SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 69

INTERIM REPORT 2011

CORPORATE INFORMATION

As at 26 August 2011

Board of Directors

Executive Directors
Mr KUOK Khoon Ean
(Chairman and Chief Executive Officer)
Mr LUI Man Shing (Deputy Chairman)
Mr Madhu Rama Chandra RAO (Chief Financial Officer)
Mr Gregory Allan DOGAN (Chief Operating Officer)

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 WONG Kai Man
Professor LI Kwok Cheung Arthur

Company Secretary

Ms TEO Ching Leun

Auditor

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

Registered Address

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business

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

Principal Share Registrar

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

Branch Share Registrar in Hong Kong

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

Stock Code

The Stock Exchange of Hong Kong Limited
00069

Corporate Website

www.ir.shangri-la.com

Business Website

www.shangri-la.com

The board of directors (the "Board") of Shangri-La Asia Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group"), and associates for the six months ended 30 June 2011. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit Committee of the Board. The review report of the auditor is set out on page 3.

The consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2011 increased to US$108.4 million (US3.538 cents per share) from US$74.8 million (US2.599 cents per share) in the same period last year.

The Board has declared an interim dividend of **HK10 cents** per share for 2011 (2010: HK10 cents per share) payable on Monday, 10 October 2011, to shareholders whose names appear on the Registers of Members of the Company on Wednesday, 28 September 2011.

GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

		Six months ended 30 June	
		2011	2010
		Unaudited	Unaudited
Sales	*US$'000*	**894,602**	722,851
Profit attributable to the equity holders of the Company	*US$'000*	**108,425**	74,752
Earnings per share	*US cents*	**3.538**	2.599
	equivalent to *HK cents*	**27.420**	20.142
Dividend per share	*HK cents*	**10**	10
Annualized Return on Equity		**4.3%**	3.5%
[Profit attributable to equity holders of the Company for the six months / Average equity attributable to equity holders of the Company x 2]			
EBITDA (earnings before net finance costs, tax, depreciation, amortization and non-operating items)	*US$ million*	**282.4**	218.8
EBITDA Margin EBITDA/Sales		**31.6%**	30.3%

Consolidated Statement of Financial Position

		As at	
		30 June 2011	31 December 2010
		Unaudited	Audited
Total equity	*US$'000*	**5,891,623**	4,990,207
Net assets attributable to the Company's equity holders	*US$'000*	**5,510,733**	4,637,859
Net borrowings (total of bank loans, convertible bonds and overdrafts less cash and bank balances)	*US$'000*	**1,882,948**	2,145,573
Net assets per share attributable to the Company's equity holders	*US$*	**1.76**	1.61
Net assets (total equity) per share	*US$*	**1.88**	1.73
Net borrowings to total equity ratio		**32.0%**	43.0%

pwc

羅兵咸永道

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

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 4 to 27, which comprises the condensed consolidated statement of financial position of Shangri-La Asia Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2011

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in US dollar thousands)

	Note	As at 30 June 2011 Unaudited	As at 31 December 2010 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	4	**4,646,394**	4,394,094
Investment properties	4	**827,628**	794,029
Leasehold land and land use rights	4	**706,734**	603,208
Intangible assets	4	**99,596**	92,887
Interest in associates		**2,057,731**	1,799,798
Deferred income tax assets		**1,558**	2,861
Available-for-sale financial assets	5	**4,923**	4,931
Other receivables	6	**19,242**	18,955
		8,363,806	7,710,763
Current assets			
Inventories		**42,850**	40,562
Properties for sale		**56,907**	26,554
Accounts receivable, prepayments and deposits	7	**189,927**	162,568
Due from associates		**58,187**	32,530
Financial assets held for trading	8	**22,880**	24,943
Cash and bank balances		**1,014,838**	540,696
		1,385,589	827,853
Total assets		**9,749,395**	8,538,616
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	**2,550,640**	1,946,657
Other reserves	10	**1,793,865**	1,593,757
Retained earnings			
– Proposed interim/final dividend	22	**40,261**	40,251
– Others		**1,125,967**	1,057,194
		5,510,733	4,637,859
Non-controlling interests		**380,890**	352,348
Total equity		**5,891,623**	4,990,207

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION *(continued)*

(All amounts in US dollar thousands)

	Note	As at 30 June 2011 Unaudited	31 December 2010 Audited
LIABILITIES			
Non-current liabilities			
Bank loans	11	**2,007,693**	1,414,805
Convertible bonds	12	**453,674**	–
Derivative financial instruments	13	**12,028**	20,304
Due to non-controlling shareholders	14	**41,786**	36,788
Deferred income tax liabilities		**236,949**	225,682
		2,752,130	1,697,579
Current liabilities			
Accounts payable and accruals	15	**605,717**	528,145
Due to non-controlling shareholders	14	**8,536**	10,478
Current income tax liabilities		**31,323**	17,498
Bank loans and overdrafts	11	**436,419**	1,271,464
Derivative financial instruments	13	**23,647**	23,245
		1,105,642	1,850,830
Total liabilities		**3,857,772**	3,548,409
Total equity and liabilities		**9,749,395**	8,538,616
Net current assets/(liabilities)		**279,947**	(1,022,977)
Total assets less current liabilities		**8,643,753**	6,687,786

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in US dollar thousands unless otherwise stated)

	Note	Six months ended 30 June 2011 Unaudited	2010 Unaudited
Sales	3	**894,602**	722,851
Cost of sales	16	**(374,216)**	(301,858)
Gross profit		**520,386**	420,993
Other gains/(losses) – net	17	**3,553**	(17,049)
Marketing costs	16	**(33,182)**	(27,274)
Administrative expenses	16	**(76,776)**	(59,785)
Other operating expenses	16	**(285,874)**	(243,139)
Operating profit		**128,107**	73,746
Finance costs – net	18	**(13,274)**	(21,326)
Share of profit of associates	19	**51,120**	61,881
Profit before income tax		**165,953**	114,301
Income tax expense	20	**(45,158)**	(30,444)
Profit for the period		**120,795**	83,857
Profit attributable to:			
Equity holders of the Company		**108,425**	74,752
Non-controlling interests		**12,370**	9,105
		120,795	83,857
Earnings per share for profit attributable to the equity holders of the Company during the period *(expressed in US cents per share)*			
– basic	21	**3.538**	2.599
– diluted	21	**3.533**	2.597
Dividends	22	**40,261**	37,119

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
Profit for the period	**120,795**	83,857
Other comprehensive income:		
Currency translation differences – subsidiaries	**125,301**	(6,429)
Currency translation differences – associates	**41,209**	7,301
Other comprehensive income for the period	**166,510**	872
Total comprehensive income for the period	**287,305**	84,729
Total comprehensive income attributable to:		
Equity holders of the Company	**264,430**	66,765
Non-controlling interests	**22,875**	17,964
	287,305	84,729

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands)

		Unaudited					
		Attributable to equity holders of the Company					
	Note	**Share capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2010		1,943,448	1,412,324	873,733	4,229,505	315,792	4,545,297
Currency translation differences		–	(7,987)	–	(7,987)	8,859	872
Net (expenses)/income recognized directly in equity		–	(7,987)	–	(7,987)	8,859	872
Profit for the period		–	–	74,752	74,752	9,105	83,857
Total comprehensive (expenses)/income for the six months ended 30 June 2010		–	(7,987)	74,752	66,765	17,964	84,729
Exercise of share options – allotment of shares	9	520	–	–	520	–	520
Exercise of share options – transfer from option reserve to share premium	9	54	(54)	–	–	–	–
Payment of 2009 final dividend		–	–	(22,269)	(22,269)	–	(22,269)
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		–	–	–	–	(4,997)	(4,997)
Equity acquired from a non-controlling shareholder		–	–	–	–	(2,562)	(2,562)
Equity injected by a non-controlling shareholder		–	–	–	–	665	665
Net change in equity loans due to non-controlling shareholders		–	–	–	–	194	194
		574	(54)	(26,340)	(25,820)	(6,700)	(32,520)
Balance at 30 June 2010		1,944,022	1,404,283	922,145	4,270,450	327,056	4,597,506

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

(All amounts in US dollar thousands)

