ANNUAL REPORT

2010

SHANGRI-LA ASIA LIMITED

(Incorporated in Bermuda with limited liability)

Stock code: 69

CONTENTS

CORPORATE INFORMATION

As at 30 March 2011

BOARD OF DIRECTORS

Executive Directors

Mr KUOK Khoon Ean *(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
Mr KUOK Khoon Loong Edward
Mr Roberto V ONGPIN
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
Professor LI Kwok Cheung Arthur

REMUNERATION COMMITTEE

Mr KUOK Khoon Ean *(chairman)*
Mr Alexander Reid HAMILTON
Mr WONG Kai Man

AUDIT COMMITTEE

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

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
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

STOCK CODE

The Stock Exchange of Hong Kong Limited
00069

BUSINESS WEBSITE

www.shangri-la.com

CORPORATE WEBSITE

www.ir.shangri-la.com

KEY DATES

Closure of Registers of Members

27 May 2011 to 31 May 2011, both dates inclusive

Annual General Meeting

31 May 2011

Payment of 2010 Final Dividend

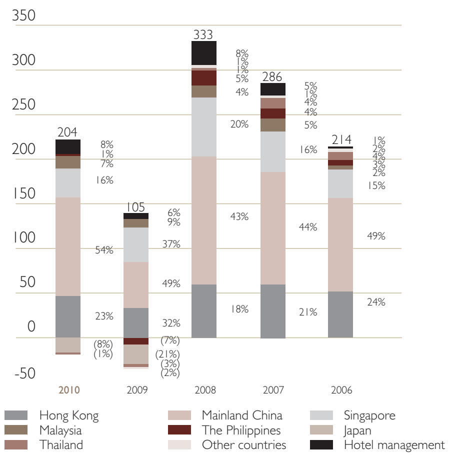
9 June 2011
(subject to Shareholders' approval at the Annual General Meeting)

FINANCIAL HIGHLIGHTS

	2010 US$ Million	2009 US$ Million	2010/2009 % Change	2008 US$ Million	2007 US$ Million	2006 US$ Million
Consolidated						
Sales	1,575	1,230	28%	1,353	1,219	1,003
EBITDA	454	295	54%	489	442	350
Profit attributable to equity holders of the Company	287	255	12%	166	341	202
Dividends	77	45	74%	89	100	76
Total equity	4,990	4,545	10%	4,251	4,185	2,975
Net assets attributable to the Company's equity holders	4,638	4,230	10%	3,953	3,882	2,699
Net borrowings to total equity ratio	43.0%	40.6%	-6%	34.5%	20.5%	41.0%
Earnings per share (in US cents)	9.98	8.89	12%	5.76	12.76	7.97
Dividends per share (in HK cents)	20.00	12.00	67%	24.00	27.00	23.00
Net assets per share attributable to the Company's equity holders (in US dollars)	1.61	1.47	10%	1.37	1.35	1.05
Net assets (total equity) per share (in US dollars)	1.73	1.57	10%	1.47	1.45	1.16

SEGMENT RESULTS

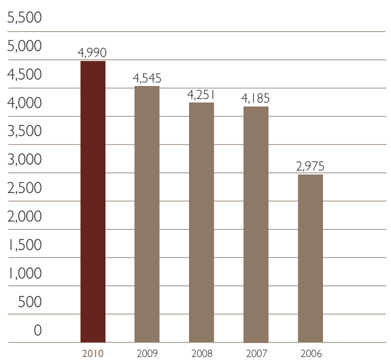
US$ Million



(Details of 2010 and 2009 are disclosed in Note 5 to the consolidated financial statements included in this Annual Report)

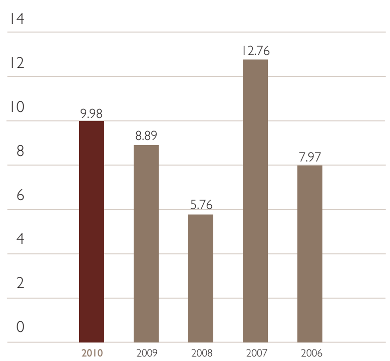
TOTAL EQUITY

US$ Million



EARNINGS PER SHARE

US Cents



CHAIRMAN'S STATEMENT 2010

On behalf of the Board, I am pleased to present the Annual Report of Shangri-La Asia Limited covering the financial year 2010.

As the year unfolded, the regional economies in Asia continued to improve in performance and this spurred both business and leisure travel within the region. Most of the Group's hotels benefitted from this with increased room occupancies and rates as well as increased spending at our food and beverage outlets and catering facilities.

The World Expo held in Shanghai from May to October not only significantly boosted the demand for hotel rooms in Shanghai during this period but had a positive spill over effect which benefitted several other cities in China as well as the region.

Group revenue increased to US$1,575.1 million representing a 28% growth over corresponding revenues for 2009. Given the operating leverage in the business, the operating profit increased to US$220.7 million (2009: US$51.3 million) a year-on-year growth of 330%.

Fair value gains on investment properties contributed significantly to the net exceptional items of US$142.7 million which resulted in the profit attributable to shareholders of US$287.1 million (2009: US$255.5 million).

Earnings per share amounted to US9.98 cents per share (2009: US8.89 cents per share).

A final dividend of HK$0.10 per ordinary share has been proposed for 2010 which, when added to the interim dividend of HK$0.10 per ordinary share, amounts to a total dividend of HK$0.20 per ordinary share for the year.

During the year the Group opened three new properties: Shangri-La Guilin, China World Summit Wing and Shangri-La Paris; and also launched two Traders Hotels: in Male, Maldives and Hong Kong respectively. This brought the number of operating hotels at the end of 2010 to 70 hotels. The much anticipated opening in December of Shangri-La Paris marked the entry of the Group and the Shangri-La brand into Europe.

The first quarter of 2011 has seen a continuation of the strong momentum in operating performance of our hotels that we experienced in 2010. However, the recent major natural disaster (earthquake and tsunami) that struck North East Japan has compelled us to temporarily suspend operations of the Shangri-La Tokyo. We are confident that operations will resume once normalcy in the operating environment is restored.

The Group successfully opened the Kerry Hotel Pudong, Shanghai in February 2011 but terminated its lease agreement for a hotel under development in Vienna, Austria owing to the failure of the developer to deliver the property as contracted. The Group has also agreed to terminate its management contracts in respect of the Shangri-La and Traders Hotels in Macau, the People's Republic of China. Neither of these terminations has any significant effect on the Group's performance in 2011.

The Group intends to maintain its rapid pace of expansion and to add another 28 hotels in the next three to four years. While Mainland China remains the focus of this development, the Group continues to seek out other destinations which serve its strategic growth objectives.

The Group has an extensive Corporate Social Responsibility programme which is now documented in its inaugural "Sustainability Report" to be released this year. Various initiatives under the programme which have the enthusiastic support of our staff have been well received by the local communities in which our hotels operate.

The success achieved in 2010 is attributable to the hardwork and dedication of all the management and staff and the guidance and support provided by my colleagues on the Board and for this I am extremely grateful.

KUOK Khoon Ean
Chairman

30 March 2011

DIRECTORS AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

KUOK Khoon Ean
Aged 55, Chairman and CEO

Mr KUOK has been the Chairman and the CEO since April 2008 and June 2009, respectively. He is also a director of a number of companies within the Group as well as of several listed companies: SCMP Group Limited (listed on HKSE), The Bank of East Asia, Limited (listed on HKSE), The Post Publishing Public Company Limited (listed on Thai-SE), Shangri-La Hotel Public Company Limited ("SHPCL") (listed on Thai-SE) and Wilmar International Limited (listed on Singapore-SE). Mr KUOK is also a director of KGL and KHL (Substantial Shareholders). He holds a Bachelor's degree in Economics from Nottingham University. Mr KUOK is also the chairman of the Remuneration Committee. He is the cousin of Mr KUOK Khoon Loong Edward and Ms TEO Ching Leun.

LUI Man Shing
Aged 67, Deputy Chairman

Mr LUI was appointed as an Executive Director in March 2002 and was elected as the Deputy Chairman in March 2007. He is also a director of a number of companies within the Group. Mr LUI is the vice chairman of SHPCL (listed on Thai-SE) and was the managing director of SHPCL from February 2007 to February 2009. He is also a director of KHL (Substantial Shareholder).

Madhu Rama Chandra RAO
Aged 59, CFO

Mr RAO was appointed as an Executive Director in December 2008. He joined SLIM-HK in May 1988 as Group Financial Controller. He was appointed as the CFO in 1997. He is also the vice chairman of SLIM-HK and a director of a number of companies within the Group. Mr RAO was a director of SHPCL (listed on Thai-SE) from November 2005 to March 2010. He was 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 member of the Institute of Chartered Accountants of India.

Gregory Allan DOGAN
Aged 46, COO

Mr DOGAN was appointed as 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. He is also a director of a number of companies within the Group. Prior to joining the Group, Mr DOGAN held managerial positions at luxury hotels in Spain, Dubai and China.

NON-EXECUTIVE DIRECTORS

HO Kian Guan
Aged 65, Non-Executive Director

Mr HO was appointed as a Non-Executive Director in May 1993. He is the executive chairman of the Keck Seng Group of companies including Keck Seng (Malaysia) Berhad (listed on Malaysia-SE) and Keck Seng Investments (Hong Kong) Limited (listed on HKSE). Mr HO is a director of Parkway Holdings Limited (a company delisted from Singapore-SE on 24 November 2010). He was a director of SHPCL (listed on Thai-SE) from May 1994 to March 2010. Mr HO was a member of the Audit Committee until 14 April 2010. He is the brother of Mr HO Kian Hock.

DIRECTORS AND COMPANY SECRETARY

KUOK Khoon Loong Edward
Aged 58, Non-Executive Director

Mr KUOK was redesignated as a Non-Executive Director in June 2009. He was previously the Chairman, the President and the CEO of the Company, the chairman of KPL (listed on HKSE) and a director of Allgreen Properties Limited (listed on Singapore-SE). He is also a director of a number of companies within the Group, and the vice chairman of KHL (Substantial Shareholder), and the chairman of Shang Properties, Inc. (listed on Philippines-SE). He has a Master's degree in Economics from the University of Wales. Mr KUOK was appointed as a member of the Audit Committee on 14 April 2010. He is the cousin of Mr KUOK Khoon Ean and Ms TEO Ching Leun.

Roberto V ONGPIN
Aged 74, Non-Executive Director

Mr ONGPIN was appointed as a Non-Executive Director in August 2003. He is also the deputy chairman of SCMP Group Limited (listed on HKSE), and the chairman of PhilWeb Corporation, Alphaland Corporation, Atok-Big Wedge Co., Inc. and ISM Communications Corporation, director of Petron Corporation, San Miguel Corporation and Ginebra San Miguel, Inc. (all of which are listed on Philippines-SE). He is a non-executive director of Forum Energy PLC (listed on the AIM of London Stock Exchange). He is also the chairman of Acentic GmbH (Germany) and Developing Countries Investment Corp. He served as director of Philex Mining Corporation until December 2009 and Araneta Properties, Inc. until December 2010 (both listed on Philippines-SE). He also served as the chairman of Eastern Telecommunications Philippines, Inc. until February 2011. Prior to 1979, Mr ONGPIN was the chairman and the managing partner of the SGV Group, the largest accounting and consulting firm in Asia. He was the Minister of Trade and Industry of the Republic of the Philippines from 1979 to 1986. He has an MBA from Harvard University and is a Certified Public Accountant (Philippines).

HO Kian Hock
Aged 63, Alternate Director

Mr HO was appointed as an 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 HKSE) and the managing director of Keck Seng (Malaysia) Berhad (listed on Malaysia-SE). He is an alternate director of Parkway Holdings Limited (a company delisted from Singapore-SE on 24 November 2010). He is the brother of Mr HO Kian Guan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Alexander Reid HAMILTON
Aged 69, Independent Non-Executive Director

Mr HAMILTON was appointed as an Independent Non-Executive Director in November 2001. He is an independent non-executive director of a number of companies including CITIC Pacific Limited, China COSCO Holdings Company Limited and Esprit Holdings Limited (all listed on HKSE), JF China Region Fund, Inc. (a USA registered closed end fund quoted on the New York Stock Exchange). He is a member of the Institute of Chartered Accountants of Scotland, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Directors. He was a partner in Price Waterhouse for 16 years and has more than 20 years of audit and accounting experience. Mr HAMILTON is the chairman of the Audit Committee and a member of the Remuneration Committee.

Timothy David DATTELS
Aged 53, Independent Non-Executive Director

Mr DATTELS was appointed as an Independent Non-Executive Director in February 2004. He is currently a partner for TPG Capital, L.P., based in San Francisco with a focus on Asian investing. He served as a director of Parkway Holdings Limited (a company delisted from Singapore-SE on 24 November 2010) until March 2010 and Sing Tao News Corporation Limited (listed on HKSE) until May 2010. He held various management positions at Goldman Sachs and was elected partner in 1996. He was head of investment banking for all Asian countries outside of Japan from 1996 to 2000 where he advised several of Asia's leading entrepreneurs and governments. He holds a BA (Hons) from The University of Western Ontario and an MBA from Harvard Business School.

WONG Kai Man
Aged 60, Independent Non-Executive Director

Mr WONG was appointed as an Independent Non-Executive Director in July 2006. He is an accountant with 32 years of audit, initial public offer and computer audit experience. He was a member of the Growth Enterprise Market Listing Committee of HKSE from 1999 to 2003. He was appointed as a non-executive director of the Securities and Futures Commission in May 2009. He retired as an audit partner from PricewaterhouseCoopers, Hong Kong on 30 June 2005. He is also a director of SUNeVision Holdings Ltd. (listed on the Growth Enterprise Market of HKSE) and SCMP Group Limited and China Construction Bank Corporation (both listed on the Main Board of HKSE). He obtained a Bachelor of Science degree in Physics from The University of Hong Kong and an MBA from The Chinese University of Hong Kong. Mr WONG is also a member of the Audit Committee and the Remuneration Committee.

DIRECTORS AND COMPANY SECRETARY

Michael Wing-Nin CHIU
Aged 66, Independent Non-Executive Director

Mr CHIU was appointed as an Independent Non-Executive Director in June 2007. He is currently the owner, the president and the chairman of Prima Donna Development Corporation, Prima Hotels Corporation and several wholly owned companies focused on the development, ownership and management of hotels and other real estate assets and interests in California and Oregon. He has extensive experience in the hotel and the real estate industries. Prior to settling in the United States in 1975, Mr CHIU held various management positions in a number of hotels in London, Seattle, Singapore, Penang, Fiji, Las Vegas, San Francisco, some of which are part of the Group. Mr CHIU obtained a Bachelor of Science degree in Hotel Administration in 1966 from Cornell University and is a graduate of the Lausanne Hotel School.

LI Kwok Cheung Arthur
Aged 65, Independent Non-Executive Director

Professor LI was appointed as an Independent Non-Executive Director in March 2011. He is currently Emeritus Professor of Surgery, The Chinese University of Hong Kong. He is also a non-executive deputy chairman of The Bank of East Asia, Limited (listed on HKSE), and a non-executive director of AFFIN Holdings Berhad (listed on Malaysia-SE) and BioDiem Limited (listed on the Australia stock exchange), as well as a member of the National Committee of the Chinese People's Political Consultative Conference. Professor LI obtained his medical degree from the University of Cambridge in 1969 and assumed various senior roles in the medical profession of the academia. He was Foundation Professor and Chairman of Department of Surgery of The Chinese University of Hong Kong, and was Dean of Faculty of Medicine from 1992 to1996. From 1996 to 2002, Professor LI was the Vice-Chancellor (President) of the University. In 2002, Professor LI became Secretary for Education and Manpower as well as a member of the Hong Kong Executive Council of the Hong Kong Special Administrative Region Government and his term ended in June 2007. Prior to 2002, Professor LI was on the board of Hong Kong Applied Science and Technology Research Institute Company Limited, and Hong Kong Science and Technology Parks Corporation, as well as a non-executive director of various listed corporations.

COMPANY SECRETARY

TEO Ching Leun
Aged 50, Company Secretary

Ms TEO was appointed as the Company Secretary of the Company in March 2008. She is also a director of a number of companies within the Group. Ms TEO holds an LLB (Hons) degree from the National University of Singapore and an LLM degree in Laws from the University of London. She is a solicitor qualified in Hong Kong and has 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 Ean and Mr KUOK Khoon Loong Edward.

SENIOR MANAGEMENT

Anand RAO
Aged 52, Chief Information Officer

Mr RAO has been Chief Information Officer of the Group since 1989, except for a few years as chief executive officer of Kerry Technology Limited, the Kuok Group's IT investment arm. Before joining the Group, Mr RAO was a partner of a firm of chartered accountants in Bombay. He is a graduate from the Indian Institute of Technology, Mumbai and holds an MBA from the Indian Institute of Management, Ahmedabad. He is also a fellow member of the Institute of Chartered Accountants of India.

Kent ZHU
Aged 47, Group Director of Sales and Marketing

Mr ZHU was formerly Vice President – China as well as Vice President – Sales and Marketing for China hotels of the Group. He began his career with the Group as Deputy Director of Sales at China World Hotel and Traders Hotel, Beijing, in 1989 and served as Director of Sales and Marketing in several other leading hotels in the Group. He is a director of a number of companies within the Group.

Jean Michel OFFE
Aged 54, Group Director of Food and Beverage

Mr OFFE was previously Resident Manager of Shangri-La Hotel, Bangkok. As Executive Assistant Manager, Food and Beverage of Shangri-La Hotel, Singapore, he was a key contributor to repositioning the hotel and its new food and beverage concept. Before joining the Group in 1993, Mr OFFE spent more than 10 years with InterContinental Hotels as executive chef in many of its deluxe properties including those in Dubai, Oman and Indonesia.

SENIOR MANAGEMENT

Caroline CHEAH
Aged 55, Group Director of Rooms

Ms CHEAH was previously Executive Assistant Manager – Rooms at Island Shangri-La, Hong Kong, and held Hotel Manager positions at Pudong Shangri-La, Shanghai and Shangri-La Hotel, Beijing. She joined the Group in 1994. Ms CHEAH held a wide variety of operational posts with the Westin Stamford & Westin Plaza in her home country of Singapore.

Harold LEE
Aged 53, Group Director of Engineering

Mr LEE was previously Regional Director of Engineering based in Singapore. He joined the Group in 1995. His previous experience covers four years in public sports facility maintenance with the Singapore Sports Council and five years in engineering contracting. He is formally trained in mechanical engineering and holds a Master degree in Property and Maintenance Management.

June NG
Aged 54, Group Director of Human Resources

Ms NG joined the Group in February 2009. Previously, she held senior human resources management positions with various organizations including DBS Bank, Standard Chartered Bank, Citibank and Bayer, in the United Kingdom, Canada and her native Hong Kong. Ms NG holds two Master degrees, one in Business Administration and the other in Professional Development.

LUI Sau Shun
Aged 52, Group Director of Projects

Mr LUI joined the Group in April 2009 and is responsible for the project management of new hotel developments. Prior to taking up the current position, he was the Project Director of Kerry Development (China) Limited, a wholly owned subsidiary of KPL. Mr LUI has over 20 years of experience in the project management profession, and is qualified as an authorized person and registered structural engineer in Hong Kong.

Nelson CHU
Aged 53, Group Director of Planning & Design

Mr CHU joined the Group in 2004. Prior to taking up his current position, he was the chief architect of Kerry Properties (HK) Limited, a wholly owned subsidiary of KPL. Mr CHU has over 29 years of experience of planning and designing large scale development projects worldwide. He is a member of Hong Kong Institute of Architects, Royal Institute of British Architects, AP(List 1), PRC Class 1 Reg Architect, APEC Architect and holds degrees in BA(AS) and BArch(Dist) from The University of Hong Kong as well as a Master degree in MSc(Econ) from the University of London. He was awarded Commonwealth Scholar in the United Kingdom in 1985 and Outstanding Young Architect in Hong Kong in 1991.

MANAGEMENT DISCUSSION & ANALYSIS

1. PERFORMANCE REVIEW

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

(i) Hotel operation – Hotel ownership and operation

(ii) Hotel management – Provision of hotel management and related services to Group-owned hotels and to hotels owned by third parties

(iii) Property rentals from investment properties – Ownership and leasing of office properties, commercial properties and serviced apartments

Hotel operation continued to be the Group's main source of revenue and operating profits with the focus being the luxury hotel market in Asia, in particular Mainland China.

The Group continued its roll-out plan and opened 3 Group-owned Shangri-La hotels in 2010. In November 2010, the Group acquired 100% interest in a hotel in Male, Maldives and relaunched it as the Traders Hotel, Male. The Group has embarked on several new hotel and composite developments primarily in Mainland China. Towards this end it has also acquired new land sites and also intends to acquire equity interest in new hotel and composite development opportunities.

Although the global economic situation remains uncertain, the Group's hotels have experienced a strong turnaround in revenues and profits with generally improved regional market conditions. Performance of the hotels continued to be good throughout the year with the exception of those in Thailand due to the political environment. The Group hotels' weighted average room yields ("RevPAR") increased by 25% over 2009, led mainly by improvements in occupancies.

Yields of the Group's investment properties were generally satisfactory with the exception of those at the Beijing Kerry Centre, the Shanghai Kerry Centre and the investment property elements in the Shangri-La Hotel, Changchun ("Shangri-La Changchun") in Mainland China.

(a) Revenues

Hotel Operation

As at 31 December 2010, the Group had equity interest in 53 operating hotels (2009: 49) comprising 25,419 available guest rooms (2009: 24,432) including the Portman Ritz-Carlton Hotel, Shanghai ("Portman"). The 200-room Shangri-La Hotel, Tokyo ("Shangri-La Tokyo") is operating under a medium term operating lease.

On an unconsolidated basis, room revenues accounted for over 51% while food and beverage revenues accounted for over 42% of the total revenues from hotel operation. Room revenues and food and beverage revenues increased by 32% and 24% to US$980.1 million and US$802.6 million, respectively over 2009.

Key performance indicators of the Group on an unconsolidated basis are:

Country	2010 Weighted Average			2009 Weighted Average		
	Occupancy (%)	Transient Room Rate (US$)	RevPAR (US$)	Occupancy (%)	Transient Room Rate (US$)	RevPAR (US$)
The People's Republic of China						
Hong Kong	74	282	225	64	248	157
Mainland China	63	137	85	52	128	66
Singapore	63	205	162	66	179	120
Malaysia	64	134	83	58	124	79
The Philippines	72	164	115	67	150	96
Japan	63	461	287	38	480	175
Thailand	38	142	59	32	145	70
Other countries	68	144	96	59	115	65
Subsidiaries and Associates	64	158	101	55	145	81

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

Comments on performance by geography:

The People's Republic of China ("PRC")

Hong Kong

The two Shangri-La hotels recorded an increase in weighted average occupancy, room rate and RevPAR of 13%, 15% and 44%, respectively. The Kowloon Shangri-La, Hong Kong completed the refurbishment of all its guestrooms.

Hotel JEN was rebranded as the Traders Hotel, Hong Kong ("Traders Hong Kong") on 1 August 2010 and recorded a significant increase in weighted average occupancy, room rate and RevPAR of 27%, 23% and 60%, respectively over 2009.

Mainland China

The hotels experienced a good rebound in business. The hotels recorded an increase in RevPAR, ranging from 7% to 74%. RevPAR of the hotels owned by associates in Beijing which were affected by an oversupply of hotel rooms in the city in 2009, rebounded significantly and registered an increase ranging between 21% to 31%. Although the room rates of certain hotels continue to experience pressure due to temporary oversupply, all the hotels (with the exception of the Shangri-La Hotel, Ningbo) recorded improvement in occupancy, ranging from 2% at the Shangri-La Changchun to 65% at the Futian Shangri-La, Shenzhen.

The lobby lounge and guestroom renovation at the Shangri-La Hotel, Wuhan were completed in March 2010. Major renovations at the Shangri-La Hotel, Beihai commenced towards the end of 2009 and are expected to be completed in mid 2011. Renovation work at the Shangri-La's Kerry Centre Hotel, Beijing commenced in December 2010 and is expected to be completed in the first quarter of 2012.

The 449-room Shangri-La Hotel, Guilin (a wholly owned hotel) and the 278-room China World Summit Wing in Beijing (a 40.19% owned hotel situated on the upper floors of the China World Tower) opened for business on 9 March 2010 and 16 August 2010, respectively.

Subsequent to the year end, the 574-room Kerry Hotel Pudong, Shanghai ("Kerry Hotel Pudong") (a 23.2% owned hotel located in the Kerry Parkside complex) opened for business on 18 February 2011, bringing the total number of Group-owned hotels in Mainland China to 29.

Singapore

Visitor arrivals to the country increased substantially during 2010. Weighted average RevPAR of the Group's hotels increased by 35%. The results, however, were adversely affected by the temporary closure of the Rasa Sentosa Resort, Singapore ("Rasa Sentosa") for major renovations since 15 March 2010. This resort re-opened for business on 18 January 2011. Business at the other two hotels continued to improve, supported by the strong pick-up in demand in the city. The Shangri-La Hotel, Singapore and the Traders Hotel, Singapore recorded an increase in RevPAR by 25% and 44%, respectively.

Philippines

The performance of the Group's four hotels improved over 2009. Weighted average RevPAR registered an increase by 19%, largely contributed by the 122% increase at the Shangri-La's Boracay Resort and Spa ("Shangri-La's Boracay"), a wholly owned hotel which opened for business in March 2009.

Malaysia
All the six Group-owned hotels in the country recorded an increase in RevPAR, save for Shangri-La's Tanjung Aru Resort and Spa, Kota Kinabalu which registered a decrease of 18% due to the on-going renovations of its facilities. Overall, weighted average RevPAR increased by 5% largely due to the increase in RevPAR of the Shangri-La Hotel, Kuala Lumpur ("Shangri-La Kuala Lumpur"), Shangri-La's Rasa Ria Resort, Kota Kinabalu and the Traders Hotel, Penang ("Traders Penang") by 16%, 19% and 21%, respectively. The Shangri-La Kuala Lumpur which completed an extensive renovation programme in November 2009 recorded an increase in occupancy by 53%. With improved corporate demand, the Traders Penang recorded both an increase in occupancy of 10% and room rate of 10%. Following the completion of the guestroom renovation in November 2009, the performance of the Golden Sands Resort, Penang was also encouraging. This resort recorded an increase in room rate and occupancy of 19% and 59%, respectively.

