SHANGRI-LA ASIA LIMITED

(Incorporated in Bermuda with limited liability)

Stock code: 69

Annual report 2011

CONTENTS

CORPORATE INFORMATION

As at 19 March 2012

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

EXECUTIVE COMMITTEE
Mr KUOK Khoon Ean *(chairman)*
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO

REMUNERATION COMMITTEE
Mr WONG Kai Man *(chairman)*
Mr KUOK Khoon Ean
Mr Alexander Reid HAMILTON
Professor LI Kwok Cheung Arthur

AUDIT COMMITTEE
Mr Alexander Reid HAMILTON *(chairman)*
Mr WONG Kai Man
Professor LI Kwok Cheung Arthur

NOMINATION COMMITTEE
Mr KUOK Khoon Ean *(chairman)*
Mr Madhu Rama Chandra RAO
Mr Alexander Reid HAMILTON
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

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 CODES

HKSE	00069
Singapore-SE	S07
ADR	SHALY

WEBSITES

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

KEY DATES

Closure of Registers of Members for Annual General Meeting
24 May 2012 to 28 May 2012, both dates inclusive

Annual General Meeting
28 May 2012

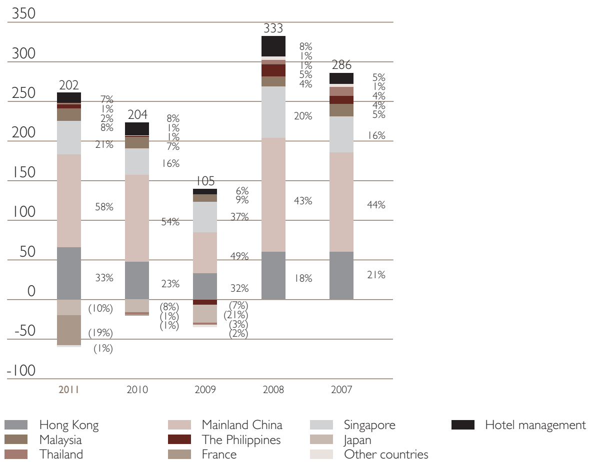
Record Date for 2011 Final Dividend
1 June 2012

Payment of 2011 Final Dividend
13 June 2012
(subject to Shareholders' approval at the Annual General Meeting)

FINANCIAL HIGHLIGHTS

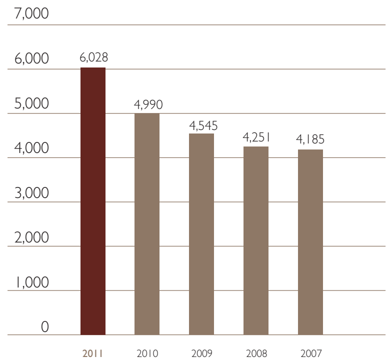
	2011 US$ Million	2010 US$ Million	2011/2010 % Change	2009 US$ Million	2008 US$ Million	2007 US$ Million
CONSOLIDATED						
Sales	1,912	1,575	21%	1,230	1,353	1,219
EBITDA	537	454	18%	295	489	442
Profit attributable to equity holders of the Company	253	287	-12%	255	166	341
Dividends	81	77	4%	45	89	100
Total equity	6,028	4,990	21%	4,545	4,251	4,185
Net assets attributable to the Company's equity holders	5,606	4,638	21%	4,230	3,953	3,882
Net borrowings to total equity ratio	34.7%	43.0%	-19%	40.6%	34.5%	20.5%
Earnings per share (in US cents)	8.18	9.98	-18%	8.89	5.76	12.76
Dividends per share (in HK cents)	20.00	20.00	–	12.00	24.00	27.00
Net assets per share attributable to the Company's equity holders (in US dollars)	1.79	1.61	11%	1.47	1.37	1.35
Net assets (total equity) per share (in US dollars)	1.93	1.73	12%	1.57	1.47	1.45

SEGMENT RESULTS
US$ Million

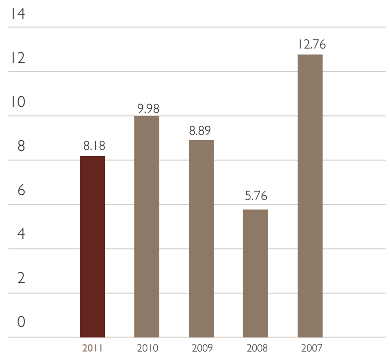


(Details of 2011 and 2010 are disclosed in Note 5 to the consolidated financial statements)

TOTAL EQUITY
US$ Million



EARNINGS PER SHARE
US Cents



CHAIRMAN'S STATEMENT 2011

On behalf of the Board, I am pleased to present the Annual Report of Shangri-La Asia Limited covering the financial year 2011.

The past year was characterized by continuing economic uncertainties and political changes. Economic data from the USA pointed towards a growing threat of a major recession on the back of rising unemployment and weak consumer demand, whilst on the other side of the Atlantic, the looming threat of sovereign debt default and the future of the Eurozone itself heightened the risks and uncertainties confronting the global banking system and the world economic order. Against this backdrop the regional economies of Asia where the Group has a significant presence, faired relatively well.

Group revenue increased to US$1,912.1 million representing a 21.4% growth over corresponding revenues for 2010. The operating profit of US$239.5 million, represented a 8.50% increase compared to 2010 (US$220.7 million). Profit growth was negatively impacted by the start-up costs of recently opened hotels as well as the weak performance of the Shangri-La Hotel, Tokyo which also suffered from the after effects of the catastrophic events in Fukushima, Japan in March 2011.

Fair value gains on investment properties contributed significantly to the net exceptional items of US$117.0 million (2010 US$142.7 million) resulting in profit attributable to shareholders of US$253.0 million (2010 US$287.1 million).

Earnings per share amounted to US8.18 cents per share (2010 US 9.98 cents per share) on a larger equity capital base following the rights issue in February 2011.

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

During the year, the Group opened the Kerry Hotel in Pudong, Shanghai and the Shangri-La Hotel in Manzhouli, Inner Mongolia (both in the People's Republic of China). It also reopened the Shangri-La's Rasa Sentosa Resort in Singapore after a major refurbishment and rebranded the newly renovated Shangri-La's Kerry Centre Hotel, Beijing as the Kerry Hotel, Beijing. As at 31 December 2011, the Group operates 72 hotels, of which 35 are located in the PRC.

For the first two months of this year, the operations of the Group's hotels have recorded a satisfactory performance registering a year-on-year RevPAR growth of 12%.

The Group continues to pursue its development plans with Mainland China remaining the principal focus of this strategy. Of the 46 new hotel projects currently under construction by the Group, 26 are located on the Mainland.

However, with the strong growth in outbound travel from Asia we will actively seek opportunities to invest in destinations outside of Asia which have high potential for our brands. Some recent investments include hotel projects in Istanbul (Turkey), Accra (Ghana), Colombo and Hambantota (Sri Lanka), Bali (Indonesia) and Brisbane (Australia).

To help fund these investments the Group called a rights issue in February 2011 which was fully subscribed by existing shareholders. This was followed in May of 2011 by the successful issuance of zero coupon guaranteed convertible bonds. The Group will continue to source attractive funding opportunities to support our development plans.

In 2011, the Group was included as a constituent on the Hang Seng (Mainland China and Hong Kong) Corporate Sustainability Index after demonstrating strong performance in the area of environment protection, conservation and social investment.

I gratefully acknowledge the hardwork and dedication of all our management and staff members of the Group as well as the support and guidance provided by my colleagues on the Board.

KUOK Khoon Ean
Chairman

19 March 2012

DIRECTORS AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

KUOK Khoon Ean
Aged 56, Chairman and CEO

Mr KUOK has been the Chairman and the CEO since April 2008 and June 2009, respectively. He holds directorships in 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 a director of KGL and KHL (both Substantial Shareholders) and is interested in less than 5% of the share capital of KGL. He holds a Bachelor's degree in Economics from Nottingham University. During the Financial Year, Mr KUOK was the chairman of the Remuneration Committee and was re-designated as a member in March 2012. He is also the chairman of the Nomination Committee and the Executive Committee. He is the cousin of Mr KUOK Khoon Loong Edward (a Non-executive Director) and Ms TEO Ching Leun (the company secretary of the Company).

LUI Man Shing
Aged 68, 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). He is also a director of KHL (Substantial Shareholder) and is interested in less than 5% of the share capital of KGL (Substantial Shareholder). Mr LUI is also a member of the Executive Committee.

Madhu Rama Chandra RAO
Aged 60, CFO

Mr RAO was appointed as an Executive Director in December 2008. He joined SLIM in May 1988 as Group Financial Controller. He was appointed as the CFO in 1997. Mr RAO is also the vice chairman of SLIM and a director of a number of companies within the Group. He was a director of SHPCL (listed on Thai-SE) from November 2005 to March 2010. Mr RAO is interested in less than 5% of the share capital of KGL (Substantial Shareholder). 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. He is also a member of the Nomination Committee and the Executive Committee.

Gregory Allan DOGAN
Aged 47, 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. He is also a director of a number of companies within the Group. Mr DOGAN is interested in less than 5% of the share capital of KGL (Substantial Shareholder). 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 66, 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 served as director of Parkway Holdings Limited (a company delisted from Singapore-SE on 24 November 2010) until October 2011 and SHPCL (listed on Thai-SE) from May 1994 to March 2010. He is the brother of Mr HO Kian Hock (his alternate).

DIRECTORS AND COMPANY SECRETARY

KUOK Khoon Loong Edward
Aged 59, Non-executive Director

Mr KUOK has been a Director since March 2003. He was previously the Chairman, the President and the CEO of the Company and was re-designated as a Non-executive Director in June 2009. He is also a director of a number of companies within the Group. Mr KUOK was the chairman of KPL (listed on HKSE) and a director of Allgreen Properties Limited (a company delisted from Singapore-SE on 25 August 2011). He is the chairman of Shang Properties, Inc (listed on Philippines-SE). Mr KUOK is also the vice chairman of KHL (Substantial Shareholder) and is interested in less than 5% of the share capital of KGL (Substantial Shareholder). He has a Master's degree in Economics from the University of Wales. Mr KUOK was a member of the Audit Committee until 30 May 2011. He is the cousin of Mr KUOK Khoon Ean (the Chairman) and Ms TEO Ching Leun (the company secretary of the Company).

Roberto V ONGPIN
Aged 75, 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, ISM Communications Corporation and Philippine Bank of Communications, a director of Petron Corporation, San Miguel Corporation and Ginebra San Miguel, Inc (all 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 64, 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 was an alternate director of Parkway Holdings Limited (a company delisted from Singapore-SE on 24 November 2010) until October 2011. He is the brother of Mr HO Kian Guan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Alexander Reid HAMILTON
Aged 70, 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, Esprit Holdings Limited and COSCO International Holdings Limited (all listed on HKSE), JF China Region Fund, Inc (a USA registered closed end fund quoted on the New York Stock Exchange). Mr HAMILTON served as an independent non-executive director of China COSCO Holdings Company Limited (listed on HKSE) until May 2011. 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 also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Timothy David DATTELS
Aged 54, 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, LP, based in San Francisco with a focus on Asian investing. Mr DATTELS served as a non-executive director of Parkway Holdings Limited (a company delisted from Singapore-SE on 24 November 2010) until March 2010 and an independent non-executive director of 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. Mr DATTELS holds a BA (Hons) from The University of Western Ontario and an MBA from Harvard Business School.

WONG Kai Man
Aged 61, 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 Limited (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 the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

DIRECTORS AND COMPANY SECRETARY

Michael Wing-Nin CHIU
Aged 67, 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 66, 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), an independent non-executive director of China Flooring Holding Company 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. Professor LI is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

COMPANY SECRETARY

TEO Ching Leun
Aged 51, 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 (the Chairman) and Mr KUOK Khoon Loong Edward (a Non-executive Director).

SENIOR MANAGEMENT

Michael COTTAN
Aged 57, Executive Vice President

Mr COTTAN joined the Group in 1993. His portfolio includes Southeast Asia and Oceania. He has more than 30 years of hospitality experience. During the tenure with the Group, Mr COTTAN has managed major Shangri-La hotels in gateway cities like Shanghai, Hong Kong, Kuala Lumpur, Sydney, Bangkok and Singapore. He has also provided strategic counsel for the success of Shangri-La hotels in Vancouver, Tokyo, Sydney, Cairns and Fiji.

Mark DeCOCINIS
Aged 59, Executive Vice President

Mr DeCOCINIS joined the Group in November 2011. His portfolio includes Hong Kong, Japan, Taiwan, Middle East, South Asia, Europe, Canada, Mongolia and Africa. Mr DeCOCINIS has a wealth of experience in the luxury hotel sector. Prior to joining the Group, he was the regional vice president in Asia region with a global hotel brand. Mr DeCOCINIS received several recognition awards from the Chinese government including the Friendship Award in Beijing in 2004, the Magnolia Gold Award in 2003 and Magnolia Silver Award in 2001. He also served as vice president of the China National Tourism Association Beijing, the only foreigner on its board, and vice president of International Chamber of Commerce Shanghai.

Cetin SEKERCIOGLU
Aged 51, Executive Vice President

Mr SEKERCIOGLU joined the Group in September 1994. He is currently leading Shanghai corporate hub and in charge of South and East China. He held senior executive positions in Hong Kong, Singapore, Shanghai and Thailand and was the General Manager of various hotels of the Group. His previous hospitality management experience includes posts in Turkey, the United States of America, France, England, Switzerland and Italy.

SENIOR MANAGEMENT

PAW Chuen Kee
Aged 54, Executive Vice President

Mr PAW joined the Group in 1994 and is in charge of North and Central West China. He was previously the Area Vice President and General Manager of Shangri-La Hotel, Guangzhou, Vice President – Sales & Marketing of various hotels of the Group in Beijing and Shanghai and Hotel Manager of Traders Hotel, Beijing. Mr PAW has more than 25 years of hospitality experience and held management posts in China, the United States of America and his native Singapore.

Anand RAO
Aged 53, 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 48, Group Director of Sales and Marketing

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

Lawrence McFADDEN
Aged 47, Group Director of Food and Beverage

Mr McFADDEN joined the Group in October 2011. Prior to taking up this position, he was the vice president, food & beverage of MGM Grand Hotel & Casino, Las Vegas. He began his career in the food and beverage industry as a chef in 1986, working his way up to executive chef and serving in that capacity for more than 15 years with a luxury hotel group. Mr McFADDEN holds a Doctor degree in Culinary Arts from Johnson & Wales University and has received many awards for his culinary expertise. In 2004, he was named in the "Who's Who of American Culinary Leadership" of the National Restaurant Association of the United States of America.

Caroline CHEAH
Aged 56, Group Director of Rooms

Ms CHEAH joined the Group in 1994. She 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. Ms CHEAH held a wide variety of operational posts with the Westin Stamford & Westin Plaza in her home country of Singapore.

Harold LEE
Aged 54, Group Director of Engineering

Mr LEE joined the Group in 1995. He was previously Regional Director of Engineering based in Singapore. 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.

SENIOR MANAGEMENT

Shelley PERKINS
Aged 47, Group Director of Human Resources

Ms PERKINS joined the Group in July 2011. She was previously the vice president, international human resources with a global hotel brand and was responsible for the formulation and execution of human resources strategies in Asia Pacific, Middle East, North America and Europe. Ms PERKINS has more than 18 years of experience in talent development and management with luxury hotels around the world. Her portfolio includes talent development, compensation and benefits strategy, employee engagement, organizational capability and human resources systems management. Ms PERKINS is a member of the Society of Human Resources Management and a keynote speaker and trainer on company culture and employee engagement.

Nelson CHU
Aged 54, Senior Design Director

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 30 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 1990.

MANAGEMENT DISCUSSION & ANALYSIS

1. OPERATIONS 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. While Mainland China remains the primary focus of the Group's investment activities, the Group continues to seek out other destinations which serve its strategic growth objectives, including Australia, South Asia, gateway cities in the Euro zone and West Africa.

The Group continued with its roll-out plan in 2011 and opened two Group-owned Shangri-La hotels in Mainland China (the Shangri-La Hotel, Manzhouli and the Kerry Hotel, Pudong, Shanghai) and acquired a controlling interest in the Shangri-La Hotel, The Marina, Cairns in Australia, an operating hotel which has been managed by the Group since 2004. In January 2011, the Group re-opened its Shangri-La's Rasa Sentosa Resort, Singapore (a wholly owned hotel) for business after completion of major renovations since its temporary closure in March 2010.

