La Hotel (Huhhot) Co, Ltd	The People's Republic of China	US$43,670,000	-	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Manzhouli) Co, Ltd	The People's Republic of China	US$44,615,000	-	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Zhoushan) Co, Ltd	The People's Republic of China	RMB120,000,000	-	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Hefei) Co, Ltd	The People's Republic of China	US$90,000,000	-	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Qinhuangdao) Co, Ltd	The People's Republic of China	RMB575,000,000	-	100	Hotel ownership and operation	3,6,7
Sanya Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB1,200,000,000	-	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Lhasa) Co, Ltd	The People's Republic of China	US$66,000,000	-	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Qufu) Co, Ltd	The People's Republic of China	RMB609,000,000	-	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Nanjing) Co, Ltd	The People's Republic of China	RMB750,000,000	-	55	Hotel ownership and operation	6,7
Shangri-La Hotel (Diqing) Co, Ltd	The People's Republic of China	RMB305,000,000	-	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Xiamen) Co, Ltd	The People's Republic of China	RMB640,000,000	-	100	Hotel ownership and operation	3,6,7
Dalian Wolong Bay Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB430,000,000	-	100	Hotel ownership and operation and real estate development and operation	3,6,7
Kerry Real Estate (Yangzhou) Co, Ltd	The People's Republic of China	US$58,000,000	-	100	Hotel ownership and operation and real estate development	6,7
Harbin Songbei Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB446,598,360	-	100	Hotel ownership and operation	3,6,7

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2014, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Percentage holding in the voting shares Indirect	Nature of business	Notes
Shangri-La Ulaanbaatar LLC	The Republic of Mongolia	US$5,000,000	-	51	Office ownership and operation	
Shangri-La Ulaanbaatar Hotel LLC	The Republic of Mongolia	US$20,000,000	-	51	Hotel ownership and operation	3
Makati Shangri-La Hotel & Resort, Inc	The Philippines	Peso1,100,000,000	-	100	Hotel ownership and operation	
Edsa Shangri-La Hotel & Resort, Inc	The Philippines	Peso 792,128,700	-	100	Hotel ownership and operation	
Mactan Shangri-La Hotel & Resort, Inc	The Philippines	Common Peso 272,630,000 Preferred Peso 170,741,500 Redeemable Common Peso 285,513,000	-	93.95	Hotel ownership and operation	
Addu Investments Private Limited	Republic of Maldives	Rufiyaa 640,000,000	-	70	Hotel ownership and operation	
Traders Hotel Malé Private Limited	Republic of Maldives	Rufiyaa 64,000,000	-	100	Hotel ownership and operation	
Yanuca Island Limited	Fiji	F$1,262,196	-	71.64	Hotel ownership and operation	2
Shangri-La Hotel Limited	Singapore	S$165,433,560	-	100	Investment holding, hotel ownership and operation and leasing of residential and serviced apartments	2
Sentosa Beach Resort Pte Ltd	Singapore	S$30,000,000	-	100	Hotel ownership and operation	2
Traders Hotel Management Pte Ltd	Singapore	S$1	-	100	Hotel operation and management	2
Shangri-La Hotels (Malaysia) Berhad	Malaysia	RM440,000,000	-	52.78	Investment holding and hotel ownership and operation	