Thailand
Business of the Shangri-La Hotel, Bangkok was adversely affected by the drop in arrivals as a result of the political incidents in the city, RevPAR of the hotel decreased by 30%. The Shangri-La Hotel, Chiang Mai recorded an increase in RevPAR of 28%.

Japan
Performance of the Shangri-La Tokyo improved with a RevPAR increase of 64%, supported by an increase in occupancy of 68%.

Other Countries
Performance of the Group's hotels in Fiji, Indonesia and Myanmar continued to improve, registering an increase in RevPAR ranging from 18% to 32%, mainly led by an increase in occupancy.

Shangri-La's Villingili Resort and Spa, Maldives, a 70% owned hotel which opened for business on 26 July 2009, recorded an increase in room rate and RevPAR of 9% and 33%, respectively. The 117-room Traders Hotel, Male, which was acquired on 22 November 2010, recorded an occupancy of 65% and an average room rate of US$189 in the post acquisition period.

The Shangri-La Hotel, Paris in France opened for business on 17 December 2010 after a meticulous restoration of a historic building to its original splendour. The restored landmark retains its rich heritage and offers 81 rooms inclusive of 27 suites. The hotel recorded an average room rate of US$1,578 during its post opening phase.

Hotel Management
The hotel management subsidiary, SLIM International Limited and its subsidiaries ("SLIM") signed a new management agreement for the Traders Hong Kong and Traders Hotel, Male on 1 August 2010 and 22 November 2010, respectively. Except for the Portman, all the other 52 hotels in which the Group has equity interest together with the Shangri-La Tokyo, are managed by SLIM as at 31 December 2010. SLIM also had hotel management agreements in respect of 17 operating hotels (5,878 available rooms) owned by third parties. Overall weighted average occupancy, room rate and RevPAR for these hotels increased by 14%, 6% and 15%, respectively.

Revenue of SLIM on consolidation, after elimination of revenue earned from fellow subsidiaries, recorded an increase of 17% following a strong recovery in the hotel business.

In 2010, SLIM signed the following new hotel management agreements for hotels owned by third parties:

(i) Hotels opening in 2012
- 322-room Shangri-La Hotel, Haikou
- 349-room Traders Hotel, Wujin, Changzhou
- 466-room Shangri-La Hotel, Chongqing

The above three hotels are all located in Mainland China.

- 186-room Shangri-La Hotel, Istanbul in Turkey

(ii) Hotel opening in 2013
- 250-room Traders Hotel, Chennai in India

During the year, SLIM terminated its management agreement in respect of a resort under development in Seychelles due to on-going delays on the development. As at 31 December 2010, SLIM had management agreements for 15 new hotels currently under development which were owned by third parties.

Property Rentals

The Group's investment properties are located principally in Shanghai and Beijing and are owned by associates.

All the investment properties in Mainland China recorded an improvement in yields save for the Beijng Kerry Centre and the Shanghai Kerry Centre (both properties were under renovation) and the investment property forming part of the Shangri-La Changchun. Among all, the Century Towers in Beijing and the Shangri-La Centre in Qingdao (a wholly owned office building which commenced business in July 2009) recorded increase in yields of 44% and 45%, respectively.

The 330-metre tall China World Tower which is Beijing's tallest building and an iconic landmark for the city and in which the Group has 40.19% equity interest, commenced business in August 2010. This high-end composite development consists of office and commercial spaces and the China World Summit Wing (a luxury hotel).

The investment properties in other countries also recorded an increase in yields. Notably, the Central Tower in Ulaanbaatar, the Republic of Mongolia (a 51% owned office building) which commenced business in July 2009, recorded nearly a 500% increase in yields.

Development of the Kerry Parkside, Pudong in Shanghai (a 23.2% owned, high-end composite development which consists of office and commercial spaces, serviced apartments and the Kerry Hotel Pudong) was completed at the end of 2010. This joint venture project is located close to the Shanghai New International Expo Centre at the core of Huamu District in the Pudong New Area. The first tenants for the office units have recently moved in and the retail premises are expected to be occupied in the second quarter of 2011.

(b) Segment Results

Details of the segment information are provided in Note 5 to the consolidated financial statements included in this Annual Report. Overall recurring net profit before non-operating items in 2010 increased by 164% to US$144.4 million.

Net profit attributable to the Company's equity holders from hotel operations in 2010 increased substantially from US$44.9 million to US$128.2 million, largely contributed by the recovery of business in Mainland China, Hong Kong and Singapore (despite the closure of Rasa Sentosa for major renovations). Most of the hotels recorded a net profit. Performance of the Philippines hotels improved following the reduction in loss of the Shangri-La's Boracay together with a US$5.0 million income tax benefit arising from the merger of the holding companies of this resort and the Makati Shangri-La, Manila.

Results of SLIM also benefited from the buoyant hotel market conditions, registering an increase of US$9.8 million.

Overall, results of the investment properties improved with net profit increasing by US$5.9 million, mainly contributed by a US$4.9 million incremental profit from the Central Tower in Ulaanbaatar.

(c) Consolidated Profits

Consolidated income statement for the year ended 31 December 2010 is set out on page 66 of this Annual Report.

At the subsidiary level, the gross profit margin from hotel operations increased as a result of the strong RevPAR. The gross profit margin of the investment properties also registered an improvement.

Consolidated operating profit for 2010 increased substantially from US$51.3 million to US$220.7 million which included a net credit of non-operating items (before tax and share of non-controlling interests) of US$33.1 million under "Other Gains/Losses – Net" as detailed in Note 26 to the consolidated financial statements (2009: a net charge of US$25.7 million). The key non-operating items in 2010 were the gross fair value gains on investment properties of US$62.0 million, fair value losses on interest-rate swap contracts of US$21.6 million, impairment loss provision of US$5.8 million for properties under development; and a provision for taxation of US$2 million relating to a rationalization of the ownership structure of a hotel in Mainland China.

Given the funding requirements of the development projects, the net borrowings as at 31 December 2010 increased to US$2,145.6 million from US$1,844.4 million at the end of last year. This increase in borrowings, together with the general widening of interest spreads in the prevailing market conditions and the reduction of interest capitalization upon completion of certain development projects during the year, has increased the consolidated finance costs this year by US$3.4 million.

In terms of the associates, share of profit after tax for the year included a net credit after tax of US$125.4 million (2009: US$248.1 million) for fair value gains of investment properties and a deferred tax credit of US$4.1 million arising from fixed assets transfer between an associate and its subsidiary. The 2009 balance included a provision for impairment loss for the development project in New York of US$24.8 million.

2. CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Group executed the following bilateral unsecured bank loan agreements for project financing as well as refinancing of loans matured during the year and those maturing in 2011:

– Six loan agreements totaling HK$2,750 million (approximately US$354.8 million) with a maturity of 5 years.

– Two 5-year HK$/US$ dual currency loan agreements totaling US$270 million.

– A 3-year JPY4,000 million (approximately US$49.2 million) loan agreement.

MANAGEMENT DISCUSSION & ANALYSIS

At the subsidiary level, a non wholly owned subsidiary in Mainland China executed a 2-year HK$85 million (approximately US$11.0 million) unsecured bank loan agreement and two 5-year unsecured bank loan agreements totaling RMB480 million (approximately US$72.5 million) to refinance its outstanding loans matured in March 2010. For project financing, a non wholly owned subsidiary in Mainland China executed a 5-year RMB170 million (approximately US$25.7 million) unsecured bank loan agreement. A wholly owned subsidiary in Singapore executed a 4-year S$72 million (approximately US$55.3 million) secured bank loan agreement. The wholly owned subsidiary in France also executed two 3-year unsecured bank loan agreements totaling Euro 50 million (approximately US$66.7 million).

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 net borrowings (total of bank loans and overdrafts less cash and cash equivalents) to total equity ratio increased from 40.6% as at 31 December 2009 to 43.0% as at 31 December 2010.

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

The analysis of borrowings outstanding as at 31 December 2010 is as follows:

	Maturities of Borrowings Contracted as at 31 December 2010				
	Repayment				
(US$ million)	Within 1 year	In the 2nd year	In the 3rd to 5th year	After 5 years	Total
Borrowings					
Corporate bank loans					
– unsecured	1,012.8	251.6	187.9	–	1,452.3
Project bank loans and overdrafts					
– secured	9.8	23.9	61.1	2.5	97.3
– unsecured	248.9	221.3	640.3	26.2	1,136.7
Total	1,271.5	496.8	889.3	28.7	2,686.3
Undrawn but committed facilities					
Bank loans and overdrafts	156.0	5.7	657.9	–	819.6

On 9 December 2010, the Company announced a proposed rights issue. Details are furnished in the Directors' Report included in this Annual Report. Subsequent to the year end on 11 February 2011, the Group completed the rights issue of Shares resulting in 240,751,561 new Shares being issued at HK$19.50 per Share. Gross proceeds on the issue were approximately HK$4,694.7 million (approximately US$605.8 million) with issue expenses amounting to approximately HK$28.0 million (approximately US$3.6 million). Of the net

proceeds, HK$4,607.5 million (approximately US$594.5 million) were applied to repay corporate bank borrowings maturing in 2011 with the remaining HK$59.2 million (approximately US$7.6 million) retained as general working capital and for immediate capital expenditure. The theoretical net borrowings to total equity ratio of the Group as at 31 December 2010 would be reduced by 15 percentage points had the rights issue exercise been completed on the year end date.

In addition, a 5-year bilateral unsecured bank loan agreement of HK$2,500 million (approximately US$322.6 million) was executed at the corporate level and a 5-year unsecured bank loan agreement of RMB250 million (approximately US$37.7 million) was executed by a wholly owned subsidiary in Mainland China in January 2011.

The Group has received a firm offer from a bank for a new 5-year term loan facility of US$120,000,000. All the terms of this facility have been agreed and it is expected that the bank loan agreement will be executed before end of April 2011. The Group is also currently negotiating with certain banks for additional long term loan facilities in order to refinance the remaining loans maturing in 2011 and to meet the scheduled project funding requirements. The Group has received favourable response from the banks. The Group does not expect any problems to meet the repayment obligations of bank borrowings maturing in 2011.

The currency-mix of the borrowings and cash and bank balances as at 31 December 2010 is as follows:

(US$ million)	Borrowings	Cash and Bank Balances
In Hong Kong dollars	1,182.9	85.6
In United States dollars	668.0	105.5
In Renminbi	419.9	264.7
In Singapore dollars	41.6	18.0
In Philippine Pesos	64.7	25.4
In Malaysian Ringgit	28.9	5.5
In Thai Baht	6.6	6.2
In Fiji dollars	-	9.2
In Euros	200.0	3.1
In Japanese Yen	73.7	2.3
In Maldive Rufiyaa	-	0.5
In British Pound	-	6.7
In Mongolia Tugrik	-	7.9
In other currencies	-	0.1
	2,686.3	540.7

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

Details of financial guarantees, contingencies and other charges as at 31 December 2010 are disclosed in Note 36 to the consolidated financial statements included in this Annual Report.

3. TREASURY POLICIES

Treasury policies aimed at minimizing interest and currency risk have been consistently followed by the Group:

(a) Minimize Interest Risk

Intragroup financing between subsidiaries in Mainland China by way of entrusted loan agreements through local banks amounted to RMB123 million (approximately US$18.6 million) as at 31 December 2010. The Group is currently arranging new entrusted loans to finance the development of its new projects in Mainland China.

The Group has also endeavoured to hedge its medium term interest rate risk by entering into HIBOR and LIBOR interest-rate swap contracts. No new contracts were executed during the year. Upon maturity of certain HIBOR interest-rate swap contracts during the year, the principal amount of the outstanding HIBOR and LIBOR interest-rate swap contracts as at 31 December 2010 has been reduced to HK$3,460 million (approximately US$446.5 million) at fixed interest rates ranging between 4.28% and 4.63% per annum and US$100 million at a fixed interest rate of 4.70% per annum. The interest cover continues through January 2014. Taking into account these interest-rate swap contracts and the Renminbi loans, the Group has fixed its interest liability on 36% of its loans outstanding as at 31 December 2010.

(b) Minimize Currency 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 and Japan derive their revenues (and most of the expenses associated therewith) in local currencies. The Group's hotels are quoting room tariffs in the local currency in view of the general appreciation of the Asian currencies against the United States dollar. 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. Also, to the extent legally permitted, the Group's subsidiaries in Mainland China contracted for new bank loans in United States dollars.

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

4. INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed annually (including those properties being constructed for future use as investment properties of which fair value becomes reliably determinable at 31 December 2010). All changes in the fair value of investment properties (including those under construction) are reported in the income statement. The Group's share of the increase in their fair value over their book value (net of provision for deferred taxation) amounted to US$176.4 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 as at 31 December 2010:

CB Richard Ellis Limited, DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited	:	For properties in Mainland China
CB Richard Ellis Limited	:	For property in the Republic of Mongolia
Colliers International Consultancy & Valuation (Singapore) Pte Ltd and Knight Frank Pte Ltd.	:	For properties in Singapore
W.M. Malik & Kamaruzaman	:	For properties in Malaysia

5. FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The investment portfolio remained unchanged during the year. The Group recorded net unrealized fair value gains of US$0.6 million (both before and after share of non-controlling interests) and dividend income of US$0.8 million (US$0.7 million after share of non-controlling interests) during the year.

6. DEVELOPMENT PROGRAMMES

(a) On-going Projects

Rasa Sentosa re-opened for business on 18 January 2011 after completion of its major renovations and the Kerry Hotel Pudong opened for business on 18 February 2011.

Construction work on the following projects is on-going:

	Group's Equity Interest	Hotel Rooms	Serviced Apartments or Villas	Projected Opening
Hotels in Mainland China				
Shangri-La Hotel, Manzhouli	100%	235	–	April 2011
Shangri-La Hotel, Qufu	100%	491	–	2012
Shangri-La Resort, Sanya	100%	504	45	2012
Shangri-La Hotel, Lhasa	100%	312	–	2013
Shangri-La Hotel, Diqing	100%	229	–	2013
Shangri-La Hotel, Qinhuangdao	100%	317	–	2013
Hotels in other countries				
Shangri-La Hotel, at the Shard, London, the United Kingdom	Operating lease	203	–	2013
Shangri-La Hotel, Ulaanbaatar, the Republic of Mongolia	75%	280	6	2013

	Group's Equity Interest	Hotel Rooms	Serviced Apartments or Villas	Projected Opening
Composite developments in Mainland China				
Jing An Kerry Centre, Shanghai (with Jing An Shangri-La, Shanghai)	49%	518	–	2012
Tianjin Kerry Centre (with Shangri-La Hotel, Tianjin)	20%	507	11	2013
Nanjing City Project (with Shangri-La Hotel, Nanjing)	55%	609	–	2013
Tangshan City Project (with Shangri-La Hotel, Tangshan)	35%	428	–	2013
Nanchang City Project (with Shangri-La Hotel, Nanchang)	20%	319	–	2013

The Group is also reviewing the development plan of the composite development project in the Bonifacio Global City located at Taguig, Metro Manila, the Philippines with the joint venture partners in which the Group has 40% equity interest.

In February 2011, the Group terminated the operating lease agreement for a hotel under development owned by a third party in Vienna, Austria due to the failure of the property developer on the timely delivery of the premises.

(b) Acquisitions and New Joint Ventures

(i) Jinan City, Mainland China

In February 2010, the Group entered into a shareholders' agreement with a wholly owned subsidiary of KPL in connection with the establishment of a wholly foreign-owned enterprise ("Jinan JVCO") in Mainland China in which the Group will have 45% equity interest for potential real estate development projects involving hotel, commercial and/or residential elements in Jinan City in Mainland China. KPL is a connected person of the Company. The Jinan JVCO is now participating in a land bid for 2 sites appropriate for hotel and residential development. Pursuant to the shareholders' agreement, the Group's share of the maximum total investment amount shall be RMB153 million (approximately US$23.1 million).

(ii) Shangri-La Changchun, Mainland China

In February 2010, the Group completed the connected transactions in relation to the acquisition of the remaining 10% equity interest in each of Changchun Shangri-La Hotel Co., Ltd. and Jilin Province Kerry Real Estate Development Ltd from the non-controlling shareholder of these two subsidiaries. Details of these transactions are furnished in Note 35 to the consolidated financial statements included in this Annual Report. Following the completion of the transactions, the Group has 100% equity interest in the Shangri-La Changchun and the underlying land use rights on which the hotel is built.

(iii) Traders Hotel, Male, Maldives

On 22 November 2010, the Group completed the acquisition of 100% interest in a hotel in Male, Maldives from a third party and rebranded the hotel as the Traders Hotel, Male. The total consideration for the acquisition was approximately US$32 million.

(iv) Land Use Rights and Freehold Lands

In 2010, the Group acquired new land use rights in Hefei, Xiamen and Dalian in Mainland China. A wholly owned subsidiary has also acquired the land use rights for a piece of land adjacent to the Shangri-La Hotel, Fuzhou for further development.

In December 2010, the Group acquired six acres of government land facing the Galle Face green promenade, a prominent landmark in Colombo, Sri Lanka, for a high-end composite development comprising retail facilities, deluxe apartments and a Shangri-La hotel.

Total cash consideration for all these lands was approximately US$211 million.

In January 2011, the Group acquired approximately 100 acres land in Hambantota, on the southern coast of Sri Lanka for a city resort development project. In February, the Group won the bid at the open bidding to acquire the land use rights of a land site in Harbin in Mainland China for a new hotel project. In March, the Group acquired a further four acres of government land in Colombo, Sri Lanka. This land is contiguous with the six acres land parcel acquired in December 2010. The Group also won the bid at the open bidding to acquire the land use rights of a land site in Zhuhai in Mainland China for a new hotel and training centre project.

(v) Bayuquan, Yingkou City, Liaoning Province, Mainland China

On 21 December 2010, the Group and the other joint venture parties (respective subsidiaries of KPL and Wilmar International Limited ("WIL")) formed a consortium and jointly won the bids at the open biddings to acquire the land use rights of designated land sites in Bayuquan, Yingkou City, Liaoning Province in Mainland China which are designated for hotel, residential and commercial uses. Following the successful biddings of the land sites, the joint venture parties entered into a master joint venture agreement to establish one or more wholly foreign-owned enterprise(s) ("Bayuquan JVCO(s)") for the acquisition, holding and development of the land sites and to enter into shareholders' agreements in this connection. Pursuant to the master joint venture agreement, each of the Group and the subsidiaries of KPL and WIL will own 25%, 40% and 35% in the Bayuquan JVCO(s). The Group's 25% share of the maximum total investment cost will be RMB642.25 million (approximately US$97.0 million).

(vi) Laobian District, Yingkou City, Liaoning Province, Mainland China

On 29 December 2010, the Group, KPL and WIL, through their respective subsidiaries, entered into a joint bid agreement in respect of the open bidding to be held on 5 January 2011 to acquire the land use rights of designated land sites in Laobian District, Yingkou City, Liaoning Province in Mainland China for residential and commercial uses. Pursuant to the joint bid agreement, the parties paid an aggregate deposit of RMB271.57 million (approximately US$41.0 million) in the respective proportion of 25%, 40% and 35%.

Following a successful bid on 5 January 2011, the Group and the subsidiaries of KPL and WIL entered into a master joint venture agreement to establish one or more wholly foreign-owned enterprise(s) ("Laobian JVCO(s)") for the acquisition, holding and development of the land sites and to enter into shareholders' agreements in this connection. Pursuant to the master joint venture agreement, each of the Group and the subsidiaries of KPL and WIL will own 25%, 40% and 35% in the Laobian JVCO(s). The Group's 25% share of the maximum total investment cost will be RMB1,877.01 million (approximately US$283.4 million).

(vii) Proposed Acquisition and New Joint Ventures

On 31 December 2010, the Group entered into sale and purchase agreements relating to the acquisition of equity interests in three project companies. Pursuant to these agreements, the Group will acquire:

– 25% equity interest in a PRC project company from a wholly owned subsidiary of KPL for a cash consideration of RMB968.62 million (approximately US$146.3 million). The wholly owned subsidiary of KPL currently owns 100% equity interest in the project company. This project company owns the land use rights for a land site in Hangzhou for a high-end composite development comprising a hotel, offices, serviced apartments and a large-scale commercial retail mall complex. Development work is on-going.

– 100% equity interest in a PRC project company from a wholly owned subsidiary of KPL for a total cash consideration of RMB226.59 million (approximately US$34.2 million) (subject to adjustment). This project company owns the land use rights for a land site in Yangzhou for the development of hotel and residential apartments. All three blocks of residential towers have been completed and the hotel superstructure works is in progress. Some of the residential units have been sold.

– 10% and 15% equity interest in a PRC project company from each of a wholly owned subsidiary of KHL and Allgreen Properties Limited ("Allgreen") for a cash consideration of RMB315.90 million (approximately US$47.7 million) (subject to adjustment) and RMB473.85 million (approximately US$71.5 million) (subject to adjustment) respectively. Both KHL and Allgreen are connected persons of the Company. Each of the wholly owned subsidiaries of KPL, Allgreen and KHL currently owns 60%, 30% and 10% equity interests in this project company which owns the land use rights in a land site in Shenyang for a mixed-use property comprising a hotel, offices, serviced apartments, residential and a commercial retail mall. Development work is on-going.

The Group will also enter into the following agreements relating to the above-mentioned project developments:

– a joint venture agreement with a wholly owned subsidiary of KPL for the development of the Hangzhou project and the Group's 25% share of the maximum total investment cost will be RMB1,500.0 million (approximately US$226.5 million).

– a joint venture agreement with a wholly owned subsidiary of KPL and a wholly owned subsidiary of Allgreen for the development of the Shenyang project and the Group's 25% share of the maximum total investment cost will be RMB4,014.5 million (approximately US$606.1 million).

The transactions contemplated by the joint venture agreement of the Shenyang project were subject to the approval of independent Shareholders. On 28 February 2011, the independent Shareholders approved at the special general meeting the entering into of the sale and purchase agreement of the project company in Shenyang and the joint venture agreement for the project development.

Completion of all the above agreements are currently subject to certain conditions including the obtaining of all necessary approvals from the PRC government authorities and all relevant change of registration as required by PRC laws.

The estimated incremental funding required directly by the subsidiaries and the Group's share of the funding obligations of the associates for the projects and other renovations involving fund commitments as at 31 December 2010 is currently estimated at US$2,987.6 million including US$1,139 million payable in the next 12 months which is expected to be sourced from the strong recurring operation cashflow, proceeds from the recent rights issue, available and new bank loan facilities and cash balance.

7. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

In March 2011, SLIM exited its management agreements in respect of the two hotels under development in Macau which have experienced significant completion delays. As at the date of this Annual Report, the Group has 17 management agreements for operating hotels and 13 management agreements for new hotels under development which are owned by third parties. The development projects are located in Bangalore (2 hotels), Chennai and Mumbai (India), Changzhou, Chongqing and Haikou (Mainland China), Doha (2 hotels) (Qatar), Iskandar (Malaysia), Istanbul (Turkey), Moscow (Russia) and Toronto (Canada).

The Group adjusts its development plans from time to time. 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.

8. PROSPECTS

Whilst it is expected that the performance of major economies of North America and Europe will continue to be weak in the near term, in general the Group remains cautiously optimistic about the prospects for its business in 2011. The RevPAR growth momentum experienced in 2010 continues through the first quarter of 2011. The gross profit margin from hotel operations is likely to improve further although some cost items, notably labour costs, are on the rise. The Group's Golden Circle guest loyalty programme which was recently revamped to include redemption of points earned, is expected to improve customer loyalty. Given the strong economic fundamentals and prospects of Mainland China, it remains the primary focus of the Group's investment activities. The Group has been actively expanding its network in Mainland China. Several high-end composite developments in joint venture relationship with KPL in Mainland China have experienced good results in recent years. The Group remains positive on the outlook for quality composite developments in key locations in Mainland China and continues to identify favourable investment opportunities.

9. CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Group has unified all initiatives under five key areas of CSR under the umbrella brand of "Sustainability", namely, environment, health and safety, employees, supply chain and stakeholder relations. This year, the Company publishes the first sustainability report on the website of the Company (www.shangri-la.com).

10. HUMAN RESOURCES

As of 31 December 2010, the Group had approximately 27,700 employees. The headcount of all the Group's managed hotels and resorts totaled 42,000. Salaries and benefits, including provident fund, 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.

The Company has two share option schemes. Details of these two schemes are provided in the section headed "Share Options" of the Directors' Report. The Group has not granted any new options in 2009 and 2010. There was no charge to the income statement during the year for options granted in prior years.

The Group's total employee benefit expenses (excluding directors' emoluments) amount to US$450,973,000 (2009: US$369,424,000).

The Group remains committed to developing its human capital. In 2010, 124 high potential employees were selected to the Group's core talent development programs which provide both on the job and classroom learning over durations of 12 to 18 months. 11 China employees were certified in the Hospitality for Housekeeping Executive Program (CHHE) offered by the American Hotel and Lodging Association. 114 colleagues participated in International Exposure Program which provides participants overseas work assignments ranging from 3 to 12 months. In addition, a number of corporate programs were launched across the Group during the year including psychometric assessment interviews for general managers to assess their talents and strengths. Succession planning is in place to ensure the Group has a continuous leadership pipeline and to demonstrate the Group's commitment to career development of its key employees.

The Shangri-La Academy located in Zhuhai, Mainland China continues to accelerate and intensify employee training in keeping with the Group's expansion. Since its opening in December 2004, it has trained more than 5,600 employees through its four core certificate programs, its diploma program and its various management development programs. The curriculum is being reviewed with new courses added regularly.

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.

During the Financial Year, the Company has met the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the HK Listing Rules, except that Mr KUOK Khoon Ean serves as both the Chairman and the CEO. The Company believes that the non-separation of the two roles is not significant given that Mr Gregory Allan DOGAN, an Executive Director, 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.

THE BOARD

The Board is accountable to Shareholders for leading the Group in a responsible and effective manner. The current Board comprises 4 Executive Directors, 3 Non-Executive Directors (and one alternate Director to a Non-Executive Director) and 5 Independent Non-Executive Directors, whose biographical details and relationship between members of the Board are set out in the section of "Directors and Company Secretary" in this Annual Report. The majority of the Board members are non-executive, thereby improving management control and ensuring that the Board takes into account the interests of all Shareholders.