The recovering corporate travel market and improving leisure travel trends helped sustain the momentum of revenue growth in 2011. The Group hotels' weighted average room yields ("RevPAR") increased by 16% over 2010, led mainly by improvements in room rates. Most of the Group's hotels performed well through the year with the exception of those in Thailand (affected by the political environment and the severe flooding), Tokyo (affected by the temporary closure from mid March to mid April following the catastrophic event in Fukushima) and the newly opened hotels which in general experienced a slow pick-up in business and high depreciation charges in their initial years of operation.

Yields of the Group's investment properties generally registered improvements over 2010.

(a) Revenues

Hotel Operation

As at 31 December 2011, the Group had equity interest in 56 operating hotels (2010: 53) comprising 26,457 available guest rooms (2010: 25,419) 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 50% while food and beverage revenues accounted for over 43% of the total revenues from hotel operation. Room revenues and food and beverage revenues increased by 21% and 27% to US$1,182.8 million and US$1,018.1 million, respectively over 2010.

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

Country	2011 Weighted Average Occupancy (%)	2011 Weighted Average Transient Room Rate (US$)	2011 Weighted Average RevPAR (US$)	2010 Weighted Average Occupancy (%)	2010 Weighted Average Transient Room Rate (US$)	2010 Weighted Average RevPAR (US$)
The People's Republic of China						
Hong Kong	80	327	258	74	282	225
Mainland China	62	155	94	63	137	85
Singapore	73	250	193	63	205	162
Malaysia	70	138	97	64	134	83
The Philippines	71	184	131	72	164	115
Japan	56	493	273	63	461	287
Thailand	46	155	68	38	142	59
France	55	1,296	623	25	1,578	348
Other countries	68	181	121	69	144	97
Weighted Average	65	182	117	64	158	101

Notes:

1) Statistics in respect of France in 2010 refer to the performance of the Shangri-La Hotel, Paris in the short period since its opening on 17 December 2010.

2) The RevPAR of hotels 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 room rate of 13% and an increase in RevPAR between 10% and 16%. Benefiting from the strong demand for 4-star hotels in the city, The Traders Hotel, Hong Kong recorded a significant increase in weighted average room rate and RevPAR of 40% and 33%, respectively over 2010.

Mainland China

The 574-room Kerry Hotel, Pudong, Shanghai (a 23.2% owned hotel) and the 235-room Shangri-La Hotel, Manzhouli (a wholly owned hotel) opened for business on 18 February 2011 and 15 April 2011, respectively, bringing the total number of Group-owned operating hotels in Mainland China to 30.

In general, most of the hotels continued to perform well in 2011 and recorded a double digit growth rate in RevPAR, mainly led by the increase in the weighted average room rates. Notably, the Shangri-La hotels in Baotou, Chengdu, Huhhot, Ningbo, Futian, Xian and the Traders Hotel, Shenyang recorded an increase in RevPAR ranging from 31% to 55%. The performance of the Pudong Shangri-La, Shanghai was adversely affected by the citywide decrease in hotel occupancies after the Shanghai EXPO.

Renovations of the lobby, lobby lounge and Chinese restaurant at the Shangri-La Hotel, Qingdao were completed in May 2011. Function rooms renovations at the China World Hotel, Beijing were completed in August 2011. Lobby, Lobby lounge, commercial spaces and function rooms renovations at the Shangri-La Hotel, Changchun were completed in December 2011. Renovations of the guestrooms, ballroom and function rooms at the Shangri-La Hotel, Wuhan were completed in December 2011. Renovations of the lobby, lobby lounge, Chinese restaurant and the presidential suite of the Shangri-La Hotel, Dalian were completed in June 2011. Major renovations at the Shangri-La Hotel, Beihai were completed in May 2011 while major renovation works at the Shangri-La Hotel, Huhhot commenced in May 2011 and are expected to be completed by mid 2012.

The 486-room Shangri-La's Kerry Centre Hotel, Beijing (a 23.75% owned hotel) was re-branded as the Kerry Hotel, Beijing on 19 November 2011. This is the second Kerry hotel in the Group's portfolio. Major renovation work at this hotel commenced in 2010 and is expected to be completed by end of 2012.

Singapore

The 454-room Shangri-La's Rasa Sentosa Resort, Singapore (a wholly owned resort) re-opened for business on 18 January 2011 in a phased manner after completion of major renovations. This newly renovated resort was well received by the market and registered an increase in weighted average occupancy, room rate and RevPAR of 48 percentage points, 71% and 62%, respectively. The demand from business travelers continued to increase and the two city hotels also recorded an increase in weighted average room rates between 19% and 25% and an increase in RevPAR between 19% and 21%.

Philippines
The performance of the Group's four hotels continued to improve in 2011, especially the Shangri-La's Boracay Resort & Spa (a wholly owned resort opened for business in March 2009). The resort registered an increase in occupancy, room rate and RevPAR of 22 percentage points, 10% and 63%, respectively. The weighted average room rate and RevPAR of the Group's hotels increased by 13% and 14%, respectively.

Renovations of the guestrooms at the Shangri-La's Mactan Resort & Spa, Cebu commenced in July 2011 and are expected to be completed by mid 2012.

Malaysia
All the six Group-owned hotels in the country continued to record an increase in RevPAR, ranging from 7% at the Shangri-La's Rasa Sayang Resort & Spa, Penang to 36% at the Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu ("**TAH**"). The Shangri-La Hotel, Kuala Lumpur and the Traders Hotel, Penang benefited from the buoyant corporate business with occupancy rate increasing by 13 percentage points. TAH delivered a good performance after its recent renovation and helped by higher leisure demand, its occupancy also increased by 13 percentage points.

The guestroom renovations at the Shangri-La's Rasa Ria Resort, Kota Kinabalu commenced in March 2011 and are expected to be completed by mid 2012.

Thailand
Weighted average RevPAR of the two hotels increased by 14%, largely contributed by the 75% increase at the Shangri-La Hotel, Chiang Mai as a result of increase in corporate demand especially from group meetings and functions. The Shangri-La Hotel, Bangkok recorded a marginal increment in RevPAR of 2% under a difficult market environment.

Japan
The Shangri-La Tokyo suffered from the effects of the catastrophic event in Fukushima including the temporary closure of the hotel, and registered a decrease in occupancy and RevPAR of 7 percentage points and 5%, respectively. Domestic demand has started to pick-up recently though foreign arrivals remain weak.

France
The performance of the 81-room Shangri-La Hotel, Paris (a wholly owned hotel opened for business on 17 December 2010) was adversely affected by a slow pick-up in business generally experienced by newly opened hotels. Construction of its 20-room extension is ongoing and is expected to be completed in the first quarter of 2013.

Other Countries
Performance of the Group's hotels in Fiji, Indonesia and Myanmar continued to improve, registered an increase in RevPAR ranging from 13% to 32%, mainly led by an increase in room rate.

Shangri-La's Villingili Resort and Spa, Maldives (a 70% owned resort) recorded an increase in RevPAR of 50%, mainly led by an increase in occupancy of 19 percentage points. The performance of the Traders Hotel, Male (a wholly owned hotel acquired in November 2010) was stable. The Shangri-La Hotel, The Marina, Cairns in Australia recorded an increase in RevPAR of 11%.

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 31 December 2011.

SLIM also had hotel management agreements in respect of 16 operating hotels (5,631 available rooms) owned by third parties located in Sydney, Vancouver, New Delhi, Oman, Manila, Abu Dhabi (2 hotels), Dubai (2 hotels), Putrajaya and Kuala Lumpur (in Malaysia), Taipei and Tainan (in Taiwan); and Beijing, Changzhou and Suzhou (in Mainland China). Overall weighted average occupancies, room rates and RevPAR for these 16 hotels increased by 3 percentage points, 6% and 11%, respectively.

Revenue of SLIM on consolidation, after elimination of revenue earned from fellow subsidiaries, recorded an increase of 29%.

As at 31 December 2011, SLIM had management agreements on hand for 11 new hotels 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 commercial spaces in Beijing Kerry Centre (under renovation) and the investment property forming part of the Shangri-La Hotel, Changchun. Among all, the serviced apartments in the China World Trade Center, the Beijing Kerry Centre and the Century Apartments in Beijing recorded an increase in yields of 20%, 22% and 27%, respectively. The Shangri-La Centre in Qingdao (a wholly owned office building with commercial spaces) recorded increase in yields of office spaces and commercial spaces of 88% and 484%, respectively.

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) commenced business in February 2011 and recorded an average occupancy of 41% for office spaces and 64% for commercial spaces. The serviced apartments of the Shanghai Kerry Centre were under major renovation since December 2010.

Save for the UBN Tower in Malaysia, the investment properties in other countries registered a significant improvement in yields generally. Among all, the commercial spaces and the office spaces of the Central Tower in Ulaanbaatar, The Republic of Mongolia (a 51% owned office building) recorded increase in yields of 30% and 66%, respectively. The commercial spaces and the serviced apartments in Singapore recorded increase in yields of 14% and 16%, respectively.

(b) Segment Results

Details of the segment information are provided in Note 5 to the consolidated financial statements. Net profit before non-operating items in 2011 decreased by 6% to US$136.0 million.

In general, hotels which have been operating for over 3 years since their opening have recorded a net profit during the year. Net profit attributable to the Company's equity holders from hotel operations in 2011 decreased slightly to US$127.0 million, principally affected by the net loss of the Shangri-La Hotel, Paris in its first year of operation (attributable to the high initial depreciation charges) and the poor performance of the Shangri-La Tokyo after the Fukushima disaster. Hotels in Hong Kong, Mainland China and Singapore continued to be the key profit contributors of the Group. Profit contribution from the hotels in Mainland China have been adversely affected by the net loss of the Shangri-La Hotel, Wuhan and the Kerry Hotel, Beijing (both hotels undergoing major renovation during the year); and the start-up losses of the hotels newly opened for business in 2010 and 2011. Overall performance of the Singapore segment improved significantly after the re-opening of Shangri-La's Rasa Sentosa Resort, Singapore. In Thailand, the net loss of the Shangri-La Hotel, Chiang Mai reduced. The segment result of The Philippines improved significantly following improvement in the Shangri-La's Boracay Resort and Spa.

While revenues of SLIM recorded a satisfactory increase in 2011, its net profit for the year recorded a decrease of US$3.2 million, mainly due to the increase in operating expenses as the organization gears itself for the expansion of its portfolio of hotels in the near term.

The Mainland China segment continued to be the key profit contributor for the Group's investment properties portfolio. Net profit of the Mainland China segment increased by US$3.8 million benefiting from the full year operating results of the newly opened China World Tower in Beijing (a 40.33% owned investment property which commenced business in August 2010).

(c) Consolidated Profits

The consolidated gross profit margin decreased slightly from 56.9% to 56.1%, mainly due to the start-up losses of the newly opened hotels in their first year of operation. Consolidated operating profit for 2011 increased from US$220.7 million to US$239.5 million though the net credit of non-operating items (before tax and share of non-controlling interests) recorded under "Other gains – net" as detailed in Note 27 to the consolidated financial statements, reduced by US$9.8 million during the year. The key non-operating items in 2011 were the gross fair value gains on investment properties of US$48.4 million, fair value losses on interest-rate swap contracts of US$5.0 million, unrealized losses on financial assets held for trading of US$9.2 million and the net charge of goodwill of US$8.4 million upon acquisition of subsidiaries.

The total borrowings of the Group increased to service the funding requirements of the new development projects. This, together with the general widening of interest spreads of new bank loan facilities in the prevailing market conditions, have pushed up the consolidated finance costs by US$16.1 million.

In terms of the associates, share of profits after tax for the year included a net credit after tax of US$105.9 million (2010: US$125.4 million) for fair value gains of investment properties and a credit of US$5.4 million for negative goodwill arising from acquisition of an associate. The 2010 balance also included a deferred tax credit of US$4.1 million arising from fixed assets transferred between an associate and its subsidiary.

2. CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Company completed the rights issue of ordinary shares on 11 February 2011 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$29.2 million (approximately US$3.8 million). 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 share of the Company (subject to adjustment). The net proceeds from the convertible bonds which carry an effective interest rate of 4.34% per annum were applied to fund capital expenditure. Details of the rights issue and the convertible bonds are disclosed in Notes 18 and 21 to the consolidated financial statements.

The Group has also executed 5-year tenor unsecured bank loan agreements for project financing and refinancing of maturing bank loans. A total of seven separate bank loan agreements were executed for an aggregate loan amount of equivalent US$796.8 million.

At the subsidiary level, the Group executed five 3-year term unsecured bank loan agreements totaling US$36 million and RMB460 million (approximately US$73.0 million); and a 5-year term unsecured bank loan agreement of RMB80 million (approximately US$12.7 million) to refinance maturing bank loans in 2011. For its project financing needs in Mainland China, the Group executed a 5-year term unsecured bank loan agreement of RMB250 million (approximately US$39.7 million) and a 6-year unsecured bank loan agreement of RMB15 million (approximately US$2.4 million). A non-wholly owned subsidiary in The Republic of Mongolia also executed a 10-year term US$50 million project loan agreement with the International Finance Corporation, Washington.

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 convertible bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, reduced from 43.0% as at 31 December 2010 to 34.7% as at 31 December 2011.

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

The analysis of borrowings outstanding as at 31 December 2011 is as follows:

(US$ million)	Maturities of Borrowings Contracted as at 31 December 2011: Within 1 year	In the 2nd year	Repayment In the 3rd to 5th year	After 5 years	Total
Borrowings					
Corporate borrowings					
– unsecured bank loans	251.6	91.6	863.6	–	1,206.8
– convertible bonds	–	–	463.5	–	463.5
Project bank loans					
– secured	21.9	78.4	58.2	–	158.5
– unsecured	262.8	340.7	482.5	12.8	1,098.8
Total	536.3	510.7	1,867.8	12.8	2,927.6
Undrawn but committed facilities					
Bank loans and overdrafts	150.6	4.9	683.2	35.3	874.0

In March 2012, the Group executed a 3-year unsecured bank loan agreement of RMB70 million (approximately US$11.1 million). The Group has recently received firm offers from banks for five new 3-year bank loan facilities totaling HK$3,650 million (approximately US$471.0 million) and US$75 million. The Group is also currently negotiating with certain banks for additional long term loan facilities in order to refinance the loans maturing in 2012 and to meet project funding requirements. The Group does not expect any problems in honoring the repayment obligations of bank borrowings maturing in 2012.

The currency-mix of the borrowings and cash and bank balances as at 31 December 2011 is as follows:

(US$ million)	Borrowings	Cash and Bank Balances
In Hong Kong dollars	956.2	105.4
In United States dollars	925.6	153.6
In Renminbi	576.2	428.0
In Euros	193.8	6.1
In Japanese Yen	77.3	1.8
In Philippine Pesos	65.2	53.6
In Singapore dollars	57.0	36.8
In Australian dollars	54.5	2.0
In Malaysian Ringgit	15.4	7.0
In Thai Baht	6.4	8.7
In Mongolia Tugrik	–	17.9
In Fiji dollars	–	13.4
In British Pound	–	3.4
In Maldive Rufiyaa	–	0.5
In other currencies	–	0.6
	2,927.6	838.8

Except for the convertible bonds and the loans in Renminbi which carry interest at rates specified by The People's Bank of China from time to time, generally all the other borrowings are at floating interest rates. A 5-year term loan facility of HK$300 million (approximately US$38.7 million) was executed by end of 2011 and fully drawn down in one lump sum by end of February 2012.

Details of financial guarantees, contingencies and charges over assets as at 31 December 2011 are disclosed in Note 37 to the consolidated financial statements.

3. TREASURY POLICIES

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

(a) Minimize Interest Risk

Intra-group financing between subsidiaries in Mainland China by way of entrusted loan agreements through local banks amounted to RMB101.5 million (approximately US$16.1 million) as at 31 December 2011. 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. As at 31 December 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. The interest cover continues through January 2014. Taking into account these interest-rate swap contracts, convertible bonds and the Renminbi loans, the Group has fixed its interest liability on 54% of its borrowings outstanding as at 31 December 2011.

Subsequent to year end, a 5-year term HIBOR interest-rate swap contract of HK$300 million (approximately US$38.7 million) with a fixed interest rate of 1.087% per annum aimed to hedge against a corporate loan facility of the same amount and same tenor was executed upon the drawdown of the hedged loan in February 2012.

(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, Japan, France, Australia and Indonesia 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.

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 2011). 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 net increase in their fair value over their book value (net of provision for deferred taxation) amounted to US$137.0 million and this was credited to the consolidated income statement during the year.