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2014, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Shangri-La Hotel (KL) Sdn Bhd	Malaysia	RM150,000,000	-	52.78	Hotel ownership and operation	
Golden Sands Beach Resort Sdn Bhd	Malaysia	RM6,000,000	-	52.78	Hotel ownership and operation	
Pantai Dalit Beach Resort Sdn Bhd	Malaysia	RM135,000,000	-	64.59	Hotel and golf club ownership and operation	
Komtar Hotel Sdn Bhd	Malaysia	RM6,000,000	-	31.67	Hotel ownership and operation	
UBN Tower Sdn Bhd	Malaysia	RM500,000	-	52.78	Property investment and office management	
UBN Holdings Sdn Bhd	Malaysia	RM45,000,000	-	52.78	Investment holding and property investment	
Traders Yangon Company Limited	Myanmar	Kyat21,600,000	-	59.16	Hotel ownership and operation	
Shangri-La Yangon Company Limited	Myanmar	Kyat11,880,000	-	55.86	Serviced apartments and hotel ownership and operation	
Traders Square Company Limited	Myanmar	Kyat522,000	-	59.28	Real estate development and operation	3
Shangri-La Hotel Public Company Limited	Thailand	Baht1,300,000,000	-	73.61	Hotel, serviced apartments and office ownership and operation	
Shangri-La Hotels (Paris)	France	EUR 13,772,210	-	100	Hotel ownership and operation	2
Shangri-La Hotels Japan K.K.	Japan	YEN902,500,000	-	100	Hotel operation	2
Shangri-La Hotels Pte Ltd	United Kingdom	GBP81,000,000	-	100	Hotel operation	2
Shangri-La Hotel (Cairns) Pty Limited	Australia	AUD8,250,000	-	100	Investment holding and hotel operation	
Abelian Pty Limited	Australia	AUD1	-	100	Investment holding and hotel operation	

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2014, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Roma Hotel Pty Limited	Australia	AUD34,000,000	-	100	Hotel ownership and operation	
Lilyvale Hotel Pty Ltd	Australia	AUD140,000,004	-	100	Hotel ownership and operation	2
Shangri-La Hotels Lanka (Private) Limited	Sri Lanka	LKR2,219,000,000	-	90	Hotel ownership and operation and real estate development and operation	3
Shangri-La Investments Lanka (Private) Limited	Sri Lanka	LKR1,214,245,300	-	90	Hotel ownership and operation	3
Shangri-La Hotel (Ghana) Limited	The Republic of Ghana	GHS1,500,000	-	100	Hotel ownership and operation	3
Turati Properties S.r.l.	Italy	EUR10,000	-	100	Hotel ownership and operation	2,3
SLIM International Limited	Cook Islands	US$1,000	100	-	Investment holding	1
Shangri-La International Hotel Management Limited	Hong Kong	HK$10,000,000	-	100	Hotel management, marketing, consultancy and reservation services	1
Shangri-La Hotel Management (Shanghai) Co, Ltd	The People's Republic of China	US$7,340,000	-	100	Hotel management, marketing and consultancy services	6,7
Shangri-La International Hotel Management B.V.	The Netherlands	EUR18,151	-	100	Licensing use of intellectual property rights	

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) (continued)

Notes:

1 Subsidiaries audited by PricewaterhouseCoopers, Hong Kong.

2 Subsidiaries audited by other member firms of PricewaterhouseCoopers.

3 Subsidiaries which are under various stages of real estate and hotel development and have not yet commenced business operations as at the date of the statement of financial position.

4 Co-operative Joint Venture.

5 Equity Joint Venture.

6 Wholly Foreign Owned Enterprise.

7 The amount of paid up/issued capital for subsidiaries incorporated in The People's Republic of China represented the amount of paid in registered capital.

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) At 31 December 2014, the Group held interests in the following principal associates:

Name	Place of establishment/ operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
China World Trade Center Ltd	The People's Republic of China	50	Hotel ownership and operation and property investment	2
Beijing Shangri-La Hotel Co, Ltd	The People's Republic of China	38	Hotel ownership and operation	
Hangzhou Shangri-La Hotel Ltd	The People's Republic of China	45	Hotel ownership and operation	
Shanghai Centre	The People's Republic of China	30	Hotel ownership and operation and property investment	2
Beijing Jia Ao Real Estate Development Co, Ltd	The People's Republic of China	23.75	Real estate development and operation	2
Beijing Kerry Hotel Co, Ltd	The People's Republic of China	23.75	Hotel ownership and operation	2
Shanghai Xin Ci Hou Properties Co, Ltd	The People's Republic of China	24.75	Real estate development and operation	2
Shanghai Ji Xiang Properties Co, Ltd	The People's Republic of China	49	Hotel ownership and operation and property investment	2
Shanghai Pudong Kerry City Properties Co, Ltd	The People's Republic of China	23.20	Hotel ownership and operation and property investment	2
Tianjin Kerry Real Estate Development Co, Ltd	The People's Republic of China	20	Hotel ownership and operation and property investment	4
Kerry Real Estate (Nanchang) Co, Ltd	The People's Republic of China	20	Hotel ownership and operation and property investment	3
Hengyun Real Estate (Tangshan) Co, Ltd	The People's Republic of China	35	Property investment	3
Ruihe Real Estate (Tangshan) Co, Ltd	The People's Republic of China	35	Hotel ownership and operation	3
Xiang Heng Real Estate (Jinan) Co, Ltd	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Kerry (Shenyang) Real Estate Development Co, Ltd	The People's Republic of China	25	Property investment	3
Sheng Xiang Real Estate (Shenyang) Co, Ltd	The People's Republic of China	25	Property investment	3
Shangri-La Hotel (Shenyang) Co, Ltd	The People's Republic of China	25	Hotel ownership and operation	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) At 31 December 2014, the Group held interests in the following principal associates: (continued)

Name	Place of establishment/ operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
Kerry Real Estate (Hangzhou) Co, Ltd	The People's Republic of China	25	Hotel ownership and operation and property investment	3
Full Fortune Real Estate (Putian) Co, Ltd	The People's Republic of China	40	Property investment	3
Well Fortune Real Estate (Putian) Co, Ltd	The People's Republic of China	40	Hotel ownership and operation	3
Zhengzhou Yuheng Real Estate Co, Ltd	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Jian'an Real Estate (Kunming) Co, Ltd	The People's Republic of China	45	Hotel ownership and operation	3
Cuscaden Properties Pte Ltd	Singapore	44.60	Hotel ownership and operation and property investment	
Tanjong Aru Hotel Sdn Bhd	Malaysia	40	Hotel ownership and operation	
PT Swadharma Kerry Satya	Indonesia	25	Hotel ownership and operation	2
PT Narendra Interpacific Indonesia	Indonesia	53.30	Hotel and golf club ownership and operation	4,5
Fine Winner Holdings Limited	Hong Kong	30	Hotel ownership and operation	1
Shang Global City Properties, Inc	The Philippines	40	Hotel ownership and operation and property investment	3
SRL Touessrok Hotel Ltd	Mauritius	26	Hotel ownership and operation	
Besiktas Emlak Yatirim ve Turizm Anonim Sirketi	Turkey	50	Hotel ownership and operation	
Kerry Wines Limited	Hong Kong	20	Wine trading	1

Notes:

1 Associates audited by PricewaterhouseCoopers, Hong Kong.

2 Associates audited by other member firms of PricewaterhouseCoopers.

3 Associates which are under various stages of real estate and hotel development and have not yet commenced business operations as at the date of the statement of financial position.

4 Associates which are under various stages of real estate and hotel development and have partially commenced business operations as at the date of the statement of financial position.

5 This company is treated as an associate as at 31 December 2014 as the Group only has significant influence but not control according to the terms of the shareholder's agreement.

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(c) The above tables list out the subsidiaries and associates of the Company as at 31 December 2014 which, in the opinion of the Directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries and associates would, in the opinion of the Directors, result in particulars of excessive length.