The Board meets at least four times a year at quarterly intervals and meets more frequently as and when required. The Board held four meetings in the Financial Year and the attendance of each of the Directors is as follows:

Name of Director	Meetings attended/ eligible to attend
Executive Directors	
KUOK Khoon Ean	4/4
LUI Man Shing	4/4
Madhu Rama Chandra RAO	4/4
Gregory Allan DOGAN *(appointed on 26 May 2010)*	2/2
Non-Executive Directors	
HO Kian Guan/HO Kian Hock *(alternate Director)*	4/4
KUOK Khoon Loong Edward	4/4
Roberto V ONGPIN	4/4
Independent Non-Executive Directors	
Alexander Reid HAMILTON	4/4
Timothy David DATTELS	2/4
WONG Kai Man	4/4
Michael Wing-Nin CHIU	3/4
LI Kwok Cheung Arthur *(appointed on 30 March 2011)*	N/A

The Board has appointed Board committees to oversee particular aspects of the Company's affairs. Each Board committee is appointed with written terms of reference. Certain matters are reserved to the full Board for decision including matters relating to the following:

- constitution and share capital
- corporate objectives and strategy
- corporate policies relating to securities transactions by Directors and senior management
- interim and annual results
- significant investments
- major financings, borrowings and guarantees
- corporate governance and internal controls
- risk management
- major acquisitions and disposals
- material contracts
- Board members and Auditor
- any other significant matters that will affect the operations of the Group as a whole

The day-to-day running of the Group is delegated to the management, with divisional heads responsible for different aspects of the business.

Independence of Independent Non-Executive Directors

The Board has received from each of the Independent Non-Executive Directors confirmation of his independence according to the guidelines set out in Rule 3.13 of the HK Listing Rules. The Board is of the view that all Independent Non-Executive Directors are independent and is grateful for the contribution and independent advice and guidance that they have been giving to the Board and for their participation in the Board and any Board committees.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

The Company has not established a nomination committee. The Board as a whole is responsible for approving the appointment of its members and nominating them for election and re-election by Shareholders.

The Board has adopted the procedures for appointment of new Directors to ensure that the Board consists of members with the range of skills and qualities to meet its principal responsibilities in a way which ensures that the interests of Shareholders are protected and promoted and the requirements of the HK Listing Rules are complied with. The procedures and criteria to select candidates are as follows:

1. The company secretary of the Company shall forthwith inform the Board as soon as the number of Directors (executive or non-executive) falls below the minimum required by the HK Listing Rules or the Bye-Laws or if there are unfilled positions in any Board committees required to be constituted by the HK Listing Rules.

2. The Board identifies the need for a new Director based on whether or not the Company has an appropriate number of Directors to allow for effective decision-making.

3. The Board identifies potential candidates who may fill the role. Potential candidates should:

   (a) complement the existing Board composition to ensure that there is an appropriate mix of Directors with different abilities and experiences;

   (b) have the required skills, knowledge and expertise to add value to the Board; and

   (c) be able to commit the necessary time to their position.

4. Suitable candidate(s) are appointed in accordance with the Bye-Laws and the HK Listing Rules. All Directors shall be appointed subject to re-election and to the HK Listing Rules, the Bye-Laws and laws concerning removal of a Director.

Under the Bye-Laws, (a) all newly appointed Directors shall hold office until the next general meeting and shall be eligible for re-election at the meeting, (b) one-third of the Directors shall retire from office, and shall be eligible for re-election, at each annual general meeting, and (c) every Director shall retire from office no later than, and shall be eligible for re-election at, the third annual general meeting after he was last elected or re-elected. Accordingly, the term of appointment of each Director is effectively not more than around three years.

During the Financial Year, the Directors met once (being one of the full Board meetings aforesaid) to consider the appointment of a Director. All Directors, except Mr Timothy David DATTELS, attended the meeting.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 17 October 1997 to make recommendations to the Board on the Group's policy and structure for the remuneration of all Directors and senior management members, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee comprises three members including the Chairman and two Independent Non-Executive Directors. The current members are Messrs KUOK Khoon Ean (who acts as chairman of the committee), Alexander Reid HAMILTON and WONG Kai Man. The Remuneration Committee met once in 2010 and was attended by Messrs Alexander Reid HAMILTON and WONG Kai Man.

In 2010, the Remuneration Committee assessed 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. In approving the terms of remuneration of the Executive Directors and the senior management, the Remuneration Committee 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

The remuneration for the Executive Directors comprises salary, discretionary bonus, pensions, housing and annual leave fare for expatriate Executive Directors. Salaries are reviewed annually. Salary increases 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 employees of the Group are eligible to receive a discretionary bonus taking 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 or other persons contributing to the Group, the Company has adopted share option schemes. Such incentive schemes enable the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimize their contributions to the Group.

AUDIT COMMITTEE

The Company set up an Audit Committee on 25 August 1998. The main duties of the Audit Committee include the following:

1. reviewing and monitoring the integrity of the interim and annual financial statements, reports of the Company, and reviewing significant financial reporting judgments contained in them, before submission to the Board;

2. making recommendations to the Board on, the appointment, re-appointment and removal of the Auditor, and approving the remuneration and terms of engagement of the Auditor, and any questions of resignation or dismissal of the Auditor;

3. reviewing and monitoring the Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

4. reviewing the interim and annual financial statements before they are submitted to the Board for approval;

5. reviewing the Company's financial controls, internal control and risk management systems;

6. reviewing the Group's financial and accounting policies and practices; and

7. reviewing the internal audit programme, ensuring co-ordination between the internal and external auditors, and reviewing and monitoring the effectiveness of the internal audit function.

The Audit Committee comprises three Non-Executive Directors, two of them being independent. The current members have professional qualifications and experience in financial matters that enable the Audit Committee to exercise its powers effectively and provide the Board with independent views and recommendations in relation to financial matters.

The members of the Audit Committee and their attendances in the meetings of the Audit Committee held during the Financial Year are as follows:

Name of member	Meetings attended/ eligible to attend
Alexander Reid HAMILTON *(chairman of the committee)*	4/4
WONG Kai Man	4/4
KUOK Khoon Loong Edward *(appointed on 14 April 2010)*	2/3
HO Kian Guan *(resigned on 14 April 2010)*	1/1

Special meetings may be convened if necessary to review significant control or financial issues.

In 2010, the Audit Committee reviewed the Group's financial controls and the conduct of the internal audit at various operational units of the Group. The committee recommended the appointment and remuneration payable to the Auditor and satisfied themselves on the Auditor's independence and objectivity. The members reviewed financial issues with the Auditor in the committee meetings. The Audit Committee also reviewed the interim and annual financial statements before these were submitted to the Board for approval and in the context of the new accounting and financial reporting standards issued by the Hong Kong Institute of Certified Public Accountants, they reviewed the compliance of these new standards by the Group.

In addition, the Audit Committee reviewed the reports issued by the internal audit team and discussed the risk and internal control of the Group.

INTERNAL CONTROL

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 control of the Group. The reviews cover all material controls, including financial, operational and compliance controls and risk management functions.

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 in conjunction with the Auditor. The internal audit function reports directly to the Audit Committee and submits regular reports for its review in accordance with the approved programme.

AUDITORS

The Company's auditor is PricewaterhouseCoopers, Hong Kong.

During the Financial Year, the Auditor, PricewaterhouseCoopers, Hong Kong, and its other member firms provided the following audit and non-audit services to the Group:

Services	Fees charged US$'000
Audit services (including interim review)	857
Non-audit services	
(a) Tax services	234
(b) Other advisory services	85
Total	1,176

Total fees for audit services provided by other auditors to the subsidiaries of the Group were approximately US$437,000.

The Auditor, PricewaterhouseCoopers, Hong Kong, will retire and offer itself for re-appointment 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 judgments 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 Independent Auditor's Report on pages 61 to 62.

CODE ON SECURITIES TRANSACTIONS

The Board has adopted the Securities Code as the code for securities transactions by Directors.

The Directors who had securities transactions in the Company's securities during the Financial Year had informed the Chairman of their intention of dealing prior to the transactions and provided the Company with details of the transactions thereafter in compliance with the Securities Code.

The Company has made specific enquiry of all the Directors who confirmed compliance with the Securities Code throughout the Financial Year.

The Board also has adopted the code for securities transactions by relevant employees ("Employees' Securities Dealing Code") setting out the guidelines for relevant employees ("Relevant Employees") in respect of their dealings in the securities of the Company. The requirements under the Employees' Securities Dealing Code are similar to those under the Securities Code.

None of the Relevant Employees had securities transactions in the Company's securities during the Financial Year.

The Company has made specific enquiry of each of the Relevant Employees who confirmed compliance with the Employees' Securities Dealing Code throughout the Financial Year.

INVESTOR RELATIONS

The Board and senior management recognize their responsibility to look after the interests of Shareholders.

With a view to developing and maintaining continuing good relations with Shareholders and investors, various communication channels have been established.

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

In addition, press conferences and analysts briefings are held at least twice a year subsequent to the interim and final results announcements at which appropriate Executive Directors and senior management are available to answer queries on the Group. Shareholders and investors may visit the Group's corporate website for up-to-date financial and other information about the Group and its activities.

PUBLIC FLOAT

As at Year End and based on information that is publicly available to the Directors, there is a sufficient public float of the Company's shares as required by the HK Listing Rules.

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", "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 results for the Financial Year are set out in the Financial Statements on page 66.

The Board has declared an interim dividend of HK10 cents per share during the Financial Year.

The details of dividends paid and proposed for the Financial Year are set out in Note 34 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$262,000.

FIXED ASSETS

The details of movements in fixed assets during the Financial Year are set out in Notes 7 and 8 to the Financial Statements.

PRINCIPAL PROPERTIES

The details of the hotel properties and investment properties are set out in Notes 40 and 41 to the Financial Statements respectively.

SHARE CAPITAL

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

Rights Issue

On 9 December 2010, the Company announced for a proposed rights issue in the proportion of one rights Share for every twelve Shares in issue at a subscription price of HK$19.50 per rights Share.

REPORT OF THE DIRECTORS

A total of 11 covenantors have undertaken to take up a total of 127,840,553 rights Shares to be provisionally allotted to them. Pursuant to the underwriting agreement entered into between (i) the Company, and (ii) Ban Thong Company Limited, Baylite Company Limited and Trendfield Inc. as underwriters, the underwriters agree to underwrite for all rights Shares other than those having been undertaken by the covenantors. All the covenantors and the underwriters are members of the group of companies owned or controlled by Mr KUOK Hock Nien and/or interests associated with him.

The rights issue was subsequently completed in February 2011 with an issue of 240,751,561 rights Shares raising gross proceeds of approximately HK$4,694.7 million (before expenses).

SUBSIDIARIES AND ASSOCIATES

The details of the Company's principal subsidiaries and associates are set out in Note 39 to the Financial Statements.

PARTICULARS OF BANK LOANS AND OVERDRAFTS

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

RESULTS, ASSETS AND LIABILITIES

The results, assets and liabilities of the Group for the last five financial years are set out on page 162.

DIRECTORS

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

Executive Directors

Mr KUOK Khoon Ean *(Chairman and CEO)*
Mr LUI Man Shing *(Deputy Chairman)*
Mr Madhu Rama Chandra RAO *(CFO)*
Mr Gregory Allan DOGAN *(COO)* *(appointed on 26 May 2010)*

Non-Executive Directors

Mr HO Kian Guan
Mr KUOK Khoon Loong Edward
Mr Roberto V ONGPIN
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
Professor LI Kwok Cheung Arthur *(appointed on 30 March 2011)*

Mr Madhu Rama Chandra RAO, Mr KUOK Khoon Loong Edward, Mr Alexander Reid HAMILTON and Mr Michael Wing-Nin CHIU shall retire by rotation in accordance with Bye-Law 99 of the Bye-Laws, and Professor LI Kwok Cheung Arthur shall retire in accordance with Bye-Law 102(B) of the Bye-Laws at the Annual General Meeting. All retiring Directors, being eligible, offer themselves for re-election.

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 corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) ("Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and HKSE pursuant to the Securities Code were as follows:

1. 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	Total	Approximate % of total issued share capital of the relevant company
The Company	KUOK Khoon Ean	Ordinary	438,240	79,693 *(Note 1)*	1,808,240 *(Note 2)*	2,326,173	0.081
	LUI Man Shing	Ordinary	833,333	–	–	833,333	0.029
	Madhu Rama Chandra RAO	Ordinary	30,000	–	–	30,000	0.001
	Gregory Allan DOGAN	Ordinary	26,000	–	–	26,000	0.001
	HO Kian Guan	Ordinary	638,750	–	117,832,393 *(Note 3)*	118,471,143	4.101
	KUOK Khoon Loong Edward	Ordinary	1,032,222	–	–	1,032,222	0.036
	HO Kian Hock *(alternate to HO Kian Guan)*	Ordinary	–	–	117,832,393 *(Note 3)*	117,832,393	4.079
Associated Corporations							
Shangri-La Hotel Public Company Limited	LUI Man Shing	Ordinary	10,000	–	–	10,000	0.008

Notes:

1. These shares were held by the spouse of Mr KUOK Khoon Ean.

2. These shares were held through a company which was controlled as to 100% by Mr KUOK Khoon Ean and his spouse.

3. 77,164,807 shares were held through companies which were owned as to 50% by each of Mr HO Kian Guan and Mr HO Kian Hock.

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

   4,323,268 shares were held through a company which was owned as to 13.33% and 7.08% by Mr HO Kian Guan and Mr HO Kian Hock, respectively.

   31,715,599 shares were held through companies which were owned as to 6.77% and 6.81% by Mr HO Kian Guan and Mr HO Kian Hock, respectively.

2. Long positions in underlying shares in the Company and Associated Corporations

There were share options held by Directors as at Year End. Details of such options are set out in the section headed "Share Options" of this Directors' Report.

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' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10(2) of the HK Listing Rules, the Company discloses below that during the Financial Year and up to the date of this Directors' Report, the following Directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

- Messrs HO Kian Guan and HO Kian Hock are substantial shareholders and directors of the company which holds River View Hotel, Singapore. Messrs HO Kian Guan and HO Kian Hock are also substantial shareholders of the company which holds Holiday Inn Wuhan Riverside. Mr HO Kian Guan is also a director of that company.

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

  – the hotels operated by the Group and those by the above Directors with competing interests are targeting 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 hotel and the guest recognition program; and/or

  – the Group's hotel business is effectively marketed on the strength of SLIM's renowned position in the hotel industry worldwide built on its strong brands, brand recognition and high-quality services.

The abovementioned competing businesses are operated and managed by companies with independent management and administration. In addition, the Board is independent of the boards 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.

SHARE OPTIONS

Executive Option Scheme

An executive share option scheme of the Company was adopted by Shareholders on 16 December 1997 ("Executive Option Scheme").

The Executive Option Scheme is designed to give executive directors of, managers of or other employees holding an executive, managerial, supervisory or similar position in, any member of the Group an interest in preserving and maximizing Shareholders' value in the longer term, to enable the Group to attract and retain individuals with experience and ability, and to provide individuals with incentives for future performance.

A summary of the Executive Option Scheme has been disclosed in the Company's 2001 annual report.

In September 2001, HKSE amended the requirements for share option schemes under the HK Listing Rules. These new requirements made some of the provisions of the Executive Option Scheme no longer applicable.

On 24 May 2002 ("Adoption Date"), Shareholders approved the adoption of a new share option scheme (details of which are set out hereinafter) and the termination of the Executive Option Scheme, such that no further options shall thereafter be offered under the Executive Option Scheme but in all other respects the provision of the Executive Option Scheme shall remain in full force and effect.

New Option Scheme

A new share option scheme of the Company was adopted by Shareholders on the Adoption Date ("New Option Scheme"). The purpose of the New Option Scheme is to motivate Eligible Persons [Note 1] to optimize their future contributions to the Company, its subsidiaries and Associates [Note 2], and Invested Entities [Note 2] (collectively referred to as "Enlarged Group") and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Enlarged Group.

The maximum number of Shares in respect of which options may be granted under the New 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 ("Scheme Mandate Limit"). The Company may from time to time as the Board may think fit seek approval from Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the New Option Scheme (and any other share option scheme) shall not exceed 10% of the Shares in issue as at the date of Shareholders' resolution which refreshes such 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 New 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, options with right to subscribe for a total of 179,280,991 Shares (representing approximately 5.7% of the issued share capital thereby) were available for grant under the New Option Scheme.

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

The period under which an option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall not be more than 10 years commencing on the date of grant of an option. The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option. The amount payable on acceptance of an option is HK$1. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.

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 board resolution 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 prices of the Shares as stated in HKSE's daily quotation sheets for the five trading days immediately preceding the date of grant.

The New Option Scheme will expire on 23 May 2012.

Notes:

1. "Eligible Person" means any of the following persons:

   (a) an Executive;

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

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

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

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

   (f) 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;

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

   (h) any person approved by Shareholders; and

   (i) an Associate of any of the foregoing persons.

2. The terms "Associates", "Executives", and "Invested Entities" are defined in the circular to Shareholders dated 17 April 2002.

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

Grantees	Date of grant	Tranche	Number of option shares							Exercise price per option share HK$	Exercise period
			held as at 1 Jan 2010	granted during the year	transferred from other category during the year	transferred to other category during the year	exercised during the year	lapsed during the year	held as at 31 Dec 2010		
1. Employees	15 Jan 2000	I	140,520	–	–	–	(101,756)	(38,764)	–	8.82	15 Jan 2001 – 14 Jan 2010
	15 Jan 2000	II	213,203	–	–	–	(174,439)	(38,764)	–	8.82	15 Jan 2002 – 14 Jan 2010
	15 Jan 2001	I	33,961	–	–	–	(33,961)	–	–	8.18	15 Jan 2002 – 14 Jan 2011
	15 Jan 2001	II	33,960	–	–	–	(33,960)	–	–	8.18	15 Jan 2003 – 14 Jan 2011
2. Other participants	15 Jan 2000	I	46,911	–	–	–	–	(46,911)	–	8.82	15 Jan 2001 – 14 Jan 2010
	15 Jan 2000	II	96,911	–	–	–	–	(96,911)	–	8.82	15 Jan 2002 – 14 Jan 2010
Total			565,466	–	–	–	(344,116)	(221,350)	–		

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

Grantees	Date of grant	Tranche	Number of option shares: held as at 1 Jan 2010	granted during the year	transferred from other category during the year	transferred to other category during the year	exercised during the year	lapsed during the year	held as at 31 Dec 2010	Exercise price per option share HK$	Exercise period
1. Directors											
LUI Man Shing	16 Jun 2006	II	60,000	–	–	–	–	–	60,000	14.60	16 Jun 2008 – 15 Jun 2016
Madhu Rama Chandra RAO	28 Apr 2005	II	250,000	–	–	–	–	–	250,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	50,000	–	–	–	–	–	50,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	50,000	–	–	–	–	–	50,000	14.60	16 Jun 2008 – 15 Jun 2016
Gregory Allan DOGAN *(Note 1)*	28 Apr 2005	II	–	–	50,000	–	–	–	50,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	–	–	37,500	–	–	–	37,500	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	–	–	37,500	–	–	–	37,500	14.60	16 Jun 2008 – 15 Jun 2016
KUOK Khoon Loong Edward	16 Jun 2006	II	100,000	–	–	–	–	–	100,000	14.60	16 Jun 2008 – 15 Jun 2016
Roberto V ONGPIN	28 Apr 2005	I	75,000	–	–	–	–	–	75,000	11.60	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	75,000	–	–	–	–	–	75,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	30,000	–	–	–	–	–	30,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	30,000	–	–	–	–	–	30,000	14.60	16 Jun 2008 – 15 Jun 2016

Grantees	Date of grant	Tranche	Number of option shares: held as at 1 Jan 2010	granted during the year	transferred from other category during the year	transferred to other category during the year	exercised during the year	lapsed during the year	held as at 31 Dec 2010	Exercise price per option share HK$	Exercise period
1. **Directors** (continued)											
Alexander Reid HAMILTON	16 Jun 2006	I	30,000	–	–	–	(30,000)	–	–	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	30,000	–	–	–	(30,000)	–	–	14.60	16 Jun 2008 – 15 Jun 2016
Timothy David DATTELS	28 Apr 2005	I	75,000	–	–	–	–	–	75,000	11.60	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	75,000	–	–	–	–	–	75,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	30,000	–	–	–	–	–	30,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	30,000	–	–	–	–	–	30,000	14.60	16 Jun 2008 – 15 Jun 2016
2. **Employees**	29 May 2002	I	149,500	–	–	–	–	–	149,500	6.81	29 May 2003 – 28 May 2012
	29 May 2002	II	30,500	–	–	–	–	–	30,500	6.81	29 May 2004 – 28 May 2012
	28 Apr 2005	I	2,208,000	–	50,000	(80,000)	(280,000)	(25,000)	1,873,000	11.60	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	2,854,000	–	50,000	(130,000)	(340,000)	(25,000)	2,409,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	1,492,500	–	20,000	(72,500)	(80,000)	(105,000)	1,255,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	1,724,500	–	20,000	(92,500)	(147,000)	(105,000)	1,400,000	14.60	16 Jun 2008 – 15 Jun 2016

Grantees	Date of grant	Tranche	Number of option shares: held as at 1 Jan 2010	granted during the year	transferred from other category during the year	transferred to other category during the year	exercised during the year	lapsed during the year	held as at 31 Dec 2010	Exercise price per option share HK$	Exercise period
3. **Other participants**	29 May 2002	I	175,000	–	–	–	(50,000)	–	125,000	6.81	29 May 2003 – 28 May 2012
	29 May 2002	II	185,000	–	–	–	–	–	185,000	6.81	29 May 2004 – 28 May 2012
	28 Apr 2005	I	50,000	–	–	–	(50,000)	–	–	11.60	28 Apr 2006 – 1 Sep 2010
	28 Apr 2005	I	–	–	25,000	–	(25,000)	–	–	11.60	28 Apr 2006 – 31 Dec 2010
	28 Apr 2005	I	–	–	15,000	–	–	–	15,000	11.60	28 Apr 2006 – 31 Dec 2011
	28 Apr 2005	I	725,000	–	40,000	(50,000)	–	–	715,000	11.60	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	55,000	–	–	–	–	(55,000)	–	11.60	28 Apr 2007 – 31 Dec 2009
	28 Apr 2005	II	50,000	–	–	–	(50,000)	–	–	11.60	28 Apr 2007 – 1 Sep 2010
	28 Apr 2005	II	–	–	25,000	–	(25,000)	–	–	11.60	28 Apr 2007 – 31 Dec 2010
	28 Apr 2005	II	–	–	15,000	–	–	–	15,000	11.60	28 Apr 2007 – 31 Dec 2011
	28 Apr 2005	II	725,000	–	40,000	(50,000)	–	–	715,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	120,000	–	–	–	–	(120,000)	–	14.60	16 Jun 2007 – 31 Dec 2009
	16 Jun 2006	I	20,000	–	–	–	(20,000)	–	–	14.60	16 Jun 2007 – 1 Sep 2010
	16 Jun 2006	I	50,000	–	10,000	–	(60,000)	–	–	14.60	16 Jun 2007 – 31 Dec 2010
	16 Jun 2006	I	–	–	7,500	–	–	–	7,500	14.60	16 Jun 2007 – 31 Dec 2011
	16 Jun 2006	I	597,500	–	17,500	(20,000)	(49,500)	–	545,500	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	157,500	–	–	–	–	(157,500)	–	14.60	16 Jun 2008 – 31 Dec 2009
	16 Jun 2006	II	20,000	–	–	–	(20,000)	–	–	14.60	16 Jun 2008 – 1 Sep 2010
	16 Jun 2006	II	50,000	–	10,000	–	(60,000)	–	–	14.60	16 Jun 2008 – 31 Dec 2010
	16 Jun 2006	II	–	–	7,500	–	–	–	7,500	14.60	16 Jun 2008 – 31 Dec 2011
	16 Jun 2006	II	775,000	–	37,500	(20,000)	(37,500)	–	755,000	14.60	16 Jun 2008 – 15 Jun 2016
Total			**13,204,000**	**–**	**515,000**	**(515,000)**	**(1,354,000)**	**(592,500)**	**11,257,500**		

Notes:

1. Mr Gregory Allan DOGAN was appointed as a Director on 26 May 2010.

2. No options were cancelled during the Financial Year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER 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 *(Notes 2 and 5)*	Interest of controlled corporations	1,447,257,689	50.10
	Other interest	154,194,375	N/A
KHL *(Notes 2, 3 and 5)*	Beneficial owner	70,460,697	2.44
	Interest of controlled corporations	1,341,825,195	46.45
	Other interest	151,315,241	N/A
Caninco Investments Limited ("Caninco") *(Notes 3 and 5)*	Beneficial owner	500,582,400	17.33
	Interest of controlled corporation	127,034,035	4.40
	Other interest	52,301,369	N/A
Paruni Limited ("Paruni") *(Notes 3 and 5)*	Beneficial owner	309,269,059	10.71
	Interest of controlled corporation	4,178,154	0.14
	Other interest	59,745,356	N/A

Name	Capacity	Number of Shares held	Approximate % of total issued share capital of the Company
Persons other than Substantial Shareholders			
Darmex Holdings Limited ("Darmex") *(Notes 3 and 5)*	Beneficial owner	265,892,194	9.20
	Other interest	22,157,682	N/A
Kuok (Singapore) Limited ("KSL") *(Notes 4 and 5)*	Interest of controlled corporation	137,980,000	4.78
	Other interest	49,441,738	N/A
Baylite Company Limited ("Baylite") *(Notes 4 and 5)*	Beneficial owner	137,980,000	4.78
	Other interest	49,441,738	N/A

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 2,888,676,738 Shares as at Year End.

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

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

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

5. For the purpose of disclosure under the SFO, the references to "other interest" as disclosed above represented deemed interests in the rights Shares to be provisionally allotted to the relevant Shareholders and/or its controlled corporations and/or the rights Shares deemed to be fully taken up and subscribed by the relevant Shareholders as underwriters under the Company's rights issue of Shares on the basis of one rights Share for every twelve Shares held as announced by the Company on 9 December 2010. As the Shares under "other interest" were not yet issued as at Year End and/or were deemed interests subject to the outcome of the said rights issue, the unissued Shares under "other interest" should be disregarded for the purpose of interpretation of the shareholding of the respective Shareholders as at Year End.

CONNECTED TRANSACTIONS

During the Financial Year, the Group had various connected transactions which are subject to the reporting requirements under Chapter 14A of the HK Listing Rules. Details of these transactions are as follows:

1. On 26 January 2010, the Company and KPL, through their respective wholly owned subsidiaries, entered into a shareholders' agreement and the articles of association in relation to the establishment of a wholly foreign-owned enterprise ("Jinan JVCO") in PRC for potential real estate development projects involving hotel, commercial and/or residential elements in PRC. The Jinan JVCO participated at land bid for sites in Jinan, PRC appropriate for such real estate development. The Jinan JVCO is owned as to 45% by Shangri-La China Limited ("SACL"), an indirect wholly owned subsidiary of the Company, and as to 55% by Kerry Properties (China) Limited ("KPCL"), an indirect wholly owned subsidiary of KPL. The maximum total investment amount in respect of the Jinan JVCO shall be RMB340 million to which SACL shall contribute RMB153 million in proportion to its equity interest in the Jinan JVCO.