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2011		1,946,657	1,593,757	1,097,445	4,637,859	352,348	4,990,207
Currency translation differences		–	156,005	–	156,005	10,505	166,510
Net income recognized directly in equity		–	156,005	–	156,005	10,505	166,510
Profit for the period		–	–	108,425	108,425	12,370	120,795
Total comprehensive income for the six months ended 30 June 2011		–	156,005	108,425	264,430	22,875	287,305
Exercise of share options – allotment of shares	9	1,574	–	–	1,574	–	1,574
Exercise of share options – transfer from option reserve to share premium	9	415	(415)	–	–	–	–
Rights issue	9	601,994	–	–	601,994	–	601,994
Payment of 2010 final dividend		–	–	(40,251)	(40,251)	–	(40,251)
Issue of convertible bonds – equity component	12	–	44,518	–	44,518	–	44,518
Net consideration received from the resale of the Company's shares held by a subsidiary		–	–	609	609	217	826
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(4,000)	(4,000)
Acquisition of a non-wholly owned subsidiary		–	–	–	–	4,367	4,367
Equity injected by a non-controlling shareholder		–	–	–	–	5,083	5,083
		603,983	44,103	(39,642)	608,444	5,667	614,111
Balance at 30 June 2011		**2,550,640**	**1,793,865**	**1,166,228**	**5,510,733**	**380,890**	**5,891,623**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
Cash flows from operating activities	**81,782**	77,738
Cash flows from investing activities		
– purchases of property, plant and equipment, investment properties and land use rights	**(254,459)**	(137,413)
– proceeds on disposal of property, plant and equipment	**307**	554
– acquisition of interests in subsidiaries and an associate (net of cash and cash equivalents acquired)	**(30,444)**	(6,999)
– payment of deposit for acquisition of an associate	**(7,344)**	–
– increase in short-term bank deposits with more than 3 months maturity	**(2,297)**	(16,066)
– Capital contribution and net increase in loans to associates	**(41,649)**	(8,694)
– other investing cash flow – net	**7,107**	25,102
Net cash used in investing activities	**(328,779)**	(143,516)
Cash flows from financing activities		
– dividend paid	**(46,357)**	(27,405)
– net proceeds from issuance of ordinary shares	**603,568**	520
– net proceeds from issuance of convertible bonds	**495,600**	–
– net (decrease)/increase in bank borrowings	**(352,204)**	52,333
– other finance cash flows – net	**9,583**	(1,841)
Net cash generated from financing activities	**710,190**	23,607
Net increase/(decrease) in cash and cash equivalents	**463,193**	(42,171)
Cash and cash equivalents at 1 January	**525,056**	659,641
Exchange gains on cash and cash equivalents	**8,576**	1,852
Cash and cash equivalents at 30 June	**996,825**	619,322
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	**291,248**	337,208
Short-term bank deposits	**723,590**	303,852
Cash and bank balances	**1,014,838**	641,060
Less: Bank overdrafts	**(76)**	(67)
Short-term bank deposits with more than 3 months maturity	**(17,937)**	(21,671)
Cash and cash equivalents	**996,825**	619,322

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

1. General information

The Group owns and operates hotels and associated properties; and provides hotel management and related services.

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

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

These condensed consolidated interim financial statements were approved by the Board for issue on 26 August 2011.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010 with the addition of certain amendments to standards, new interpretations and the HKICPA's improvements to HKFRS 2010 which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2011. These amendments to standards and new interpretation had no material impact on the Group's financial statements.

In addition, the Group has issued convertible bonds during the period and the accounting policy adopted by the Group on convertible bonds is as follows:

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

3. Segment information

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

Hotel operation (hotel ownership and operation)

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

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

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

Hotel management (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.

3. Segment information *(continued)*

Segment income statement
For the six months ended 30 June 2011 and 2010 *(US$ million)*

	2011 Sales (Note 2)	**2011 Profit/(Loss) after tax (Note 1)**	2010 Sales (Note 2)	2010 Profit/(Loss) after tax (Note 1)
Hotel operation				
Hong Kong	**125.0**	**34.8**	99.9	20.8
Mainland China	**384.1**	**31.6**	318.5	22.6
Singapore	**76.8**	**15.5**	62.3	12.6
Malaysia	**66.9**	**8.5**	56.7	6.5
The Philippines	**90.2**	**5.7**	80.3	(0.1)
Japan	**15.6**	**(11.4)**	20.6	(7.4)
Thailand	**25.6**	**(1.1)**	19.2	(0.6)
France	**16.6**	**(18.9)**	–	–
Other countries	**45.8**	**(1.9)**	27.2	(2.5)
	846.6	**62.8**	684.7	51.9
Property rentals				
Mainland China	**10.3**	**24.3**	8.9	19.4
Singapore	**8.1**	**5.6**	6.5	5.1
Malaysia	**3.1**	**0.8**	3.3	0.9
Other countries	**6.8**	**2.0**	5.5	2.3
	28.3	**32.7**	24.2	27.7
Hotel management	**55.8**	**16.4**	41.0	12.8
Total	**930.7**	**111.9**	749.9	92.4
Less: Hotel management – Inter-segment sales	**(36.1)**		(27.0)	
Total external sales	**894.6**		722.9	
Corporate finance costs (net)		**(6.1)**		(3.7)
Land cost amortization and pre-opening expenses for projects		**(14.1)**		(8.6)
Corporate expenses		**(7.4)**		(5.0)
Exchange gains/(losses) of corporate investment holding companies		**0.7**		(4.0)
Profit before non-operating items		**85.0**		71.1
Non-operating items				
Fair value gains on investment properties		**20.7**		32.7
Negative goodwill arising from acquisition of a subsidiary and an associate		**9.0**		–
Unrealized losses on financial assets held for trading		**(2.0)**		(3.6)
Fair value losses on interest-rate swap contracts		**(4.2)**		(16.5)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises		**(0.5)**		(1.2)
Realized gain on disposal of long term investment		**0.4**		–
Discarding of property, plant and equipment due to renovation of a resort		**–**		(7.7)
Profit attributable to equity holders of the Company		**108.4**		74.8

Notes:

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

2. Sales exclude sales of associates.

4. Capital expenditure

	Property, plant and equipment	Investment properties	Leasehold land and land use rights	Intangible assets
Opening net book amount as at 1 January 2011	4,394,094	794,029	603,208	92,887
Additions	175,483	806	91,439	–
Acquisition of subsidiaries	91,609	–	5,862	5,914
Exchange differences	122,704	32,984	12,367	1,069
Disposals	(1,105)	(191)	–	–
Depreciation/amortization charge (Note 16)	(136,391)	–	(6,142)	(274)
Closing net book amount as at 30 June 2011	**4,646,394**	**827,628**	**706,734**	**99,596**
Opening net book amount as at 1 January 2010	4,055,634	675,634	453,926	94,450
Additions	130,923	8,334	–	–
Exchange differences	(21,817)	6,059	2,780	(1,487)
Disposals	(10,473)	(42)	–	–
Depreciation/amortization charge (Note 16)	(111,933)	–	(5,621)	(556)
Closing net book amount as at 30 June 2010	4,042,334	689,985	451,085	92,407

5. Available-for-sale financial assets

	As at	
	30 June 2011	31 December 2010
Equity securities:		
Overseas unlisted shares, at cost	**1,916**	1,916
– Exchange differences	**428**	458
	2,344	2,374
Club debentures, at fair value	**2,579**	2,557
	4,923	4,931

6. Other receivables

	As at 30 June 2011	As at 31 December 2010
Security deposit on leased premises	**19,242**	18,955

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US$21,779,000) (31 December 2010: JPY1,751,000,000 (equivalent to US$21,516,000)) was paid to the lessor of the leased premises and will only be recoverable after expiry of the lease. The effective interest rate applied to calculate the fair value upon initial recognition of the deposit is 0.556% per annum.

The fair value of the security deposit is not materially different from its carrying value. The maximum exposure to credit risk at the reporting date is the fair value of the deposit mentioned above.