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

(a) Details of hotel properties of the Company's subsidiaries are as follows:
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Kowloon Shangri-La, Hong Kong 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong	Hotel operation	Medium lease
Island Shangri-La, Hong Kong Pacific Place, Supreme Court Road, Central, Hong Kong	Hotel operation	Medium lease
Shangri-La Hotel, Shenzhen East Side, Railway Station, 1002 Jianshe Road, Shenzhen 518001, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Beihai 33 Chating Road, Beihai, Guangxi 536007, The People's Republic of China	Hotel operation	Medium lease
Pudong Shangri-La, East Shanghai 33 Fu Cheng Lu, Pudong New Area, Shanghai 200120, The People's Republic of China	Hotel operation	Medium lease
Traders Hotel, Shenyang 68 Zhong Hua Road, He Ping District, Shenyang 110001, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Changchun 569 Xian Road, Changchun 130061, The People's Republic of China	Hotel operation and commercial and residential rental	Medium lease
Shangri-La Hotel, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Golden Flower Hotel, Xian 8 Chang Le Road West, Xian 710032, Shaanxi, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Harbin 555 You Yi Road, Dao Li District, Harbin 150018, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Wuhan 700, Jianshe Avenue, Hankou, Wuhan 430015, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Fuzhou 9 Xin Quan Nan Road, Fuzhou 350005, The People's Republic of China	Hotel operation	Long lease
Shangri-La Hotel, Guangzhou 1 Hui Zhan Dong Road, Hai Zhu District, Guangzhou 510308, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Chengdu 9 Binjiang Dong Road, Chengdu, Sichuan 610021, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Xian 38B Keji Road, Xian 710075, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Baotou 66 Min Zu East Road, Qing Shan District, Baotou 014030, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Yangzhou 472 Wen Chang Xi Lu, New Western District, Yangzhou Jiangsu Province, 225009, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, Huhhot 5 Xi Lin Guo Le South Road, Huhhot 010020, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease
Futian Shangri-La, Shenzhen 4088 Yi Tian Road Futian District Shenzhen 518048 The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Wenzhou 1 Xiangyuan Road, Wenzhou 325000, Zhejiang Province, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Ningbo 88 Yuyuan Road, Jiangdong District, Ningbo 315040, Zhejiang, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Guilin 111 Huan Cheng Bei Er Lu, Guilin 541004, Guangxi, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Manzhouli 99 Liudao Street, Manzhouli Inner Mongolia 021400, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Qufu 3 Chunqiu Road, Qufu, Shandong 273100, The People's Republic of China	Hotel operation	Medium lease
Shangri-La's Sanya Resort & Spa, Hainan No.88 North Hai Tang Road, Sanya Hainan 572000, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Lhasa 19 Norbulingka Road, Lhasa, Tibet Autonomous Region 850000, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Nanjing 329 Zhongyang Road, Gulou District, Nanjing, Jiangsu Province 210037, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Makati Shangri-La, Manila Ayala Avenue, corner Makati Avenue, Makati City, Metro Manila 1200, The Philippines	Hotel operation	Medium lease
Edsa Shangri-La, Manila 1 Garden Way, Ortigas Center, Mandaluyong City 1650, Metro Manila, The Philippines	Hotel operation	Medium lease
Shangri-La's Mactan Resort & Spa, Cebu Punta Engano Road, Lapu Lapu City, Cebu 6015, The Philippines	Hotel operation	Medium lease
Shangri-La's Boracay Resort & Spa Barangay Yapak, Boracay Island, Malay, Aklan 5608, The Philippines	Hotel operation	Medium lease
Shangri-La's Fijian Resort & Spa, Yanuca Yanuca Island Cuvu, Sigatoka, Fiji	Hotel operation	Long lease
Shangri-La Hotel, Singapore 22 Orange Grove Road, Singapore 258350	Hotel operation	Freehold
Shangri-La's Rasa Sentosa Resort & Spa, Singapore 101 Siloso Road, Sentosa, Singapore 098970	Hotel operation	Long lease
Hotel Jen Orchardgate Singapore 277 Orchard Road, Singapore 238858	Hotel operation	Medium lease for building
Shangri-La Hotel, Kuala Lumpur 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	Hotel operation	Freehold
Shangri-La's Rasa Sayang Resort & Spa, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Hotel Jen Penang Magazine Road, George Town, 10300 Penang, Malaysia	Hotel operation	Long lease
Golden Sands Resort, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold
Shangri-La's Rasa Ria Resort, Kota Kinabalu, Pantai Dalit Beach, Turan, Sabah 89208, Malaysia	Hotel and golf club operation	Long lease
Sule Shangri-La, Yangon 223 Sule Pagoda Road, Yangon, Myanmar	Hotel operation	Medium lease
Shangri-La Hotel, Bangkok 89 Soi Wat Suan Plu, New Road, Bangrak, Bangkok 10500, Thailand	Hotel operation, residential and office rental	Freehold
Shangri-La Hotel, Chiang Mai 89/8 Chang Klan Road, Muang, Chiang Mai 50100, Thailand	Hotel operation	Freehold
Shangri-La's Villingili Resort & Spa, Maldives Villingili Island, Addu Atoll, Republic of Maldives	Hotel operation	Medium lease
Traders Hotel, Malé, Maldives Ameer Ahmed Magu, Malé 20096, Republic of Maldives	Hotel operation	Medium lease
Shangri-La Hotel, Tokyo Marunouchi Trust Tower Main, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-8283, Japan	Hotel operation	Medium lease for building
Shangri-La Hotel, At The Shard, London 31 St Thomas Street, SE1 9QU, London United Kingdom	Hotel operation	Medium lease for building