   KPL is an associate of KHL (Substantial Shareholder). Accordingly, KPL is a connected person of the Company, and the establishment of the Jinan JVCO and the transactions contemplated thereunder constituted connected transactions for the Company.

2. On 14 May 2010, Shangri-La Ulaanbaatar Hotel LLC ("SLUB"), a company owned as to 75% indirectly by the Company and 25% indirectly by MCS Holding LLC ("MCS Holding"), entered into a letter of intent with MCS Property LLC ("MCSP"), a wholly owned subsidiary of MCS Holding. Pursuant to the letter of intent, MCSP was appointed as the main contractor for the construction of a hotel building for SLUB's project at Ulaanbaatar, Mongolia at a contract sum of US$27,500,000 (inclusive of value-added tax of 10% at US$2,500,000). The construction works should commence from 15 May 2010 and all works shall be completed within 900 days.

   MCSP is 100% owned by MCS Holding which is a substantial shareholder of two subsidiaries of the Company, including SLUB. Accordingly, MCSP is a connected person of the Company, and the entering into of the letter of intent constituted a connected transaction for the Company.

3. On 21 December 2010, SACL, KPCL and WCA Pte. Ltd. ("WPL") jointly won the bids at the open biddings to acquire the land use rights of three project sites in Bayuquan, Yingkou City, Liaoning Province, PRC. Following the successful biddings, SACL, KPCL and WPL entered into a master joint venture agreement ("Bayuquan JV Agreement") in relation to the establishment of one or more wholly foreign-owned enterprise(s) in Bayuquan, Yingkou City, Liaoning Province, PRC ("Bayuquan JVCO(s)") for the purpose of acquiring, holding and developing the said project sites. The Bayuquan JVCO(s) will be owned by SACL, KPCL and WPL as to 25%, 40% and 35%, respectively. The maximum total investment amount of the Bayuquan JVCO(s) shall be approximately RMB2,569 million to which the Group shall contribute approximately RMB642.25 million in proportion to its equity interest in the Bayuquan JVCO(s).

   KPL is an associate of KHL (Substantial Shareholder). Accordingly, KPL is a connected person of the Company, and the entering into of the Bayuquan JV Agreement and the transactions contemplated thereunder constituted connected transactions for the Company.

4. On 29 December 2010, SACL, KPCL and WPL entered into a joint bid agreement ("Laobian Joint Bid Agreement") in relation to the joint bidding of six pieces of land located at Laobian District, Yingkou City, Liaoning Province, PRC. Pursuant to the Laobian Joint Bid Agreement, SACL, KPCL and WPL agreed to jointly pay an aggregate deposit of RMB271.57 million in the respective proportion of 25%, 40% and 35%. The Company contributed its portion of RMB67.89 million for the deposit and won jointly with KPCL and WPL the land bids of the said project sites on 5 January 2011.

   KPL is an associate of KHL (Substantial Shareholder). Accordingly, KPL is a connected person of the Company, and the entering into of the Laobian Joint Bid Agreement and the transactions contemplated thereunder constituted connected transactions for the Company.

5. On 31 December 2010, SACL entered into the following agreements relating to acquisition of equity interests in three companies incorporated in PRC:

   (a) A sale and purchase agreement was entered into by SACL and KPCL, pursuant to which SACL agreed to acquire from KPCL 25% of the equity interests in 嘉里置業(杭州)有限公司 Kerry Real Estate (Hangzhou) Co. Ltd. ("Hangzhou Company"), a wholly owned subsidiary of KPCL before completion of the acquisition, at a consideration of RMB968.62 million ("Hangzhou SP Agreement").

   According to the Hangzhou SP Agreement, SACL and KPCL will also enter into a shareholders agreement, pursuant to which the maximum total investment amount in respect of the Hangzhou Company will be RMB6,000 million to which SACL will contribute RMB1,500 million in proportion to its equity interest in the Hangzhou Company.

   (b) A sale and purchase agreement was entered into by SACL and KPCL, pursuant to which SACL agreed to acquire from KPCL its 100% of the equity interests in 嘉里置業(揚州)有限公司 Kerry Real Estate (Yangzhou) Co., Ltd. ("Yangzhou Company"), at a consideration of RMB226.59 million.

   (c) A sale and purchase agreement was entered into by SACL, Good Thinker Limited ("GTL"), a wholly owned subsidiary of KHL, and Allgreen Properties (Shenyang) Pte. Ltd. ("AGSL"), a wholly owned subsidiary of Allgreen, pursuant to which SACL agreed to acquire from GTL and AGSL respectively 10% and 15% of their equity interests in 嘉里(瀋陽)房地產開發有限公司 Kerry (Shenyang) Real Estate Development Co., Ltd. ("Shenyang Company") at a consideration of RMB315.9 million and RMB473.85 million respectively ("Shenyang SP Agreement"). Prior to completion of the acquisition, the Shenyang Company is 60% owned by KPCL, 10% owned by GTL and 30% owned by AGSL.

   According to the Shenyang SP Agreement, SACL, KPCL and AGSL will also enter into a shareholders agreement ("Shenyang JV Agreement"), pursuant to which the maximum total investment amount in respect of the Shenyang Company will be RMB16,058 million to which SACL will contribute RMB4,014.50 million in proportion to its equity interest in the Shenyang Company.

KHL is the controlling Shareholder. KPL is an associate of KHL. Allgreen's subsidiary is a substantial shareholder interested in 25% of the issued shares of an indirect 75% owned subsidiary of the Company. Accordingly, each of KHL, KPL and Allgreen and their associates is a connected person of the Company. Therefore, the entering into of the transactions as described above constituted connected transactions for the Company. Besides, the entering into of the Shenyang JV Agreement was subject to the approval of independent Shareholders, which was obtained on 28 February 2011.

CONTINUING CONNECTED TRANSACTIONS

During the Financial Year, there were continuing connected transactions for the Company in effect as set out below:

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 is Shangri-La's Edsa Plaza Hotel, Manila (now known as Edsa Shangri-La, Manila) ("Edsa Shangri-La Hotel") which is built on land leased from Shangri-La Properties Inc. (now known as 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 Shangri-La 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 made with SPI constitutes a continuing connected transaction for the Company.

   For the Financial Year, an aggregate amount of US$1,714,000 (2009: US$1,519,000) was paid to SPI under the said lease.

2. SLIM-HK and its fellow subsidiaries provide hotel management, marketing, communication and reservation services ("Hotel Management Services") to various hotels/club which are owned by certain connected persons of the Company pursuant to certain hotel management, marketing and related agreements entered into between various SLIM-HK entities and the relevant 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) Traders Hotel, Singapore

   Traders Hotel, Singapore is owned by Cuscaden Properties Pte Ltd ("CPPL") which is owned as to 55.4% by Allgreen and 40.75% by the Group. CPPL is also a substantial shareholder of a subsidiary of the Company. Accordingly, both CPPL and Allgreen (being the holding company of CPPL) are regarded as connected persons of the Company.

   (b) Traders Hotel, Yangon

   Traders Hotel, Yangon is owned by Traders Yangon Company Limited ("TYCL") which is owned as to 11.76% by Kuok (Singapore) Limited ("KSL"), 11.76% by Jenko Properties Limited ("JPL") and 59.16% by the Group. KSL is a substantial shareholder of certain subsidiaries of the Company and thus is a connected person of the Company. JPL is an indirect wholly owned subsidiary of KGL (Substantial Shareholder) and thus is a connected person of the Company at holding level. By virtue of the interest of KGL (through JPL) in TYCL (a subsidiary of the Company), TYCL is also regarded as a connected person of the Company.

   (c) Shangri-La Hotel, Surabaya

   Shangri-La Hotel, Surabaya is owned by P.T. Saripuri Permai Hotel ("PTSPH") which is indirectly owned as to 30% by KGL (Substantial Shareholder), and thus is an associate of KGL. Accordingly, PTSPH is regarded as a connected person of the Company at holding level.

   (d) Shangri-La's Kerry Centre Hotel, Beijing

   Shangri-La's Kerry Centre Hotel, Beijing is owned by Beijing Kerry Centre Hotel Co., Ltd. ("BKC") which is a subsidiary of KPL, which is in turn an associate of KGL (Substantial Shareholder). Accordingly, BKC is regarded as a connected person of the Company at holding level.

(e) Aberdeen Marina Club, Hong Kong
Aberdeen Marina Holdings Limited ("AMHL") is indirectly owned as to 79.17% by KGL (Substantial Shareholder) and thus is an associate of KGL. Accordingly, AMHL 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/Club	Date of transaction	Nature of agreement	Counter party	Aggregate amount received by SLIM-HK and its fellow subsidiaries 2010 (US$)	2009 (US$)
(a) Traders Hotel, Singapore	Principal agreement signed on 1 March 1994. Various related agreements signed on various dates in 1994.	Management Agreement, Marketing and Reservations Agreement and Licence Agreements	CPPL	1,813,000	1,248,000
(b) Traders Hotel, Yangon	24 June 1995	Management Agreement, Marketing and Reservations Agreement and Licence Agreements	TYCL	337,000	282,000
(c) Shangri-La Hotel, Surabaya	27 October 1994	Management Agreement, Marketing and Reservations Agreement and Licence Agreement	PTSPH	611,000	517,000
(d) Shangri-La's Kerry Centre Hotel, Beijing	30 June 1998	Management and Marketing Services Agreement	BKC	1,538,000	1,292,000
(e) Aberdeen Marina Club, Hong Kong	20 February 1993	Operators Agreement	AMHL	349,000	330,000

In view of the transaction amounts involved, the continuing connected transactions in respect of (b), (c) and (e) above may be exempt from the relevant disclosure and annual review requirements under Chapter 14A of the HK Listing Rules in subsequent financial years.

3. Central Laundry Pte Ltd ("CLPL"), a company in Singapore which operates commercial laundry services, is owned as to 75% by the Group and as to 25% by CPPL which, in turn, is owned as to 55.4% by Allgreen and 40.75% by the Group.

As CPPL is a substantial shareholder of CLPL and Allgreen is an associate of CPPL, both CPPL and Allgreen are regarded as connected persons of the Company. Accordingly, the provision of commercial laundry services by CLPL to those properties owned by CPPL and Allgreen constitutes continuing connected transactions for the Company.

Summary of the relevant continuing connected transactions and the transaction amounts involved in the Financial Year and the prior year are set out below:

Name of property	Date of transaction	Nature of agreement	Counter party(ies)	Aggregate amount received by CLPL 2010 (US$)	2009 (US$)
Great World Serviced Apartments (owned by a subsidiary of Allgreen)	(a) 15 October 1997, as supplemented by the supplemental agreements dated 15 April 2005 and 11 February 2008; and (b) 15 October 1997, as supplemented by the supplemental agreement dated 11 February 2008; and 16 October 1997, as supplemented by the supplemental agreements dated 15 April 2005 and 11 February 2008; pursuant to a deed of novation between CLPL, Midpoint Properties Limited ("Midpoint") and Worldwide Apartment Services Pte Ltd ("Worldwide") dated 1 December 2005, Worldwide was released and discharged from the master agreements and Midpoint has assumed all the terms and conditions of the master agreements in place of Worldwide with effect from 1 January 2006.	Master Agreements for laundry services	(i) Great World Serviced Apartments, and (ii) Midpoint	287,000	265,000
Traders Hotel, Singapore (owned by CPPL)	1 April 1995, as supplemented by the supplemental agreements dated 15 April 2005 and 11 February 2008	Master Agreement for laundry services	Traders Hotel, Singapore	866,000	687,000

Taking into account (i) the historical amounts received by CLPL in respect of each of these properties, (ii) the potentially achievable occupancy and utilization projections in respect of these properties, (iii) adjustments for inflation and buffer for unexpected price hikes, and (iv) the possible appreciation of Asian currencies against the US Dollar, the Company has set in 2008 annual cap for each of the following financial years:

Property	2008 (US$)	2009 (US$)	2010 (US$)
Great World Serviced Apartments	500,000	580,000	680,000
Traders Hotel, Singapore	1,200,000	1,400,000	1,600,000

In view of the transaction amounts involved, the continuing connected transactions hereof may be exempt from the relevant disclosure and annual review requirements under Chapter 14A of the HK Listing Rules in subsequent financial years.

4. On 27 June 2005, Addu Investments Private Limited ("AIPL"), which is 70% indirectly owned by the Company and 30% owned by the Government of the Republic of Maldives ("Maldivian Government"), entered into a lease agreement ("Maldives Lease") with the Maldivian Government for the lease of the whole of an island located in Villingili, Addu Atoll, Republic of Maldives for 25 years. The Maldives Lease was entered into to enable AIPL to construct, develop, own and operate a luxury tourist resort on the said island ("Resort").

During the first ten years of the term of the Maldives Lease, starting from the date of commencement of the operation of the Resort or 18 months from the date of approval by all the relevant Maldivian Government departments of all detailed drawings, designs and work plan with respect to the Resort, whichever is the earlier, annual rent shall be paid as agreed between the parties with reference to the number of beds available in the Resort. The annual rent payable on a per bed basis has been agreed between the parties. In accordance with the method of calculation as set out in the Maldives Lease and with reference to the anticipated number of beds to be built in the Resort, the amount of annual rent payable during the first ten years of the Maldives Lease is expected to be less than US$4,050,000. The annual rent for the second ten years and the annual rent for the last five years of the Maldives Lease shall be determined by the Maldivian Government, in consultation with AIPL, six months prior to the commencement of the respective periods. In determining the annual rent for the subsequent periods, the Maldivian Government shall take into account the factors as mentioned in the Maldives Lease. The annual rent shall be paid upon commencement of operation of the Resort by quarterly installments in advance before the commencement of the quarter for which such payment is due.

The Maldivian Government is a substantial shareholder of AIPL and thus is a connected person of the Company. Accordingly, the execution of the Maldives Lease constitutes a continuing connected transaction for the Company.

On 18 May 2010, AIPL entered into an addendum ("Addendum") with the Maldivian Government to extend the lease period of the said island under the Maldives Lease from 25 years to 35 years. As disclosed in the Company's announcement dated 18 May 2010, the estimated amount of annual rent payable by AIPL during the first ten years of the Maldives Lease falls below the de minimis threshold prescribed under Chapter 14A of the HK Listing Rules and, accordingly, the Maldives Lease, as amended by the Addendum, is then exempt from the relevant disclosure and annual review requirements under Chapter 14A of the HK Listing Rules subsequent to the abovementioned variation to the terms of the Maldives Lease.

For the Financial Year, the amount of rent incurred by AIPL and payable to the Maldivian Government amounted to US$632,000 (2009: US$410,000).

5. On 5 June 2008, SLIM-HK entered into a tenancy agreement with MegaBox Development Company Limited ("MegaBox Development"), an indirect wholly owned subsidiary of KPL. Pursuant to the agreement, MegaBox Development agreed to lease certain floors of office premises to SLIM-HK at a monthly rental of HK$770,036 (exclusive of management fee which amounts to HK$104,212 per month, government rates and other taxes and charges (if any)) for a fixed term of twenty nine months and twenty six days from 5 June 2008 and expiring on 30 November 2010 (both days inclusive) with an option to extend the tenancy agreement for not more than six months after the expiry of the tenancy agreement. On 12 June 2008, SLIM-HK also entered into two licence agreements with MegaBox Development, pursuant to which MegaBox Development agreed to grant licences to SLIM-HK at a monthly licence fee of HK$10,500 for five floating carparking spaces and HK$9,300 for three fixed carparking spaces during the period from 27 July 2008 until the expiry of the term of the tenancy agreement.

MegaBox Development is an indirect wholly owned subsidiary of KPL which is an associate of KHL (Substantial Shareholder). Accordingly, MegaBox Development is a connected person of the Company at holding level.

Based on the rental amount and the management fee payable under the tenancy agreement, the licence fees payable under the licence agreements and taking into account of the additional cost for extra air-conditioning supply after normal office hours and any possible adjustment to the management fee and/or the licence fees as a result of inflation, the Company has set in 2008 annual cap for each of the following financial years:

Financial year	Annual cap (HK$)	Equivalent amount (US$)
2008	6,500,000	839,000
2009	11,500,000	1,484,000
2010	11,500,000	1,484,000
2011	5,300,000	684,000

The aforesaid tenancy agreement and the two licence agreements were terminated on 30 November 2010.

For the Financial Year, an aggregate amount of US$1,214,000 (2009: US$1,328,000) was paid to MegaBox Development.

6. On 7 May 2009, Shangri-La Ulaanbaatar LLC ("SLUL") entered into a tenancy agreement with each of (1) MCS Holding and (2) Green Catering LLC ("Green Catering"), a wholly owned subsidiary of MCS Holding. Pursuant to the tenancy agreements, SLUL has agreed to lease various office premises of an office building in Ulaanbaatar to MCS Holding and certain office premises of the same building to Green Catering for a term of 3 years from 7 May 2009 and ending on 6 May

2012 (both days inclusive) at a monthly rental of US$209,260.50 and monthly management fee of US$34,305 (subject to periodic revision and readjustment) in respect of MCS Holding and a monthly rental of US$63,159 and monthly management fee of US$11,095.50 (subject to periodic revision and readjustment) in respect of Green Catering, exclusive of value-added tax, government levies and taxes and other outgoings required by the laws and regulations.

In respect of the tenancy agreement with Green Catering, the rental period was subsequently amended to start from 1 October 2009 and expiring on 30 September 2012 (both days inclusive), and the management fee from 1 October to 3 December 2009 was reduced by an amount of US$11,632.38. In respect of the tenancy agreement with MCS Holding, due to problem with the air-conditioning system, the management fee for 2009 was reduced by an aggregate amount of US$15,547.91.

On 7 May 2009, SLUL also entered into a master licence agreement with MCS Holding, pursuant to which SLUL has agreed to grant licences to MCS Holding at a maximum fee of US$8 per day per car parking space (exclusive of value-added tax and subject to adjustment upon periodic review) for a maximum of 15 car parking spaces for a period of 36 months from 7 May 2009 and ending on 6 May 2012 (both days inclusive).

Under the tenancy agreements, MCS Holding and Green Catering are required to pay deposits of US$730,696.50 and US$222,763.50 respectively to SLUL. The obligation to pay deposits by MCS Holding and Green Catering can be substituted by Mr Odjargal JAMBALJAMTS ("OJ") providing a guarantee in favour of SLUL to guarantee performance of MCS Holding and Green Catering under the tenancy agreements. In this connection, OJ entered into two letters of guarantee on 7 May 2009 in favour of SLUL under which OJ unconditionally and irrevocably guarantees the due and punctual performance of all obligations of MCS Holding and Green Catering up to the amount of the deposits under the tenancy agreements. Each of the letters of guarantee will subsist during the term under the tenancy agreements and will remain in full force and effect until all the obligations of MCS Holding and Green Catering under the tenancy agreements have been fully paid, satisfied and performed in the opinion of SLUL.

MCS Holding is an associate of the substantial shareholders of certain subsidiaries of the Company, and thus MCS Holding is a connected person of the Company at subsidiary level. OJ is a director of certain subsidiaries of the Company, and thus is also a connected person of the Company at subsidiary level. Therefore, the entering into of the tenancy agreements and master licence agreement constitutes continuing connected transactions for the Company.

Based on the monthly rental and management fee payable under the tenancy agreements, the licence fee payable under the master licence agreement and taking into account the possible revisions and adjustments to the management fees and/or the licence fees as a result of inflation and estimated charges for air-conditioning supply after normal business hours, the Company has set in 2009 annual cap for each of the following financial years:

	2009 (US$)	2010 (US$)	2011 (US$)	2012 (US$)
Transaction under the tenancy agreements	2,400,000	3,500,000	3,600,000	1,300,000
Transaction under the master licence agreement	30,000	45,000	45,000	16,000

For the Financial Year, an aggregate amount of US$3,433,000 (2009: US$834,000) was received from MCS Holding and Green Catering.

7. On 2 June 2010, Shanghai Pudong Kerry City Properties Co., Ltd. ("SPKCP"), a company owned as to 23.2% by a wholly owned subsidiary of the Company, 40.8% by KPCL (a wholly owned subsidiary of KPL), 16% by a wholly owned subsidiary of Allgreen, and 20% by a third party, entered into a hotel management agreement ("Management Agreement") with SLIM-HK. Pursuant to the Management Agreement, SLIM-HK was appointed as the manager to provide hotel management services including hotel management, marketing, communication and reservation services to Kerry Hotel Pudong, a hotel owned by SPKCP.

   KPCL is a subsidiary of KPL which is an associate of KHL (Substantial Shareholder). Accordingly, KPCL is a connected person of the Company at holding level, and the provision of hotel management services pursuant to the Management Agreement constitutes a continuing connected transaction for the Company.

   Based on the terms of the Management Agreement and of the expected occupancy of Kerry Hotel Pudong, and taking into account possible inflation, changes in exchange rate and possible reasonable increase in occupancy of Kerry Hotel Pudong, the Company has set annual cap for each of the following financial years:

Financial year	Annual cap (US$)
2010	730,000
2011	5,200,000
2012	6,000,000
2013 (covering the first 5 months of the financial year only)	2,700,000

   For the Financial Year, no fee (2009: N/A) was received from SPKCP.

8. On 18 November 2010, SLIM-HK entered into an offer letter with Ubagan Limited ("Ubagan"), an indirectly owned subsidiary of KGL, and pursuant to which SLIM-HK agreed to lease from Ubagan various office premises at Kerry Centre ("Kerry Office Lease") at a monthly rental of HK$3,199,610.70 and monthly management fee and air-conditioning charge of HK$484,789.50 (subject to revision) for a term of 3 years commencing from 19 November 2010. On the same date, SLIM-HK also entered into two licence agreements ("Carpark Agreements") with Ubagan, and pursuant to which Ubagan agreed to grant licences to SLIM-HK for using various floating car parking spaces and fixed car parking spaces at Kerry Centre commencing from 19 November 2010 until the expiration of the term of the Kerry Office Lease or such other date as may be otherwise agreed to be terminated by both parties. The monthly licence fee for each floating car parking space is HK$2,500 and for each fixed car parking space is HK$3,200, such fees subject to revision from time to time.

   Ubagan is a subsidiary of KGL (Substantial Shareholder). Accordingly, Ubagan is a connected person of the Company at holding level, and the Kerry Office Lease and the Carpark Agreements constitute continuing connected transactions for the Company.

Based on the current rentals and fees payable under the Kerry Office Lease and the Carpark Agreements and taking into account of possible additional cost for the management fee and air-conditioning charge, and any further lease(s) or licence(s) of additional office premises or car parking space(s) in the event of business expansion of the Group, the Company has set annual cap for each of the following financial years:

Financial year	Annual cap (HK$)	Equivalent amount (US$)
2010	6,000,000	774,000
2011	49,000,000	6,323,000
2012	55,000,000	7,097,000
2013 (up to the 3rd anniversary of the Kerry Office Lease and Carpark Agreements)	50,000,000	6,452,000

For the Financial Year, an aggregate amount of US$643,000 (2009: N/A) was paid to Ubagan.

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 Company than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of Shareholders as a whole.

In accordance with Rule 14A.38 of the HK Listing Rules, the Board engaged the Auditor to perform a limited assurance engagement on the above 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 HK Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Auditor has reported to the Board that in relation to the transactions set out in 1 to 8 above,:

1. nothing has come to the Auditor's attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Board;

2. for transactions involving the provision of goods or services by the Group, nothing has come to the Auditor's attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to the Auditor's attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. with respect to the aggregate annual value of each of the continuing connected transactions, nothing has come to the Auditor's attention that causes it to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements made by the Company in respect of each of the disclosed continuing connected transactions.