7. Accounts receivable, prepayments and deposits

	As at 30 June 2011	As at 31 December 2010
Trade receivables – net	**66,214**	68,036
Deposits for acquisition of a project company and land bids	**7,344**	10,469
Prepayments and other deposits	**57,274**	38,947
Other receivables	**59,095**	45,116
	189,927	162,568

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

(a) The fair values of the trade and other receivables are not materially different from their carrying values. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

(b) A significant part of the Group's sales are by credit cards or against payment of deposits. The remaining amounts are with general credit term of 30 days. The Group has a defined credit policy. The ageing analysis of the trade receivables after provision of impairment is as follows:

	As at 30 June 2011	As at 31 December 2010
0 – 3 months	**61,785**	63,618
4 – 6 months	**2,486**	1,779
Over 6 months	**1,943**	2,639
	66,214	68,036

8. Financial assets held for trading

	As at 30 June 2011	As at 31 December 2010
Equity securities, at market value		
Shares listed in Hong Kong	**21,578**	23,430
Shares listed outside Hong Kong	**1,302**	1,513
	22,880	24,943

9. Share capital

Authorized – Ordinary shares of HK$1 each	No. of shares ('000)	Amount: Ordinary shares	Amount: Share premium	Amount: Total
At 31 December 2010 and 30 June 2011	5,000,000	646,496	–	646,496
Issued and fully paid – Ordinary shares of HK$1 each				
At 1 January 2010	2,886,979	372,770	1,570,678	1,943,448
Exercise of share options				
– allotment of shares	413	53	467	520
– transfer from option reserve	–	–	54	54
At 30 June 2010	2,887,392	372,823	1,571,199	1,944,022
Exercise of share options				
– allotment of shares	1,285	166	1,901	2,067
– transfer from option reserve	–	–	568	568
At 31 December 2010 and 1 January 2011	2,888,677	372,989	1,573,668	1,946,657
Exercise of share options				
– allotment of shares	1,026	132	1,442	1,574
– transfer from option reserve	–	–	415	415
Rights issue	240,752	31,065	570,929	601,994
At 30 June 2011	**3,130,455**	**404,186**	**2,146,454**	**2,550,640**

Certain share options at various exercise prices granted to option holders of the Company under the Executive Option Scheme and the New Option Scheme were exercised during the six months ended 30 June 2011 and 2010 and the following new shares were issued:

	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 2011							
January	–	–	–	–	308,000	209,000	855
February	–	–	–	100,000	29,000	20,000	169
March	–	–	–	–	200,000	–	299
April	–	–	–	–	80,000	–	120
May	–	–	–	–	50,000	30,000	131
For the six months ended 30 June 2011	**–**	**–**	**–**	**100,000**	**667,000**	**259,000**	**1,574**
For the six months ended 30 June 2010	–	276,195	–	–	135,000	2,000	520
For the year ended 31 December 2010	–	276,195	67,921	50,000	770,000	534,000	2,587

The weighted average closing price of the shares immediately before the dates on which the options were exercised for the six months ended 30 June 2011 was HK$20.65 (six months ended 30 June 2010: HK$14.34).

9. Share capital *(continued)*

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$29,200,000 (equivalent to US$3,768,000). 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$57,955,000 (equivalent to US$7,478,000) retained as general working capital and for immediate capital expenditure.

During the period, a subsidiary of the Company disposed of 316,000 ordinary shares of the Company for a net cash consideration of approximately US$826,000 on The Stock Exchange of Hong Kong Limited. The amount was credited to the equity. As at 30 June 2011, 10,501,055 ordinary shares in the Company were still held by the subsidiary.

Share options

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

The Company originally has two share option schemes: the Executive Option Scheme and the New Option Scheme. Following the exercise of the remaining outstanding option shares by the option holders in 2010, the Executive Option Scheme has been terminated in 2010. Details of the New Option Scheme is stated under the section headed "SHARE OPTIONS" of this report.

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

	For the six months ended 30 June 2011		For the year ended 31 December 2010	
	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	**12.57**	**11,257,500**	12.48	13,769,466
Exercised	**11.89**	**(1,026,000)**	11.81	(1,698,116)
Lapsed	**12.46**	**(70,000)**	12.64	(813,850)
At 30 June/31 December	**12.64**	**10,161,500**	12.57	11,257,500

As at 30 June 2011 and 31 December 2010, outstanding option shares of the New Option Scheme at the end of the period/year are as follows:

Last exercisable date	**Exercise price in HK$ per option share**	**Number of option shares as at 30 June 2011**	31 December 2010
New Option Scheme			
31 December 2011	11.60	**30,000**	30,000
31 December 2011	14.60	**15,000**	15,000
28 May 2012	6.81	**390,000**	490,000
27 April 2015	11.60	**5,595,000**	6,312,000
15 June 2016	14.60	**4,131,500**	4,410,500
		10,161,500	11,257,500

No option was granted during the six months ended 30 June 2011 and 2010.

Options on 120,000 shares and 190,000 shares with exercise price of HK$6.81 and HK$14.60 per share, respectively have been exercised subsequent to 30 June 2011 and up to the approval date of the financial statements. No options have lapsed subsequent to 30 June 2011 and up to the approval date of the financial statements.

10. Other reserves

	Option	Convertible bonds	Capital redemption	Exchange fluctuation	Capital	Other	Contributed surplus	Total
At 1 January 2010	6,491	–	10,666	402,568	601,490	1,368	389,741	1,412,324
Currency translation differences	–	–	–	(7,987)	–	–	–	(7,987)
Exercise of share options								
– transfer to share premium	(54)	–	–	–	–	–	–	(54)
At 30 June 2010	6,437	–	10,666	394,581	601,490	1,368	389,741	1,404,283
Currency translation differences	–	–	–	190,042	–	–	–	190,042
Exercise of share options								
– transfer to share premium	(568)	–	–	–	–	–	–	(568)
At 31 December 2010 and								
1 January 2011	5,869	–	10,666	584,623	601,490	1,368	389,741	1,593,757
Currency translation differences	–	–	–	156,005	–	–	–	156,005
Exercise of share options								
– transfer to share premium	(415)	–	–	–	–	–	–	(415)
Issue of convertible bonds								
– equity component	–	44,518	–	–	–	–	–	44,518
At 30 June 2011	**5,454**	**44,518**	**10,666**	**740,628**	**601,490**	**1,368**	**389,741**	**1,793,865**

11. Bank loans and overdrafts

	As at 30 June 2011	As at 31 December 2010
Overdrafts – unsecured	**76**	–
Bank loans – secured (Note 24(c))	**169,296**	97,323
Bank loans – unsecured	**2,274,740**	2,588,946
	2,444,112	2,686,269

The maturity of bank loans and overdrafts is as follows:

	As at 30 June 2011	As at 31 December 2010
Within 1 year	**436,419**	1,271,464
Between 1 and 2 years	**838,929**	496,836
Between 2 and 5 years	**1,149,239**	889,241
Wholly repayable within 5 years	**2,424,587**	2,657,541
Over 5 years	**19,525**	28,728
	2,444,112	2,686,269

11. Bank loans and overdrafts *(continued)*

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

	30 June 2011									
	HK$	**RMB**	**MYR**	**US$**	**JPY**	**Pesos**	**Euros**	**Baht**	**SGD**	**AUD**
Bank overdrafts	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7.13%**	**–**	**–**
Bank borrowings	**1.03%**	**6.16%**	**3.95%**	**1.52%**	**1.03%**	**2.20%**	**1.69%**	**4.93%**	**1.45%**	**6.75%**

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

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

	As at 30 June 2011	As at 31 December 2010
Hong Kong dollars	**1,016,649**	1,182,840
Renminbi	**507,831**	419,832
United States dollars	**414,160**	667,960
Euros	**217,265**	200,027
Japanese Yen	**74,627**	73,728
Philippines Pesos	**65,582**	64,718
Singapore dollars	**60,831**	41,628
Australian dollars	**57,447**	–
Malaysian Ringgit	**23,113**	28,920
Thai Baht	**6,607**	6,616
	2,444,112	2,686,269

The Group has the following undrawn borrowing facilities:

	As at 30 June 2011	As at 31 December 2010
Floating rate		
– expiring within one year	**156,939**	155,984
– expiring beyond one year	**651,215**	637,989
Fixed rate		
– expiring within one year	**10,649**	–
– expiring beyond one year	**25,495**	25,668
	844,298	819,641

12. Convertible bonds

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 (the "Maturity Date"), in the aggregate principal amount of US$500 million with an initial conversion price of HK$29.03 per ordinary share of the Company (subject to adjustment). Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at 111.84% of their principal amount on the Maturity Date.

12. Convertible bonds *(continued)*

The initial fair values of the liability component and the equity conversion component, based on net proceeds, were determined at issuance of the bonds. The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 10).