Investment properties are stated at professional valuations carried out by independent firms of professional valuers as at 31 December 2011:

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) Ptd Ltd and Knight Frank Pte Ltd.	:	For properties in Singapore
W.M. Malik & Kamaruzaman	:	For properties in Malaysia
Galtier Expertises Immobilières et Financières	:	For properties in France

5. FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The investment portfolio remained unchanged during the year. The Group recorded net unrealized fair value losses of US$9.2 million (US$9.0 million after share of non-controlling interests) and dividend income of US$1.0 million (US$0.9 million after share of non-controlling interests) during the year.

6. DEVELOPMENT PROGRAMMES

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 Hotel, Yangzhou	100%	369	–	2012
Shangri-La Resort, Sanya	100%	503	22 Villas	2013
Shangri-La Hotel, Lhasa	100%	284	–	2013
Shangri-La Hotel, Diqing	100%	220	–	2014
Shangri-La Hotel, Qinhuangdao	100%	328	–	2014
Hotels in other countries				
Shangri-La Hotel, Istanbul, Turkey	50%	188	–	2013
Extension of Shangri-La Hotel, Paris, France	100%	20	–	2013
Shangri-La Hotel, Ulaanbaatar, The Republic of Mongolia	51%	273	–	2013
Shangri-La Hotel, at The Shard, London, the United Kingdom	Operating lease	202	–	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%	468	36	2013
Nanjing City Project (with Shangri-La Hotel, Nanjing)	55%	516	40	2013
Tangshan City Project (with Shangri-La Hotel, Tangshan)	35%	436	–	2013
Nanchang City Project (with Shangri-La Hotel, Nanchang)	20%	468	–	2014
Composite development in The Philippines				
Bonifacio Global City, Metro Manila (with Shangri-La At the Fort, Manila)	40%	577	–	2014

The Group has acquired land use rights for strategically located plots of land situated in Zhoushan, Hefei, Xiamen, Wolong Bay in Dalian and Fuzhou in Mainland China in recent years. Development plans for these land sites are being reviewed. On 24 February 2012, the Group commenced construction for its new hotel development in Colombo in Sri Lanka. The Group acquired the local land site in 2010.

Project companies for a high-end composite development project in Bayuquan, Yingkou City in Mainland China have also been established in 2011. Shareholders' agreements for these project companies were entered between the Group, the wholly owned subsidiaries of Kerry Properties Limited ("KPL") and Wilmar International Limited ("WIL") in December 2010 following the successful biddings of the land sites. KPL is a subsidiary of the Company's controlling shareholder Kerry Holdings Limited ("KHL"). The Group has a 25% equity interest in the project companies.

On 3 June 2011, the Group entered into a hotel lease agreement with OCBC Singapore for a Traders hotel in Singapore comprising around 500 rooms opening in 2013. The operating lease agreement has an initial term of 10 years. The Group does not have any capital commitment with regards to this lease nor are there any minimum guaranteed lease rents payable.

7. ACQUISITIONS AND NEW JOINT VENTURES

(i) Shangri-La Hotel, The Marina, Cairns

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 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.

(ii) Jinan City, Shandong Province, Mainland China

Following the successful biddings for the land use rights for 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 was RMB554.1 million (approximately US$87.9 million). The land sites are designated for commercial and hotel uses.

(iii) Yangzhou City, Jiangsu Province, Mainland China

Following the obtaining of necessary approvals from the local government authorities and completion of certain changes in local registration by end of June 2011, the Group completed the acquisition of 100% equity interest in a project company in Yangzhou City in Mainland China from a wholly owned subsidiary of KPL. 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. The project company owns the land use rights in respect of a land site for the development of a hotel (structural work completed) and three blocks of completed residential towers (some units have been sold).

(iv) Shenyang City, Liaoning Province, Mainland China

Following the obtaining of necessary approvals from the local government authorities and completion of certain changes in local registration by end of June 2011, the Group also completed the acquisition of 10% and 15% equity interests in a project company in Shenyang City, 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 initially paid and the balance of cash consideration of RMB750,262,000 (equivalent to US$117,241,000) was paid in August 2011. The project company owns the land use rights in respect of a land site for a high-end composite development comprising a hotel, offices, serviced apartments, residential and a commercial retail mall.

(v) **Istanbul, Turkey**

On 30 June 2011, the Group entered into an agreement for the sale and purchase of shares with a third party to acquire 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 early 2013. The Group had earlier signed a hotel management agreement for this 188-room hotel in April 2010. All necessary government approvals for the acquisition were obtained by mid August 2011 and the acquisition was completed upon payment of the cash consideration in early September 2011.

(vi) **Zhengzhou City, Henan Province, Mainland China**

On 23 September 2011, the Group and KPL formed a consortium and jointly won the land bid at the public bidding to acquire the land use rights in respect of a land site in Zhengzhou City, Henan Province in Mainland China which is designated for residential, hotel and commercial uses. Following the successful bidding of the project site, the Group and KPL entered into a master joint venture agreement to establish a wholly foreign-owned enterprise ("Zhengzhou JVCO") for the acquisition, holding and development of the land site. Pursuant to the master joint venture agreement, the Group and KPL will own 45% and 55% equity interest in the Zhengzhou JVCO, respectively. The Group's 45% share of the maximum total investment cost will be RMB1,180.6 million (approximately US$187.4 million).

(vii) **Bali, Indonesia**

On 27 October 2011, the Group entered into an agreement for the sale and purchase of shares with a third party to acquire 49% equity interest in a project company ("Bali JVCO") which owns an operating golf course and club as well as vacant lands in Nusa Dua, Bali, Indonesia for a cash consideration of US$34.3 million. The Group also reimbursed the seller the withholding tax of US$1.3 million for this transaction. The Group has entered into a shareholders agreement with the joint venture party of the Bali JVCO. Pursuant to the shareholders agreement, the vacant lands owned by the Bali JVCO would be used for development of a 5-star resort hotel and villas which will be managed by the Group. The existing golf course will be appropriately redesigned to incorporate these elements such that the development when completed will feature an 18 hole golf course, a resort hotel and villas.

(viii) **Putian City, Fujian Province, Mainland China**

On 28 October 2011, the Group and KPL formed a consortium and jointly won the land bid at the public bidding to acquire the land use rights in respect of a land site in Putian City, Fujian Province in Mainland China which is designated for residential, hotel and commercial uses. Following the successful bidding of the project site, the Group and KPL entered into a master joint venture agreement to establish one or more wholly foreign-owned enterprises ("Putian JVCO(s)") for the acquisition, holding and development of the land site. Pursuant to the master joint venture agreement, the Group and KPL will own 40% and 60% equity interest in the Putian JVCO(s), respectively. The Group's 40% share of the maximum total investment cost will be RMB1,422.0 million (approximately US$225.7 million).

(ix) Hangzhou City, Mainland China

The Group entered into a sale and purchase agreement on 31 December 2010 with a wholly owned subsidiary of KPL for the acquisition of 25% equity interest in a project company which owns the land use rights in respect of 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 for a cash consideration of RMB968.62 million (approximately US$153.7 million). Development work is on-going. Completion of the acquisition is subject to certain conditions including obtaining the necessary approvals from the local government authorities and completion of the change of registration as required by local laws. The Group will also enter into a joint venture agreement with that 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 U$238.1 million).

On 23 December 2011, the Group and the wholly owned subsidiary of KPL entered into a supplemental agreement to extend the long stop date for fulfilling the conditions precedent for completion of the transfer of equity interests by one year to 31 December 2012.

(x) Land Use Rights and Freehold Lands

The Group has acquired the following land use rights and leasehold land in Mainland China and The Republic of Ghana; and freehold lands in Sri Lanka during the year:

– Harbin, Mainland China (hotel development)

– Zhuhai, Mainland China (hotel and training centre development)

– Dalian, Mainland China (extension of the Shangri-La Hotel, Dalian)

– Colombo, Sri Lanka (contiguous with the land acquired in 2010 for high-end composite development)

– Hambantota, Sri Lanka (resort development)

– Accra, The Republic of Ghana (hotel development)

Total cash consideration for all these lands was approximately US$139 million.

The Group commenced construction for the new resort in Hambantota on 25 February 2012.

In mid January 2012, the Group also completed the acquisition of a leasehold land site in Hung Hom, Hong Kong at a cash consideration of HK$2,328 million (approximately US$300.4 million). The Group intends to build and operate on the land a multi-use complex including a hotel and retail facilities.

(xi) Investment in a Wines Trading Company

In March 2011, the Group and other joint venture parties jointly set up a joint venture company (in which the Group has 20% equity interest) with a paid up share capital of HK$250 million (approximately US$32.3 million) with operations to include sourcing, trading, wholesale and retailing of quality wine products, and wine related services. In July 2011, the joint venture parties provided shareholders' loan of HK$250 million (approximately US$32.3 million) to the joint venture company pro-rata to their respective shareholding. The Group had contributed an aggregate funding of HK$100 million (approximately US$12.9 million) to the joint venture company during the year. The food and beverage business of the Group's hotels is expected to benefit from the sourcing of wines through the joint venture company in view of the emerging strong demand for fine wines across Asia.

(xii) Proposed Acquisition of a Hotel in Brisbane, Australia

On 17 February 2012, the Group entered into a sale and purchase agreement with a third party to acquire 100% interest in an operating hotel in Brisbane, Australia. A deposit of A$4.8 million (approximately US$4.8 million) was paid and the acquisition is expected to be completed by end of June 2012 once all conditions precedent have been fulfilled. The hotel will be re-branded as a Traders hotel.

The estimated incremental funding required directly by the subsidiaries and the Group's share of the funding obligations of the associates for all the projects and other renovations involving fund commitments is currently estimated at US$3,683 million.

8. DILUTION OF INTEREST AND PROJECT TERMINATION

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 to deliver the hotel property by the deadline mutually agreed.

On 23 December 2011, the Group entered into the transfer agreement to transfer 24% equity interest in the original 75% owned project company and assigned 24% of the shareholder's loan previously advanced to this project company to the non-controlling shareholder of the project company at a cash consideration of approximately US$15.0 million. The project company was set up to construct, develop, own and operate a hotel on a piece of land in Ulaanbaatar, The Republic of Mongolia. The transaction was completed by end of December 2011. Upon receipt of the cash consideration, the Group's shareholding in the project company was diluted from 75% to 51%.

In view of the fact that the Group, KPL and WIL already contracted for the earlier mentioned project at Bayuquan in Yingkou City, the parties entered into a termination agreement with the local land resources bureau in Laobian, Yingkou City on 23 December 2011. Pursuant to this agreement, the confirmation notices regarding the parties' winning of the land bids for the land use rights of land sites in Laobian were cancelled. The deposit paid will be refunded to all the parties. The parties had successfully bid for the land sites on 5 January 2011.

9. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

As at the approval date of the consolidated financial statements, the Group has 16 management agreements in respect of operating hotels owned by third parties.

In March 2011, SLIM exited its management agreements in respect of the two hotels under development in Macau which had experienced significant completion delays. In early July 2011, SLIM also terminated its management agreement in respect of a hotel under development in Moscow since the project was abandoned by the developer.

Currently 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).

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.

10. PROSPECTS

The recovery of the global economy from the financial crisis continues to be slow and uncertain. While the economy of the United States remains weak, the economies of the Euro zone are continuing to confront the risk of sovereign debt defaults and their effects on their banking system and economies. The general consensus points to a period of prolonged economic hardship for some of the Euro zone economies. However, in contrast, the economies of South East Asia have performed relatively well in 2011 though most of them are expected to experience some slow down in 2012. The Group's presence in South East Asia and predominantly in Mainland China has enabled its hotels to post year on year improvement in operating results in respect of its mature hotels. Rising incomes, increase in domestic travel in Mainland China and regional travel in Asia are expected to sustain gradual improvements in the operating performance of the Group's hotels.

The Group's focus will be to drive RevPAR growth at its hotels and manage costs with a view to relieve inflationary pressures on operating margins. In respect of newly opened hotels, the efforts will focus on improving their operations to a sustainable level within the shortest possible time based on local market conditions so as to augment the Group's earnings.

In general, the Group remains cautiously optimistic about its prospects for 2012.

11. CORPORATE SOCIAL RESPONSIBILITY ("CSR")

In 2011, the Group was named a constituent on the Hang Seng (Mainland China and Hong Kong) Corporate Sustainability Index after having demonstrated strong performance in the area of environment protection, conservation and social investment. Global benchmarking has also extended to the membership of the United Nations Global Compact and participation in the Carbon Disclosure Project. The Group continues to promote CSR education and awareness through the launch of the CSR Training Module for all employees and business partners.

The Company published its sustainability report on the website of the Company (www.shangri-la.com).

12. HUMAN RESOURCES

As of 31 December 2011, the Company and its subsidiaries had approximately 28,900 employees. The headcount of all the Group's managed hotels and resorts totaled approximately 43,000. Salaries and benefits, including provident fund, insurance and medical cover, housing and share option schemes have been consistently applied by the Group and 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 options 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. The Group has not granted any new options in 2010 and 2011. 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$565,122,000 (2010: US$450,973,000).

The Group remains committed to developing its human capital. In 2011, 172 high potential employees were selected to the Group's core talent development programs which provide both on the job and classroom learning over 12 to 18 months. 9 Mainland China employees were certified in the Hospitality for Housekeeping Executive Program (CHHE) offered by the American Hotel and Lodging Association. 101 employees participated in the Shangri-La Explorer Program which provides participants an international work assignment for a 6 month duration. In addition, a number of corporate programs were launched across the Group during the year including psychometric assessment interviews for general managers and senior executives to create high performance teams. Succession planning is in place to ensure the Group has a continuous leadership pipeline and to underscore the Group's commitment to the career development of its high potential employees.

The Shangri-La Academy located in Zhongshan, Mainland China continues to accelerate and intensify employee training to keep pace with the Group's expansion. Since its opening in December 2004, it has trained more than 6,700 employees through its four core certificate programs, its diploma program and its various management development programs. The curriculum is regularly reviewed to add new courses.

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

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 35 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$723,000.

PROPERTY, PLANT AND EQUIPMENT INVESTMENT PROPERTIES

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

PRINCIPAL PROPERTIES

The details of the Group's hotel properties and investment properties are set out in Notes 41 and 42 to the Financial Statements respectively.

PRE-EMPTIVE RIGHTS

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

SHARE CAPITAL

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

Rights Issue

On 9 December 2010, the Company announced 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).

Convertible Bonds Due 2016

On 8 April 2011, the Company announced a proposed issue of zero coupon guaranteed convertible bonds due 2016 with conversion rights to convert into Shares at a conversion price of HK$29.03 per Share (subject to adjustment). The Hongkong and Shanghai Banking Corporation Limited and BOCI Asia Limited acted as the joint lead managers for the issue of the convertible bonds. The issue of the convertible bonds in the total principal amount of US$500,000,000 took place on 12 May 2011, raising net proceeds of approximately US$495,600,000.

In accordance with the terms of the convertible bonds, the conversion price has been adjusted to HK$28.72 per Share with effect from 10 October 2011 after the payment of the 2010 final dividend and the 2011 interim dividend by the Company.

SUBSIDIARIES AND ASSOCIATES

The details of the Company's principal subsidiaries and associates are set out in Note 40 to the Financial Statements.

PARTICULARS OF BANK LOANS AND OVERDRAFTS

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

MANAGEMENT CONTRACTS

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

FIVE YEAR SUMMARY

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

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)*

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 LUI Man Shing, Mr HO Kian Guan, Mr Roberto V ONGPIN and Mr WONG Kai Man shall retire by rotation in accordance with Bye-Law 99 of the Bye-Laws at the Annual General Meeting. All retiring Directors, being eligible, offer themselves for re-election.

Independence of Independent Non-executive Directors

The Board has received from each Independent Non-executive Director confirmation of his independence according to the guidelines set out in Rule 3.13 of the Listing Rules. The Board considers that all the Independent Non-executive Directors are independent.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name	Capacity	Number of Shares held	Approximate % of total issued share capital of the Company
Substantial Shareholders			
KGL *(Note 1)*	Interest of controlled corporations	1,565,914,963	50.01
KHL *(Notes 1 and 2)*	Beneficial owner	76,332,421	2.44
	Interest of controlled corporations	1,418,061,217	45.29
Caninco Investments Limited ("Caninco") *(Note 2)*	Beneficial owner	506,297,599	16.17
	Interest of controlled corporation	137,620,204	4.40
Paruni Limited ("Paruni") *(Note 2)*	Beneficial owner	335,041,480	10.70
	Interest of controlled corporation	21,502,019	0.69
Person 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 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.

2. 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.