PROPERTIES UNDER DEVELOPMENT

Details of the Group's properties under development 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	Number of apartments or villas	Stage of completion	Projected opening	Address
Manzhouli, Inner Mongolia, PRC	1. Shangri-La Hotel	100%	25,000	48,968	235	–	Structural work completed; mechanical and engineering, curtain wall and interior fit-out nearly completed	April 2011	99 Liu Dao Jie, Manzhouli, Inner Mongolia, PRC
Shanghai, PRC	2. Kerry Hotel Pudong Shanghai (part of composite development of Kerry Parkside Shanghai Pudong)	23.20%	N/A	71,174	574	–	Completed	Opened on 18 Feb 2011	1388 Hua Mu Road, Pudong, Shanghai, PRC
	3. Jing An Shangri-La (part of composite development of Jing An Kerry Centre)	49%	N/A	73,664	518	–	Superstructure work in progress	2012	1238 & 1288 Yanan Zhong Road, 1537 & 1565 Nanjing Xi Road, Jing An District, Shanghai, PRC
Sanya, PRC	4. Shangri-La Hotel	100%	179,111	86,197	504	45	Structural work in progress	2012	88 Hai Tang North Road, Haitang Bay Town, Sanya, PRC
Qufu, PRC	5. Shangri-La Hotel	100%	50,700	54,210	491	–	Basement structural work in progress	2012	10 Chun Qiu Road, Qufu, Shandong, PRC
Tianjin, PRC	6. Shangri-La Hotel (part of composite development of Tianjin Kerry Centre)	20%	N/A	77,000	507	11	Excavation and structural work in progress	2013	Junction of Liuwei Road and Liujin Road, Hedong District, Tianjin, PRC
Tangshan City, PRC	7. Shangri-La Hotel (part of composite development of Tangshan Kerry Centre)	35%	N/A	69,490	428	–	Piling and excavation in progress	2013	Da Li Road, Changhong Street, Chaoyang Street, Feng Huang Xin Cheng, Tangshan, PRC
Qinhuangdao, PRC	8. Shangri-La Hotel	100%	39,860	58,119	317	–	Foundation setup	2013	Golden Dream Bay, Haigang District, Qinghuangdao, Hebei Province, PRC
Lhasa, PRC	9. Shangri-La Hotel	100%	30,509	48,533	312	–	Foundation work completed	2013	19 LuoBuLingKa Road Lhasa, Tibet, PRC
Diqing, PRC	10. Shangri-La Hotel	100%	24,874	29,535	229	–	Foundation setup	2013	48, Dongwang Road, Jiantang Town, Shangri-La County, Diqing State, Yunnan Province, PRC
Nanjing City, PRC	11. Shangri-La Hotel (part of complex development)	55%	N/A	84,625	609	–	Site investigation in progress	2013	331 Zhong Yang Road, Gu Lou District, Nanjing, PRC

(A) Hotels owned and managed by the Group (continued)

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	Number of apartments or villas	Stage of completion	Projected opening	Address
Nanchang City, PRC	12. Shangri-La Hotel (part of complex development)	20%	N/A	61,862	319	–	Piling work and schematic design in progress	2013	Lot No. B-7, Honggutan Central District, Nanchang, PRC
Ulaanbaatar, Mongolia	13. Shangri-La Hotel	75%	30,000	32,782	280	6	Main tower basement structural work completed	2013	North East of National Amusement Park Place, Khoroo 1 of Sukhbaatar District, Ulaanbaatar, The Republic of Mongolia
	Total				5,323	62			

(B) Hotels under operating lease 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	Number of apartments or villas	Stage of completion	Projected opening	Address
London, UK	1. Shangri-La Hotel, at the Shard, London	N/A	N/A	16,932	203	–	Design and concept planning stage	2013	32 London Bridge Street, Southwark, London SEI, UK
	Total				203	–			

(C) Investment 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)	Stage of completion	Projected opening	Address
Shanghai, PRC	1. Composite development of Kerry Parkside Shanghai Pudong	23.20%	58,949		Completion verification in progress	Early 2011	1039 Fangdian Road, adjacent to the Shanghai New International Expo Centre, Pudong, Shanghai, PRC
	• Office			89,004			
	• Commercial			48,392			
	• Serviced apartment			33,529			
	• Entrance hall			3,901			
	2. Composite development of Jing An Kerry Centre	49%	45,867		Superstructure work in progress	2012	1238 & 1288 Yanan Zhong Road, 1537 & 1565 Nanjing Xi Road, Jing An District, Shanghai, PRC
	• Office			113,739			
	• Commercial			66,469			

Location	Properties/Purpose	Group's effective interest as at Year End	Approximate total site area (m²)	Approximate total gross floor area (m²)	Stage of completion	Projected opening	Address
Tianjin, PRC	3. Composite development of Tianjin Kerry Centre	20%	86,164		Excavation and structural work in progress	2013	Junction of Liuwei Road and Liujin Road, Hedong District, Tianjin, PRC
	• Residential			180,000			
	• Office			138,000			
	• Commercial			98,557			
	• Serviced apartment			22,000			
Tangshan City, PRC	4. Composite development of Tangshan Kerry Centre	35%	101,107		Piling and excavation completed	2013	Da Li Road, Changhong Street, Chaoyang Street, Feng Huang Xin Cheng, Tangshan, PRC
	• Residential			227,565			
	• Commercial			17,640			
Nanjing City, PRC	5. Complex Development	55%	16,305		Site investigation in progress	2013	331 Zhong Yang Road, Gu Lou District, Nanjing, PRC
	• Commercial			1,521			
Nanchang City, PRC	6. Composite Development	20%	47,738		Piling work and schematic design in progress	2013	Lot No. B-7, Honggutan Central District, Nanchang, PRC
	• Residential			82,045			
	• Office			77,149			
	• Commercial			10,000			

(D) Properties under concept planning

Location	Purpose	Group's effective interest as at Year End	Approximate total site area (m²)	Approximate total gross floor area (m²)	Address
Taguig, Metro Manila, The Philippines	Composite development	40%	15,127	151,218	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, The Philippines

REPORT OF THE DIRECTORS

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

During the Financial Year and up to the date of this Directors' Report, except as disclosed in Note 18 to the Financial Statements, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' SERVICE CONTRACTS

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

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.

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.

On behalf of the Board

KUOK Khoon Ean
Director

Madhu Rama Chandra RAO
Director

Hong Kong, 30 March 2011

PricewaterhouseCoopers

羅兵咸永道會計師事務所

PricewaterhouseCoopers
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Central
Hong Kong
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Facsimile (852) 2810 9888

Independent Auditor's Report
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 63 to 161, which comprise the consolidated and Company statements of financial position as at 31 December 2010 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.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the 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 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.

Independent Auditor's 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 judgment, 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 2010, 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2010 US$'000	As at 31 December 2009 US$'000 (Restated)	As at 1 January 2009 US$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	7	4,394,094	4,055,634	3,870,712
Investment properties	8	794,029	675,634	524,309
Leasehold land and land use rights	9	603,208	453,926	439,406
Intangible assets	10	92,887	94,450	95,452
Interest in associates	12	1,799,798	1,590,397	1,270,364
Deferred income tax assets	23	2,861	1,262	1,117
Available-for-sale financial assets	13	4,931	4,681	4,158
Other receivables	14	18,955	21,802	3,683
		7,710,763	6,897,786	6,209,201
Current assets				
Inventories		40,562	36,252	31,805
Properties for sale		26,554	27,921	–
Accounts receivable, prepayments and deposits	15	162,568	128,824	191,108
Due from associates	12	32,530	34,214	14,244
Financial assets held for trading	16	24,943	24,386	13,326
Cash and bank balances	17	540,696	665,317	463,027
		827,853	916,914	713,510
Total assets		8,538,616	7,814,700	6,922,711

	Note	As at 31 December 2010 US$'000	As at 31 December 2009 US$'000 (Restated)	As at 1 January 2009 US$'000 (Restated)
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	18	1,946,657	1,943,448	1,940,997
Other reserves	19	1,593,757	1,412,324	1,334,921
Retained earnings				
– Proposed final dividend	34	40,251	22,269	37,090
– Others		1,057,194	851,464	640,323
		4,637,859	4,229,505	3,953,331
Non-controlling interests	22	352,348	315,792	298,057
Total equity		4,990,207	4,545,297	4,251,388
LIABILITIES				
Non-current liabilities				
Bank loans	20	1,414,805	2,240,553	1,889,273
Derivative financial instruments	21	20,304	44,773	65,916
Due to non-controlling shareholders	22	36,788	35,329	27,012
Deferred income tax liabilities	23	225,682	216,037	220,044
		1,697,579	2,536,692	2,202,245

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2010 US$'000	2009 US$'000 (Restated)	As at 1 January 2009 US$'000 (Restated)
Current liabilities				
Accounts payable and accruals	24	528,145	441,787	404,380
Due to non-controlling shareholders	22	10,478	5,178	6,355
Current income tax liabilities		17,498	14,830	19,330
Bank loans and overdrafts	20	1,271,464	269,176	39,013
Derivative financial instruments	21	23,245	1,740	–
		1,850,830	732,711	469,078
Total liabilities		3,548,409	3,269,403	2,671,323
Total equity and liabilities		8,538,616	7,814,700	6,922,711
Net current (liabilities)/assets		(1,022,977)	184,203	244,432
Total assets less current liabilities		6,687,786	7,081,989	6,453,633

KUOK Khoon Ean
Director

Madhu Rama Chandra RAO
Director

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2010 US$'000	2009 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,493	148
Investments in subsidiaries	11	3,223,465	3,070,516
Club debentures	13	840	840
		3,225,798	3,071,504
Current assets			
Amounts due from subsidiaries	11	98,598	106,174
Dividends receivable, prepayments and deposits		373,380	334,967
Cash and bank balances	17	3,887	152,045
		475,865	593,186
Total assets		3,701,663	3,664,690
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	1,946,657	1,943,448
Other reserves	19	1,540,766	1,541,388
Retained earnings			
– Proposed final dividend	34	40,391	22,353
– Others		15,412	42,861
Total equity		3,543,226	3,550,050

	Note	As at 31 December 2010 US$'000	2009 US$'000
LIABILITIES			
Non-current liabilities			
Derivative financial instruments	21	20,304	44,773
Current liabilities			
Accounts payable and accruals		10,097	8,194
Derivative financial instruments	21	22,202	1,740
Amounts due to subsidiaries	11	105,834	59,933
		138,133	69,867
Total liabilities		158,437	114,640
Total equity and liabilities		3,701,663	3,664,690
Net current assets		337,732	523,319
Total assets less current liabilities		3,563,530	3,594,823

KUOK Khoon Ean
Director

Madhu Rama Chandra RAO
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2010 US$'000	2009 US$'000
Sales	5	1,575,095	1,230,033
Cost of sales	25	(679,453)	(551,590)
Gross profit		895,642	678,443
Other gains/(losses) – net	26	40,916	(20,778)
Marketing costs	25	(61,467)	(49,279)
Administrative expenses	25	(138,428)	(111,311)
Other operating expenses	25	(515,953)	(445,727)
Operating profit		220,710	51,348
Finance costs – net	29	(27,827)	(24,430)
Share of profit of associates	30	179,954	270,595
Profit before income tax		372,837	297,513
Income tax expense	31	(59,911)	(36,767)
Profit for the year		312,926	260,746
Attributable to:			
Equity holders of the Company		287,076	255,499
Non-controlling interests		25,850	5,247
		312,926	260,746
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)			
– basic	33	9.98	8.89
– diluted	33	9.97	8.88
Dividends	34	77,372	44,529

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2010	2009
	US$'000	US$'000
Profit for the year	312,926	260,746
Other comprehensive income:		
Currency translation differences – subsidiaries	152,417	77,603
Currency translation differences – associates	54,516	8,477
Other comprehensive income for the year	206,933	86,080
Total comprehensive income for the year	519,859	346,826
Attributable to:		
Equity holders of the Company	469,131	332,759
Non-controlling interests	50,728	14,067
	519,859	346,826

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total
		Share capital	Other reserves	Retained earnings	Total		
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2010		1,943,448	1,412,324	873,733	4,229,505	315,792	4,545,297
Currency translation differences		–	182,055	–	182,055	24,878	206,933
Net income recognized directly in equity		–	182,055	–	182,055	24,878	206,933
Profit for the year		–	–	287,076	287,076	25,850	312,926
Total comprehensive income for the year ended 31 December 2010		–	182,055	287,076	469,131	50,728	519,859
Exercise of share options – allotment of shares	18	2,587	–	–	2,587	–	2,587
Exercise of share options – transfer from option reserve to share premium	18, 19	622	(622)	–	–	–	–
Payment of 2009 final dividend		–	–	(22,269)	(22,269)	–	(22,269)
Payment of 2010 interim dividend		–	–	(37,121)	(37,121)	–	(37,121)
Net consideration received from the resale of the Company's shares held by a subsidiary		–	–	97	97	35	132
Difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration arising from changes in the Company's ownership interest in subsidiaries		–	–	(4,071)	(4,071)	–	(4,071)
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(12,842)	(12,842)
Equity acquired from a non-controlling shareholder		–	–	–	–	(2,562)	(2,562)
Equity injected by non-controlling shareholders		–	–	–	–	1,406	1,406
Net change in equity loans due to non-controlling shareholders		–	–	–	–	(209)	(209)
		3,209	(622)	(63,364)	(60,777)	(14,172)	(74,949)
Balance at 31 December 2010		1,946,657	1,593,757	1,097,445	4,637,859	352,348	4,990,207

	Note	Attributable to equity holders of the Company				Non-	
		Share capital	Other reserves	Retained earnings	Total	controlling interests	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2009		1,940,997	1,334,921	677,413	3,953,331	298,057	4,251,388
Currency translation differences		–	77,260	–	77,260	8,820	86,080
Net income recognized directly in equity		–	77,260	–	77,260	8,820	86,080
Profit for the year		–	–	255,499	255,499	5,247	260,746
Total comprehensive income for the year ended 31 December 2009		–	77,260	255,499	332,759	14,067	346,826
Exercise of share options – allotment of shares	18	2,097	–	–	2,097	–	2,097
Exercise of share options – transfer from option reserve to share premium	18, 19	354	(354)	–	–	–	–
Payment of 2008 final dividend		–	–	(37,093)	(37,093)	–	(37,093)
Payment of 2009 interim dividend		–	–	(22,260)	(22,260)	–	(22,260)
Difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration arising from changes in the Company's ownership interest in a subsidiary		–	497	174	671	–	671
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(9,321)	(9,321)
Equity acquired by non-controlling shareholders		–	–	–	–	5,382	5,382
Equity injected by non-controlling shareholders		–	–	–	–	14,370	14,370
Net change in equity loans due to non-controlling shareholders		–	–	–	–	(6,763)	(6,763)
		2,451	143	(59,179)	(56,585)	3,668	(52,917)
Balance at 31 December 2009		1,943,448	1,412,324	873,733	4,229,505	315,792	4,545,297

Included in the retained earnings are statutory funds of approximately US$38,658,000 (2009: US$34,529,000). These funds are set up by way of appropriation from the profit after taxation of the respective companies, established and operating in the PRC, in accordance with the relevant laws and regulations.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2010 US$'000	2009 US$'000
Cash flows from operating activities			
Cash generated from operations	35	454,538	357,614
Interest paid		(74,215)	(67,072)
Hong Kong profits tax paid		(10,798)	(10,651)
Overseas tax paid		(43,391)	(37,102)
Net cash generated from operating activities		326,134	242,789
Cash flows from investing activities			
Purchase of property, plant and equipment		(181,123)	(144,454)
Expenditure on properties under development		(268,877)	(344,045)
Purchase of leasehold land and land use rights		(115,378)	(33,177)
Capital expenditure on investment properties		(9,998)	(9,610)
Proceeds from disposal of property, plant and equipment; leasehold land and land use rights; and investment properties		831	5,060
Deposit payments for leasehold land and land use rights		(10,469)	–
Capital expenditure on properties for sale		(736)	–
Acquisition of interest and loan in subsidiaries	35	(6,999)	(6,546)
Acquisition of associates		–	(20,754)
Capital contribution to associates		(20,633)	(29,993)
Net decrease in loans to associates		9,101	875
Purchase of club debentures		–	(415)
Interest received		6,362	3,975
Dividends received from associates		39,317	13,168
Dividends received from listed securities		817	424
(Increase)/decrease in short-term bank deposits more than 3 months maturity		(10,035)	50,442
Net consideration received from the resale of the Company's shares held by a subsidiary		132	–
Net cash used in investing activities		(567,688)	(515,050)
Cash flows from financing activities			
Dividends paid to the Company's equity holders		(59,390)	(59,353)
Dividends paid to non-controlling shareholders		(7,674)	(9,522)
Proceeds from issuance of ordinary shares		2,587	2,097
Net increase/(decrease) in loans from non-controlling shareholders		226	(1,165)
Capital injection from non-controlling shareholders		1,197	13,762
Repayment of bank loans		(368,695)	(547,800)
Bank loans drawn down		525,634	1,124,136

	Note	Year ended 31 December 2010 US$'000	2009 US$'000
Net cash generated from financing activities		93,885	522,155
Net (decrease)/increase in cash and cash equivalents		(147,669)	249,894
Cash and cash equivalents at beginning of the year		659,641	406,356
Exchange gains on cash and cash equivalents		13,084	3,391
Cash and cash equivalents at end of the year	17	525,056	659,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. 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 financial assets, financial liabilities (including derivative financial instruments) and investment properties are stated at fair value.

The consolidated financial statements as at 31 December 2010 have been prepared on a going-concern basis although the Group's consolidated current liabilities exceeded its consolidated current assets by US$1,022,977,000 and had a total capital expenditure commitment of approximately US$1,139,000,000 payable in the next 12 months. These future funding requirements can be met through the cash and bank balance of US$540,696,000 at year end date, the net proceeds of approximately US$602,149,000 from the rights issue completed in February 2011 (Note 42(b)), available bank loan facilities at year end date of US$663,657,000 (Note 20) which are maturing after 31 December 2011 and new facilities contracted subsequent to the year end date of US$360,328,000 (Note 42(a)); and the net cash flows to be generated from operating activities. The Group has also received a firm offer from a bank for a new 5-year term loan facility of US$120,000,000. All the terms of this facility have been agreed and it is expected that the bank loan agreement will be executed before end of April 2011.

Change in accounting policy

The amendment to Hong Kong Accounting Standard ("HKAS") 17 "Leases" removes the specific guidance which previously required that land element held under a lease should be classified as an operating lease. It provides new guidance which indicates that entities should use judgment to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group has made a reassessment of the existing land lease arrangements and certain "Leasehold land and land use rights" have been reclassified to "Property, plant and equipment" and the corresponding "Amortization of leasehold land and land use rights" has been reclassified to "Depreciation of property, plant and equipment" retrospectively. Comparative information has been restated to reflect this change in accounting policy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The adoption of amendment to HKAS 17 has the following impact on the consolidated financial statements due to the reclassification as aforesaid:

	As at		
	31 December 2010 US$'000	31 December 2009 US$'000	1 January 2009 US$'000
Increase in property, plant and equipment	77,511	79,450	81,388
Decrease in leasehold land and land use rights	77,511	79,450	81,388

	For the year ended	
	31 December 2010 US$'000	31 December 2009 US$'000
Increase in depreciation of property, plant and equipment	1,939	1,938
Decrease in amortization of leasehold land and land use rights	1,939	1,938

The Group has early adopted the following amended standards for financial period beginning 1 January 2008, which are relevant to the Group's operation and are mandatory for financial year ended 31 December 2010.

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

Apart from the amendment to HKAS 17, the following amendments to standards and new interpretations are relevant to the Group's operation and are mandatory for financial year ended 31 December 2010:

– HKAS 1 (Amendment)	Presentation of Financial Statements
– HKAS 36 (Amendment)	Impairment of Assets
– HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
– HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
– HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
– Improvements to HKFRSs 2009	

These amendments to standards and new interpretations had no material impact on the presentation of the Group's financial statements.

The following new standards and new interpretation are relevant to the Group's operation but are not effective for year 2010 and have not been early adopted:

– HKAS 24 (Revised)	Related Party Disclosures
– HKFRS 9	Financial Instruments
– HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
– Improvements to HKFRSs 2010	

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree 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.

Inter-company 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 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.

2.2 Consolidation (continued)

(c) 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 by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (see Note 2.8).

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 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.

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

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.

2.4 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 US 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that related 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 held 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 the 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.

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 arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

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
Furniture, fixtures and equipment	10% to $33^1/_3$%
Motor vehicles	20% to 25%
Plant and machinery	5% to 10%

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.

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.

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 companies in the consolidated 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 its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value reviewed annually 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.8 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 investments in associates. Goodwill on acquisitions of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(b) Trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences have a definite 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 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.

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

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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).

(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. The non-derivatives are stated at cost less impairment as the fair value of these unlisted financial assets cannot be reliably measured.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments (continued)

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

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

2.13 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.17 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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 Pre-operating expenditure

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Deferred income tax

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 assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

2.21 Employee benefits

(i) 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.

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

(ii) 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 further payment 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

(ii) Pension obligations (continued)

For defined benefit plans, pension costs are assessed using the project 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. Actuarial gains and losses arising from funded plans are recognized over the average remaining service lives of employees. Past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested.

2.22 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.

2.23 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 is recognized as follows:

Sales:

(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.

Other revenue:

(iv) Interest income is recognized on a time-proportion basis 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.

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

2.24 Operating leases (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 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.

2.26 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.

2.27 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. All other borrowing costs are charged to the income statement in the year in which they are incurred.

2.28 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.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognized. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognized in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Financial guarantee contracts (continued)

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment in the financial statements of the Company.

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 and price risk), credit risk, liquidity risk and interest-rate 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, Japan, Singapore, Malaysia and Thailand derive their revenues (and most of the expenses associated therewith) in local currencies. The Group's hotels are quoting room tariffs in the local currency in view of the general appreciation of the Asian currencies against US dollar. 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. Also, to the extent legally permitted, the Group's subsidiaries in Mainland China contracted for new bank loans in US dollars.

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 at the unit level mainly arises from long-term bank borrowings and shareholders' loans and the Group calculates such impact on the income statement. The Group calculates the impact on exchange fluctuation reserve of the exchange risk on consolidation arising from the translation of the net investment in foreign entities. At 31 December 2010, if US dollar and Hong Kong dollar has weakened/strengthened by 5% against all other currencies with all other variables held constant, the Group's profit attributable to the equity holders of the Company and exchange fluctuation reserve would have been increased/decreased by US$52,245,000 (2009: US$40,566,000) and US$237,066,000 (2009: US$216,845,000), respectively. 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) 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 investments in unquoted shares and not subject to price risk. The Group is not exposed to commodity price risk.

Equity security 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$1,247,000 (2009: US$1,219,000) while the Group's profit attributable to the equity holders of the Company will increase/decrease by US$1,227,000 (2009: US$1,199,000) 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) Price risk (continued)

Based on the market value of all the trading securities as at 31 December 2010, 93.9% (2009: 93.7%) of the Group's trading securities are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong stock exchange") and are valued at closing market bid prices at the date of the statement of financial position. The market equity index for the Hong Kong stock exchange, 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 2010	High/low 2010	31 December 2009	High/low 2009
Hong Kong - Hang Seng Index	23,035	24,988/ 18,971	21,873	22,944/ 11,344

(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

The Group does not have a going-concern issue although the Group's consolidated current liabilities exceeded its consolidated current assets by US$1,022,977,000 as at 31 December 2010 and have a total capital expenditure commitment of approximately US$1,139,000,000 payable in the next 12 months as these funding requirements can be met with its available resources as detailed under "Basis of preparation" (Note 2.1). In addition, the Group is also currently negotiating with certain banks for additional long term loan facilities. The Group has received favourable response from the banks. The Group does not expect any problems to meet the obligations.

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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The analysis of the Group's financial liabilities showing the contractual maturities is as follows:

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 2010				
Bank overdrafts	–	–	–	–
Bank loans	10,329	1,261,135	496,836	917,969
Interest payable for bank loans	11,683	33,237	36,103	41,936
Derivative financial instruments	5,873	17,372	17,638	2,917
Due to non-controlling shareholders	–	10,478	7,380	36,381
Accounts payable and accruals	124,113	404,032	–	–
Financial guarantee contracts	543	4,420	26,695	59,808
At 31 December 2009				
Bank overdrafts	71	–	–	–
Bank loans	227,298	41,807	1,270,972	969,581
Interest payable for bank loans	9,939	28,211	34,692	59,832
Derivative financial instruments	5,457	11,152	14,869	15,035
Due to non-controlling shareholders	–	5,178	–	44,308
Accounts payable and accruals	60,077	381,710	–	–
Financial guarantee contracts	383	1,629	34,609	37,126

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 included in the consolidated statement of financial position as at 31 December 2010 is US$36,788,000 (2009: US$35,329,000) 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 other financial liabilities and off financial statement items based on the 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 2010				
Derivative financial instruments	5,873	16,329	17,638	2,917
Financial guarantee contracts	543	1,142,316	863,988	507,451
At 31 December 2009				
Derivative financial instruments	5,457	11,152	14,869	15,035
Financial guarantee contracts	199,254	15,676	1,432,528	656,350

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) 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 borrowings and derivative financial instrument of interest-rate swap contracts.

Bank borrowings 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 Renminbi bank borrowings are fixed rate in nature and taking into account the principal amount of interest-rate swap contracts executed. As at 31 December 2010, 36% (31 December 2009: 46%) of borrowings were at fixed rates on that basis.

The Group analyzes its interest rate exposure on bank borrowings 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 scenario is run only for bank borrowings that represent the major interest bearing portion. Based on the simulation performed, the impact on income statement of a one percentage point increase would be a maximum decrease of the Group's profit attributable to the equity holders of the Company of US$21,391,000 (2009: US$18,551,000) after interest capitalization for properties under development.

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest-rate swap contracts. 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 borrowings 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, at monthly intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

The Group analyzes its interest rate exposure on interest-rate swap contracts based on the principal value and underlying terms of the contracts at year end. At 31 December 2010, if interest rate is 0.1 percentage point higher with all other variables held constant, the Group's profit attributable to the equity holders of the Company from these interest-rate swap contracts would have been increased by US$1,123,000 (2009: US$1,711,000) as a result of increase in fair value of these contracts. If interest rate is 0.1 percentage point lower, the Group's profit attributable to the equity holders of the Company would have been decreased by US$1,126,000 (2009: US$1,716,000).

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Financial risk 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 borrowings 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.

The gearing ratios at 31 December 2010 and 2009 were as follows:

	2010 US$'000	2009 US$'000
Total borrowings	2,686,269	2,509,729
Less: Cash and bank balances (*Note 17*)	(540,696)	(665,317)
Net debt	2,145,573	1,844,412
Total equity	4,990,207	4,545,297
Gearing ratio (net debt over total equity)	43.0%	40.6%

The Group's bank borrowing 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.

The Group's interest-rate swap contracts do not qualify for hedge accounting. Changes in the fair value of any contracts that do not qualify for hedge accounting are recognized immediately in the income statement.

3.4 Fair value estimation

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).

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

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.

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 judgment and estimation.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

Group	Level 1 US$'000	Level 2 US$'000	Total US$'000
Assets			
Financial assets held for trading			
– Equity securities	24,943	–	24,943
Available-for-sale financial assets			
– Club debentures	2,557	–	2,557
Total assets	27,500	–	27,500
Liabilities			
Derivative financial instruments			
– Interest-rate swap contracts	–	42,506	42,506
– Forward exchange rate contract	–	1,043	1,043
	–	43,549	43,549

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

Group	Level 1 US$'000	Level 2 US$'000	Total US$'000
Assets			
Financial assets held for trading			
– Equity securities	24,386	–	24,386
Available-for-sale financial assets			
– Club debentures	2,530	–	2,530
Total assets	26,916	–	26,916
Liabilities			
Derivative financial instruments			
– Interest-rate swap contracts	–	46,513	46,513

The nominal value less estimated credit adjustments of trade 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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.

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

The Group tests annually 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.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment 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 judgment, 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 JUDGMENTS (continued)

4.2 Critical judgments 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 judgment, the Group considers whether the property generates cash flows largely independently 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. Judgment 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 judgment.