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, Paris 10 Avenue d'Iena, 75116 Paris, France	Hotel operation	Freehold
Shangri-La Hotel, The Marina, Cairns Pierpoint Road, Marlin Marina, Cairns, Queensland 4870, Australia	Hotel operation	Long lease
Hotel Jen Brisbane 159, Roma Street, Brisbane, Queensland 4000, Australia	Hotel operation	Freehold
Shangri-La Hotel, Sydney 176 Cumberland Street, The Rocks, Sydney NSW 2000, Australia	Hotel operation	Long lease

(b) Details of hotel properties of the operating associates are as follows:
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
China World Hotel, Beijing 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
Traders Hotel, Beijing 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
China World Summit Wing, Beijing 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
Kerry Hotel, Beijing 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) Details of hotel properties of the operating associates are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, Beijing 29 Zizhuyuan Road, Beijing 100089, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Hangzhou 78 Beishan Road, Hangzhou 310007, The People's Republic of China	Hotel operation	Medium lease
Kerry Hotel, Pudong, Shanghai No. 1388 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Hotel operation	Medium lease
Jing An Shangri-La, West Shanghai 1218 Middle Yan'an Road, Jing An Kerry Centre, West Nanjing Road, Shanghai 200040, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Shenyang 115 Qingnian Avenue, Shenhe District, Liaoning, Shenyang 110016, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Tianjin No. 328 Haihe East Road, Hedong District, Tianjin, 300019 The People's Republic of China	Hotel operation	Medium lease
The Portman Ritz-Carlton, Shanghai 1376 Nanjing Road West, Shanghai 200040, The People's Republic of China	Hotel operation	Medium lease
Hotel Jen Tanglin Singapore 1A Cuscaden Road, Singapore 249716	Hotel operation	Long lease
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu 20 Jalan Aru, Kota Kinabalu, Sabah 88100, Malaysia	Hotel operation	Long lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) Details of hotel properties of the operating associates are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, Jakarta Kota BNI, Jalan Jend. Sudirman Kav. 1, Jakarta 10220, Indonesia	Hotel operation	Medium lease
Hotel Jen Hong Kong No. 508 Queen's Road West, Western District, Hong Kong	Hotel operation	Long lease
Shangri-La Bosphorus, Istanbul Sinanpasa Mah, Hayrettin, Iskelesi Sok, No.1, Besiktas, Istanbul 34353, Turkey	Hotel operation	Freehold
Le Touessrok Resort, Mauritius Trou d'Eau Douce, Mauritius	Hotel operation	Freehold/Long lease