The convertible bonds recognized in the statement of financial position is calculated as follows:

Face value of convertible bonds issued on 12 May 2011	**500,000**
Issuing expenses	**(4,400)**
Equity component credited to the equity	**(44,518)**
Liability component on initial recognition at 12 May 2011	**451,082**
Accumulated interest expense (Note 18)	**2,592**
Liability component at 30 June 2011	**453,674**

The face value of outstanding bonds at 30 June 2011 amounted to US$500,000,000. No convertible bonds were converted to ordinary shares of the Company during the period or subsequent to 30 June 2011 and up to the date of this report. The carrying value of the liability component is calculated using cash flows discounted at an initial market interest rate of 4.34% per annum.

13. Derivative financial instruments

	As at	
	30 June 2011	31 December 2010
Non-current liabilities		
Interest-rate swap contracts – non hedging	**12,028**	20,304
Current liabilities		
Interest-rate swap contracts – non hedging	**22,836**	22,202
Forward exchange rate contract – non hedging	**811**	1,043
	23,647	23,245

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

The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 30 June 2011 were HK$3,460,000,000 and US$100,000,000, respectively (31 December 2010: HK$3,460,000,000 and US$100,000,000, respectively). At 30 June 2011, the fixed interest rates vary from 4.28% to 4.70% per annum (31 December 2010: 4.28% to 4.70% per annum).

As at 30 June 2011, a non-wholly owned subsidiary had an outstanding short term forward exchange contract of US$9,000,000 between Thai Baht and United States dollars at forward exchange rate of US$1 to Baht 33.975 maturing in December 2011.

14. Due to non-controlling shareholders

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

	As at 30 June 2011	As at 31 December 2010
– 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**	5,500
– LIBOR plus 1% per annum and wholly repayable on 22 June 2016	**4,500**	–
– Interest-free and not payable within 12 months	**24,406**	23,908
	41,786	36,788

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

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

	As at 30 June 2011	As at 31 December 2010
– Interest-free with no fixed repayment terms	**8,536**	10,478

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

15. Accounts payable and accruals

	As at 30 June 2011	As at 31 December 2010
Trade payables	**80,370**	80,537
Construction cost payable, payable for land use rights and accrued expenses	**525,347**	447,608
	605,717	528,145

The ageing analysis of the trade payables is as follows:

	As at 30 June 2011	As at 31 December 2010
0 – 3 months	**71,717**	73,123
4 – 6 months	**5,107**	4,476
Over 6 months	**3,546**	2,938
	80,370	80,537

16. Expenses by nature

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

	For the six months ended	
	30 June 2011	30 June 2010
Depreciation of property, plant and equipment (net of amount capitalized of US$411,000 (2010: US$87,000)) (Note 4)	**135,980**	111,846
Amortization of leasehold land and land use rights (Note 4)	**6,142**	5,621
Amortization of trade mark and web site development (Note 4)	**274**	556
Employee benefit expenses	**251,620**	197,804
Cost of inventories sold or consumed in operation	**123,810**	99,143
Loss on disposal of property, plant and equipment and partial replacement of investment properties	**609**	670
Discarding of property, plant and equipment due to renovation of hotels and a resort	**23**	9,294

17. Other gains/(losses) – net

	For the six months ended	
	30 June 2011	30 June 2010
Net unrealized losses on financial assets held for trading	**(2,063)**	(3,662)
Fair value (losses)/gains on derivative financial instruments		
– interest-rate swap contracts	**(4,208)**	(16,509)
– forward exchange contract	**219**	(342)
Negative goodwill arising from acquisition of a subsidiary (Note 23(a))	**3,598**	–
Interest income	**4,891**	2,606
Dividend income	**479**	465
Others	**637**	393
	3,553	(17,049)

18. Finance costs – net

	For the six months ended	
	30 June 2011	30 June 2010
Interest expense		
– bank loans and overdrafts	**28,492**	22,103
– convertible bonds	**2,592**	–
– other loans	**581**	1,367
	31,665	23,470
Less: amount capitalized	**(3,527)**	(1,250)
	28,138	22,220
Net foreign exchange transactions gains	**(14,864)**	(894)
	13,274	21,326

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 2.37% per annum for the period (2010: 1.8%).

19. Share of profit of associates

	For the six months ended	
	30 June 2011	30 June 2010
Share of profit before tax of associates before negative goodwill and share of net increase in fair value of investment properties	**35,607**	38,859
Negative goodwill arising from acquisition of an associate (Note 23(b))	**5,408**	–
Share of net increase in fair value of investment properties	**27,546**	43,557
Share of profit before tax of associates	**68,561**	82,416
Share of associates' taxation before provision for deferred tax liabilities on fair value gains of investment properties	**(10,555)**	(9,646)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(6,886)**	(10,889)
Share of associates' taxation	**(17,441)**	(20,535)
Share of profit of associates	**51,120**	61,881

20. Income tax expense

Income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong includes withholding tax paid and payable on dividends from subsidiaries and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

	For the six months ended	
	30 June 2011	30 June 2010
Current income tax		
– Hong Kong profits tax	**8,478**	5,171
– Overseas taxation	**31,156**	24,004
Deferred income tax	**5,524**	1,269
	45,158	30,444

21. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period after adjustment of those issued ordinary shares of the Company held by a subsidiary.

	For the six months ended	
	30 June 2011	30 June 2010
Profit attributable to equity holders of the Company (US$'000)	**108,425**	74,752
Weighted average number of ordinary shares in issue (thousands)	**3,064,884**	2,876,410
Basic earnings per share (US cents per share)	**3.538**	2.599

21. Earnings per share *(continued)*

Diluted

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

For the six months ended 30 June 2011, all the share options issued under the New Option Scheme have the greatest dilution effect. For the six months ended 30 June 2010, the share options with exercise price of HK$8.82 and HK$8.18 issued under the Executive Option Scheme together with the share options with exercise price of HK$6.81 and HK$11.60 issued under the New Option Scheme have the greatest dilution effect.

	For the six months ended	
	30 June 2011	30 June 2010
Profit attributable to equity holders of the Company (US$'000)	**108,425**	74,752
Weighted average number of ordinary shares in issue (thousands)	**3,064,884**	2,876,410
Adjustments for share options (thousands)	**3,946**	1,790
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,068,830**	2,878,200
Diluted earnings per share (US cents per share)	**3.533**	2.597

22. Dividends

	For the six months ended	
	30 June 2011	30 June 2010
Interim dividend of HK10 cents (2010: HK10 cents) per ordinary share	**40,261**	37,119

Notes:

(a) 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, which was paid on 9 June 2011, and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2011.

(b) At a meeting held on 26 August 2011, the Board declared an interim dividend of HK10 cents per ordinary share for the year ending 31 December 2011. This declared dividend is not reflected as a dividend payable in these financial statements but reflected as a distribution of retained earnings for the year ending 31 December 2011. The declared interim dividend of US$40,261,000 for the six months ended 30 June 2011 is calculated based on 3,130,764,299 shares of the Company in issue as at the approval date of these financial statements after having eliminated on consolidation the amount of US$135,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company.

23. Acquisition of interests in subsidiaries and an associate

(a) Acquisition of interests in subsidiaries

On 31 March 2011, the Group completed the acquisition of 55% equity interest in a joint venture which owns the Shangri-La Hotel, The Marina, Cairns and the associated properties in Australia at a total consideration of A$8,353,000 (equivalent to US$8,465,000) which included the conversion of A$6,000,000 loan previously granted by the Group to the hotel as part of the equity in the joint venture. The hotel has been managed by the Group since 2004. The Group has also provided a proportionate shareholder loan of A$2,750,000 (equivalent to US$2,787,000) to the joint venture for partial refinancing of bank loan of the hotel.

By end of June 2011, the Group obtained the necessary approvals from the local government authorities and completed certain changes of registration from the local government authorities for the acquisition of 100% equity interest in a project company in Yangzhou City in Mainland China from a wholly owned subsidiary of Kerry Properties Limited which is a subsidiary of the Company's controlling shareholder Kerry Holdings Limited ("KHL"). A deposit of RMB11,329,000 (equivalent to US$1,718,000) was paid in January 2011. Balance of the cash consideration of RMB215,257,000 (equivalent to US$33,851,000) was paid in August 2011.