5. SALES AND SEGMENT INFORMATION

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

Sales	2010 US$'000	2009 US$'000
Hotel operation:		
Room rentals	759,082	570,246
Food and beverage sales	639,497	515,648
Rendering of ancillary services	95,258	81,039
Hotel management and related service fees	30,707	26,282
Property rentals	50,551	36,818
	1,575,095	1,230,033

The Group is domiciled in Hong Kong. The sales revenue from external customers attributed to Hong Kong and other countries are US$243,700,000 (2009: US$203,877,000) and US$1,331,395,000 (2009: US$1,026,156,000), 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$275,260,000 (2009: US$268,630,000) and US$5,627,913,000 (2009: US$5,032,816,000), 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 operations (hotel ownership and operation)

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

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

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

iii. Hotel management (provision of hotel management and related services)

The chief operating decision-maker assesses the performance of the operating segments based on a measure of the share of profits 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 2010 and 2009 (US$ million)

	2010 Sales (Note ii)	2010 Profit/(Loss) after tax (Note i)	2009 Sales (Note ii)	2009 Profit/(Loss) after tax (Note i)
Hotel operation				
Hong Kong	221.6	47.7	185.0	33.2
Mainland China	713.2	67.6	523.5	9.1
Singapore	125.4	23.1	131.5	29.7
Malaysia	124.1	13.2	98.4	7.9
The Philippines	163.4	0.9	134.2	(6.9)
Japan	46.3	(15.8)	26.7	(22.2)
Thailand	38.6	(3.1)	31.1	(3.1)
Other countries	61.2	(5.4)	36.5	(2.8)
	1,493.8	128.2	1,166.9	44.9
Property rentals				
Mainland China	18.3	42.3	15.4	42.4
Singapore	14.0	9.8	12.5	8.8
Malaysia	6.7	1.8	5.8	1.7
Other countries	11.6	5.1	3.1	0.2
	50.6	59.0	36.8	53.1
Hotel management	89.4	16.4	72.8	6.6
Total	1,633.8	203.6	1,276.5	104.6
Less: Hotel management – Inter-segment sales	(58.7)		(46.5)	
Total external sales	1,575.1		1,230.0	
Corporate finance costs (net)		(9.0)		(4.9)
Land cost amortization and pre-opening expenses for projects		(31.0)		(33.6)
Corporate expenses		(16.6)		(15.0)
Exchange (losses)/gains of corporate investment holding companies		(2.6)		3.6
Profit before non-operating items		144.4		54.7

5. SALES AND SEGMENT INFORMATION (continued)

Segment income statement (continued)

For year ended 31 December 2010 and 2009 (US$ million)

	2010 Profit/(Loss) after tax (Note i)	2009 Profit/(Loss) after tax (Note i)
Profit before non-operating items	144.4	54.7
Non-operating items		
Fair value gains on investment properties	176.4	271.3
Net unrealized gains on financial assets held for trading	0.6	11.0
Fair value losses on interest-rate swap contracts	(21.6)	(11.5)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	(1.9)	(4.2)
Provision for impairment losses on projects and hotel properties	(5.3)	(64.5)
Provision for taxation relating to a rationalization of the ownership structure of properties in Mainland China	(2.0)	(5.0)
Deferred tax credit arising from fixed assets transfer between an associate and its subsidiary	4.1	–
Discarding of fixed assets due to major renovation of a resort	(7.6)	–
Penalty on relinquishment of rights to acquire land use rights of project sites	–	(0.5)
Provision for impairment losses on properties for sale	–	(7.2)
Reversal of provision for deferred tax due to reduction in income tax rate in the Philippines, Singapore and Fiji	–	11.4
Total non-operating items	142.7	200.8
Profit attributable to equity holders of the Company	287.1	255.5

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 2010 and 2009 (US$ million)

The Group's share of profit of associates (before non-operating items) by operating segments are analyzed as follows:

	2010 Share of profit of associates	2009 Share of profit/(loss) of associates
Hotel operation		
Hong Kong	0.2	(0.2)
Mainland China	8.2	2.9
Singapore	3.8	2.0
Malaysia	1.1	2.2
The Philippines	0.7	0.3
Other countries	1.2	0.6
	15.2	7.8
Property rentals		
Mainland China	40.0	41.1
Singapore	4.4	3.5
	44.4	44.6
Total	59.6	52.4

The amount of depreciation and amortization and income tax expense before share of non-controlling interests included in the results of operating segments contributed by subsidiaries are analyzed as follows:

	2010		2009	
	Depreciation and amortization	Income tax expense/ (credit)	Depreciation and amortization	Income tax expense/ (credit)
Hotel operation				
Hong Kong	15.1	11.0	14.8	7.9
Mainland China	124.3	24.1	110.8	12.7
Singapore	11.8	1.7	12.5	6.4
Malaysia	16.8	2.5	13.8	0.9
The Philippines	33.1	4.2	30.1	8.3
Japan	3.7	–	5.4	–
Thailand	17.2	(2.8)	13.1	(2.3)
Other countries	16.6	0.5	7.8	0.3
	238.6	41.2	208.3	34.2
Property rentals				
Mainland China	–	3.3	–	3.1
Singapore	–	1.2	–	1.1
Malaysia	–	1.1	–	1.1
Other countries	–	2.1	–	0.4
	–	7.7	–	5.7
Hotel management	2.0	4.2	2.4	3.0
Total	240.6	53.1	210.7	42.9

5. SALES AND SEGMENT INFORMATION (continued)

Segment assets

As at 31 December 2010 and 2009 (US$ million)

	As at 31 December	
	2010	2009
Hotel operation		
Hong Kong	229.1	211.0
Mainland China	2,289.8	2,160.1
Singapore	553.9	480.4
Malaysia	373.4	355.4
The Philippines	572.6	572.9
Japan	42.1	41.9
Thailand	251.4	233.4
Other countries	738.1	288.8
	5,050.4	4,343.9
Property rentals		
Mainland China	277.9	235.7
Singapore	415.1	353.9
Malaysia	88.1	81.4
Other countries	69.9	44.8
	851.0	715.8
Hotel management	73.1	43.5
Elimination	(18.8)	(14.4)
Total segment assets	5,955.7	5,088.8

	As at 31 December	
	2010	2009
Assets allocated to projects	600.0	700.6
Unallocated assets	90.2	340.5
Intangible assets	92.9	94.4
Total assets of the Company and its subsidiaries	6,738.8	6,224.3
Interest in associates	1,799.8	1,590.4
Total assets	8,538.6	7,814.7

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

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables US$'000	Assets at fair value through income statement US$'000	Available-for-sale assets US$'000	Total US$'000
Assets as per consolidated statement of financial position				
31 December 2010				
Available-for-sale financial assets (*Note 13*)	–	–	4,931	4,931
Other receivables (*Note 14*)	18,955	–	–	18,955
Accounts receivable (*Note 15*)	113,152	–	–	113,152
Due from associates (*Note 12*)	92,960	–	–	92,960
Financial assets held for trading (*Note 16*)	–	24,943	–	24,943
Cash and bank balances (*Note 17*)	540,696	–	–	540,696
Total	765,763	24,943	4,931	795,637
31 December 2009				
Available-for-sale financial assets (*Note 13*)	–	–	4,681	4,681
Other receivables (*Note 14*)	21,802	–	–	21,802
Accounts receivable (*Note 15*)	99,569	–	–	99,569
Due from associates (*Note 12*)	102,128	–	–	102,128
Financial assets held for trading (*Note 16*)	–	24,386	–	24,386
Cash and bank balances (*Note 17*)	665,317	–	–	665,317
Total	888,816	24,386	4,681	917,883

	Liabilities at fair value through income statement US$'000	Derivatives not qualifying for hedge accounting US$'000	Other financial liabilities US$'000	Total US$'000
Liabilities as per consolidated statement of financial position				
31 December 2010				
Bank loans and overdrafts (*Note 20*)	–	–	2,686,269	2,686,269
Derivative financial instruments (*Note 21*)	–	43,549	–	43,549
Due to non-controlling shareholders (*Note 22*)	47,266	–	–	47,266
Accounts payable and accruals (*Note 24*)	–	–	528,145	528,145
Total	47,266	43,549	3,214,414	3,305,229
31 December 2009				
Bank loans and overdrafts (*Note 20*)	–	–	2,509,729	2,509,729
Derivative financial instruments (*Note 21*)	–	46,513	–	46,513
Due to non-controlling shareholders (*Note 22*)	40,507	–	–	40,507
Accounts payable and accruals (*Note 24*)	–	–	441,787	441,787
Total	40,507	46,513	2,951,516	3,038,536

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 2010			
Amount due from subsidiaries (*Note 11*)	98,598	–	98,598
Club debentures (*Note 13*)	–	840	840
Dividend receivable	364,402	–	364,402
Cash and bank balances (*Note 17*)	3,887	–	3,887
Total	466,887	840	467,727
31 December 2009			
Amount due from subsidiaries (*Note 11*)	106,174	–	106,174
Club debentures (*Note 13*)	–	840	840
Dividend receivable	326,329	–	326,329
Cash and bank balances (*Note 17*)	152,045	–	152,045
Total	584,548	840	585,388

	Derivatives not qualifying for hedge accounting US$'000	Other financial liabilities US$'000	Total US$'000
Liabilities as per statement of financial position			
31 December 2010			
Derivative financial instruments (*Note 21*)	42,506	–	42,506
Amounts due to subsidiaries	–	105,834	105,834
Total	42,506	105,834	148,340
31 December 2009			
Derivative financial instruments (*Note 21*)	46,513	–	46,513
Amounts due to subsidiaries	–	59,933	59,933
Total	46,513	59,933	106,446

7. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings US$'000 (Restated)	Vehicles & machinery US$'000	Furniture, fixtures & equipment US$'000	Properties under development US$'000	Total US$'000 (Restated)
At 1 January 2009					
Cost	3,585,154	262,894	678,415	817,510	5,343,973
Accumulated depreciation	(926,221)	(130,990)	(416,050)	–	(1,473,261)
Net book amount	2,658,933	131,904	262,365	817,510	3,870,712
Year ended 31 December 2009					
Opening net book amount, as restated	2,658,933	131,904	262,365	817,510	3,870,712
Exchange differences	47,701	815	1,883	7,705	58,104
Additions	75,578	24,792	54,343	344,045	498,758
Acquisition of a subsidiary	–	25	27	588	640
Disposals	(5,275)	(430)	(3,327)	(4,884)	(13,916)
Transfer	463,355	107,905	96,394	(667,654)	–
Transfer to investment properties (*Note 8*)	–	–	–	(85,728)	(85,728)
Provision for impairment loss	(25,559)	(220)	(9,221)	–	(35,000)
Transfer to properties for sale	–	–	–	(35,444)	(35,444)
Depreciation	(86,828)	(30,250)	(85,414)	–	(202,492)
Closing net book amount	3,127,905	234,541	317,050	376,138	4,055,634
At 31 December 2009					
Cost	4,150,006	388,951	800,981	376,138	5,716,076
Accumulated depreciation	(1,022,101)	(154,410)	(483,931)	–	(1,660,442)
Net book amount, as restated	3,127,905	234,541	317,050	376,138	4,055,634

	Land and buildings US$'000	Vehicles & machinery US$'000	Furniture, fixtures & equipment US$'000	Properties under development US$'000	Total US$'000
Year ended 31 December 2010					
Opening net book amount, as restated	3,127,905	234,541	317,050	376,138	4,055,634
Exchange differences	120,999	8,800	11,059	(11,022)	129,836
Additions	125,252	9,093	51,715	268,560	454,620
Disposals	(8,847)	(383)	(3,397)	–	(12,627)
Transfer	264,880	79,540	75,019	(419,439)	–
Provision for impairment loss	–	–	–	(1,834)	(1,834)
Depreciation	(96,917)	(39,579)	(95,039)	–	(231,535)
Closing net book amount	3,533,272	292,012	356,407	212,403	4,394,094
At 31 December 2010					
Cost	4,681,440	493,255	923,167	212,403	6,310,265
Accumulated depreciation	(1,148,168)	(201,243)	(566,760)	–	(1,916,171)
Net book amount	3,533,272	292,012	356,407	212,403	4,394,094

(a) All depreciation expenses (net of amount capitalized of US$94,000 in 2010 (2009: US$298,000)) have been included as part of the other operating expenses.

(b) For year 2010, bank borrowings of US$97,323,000 (2009: US$55,997,000) are secured on certain fixed assets as disclosed under Note 36(c).

(c) Buildings comprise mainly hotel properties. Details of the hotel properties of the Company's subsidiaries are summarized in Note 40(a).

(d) Land comprise freehold land and certain leasehold land and land use rights reclassified to "Property, plant and equipment" upon the adoption of amendment to HKAS 17 in 2010 as mentioned in Note 2.1.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

(e) Properties under development include construction work in progress in respect of the renovation of certain hotel properties.

Details of movements in property, plant and equipment of the Company are as follows:

	Furniture, fixtures & equipment US$'000	Motor vehicles US$'000	Total US$'000
At 1 January 2009			
Cost	994	221	1,215
Accumulated depreciation	(879)	(221)	(1,100)
Net book amount	115	–	115
Year ended 31 December 2009			
Opening net book amount	115	–	115
Additions	101	–	101
Depreciation	(61)	–	(61)
Disposal	(7)	–	(7)
Closing net book amount	148	–	148
At 31 December 2009			
Cost	1,088	221	1,309
Accumulated depreciation	(940)	(221)	(1,161)
Net book amount	148	–	148
Year ended 31 December 2010			
Opening net book amount	148	–	148
Additions	1,445	–	1,445
Depreciation	(99)	–	(99)
Disposal	(1)	–	(1)
Closing net book amount	1,493	–	1,493
At 31 December 2010			
Cost	2,532	221	2,753
Accumulated depreciation	(1,039)	(221)	(1,260)
Net book amount	1,493	–	1,493

8. INVESTMENT PROPERTIES

	2010 US$'000	2009 US$'000
At 1 January	675,634	524,309
Exchange differences	46,677	24,336
Additions	9,998	6,091
Derecognition cost for replaced part	(235)	–
Transfer from property, plant and equipment *(Note 7)*	–	85,728
Transfer from leasehold land and land use rights *(Note 9)*	–	6,040
Fair value gains *(Note 26)*	61,955	29,130
At 31 December	794,029	675,634

(a) The investment properties were revalued at 31 December 2010 by independent professionally qualified valuers on the basis of their market value as a fully operational entity for existing use.

(b) The fair values of investment properties comprised:

	2010 US$'000	2009 US$'000
Outside Hong Kong, held on:		
Freehold	488,210	420,947
Leases of over 50 years	58,500	37,200
Leases of between 10 to 50 years	247,319	217,487
	794,029	675,634

(c) Details of investment properties of the Company's subsidiaries are summarized in Note 41(a).

9. LEASEHOLD LAND AND LAND USE RIGHTS

	2010 US$'000	2009 US$'000 (Restated)
At 1 January		
Cost as restated	531,549	506,437
Accumulated amortization	(77,623)	(67,031)
Net book amount	453,926	439,406
Opening net book amount	453,926	439,406
Exchange differences	13,503	1,842
Additions	151,535	33,177
Acquisition of a subsidiary	–	6,070
Transfer to investment properties *(Note 8)*	–	(6,040)
Amortization of prepaid operating lease payment	(11,756)	(10,432)
Leasehold land returned	–	(10,097)
Provision for impairment loss	(4,000)	–
Closing net book value	603,208	453,926
At 31 December		
Cost	693,970	531,549
Accumulated amortization	(90,762)	(77,623)
Net book amount	603,208	453,926

All amortization expenses in 2010 and 2009 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:

	2010 US$'000	2009 US$'000 (Restated)	2008 US$'000 (Restated)
Outside Hong Kong, held on:			
Leases of over 50 years	86,102	84,403	85,452
Leases of between 10 to 50 years	517,106	369,523	353,954
	603,208	453,926	439,406

10. INTANGIBLE ASSETS

	Goodwill US$'000	Trademark & licences US$'000	Website development US$'000	Total US$'000
At 1 January 2009				
Cost	85,296	10,958	2,030	98,284
Accumulated amortization	–	(1,761)	(1,071)	(2,832)
Net book amount	85,296	9,197	959	95,452
Year ended 31 December 2009				
Opening net book amount	85,296	9,197	959	95,452
Exchange difference	222	–	–	222
Amortization expenses	–	(548)	(676)	(1,224)
Closing net book amount	85,518	8,649	283	94,450
At 31 December 2009				
Cost	85,518	10,958	2,030	98,506
Accumulated amortization	–	(2,309)	(1,747)	(4,056)
Net book amount	85,518	8,649	283	94,450
Year ended 31 December 2010				
Opening net book amount	85,518	8,649	283	94,450
Exchange difference	(733)	–	–	(733)
Amortization expenses	–	(547)	(283)	(830)
Closing net book amount	84,785	8,102	–	92,887
At 31 December 2010				
Cost	84,785	10,958	2,030	97,773
Accumulated amortization	–	(2,856)	(2,030)	(4,886)
Net book amount	84,785	8,102	–	92,887

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 from 2012 and 5% discount rate have 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 SUBSIDIARIES

(a) Investment in subsidiaries

	2010 US$'000	2009 US$'000
Company		
Investments, at cost		
Unlisted shares	1,723,379	1,711,540
Equity loans	1,500,086	1,358,976
	3,223,465	3,070,516

Equity loans are unsecured, interest-free with no fixed repayment terms.

(b) Amounts due from subsidiaries – unsecured

	2010 US$'000	2009 US$'000
Current – interest free and repayable on demand	98,598	106,174

(c) Amounts due to subsidiaries as at 31 December 2010 and 2009 are unsecured, interest-free and repayable on demand.

(d) Details of principal subsidiaries are set out in Note 39(a).

12. INTEREST IN ASSOCIATES AND DUE FROM ASSOCIATES

	2010 US$'000	2009 US$'000
Interest in associates		
At 1 January	1,374,037	1,056,051
Share of profit of associates (*Note 30*)		
– profit before taxation	235,781	365,714
– taxation	(55,827)	(95,119)
	179,954	270,595
Exchange difference	50,133	5,555
Capital contribution to associates	20,333	52,084
Dividend declared by associates	(36,602)	(37,045)
Acquisition of associates	–	26,797
Investment in associates under equity method	1,587,855	1,374,037
Equity loans (*Note (a)*)	151,513	148,446
Other long term shareholder loans (*Note (b)*)	60,430	67,914
	1,799,798	1,590,397
Due from associates (*Note (c)*)	32,530	34,214

12. INTEREST IN ASSOCIATES AND DUE FROM ASSOCIATES (continued)

Notes:

(a) Equity loans are unsecured, interest-free and with no fixed repayment terms.

(b) Other long term shareholder loans are interest bearing at:

	2010 US$'000	2009 US$'000
– HIBOR plus 2% per annum (in Hong Kong dollars)	29,210	29,193
– SIBOR plus 1% per annum (in United States dollars)	9,735	9,735
– SIBOR plus 0.2% per annum (in United States dollars)	–	6,825
– Cost of funds plus 0.45% per annum (in United States dollars)	4,575	–
– SWAP cost plus 0.5% per annum (in Singapore dollars)	16,910	22,161
	60,430	67,914

Other long term shareholder loans are unsecured and not repayable within twelve months including a loan to an associate of US$29,210,000 (2009: US$29,193,000) which will be wholly repayable by 31 December 2015. The fair values of other long term shareholder loans are not materially different from their carrying amounts.

(c) Due from associates are unsecured, interest-free and repayable within one year.

(d) The maximum exposure to credit risk at the reporting date is the fair value of the long term shareholder loans of US$60,430,000 (2009: US$67,914,000) and amount due from associates of US$32,530,000 (2009: US$34,214,000).

(e) The Group's interests in its associates, all of which are unlisted, pursuant to HKAS 28 "Investments in Associates", after making appropriate adjustments to conform with the Group's accounting policies, were as follows:

Name	Paid up capital US$'000	Country of incorporation	Assets US$'000	Liabilities US$'000	Revenues US$'000	Profit US$'000	% interest held
2010							
China World Trade Center Ltd.	240,000	The People's Republic of China	1,664,749	802,984	116,346	110,395	50
Others	–	–	1,312,682	374,649	143,465	69,559	–
			2,977,431	1,177,633	259,811	179,954	
2009							
China World Trade Center Ltd.	240,000	The People's Republic of China	1,439,909	692,557	99,433	203,451	50
Others	–	–	1,089,820	246,775	123,805	67,144	–
			2,529,729	939,332	223,238	270,595	

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Equity securities:				
Overseas unlisted shares,				
at cost	1,916	1,916	–	–
– Exchange differences	458	235	–	–
	2,374	2,151	–	–
Club debentures,				
at fair value	2,557	2,530	840	840
	4,931	4,681	840	840

There were no disposals on available-for-sale financial assets in 2010 and 2009.

The maximum exposure to credit risk at the reporting date is the fair value of the club debentures mentioned above.

14. OTHER RECEIVABLES

	2010	2009
	US$'000	US$'000
Loans to a managed hotel	–	5,181
Security deposit on leased premises	18,955	16,621
	18,955	21,802

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US$21,516,000) (31 December 2009: JPY1,751,000,000 (equivalent to US$18,979,000)) 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.

14. OTHER RECEIVABLES (continued)

Loans to a managed hotel with principal balance of A$6,000,000 (equivalent to US$5,634,000) as at 31 December 2009 were granted to a managed hotel in Australia owned by an independent third party under the provision of the hotel management agreement. The loans are secured by a second mortgage over that hotel property and wholly repayable by 2012 according to a fixed repayment schedule. These loans are interest-free except for a fixed amount of A$2,000,000 (equivalent to US$1,972,000) (2009: A$2,000,000 (equivalent to US$1,878,000)) which is interest bearing at LIBOR plus 1% per annum. The effective interest rate applied to calculate the fair value upon initial recognition of the interest-free portion is 5.74% per annum. The principal balance of the loan of A$6,000,000 (equivalent to US$5,917,000) was reclassified as prepayment and deposit under current assets as at 31 December 2010 following the execution of a transfer deed in November 2010. Pursuant to the transfer deed, the hotel in Australia will be transferred by its owner to a new joint venture in which the Group will have 55% equity interest. The Group's share of the investment cost in the joint venture of A$8,250,000 (equivalent to US$8,136,000) will be partly satisfied by the conversion of such loan balance.

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

	2010 US$'000	2009 US$'000
Trade receivables	68,836	57,185
Less: provision for impairment of receivables	(800)	(770)
Trade receivables – net	68,036	56,415
Deposits for land bids	10,469	–
Prepayments and other deposits	38,947	29,255
Other receivables	45,116	43,154
Current portion	162,568	128,824

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.

15. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (continued)

(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:

	2010 US$'000	2009 US$'000
0 – 3 months	63,618	53,111
4 – 6 months	1,779	2,020
Over 6 months	2,639	1,284
	68,036	56,415

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2010, trade receivables of US$27,867,000 (2009: US$26,449,000) 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:

	2010 US$'000	2009 US$'000
Up to 3 months	24,647	23,616
4 – 6 months	1,779	1,835
Over 6 months	1,441	998
	27,867	26,449

As of 31 December 2010, trade receivables of US$800,000 (2009: US$770,000) were considered impaired. These receivables were all overdue for more than three months.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2010 US$'000	2009 US$'000
Hong Kong dollars	20,717	13,249
United States dollars	8,158	4,721
Renminbi	25,701	30,063
Singapore dollars	10,164	9,498
Malaysian Ringgit	6,901	7,016
Thai Baht	3,828	4,226
Philippines Pesos	13,086	12,727
Japanese Yen	3,703	2,831
Euros	6,347	6,351
Other currencies	14,547	8,887
	113,152	99,569

15. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (continued)

(b) (continued)

Movements on the Group's provision for impairment of trade receivables are as follows:

	2010 US$'000	2009 US$'000
At 1 January	770	547
Exchange differences	41	(22)
Provision for receivables impairment	656	648
Receivables written off during the year as uncollectible	(349)	(91)
Unused amounts reversed	(318)	(312)
At 31 December	800	770

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the 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

	2010 US$'000	2009 US$'000
Equity securities, at market value		
Shares listed in Hong Kong	23,430	22,851
Shares listed outside Hong Kong	1,513	1,535
	24,943	24,386

17. CASH AND BANK BALANCES

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Cash at bank and in hand	284,837	294,504	3,887	10,110
Short-term bank deposits	255,859	370,813	–	141,935
Cash and bank balances	540,696	665,317	3,887	152,045
Maximum exposure to credit risk for all balances at bank	535,665	659,988	3,887	152,045

17. CASH AND BANK BALANCES (continued)

The effective interest rate on short-term bank deposits was 1.7% (2009: 0.8%); these deposits have an average maturity of 2.1 months (2009: 1.9 months).

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	Group	
	2010 US$'000	2009 US$'000
Cash and bank balances (as above)	540,696	665,317
Less: Bank overdrafts (*Note 20*)	–	(71)
Short-term bank deposits more than 3 months maturity	(15,640)	(5,605)
Cash and cash equivalents	525,056	659,641

18. SHARE CAPITAL

		Amount		
	No. of shares ('000)	Ordinary shares US$'000	Share premium US$'000	Total US$'000
Authorized				
– Ordinary shares of HK$1 each				
At 31 December 2009 and 31 December 2010	5,000,000	646,496	–	646,496
Issued and fully paid				
– Ordinary shares of HK$1 each				
At 1 January 2009	2,885,363	372,561	1,568,436	1,940,997
Exercise of share options				
– allotment of shares	1,616	209	1,888	2,097
– transfer from option reserve	–	–	354	354
At 31 December 2009 and 1 January 2010	2,886,979	372,770	1,570,678	1,943,448
Exercise of share options				
– allotment of shares	1,698	219	2,368	2,587
– transfer from option reserve	–	–	622	622
At 31 December 2010	2,888,677	372,989	1,573,668	1,946,657

18. SHARE CAPITAL (continued)

On 1 July 2008, the Group adjusted 10,867,055 ordinary shares in the Company with a carrying value of US$25,520,000 to equity in accordance with the Group's accounting policies. Such shares were held by a wholly owned subsidiary of Shangri-La Hotel Public Company Limited ("SHPCL") before the Company acquired a controlling interest in SHPCL in late 1999. During the year, the subsidiary disposed of 50,000 ordinary shares in the Company for a net cash consideration of approximately US$132,000 on The Stock Exchange of Hong Kong Limited. The amount was credited to the equity. As at 31 December 2010, 10,817,055 ordinary shares in the Company were still held by the subsidiary.

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

	Number of option shares issued						
	At HK$8.26 per option share	At HK$8.82 per option share	At HK$8.18 per option share	At HK$6.81 per option share	At HK$11.60 per option share	At HK$14.60 per option share	Total consideration US$'000
In year 2010							
January	–	276,195	–	–	–	–	314
April	–	–	–	–	35,000	–	52
May	–	–	–	–	100,000	2,000	154
July	–	–	–	–	100,000	–	150
August	–	–	–	50,000	40,000	140,000	367
September	–	–	–	–	40,000	20,000	97
October	–	–	–	–	50,000	35,000	141
November	–	–	–	–	185,000	166,000	589
December	–	–	67,921	–	220,000	171,000	723
For the year ended 31 December 2010	–	276,195	67,921	50,000	770,000	534,000	2,587
In year 2009							
April	–	53,528	–	120,000	–	–	167
June	–	–	–	–	300,000	–	449
September	–	290,733	–	–	–	2,000	335
October	–	–	–	–	226,000	62,000	455
November	–	–	–	–	289,000	–	433
December	–	72,683	–	200,000	–	–	258
For the year ended 31 December 2009	–	416,944	–	320,000	815,000	64,000	2,097

18. SHARE CAPITAL (continued)

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$17.86 (2009: HK$14.12).