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 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 Model Code were as follows:

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

Name of company	Name of Director	Class of shares	Number of shares held: Personal interests	Family interests	Corporate interests	Total	Approximate % of total issued share capital of the relevant company
The Company	KUOK Khoon Ean	Ordinary	474,791	86,356 *(Note 1)*	2,767,196 *(Note 2)*	3,328,343	0.106
	LUI Man Shing	Ordinary	902,777	–	–	902,777	0.029
	Madhu Rama Chandra RAO	Ordinary	33,278	–	–	33,278	0.001
	Gregory Allan DOGAN	Ordinary	28,166	–	–	28,166	0.001
	HO Kian Guan	Ordinary	721,977	–	127,651,755 *(Note 3)*	128,373,732	4.100
	KUOK Khoon Loong Edward	Ordinary	1,118,239	–	–	1,118,239	0.036
	HO Kian Hock *(Alternate to HO Kian Guan)*	Ordinary	–	–	127,651,755 *(Note 3)*	127,651,755	4.077
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. 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 6.75% 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 Year End, there were share options held by Directors with rights to subscribe for Shares. Details of such options are set out in the section headed "Share 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' 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).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10(2) of the Listing Rules, the Directors below have disclosed that during the Financial Year and up to the date of this Directors' Report, they 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

A share option scheme of the Company was adopted by Shareholders on 24 May 2002 ("New Option Scheme"). The major terms of the New Option Scheme are as follows:

(1) The purpose of the New Option Scheme was to motivate eligible participants of the New Option Scheme to optimise their future contributions to the Company

and its subsidiaries and associates, and the entities any of them holds an interest (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 participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Enlarged Group.

(2) The eligible participants of the New Option Scheme included:

(a) an employee of the Enlarged Group;

(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.

(3) 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 of the New Option Scheme. The Company may from time to time as the Board may think fit seek approval from Shareholders to refresh such 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 179,435,991 Shares (representing approximately 5.7% of the issued share capital thereby) were available for grant under the New Option Scheme.

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

(5) The period under which an option may be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that 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.

(6) 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.

(7) The New Option Scheme will expire on 23 May 2012.

As the New Option Scheme will expire in May 2012, the Board proposed to adopt a new share option scheme in the Annual General Meeting.

The Board also proposed to adopt a share award scheme in the Annual General Meeting.

The details of both the new share option scheme and the share award scheme have been set out in a separate circular issued by the Company on 26 April 2012.

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

			Number of option shares								
Grantees	Date of grant	Tranche	held as at 1 January 2011	granted during the year	transfer from other category during the year	transfer to other category during the year	exercised during the year	lapsed during the year	held as at 31 December 2011	Exercise price per option share HK$	Exercise period
1. Directors											
LUI Man Shing	16 June 2006	II	60,000	–	–	–	–	–	60,000	14.60	16 June 2008 – 15 June 2016
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
Gregory 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 2008 – 15 June 2016
KUOK Khoon Loong Edward	16 June 2006	II	100,000	–	–	–	–	–	100,000	14.60	16 June 2008 – 15 June 2016

Grantees	Date of grant	Tranche	Number of option shares: held as at 1 January 2011	granted during the year	transfer from other category during the year	transfer to other category during the year	exercised during the year	lapsed during the year	held as at 31 December 2011	Exercise price per option share HK$	Exercise period
1. **Directors** (continued)											
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
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
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	–	–	(75,000)	(263,000)	(25,000)	1,510,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	2,409,000	–	–	(75,000)	(454,000)	(25,000)	1,855,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	1,255,000	–	–	(47,500)	(197,500)	(10,000)	1,000,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	1,400,000	–	–	(47,500)	(207,500)	(10,000)	1,135,000	14.60	16 June 2008 – 15 June 2016

Grantees	Date of grant	Tranche	Number of option shares: held as at 1 January 2011	granted during the year	transfer from other category during the year	transfer to other category during the year	exercised during the year	lapsed during the year	held as at 31 December 2011	Exercise price per option share HK$	Exercise period
3. Other participants	29 May 2002	I	110,000 (note 1)	–	–	–	(110,000)	–	–	6.81	29 May 2003 – 28 May 2012
	29 May 2002	II	200,000 (note 1)	–	–	–	(160,000)	–	40,000	6.81	29 May 2004 – 28 May 2012
	28 April 2005	I	15,000	–	75,000	–	(75,000)	(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	–	75,000	–	(75,000)	(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	–	20,000	–	(20,000)	(7,500)	–	14.60	16 June 2007 – 31 December 2011
	16 June 2006	I	545,500	–	27,500	–	(34,000)	(20,000)	519,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	7,500	–	20,000	–	(20,000)	(7,500)	–	14.60	16 June 2008 – 31 December 2011
	16 June 2006	II	755,000	–	27,500	–	(30,000)	(20,000)	732,500	14.60	16 June 2008 – 15 June 2016
Total			11,257,500	–	245,000	(245,000)	(1,646,000)	(155,000)	9,456,500		

Notes:

1. These opening balances as brought forward from the 2010 annual report have been rectified.

2. No options were cancelled during the Financial Year.

CONNECTED TRANSACTIONS

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

(1) On 31 December 2010, Shangri-La China Limited ("SACL"), a wholly owned subsidiary of the Company, and Kerry Properties (China) Limited ("KPCL"), a wholly owned subsidiary of KPL, entered into a sale and purchase agreement, 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 Limited), a wholly owned subsidiary of KPCL before completion of the acquisition, at a consideration of RMB968.62 million. According to the agreement, all conditions precedent regarding the completion of the acquisition are required to be fulfilled by 31 December 2011.

However, due to the extended time required for obtaining the approvals from the PRC government for the acquisition, one of the conditions precedent as set out in the agreement regarding the obtaining of all required approvals and completion of registration procedures as required by the PRC laws has not yet been fulfilled. SACL and KPCL agreed to extend the long stop date and, on 23 December 2011, entered into a supplemental agreement to extend the long stop date by one year for fulfilling the relevant conditions precedent for completion of the acquisition with all other terms remaining unchanged.

KPCL is wholly owned by KPL which is an associate of KHL (Substantial Shareholder). Accordingly, KPCL is a connected person of the Company, and the entering into of the agreements as described above and the transactions contemplated thereunder constituted connected transactions for the Company.

(2) On 5 January 2011, SACL, KPCL and WCA Pte Limited ("WPL") (altogether "JV Parties") jointly won the land bids to acquire the land use rights of six project sites in Laobian District, Yingkou City, Liaoning Province, PRC at a consideration of RMB1,357.27 million. Following the successful land bids, the JV Parties entered into a master joint venture agreement to establish one or more wholly foreign-owned enterprise(s) in Yingkou City, Liaoning Province, PRC ("Laobian JVCO(s)") for the acquisition, holding and development of the said project sites. The Laobian JVCO(s) would be owned by SACL, KPCL and WPL as to 25%, 40% and 35%, respectively. The maximum total investment amount of the Laobian JVCO(s) would be approximately RMB7,508.04 million to which the Group would contribute approximately RMB1,877.01 million in proportion to its equity interest in the Laobian JVCO(s).

On 23 December 2011, the JV Parties entered into a termination agreement with the Laobian Branch of Yingkou City Land Resources Bureau to terminate the acquisition of the land use rights of the said project sites. Pursuant to the termination agreement, the deposit paid by the JV Parties, being RMB271.57 million, would be repaid to the Laobian JVCO and the JV Parties and the Laobian JVCO would be relieved from all liabilities and obligations for the acquisition of the said project sites. The JV Parties intended to wind-up the Laobian JVCO after all matters relating to the termination of the acquisition of the said project sites had been settled and, as part of the winding-up process, all assets of the Laobian JVCO would be distributed to the JV Parties as shareholders of the Laobian JVCO in accordance with the PRC laws.

KPCL is wholly owned by KPL which is an associate of KHL (Substantial Shareholder). Accordingly, KPCL is a connected person of the Company, and the entering into of the agreements as described above and the transactions contemplated thereunder constituted connected transactions for the Company.

(3) In March 2011, Handiwork Investments Limited ("HIL"), a wholly owned subsidiary of the Company, together with certain other parties established a joint venture company namely Kerry Wines Limited ("Kerry Wines") with a paid up share capital of HK$250,000,000. Kerry Wines is owned as to (i) 20% by HIL; (ii) 40% by a wholly owned subsidiary of KGL (Substantial Shareholder); (iii) 20% by a company which is an associate of Mr KUOK Khoon Ean and Mr KUOK Khoon Loong Edward (both being Directors); (iv) 10% by a company which is an associate of Mr KUOK Khoon Ean (a Director); and (v) 10% by Mr LI Yuping (an ultimate substantial shareholder and a director of two non-wholly owned

subsidiaries of the Company). The operations of Kerry Wines would include sourcing, trading, wholesale and retailing of quality wine products, and wine related services.

On 28 July 2011, the shareholders of Kerry Wines agreed to provide shareholders' loan in the aggregate sum of HK$250,000,000 to Kerry Wines in proportion to their respective shareholdings in Kerry Wines. Such shareholders' loan would be non-interest bearing and had no fixed terms of repayment.

Accordingly, HIL had subscribed HK$50,000,000 as share capital of and advanced a proportionate shareholders' loan of HK$50,000,000 to Kerry Wines.

All the HIL's joint venture parties in Kerry Wines are, as described above, connected persons of the Company. Accordingly, the subscription for the share capital and the provision of the shareholders' loan by HIL as described above constituted connected transactions for the Company.

(4) On 26 May 2011, Xiang Heng Real Estate (Jinan) Co, Limited ("Jinan JVCO"), a company which is owned as to 45% by SACL and 55% by KPCL, won the land bids to acquire the land use rights of two project sites in Jinan City, Shandong Province, PRC at a consideration of RMB291.104 million. Following the successful land bids, SACL and KPCL entered into a supplemental shareholders' agreement and a supplemental articles of association to increase the total investment amount of the Jinan JVCO from RMB340 million to RMB680 million and set out the maximum funding commitment for the Jinan JVCO at RMB1,231.4 million to which the Group would contribute a maximum of RMB554.1 million in proportion to its equity interest in the Jinan JVCO.

KPCL is wholly owned by KPL which is an associate of KHL (Substantial Shareholder). Accordingly, KPCL is a connected person of the Company, and the entering into of the agreements as described above and the transactions contemplated thereunder constituted connected transactions for the Company.

(5) On 29 August 2011, SLIM confirmed the order to purchase certain wines en primeur through Kerry Wines at a total purchase price of Euro 1,708,626. The wines were intended for the Group's hotel operations in food and beverage business.

Kerry Wines is an associate of KGL (Substantial Shareholder). Accordingly, Kerry Wines is a connected person of the Company and the purchase of wines as described above constituted a connected transaction for the Company.

(6) On 6 September 2011, SACL and KPCL entered into a joint bid agreement in relation to the joint land bid to acquire the land use rights of a piece of land located at Zhengzhou City, Henan Province, PRC. Pursuant to the joint bid agreement, SACL and KPCL paid an aggregate deposit of RMB210 million in the respective proportion of 45% and 55%. The Company paid its portion of RMB94.5 million.

On 23 September 2011, SACL and KPCL jointly won the land bid at a consideration of RMB401.15 million. Following the successful land bid, SACL and KPCL entered into a master joint venture agreement in relation to the establishment of a wholly foreign-owned enterprise in Zhengzhou City, Henan Province, PRC ("Zhengzhou JVCO") for the purpose of acquiring, holding and developing the said project site. The Zhengzhou JVCO would be owned by SACL and KPCL as to 45% and 55%, respectively. The maximum total investment amount of the Zhengzhou JVCO would be not more than RMB2,623.5 million to which the Group would contribute not more than RMB1,180.6 million in proportion to its equity interest in the Zhengzhou JVCO.

KPCL is wholly owned by KPL which is an associate of KHL (Substantial Shareholder). Accordingly, KPCL is a connected person of the Company, and the entering into of the agreements as described above and the transactions contemplated thereunder constituted connected transactions for the Company.

(7) On 24 October 2011, SACL and KPCL entered into a joint bid agreement in relation to the joint land bid to acquire the land use rights of a piece of land located at Licheng District, Putian City, Fujian Province, PRC. Pursuant to the joint bid agreement, SACL and KPCL jointly paid a deposit of RMB100 million in the respective proportion of 40% and 60%. The Company paid its portion of RMB40 million for the deposit.

On 28 October 2011, SACL and KPCL jointly won the land bid at a consideration of RMB455.5 million. Following the successful land bid, SACL and KPCL entered into a master joint venture agreement in relation to the establishment of one or more wholly foreign-owned enterprise(s) in Putian City, Fujian Province, PRC ("Putian JVCO(s)") for the purpose of acquiring, holding and developing the said project site. The Putian JVCO(s) would be owned by SACL and KPCL as to 40% and 60%, respectively. The maximum total investment amount of the Putian JVCO(s) would be not more than RMB3,555 million to which the Group would contribute not more than RMB1,422 million in proportion to its equity interest in the Putian JVCO(s).

KPCL is wholly owned by KPL which is an associate of KHL (Substantial Shareholder). Accordingly, KPCL is a connected person of the Company, and the entering into of the agreements as described above and the transactions contemplated thereunder constituted connected transactions for the Company.

(8) On 23 December 2011, SLIM and each of the four subsidiaries and two associate companies of KPL ("Project Co(s)") entered into a pre-opening technical services agreement. Pursuant to the pre-opening technical services agreements, SLIM was engaged to provide the hotel pre-opening technical services during the construction stage of the respective hotels owned by the respective Project Cos. The aggregate service fees under these agreements were US$2,560,000. In the event the actual opening date of any such hotel is later than the expected opening date as stated in the respective agreement, the relevant Project Co shall pay to SLIM an additional service fee of US$15,000 for each calendar month or part thereof for the period after the expected opening date up to the actual opening date of the hotel.

The Project Cos are associates of KPL which is an associate of KGL (Substantial Shareholder). One of the Project Cos is also an associate of Allgreen Properties Limited which is (a) an associate of KGL, and (b) a substantial shareholder of a non-wholly owned subsidiary of the Company. Accordingly, the Project Cos are connected persons of the Company, and the entering into of the agreements as described above constituted connected transactions for the Company.

(9) On 23 December 2011, Perfect Form Investments Limited ("Perfect Form"), a wholly owned subsidiary of the Company, and MCS Hotel LLC ("MCS Hotel") (both being shareholders of Intense Power Limited ("Intense Power")), together with their respective holding companies entered into an agreement pursuant to which MCS Hotel exercised the option to increase its shareholding interest in Intense Power from 25% to 49%, notwithstanding that such option (granted under the shareholders' agreement entered into among the same parties on 11 June 2007) should have expired on 10 June 2010. Upon MCS Hotel exercising the option on the same date, Perfect Form transferred 24% of Intense Power's issued share capital and assigned 24% of Intense Power's total shareholders' loan to MCS Hotel at a total consideration of US$15,036,615.

MCS Hotel is wholly owned by MCS Holding LLC which is a substantial shareholder of a subsidiary of the Company (not including Intense Power). Accordingly, MCS Hotel is a connected person of the Company and the joint venture with MCS Hotel as described above constituted a connected transaction for the Company and the exercise of the above option was accordingly subject to disclosure.

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 was 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 as described above constitutes a continuing connected transaction for the Company.

For the Financial Year, an aggregate amount of US$1,853,000 (2010: US$1,714,000) was paid to SPI under the said lease.

(2) SLIM and its fellow subsidiaries provide hotel management, marketing, communication and reservation services ("Hotel Management Services") to various hotels (which are owned by certain connected persons of the Company) pursuant to certain hotel management, marketing and related agreements entered into between SLIM or any of such fellow subsidiaries and each of the said connected persons of the Company. The provision of Hotel Management Services to the following entities remained as continuing connected transactions for the Company during the Financial Year and are required for disclosure in this Annual Report:

(a) Traders Hotel, Singapore

Traders Hotel, Singapore is owned by Cuscaden Properties Pte Limited ("CPPL") which is owned as to 55.4% by Allgreen Properties Limited ("Allgreen") and 40.75% by the Group. CPPL is a substantial shareholder of a subsidiary of the Company and also an associate of Allgreen which is an associate of KGL (Substantial Shareholder). Accordingly, CPPL is regarded as a connected person of the Company at holding level.