Details of purchase considerations and the fair values of assets and liabilities acquired for the aforesaid acquisitions of subsidiaries are as follows:

Purchase considerations:	
Purchase considerations already paid	12,970
Balance of consideration payable	33,851
Total purchase considerations	46,821
Fair value of net assets acquired:	
Property, plant and equipment and leasehold land	97,471
Current assets	39,734
Current liabilities	(13,354)
Bank loans	(74,979)
Non-controlling interests	(4,367)
	44,505
Goodwill arising from acquisition of a subsidiary (included in intangible assets of the statement of financial position (Note 4))	5,914
Excess of share of fair value of net assets of a subsidiary over its purchase considerations (represented by negative goodwill included in other gains of the income statement (Note 17))	(3,598)

(b) Acquisition of interests in an associate

By end of June 2011, the Group also obtained the necessary approvals from the local authorities and completed certain changes of registration for the acquisition of 10% and 15% equity interest in a project company in Shenyang City in Mainland China from each of a wholly owned subsidiary of KHL and Allgreen Properties Limited (a subsidiary of which is a substantial shareholder of an indirect non-wholly owned subsidiary of the Company), respectively. Total deposits of RMB204,488,000 (equivalent to US$31,308,000) were paid during the period. Balance of the cash consideration of RMB750,262,000 (equivalent to US$117,241,000) was paid in August 2011. The 25% share of the fair value of the net assets of the project company was RMB996,407,000 (equivalent to US$153,957,000). The excess of the share of the fair value of the net assets over the total purchase consideration amounted to US$5,408,000 which was included in share of profit of associates (Note 19).

24. Financial guarantees, contingencies and charges over assets

(a) Financial guarantees

As at 30 June 2011, 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$121,842,000 (31 December 2010: US$91,466,000). The guarantees are stated at their respective contracted amounts. The Board is of the opinion that it is not probable that such guarantees will be called upon.

(b) Contingent liabilities

As at 30 June 2011, 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$28,867,000 (31 December 2010: US$26,577,000). These facilities were undrawn as at 30 June 2011.

(c) Charges over assets

As at 30 June 2011, bank borrowings of certain subsidiaries amounting to US$169,296,000 (31 December 2010: US$97,323,000) was secured by:

(i) Freehold land and construction of a subsidiary with net book value of US$40,575,000 (31 December 2010: US$42,095,000).

(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$156,120,000 (31 December 2010: US$160,876,000).

(iii) Legal mortgage over the property owned by a subsidiary with net book value of US$115,805,000 (31 December 2010: US$88,061,000).

(iv) Legal mortgage over the property owned by a subsidiary acquired during the period with net book value of US$66,896,000 (31 December 2010: Nil).

25. Commitments

Capital expenditure at the date of the statement of financial position committed but not yet incurred is as follows:

	As at	
	30 June 2011	31 December 2010
Existing properties – Property, plant and equipment and investment properties		
Contracted but not provided for	**93,003**	103,453
Authorized but not contracted for	**113,408**	98,279
Development projects		
Contracted but not provided for	**1,405,447**	1,393,849
Authorized but not contracted for	**1,899,810**	1,392,040
	3,511,668	2,987,621

26. Related party transactions

Kerry Group Limited ("KGL"), which owns approximately 50.19% of the Company's issued ordinary shares as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance as at 30 June 2011, has significant influence over the Company.

The following transactions were carried out with related parties:

		For the six months ended	
		30 June 2011	30 June 2010
(a)	Transactions with subsidiaries of KGL (other than subsidiaries of the Company)		
	Receipt of hotel management and related services and royalty fees	**1,084**	923
	Payment of project management services and project consultancy services fees	**45**	46
	Reimbursement of office expenses and payment of administration and related expenses	**1,838**	1,222
	Payment of office rental, management fees and rates	**3,176**	983

		For the six months ended	
		30 June 2011	30 June 2010
(b)	Transactions with associates of the Group		
	Receipt of hotel management and related services and royalty fees	**6,497**	4,504
	Receipt of laundry services	**444**	409
	Payment for flight services	**1,400**	–

		As at	
		30 June 2011	31 December 2010
(c)	Financial assistance provided to subsidiaries of KGL (other than subsidiaries of the Company)		
	Balance of loan to associates of the Group	**83,455**	83,455
	Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	**94,061**	62,959

		As at	
		30 June 2011	31 December 2010
(d)	Financial assistance provided to associates of the Group (excluding item (c) above)		
	Balance of loan to associates of the Group	**87,526**	92,625
	Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	**27,781**	28,507

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

		For the six months ended	
		30 June 2011	30 June 2010
(e)	Key management compensation		
	Fees, salaries and other short-term employee benefits	**1,403**	1,025
	Post employment benefits	**53**	40
		1,456	1,065

Details of the transactions related to the acquisition of a subsidiary and an associate from related parties were provided in Note 23.

27. Events after the date of the statement of financial position

(a) The Company issued a total of 310,000 new ordinary shares to share option holders who have exercised their rights to subscribe for shares of the Company subsequent to 30 June 2011 and up to the approval date of these financial statements.

(b) In August 2011, the Group paid the balance of the cash consideration of RMB750,262,000 (equivalent to US$117,241,000) and RMB215,257,000 (equivalent to US$33,851,000) for the acquisition of 25% equity interest in a project company in Shenyang City and 100% equity interest in a project company in Yangzhou City in Mainland China, respectively after all the conditions included in the sale and purchase agreements relating to the acquisitions have been met.

(c) In July 2011, an indirect wholly owned subsidiary of the Company executed a 6-year unsecured bilateral bank loan agreement of RMB15,000,000 (equivalent to US$2,318,000). A wholly owned subsidiary of the Company executed three 5-year unsecured bilateral bank loan agreements with an aggregate amount of HK$1,980,000,000 (equivalent to US$255,484,000) in July 2011.

OPERATIONS REVIEW

(Performance compared to the corresponding period last year)

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

(a)	Hotel operations	–	Hotel ownership and operation
(b)	Hotel management	–	Provision of hotel management and related services to Group-owned hotels and to hotels owned by third parties
(c)	Property rentals	–	Ownership and leasing of office properties, commercial properties and serviced apartments

Revenues

(a) Hotel Operations

– Continued to be the main source of revenue and operating profits.

– As at 30 June 2011, the Group has equity interest in 56 operating hotels with 26,356 available guest rooms, including the Portman Ritz-Carlton Hotel, Shanghai (the "Portman"). The 200-room Shangri-La Hotel, Tokyo ("Shangri-La Tokyo") is operating under a medium term operating lease.

– Benefited from both the recovering corporate travel market and emerging leisure travel trends and together with the general appreciation of Asian currencies against US dollar, performance of most of the Group's hotels continued to be good during the period under review. The weighted average room yields ("RevPAR") of the Group's hotels recorded a 17% year-on-year increment, led mainly by improvements in room rates.

– In terms of key performance indicators, all the Group's hotels recorded an increment in RevPAR with the exception of the hotels in Shanghai (affected by the temporary decrease in occupancy after Shanghai EXPO) and Tokyo (affected by the temporary closure from mid March to mid April following the catastrophic event in Fukushima) and Shangri-La's Tanjung Aru Resort & Spa in Kota Kinabalu (affected by the renovation programme). Segments results are set out on page 12 of this report.

– The 454-room Shangri-La's Rasa Sentosa Resort, Singapore (a wholly owned hotel) re-opened for business on 18 January 2011 in a phased manner after completion of its major renovation since its temporary closure in March 2010.

– The 574-room Kerry Hotel Pudong, Shanghai (a 23.2% owned hotel) in Mainland China opened for business on 18 February 2011.

– The 235-room Shangri-La Hotel, Manzhouli (a wholly owned hotel) in Mainland China opened for business on 15 April 2011.

– At the end of March 2011, the Group acquired a 55% equity interest in a joint venture which owns the Shangri-La Hotel, The Marina, Cairns ("Shangri-La Cairns") in Australia. This hotel has been managed by the Group since 2004.

OPERATIONS REVIEW *(continued)*

Revenues *(continued)*

(a) Hotel Operations *(continued)*

The key performance indicators of the Group on an unconsolidated basis for the period are as follows:

Country	**2011 Weighted Average** Occupancy (%)	**2011** Transient Room Rate (US$)	**2011** RevPAR (US$)	2010 Weighted Average Occupancy (%)	2010 Transient Room Rate (US$)	2010 RevPAR (US$)
The People's Republic of China						
Hong Kong	**79**	**322**	**248**	69	269	211
Mainland China	**59**	**152**	**88**	60	133	79
Singapore	**70**	**248**	**186**	66	191	150
Malaysia	**69**	**132**	**90**	62	133	80
The Philippines	**72**	**184**	**131**	73	161	115
Japan	**50**	**460**	**225**	59	441	254
Thailand	**47**	**157**	**72**	39	145	65
France	**46**	**1,357**	**531**	N/A	N/A	N/A
Other countries	**67**	**185**	**118**	65	142	91
Group	**63**	**179**	**111**	61	153	96

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

(b) Hotel Management

– Except for the Portman, all the other 55 hotels in which the Group has equity interest together with Shangri-La Tokyo are managed by the hotel management subsidiary, SLIM International Limited and its subsidiaries ("SLIM") as at 30 June 2011.