Share options

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

The Company has two share option schemes: the Executive Option Scheme and the New Option Scheme.

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

	For the year ended 31 December 2010		For the year ended 31 December 2009	
	Average exercise price in HK$ per option share	Number of option shares	Average exercise price in HK$ per option share	Number of option shares
At 1 January	12.48	13,769,466	12.20	16,005,410
Exercised	11.81	(1,698,116)	10.05	(1,615,944)
Lapsed	12.64	(813,850)	11.50	(620,000)
At 31 December	12.57	11,257,500	12.48	13,769,466

Outstanding option shares at the end of the year are as follows:

Last exercisable date	Exercise price in HK$ per option share	Number of option shares as at 31 December 2010	31 December 2009
Executive Option Scheme			
14 January 2010	8.82	–	497,545
14 January 2011	8.18	–	67,921
		–	565,466
New Option Scheme			
31 December 2009	11.60	–	55,000
31 December 2009	14.60	–	277,500
1 September 2010	11.60	–	100,000
1 September 2010	14.60	–	40,000
31 December 2010	14.60	–	100,000
31 December 2011	11.60	30,000	–
31 December 2011	14.60	15,000	–
28 May 2012	6.81	490,000	540,000
27 April 2015	11.60	6,312,000	7,062,000
15 June 2016	14.60	4,410,500	5,029,500
		11,257,500	13,204,000

There was no option granted during the year ended 31 December 2010.

Options on 100,000 shares, 537,000 shares and 229,000 shares with exercise price of HK$6.81, HK$11.60 and HK$14.60 per share, respectively have been exercised subsequent to 31 December 2010 and up to the approval date of the financial statements. No options have lapsed subsequent to 31 December 2010 and up to the approval date of the financial statements.

19. OTHER RESERVES

	Option US$'000	Capital redemption US$'000	Exchange fluctuation US$'000	Capital US$'000	Other US$'000 *(Note (a))*	Contributed surplus US$'000 *(Note (b))*	Total US$'000
Group							
Balance at 1 January 2009	6,845	10,666	324,811	601,490	1,368	389,741	1,334,921
Currency translation differences	–	–	77,757	–	–	–	77,757
Exercise of share options							
– transfer to share premium	(354)	–	–	–	–	–	(354)
Balance at 31 December 2009 and 1 January 2010	6,491	10,666	402,568	601,490	1,368	389,741	1,412,324
Currency translation differences	–	–	182,055	–	–	–	182,055
Exercise of share options							
– transfer to share premium	(622)	–	–	–	–	–	(622)
Balance at 31 December 2010	5,869	10,666	584,623	601,490	1,368	389,741	1,593,757
Company							
Balance at 1 January 2009	6,845	10,666	–	–	–	1,524,231	1,541,742
Exercise of share options							
– transfer to share premium	(354)	–	–	–	–	–	(354)
Balance at 31 December 2009 and 1 January 2010	6,491	10,666	–	–	–	1,524,231	1,541,388
Exercise of share options							
– transfer to share premium	(622)	–	–	–	–	–	(622)
Balance at 31 December 2010	5,869	10,666	–	–	–	1,524,231	1,540,766

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 2010, the Group's distributable reserves comprised:

	2010 US$'000	2009 US$'000
The Company		
Distributable retained earnings	55,803	65,214
Contributed surplus	1,524,231	1,524,231
	1,580,034	1,589,445
Subsidiaries *(Notes (i) and (ii))*		
Distributable retained earnings	1,208,379	1,041,653
Associates *(Notes (i) and (ii))*		
Distributable retained earnings	116,477	162,617

Notes:

(i) The distributable retained earnings of subsidiaries and associates are the corresponding share of retained earnings which are distributable as shown in the statutory financial statements of those companies after deducting appropriate withholding tax.

(ii) There are differences between the retained earnings included in the Group financial statements of certain subsidiaries and associates, and those in their statutory financial statements, as the former have been adjusted for the purpose of complying with the Group's accounting policies.

20. BANK LOANS AND OVERDRAFTS

	Group	
	2010 US$'000	2009 US$'000
Overdrafts – unsecured *(Note 17)*	–	71
Bank loans – secured *(Note 36(c))*	97,323	107,726
Bank loans – unsecured	2,588,946	2,401,932
	2,686,269	2,509,729

The maturity of bank loans and overdrafts is as follows:

	2010 US$'000	2009 US$'000
Within 1 year	1,271,464	269,176
Between 1 and 2 years	496,836	1,270,972
Between 2 and 5 years	889,241	908,798
Wholly repayable within 5 years	2,657,541	2,448,946
Over 5 years	28,728	60,783
	2,686,269	2,509,729

20. BANK LOANS AND OVERDRAFTS (continued)

The effective interest rates at the date of the statement of financial position were as follows:

	31 December 2010								
	HK$	RMB	MYR	US$	JPY	Pesos	Euros	Baht	SGD
Bank overdrafts	–	–	–	–	–	–	–	–	–
Bank borrowings	0.81%	5.39%	3.71%	0.92%	1.03%	4.96%	1.51%	4.05%	1.46%

	31 December 2009							
	HK$	RMB	MYR	US$	JPY	Pesos	Euros	Baht
Bank overdrafts	–	–	6.1%	–	–	–	–	–
Bank borrowings	0.47%	5.32%	3.03%	0.86%	1.09%	4.85%	0.88%	3.93%

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

	2010 US$'000	2009 US$'000
Hong Kong dollars	1,182,840	1,069,545
Renminbi	419,832	435,135
Malaysian Ringgit	28,920	50,540
United States dollars	667,960	677,960
Singapore dollars	41,628	–
Japanese Yen	73,728	65,034
Philippines Pesos	64,718	61,301
Euros	200,027	144,217
Thai Baht	6,616	5,997
	2,686,269	2,509,729

The Group has the following undrawn borrowing facilities:

	2010 US$'000	2009 US$'000
Floating rate		
– expiring within one year	155,984	141,648
– expiring beyond one year	637,989	320,015
Fixed rate		
– expiring within one year	–	4,833
– expiring beyond one year	25,668	–
	819,641	466,496

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Non-current liabilities				
Interest-rate swap contracts				
– non hedging	20,304	44,773	20,304	44,773
Current liabilities				
Interest-rate swap contracts				
– non hedging	22,202	1,740	22,202	1,740
Forward exchange rate contract				
– non hedging	1,043	–	–	–
	23,245	1,740	22,202	1,740

The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 31 December 2010 were HK$3,460,000,000 and US$100,000,000, respectively (31 December 2009: HK$4,760,000,000 and US$100,000,000 respectively). The fixed interest rates vary from 4.28% to 4.70% per annum (31 December 2009: 4.28% to 4.70% per annum).

As at 31 December 2010, a non wholly owned subsidiary had an outstanding short term forward exchange contract of US$10,000,000 between Thai Baht and United States dollars at forward exchange rate of US$1 to Baht 33.555 maturing June 2011.

22. NON-CONTROLLING INTERESTS AND BALANCES WITH NON-CONTROLLING SHAREHOLDERS

	2010 US$'000	2009 US$'000
Non-controlling interests		
Share of equity	316,611	279,846
Equity loans *(Note (a))*	35,737	35,946
	352,348	315,792

Notes:

(a) Equity loans are unsecured, with no fixed repayment terms and bearing interest at:

	2010 US$'000	2009 US$'000
– LIBOR per annum	10,787	10,493
– Interest-free	24,950	25,453
	35,737	35,946

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

	2010 US$'000	2009 US$'000
– LIBOR plus 2.5% per annum and wholly repayable on 30 June 2015	–	772
– LIBOR plus 1% per annum and wholly repayable on 20 April 2012	7,380	7,380
– LIBOR plus 1% per annum and wholly repayable on 2 December 2014	5,500	1,667
– Interest-free and not payable within 12 months	23,908	25,510
	36,788	35,329

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% (2009: 4.1%) per annum.

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

	2010 US$'000	2009 US$'000
– Interest-free with no fixed repayment terms	10,478	5,178

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

23. 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% (2009: 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	
	2010	2009
	US$'000	US$'000
At 1 January	214,775	218,927
Exchange differences	4,767	3,383
Deferred taxation charged/(credited) to income statement *(Note 31)*	3,279	(7,535)
At 31 December	222,821	214,775

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 2010, the Group had the following unrecognized tax losses to carry forward against future taxable income:

	Group	
	2010	2009
	US$'000	US$'000
With no expiry date	17,029	14,002
Lapsed within the next five years	59,835	81,603
Lapsed within the next seven years	34,234	28,897
	111,098	124,502

23. DEFERRED INCOME TAX (continued)

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	
	2010	2009	2010	2009	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January	172,187	185,223	14,804	8,735	34,038	31,122	221,029	225,080
Charged/(credited) to income statement	(1,678)	(15,691)	6,357	5,137	8,134	2,985	12,813	(7,569)
Exchange differences	4,418	2,655	505	932	545	(69)	5,468	3,518
At 31 December	174,927	172,187	21,666	14,804	42,717	34,038	239,310	221,029

Deferred income tax assets	Provision of assets		Tax losses		Others		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January	(2,373)	(2,019)	(241)	(613)	(3,640)	(3,521)	(6,254)	(6,153)
Charged/(credited) to income statement	(548)	(346)	(4,820)	376	(4,166)	4	(9,534)	34
Exchange differences	(85)	(8)	(100)	(4)	(516)	(123)	(701)	(135)
At 31 December	(3,006)	(2,373)	(5,161)	(241)	(8,322)	(3,640)	(16,489)	(6,254)

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.

23. DEFERRED INCOME TAX (continued)

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.

	2010 US$'000	2009 US$'000
Deferred income tax assets	(2,861)	(1,262)
Deferred income tax liabilities	225,682	216,037
	222,821	214,775

24. ACCOUNTS PAYABLE AND ACCRUALS

	2010 US$'000	2009 US$'000
Trade payables	80,537	65,315
Construction cost payable, payable for land use rights and accrued expenses	447,608	376,472
	528,145	441,787

At 31 December 2010, the ageing analysis of the trade payables is as follows:

	2010 US$'000	2009 US$'000
0 – 3 months	73,123	60,077
4 – 6 months	4,476	2,450
Over 6 months	2,938	2,788
	80,537	65,315

25. EXPENSES BY NATURE

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

	2010 US$'000	2009 US$'000 (Restated)
Depreciation of property, plant and equipment (net of amount capitalized of US$94,000 (2009: US$298,000)) (*Note 7*)	231,441	202,194
Amortization of leasehold land and land use rights (*Note 9*)	11,756	10,432
Amortization of trademark and website development (*Note 10*)	830	1,224
Employee benefit expenses excluding directors' emoluments (net of amount capitalized and amount grouped under pre-opening expenses) (*Note 27*)	443,246	367,036
Cost of inventories sold or consumed in operation	221,077	177,503
Loss on disposal of property, plant and equipment and partial replacement of investment properties	1,949	1,958
Discarding of property, plant and equipment due to renovation of hotels and a resort	9,158	2,014
Operating lease expenses	28,117	23,221
Pre-opening expenses	14,446	27,178
Auditors' remuneration	1,294	1,184

26. OTHER GAINS/(LOSSES) – NET

	2010 US$'000	2009 US$'000
Fair value gains on investment properties *(Note 8)*	61,955	29,130
Provision for impairment losses on properties for sale	–	(7,258)
Net unrealized gains on financial assets held for trading	557	11,060
Fair value losses on derivative financial instruments – interest-rate swap contracts	(21,599)	(11,460)
Fair value adjustment on security deposit on leased premises	–	(2,424)
Provision for impairment losses on leasehold land, properties under development and hotel properties	(5,834)	(39,257)
Provision for taxation relating to a rationalization of the ownership structure of properties in Mainland China	(2,000)	(5,000)
Penalty on relinquishment of rights to acquire land use rights of project sites	–	(461)
Non-operating items	33,079	(25,670)
Interest income	6,880	4,207
Dividend income	817	424
Others	140	261
	40,916	(20,778)

27. EMPLOYEE BENEFIT EXPENSES

(excluding directors' emoluments)

	2010 US$'000	2009 US$'000
Wages and salaries (including unutilized annual leave)	338,958	273,011
Pension costs	24,263	19,734
Other welfare	87,752	76,679
	450,973	369,424
Less: Amount included in pre-opening expenses	(7,727)	(2,388)
	443,246	367,036

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 as follows:

The defined contribution schemes (including the Mandatory Provident Fund ("MPF") in Hong Kong) participated by the Group, other than those in the PRC, Singapore and Malaysia, require employers to contribute 5% to 10% of the employees' basic salaries and some of these schemes permit employees' contributions on a discretionary basis. The MPF requires both the employers and employees in Hong Kong to contribute 5% of their monthly gross earnings with a ceiling of HK$1,000 (equivalent to US$129) per month. Under these schemes with the exception of MPF, the unvested benefits of employees terminating employment can be utilized by employers to reduce their future levels of contributions. The assets of these schemes are held separately from those of the Group in independently administered funds. The amounts of unvested benefits so utilized by employers during the year and available for the future reduction of employers' contributions as at 31 December 2010 were not material.

27. EMPLOYEE BENEFIT EXPENSES (continued)

Pension Scheme Arrangement (continued)

The Group's subsidiaries in the PRC, Singapore and Malaysia participate in defined contribution schemes managed by the respective local governments in these countries. Contributions are made based on a percentage, ranging from 12% to 22%, of the employee's salaries and bonuses, as applicable, and were charged to the income statement account 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$675 (equivalent to US$518) per month for monthly salaries and bonus payment. The employees of the Group's subsidiaries in Singapore and Malaysia are also required to contribute 20% and 12%, respectively of their gross salaries and bonus, if applicable, to such fund.

The three hotels in the Philippines have adopted a funded non-contributory defined benefit pension plan covering all their regular employees. The benefits are based on years of service and the employees' final covered compensation. The plan requires periodic contributions by the participating subsidiaries as determined by periodic actuarial reviews. An actuarial valuation was performed by Orlando J. Manalang, a qualified actuary at 31 December 2010 using the Projected Unit Credit Actuarial Cost Method. The principal assumptions used in the actuarial valuation are that scheme assets will earn a yield of 6.7% per annum and salary will increase by 5% per annum. Based on this report, Makati Shangri-La Hotel & Resort, Inc., Edsa Shangri-La Hotel & Resort, Inc. and Mactan Shangri-La Hotel & Resort, Inc. have unrecognized actuarial losses of Peso 30,999,000 (equivalent to US$705,000), Peso 11,144,000 (equivalent to US$253,000) and Peso 7,624,000 (equivalent to US$173,000), respectively.

Total pension cost including charges for Directors charged to the income statement for the year under all pension schemes was US$24,355,000 (2009: US$19,826,000).

28. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2010 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits[5]	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 Ean	6	697	2,581	–	22	15	–	3,321
LUI Man Shing	6	418	774	–	20	15	–	1,233
Madhu Rama Chandra RAO	1	356	781	–	182	36	–	1,356
Gregory Allan DOGAN[2]	–	199	546	–	106	20	–	871
HO Kian Guan	30	–	–	–	–	–	–	30
KUOK Khoon Loong Edward	34	248	774	–	6	6	–	1,068
Roberto V ONGPIN	26	–	–	–	–	–	–	26
Alexander Reid HAMILTON	45	–	–	–	–	–	–	45
Timothy David DATTELS	26	–	–	–	–	–	–	26
WONG Kai Man	45	–	–	–	–	–	–	45
Michael Wing-Nin CHIU	26	–	–	–	–	–	–	26
HO Kian Hock[1]	–	–	–	–	–	–	–	–

28. 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 2009 is set out below:

Name of Director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Inducement fees US$'000	Other benefits[5] US$'000	Employer's Contribution to pension schemes US$'000	Compensation for loss of office as director US$'000	Total US$'000
KUOK Khoon Ean	4	542	1,548	–	21	16	–	2,131
LUI Man Shing	5	387	774	–	19	16	–	1,201
Madhu Rama Chandra RAO	5	390	581	–	175	39	–	1,190
HO Kian Guan	50	–	–	–	–	–	–	50
KUOK Khoon Loong Edward	11	148	516	–	116	7	–	798
Roberto V ONGPIN	19	–	–	–	–	–	–	19
Alexander Reid HAMILTON	39	–	–	–	–	–	–	39
Timothy David DATTELS	19	–	–	–	–	–	–	19
WONG Kai Man	39	–	–	–	–	–	–	39
Michael Wing-Nin CHIU	19	–	–	–	–	–	–	19
HO Kian Hock[1]	–	–	–	–	–	–	–	–
KUOK Oon Kwong[3]	14	152	187	–	12	3	–	368
Giovanni ANGELINI[4]	–	162	–	–	26	11	–	199

Notes:

(1) Mr HO Kian Hock is alternate Director to Mr HO Kian Guan.

(2) Mr Gregory Allan DOGAN was appointed as Director on 26 May 2010.

(3) Madam KUOK Oon Kwong retired as Director on 27 May 2009.

(4) Mr Giovanni ANGELINI retired as Director on 30 April 2009.

(5) Other benefits include housing, holiday warrant, medical expenses and insurance premium. Pursuant to the Executive Option Scheme and the New 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 2005 and 2006 were included in the total expenses on share options granted.

Movement of option shares granted to the Directors for the year ended 31 December 2010 are as follows:

Under the New Option Scheme

	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 2010	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 2010	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
LUI Man Shing	16 June 2006	II	14.00	60,000	–	–	–	–	–	60,000	14.60	–	16 June 2008 – 15 June 2016
Madhu Rama Chandra RAO	28 April 2005	II	11.75	250,000	–	–	–	–	–	250,000	11.60	–	28 April 2007 – 27 April 2015
	16 June 2006	I	14.00	50,000	–	–	–	–	–	50,000	14.60	–	16 June 2007 – 15 June 2016
	16 June 2006	II	14.00	50,000	–	–	–	–	–	50,000	14.60	–	16 June 2008 – 15 June 2016
Gregory Allan DOGAN	28 April 2005	II	11.75	–	–	50,000	–	–	–	50,000	11.60	–	28 April 2007 – 27 April 2015
	16 June 2006	I	14.00	–	–	37,500	–	–	–	37,500	14.60	–	16 June 2007 – 15 June 2016
	16 June 2006	II	14.00	–	–	37,500	–	–	–	37,500	14.60	–	16 June 2008 – 15 June 2016
KUOK Khoon Loong Edward	16 June 2006	II	14.00	100,000	–	–	–	–	–	100,000	14.60	–	16 June 2008 – 15 June 2016

28. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Under the New Option Scheme (continued)

	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 2010	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 2010	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
Roberto V ONGPIN	28 April 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 April 2006 – 27 April 2015
	28 April 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 April 2007 – 27 April 2015
	16 June 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 June 2007 – 15 June 2016
	16 June 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 June 2008 – 15 June 2016
Alexander Reid HAMILTON	16 June 2006	I	14.00	30,000	–	–	–	(30,000)	–	–	14.60	5.60	16 June 2007 – 15 June 2016
	16 June 2006	II	14.00	30,000	–	–	–	(30,000)	–	–	14.60	5.60	16 June 2008 – 15 June 2016
Timothy David DATTELS	28 April 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 April 2006 – 27 April 2015
	28 April 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 April 2007 – 27 April 2015
	16 June 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 June 2007 – 15 June 2016
	16 June 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 June 2008 – 15 June 2016

28. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Movement of option shares granted to the Directors for the year ended 31 December 2009 are as follows:

Under the New Option Scheme

	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 2009	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 2009	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
LUI Man Shing	16 June 2006	II	14.00	60,000	–	–	–	–	–	60,000	14.60	–	16 June 2008 – 15 June 2016
Madhu Rama Chandra RAO	28 April 2005	II	11.75	250,000	–	–	–	–	–	250,000	11.60	–	28 April 2007 – 27 April 2015
	16 June 2006	I	14.00	50,000	–	–	–	–	–	50,000	14.60	–	16 June 2007 – 15 June 2016
	16 June 2006	II	14.00	50,000	–	–	–	–	–	50,000	14.60	–	16 June 2008 – 15 June 2016
KUOK Khoon Loong Edward	16 June 2006	II	14.00	100,000	–	–	–	–	–	100,000	14.60	–	16 June 2008 – 15 June 2016
Roberto V ONGPIN	28 April 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 April 2006 – 27 April 2015
	28 April 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 April 2007 – 27 April 2015
	16 June 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 June 2007 – 15 June 2016
	16 June 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 June 2008 – 15 June 2016

28. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Under the New Option Scheme (continued)

	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 2009	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 2009	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
Alexander Reid HAMILTON	16 June 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 June 2007 – 15 June 2016
	16 June 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 June 2008 – 15 June 2016
Timothy David DATTELS	28 April 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 April 2006 – 27 April 2015
	28 April 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 April 2007 – 27 April 2015
	16 June 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 June 2007 – 15 June 2016
	16 June 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 June 2008 – 15 June 2016
Giovanni ANGELINI	16 June 2006	I	14.00	100,000	–	–	(100,000)	–	–	–	14.60	–	16 June 2007 – 15 June 2016
	16 June 2006	II	14.00	100,000	–	–	(100,000)	–	–	–	14.60	–	16 June 2008 – 15 June 2016
KUOK Oon Kwong	28 April 2005	I	11.75	150,000	–	–	(150,000)	–	–	–	11.60	–	28 April 2006 – 27 April 2015
	28 April 2005	II	11.75	150,000	–	–	(150,000)	–	–	–	11.60	–	28 April 2007 – 27 April 2015
	16 June 2006	I	14.00	60,000	–	–	(60,000)	–	–	–	14.60	–	16 June 2007 – 15 June 2016
	16 June 2006	II	14.00	60,000	–	–	(60,000)	–	–	–	14.60	–	16 June 2008 – 15 June 2016

28. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Five highest paid individuals

The five highest paid individuals in the Group for the year are all directors of the Company (2009: four) taking into account the emolument of US$580,000 paid to one of the directors before his appointment of directorship of the Company during the year. Details of the emoluments of the Directors of the Company are provided in Note 28. The emoluments payable to the remaining one individual in 2009 are as follows:

	2009 US$'000
Basic salaries, housing allowances, other allowances and benefits in kind	473
Employer's contribution to pension schemes	30
Discretionary bonuses	452
Inducement fee to join the Group	–
Compensation for loss of office	–
	955

Pursuant to the Executive Option Scheme and the New 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.

29. FINANCE COSTS – NET

	2010 US$'000	2009 US$'000
Interest expense:		
– bank loans and overdrafts	48,609	36,210
– other loans	2,018	2,253
	50,627	38,463
Less: amount capitalized	(3,953)	(9,270)
	46,674	29,193
Net foreign exchange transaction gains	(18,847)	(4,763)
	27,827	24,430

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 1.9% per annum (2009: 1.6%).

30. SHARE OF PROFIT OF ASSOCIATES

	2010 US$'000	2009 US$'000
Share of profit before tax of associates and non-operating items	69,396	63,370
Share of net increase in fair value of investment properties	166,385	327,144
Provision for impairment loss for development project in New York	–	(24,800)
Share of profit before tax of associates	235,781	365,714
Share of associates' taxation before provision for taxation for non-operating items	(19,015)	(16,110)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(40,956)	(79,009)
Deferred tax credit arising from fixed assets transfer between an associate and its subsidiary	4,144	–
Share of associates' taxation	(55,827)	(95,119)
Share of profit of associates	179,954	270,595

31. INCOME TAX EXPENSE

	2010 US$'000	2009 US$'000
Current income tax		
– Hong Kong profits tax	10,227	9,075
– Overseas taxation	46,405	35,227
Deferred income tax (*Note 23*)	3,279	(7,535)
	59,911	36,767

Share of associates' taxation for the year ended 31 December 2010 of US$55,827,000 (2009: US$95,119,000) is included in the income statement as share of profit of associates.

31. 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:

	2010 US$'000	2009 US$'000
Profit before income tax	372,837	297,513
Calculated at a taxation rate of 16.5% (2009: 16.5%)	61,519	49,090
Effect of different taxation rates of subsidiaries operating in other countries	12,592	6,639
Income not subject to taxation	(43,850)	(54,961)
Expenses not deductible for taxation purposes	33,760	38,125
Utilization of previously unrecognized tax losses	(787)	(402)
Effect on opening net deferred taxation resulting from decrease in tax rate	(6)	(11,410)
(Over)/under provision in prior year	(2,113)	627
Withholding tax	4,697	10,281
Recognition of deferred tax assets by subsidiaries	(4,119)	–
Tax incentive	(1,824)	(1,552)
Others	42	330
Taxation charge	59,911	36,767

(a) Hong Kong profits tax is provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profit 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.

32. 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$50,204,000 (2009: US$58,222,000).

Movement of retained earnings of the Company

	2010 US$'000	2009 US$'000
Balance at 1 January	65,214	66,569
Profit for the year	50,204	58,222
2009/2008 final dividend paid	(22,353)	(37,233)
2010/2009 interim dividend paid *(Note 34)*	(37,262)	(22,344)
Balance at 31 December	55,803	65,214
Representing		
2010/2009 final dividend proposed *(Note 34)*	40,391	22,353
Retained earnings	15,412	42,861
Balance at 31 December	55,803	65,214

33. 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 after adjustment of those issued ordinary shares of the Company held by a subsidiary.

	2010	2009
Profit attributable to equity holders of the Company (US$'000)	287,076	255,499
Weighted average number of ordinary shares in issue (thousands)	2,876,706	2,874,960
Basic earnings per share (US cents per share)	9.98	8.89

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is increased by the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2010, all share options issued under both the Executive Option Scheme and the New Option Scheme have the greatest dilution effect. For the year ended 31 December 2009, all the share options issued under the Executive Option Scheme together with the share options with exercise price of HK$6.81 and HK$11.60 issued under the New Option Scheme have the greatest dilution effect.