(b) Kerry Hotel, Beijing

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

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

Hotel	Date of transaction	Nature of agreement	Counter party	Aggregate amount received by SLIM and its fellow subsidiaries 2011 (US$)	2010 (US$)
(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	2,077,000	1,813,000
(b) Kerry Hotel, Beijing	30 June 1998, as supplemented by the supplemental agreement dated 26 September 2011	Management and Marketing Services Agreement	BKH	1,193,000	1,538,000

(3) On 7 May 2009, Shangri-La Ulaanbaatar LLC ("SLUL"), a non-wholly owned subsidiary of the Company, entered into a tenancy agreement with each of (1) MCS Holding LLC ("MCS Holding") and (2) Green Catering LLC ("Green Catering"), a wholly owned subsidiary of MCS Holding. Pursuant to the tenancy agreements, SLUL 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 re-adjustment) 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 re-adjustment) 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.

Green Catering is wholly owned by MCS Holding which is a substantial shareholder of certain subsidiaries of the Company. OJ is a director of certain subsidiaries of the Company. Accordingly, Green Catering, MCS Holding and OJ are connected persons of the Company at subsidiary level and the tenancy agreements, master licence agreement and the guarantee letters as described above constitute 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 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$3,388,000 (2010: US$3,433,000) was received from MCS Holding and Green Catering.

In view of the transaction amounts involved and with respect to the relevant parties being connected persons at subsidiary level, the continuing connected transactions above may be exempt from the relevant disclosure and annual review requirements under Chapter 14A of the Listing Rules subsequent to the expiry of the said agreements.

(4) On 2 June 2010, SLIM and Shanghai Pudong Kerry City Properties Co, Limited ("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. Pursuant to the management agreement, SLIM was appointed as the manager to provide hotel management services including hotel management, marketing, communication and reservation services to Kerry Hotel Pudong, Shanghai ("KHPU"), a hotel owned by SPKCP.

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

Based on the terms of the management agreement and of the expected occupancy of KHPU, and taking into account possible inflation, changes in exchange rate and possible reasonable increase in occupancy of KHPU, 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, an aggregate amount of US$1,811,000 (2010: Nil) was received from SPKCP.

(5) On 18 November 2010, SLIM and Ubagan Limited ("Ubagan"), a subsidiary of KGL (Substantial Shareholder), entered into an offer letter pursuant to which SLIM agreed to lease from Ubagan various office premises at Kerry Centre 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 9 November 2011, SLIM entered into a new tenancy agreement with Ubagan pursuant to which SLIM has leased additional office premises at Kerry Centre from Ubagan at a monthly rental of HK$285,494 and monthly management fee and air-conditioning charge of HK$48,834.50 (subject to revision) for a term commencing from 1 October 2011 to 18 November 2013.

Pursuant to the licence agreement dated 18 November 2010 and various licence agreements subsequently entered into between both parties during the Financial Year, SLIM has leased from Ubagan various floating car parking spaces and fixed car parking spaces at Kerry Centre. The monthly licence fees for each floating car parking space and for each fixed car parking space are respectively HK$2,500 and HK$3,200, which are 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 leases and the licence agreements as described above constitute continuing connected transactions for the Company.

Based on the current rentals and fees payable under the leases and the licence 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 18 November 2013)	50,000,000	6,452,000

For the Financial Year, an aggregate amount of US$5,621,000 (2010: US$643,000) was paid to Ubagan.

The continuing connected transactions mentioned in (1) to (5) 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.

The Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the Annual Report in accordance with Rule 14A.38 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to HKSE.

REPORT OF THE DIRECTORS

PROPERTIES UNDER DEVELOPMENT

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

(A) Hotels owned and managed by the Group

Location	Properties	Group's effective interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)	Number of projected rooms	Number of apartments or villas	Stage of completion	Projected opening	Address
Qufu, PRC	1. Shangri-La Hotel	100%	50,700	79,512	501	–	Superstructure work completed, mechanical and engineering and interior renovation in progress	2012	10 Chun Qiu Road, Qufu, Shandong, PRC
Yangzhou, PRC	2. Shangri-La Hotel	100%	43,584	64,565	369	–	Structural work completed. Curtain wall installation nearly completed	2012	472 Wen Chang West Road, Yangzhou City, Jiangsu Province, PRC
Shanghai, PRC	3. Jing An Shangri-La (part of composite development of Jing An Kerry Centre)	49%	N/A	73,664	508	–	Superstructure work completed. Mechanical and engineering and curtain wall installation in progress	2013	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	503	22	Structural work in progress	2013	88 Hai Tang North Road, Haitang Bay Town, Sanya, PRC
Ulaanbaatar, Mongolia	5. Shangri-La Hotel	51%	30,000	32,782	273	–	Main tower structural work completed	2013	North East of National Amusement Park Place, Khoroo 1 of Sukhbaatar District, Ulaanbaatar, The Republic of Mongolia
Lhasa, PRC	6. Shangri-La Hotel	100%	30,509	45,205	284	–	Main tower structural work completed	2013	19 LuoBuLingKa Road, Lhasa, Tibet, PRC
Shenyang, PRC	7. Shangri-La Hotel (part of composite development)	25%	N/A	61,087	512	–	Superstructure work in progress	2013	Lot No. 2007-053, No. 8 Golden Corridor, 113 Qingnian Da Street, Shenhe District, Shenyang, PRC
Tianjin, PRC	8. Shangri-La Hotel (part of composite development of Tianjin Kerry Centre)	20%	N/A	70,000	468	36	Superstructure work in progress	2013	Junction of Liuwei Road and Liujin Road, Hedong District, Tianjin, PRC
Tangshan, PRC	9. Shangri-La Hotel (part of composite development of Tangshan Kerry Centre)	35%	N/A	53,830	436	–	Piling and excavation completed	2013	Da Li Road, Changhong Street, Chaoyang Street, Feng Huang Xin Cheng, Tangshan, PRC
Nanjing, PRC	10. Shangri-La Hotel	55%	16,305	85,943	516	40	Piling and excavation in progress	2013	331 Zhong Yang Road, Gu Lou District, Nanjing, PRC
Istanbul, Turkey	11. Shangri-La Hotel	50%	5,463	41,832	188	–	Superstructure work in progress	2013	Plot No. 13, Lot No. 363, Parcel No. 65 Hayrettin Iskelesi Street, Sinanpasa, Besiktas, Istanbul, Turkey

(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
Hambantota, Sri-Lanka	12. Shangri-La Hotel	100%	397,000	66,000	172	20	Construction commenced on 25 February 2012	2013	Lot B and C of Welliakkulebedda, District of Hambantota, Sri Lanka
Diqing, PRC	13. Shangri-La Hotel	100%	24,872	39,384	220	–	Foundation work in progress	2014	5 Chi Ci Ka Road, Shangri-La County, Diqing Tibetan, Yunnan Province, PRC
Qinhuangdao, PRC	14. Shangri-La Hotel	100%	39,860	73,376	328	–	Piling and excavation completed	2014	Lot No. 5, Golden Dream Bay, Haigang District, Qinhuangdao, Hebei Province, PRC
Nanchang City, PRC	15. Shangri-La Hotel (part of composite development)	20%	N/A	86,739	468	–	Piling work and schematic design in progress	2014	Lot No. B-7, Honggutan Central District, Nanchang, PRC
Bonifacio Global City, Metro Manila, The Philippines	16. Shangri-La Hotel (part of composite development)	40%	N/A	79,936	577	–	Structural work in progress	2014	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, The Philippines
Colombo, Sri-Lanka	17. Shangri-La Hotel (part of composite development)	100%	N/A	73,500	650	–	Construction commenced on 24 February 2012	2014	Between Galle Face green promenade and Beira Lake, Colombo, Sri Lanka
	Total				6,973	118			

(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	Shangri-La Hotel, at the Shard, London	N/A	N/A	17,652	202	–	Renovation in progress	2013	32 London Bridge Street, Southwark, London SEI, UK
	Total				202	–			

(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 Jing An Kerry Centre	49%	45,867		Superstructure work completed. Mechanical and engineering and curtain wall installation in progress	2013	1238 & 1288 Yanan Zhong Road, 1537 & 1565 Nanjing Xi Road, Jing An District, Shanghai, PRC
	• Office			113,739			
	• Commercial			66,469			
Tianjin, PRC	2. Composite development of Tianjin Kerry Centre	20%	86,164		Superstructure work in progress	2013	Junction of Liuwei Road and Liujin Road, Hedong District, Tianjin, PRC
	• Residential			175,532			
	• Office			127,554			
	• Commercial			103,914			
	• Serviced apartment			22,000			
Tangshan, PRC	3. Composite development of Tangshan Kerry Centre	35%	101,107		Superstructure work for residential in progress	2013	Da Li Road, Changhong Street, Chaoyang Street, Feng Huang Xin Cheng, Tangshan, PRC
	• Residential			232,625			
	• Commercial			20,530			
Shenyang, PRC	4. Composite Development	25%	172,694		Piling and basement structure work for residential in progress	2013	Lot No. 2007-053, No. 8 Golden Corridor, 113 Qingnian Da Street, Shenhe District, Shenyang, PRC
	• Residential			505,444			
	• Office			195,732			
	• Commercial			374,701			
	• Serviced apartment			226,257			
Nanchang, PRC	5. Composite Development	20%	47,738		Piling work and schematic design in progress	2014	Lot No. B-7, Honggutan Central District, Nanchang, PRC
	• Residential			81,998			
	• Office			61,925			
	• Commercial			8,027			
Bonifacio Global City, Metro Manila, The Philippines	6. Composite Development	40%	15,120		Structural work in progress	2014	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, The Philippines
	• Serviced apartment			53,936			
	• Retail			3,693			
Colombo, Sri-Lanka	7. Composite Development	100%	40,469		Construction commenced on 24 February 2012	2014	Between Galle Face green promenade and Beira Lake, Colombo, Sri Lanka
	• Office			35,000			
	• Serviced apartment			35,000			
	• Retail			25,000			

(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
Jinan, PRC	1. Composite development	45%	22,293	93,600	Site No. 2011-G043 to G044 South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, PRC
Yingkou Bayuquan, PRC	2. Composite development	25%	200,000	413,480	Lot No. 14-16, North of Bincheng Road, West of Liaodongwan Street, Bayuquan, Yingkou, Liaoning Province, PRC
Bali Nusa Dua, Indonesia	3. Hotel and golf club	49%	1,020,361	56,000	Nusa Dua Hotel resort Area, Island of Bali, Republic of Indonesia
Hefei, PRC	4. Hotel	100%	20,000	112,911	Northeast of the Intersection of the Northern 1st Ring Road and Jieshou Road, Luyang District, Hefei City, Anhui Province, PRC
Xiamen, PRC	5. Hotel	100%	13,852	110,240	Southeast section of intersection of Taibei Road and Taidong Road, Guan Yin Shan Area, Land 03-07, Siming District, Xiamen, Fujian, PRC
Zhuhai, PRC	6. Hotel and academic school	100%	110,046	75,498	Site No. 2011-03, Xiang Zhou Da Lang Wan South Side, Zhuhai City, PRC
Harbin Songbei, PRC	7. Hotel	100%	40,000	100,000	East of Hei Da Gong Road, North of the northern dike of Songhua River, Songbei District, Harbin City, PRC
Dalian Wolong Bay, PRC	8. Hotel	100%	47,615	171,000	Zhong Yang Chuang Zhi District, Xiao Yao Bay, Jin Zhou Xin District, Dalian, PRC
Zhoushan, PRC	9. Hotel	100%	28,541	85,623	LKC-1-3 Block of Lincheng Street, Dinghai District, Zhoushan, Zhejiang Province, PRC
Dalian, PRC	10. Hotel (Phase II)	100%	5,937	40,125	Chang Jiang Road South, Zhi Gong Jie West, Zhi Fu Jie East, Zhongshan District, Dalian, PRC
Accra, Ghana	11. Hotel	100%	49,873	under planning	Airport North on Spintex Road, City of Accra, Republic of Ghana

REPORT OF THE DIRECTORS

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.

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

During the Financial Year, except as disclosed in Note 18 to the Financial Statements, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

PUBLIC FLOAT

Based on information that is publicly available to the Directors and within the knowledge of the Directors as at the date of this Annual Report, there is a sufficient public float of the Shares as required by the Listing Rules.

AUDITOR

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

On behalf of the Board

KUOK Khoon Ean
Chairman

Hong Kong, 19 March 2012

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.

ADOPTION OF DIRECTORS HANDBOOK

On 19 March 2012, the Board adopted a Directors handbook which incorporated the Securities Principles and the CG Principles terms of which align with or are stricter than the requirements set out in the Securities Model Code and the revised CG Model Code which would take effect from 1 April 2012, save for the Chairman and the CEO may be served by the same person.

During the Financial Year and the period before the adoption of such Directors handbook, the Securities Model Code and the CG Model Code were the codes applicable to the Directors.

CODE ON SECURITIES TRANSACTIONS

During the Financial Year, the Securities Model Code was the code for the Directors' securities transactions. The Company has made specific enquiry of each of the Directors and all the Directors have confirmed compliance with the Securities Model Code throughout the Financial Year.

Besides, during the Financial Year, the code adopted by the Board for securities transactions by relevant employees ("Employees Securities Dealing Code") was the code 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 Model Code. The Company has made specific enquiry of each of the Relevant Employees and they have confirmed compliance with the Employees Securities Dealing Code throughout the Financial Year.

CODE ON CORPORATE GOVERNANCE

Upon the adoption of the CG Principles, the Audit Committee has been designated the responsibility to oversee, monitor and observe the terms for the Company's corporate governance functions.

During the Financial Year, the CG Model Code was the code for the Company's corporate governance and the Company has met the CG Model Code except for the deviation summarised below:

CG Model Code		Deviation and reason
A.2.1	The roles of the Chairman and the CEO should be separate and should not be performed by the same individual	Mr KUOK Khoon 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, the hotel management subsidiary of the Company which is entrusted with the primary responsibility of operating the assets of the Group.

CORPORATE GOVERNANCE REPORT

THE BOARD

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

Members, meetings held and attendance

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

Name of Director	Meetings attended/ eligible to attend
Executive Directors	
Mr KUOK Khoon Ean *(Chairman & CEO)*	3/4
Mr LUI Man Shing *(Deputy Chairman)*	3/4
Mr Madhu Rama Chandra RAO *(CFO)*	4/4
Mr Gregory Allan DOGAN *(COO)*	4/4
Non-executive Directors	
Mr HO Kian Guan *(alternate – Mr HO Kian Hock)*	4 (0)/4
Mr KUOK Khoon Loong Edward	3/4
Mr Roberto V ONGPIN	3/4
Independent Non-executive Directors	
Mr Alexander Reid HAMILTON	4/4
Mr Timothy David DATTELS	4/4
Mr WONG Kai Man	4/4
Mr Michael Wing-Nin CHIU	4/4
Professor LI Kwok Cheung Arthur *(appointed on 30 March 2011)*	3/4

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

EXECUTIVE COMMITTEE

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

(1) constitution and share capital
(2) corporate objectives and strategy
(3) corporate policies relating to securities transactions by Directors and senior management
(4) interim and annual results
(5) significant investments
(6) major financings, borrowings and guarantees other than those of ordinary terms and for the ordinary operation or for general working capital requirement of the Group
(7) corporate governance and internal controls
(8) risk management
(9) major acquisitions and disposals
(10) material contracts
(11) Board members and Auditor
(12) any other significant matters that will affect the operations of the Group as a whole

The members of the Executive Committee as at the date of this Directors' Report were as follows:

Member	Board capacity
Mr KUOK Khoon Ean *(chairman)*	Chairman & CEO
Mr LUI Man Shing	Deputy Chairman
Mr Madhu Rama Chandra RAO	CFO

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL, AND NOMINATION COMMITTEE

The Nomination Committee was established by the Board on 19 March 2012. The written terms of reference of the Nomination Committee include the following major duties:

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

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

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

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

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

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

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

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

The initial members of the Nomination Committee and as at the date of this Directors' Report were as follows:

Member	Board capacity
Mr KUOK Khoon Ean *(chairman)*	Chairman & CEO
Mr Madhu Rama Chandra RAO	CFO
Mr Alexander Reid HAMILTON	INED
Mr WONG Kai Man	INED
Professor LI Kwok Cheung Arthur	INED

Before the establishment of the Nomination Committee and during the Financial Year, the Board as a whole was responsible for approving the appointment of its members and nominating them for election and re-election by Shareholders.

During the Financial Year, the only change to the members of the Board was the appointment of Professor LI Kwok Cheung Arthur as an Independent Non-executive Director on 30 March 2011.

During the Financial Year, the Directors met once (being one of the Board meetings aforesaid) to consider the above appointment. All Directors attended the meeting.