– SLIM had hotel management agreements in respect of 16 operating hotels owned by third parties as at 30 June 2011. Overall weighted average occupancy, room rate and RevPAR of these 16 hotels increased by 6%, 7% and 14%, respectively.

– Revenue of SLIM on consolidation, after elimination of revenue earned from fellow subsidiaries, recorded an increase of 41%.

– In March 2011, SLIM exited its management agreements in respect of the two hotels under development in Macau which have experienced significant completion delays. In early July 2011, SLIM also terminated its management agreement in respect of a hotel under development in Moscow. As at the date of this report, SLIM has management agreements on hand for 11 hotels under development owned by third parties.

OPERATIONS REVIEW *(continued)*

Revenues *(continued)*

(c) Property Rentals

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

- All the principal investment properties in Mainland China recorded an improvement in yields save for the serviced apartments and the office spaces of Shanghai Centre (which experienced a marginal decrease in rental rates) and the commercial spaces of the Beijing Kerry Centre (under renovation). In Beijing, the serviced apartments of the Beijing Kerry Centre, the China World Trade Center and the Century Towers recorded increase in yields of 24%, 17% and 45%, respectively. The serviced apartments of the Shanghai Kerry Centre were under renovation during the period. The office spaces and the commercial spaces of the Shangri-La Centre in Qingdao recorded increase in yields of 103% and 756%, respectively.

- The investment properties in other countries also recorded an increase in yields save for the UBN Tower in Malaysia (affected by the moving out of two tenants following the expiry of the leases). Notably, the office spaces of the Central Tower in Ulaanbaatar, the Republic of Mongolia and the serviced apartments in Singapore recorded increase in yields of 66% and 24%, respectively.

- The Kerry Parkside, Pudong in Shanghai (a 23.2% owned high-end composite development which includes the Kerry Hotel, Pudong) commenced business in February 2011.

Consolidated Profits

- On a segment basis, net profit attributable to equity holders of the Company from hotel operations and investment properties increased by US$10.9 million and US$5.0 million, respectively compared to the same period last year.

- In general, most of the hotels which have been operating for over 3 years since their opening have recorded a net profit during the period under review. The Shangri-La Tokyo suffered an increase in operating loss primarily due to the effect of the temporary closure for around one month since mid March. The performance of the Shangri-La Hotel, Paris (which commenced business in December 2010) was adversely affected by a slow pick-up in business. It is now enjoying reasonably good occupancies.

- Net profit before non-operating items increased from US$71.1 million in 2010 to US$85.0 million in 2011.

- Net credit from non-operating items during the current period was US$23.4 million (US$3.7 million in the previous year), mainly contributed by the US$20.7 million fair value gains on investment properties (net of tax), US$9.0 million negative goodwill arising from the acquisition of a subsidiary and an associate and after offsetting US$2.0 million of unrealized losses on financial assets held for trading and US$4.2 million of fair value losses on interest-rate swap contracts.

CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Group executed two 5-year bilateral unsecured bank loan agreements of HK$2,500 million (approximately US$322.6 million) and US$120 million during the period. These loan agreements were executed for project financing as well as refinancing of loans maturing in 2011.

On 11 February 2011, the Company completed the rights issue of ordinary shares resulting in 240,751,561 new shares being issued at HK$19.50 per share. On 12 May 2011, the Group issued zero coupon guaranteed convertible bonds due May 2016 in the aggregate principal amount of US$500 million with an initial conversion price of HK$29.03 per ordinary share of the Company (subject to adjustment). Of the net proceeds from the bonds, US$102 million and US$164 million were applied to fund capital expenditure before and after 30 June 2011, respectively. Details of the rights issue and the convertible bonds were provided in Note 9 and Note 12 to the condensed consolidated interim financial statements included in this report, respectively.

At the subsidiary level, the Group executed three 3-year unsecured bank loan agreements totaling US$36 million and RMB150 million (approximately US$23.2 million) and one 5-year unsecured bank loan agreement of RMB80 million (approximately US$12.4 million) to refinance outstanding bank borrowings matured in 2011. For project financing, a wholly owned subsidiary in Mainland China executed a 5-year unsecured bank loan agreement of RMB250 million (approximately US$38.6 million). A non-wholly owned subsidiary in the Republic of Mongolia also executed a 10-year US$50 million project loan agreement with International Finance Corporation.

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

The net borrowings (total of bank loans, convertible bonds and overdrafts less cash and bank balances) to total equity ratio, i.e. the gearing ratio, reduced from 43.0% as at 31 December 2010 to 32.0% as at 30 June 2011.

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

The analysis of borrowings outstanding as at 30 June 2011 is as follows:

	Maturities of Borrowings Contracted as at 30 June 2011				
			Repayment		
(US$ million)	**Within 1 year**	**In the 2nd year**	**In the 3rd to 5th year**	**After 5 years**	**Total**
Borrowings					
Corporate borrowings					
– unsecured bank loans	187.1	291.6	613.8	–	1,092.5
– convertible bonds	–	–	453.7	–	453.7
Project bank loans and overdrafts					
– secured	16.5	77.6	75.2	–	169.3
– unsecured	232.8	469.7	460.3	19.5	1,182.3
Total	436.4	838.9	1,603.0	19.5	2,897.8
Undrawn but committed facilities					
Bank loans and overdrafts	167.6	9.6	508.2	158.9	844.3

Subsequent to the period end and up to the date of this report, the Group executed new bank loan agreements totaling approximately US$257.8 million as detailed in Note 27(c) to the condensed consolidated interim financial statements included in this report.

CORPORATE DEBT AND FINANCIAL CONDITIONS *(continued)*

The currency-mix of the borrowings and cash and bank balances as at 30 June 2011 is as follows:

(US$ million)	**Borrowings**	**Cash and Bank Balances**
In Hong Kong dollars	1,016.6	79.1
In United States dollars	867.9	504.4
In Renminbi	507.9	301.5
In Euros	217.3	8.9
In Japanese Yen	74.6	1.2
In Philippines Pesos	65.6	44.5
In Singapore dollars	60.8	24.3
In Australian dollars	57.4	0.9
In Malaysian Ringgit	23.1	11.3
In Thai Baht	6.6	7.9
In Mongolian Tugrik	–	12.8
In Fiji dollars	–	10.8
In British Pound	–	5.7
In Maldives Rufiyaa	–	1.1
In other currencies	–	0.4
	2,897.8	1,014.8

Excepting the convertible bonds and the borrowings 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 charges over assets as at 30 June 2011 are disclosed in Note 24 to the condensed consolidated interim financial statements included in this report.

TREASURY POLICIES

Treasury policies aimed at minimizing interest and currency risk have been consistently followed by the Group as disclosed in the 2010 annual report. As at 30 June 2011, the principal amount of the outstanding HIBOR interest-rate swap contracts (with fixed interest rates ranging between 4.28% and 4.63% per annum) and LIBOR interest-rate swap contracts (with a fixed interest rate of 4.70% per annum) was HK$3,460 million (approximately US$446.5 million) and US$100 million, respectively. Taking into account the interest-rate swap contracts, convertible bonds and the Renminbi borrowings, the Group has fixed its interest liability on 52% of its loans outstanding as at 30 June 2011.

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. A non-wholly owned subsidiary in Thailand has an outstanding short term forward exchange contract of US$9 million between Thai Baht and United States dollars maturing December 2011 to hedge against a short term intra-group loan with similar principal amount.

INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value (including those properties being constructed for future use as investment properties of which fair value becomes reliably determinable at 30 June 2011). All changes in the fair value are recorded in the income statement. For the six months ended 30 June 2011, the Group's share of the increase in fair value of investment properties (including those under construction) being owned by certain associates (net of deferred taxation) amounted to US$20.7 million based on the opinion from an independent professional valuer as obtained by the major shareholder of these associates.

FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The investment portfolio remained unchanged during the period. The Group recorded net unrealized fair value losses of US$2.1 million (US$2.0 million after share of non-controlling interests) and dividend income of US$0.5 million (US$0.4 million after share of non-controlling interests) during the period.

DEVELOPMENT PROGRAMMES

Construction work on the following projects is on-going:

	Group's Equity Interest	Hotel Rooms	Serviced Apartments/ Villas	Projected Opening
Hotels in Mainland China				
Shangri-La Hotel, Qufu	100%	501	–	2012
Shangri-La Resort, Sanya	100%	504	43 Villas	2012
Shangri-La Hotel, Yangzhou	100%	369	–	2012
Shangri-La Hotel, Lhasa	100%	296	–	2013
Shangri-La Hotel, Diqing	100%	220	–	2013
Shangri-La Hotel, Qinhuangdao	100%	317	–	2014
Hotels in other countries				
Shangri-La Hotel, Ulaanbaatar, the Republic of Mongolia	75%	280	–	2013
Shangri-La Hotel, at The Shard, London, the United Kingdom	Operating lease	203	–	2013
Composite developments in Mainland China				
Jing An Kerry Centre, Shanghai (with Jing An Shangri-La, Shanghai)	49%	508	–	2013
Tianjin Kerry Centre (with Shangri-La Hotel, Tianjin)	20%	507	11	2013
Nanjing City Project (with Shangri-La Hotel, Nanjing)	55%	516	40	2013
Tangshan City Project (with Shangri-La Hotel, Tangshan)	35%	428	–	2013
Nanchang City Project (with Shangri-La Hotel, Nanchang)	20%	385	–	2014
Composite development in the Philippines				
Bonifacio Global City, Metro Manila (with Shangri-La At The Fort, Manila)	40%	577	97	2014

DEVELOPMENT PROGRAMMES *(continued)*

The Group has acquired land use rights in the following cities and is now drafting the development plan of these projects:

In Mainland China:

- Zhoushan (hotel development)
- Hefei (hotel development)
- Xiamen (hotel development)
- Wolong Bay in Dalian (hotel development)
- Fuzhou (extension of the Shangri-La Hotel, Fuzhou)
- Harbin# (hotel development)
- Zuhai# (hotel and training centre development)
- Dalian# (extension of the Shangri-La Hotel, Dalian)

In Sri Lanka:

- Colombo (high-end composite development)
- Hambantota# (resort development)

(# Acquired in 2011)

Following the successful biddings for the land sites in Laobian District, Yingkou City in Mainland China on 5 January 2011, the Group and the wholly owned subsidiaries of Kerry Properties Limited ("KPL") and Wilmar International Limited ("WIL") entered into a master joint venture agreement for a high-end composite development project. Shareholders' agreements have been executed and project companies have been established in this connection. The Group's 25% share of the maximum total investment cost in this project will be RMB1,877.0 million (approximately US$290.0 million).

Project companies for a high-end composite development project in Bayuquan, Yingkou City have also been established in the period under review. The shareholders' agreements for such project were entered between the Group, the wholly owned subsidiaries of KPL and WIL in December 2010 following the successful biddings of the land sites. The Group's 25% share of the maximum total investment cost in this project will be RMB642.3 million (approximately US$99.2 million).

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.

Following the successful biddings for the land sites in Jinan City in Mainland China on 26 May 2011, the Group entered into a supplemental shareholders' agreement with a wholly owned subsidiary of KPL. The Group's 45% share of the maximum total investment amount in this high-end composite development project increased to RMB554.1 million (approximately US$85.6 million).

On 3 June 2011, the Group executed a hotel lease agreement with a third party for a Traders hotel in Singapore comprising around 500 rooms opening in 2013. The operating lease agreement has an initial period of 10 years.

ACQUISITIONS

Details of the Group's acquisition of 55% equity interest in a joint venture which owns Shangri-La Cairns and the associated properties, 100% equity interest in a project company in Yangzhou City in Mainland China which owns the land use rights for a land site for the development of a hotel (superstructure works in progress) and three blocks of completed residential towers (some units have been sold) and 25% equity interest in a project company in Shenyang City in Mainland China which owns the land use rights in a land site for a high-end composite development comprising a hotel, offices, serviced apartments, residential and a commercial retail mall were provided in Note 23 to the condensed consolidated interim financial statements included in this report.

ACQUISITIONS *(continued)*

The Group had also entered into sales and purchase agreements on 31 December 2010 for the acquisition of 25% equity interest in a project company which owns the land use rights for a land site in Hangzhou City in Mainland China 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. Completion of the acquisition is subject to certain conditions including the obtaining of all necessary approvals from the local government authorities and completion of all relevant change of registration as required by local laws.

On 30 June 2011, the Company entered into an agreement for the sale and purchase of shares with a third party to acquire a 50% equity interest in a project company which owns the Shangri-La Hotel, Istanbul in Turkey for a cash consideration of US$92 million. The hotel is currently under development and is expected to open for business by end of 2012. The Group had signed the hotel management agreement for this 184-room hotel in April 2010. All necessary government approvals for the acquisition have been obtained by mid August 2011 and the acquisition will be completed upon payment of the cash consideration by early September 2011.

On 12 August 2011, the Company entered into sale and purchase agreements from a local party for certain land sites in Accra in the Republic of Ghana for a hotel development project together with certain trade marks for a total cash consideration of US$24 million. Completion of the acquisition is subject to a legal due diligence review and the necessary government registrations.

MANAGEMENT AGREEMENTS

As at the date of this report, the Group has 16 management agreements in respect of operating hotels owned by third parties.

In addition, the Group has agreements on hand for development of 11 new hotels. The development projects are located in Bangalore (2 hotels), Chennai and Mumbai (India), Changzhou, Chongqing and Haikou (Mainland China), Doha (2 hotels) (Qatar), Iskandar (Malaysia) and Toronto (Canada).

PROSPECTS

With the recent downgrading of the sovereign credit rating of the United States and growing concerns over the credit rating of France, Italy and Spain, the last three weeks witnessed a new wave of volatility in the global financial markets which has triggered anxieties of another recession in North America and Europe. The Group's hotels are predominantly operating in South East Asia where the economies have been able to maintain a reasonably healthy level of growth thus far this year. Consequently, the Group's hotels' RevPAR in the first half registered a healthy year-on-year overall growth. However, with the continuing economic uncertainties in North America and Europe, it is difficult to predict the extent to which the economies of South East Asia will be affected and to this extent the Group is cautiously optimistic of its business prospects for the remainder of the year.

HUMAN RESOURCES

As at 30 June 2011, the Company and its subsidiaries had approximately 28,300 employees. The headcount of all the Group's managed hotels totaled 42,600.

Remuneration policies, share option schemes and training schemes have been consistently applied by the Group as disclosed in the 2010 Annual Report.

SHARE OPTIONS

Details of the outstanding option shares as at 30 June 2011 which were granted under the share option scheme adopted by the shareholders of the Company on 24 May 2002 (the "New Option Scheme") are as follows:

	Date of grant	Tranche	Number of option shares: Held as at 1 January 2011	Transferred from other category during the period	Transferred to other category during the period	Exercised during the period	Lapsed during the period	Held as at 30 June 2011	Exercise price per option share HK$	Exercisable period
1. Directors										
Mr LUI Man Shing	16 June 2006	II	60,000	–	–	–	–	60,000	14.60	16 June 2008 – 15 June 2016
Mr Madhu Rama Chandra RAO	28 April 2005	II	250,000	–	–	–	–	250,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	50,000	–	–	–	–	50,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	50,000	–	–	–	–	50,000	14.60	16 June 2008 – 15 June 2016
Mr Greogry Allan DOGAN	28 April 2005	II	50,000	–	–	–	–	50,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	37,500	–	–	–	–	37,500	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	37,500	–	–	–	–	37,500	14.60	16 June 2007 – 15 June 2016
Mr KUOK Khoon Loong Edward	16 June 2006	II	100,000	–	–	–	–	100,000	14.60	16 June 2008 – 15 June 2016
Mr Roberto V ONGPIN	28 April 2005	I	75,000	–	–	–	–	75,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	75,000	–	–	–	–	75,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	30,000	–	–	–	–	30,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	30,000	–	–	–	–	30,000	14.60	16 June 2008 – 15 June 2016
Mr Timothy David DATTELS	28 April 2005	I	75,000	–	–	–	–	75,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	75,000	–	–	–	–	75,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	30,000	–	–	–	–	30,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	30,000	–	–	–	–	30,000	14.60	16 June 2008 – 15 June 2016