	2010	2009
Profit attributable to equity holders of the Company (US$'000)	287,076	255,499
Weighted average number of ordinary shares in issue (thousands)	2,876,706	2,874,960
Adjustments for – share options (thousands)	2,832	842
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,879,538	2,875,802
Diluted earnings per share (US cents per share)	9.97	8.88

34. DIVIDENDS

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Interim dividend paid of HK10 cents (2009: HK6 cents) per ordinary share	37,121	22,260	37,262	22,344
Proposed final dividend of HK10 cents (2009: HK6 cents) per ordinary share	40,251	22,269	40,391	22,353
	77,372	44,529	77,653	44,697

At a meeting held on 30 March 2011, the Board proposed a final dividend of HK10 cents per ordinary share for the year ended 31 December 2010, 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 2011.

The proposed final dividend of US$40,251,000 for the year ended 31 December 2010 is calculated based on 3,130,294,299 shares in issue as at 30 March 2011 (including 240,751,561 new shares issued on 11 February 2011 after the completion of a rights issue (details of the rights issue are summarized in Note 42(b))), after eliminated on consolidation the amount of US$140,000 for the 10,817,055 ordinary shares in the Company held by a subsidiary of the Company (Note 18).

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2010 US$'000	2009 US$'000 (Restated)
Profit before income tax	372,837	297,513
Share of results of associates	(179,954)	(270,595)
Fair value gains on investment properties	(61,955)	(29,130)
Impairment loss on properties for sale	–	7,258
Provision for impairment loss on property under development and hotel property	5,834	39,257
Depreciation	231,441	202,194
Amortization of leasehold land and land use rights, trademark and website development	12,586	11,656
Interest on bank loans and overdrafts	46,674	29,192
Interest income	(6,880)	(4,207)
Dividend income	(817)	(424)
Loss on disposal of fixed assets and discarding of fixed assets due to properties renovations and impairment loss	11,107	3,972
Fair value adjustment on security deposit on leased premises	–	2,424
Net unrealized gains on financial assets held for trading	(557)	(11,060)
Fair value losses on derivative financial instruments – interest-rate swap contracts	21,599	11,460
Net foreign exchange transaction gains	(18,847)	(4,763)

	2010 US$'000	2009 US$'000 (Restated)
Operating profit before working capital changes	433,068	284,747
Increase in inventories	(4,310)	(4,447)
(Increase)/decrease in accounts receivable, prepayments and deposits (net of deposits for land bids)	(21,785)	35,151
(Increase)/decrease in amounts due from associates	(2,073)	2,274
Increase in accounts payable and accruals	49,638	39,889
Net cash generated from operations	454,538	357,614

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of additional interests in subsidiaries

In February 2010, the Group completed the connected transactions in relation to the acquisition of 10% equity interest in each of Changchun Shangri-La Hotel Co., Ltd. ("SLCC") (a 90% indirectly owned subsidiary of the Company before completion of these transactions which owns the Shangri-La Hotel, Changchun in Mainland China) and Jilin Province Kerry Real Estate Development Ltd ("JPKRED") (a 90% indirectly owned subsidiary of the Company before completion of these transactions which owns the land site where the Shangri-La Hotel, Changchun is built) from the non-controlling shareholder of these two subsidiaries. Pursuant to these two agreements, the non-controlling shareholder transferred its 10% equity interest in SLCC and 10% equity interest in JPKRED together with the shareholder's loan of RMB2,500,000 (approximately US$366,000) to the Group at a consideration of RMB38,000,000 (approximately US$5,587,000) and RMB9,639,000 (approximately US$1,412,000), respectively. Following completion of the transactions, the Group owns 100% equity interest in both SLCC and JPKRED. Details of net assets and loan acquired are as follows:

	US$'000
Total purchase consideration	6,999
Less: Effective interest of carrying amount of net assets acquired	(2,562)
Principal amount of shareholder's loan in JPKRED acquired	(366)
Difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid which has been recognized directly in equity	4,071

The combined total of the carrying amount of assets and liabilities of SLCC and JPKRED at the date of acquisition are as follows:

	US$'000
Fixed assets	51,033
Land use rights	5,051
Current assets	6,516
Current liabilities	(9,573)
Loan from shareholders	(27,403)
Net assets	25,624
Share of net assets acquired	2,562

36. FINANCIAL GUARANTEES, CONTINGENCIES AND OTHER CHARGES

(a) Financial guarantees

As at 31 December 2010, 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$2,230,667,000 (2009: US$2,096,735,000) for the subsidiaries and US$79,991,000 (2009: US$31,099,000) 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 four non wholly owned subsidiaries provided proportionate counter guarantee to the Company under the joint venture agreements. The utilized amount of these facilities covered by the Company's guarantee after setting off the amount of counter guarantee 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$203,640,000 (2009: US$150,022,000).

(iii) The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The Group also executed a counter guarantee in favour of the major shareholder of an associate which had provided full guarantee in favour of a bank for securing banking facilities granted to the associate. The utilized amount of such facilities covered by the Group's guarantees for these associates amounts to US$91,466,000 (2009: US$47,795,000).

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.

As at 31 December 2009, the Group also had a contingent liability up to US$25,952,000, being its 19.425% share of the total claim under a court case in respect of a financial guarantee issued by the Company for a development project in New York. The Company, together with three other guarantors (collectively, "Guarantors"), has executed a recourse carve-out guarantee in favour of certain lenders to secure those certain banking facilities granted to Park Avenue Hotel Acquisition, LLC ("Borrower") (a 75% subsidiary of a 25.9% owned associate of the Group, which is the owner of the project located at 610 Lexington Avenue, New York, New York, United States ("Project")) by the lenders. The lenders have brought a foreclosure claim against the Borrower due to the failure of the Borrower to pay the outstanding loan balance due on the maturity date, which was 8 April 2009. Additionally, based upon an allegation that a full recourse event has occurred, the lenders have brought a foreclosure claim to include a claim for a deficiency judgment against all of the Guarantors, including the Company, should the foreclosure sale of the Project not realize sufficient proceeds to repay the entirety of the outstanding loan balance due and

36. FINANCIAL GUARANTEES, CONTINGENCIES AND OTHER CHARGES (continued)

(a) Financial guarantees (continued)

owing. The lenders were claiming the amount of approximately US$133,602,000 plus all the accrued interest and other charges due and owing under the loan documents and were only making a claim against the Guarantors for any deficiency remaining after the sale of the Project in the foreclosure action. The claim for a deficiency judgment as against the Company and the Guarantors named in the foreclosure action was dismissed pursuant to a decision and order of the Supreme Court of the State of New York on 24 February 2010. The lenders timely filed their notice of appeal on 13 April 2010, and were required to make further filings to perfect their appeal prior to 13 January 2011. Up to the date of this report, to the Company's knowledge, the lenders did not make any such filings.

The view of the Company's legal counsel is that the order of dismissal is correctly decided and is a very persuasive decision likely to be upheld on appeal. Absent an order of the court granting an extension of the time period of such filing, the lenders' appeal of the order of dismissal can no longer be pursued. It would be considered quite extraordinary for a court to grant an order extending the time period for filing to perfect an appeal. The Company's legal counsel is not aware of any facts or circumstances that would permit the court to grant an order extending the time period for filing to perfect an appeal and it is therefore the legal counsel's belief that an unfavorable outcome for the Company with respect to the pending action is remote. Accordingly, the Company is of the opinion that such contingency no longer exists.

(b) Contingent liabilities

As at 31 December 2010, 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$26,577,000 (2009: US$38,852,000). These facilities were undrawn as at 31 December 2010.

A contingent liability amounted to A$2,425,000 (equivalent to US$2,277,000) as at 31 December 2009 under a performance guarantee in favour of the owner of a hotel in Sydney for the financial performance of the hotel under a management contract was fully discharged before 31 December 2010 after the aforesaid amount was paid.

(c) Other charges

As at 31 December 2010, bank borrowings of certain subsidiaries amounting to US$97,323,000 (2009: US$107,726,000) was secured by:

(i) Freehold land and constructions of a subsidiary with net book value of US$42,095,000 (2009: US$55,806,000).

(ii) Land lease right and all immovable assets owned by a subsidiary together with a pledge of all the equity shares of the subsidiary with net book value of US$160,876,000 (2009:US$169,683,000).

(iii) Legal mortgage over the property owned by a subsidiary with net book value of US$88,061,000 (2009: Nil).

Bank borrowing of a subsidiary amounted to US$51,729,000 as at 31 December 2009 which was secured by the rights and benefits of the insurance policies on that subsidiary's hotel building, vehicles, machinery; and furniture, fixture and equipment with net book value of US$54,455,000 was fully repaid before 31 December 2010.

37. COMMITMENTS

(a) The Group's capital expenditure at the date of the statement of financial position but not yet incurred is as follows:

	2010 US$'000	2009 US$'000
Existing properties – Property, plant and equipment and investment properties		
Contracted but not provided for	103,453	120,537
Authorized but not contracted for	98,279	181,929
Development projects		
Contracted but not provided for	1,393,849	121,000
Authorized but not contracted for	1,392,040	907,670
	2,987,621	1,331,136

(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:

	2010 US$'000	2009 US$'000
Not later than one year	28,796	22,701
Later than one year and not later than five years	94,656	99,243
Later than five years	393,491	552,938
	516,943	674,882

(c) At 31 December 2010, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2010 US$'000	2009 US$'000
Not later than one year	36,957	22,683
Later than one year and not later than five years	34,435	21,870
Later than five years	1,639	148
	73,031	44,701

(d) The Company had entered into HIBOR and LIBOR interest-rate swap contracts for an aggregate principal amount of HK$3,460,000,000 and US$100,000,000 (2009: HK$4,760,000,000 and US$100,000,000) at fixed interest rates between 4.28% to 4.70% per annum (2009: between 4.28% to 4.70% per annum) to reduce its interest rate exposure. These contracts will be maturing between October 2012 through January 2014.

(e) During the year, a subsidiary executed a short term forward exchange contract between Thai Baht and United States dollar maturing in June 2011 to hedge against a short term intra group United States dollar borrowing and its derived interest. At 31 December 2010, the contract which remained outstanding amounting to US$10,000,000 (31 December 2009: US$15,085,000).

38. RELATED PARTY TRANSACTIONS

Kerry Group Limited ("KGL"), which owns approximately 50.10% 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 2010, has significant influence over the Company.

The following transactions were carried out with related parties:

	2010 US$'000	2009 US$'000
(a) Transactions with subsidiaries of KGL during the year (other than subsidiaries of the Company)		
Receipt of hotel management and related services and royalty fees	2,153	1,622
Payment of project management service and project consultancy service fees	45	225
Reimbursement of office expenses and payment of administration and related expenses	4,705	2,673
Payment of office rental, management fees and rates	2,633	2,254

	2010 US$'000	2009 US$'000
(b) Transactions with associates of the Group during the year (other than a subsidiary of KGL included under item (a) above)		
Receipt of hotel management and related services and royalty fees	9,737	7,659
Receipt for laundry services	866	687
(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	83,455	83,455
Balance of guarantees executed in favour of banks for securing bank loans/ facilities granted to associates of the Group	62,959	24,948

38. RELATED PARTY TRANSACTIONS (continued)

	2010 US$'000	2009 US$'000
(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	92,625	98,673
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to an associate of the Group	28,507	22,847

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

	2010 US$'000	2009 US$'000
(e) Key management compensation		
Fees, salaries and other short-term employee benefits	7,758	5,795
Post employment benefits	91	92

(f) Rights Issue

On 9 December 2010, the Company announced for a proposed rights issue in the proportion of one rights share for every 12 shares in issue at a subscription price of HK$19.50 per rights share. A total of 11 covenantors have undertaken to take up a total of 127,840,553 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 rights issue was subsequently completed in February 2011 (Note 42(b)) and the Company paid a total underwriting commission of HK$22,018,000.

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) At 31 December 2010, the Company held interests in the following principal subsidiaries:

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Seanoble Assets Limited	The British Virgin Islands	Ordinary HK$578,083,745	100	–	Investment holding	1
Shangri-La Asia Treasury Limited	The British Virgin Islands	Ordinary HK$780	100	–	Group financing	1
Shangri-La China Limited	Hong Kong	Ordinary HK$10,000,000	–	100	Investment holding	1
Kerry Industrial Company Limited	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,000,000	–	100	Investment holding	1
Shangri-La Hotel (Kowloon) Limited	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,000,000	–	100	Hotel ownership and operation	1
Shangri-La International Hotels (Pacific Place) Limited	Hong Kong	Ordinary HK$5,000 Non-voting deferred HK$10,000,000	–	80	Hotel ownership and operation	1

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2010, 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
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$28,334,000	–	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

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2010, 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$51,666,670	–	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 Kerry Real Estate Development Co., Ltd.	The People's Republic of China	US$6,000,000	–	92	Real estate development and operation	5,7
Wuhan Shangri-La Hotel Co., Ltd.	The People's Republic of China	US$26,667,000	–	92	Hotel ownership and operation	5,7
Fujian Kerry World Trade Centre Co., Ltd.	The People's Republic of China	HK$384,000,000	–	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
Zhongshan Shangri-La Hotel Co., Ltd.	The People's Republic of China	US$23,710,000	–	51	Hotel ownership and operation	5,7

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2010, 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
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$74,000,000	–	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

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2010, 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
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$28,615,000	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Zhoushan) Co., Ltd.	The People's Republic of China	RMB120,000,000	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Hefei) Co., Ltd.	The People's Republic of China	US$16,000,000	–	100	Hotel ownership and operation	3,6,7
Glory Cheer Development (Qinhuangdao) Co., Ltd.	The People's Republic of China	RMB128,811,503	–	100	Hotel ownership and operation	3,6,7
Sanya Shangri-La Hotel Co., Ltd.	The People's Republic of China	RMB800,000,000	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Lhasa) Co., Ltd.	The People's Republic of China	US$17,000,000	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Qufu) Co., Ltd.	The People's Republic of China	RMB150,000,000	–	100	Hotel ownership and operation	3,6,7

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2010, 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
Ji Xiang Real Estate (Nanjing) Co., Ltd	The People's Republic of China	RMB222,619,043	–	55	Hotel ownership and operation and real estate development and operation	3,6,7
Dalian Wolong Bay Shangri-La Hotel Co., Ltd.	The People's Republic of China	RMB306,482,400	–	100	Hotel ownership and operation and real estate development and operation	3,6,7
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$10,000,000	–	75	Hotel ownership and operation	3
Makati Shangri-La Hotel & Resort, Inc.	The Philippines	Common Peso 1,100,000,000	–	100	Hotel ownership and operation	
Edsa Shangri-La Hotel & Resort, Inc.	The Philippines	Common Peso 792,128,700	–	100	Hotel ownership and operation	

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2010, 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
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 Male' Private Limited	Republic of Maldives	Rufiyaa 2,000	–	100	Hotel ownership and operation	
Yanuca Island Limited	Fiji	Ordinary F$1,262,196	–	71.64	Hotel ownership and operation	2
Shangri-La Hotel Limited	Singapore	Ordinary S$165,433,560	–	100	Investment holding, hotel ownership and operation and leasing of residential and serviced apartments	2

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2010, 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
Sentosa Beach Resort Pte Ltd	Singapore	Ordinary S$30,000,000	–	100	Hotel ownership and operation	2
Shangri-La Hotels (Malaysia) Berhad	Malaysia	Ordinary RM440,000,000	–	52.78	Investment holding and hotel ownership and operation	
Shangri-La Hotel (KL) Sdn Bhd	Malaysia	Ordinary RM150,000,000	–	52.78	Hotel ownership and operation	
Golden Sands Beach Resort Sdn Bhd	Malaysia	Ordinary RM6,000,000	–	52.78	Hotel ownership and operation	
Komtar Hotel Sdn Bhd	Malaysia	Ordinary RM6,000,000	–	31.67	Hotel ownership and operation	
Pantai Dalit Beach Resort Sdn Bhd	Malaysia	Ordinary RM135,000,000	–	64.59	Hotel and golf club ownership and operation	
UBN Tower Sdn Bhd	Malaysia	Ordinary RM500,000	–	52.78	Property investment and office management	

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2010, 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
UBN Holdings Sdn Bhd	Malaysia	Ordinary RM45,000,000	–	52.78	Investment holding and property investment	
Traders Yangon Company Limited	Myanmar	Ordinary Kyat 21,600,000	–	59.16	Hotel ownership and operation	
Shangri-La Hotel Public Company Limited	Thailand	Common Baht1,300,000,000	–	73.61	Hotel, serviced apartments and office ownership and operation	2
Shangri-La Hotels (Paris) SARL	France	EUR40,010,000	–	100	Hotel ownership and operation	2
Shangri-La Hotels Japan K.K.	Japan	YEN902,500,000	–	100	Hotel ownership and operation	2
SLIM International Limited	Cook Islands	Ordinary US$1,000	100	–	Investment holding	1
Shangri-La International Hotel Management Limited	Hong Kong	Ordinary HK$10,000,000	–	100	Hotel management, marketing, consultancy and reservation services	1

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2010, 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
Shangri-La Hotel Management (Shanghai) Co., Ltd.	The People's Republic of China	US$140,000	–	100	Hotel management, marketing and consultancy services	6,7
Shangri-La International Hotel Management B.V.	The Netherlands	Ordinary EUR18,151	–	100	Licensing use of intellectual property rights	

Notes:

1. Subsidiaries audited by PricewaterhouseCoopers, Hong Kong.
2. Subsidiaries audited by other member firms of PricewaterhouseCoopers, Hong Kong.
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.

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2010, 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	
Seacliff Limited	The People's Republic of China	30	Hotel ownership and operation and property investment	1
Beijing Jia Ao Real Estate Development Co., Ltd.	The People's Republic of China	23.75	Real estate development and operation	2
Beijing Kerry Centre 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	3

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2010, 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
Shanghai Pudong Kerry City Properties Co., Ltd.	The People's Republic of China	23.20	Hotel ownership and operation and property investment	3
Tianjin Kerry Real Estate Development Co., Ltd.	The People's Republic of China	20	Hotel ownership and operation and property investment	3
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

39. GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2010, 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
Cuscaden Properties Pte Ltd	Singapore	40.75	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
Fine Winner Holdings Limited	Hong Kong	30	Hotel ownership and operation	1
Shang Global City Properties, Inc.	The Philippines	40	Land ownership	3
Fort Bonifacio Shangri-La Hotel, Inc.	The Philippines	40	Hotel ownership and operation and property investment	3

Notes:

1. Associates audited by PricewaterhouseCoopers, Hong Kong.
2. Associates audited by other member firms of PricewaterhouseCoopers, Hong Kong.
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.

(c) The above tables list out the subsidiaries and associates of the Company as at 31 December 2010 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.

40. HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

(a) Details of hotel properties of the Company's subsidiaries are as follows: (lease term represents 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, Shanghai 33 Fu Cheng Lu, Pudong New Area, Shanghai 200120, The People's Republic of China	Hotel operation	Medium lease

Address	Existing use	Lease term
Traders Hotel, Shenyang 68 Zhong Hua Road, He Ping District, Shenyang 110001, The People's Republic of China	Hotel operation	Long 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

40. HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (lease term represents lease term of land use rights unless otherwise stated) (continued)

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 No. 700, Jianshe Avenue, Hankou, Wuhan 430015, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Zhongshan 16 Qi Wan Road North, Eastern Area, Zhongshan 528403, The People's Republic of China	Hotel operation	Long lease
Shangri-La Hotel, Fuzhou No. 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

40. HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (lease term represents lease term of land use rights unless otherwise stated) (continued)

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, Guangxi 541004, The People's Republic of China	Hotel operation	Medium lease

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, Mactan Island, Cebu, 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

40. HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (lease term represents lease term of land use rights unless otherwise stated) (continued)

Address	Existing use	Lease term
Shangri-La's Fijian Resort & Spa, Yanuca Yanuca Island, Sigatoka, Fiji Islands	Hotel operation	Long lease
Shangri-La Hotel, Singapore 22 Orange Grove Road, Singapore 258350	Hotel operation	Freehold
Shangri-La's Rasa Sentosa Resort, Singapore 101 Siloso Road, Sentosa, Singapore 098970	Hotel operation	Long lease
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

Address	Existing use	Lease term
Traders Hotel, Penang Magazine Road, 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, Dalit Bay Golf Club & Spa, Sabah Pantai Dalit, 89208 Tuaran, Sabah, Malaysia	Hotel and golf club operation	Long lease
Traders Hotel, 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

40. HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

(a) Details of hotel properties of the Company's subsidiaries are as follows:
(lease term represents lease term of land use rights unless otherwise stated)
(continued)

Address	Existing use	Lease term
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, Paris 10 Avenue d'Iena, 75116 Paris, France	Hotel operation	Freehold

(b) Details of hotel properties of the operating associates are as follows:
(lease term represents 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
Shangri-La's Kerry Centre Hotel, Beijing 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Hotel operation	Medium lease

40. HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

(b) Details of hotel properties of the operating associates are as follows:
(lease term represents lease term of land use rights unless otherwise stated)
(continued)

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
Traders Hotel, Singapore 1A Cuscaden Road, Singapore 249716	Hotel operation	Long lease
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu 20 Jalan Aru, 88100 Kota Kinabalu, Sabah, Malaysia	Hotel operation	Long lease
Shangri-La Hotel, Jakarta Kota BNI, Jalan Jend Sudirman Kav. 1 Jakarta 10220, Indonesia	Hotel operation	Medium lease
Traders Hotel, Hong Kong No. 508 Queen's Road West, Western District, Hong Kong	Hotel operation	Long lease

41. INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

(a) Details of principal investment properties of the subsidiaries are as follows:
(lease term represents 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 Center, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Office and commercial rental	Medium lease

41. INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

(a) Details of principal investment properties of the subsidiaries are as follows: (lease term represents lease term of land use rights unless otherwise stated) (continued)

Address	Existing use	Lease term
Central Tower, Ulaanbaatar 2 Sukhbaatar Square, SBD-8, Ulaanbaatar 210620a, 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

(b) Details of investment properties of the operating associates are as follows: (lease term represents 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	Hotel operation and office, commercial, residential and exhibition hall space 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 Xi Lu, Shanghai 200040, The People's Republic of China	Hotel operation and 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	Hotel operation and office, commercial and residential rental	Medium lease

41. INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

(b) Details of investment properties of the operating associates are as follows: (lease term represents lease term of land use rights unless otherwise stated) (continued)

Address	Existing use	Lease term
Shanghai Kerry Centre No. 1515 Nanjing Road West, Jingan District, Shanghai 200040, 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

42. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

(a) In January 2011, a wholly owned subsidiary of the Company executed a 5-year unsecured bilateral bank loan agreement of RMB250,000,000 (equivalent to US$37,747,000). In the same month, the Group also executed a dual currency 5-year unsecured bilateral bank loan agreement of HK$2,500,000,000 (equivalent to US$322,581,000).

(b) On 11 February 2011, the Company completed a rights issue of ordinary shares resulting in 240,751,561 new shares being issued at HK$19.50 per share. Gross proceeds on the issue were approximately HK$4,694,655,000 (equivalent to US$605,762,000) with issue expenses amounting to approximately HK$28,000,000 (equivalent to US$3,613,000). Of the net proceeds, HK$4,607,500,000 (equivalent to US$594,516,000) were applied to repay corporate bank borrowings maturing in 2011 with the remaining HK$59,155,000 (equivalent to US$7,633,000) retained as general working capital and for immediate capital expenditure.

(c) On 5 January 2011, the Group formed a consortium with a wholly owned subsidiary of Kerry Properties Limited and a wholly owned subsidiary of Wilmar International Limited and won the land bids at the public biddings to acquire the land use rights for the project sites in Laobian District, Yingkou City, Liaoning Province in Mainland China. On the same date, a master joint venture agreement was executed to establish one or more wholly foreign-owned enterprise(s) ("JVCO(s)") for the acquisition, holding and development of the project sites. The Group has 25% equity interest in the JVCO(s) and its share of the maximum total investment amount shall be RMB1,877,010,000 (equivalent to US$283,408,000).

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 30 March 2011.

FIVE YEAR SUMMARY

The financial summary of the Group for the last five years are as follows:

	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000
Results					
Profit attributable to:					
Equity holders	287,076	255,499	165,940	340,863	202,173
Non-controlling interests	25,850	5,247	17,527	33,362	17,156
Assets and liabilities					
Total assets	8,538,616	7,814,700	6,922,711	6,101,010	5,075,678
Total liabilities	3,548,409	3,269,403	2,671,323	1,915,682	2,100,354
Total equity	4,990,207	4,545,297	4,251,388	4,185,328	2,975,324

DEFINITIONS

In this Annual Report (except for the Financial Statements), the following expressions have the following meanings:

"Annual General Meeting"	the forthcoming 2011 annual general meeting of the Company
"Annual Report"	this 2010 annual report of the Company
"Audit Committee"	the audit committee of the Company
"Auditor"	the external auditor of the Company, currently being PricewaterhouseCoopers, Hong Kong
"Board"	the board of Directors
"Bye-Laws"	the 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
"Chairman" or "Deputy Chairman"	respectively the chairman and the deputy chairman of the Company
"Company"	Shangri-La Asia Limited
"Director(s)"	the director(s) of the Company
"Directors' Report"	the report of the Directors as set out in this Annual Report
"Executive Director(s)"	executive Director(s)
"Financial Statements"	the financial statements of the Group for the Financial Year as set out on pages 63 to 161 of this Annual Report
"Financial Year"	the financial year ended 31 December 2010
"Group"	the Company and its subsidiaries
"HK Listing Rules"	Rules Governing the Listing of Securities on HKSE
"HKSE"	The Stock Exchange of Hong Kong Limited
"Independent Non-Executive Director(s)"	independent non-executive Director(s)
"KGL"	Kerry Group Limited, a Substantial Shareholder, and a connected person of the Company at holding level
"KHL"	Kerry Holdings Limited, a Substantial Shareholder, and a connected person of the Company at holding level

DEFINITIONS

"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 at holding level
"Malaysia-SE"	Bursa Malaysia Securities Berhad, the stock exchange in Malaysia
"Non-Executive Director(s)"	non-executive Director(s)
"Philippines-SE"	Philippine Stock Exchange, Inc.
"Remuneration Committee"	the remuneration committee of the Company
"Securities Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the HK Listing Rules
"Share(s)"	ordinary share(s) of HK$1.00 each in the Company
"Shareholder(s)"	shareholder(s) of the Company
"Singapore-SE"	Singapore Exchange Securities Trading Limited
"SLIM-HK"	Shangri-La International Hotel Management Limited, a wholly owned subsidiary of the Company and whose principal business is the provision of hotel management services
"substantial shareholder"	as defined in the HK Listing Rules, and "Substantial Shareholder" shall mean a substantial shareholder of the Company
"Thai-SE"	Stock Exchange of Thailand
"Year End"	31 December 2010