Nomination Policy

During the Financial Year, the procedures for appointment of new Directors adopted by the Board were followed to ensure that the Board consists of members with the range of skills and qualifications to meet its principal responsibilities to ensure that the interests of Shareholders are protected and promoted and the requirements of the Listing Rules are complied with. Procedures and criteria to select candidates were as follows:

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

(2) The Board should identify the need for a new Director based on whether or not the Company had an appropriate number of Directors to allow for effective decision-making.

(3) The Board should identify potential candidates who might fill the role. Potential candidates should:

    (a) complement the existing Board composition to ensure that there was 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) should be appointed in accordance with the Bye-Laws and the Listing Rules. All Directors should be appointed subject to re-election and to the 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.

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Board on 17 October 1997. During the Financial Year, the written terms of reference of the Remuneration Committee included the following major duties:

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

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

(3) to make recommendations to the Board on the remuneration of Non-executive Directors; and

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

After the adoption of the CG Principles, the Remuneration Committee shall also make recommendations to the Board on the Directors' fees and the fees for members of the Board committees.

Members, meetings held and attendance

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

Member	Board capacity	Meetings attended/ eligible to attend
Mr KUOK Khoon Ean *(acted as chairman until 19 March 2012)*	Chairman & CEO	2/2
Mr Alexander Reid HAMILTON	INED	2/2
Mr WONG Kai Man *(appointed as chairman on 19 March 2012)*	INED	2/2
Professor LI Kwok Cheung Arthur *(appointed on 19 March 2012)*	INED	N/A

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

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

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

Remuneration Policy for Executive Directors and senior management

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

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

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

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

In order to attract, retain and motivate executives and key employees serving any member of the Group, Directors and senior management are also eligible to participate in the Company's share option scheme(s) and share award scheme (if adopted).

Remuneration of Directors and senior management

Details of the remuneration paid to each of the Directors for the Financial Year are set out in Note 29 to the Financial Statements.

The remuneration paid to each of the senior management members of the Group for the Financial Year is set out below (by band):

Range of remuneration	Number of members of senior management
HK$1,000,001 to HK$2,000,000	4
HK$2,000,001 to HK$3,000,000	7
	11

AUDIT COMMITTEE

The Audit Committee was established by the Board on 25 August 1998. During the Financial Year, the written terms of reference of the Audit Committee included the following major duties:

(1) to review and monitor the integrity of the interim and annual financial statements, reports of the Company, and to review significant financial reporting judgments contained in them, before submission to the Board;

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

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

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

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

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

(7) to review arrangement by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters.

After adoption of the CG Principles, the Audit Committee shall also oversee, monitor and observe the Company's corporate governance functions.

Members, meetings held and attendance

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

Member	Board capacity	Meetings attended/ eligible to attend
Mr Alexander Reid HAMILTON *(chairman)*	INED	4/4
Mr WONG Kai Man	INED	4/4
Professor LI Kwok Cheung Arthur *(appointed on 30 May 2011)*	INED	2/3
Mr KUOK Khoon Loong Edward *(until 30 May 2011)*	NED	1/1

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

(i) reviewing the Group's financial controls and the conduct of the internal audit at various operational units of the Group;

(ii) making recommendation on the appointment of and remuneration payable to the Auditor and satisfying themselves on the Auditor's independence and objectivity;

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

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

(v) reviewing 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.

EXTERNAL AUDITORS

The Company's Auditor is PricewaterhouseCoopers, Hong Kong.

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

Services	Fees charged US$'000
PricewaterhouseCoopers, Hong Kong	
Audit services (including interim review)	1,024
Non-audit services	
(a) tax services	213
(b) other advisory services	381
	1,618
Other auditor(s)	
Audit services	369
Non-audit services	
(a) tax services	215
(b) other advisory services	62
	646
Total	2,264

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 section of "Independent Auditor's Report".

GENERAL MEETINGS OF THE COMPANY

During the Financial Year, the following two general meetings of Shareholders were held:

(1) special general meeting held on 28 February 2011 to approve:

   (a) connected transaction relating to acquisition of interests in a Shenyang project; and

   (b) re-election of a retiring Director;

(2) annual general meeting held on 31 May 2011.

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

	Other capacity		Meeting date	
	Remuneration Committee	Audit Committee	28 February 2011	31 May 2011
Executive Directors				
Mr KUOK Khoon Ean *(Chairman & CEO)*	✓		0	1
Mr LUI Man Shing *(Deputy Chairman)*			1	1
Mr Madhu Rama Chandra RAO *(CFO)*			1	1
Mr Gregory Allan DOGAN *(COO)*			1	1
Non-executive Directors				
Mr HO Kian Guan			1	1
Mr KUOK Khoon Loong Edward		✓	0	N/A
(acted as member of Audit Committee until 30 May 2011)			N/A	1
Mr Roberto V ONGPIN			0	1
Independent Non-executive Directors				
Mr Alexander Reid HAMILTON	✓	✓	1	1
Mr Timothy David DATTELS			1	1
Mr WONG Kai Man	✓	✓	1	1
Mr Michael Wing-Nin CHIU			0	1
Professor LI Kwok Cheung Arthur			N/A	N/A
(appointed on 30 March 2011 and acted as a member of Audit Committee on 30 May 2011)		✓	N/A	1
Total attendance			7	12

CONSTITUTIONAL DOCUMENTS

During the Financial Year, there was no change to the Company's constitutional documents. A copy of the latest consolidated version of the Company's constitutional documents has been posted on the Company's corporate website and published through the HKSE's website.

INVESTOR RELATIONS

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

Shareholders shall have right to propose a person for election as a Director at the Company's general meeting. Detailed procedures for such right have been posted on the Company's corporate website.

Shareholders' right to request to convene general meeting

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

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

(2) The Requisition must:

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

(b) the full name of each Requisitionist;

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

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

(e) be signed by each Requisitionist;

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

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

(3) If the Board receives a due Requisition:

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

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

(4) If the Board fails to convene a special general meeting within 21 calendar days immediately after the date a Requisition is duly lodged with the Company, the Requisitionist(s) or any of them may convene a special general meeting for the Requisition provided that:

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

(b) such Requisitionist(s) shall issue proper notice of such special general meeting to all Shareholders in accordance with the Bye-Laws and the Listing Rules (including the notice must be at least (i) 10 clear business days in Hong Kong (other than Saturdays) and (ii) 14 clear calendar days (excluding the day of notice and the day it is deemed to have been served as well as the day of the meeting) before the scheduled meeting date) to convene a special general meeting, and such meeting shall be held within 3 calendar months immediately after the Requisition is duly lodged with the Company in accordance with the Procedures to Convene Meeting.

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

Shareholders' communications

The Company reports on its financial and operating performance to Shareholders through interim and annual reports. At annual general meetings of the Company, Shareholders may raise questions relating to the performance and future direction of the Group 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 may also address their enquiries to the Board through the enquiry channel available at the Company's corporate website.

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

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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 2011 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 the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	4,659,689	4,394,094
Investment properties	8	884,907	794,029
Leasehold land and land use rights	9	739,099	603,208
Intangible assets	10	93,058	92,887
Interest in associates	12	2,381,770	1,799,798
Deferred income tax assets	24	2,237	2,861
Available-for-sale financial assets	13	4,364	4,931
Other receivables	14	19,998	18,955
		8,785,122	7,710,763
Current assets			
Inventories		49,373	40,562
Properties for sale		27,346	26,554
Accounts receivable, prepayments and deposits	15	225,727	162,568
Due from associates	12	30,433	32,530
Financial assets held for trading	16	15,741	24,943
Cash and bank balances	17	838,786	540,696
		1,187,406	827,853
Total assets		9,972,528	8,538,616

	Note	As at 31 December 2011 US$'000	2010 US$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	2,551,789	1,946,657
Other reserves	19	1,782,763	1,593,757
Retained earnings			
– Proposed final dividend	35	40,270	40,251
– Others		1,231,281	1,057,194
		5,606,103	4,637,859
Non-controlling interests	23	421,751	352,348
Total equity		6,027,854	4,990,207
LIABILITIES			
Non-current liabilities			
Bank loans	20	1,927,745	1,414,805
Convertible bonds	21	463,527	–
Derivative financial instruments	22	3,537	20,304
Due to non-controlling shareholders	23	24,904	36,788
Deferred income tax liabilities	24	234,656	225,682
		2,654,369	1,697,579

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2011 US$'000	2010 US$'000
Current liabilities			
Accounts payable and accruals	25	707,881	528,145
Due to non-controlling shareholders	23	7,298	10,478
Current income tax liabilities		18,609	17,498
Bank loans	20	536,350	1,271,464
Derivative financial instruments	22	20,167	23,245
		1,290,305	1,850,830
Total liabilities		3,944,674	3,548,409
Total equity and liabilities		9,972,528	8,538,616
Net current liabilities		(102,899)	(1,022,977)
Total assets less current liabilities		8,682,223	6,687,786

KUOK Khoon Ean
Director

Madhu Rama Chandra RAO
Director

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,504	1,493
Investments in subsidiaries	11	3,783,349	3,223,465
Club debentures	13	840	840
		3,785,693	3,225,798
Current assets			
Amounts due from subsidiaries	11	82,465	98,598
Dividends receivable, prepayments and deposits		463,560	373,380
Cash and bank balances	17	2,326	3,887
		548,351	475,865
Total assets		4,334,044	3,701,663
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	2,551,789	1,946,657
Other reserves	19	1,540,122	1,540,766
Retained earnings			
– Proposed final dividend	35	40,405	40,391
– Others		23,657	15,412
Total equity		4,155,973	3,543,226

	Note	As at 31 December 2011 US$'000	2010 US$'000
LIABILITIES			
Non-current liabilities			
Derivative financial instruments	22	3,537	20,304
Current liabilities			
Accounts payable and accruals		11,259	10,097
Derivative financial instruments	22	20,167	22,202
Amounts due to subsidiaries	11	143,108	105,834
		174,534	138,133
Total liabilities		178,071	158,437
Total equity and liabilities		4,334,044	3,701,663
Net current assets		373,817	337,732
Total assets less current liabilities		4,159,510	3,563,530

KUOK Khoon Ean
Director

Madhu Rama Chandra RAO
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2011 US$'000	2010 US$'000
Sales	5	1,912,089	1,575,095
Cost of sales	26	(839,925)	(679,453)
Gross profit		1,072,164	895,642
Other gains – net	27	37,039	40,916
Marketing costs	26	(74,864)	(61,467)
Administrative expenses	26	(177,722)	(138,428)
Other operating expenses	26	(617,152)	(515,953)
Operating profit		239,465	220,710
Finance costs – net	30	(43,959)	(27,827)
Share of profit of associates	31	165,579	179,954
Profit before income tax		361,085	372,837
Income tax expense	32	(77,221)	(59,911)
Profit for the year		283,864	312,926
Attributable to:			
Equity holders of the Company		252,979	287,076
Non-controlling interests		30,885	25,850
		283,864	312,926
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)			
– basic	34	8.18	9.98
– diluted	34	8.17	9.97
Dividends	35	80,533	77,372

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2011	2010
	US$'000	US$'000
Profit for the year	283,864	312,926
Other comprehensive income:		
Currency translation differences – subsidiaries	63,524	152,417
Currency translation differences – associates	79,371	54,516
Other comprehensive income for the year	142,895	206,933
Total comprehensive income for the year	426,759	519,859
Attributable to:		
Equity holders of the Company	398,111	469,131
Non-controlling interests	28,648	50,728
	426,759	519,859

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company					
		Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
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		–	145,132	–	145,132	(2,237)	142,895
Net income/(expenses) recognized directly in equity		–	145,132	–	145,132	(2,237)	142,895
Profit for the year		–	–	252,979	252,979	30,885	283,864
Total comprehensive income for the year ended 31 December 2011		–	145,132	252,979	398,111	28,648	426,759
Exercise of share options – allotment of shares	18	2,494	–	–	2,494	–	2,494
Exercise of share options – transfer from share option reserve to share premium	18, 19	644	(644)	–	–	–	–
Rights issue	18	601,994	–	–	601,994	–	601,994
Issue of convertible bonds – equity component	21	–	44,518	–	44,518	–	44,518
Payment of 2010 final dividend		–	–	(40,251)	(40,251)	–	(40,251)
Payment of 2011 interim dividend		–	–	(40,263)	(40,263)	–	(40,263)
Net consideration received from the resale of the Company's shares held by a subsidiary		–	–	609	609	217	826
Difference between the consideration received and the portion of the non-controlling interests arising from dilution of equity interest in a subsidiary to a non-controlling shareholder	36(d)	–	–	1,032	1,032	–	1,032
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(8,757)	(8,757)
Acquisition of a non-wholly owned subsidiary		–	–	–	–	(599)	(599)
Equity acquired by a non-controlling shareholder		–	–	–	–	14,005	14,005
Equity injected by non-controlling shareholders		–	–	–	–	16,507	16,507
Equity loans transferred from loans due to non-controlling shareholders		–	–	–	–	12,880	12,880
Net change in equity loans due to non-controlling shareholders		–	–	–	–	6,502	6,502
		605,132	43,874	(78,873)	570,133	40,755	610,888
Balance at 31 December 2011		2,551,789	1,782,763	1,271,551	5,606,103	421,751	6,027,854

	Note	Attributable to equity holders of the Company Share capital US$'000	 Other reserves US$'000	 Retained earnings US$'000	 Total US$'000	Non-controlling interests US$'000	Total US$'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 share 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 consideration paid and the portion of non-controlling interests arising from acquisition of partial equity interests in subsidiaries from non-controlling shareholders		–	–	(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

Included in the retained earnings are statutory funds of approximately US$46,703,000 (2010: US$38,658,000). 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 2011 US$'000	2010 US$'000
Cash flows from operating activities			
Cash generated from operations	36	615,308	454,538
Interest paid		(88,864)	(74,215)
Hong Kong profits tax paid		(12,519)	(10,798)
Overseas tax paid		(59,231)	(43,391)
Net cash generated from operating activities		454,694	326,134
Cash flows from investing activities			
Purchase of property, plant and equipment		(145,680)	(181,123)
Expenditure on properties under development		(256,298)	(268,877)
Purchase of leasehold land and land use rights		(93,257)	(115,378)
Capital expenditure on investment properties		(10,545)	(9,998)
Proceeds from disposal of property, plant and equipment; leasehold land and land use rights; and investment properties		873	831
Deposit payments for leasehold land and land use rights		(38,140)	(10,469)
Deposit payment for acquisition of an associate		(7,344)	–
Capital expenditure on properties for sale		(487)	(736)
Acquisition of Trademark		(1,000)	–
Proceeds from disposal of partial interests in a subsidiary		15,037	–
Acquisition of interest and loan in subsidiaries (net of cash and cash equivalents acquired)	36	(32,987)	(6,999)
Acquisition of interests in associates		(276,181)	–
Capital contribution to associates		(82,625)	(20,633)
Net (increase)/decrease in loans to associates		(10,511)	9,101
Interest received		11,216	6,362
Dividends received from associates		43,235	39,317
Dividends received from listed securities		988	817
Increase in short-term bank deposits more than 3 months maturity		(23,645)	(10,035)
Net consideration received from the resale of the Company's shares held by a subsidiary		826	132
Net cash used in investing activities		(906,525)	(567,688)

	Note	Year ended 31 December 2011 US$'000	2010 US$'000
Cash flows from financing activities			
Dividends paid to the Company's equity holders		(80,514)	(59,390)
Dividends paid to non-controlling shareholders		(12,266)	(7,674)
Net proceeds from issuance of ordinary shares		604,489	2,587
Net proceeds from issuance of convertible bonds		495,600	–
Net increase in loans from non-controlling shareholders		6,502	226
Capital injection from non-controlling shareholders		16,507	1,197
Repayment of bank loans		(1,279,116)	(368,695)
Bank loans drawn down		962,347	525,634
Net cash generated from financing activities		713,549	93,885
Net increase/(decrease) in cash and cash equivalents		261,718	(147,669)
Cash and cash equivalents at beginning of the year		525,056	659,641
Exchange gains on cash and cash equivalents		12,728	13,084
Cash and cash equivalents at end of the year	17	799,502	525,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Shangri-La Asia Limited ("Company") and its subsidiaries (together "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 certain financial assets, financial liabilities (including derivative financial instruments) and investment properties are stated at fair value.

The consolidated financial statements as at 31 December 2011 have been prepared on a going concern basis although the Group's consolidated current liabilities exceeded its consolidated current assets by US$102,899,000 mainly caused by the increase in construction cost payable to the contractors for the ongoing projects. These future funding requirements can be met through the available bank loan facilities at year end date of US$723,436,000 which are maturing after 31 December 2012 and the net cash inflows to be generated from operating activities.