SHARE OPTIONS *(continued)*

		Date of grant	Tranche	Number of option shares: Held as at 1 January 2011	Transferred from other category during the period	Transferred to other category during the period	Exercised during the period	Lapsed during the period	Held as at 30 June 2011	Exercise price per option share HK$	Exercisable period
2.	Employees	29 May 2002	I	90,000 (Note 1)	–	–	–	–	90,000	6.81	29 May 2003 – 28 May 2012
		29 May 2002	II	90,000 (Note 1)	–	–	–	–	90,000	6.81	29 May 2004 – 28 May 2012
		28 April 2005	I	1,873,000	–	(25,000)	(213,000)	(25,000)	1,610,000	11.60	28 April 2006 – 27 April 2015
		28 April 2005	II	2,409,000	–	(25,000)	(404,000)	(25,000)	1,955,000	11.60	28 April 2007 – 27 April 2015
		16 June 2006	I	1,255,000	–	–	(92,500)	(10,000)	1,152,500	14.60	16 June 2007 – 15 June 2016
		16 June 2006	II	1,400,000	–	–	(102,500)	(10,000)	1,287,500	14.60	16 June 2008 – 15 June 2016
3.	Other Participants	29 May 2002	I	110,000 (Note 1)	–	–	(50,000)	–	60,000	6.81	29 May 2003 – 28 May 2012
		29 May 2002	II	200,000 (Note 1)	–	–	(50,000)	–	150,000	6.81	29 May 2004 – 28 May 2012
		28 April 2005	I	15,000	25,000	–	(25,000)	–	15,000	11.60	28 April 2006 – 31 December 2011
		28 April 2005	I	715,000	–	–	–	–	715,000	11.60	28 April 2006 – 27 April 2015
		28 April 2005	II	15,000	25,000	–	(25,000)	–	15,000	11.60	28 April 2007 – 31 December 2011
		28 April 2005	II	715,000	–	–	–	–	715,000	11.60	28 April 2007 – 27 April 2015
		16 June 2006	I	7,500	–	–	–	–	7,500	14.60	16 June 2007 – 31 December 2011
		16 June 2006	I	545,500	–	–	(34,000)	–	511,500	14.60	16 June 2007 – 15 June 2016
		16 June 2006	II	7,500	–	–	–	–	7,500	14.60	16 June 2008 – 31 December 2011
		16 June 2006	II	755,000	–	–	(30,000)	–	725,000	14.60	16 June 2008 – 15 June 2016
Total:				11,257,500	50,000	(50,000)	(1,026,000)	(70,000)	10,161,500		

Notes:

1. These opening balances as brought forward from the 2010 annual report have been rectified.
2. No options were granted or cancelled during the period under review.

DIRECTORS' INTERESTS IN THE COMPANY'S SECURITIES

As at 30 June 2011, the interests and short positions of the Directors in the 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 (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "HKSE") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the HKSE (the "HK Listing Rules") were as follows:

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

			Number of shares held				
Name of company	Name of Director	Class of shares	Personal interests	Family interests	Corporate interests	Total	Approximate % of total issued share capital
(i) **The Company**	Mr KUOK Khoon Ean	Ordinary	474,791	86,356 (Note 1)	2,138,926 (Note 2)	2,700,073	0.086%
	Mr LUI Man Shing	Ordinary	902,777	–	–	902,777	0.029%
	Mr Madhu Rama Chandra RAO	Ordinary	33,278	–	–	33,278	0.001%
	Mr Gregory Allan DOGAN	Ordinary	28,166	–	–	28,166	0.001%
	Mr HO Kian Guan	Ordinary	691,977	–	127,651,755 (Note 3)	128,343,732	4.100%
	Mr KUOK Khoon Loong Edward	Ordinary	1,118,239	–	–	1,118,239	0.036%
	Mr HO Kian Hock (Alternate to Mr HO Kian Guan)	Ordinary	–	–	127,651,755 (Note 3)	127,651,755	4.078%
(ii) **Associated Corporation**							
Shangri-La Hotel Public Company Limited	Mr 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. 83,595,206 shares were held through companies which were owned as to 50% by each of Mr HO Kian Guan and Mr HO Kian Hock.

   5,014,445 shares were held through a company which was owned as to 25% by each of Mr HO Kian Guan and Mr HO Kian Hock.

   4,683,540 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.

   34,358,564 shares were held through companies which were owned as to 6.77% and 6.93% by Mr HO Kian Guan and Mr HO Kian Hock respectively.

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

As at 30 June 2011, there were share options held by the Directors of the Company. Details of such options are set out in the section headed "SHARE OPTIONS" of this report.

OTHER SUBSTANTIAL INTERESTS IN THE COMPANY'S SECURITIES

As at 30 June 2011, the interests and short positions of those persons (other than the Directors) in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and underlying shares in the Company

Name	Capacity	Number of ordinary shares held	Approximate % of total issued share capital
Substantial shareholders			
Kerry Group Limited ("KGL") (Note 1)	Interest of controlled corporations	1,571,111,816	50.19%
Kerry Holdings Limited ("KHL") (Note 1)	Beneficial owner	76,332,421	2.44%
	Interest of controlled corporations	1,454,377,217	46.46%
Caninco Investments Limited ("Caninco") (Note 2)	Beneficial owner	542,297,599	17.32%
	Interest of a controlled corporation	137,620,204	4.40%
Paruni Limited ("Paruni") (Note 2)	Beneficial owner	335,041,480	10.70%
	Interest of a controlled corporation	4,526,333	0.14%
Persons other than substantial shareholders			
Darmex Holdings Limited ("Darmex") (Note 2)	Beneficial owner	289,684,562	9.25%

Notes:

1. KHL is a wholly owned subsidiary of KGL. Accordingly, the shares in which KHL is interested have been included in the shares in which KGL is interested.

2. Caninco, Paruni and Darmex are wholly owned subsidiaries of KHL. Accordingly, the shares in which Caninco, Paruni and Darmex are interested have been included in the shares in which KHL is interested.

SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code as the code for securities transactions by Directors of the Company (the "Securities Dealing Code"). The Company has made specific enquiry of all Directors and all Directors have confirmed compliance with the required standard set out in the Securities Dealing Code during the period under review.

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

Save as disclosed in Note 9 to the condensed consolidated interim financial statements included in this report, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

The Company recognizes the importance of transparency in governance and accountability to shareholders. The Board believes that shareholders can maximize their benefits from good corporate governance. Therefore, the Company continuously reviews its corporate governance framework to ensure alignment with generally acceptable practices and standards.

During the period under review, the Company has met the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the HK Listing Rules, except that Mr KUOK Khoon Ean serves as both the Chairman and the Chief Executive Officer of the Company. The Company believes that the non-separation of the two roles is not significant given that Mr Gregory Allan DOGAN, an Executive Director of the Company, is also the President and Chief Executive Officer of Shangri-La International Hotel Management Limited, the hotel management subsidiary of the Company which is entrusted with the primary responsibility of operating the assets of the Group.

There have been changes in the particulars of some of the Directors since the date of the Company's 2010 annual report. Particulars of the changes are as follows:

1. Professor LI Kwok Cheung Arthur was appointed as a member of the Audit Committee of the Company on 30 May 2011. In addition, Professor LI was appointed as an independent non-executive director of China Flooring Holding Company Limited (listed on HKSE and of stock code 02083) on 4 May 2011.

2. Mr KUOK Khoon Loong Edward ceased to be a member of the Audit Committee of the Company on 30 May 2011.

3. Mr Alexander Reid HAMILTON ceased to be an independent non-executive director of China COSCO Holdings Company Limited (listed on HKSE and of stock code 01919) on 17 May 2011 and was appointed as an independent non-executive director of COSCO International Holdings Limited (listed on the HKSE and of stock code 00517) on 9 June 2011.

4. Mr Roberto V ONGPIN was appointed as the Chairman of Philippine Bank of Communications (listed on Philippine Stock Exchange, Inc) on 26 July 2011.

QUALIFICATION FOR INTERIM DIVIDEND

In order to qualify for the interim dividend, all share transfers must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited of 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Wednesday, 28 September 2011.

KUOK Khoon Ean
Chairman

Hong Kong, 26 August 2011