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

(a) Details of principal investment properties of the Company's subsidiaries are as follows: (lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Residences, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Residential rental	Medium lease
Shangri-La Centre, Chengdu 9 Binjiang Dong Road, Chengdu, Sichuan 610021, The People's Republic of China	Office and commercial rental	Medium lease
Shangri-La Centre, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Office and commercial rental	Medium lease
Central Tower, Ulaanbaatar 2 Sukhbaatar Square, SBD -8, Ulaanbaatar 210620a, The Republic of Mongolia	Office rental	Long lease
Shangri-La Apartments, Singapore 1 Anderson Road, Singapore 259983	Residential rental	Freehold
Shangri-La Residences, Singapore No. 1A Lady Hill Road, Singapore 258685	Residential rental	Freehold
UBN Tower, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia	Office and commercial rental	Freehold
UBN Apartments, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia	Residential rental	Freehold
Shangri-La Residences, Yangon Kan Yeik Tha Street, Yangon, Myanmar	Residential rental	Medium lease
The Pier Retail Complex, Cairns Pierpoint Road, Marlin Marina, Cairns, Queensland 4870, Australia	Office and commercial rental	Long lease

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) Details of principal investment properties of the operating associates are as follows: (lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
China World Trade Center 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Office, commercial and residential rental	Medium lease
Century Towers, Beijing 18 Guang Qu Men Wai Avenue, Beijing 100022, The People's Republic of China	Residential rental	Long lease
Shanghai Centre 1376 Nanjing Road West, Suite 710, Shanghai 200040, The People's Republic of China	Office, commercial, residential and exhibition hall space rental	Medium lease
Beijing Kerry Centre 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Office, commercial and residential rental	Medium lease
Jing An Kerry Centre 1218, 1228 and 1238 Yanan Zhong Road, 1539, 1551 and 1563 Nanjing Xi Road, 1515 Nanjing Road West, Jing An District, Shanghai 200040, The People's Republic of China	Office, commercial and residential rental	Medium lease
Kerry Parkside Shanghai Pudong No. 1378 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Office, commercial and residential rental	Medium lease
Tanglin Mall, Singapore 163 Tanglin Road, Singapore 247933	Commercial rental	Long lease
Tanglin Place, Singapore 91 Tanglin Road, Singapore 247918	Office and commercial rental	Freehold

44 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

The Group executed three 5-year unsecured bank loan agreements totaling an equivalent amount of US$221,516,000, a 3-year unsecured bank loan agreement of US$100,000,000 and a 2-year unsecured bank loan agreement of US$100,000,000.

45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 25 March 2015.

FIVE-YEAR SUMMARY

THE FINANCIAL SUMMARY OF THE GROUP FOR THE LAST FIVE YEARS IS AS FOLLOWS:

	Year ended 31 December				
	2014 US$'000	2013 US$'000	2012 US$'000	2011 US$'000	2010 US$'000
Results					
Profit attributable to:					
Equity holders	180,889	392,298	358,986	252,979	287,076
Non-controlling interests	26,606	48,818	23,311	30,885	25,850

	As at 31 December				
	2014 US$'000	2013 US$'000	2012 US$'000	2011 US$'000	2010 US$'000
Assets and liabilities					
Total assets	13,740,279	12,898,257	11,919,120	9,971,916	8,538,616
Total liabilities	6,301,032	6,030,913	5,391,570	3,945,784	3,548,409
Total equity	7,439,247	6,867,344	6,527,550	6,026,132	4,990,207

ABBREVIATIONS

In this Annual Report (except for the independent Auditor's report and the Financial Statements), the following expressions have the following meanings:

"Annual General Meeting"	forthcoming 2015 annual general meeting of the Company
"Annual Report"	this 2014 annual report of the Company
"Audit Committee"	audit committee of the Company
"Auditor"	statutory auditor of the Company, currently being PricewaterhouseCoopers, Hong Kong
"Board"	board of Directors
"Bye-Laws"	bye-laws of the Company
"CEO", "CFO" and "COO"	respectively the chief executive officer, the chief financial officer and the chief operating officer of the Company
"CG Model Code"	code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules from time to time
"CG Principles"	corporate governance principles of the Company adopted by the Board on 19 March 2012 and as revised from time to time, and such principles align with and/or incorporate terms that are stricter than the CG Model Code, save for that disclosed in the corporate governance report in this Annual Report
"Chairman" or "Deputy Chairman"	respectively chairman and deputy chairman of the Board
"China" or "Mainland China"	The People's Republic of China, excluding Hong Kong and Macau
"Company"	Shangri-La Asia Limited
"Director(s)"	director(s) of the Company
"Directors' Report"	report of the Directors as set out in this Annual Report
"EBITDA"	earnings before interest expenses on loans and bonds issued, tax, depreciation and amortization, gain or loss on disposal of fixed assets and interest in investee companies and excludes fair value gains on investment properties; fair value gains or losses on interest-rate swap contracts and financial assets held for trading; and impairment loss on fixed assets
"Executive Committee"	executive committee of the Company
"Executive Director(s)" or "ED(s)"	executive Director(s)
"Financial Statements"	consolidated financial statements of the Group for the Financial Year as set out on pages 111 to 241 of this Annual Report
"Financial Year"	financial year ended at Year End
"Group"	Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSE"	The Stock Exchange of Hong Kong Limited

ABBREVIATIONS

"Hotel Management Services"	hotel management, marketing, communication and/or reservation services, and/or any hotel related services
"Independent Non-executive Director(s)" or "INED(s)"	independent non-executive Director(s)
"KGL"	Kerry Group Limited, a Substantial Shareholder, and a connected person of the Company
"KHL"	Kerry Holdings Limited, a Substantial Shareholder and a subsidiary of KGL, and a connected person of the Company
"KPL"	Kerry Properties Limited, whose controlling shareholders include KHL and KGL, and thus is an associate of each of them, and accordingly a connected person of the Company
"Listing Rules"	Rules Governing the Listing of Securities on HKSE
"Nomination Committee"	nomination committee of the Company
"Non-executive Director(s)" or "NED(s)"	non-executive Director(s)
"Other Major Shareholder(s)"	Shareholder(s) (other than Substantial Shareholder(s)) whose interests and short positions in Shares and underlying Shares are recorded in the register required to be kept by the Company under Section 336 of the SFO, and in general, being Shareholder(s) deemed to have interest of 5% or more but less than 10% in the Company
"Remuneration Committee"	remuneration committee of the Company
"Securities Model Code"	code set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules from time to time
"Securities Principles"	principles for securities transactions by Directors or any non-Directors of the Company adopted by the Board on 19 March 2012 and as revised from time to time, and such principles align with and/or incorporate terms that are stricter than the Securities Model Code
"Senior Management"	member(s) of the senior management of the Group which are listed out in the section titled "Board of Directors, Company Secretary and Senior Management" in the Annual Report
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$1.00 each in the Company
"Shareholder(s)"	shareholder(s) of the Company
"SLIM"	SLIM International Limited, a wholly owned subsidiary of the Company incorporated in Cook Islands, and its subsidiaries (including SLIM-HK) whose principal businesses include the provision of hotel management services
"SLIM-HK"	Shangri-La International Hotel Management Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong and whose principal business is the provision of Hotel Management Services
"substantial shareholder(s)"	as defined in the Listing Rules and in general, being shareholder(s) deemed to have interest of 10% or more in a company, and "Substantial Shareholder(s)" shall mean substantial shareholder(s) of the Company
"Year End"	31 December 2014