The following amendment to standard and new interpretations are relevant to the Group's operation and are mandatory for financial year ended 31 December 2011:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1. Basis of preparation (continued)

The following new standards and amendments to standards are relevant to the Group's operation but are not effective for year 2011 and have not been early adopted:

– Amendments to HKAS 1 (Revised)	Presentation of Financial Statements
– Amendments to HKAS12	Income Taxes
– HKAS 19 (2011)	Employee Benefits
– HKAS 27 (2011)	Separate Financial Statements
– HKAS 28 (2011)	Investments in Associates and Joint Ventures
– HKAS 32	Financial Instruments: Presentation
– Amendments to HKFRS 7	Financial Instruments: Disclosures
– HKFRS 9	Financial Instruments
– HKFRS 10	Consolidated Financial Statements
– HKFRS 12	Disclosure of Interests in Other Entities
– HKFRS 13	Fair Value Measurement

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's principal subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in 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.

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

(c) Group companies

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

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

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

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

Leasehold land classified as finance lease	Underlying land lease term
Hotel properties and other buildings	Lower of underlying land lease term or 50 years
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.

2.6 Investment properties (continued)

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.

2.7 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 interest in associates. Goodwill on acquisitions is tested at least 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

2.10 Investments

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

(a) Financial assets held for trading

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

(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.

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 – 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 Convertible bonds

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Pre-operating expenditure

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

2.21 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.

2.22 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)

2.22 Employee benefits (continued)

(ii) Pension obligations (continued)

For defined benefit plans, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans at least every 3 years. The pension obligation is measured as the present value of the estimated future cash outflows. 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.

2.23 Provisions

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

2.24 Revenue recognition

Revenue comprises the fair value for the sales of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue 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.

2.25 Operating leases

(a) As the lessee

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

(b) As the lessor

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

2.26 Dividend distribution

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

2.27 Share-based compensation

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

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

2.28 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Financial guarantee contracts

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

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.

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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

There is a natural economic hedge to the extent that all the Group's business units in Hong Kong, Mainland China, the Philippines, Singapore, Malaysia, Thailand, Japan, France, Australia and Indonesia 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.

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.

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 2011, 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 increased/decreased by US$28,815,000 (2010: US$52,245,000) and US$306,998,000 (2010: US$237,066,000), 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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

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$789,000 (2010: US$1,247,000) while the Group's profit attributable to the equity holders of the Company will increase/decrease by US$776,000 (2010: US$1,227,000) assuming that no account is given for factors such as impairment which may have additional impact on the income statement.

Based on the market value of all the trading securities as at 31 December 2011, 93.9% (2010: 93.9%) 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 2011	High/low 2011	31 December 2010	High/low 2010
Hong Kong – Hang Seng Index	18,434	24,419/ 16,250	23,035	24,988/ 18,971

(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$102,899,000 as at 31 December 2011 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 2011				
Bank loans	32,626	503,724	510,596	1,417,149
Interest payable for bank loans	17,363	48,979	48,448	48,798
Convertible bonds	–	–	–	559,200
Derivative financial instruments	5,799	14,368	3,424	113
Due to non-controlling shareholders	–	7,298	10,622	20,258
Accounts payable and accruals	146,391	561,490	–	–
Financial guarantee contracts	59	17,555	11,902	196,939
At 31 December 2010				
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

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 one year and the convertible bonds included in the consolidated statement of financial position as at 31 December 2011 are US$24,904,000 (2010: US$36,788,000) and US$463,527,000 (2010: Nil), respectively; and that the estimated amount of interest payable for bank loans are arrived based on the principal loan balance and prevailing interest rates at year end date up to the final maturity date of the loan agreements.

The analysis of the Company's 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 2011				
Derivative financial instruments	5,799	14,368	3,424	113
Financial guarantee contracts	18,266	457,116	475,052	1,554,903
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

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 the convertible bonds and 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 2011, 54% (31 December 2010: 36%) 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$24,013,000 (2010: US$21,391,000) 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 2011, 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$580,000 (2010: US$1,123,000) 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$580,000 (2010: US$1,126,000).

3.2 Capital management

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management (continued)

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; and convertible bonds as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as "equity", as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011 US$'000	2010 US$'000
Total borrowings	2,927,622	2,686,269
Less: Cash and bank balances (*Note 17*)	(838,786)	(540,696)
Net debt	2,088,836	2,145,573
Total equity	6,027,854	4,990,207
Gearing ratio (net debt over total equity)	34.7%	43.0%

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.

As at 31 December 2011, 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).

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

Group	Level 1 US$'000	Level 2 US$'000	Total US$'000
Assets			
Financial assets held for trading			
(Note 16)			
– Equity securities	15,741	–	15,741
Available-for-sale financial assets			
(Note 13)			
– Club debentures	2,072	–	2,072
Total assets	17,813	–	17,813
Liabilities			
Derivative financial instruments			
(Note 22)			
– Interest-rate swap contracts	–	23,704	23,704
	–	23,704	23,704

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			
(Note 16)			
– Equity securities	24,943	–	24,943
Available-for-sale financial assets			
(Note 13)			
– Club debentures	2,557	–	2,557
Total assets	27,500	–	27,500
Liabilities			
Derivative financial instruments			
(Note 22)			
– Interest-rate swap contracts	–	42,506	42,506
– Forward exchange rate contract	–	1,043	1,043
	–	43,549	43,549

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

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

(c) Estimate of fair value of investment properties

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely 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. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

5 SALES AND SEGMENT INFORMATION

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

Sales	2011 US$'000	2010 US$'000
Hotel operation:		
Room rentals	911,743	759,082
Food and beverage sales	790,866	639,497
Rendering of ancillary services	111,367	95,258
Hotel management and related service fees	39,683	30,707
Property rentals	58,430	50,551
	1,912,089	1,575,095

The Group is domiciled in Hong Kong. The sales revenue from external customers attributed to Hong Kong and other countries are US$290,600,000 (2010: US$243,700,000) and US$1,621,489,000 (2010: US$1,331,395,000), respectively.

The total of non-current assets other than available-for-sale financial assets, and deferred income tax assets and interest in associates located in Hong Kong and other countries are US$269,635,000 (2010: US$275,260,000) and US$6,127,116,000 (2010: US$5,627,913,000), 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
- France
- Other countries (including Fiji, Myanmar, Maldives, Indonesia and Australia)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SALES AND SEGMENT INFORMATION (continued)

Segment income statement

For year ended 31 December 2011 and 2010 (US$ million)

	2011 Sales (Note ii)	2011 Profit/(Loss) after tax (Note i)	2010 Sales (Note ii)	2010 Profit/(Loss) after tax (Note i)
Hotel operation				
Hong Kong	260.0	65.8	221.6	47.7
Mainland China	844.0	71.9	713.2	67.6
Singapore	167.3	31.5	125.4	23.1
Malaysia	132.9	14.1	124.1	13.2
The Philippines	180.7	5.0	163.4	0.9
Japan	41.5	(19.8)	46.3	(15.8)
Thailand	49.1	1.8	38.6	(3.1)
France	37.8	(37.6)	0.7	(1.6)
Other countries	100.7	(5.7)	60.5	(3.8)
	1,814.0	127.0	1,493.8	128.2
Property rentals				
Mainland China	21.6	46.1	18.3	42.3
Singapore	16.1	10.7	14.0	9.8
Malaysia	6.2	1.5	6.7	1.8
Other countries	14.5	3.6	11.6	5.1
	58.4	61.9	50.6	59.0
Hotel management	113.6	13.2	89.4	16.4
Total	1,986.0	202.1	1,633.8	203.6

	2011 Sales (Note ii)	2011 Profit/(Loss) after tax (Note i)	2010 Sales (Note ii)	2010 Profit/(Loss) after tax (Note i)
Less: Hotel management – Inter-segment sales	(73.9)		(58.7)	
Total external sales	1,912.1		1,575.1	
Corporate finance costs (net)		(19.4)		(9.0)
Land cost amortization and pre-opening expenses for projects		(26.5)		(31.0)
Corporate expenses		(19.6)		(16.6)
Exchange losses of corporate investment holding companies		(0.6)		(2.6)
Profit before non-operating items		136.0		144.4

5 SALES AND SEGMENT INFORMATION (continued)

Segment income statement (continued)

For year ended 31 December 2011 and 2010 (US$ million)

	2011 Profit/(Loss) after tax (*Note i*)	2010 Profit/(Loss) after tax (*Note i*)
Profit before non-operating items	136.0	144.4
Non-operating items		
Fair value gains on investment properties	137.0	176.4
Net unrealized (losses)/gains on financial assets held for trading	(9.0)	0.6
Fair value losses on interest-rate swap contracts	(5.0)	(21.6)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	(0.9)	(1.9)
Provision for impairment losses on projects and hotel properties	–	(5.3)
Impairment loss on goodwill arising from acquisition of a subsidiary	(12.0)	–
Provision for taxation relating to a rationalization of the ownership structure of property in Mainland China	(2.5)	(2.0)
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)
Realized gain on disposal of long term investment	0.4	–
Negative goodwill arising from acquisition of a subsidiary and an associate	9.0	–
Total non-operating items	117.0	142.7
Profit attributable to equity holders of the Company	253.0	287.1

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 2011 and 2010 (US$ million)

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

	2011 Share of profit of associates	2010 Share of profit of associates
Hotel operation		
Hong Kong	0.4	0.2
Mainland China	2.1	8.2
Singapore	5.2	3.8
Malaysia	4.5	1.1
The Philippines	0.9	0.7
Other countries	1.9	1.2
	15.0	15.2
Property rentals		
Mainland China	43.3	40.0
Singapore	4.4	4.4
	47.7	44.4
Total	62.7	59.6

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 (excluding projects under development) are analyzed as follows:

	2011		2010	
	Depreciation and amortization	Income tax expense/ (credit)	Depreciation and amortization	Income tax expense/ (credit)
Hotel operation				
Hong Kong	15.6	14.8	15.1	11.0
Mainland China	136.8	35.0	124.3	24.1
Singapore	18.1	4.1	11.8	1.7
Malaysia	16.0	4.1	16.8	2.5
The Philippines	34.3	5.6	33.1	4.2
Japan	4.0	0.1	3.7	–
Thailand	21.2	(10.8)	17.2	(2.8)
France	23.6	–	0.6	–
Other countries	18.3	0.5	16.0	0.5
	287.9	53.4	238.6	41.2
Property rentals				
Mainland China	–	3.3	–	3.3
Singapore	–	1.4	–	1.2
Malaysia	–	0.9	–	1.1
Other countries	–	–	–	2.1
	–	5.6	–	7.7
Hotel management	2.7	7.6	2.0	4.2
Total	290.6	66.6	240.6	53.1

5 SALES AND SEGMENT INFORMATION (continued)

Segment assets

As at 31 December 2011 and 2010 (US$ million)

	As at 31 December	
	2011	2010
Hotel operation		
Hong Kong	238.4	229.1
Mainland China	2,598.9	2,289.8
Singapore	569.3	553.9
Malaysia	367.2	373.4
The Philippines	578.3	572.6
Japan	41.9	42.1
Thailand	231.6	251.4
France	417.4	421.0
Other countries	374.9	317.1
	5,417.9	5,050.4
Property rentals		
Mainland China	313.8	277.9
Singapore	442.7	415.1
Malaysia	87.8	88.1
Other countries	89.6	69.9
	933.9	851.0
Hotel management	118.1	73.1
Elimination	(30.7)	(18.8)
Total segment assets	6,439.2	5,955.7

	As at 31 December	
	2011	2010
Assets allocated to projects	984.5	600.0
Unallocated assets	73.9	90.2
Intangible assets	93.1	92.9
Total assets of the Company and its subsidiaries	7,590.7	6,738.8
Interest in associates	2,381.8	1,799.8
Total assets	9,972.5	8,538.6

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 2011				
Available-for-sale financial assets (*Note 13*)	–	–	4,364	4,364
Other receivables (*Note 14*)	19,998	–	–	19,998
Accounts receivable (*Note 15*)	129,925	–	–	129,925
Due from associates (*Note 12*)	80,423	–	–	80,423
Financial assets held for trading (*Note 16*)	–	15,741	–	15,741
Cash and bank balances (*Note 17*)	838,786	–	–	838,786
Total	1,069,132	15,741	4,364	1,089,237
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

	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 2011			
Bank loans (*Note 20*)	–	2,464,095	2,464,095
Convertible bonds (*Note 21*)	–	463,527	463,527
Derivative financial instruments (*Note 22*)	23,704	–	23,704
Due to non-controlling shareholders (*Note 23*)	–	32,202	32,202
Accounts payable and accruals (*Note 25*)	–	707,881	707,881
Total	23,704	3,667,705	3,691,409
31 December 2010			
Bank loans (*Note 20*)	–	2,686,269	2,686,269
Derivative financial instruments (*Note 22*)	43,549	–	43,549
Due to non-controlling shareholders (*Note 23*)	–	47,266	47,266
Accounts payable and accruals (*Note 25*)	–	528,145	528,145
Total	43,549	3,261,680	3,305,229

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 2011			
Amount due from subsidiaries *(Note 11)*	82,465	–	82,465
Club debentures *(Note 13)*	–	840	840
Dividend receivable	454,402	–	454,402
Cash and bank balances *(Note 17)*	2,326	–	2,326
Total	539,193	840	540,033
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

	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 2011			
Derivative financial instruments *(Note 22)*	23,704	–	23,704
Amounts due to subsidiaries	–	143,108	143,108
Total	23,704	143,108	166,812
31 December 2010			
Derivative financial instruments *(Note 22)*	42,506	–	42,506
Amounts due to subsidiaries	–	105,834	105,834
Total	42,506	105,834	148,340

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings US$'000	Vehicles and machinery US$'000	Furniture, fixtures and equipment US$'000	Properties under development US$'000	Total US$'000
At 1 January 2010					
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	3,127,905	234,541	317,050	376,138	4,055,634
Year ended 31 December 2010					
Opening net book amount	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

	Land and buildings US$'000	Vehicles and machinery US$'000	Furniture, fixtures and equipment US$'000	Properties under development US$'000	Total US$'000
Year ended 31 December 2011					
Opening net book amount	3,533,272	292,012	356,407	212,403	4,394,094
Exchange differences	55,572	6,819	4,764	2,983	70,138
Additions	77,270	13,170	55,330	264,007	409,777
Acquisition of subsidiaries	44,840	6,706	1,683	27,345	80,574
Disposals	(9,337)	(274)	(2,400)	(510)	(12,521)
Transfer	171,431	(19,256)	55,841	(208,016)	–
Depreciation	(122,963)	(45,044)	(114,366)	–	(282,373)
Closing net book amount	3,750,085	254,133	357,259	298,212	4,659,689
At 31 December 2011					
Cost	5,032,196	498,715	1,030,793	298,212	6,859,916
Accumulated depreciation	(1,282,111)	(244,582)	(673,534)	–	(2,200,227)
Net book amount	3,750,085	254,133	357,259	298,212	4,659,689

(a) All depreciation expenses (net of amount capitalized of US$93,000 in 2011 (2010: US$94,000)) have been included as part of the other operating expenses.

(b) For year 2011, bank borrowings of US$158,472,000 (2010: US$97,323,000) are secured on certain fixed assets as disclosed under Note 37(c).

(c) Buildings comprise mainly hotel properties. Details of the hotel properties of the Company's subsidiaries are summarized in Note 41(a).

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

7 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
At 1 January 2010			
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
Year ended 31 December 2011			
Opening net book amount	1,493	–	1,493
Additions	182	–	182
Depreciation	(171)	–	(171)
Closing net book amount	1,504	–	1,504
At 31 December 2011			
Cost	2,714	221	2,935
Accumulated depreciation	(1,210)	(221)	(1,431)
Net book amount	1,504	–	1,504

8 INVESTMENT PROPERTIES

	2011 US$'000	2010 US$'000
At 1 January	794,029	675,634
Exchange differences	6,363	46,677
Additions	7,952	9,998
Derecognition cost for replaced part	(131)	(235)
Transfer from properties for sale	28,317	–
Fair value gains (*Note 27*)	48,377	61,955
At 31 December	884,907	794,029

(a) The investment properties were revalued at 31 December 2011 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:

	2011 US$'000	2010 US$'000
Outside Hong Kong, held on:		
Freehold	534,766	488,210
Leases of over 50 years	73,200	58,500
Leases of between 10 and 50 years	276,941	247,319
	884,907	794,029

(c) Details of investment properties of the Company's subsidiaries are summarized in Note 42(a).

9 LEASEHOLD LAND AND LAND USE RIGHTS

	2011 US$'000	2010 US$'000
At 1 January		
Cost	693,970	531,549
Accumulated amortization	(90,762)	(77,623)
Net book amount	603,208	453,926
Opening net book amount	603,208	453,926
Exchange differences	27,456	13,503
Additions	115,303	151,535
Acquisition of a subsidiary	5,862	–
Amortization of prepaid operating lease payment	(12,730)	(11,756)
Provision for impairment loss	–	(4,000)
Closing net book value	739,099	603,208
At 31 December		
Cost	845,609	693,970
Accumulated amortization	(106,510)	(90,762)
Net book amount	739,099	603,208

All amortization expenses in 2011 and 2010 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:

	2011 US$'000	2010 US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	129,401	86,102
Leases of between 10 and 50 years	609,698	517,106
	739,099	603,208

10 INTANGIBLE ASSETS

	Goodwill US$'000	Trademark and licences US$'000	Website development US$'000	Total US$'000
At 1 January 2010				
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
Year ended 31 December 2011				
Opening net book amount	84,785	8,102	–	92,887
Exchange difference	(281)	–	–	(281)
Additions	11,984	1,000	–	12,984
Impairment	(11,984)	–	–	(11,984)
Amortization expenses	–	(548)	–	(548)
Closing net book amount	84,504	8,554	–	93,058
At 31 December 2011				
Cost	84,504	11,958	2,030	98,492
Accumulated amortization	–	(3,404)	(2,030)	(5,434)
Net book amount	84,504	8,554	–	93,058

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 has been applied to the cashflow projection. In view of the cashflow projection, provision for impairment losses is not considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investment in subsidiaries

	2011 US$'000	2010 US$'000
Company		
Investments, at cost		
Unlisted shares	1,828,241	1,723,379
Equity loans	1,955,108	1,500,086
	3,783,349	3,223,465

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

(b) Amounts due from subsidiaries – unsecured

	2011 US$'000	2010 US$'000
Current – interest free and repayable on demand	82,465	98,598

(c) Amounts due to subsidiaries as at 31 December 2011 and 2010 are unsecured, interest-free and repayable on demand.

(d) Details of principal subsidiaries are set out in Note 40(a).

12 INTEREST IN ASSOCIATES AND DUE FROM ASSOCIATES

	2011 US$'000	2010 US$'000
Interest in associates		
At 1 January	1,587,855	1,374,037
Share of profit of associates (*Note 31*)		
– profit before taxation	224,681	235,781
– taxation	(59,102)	(55,827)
	165,579	179,954
Exchange difference	77,811	50,133
Capital contribution to associates	82,625	20,333
Dividend declared by associates	(30,859)	(36,602)
Acquisition of interests in associates (*Note 36(c)*)	276,181	–
Investment in associates under equity method	2,159,192	1,587,855
Equity loans (*Note (a)*)	172,588	151,513
Other long term shareholder loans (*Note (b)*)	49,990	60,430
	2,381,770	1,799,798
Due from associates (*Note (c)*)	30,433	32,530

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:

	2011 US$'000	2010 US$'000
– HIBOR plus 2% per annum (in Hong Kong dollars)	29,210	29,210
– SIBOR plus 1% per annum (in United States dollars)	–	9,735
– Cost of funds plus 0.45% per annum (in United States dollars)	–	4,575
– SWAP cost plus 0.5% per annum (in Singapore dollars)	11,535	16,910
– HIBOR plus 1.5% per annum (in Hong Kong dollars)	9,245	–
	49,990	60,430

Other long term shareholder loans are unsecured and not repayable within twelve months including loan to two associates of US$38,455,000 (2010: a loan to an associate of US$29,210,000) which will be wholly repayable by 31 December 2015 and 15 May 2016. 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$49,990,000 (2010: US$60,430,000) and amounts due from associates of US$30,433,000 (2010: US$32,530,000).

(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
2011							
China World Trade Center Ltd.	240,000	The People's Republic of China	1,872,242	882,497	172,264	100,562	50
Others	–	–	2,007,073	615,048	169,250	65,017	–
			3,879,315	1,497,545	341,514	165,579	
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	

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Equity securities:				
Overseas unlisted shares,				
at cost	1,916	1,916	–	–
– Exchange differences	376	458	–	–
	2,292	2,374	–	–
Club debentures,				
at fair value	2,072	2,557	840	840
	4,364	4,931	840	840

There were no disposals on available-for-sale financial assets in 2011 and 2010.

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

14 OTHER RECEIVABLES

	2011 US$'000	2010 US$'000
Security deposit on leased premises	19,998	18,955

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US$22,567,000) (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 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

	2011 US$'000	2010 US$'000
Trade receivables	78,237	68,836
Less: provision for impairment of receivables	(697)	(800)
Trade receivables – net	77,540	68,036
Deposits for land bids	38,140	10,469
Deposit for acquisition of an associate	7,344	–
Prepayments and other deposits	50,318	38,947
Other receivables	52,385	45,116
	225,727	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.

(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:

	2011 US$'000	2010 US$'000
0 – 3 months	73,143	63,618
4 – 6 months	2,016	1,779
Over 6 months	2,381	2,639
	77,540	68,036

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2011, trade receivables of US$31,425,000 (2010: US$27,867,000) 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:

	2011 US$'000	2010 US$'000
Up to 3 months	27,981	24,647
4 – 6 months	1,724	1,779
Over 6 months	1,720	1,441
	31,425	27,867

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (continued)

(b) (continued)

As of 31 December 2011, trade receivables of US$697,000 (2010: US$800,000) 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:

	2011 US$'000	2010 US$'000
Hong Kong dollars	18,321	20,717
United States dollars	18,156	8,158
Renminbi	30,720	25,701
Singapore dollars	12,348	10,164
Malaysian Ringgit	5,784	6,901
Thai Baht	3,305	3,828
Philippines Pesos	13,480	13,086
Japanese Yen	5,315	3,703
Euros	10,706	6,347
Australian dollars	2,734	–
Other currencies	9,056	14,547
	129,925	113,152

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

	2011 US$'000	2010 US$'000
At 1 January	800	770
Exchange differences	13	41
Provision for receivables impairment	590	656
Receivables written off during the year as uncollectible	(102)	(349)
Unused amounts reversed	(604)	(318)
At 31 December	697	800

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

16 FINANCIAL ASSETS HELD FOR TRADING

	2011 US$'000	2010 US$'000
Equity securities, at market value		
Shares listed in Hong Kong	14,781	23,430
Shares listed outside Hong Kong	960	1,513
	15,741	24,943

17 CASH AND BANK BALANCES

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Cash at bank and in hand	366,442	284,837	2,326	3,887
Short-term bank deposits	472,344	255,859	–	–
Cash and bank balances	838,786	540,696	2,326	3,887
Maximum exposure to credit risk for all balances at bank	824,096	535,665	2,326	3,887

The effective interest rate on short-term bank deposits was 2.5% (2010: 1.7%); these deposits have an average maturity of 2.6 months (2010: 2.1 months).

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

	Group	
	2011 US$'000	2010 US$'000
Cash and bank balances (as above)	838,786	540,696
Less: Short-term bank deposits more than 3 months maturity	(39,284)	(15,640)
Cash and cash equivalents	799,502	525,056

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 2010 and 31 December 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	1,698	219	2,368	2,587
– transfer from share option reserve	–	–	622	622
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	1,646	212	2,282	2,494
– transfer from share option reserve	–	–	644	644
– rights issue	240,752	31,065	570,929	601,994
At 31 December 2011	3,131,075	404,266	2,147,523	2,551,789

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 year, a subsidiary of the Company disposed of 316,000 ordinary shares in 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 equity. As at 31 December 2011, 10,501,055 ordinary shares in the Company were still held by the subsidiary.

18 SHARE CAPITAL (continued)

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 originally has two 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.

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 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
July	–	–	–	–	–	150,000	282
August	–	–	–	170,000	–	40,000	225
September	–	–	–	–	50,000	–	75
November	–	–	–	–	150,000	60,000	338
For the year ended 31 December 2011	–	–	–	270,000	867,000	509,000	2,494
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

18 SHARE CAPITAL (continued)

Share options (continued)

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$19.55 (2010: HK$17.86).

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

	For the year ended 31 December 2011 Average exercise price in HK$ per option share	Number of option shares	For the year ended 31 December 2010 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	11.74	(1,646,000)	11.81	(1,698,116)
Lapsed	13.05	(155,000)	12.64	(813,850)
At 31 December	12.71	9,456,500	12.57	11,257,500

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

Last exercise date	**Exercise price in HK$ per option share**	**Number of option shares as at** 31 December 2011	31 December 2010
31 December 2011	11.60	–	30,000
31 December 2011	14.60	–	15,000
28 May 2012	6.81	220,000	490,000
27 April 2015	11.60	5,395,000	6,312,000
15 June 2016	14.60	3,841,500	4,410,500
		9,456,500	11,257,500

There was no option granted during the year ended 31 December 2011 and 2010.

Options on 60,000 shares, 100,000 shares and 172,500 shares with exercise prices of HK$6.81, HK$11.60 and HK$14.60 per share, respectively have been exercised subsequent to 31 December 2011 and up to the approval date of the financial statements. No options have lapsed subsequent to 31 December 2011 and up to the approval date of the financial statements.

19 OTHER RESERVES

	Share option reserve US$'000	Convertible bonds reserve US$'000	Capital redemption reserve US$'000	Exchange fluctuation reserve US$'000	Capital reserve US$'000	Other reserve US$'000 (*Note (a)*)	Contributed surplus US$'000 (*Note (b)*)	Total US$'000
Group								
Balance at 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 and 1 January 2011	5,869	–	10,666	584,623	601,490	1,368	389,741	1,593,757
Currency translation differences	–	–	–	145,132	–	–	–	145,132
Exercise of share options								
– transfer to share premium	(644)	–	–	–	–	–	–	(644)
Issuance of convertible bonds								
– equity component (*Note 21*)	–	44,518	–	–	–	–	–	44,518
Balance at 31 December 2011	5,225	44,518	10,666	729,755	601,490	1,368	389,741	1,782,763
Company								
Balance at 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 and 1 January 2011	5,869	–	10,666	–	–	–	1,524,231	1,540,766
Exercise of share options								
– transfer to share premium	(644)	–	–	–	–	–	–	(644)
Balance at 31 December 2011	5,225	–	10,666	–	–	–	1,524,231	1,540,122

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 2011, the Company's distributable reserves comprised:

	2011 US$'000	2010 US$'000
Distributable retained earnings	64,062	55,803
Contributed surplus	1,524,231	1,524,231
	1,588,293	1,580,034

20 BANK LOANS

	Group	
	2011 US$'000	2010 US$'000
Bank loans – secured *(Note 37(c))*	158,472	97,323
Bank loans – unsecured	2,305,623	2,588,946
	2,464,095	2,686,269

The maturity of bank loans is as follows:

	2011 US$'000	2010 US$'000
Within 1 year	536,350	1,271,464
Between 1 and 2 years	510,597	496,836
Between 2 and 5 years	1,404,313	889,241
Wholly repayable within 5 years	2,451,260	2,657,541
Over 5 years	12,835	28,728
	2,464,095	2,686,269

20 BANK LOANS (continued)

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

	31 December 2011									
	HK$	RMB	MYR	US$	JPY	Pesos	Euros	Baht	SGD	AUD
Bank borrowings	1.28%	6.66%	4.01%	1.67%	1.04%	2.44%	1.79%	5.58%	1.40%	6.50%

	31 December 2010								
	HK$	RMB	MYR	US$	JPY	Pesos	Euros	Baht	SGD
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 approximate their fair values and are denominated in the following currencies:

	2011 US$'000	2010 US$'000
Hong Kong dollars	956,206	1,182,840
Renminbi	576,244	419,832
United States dollars	462,080	667,960
Euros	193,773	200,027
Japanese Yen	77,330	73,728
Philippines Pesos	65,185	64,718
Singapore dollars	56,977	41,628
Australian dollars	54,545	–
Malaysian Ringgit	15,367	28,920
Thai Baht	6,388	6,616
	2,464,095	2,686,269

The Group has the following undrawn borrowing facilities:

	2011 US$'000	2010 US$'000
Floating rate		
– expiring within one year	149,275	155,984
– expiring beyond one year	704,550	637,989
Fixed rate		
– expiring within one year	1,320	–
– expiring beyond one year	18,886	25,668
	874,031	819,641

21 CONVERTIBLE BONDS

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 ("Maturity Date"), in the aggregate principal amount of US$500 million 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.

The initial fair values of the liability component and the equity conversion component, based on net proceeds, were determined at issuance of the bonds. The fair value of the liability component, included under non-current liabilities, was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 19).

21 CONVERTIBLE BONDS (continued)

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

	US$'000
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 30)*	12,445
Liability component at 31 December 2011	463,527

The face value of outstanding bonds at 31 December 2011 amounted to US$500,000,000. No convertible bonds were converted to ordinary shares of the Company during the year or subsequent to 31 December 2011 and up to the approval date of the consolidated financial statements. The carrying value of the liability component is calculated using cash flows discounted at an initial market interest rate of 4.34% per annum.

22 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Non-current liabilities				
Interest-rate swap contracts				
– non hedging	3,537	20,304	3,537	20,304
Current liabilities				
Interest-rate swap contracts				
– non hedging	20,167	22,202	20,167	22,202
Forward exchange rate contract				
– non hedging	–	1,043	–	–
	20,167	23,245	20,167	22,202

The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 31 December 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). The fixed interest rates vary from 4.28% to 4.70% per annum (31 December 2010: 4.28% to 4.70% per annum).

23 NON-CONTROLLING INTERESTS AND BALANCES WITH NON-CONTROLLING SHAREHOLDERS

	2011 US$'000	2010 US$'000
Non-controlling interests		
Share of equity	354,632	316,611
Equity loans *(Note (a))*	67,119	35,737
	421,751	352,348

Notes:

(a) Equity loans are unsecured and bearing interest at:

	2011 US$'000	2010 US$'000
– LIBOR per annum	12,669	10,787
– LIBOR plus1% per annum	31,880	–
– Interest-free	22,570	24,950
	67,119	35,737

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

	2011 US$'000	2010 US$'000
– LIBOR plus 1% per annum and wholly repayable on 20 April 2012	–	7,380
– LIBOR plus 1% per annum and wholly repayable on 2 December 2014	–	5,500
– Interest-free and not payable within 12 months	24,904	23,908
	24,904	36,788

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% (2010: 4.1%) per annum.

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

	2011 US$'000	2010 US$'000
– Interest-free with no fixed repayment terms	7,298	10,478

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.

24 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% (2010: 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	
	2011 US$'000	2010 US$'000
At 1 January	222,821	214,775
Exchange differences	459	4,767
Acquisition of a subsidiary	4,761	–
Deferred taxation charged to consolidated income statement *(Note 32)*	4,378	3,279
At 31 December	232,419	222,821

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 2011, the Group has the following unrecognized tax losses to carry forward against future taxable income.

	Group	
	2011 US$'000	2010 US$'000
With no expiry date	30,802	17,029
Lapsed within the next five years	88,867	59,835
Lapsed within the next ten years	90,254	34,234
	209,923	111,098

24 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	
	2011	2010	2011	2010	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January	174,927	172,187	21,666	14,804	42,717	34,038	239,310	221,029
Charged/(credited) to income statement	(14,308)	(1,678)	8,538	6,357	6,594	8,134	824	12,813
Acquisition of a subsidiary	4,761	–	–	–	–	–	4,761	–
Exchange differences	(438)	4,418	918	505	340	545	820	5,468
At 31 December	164,942	174,927	31,122	21,666	49,651	42,717	245,715	239,310

Deferred income tax assets	Provision of assets		Tax losses		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January	(3,006)	(2,373)	(5,161)	(241)	(8,322)	(3,640)	(16,489)	(6,254)
Charged/(credited) to income statement	(588)	(548)	(1,800)	(4,820)	5,942	(4,166)	3,554	(9,534)
Exchange differences	(168)	(85)	(204)	(100)	11	(516)	(361)	(701)
At 31 December	(3,762)	(3,006)	(7,165)	(5,161)	(2,369)	(8,322)	(13,296)	(16,489)

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.

24 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.

	2011 US$'000	2010 US$'000
Deferred income tax assets	(2,237)	(2,861)
Deferred income tax liabilities	234,656	225,682
	232,419	222,821

25 ACCOUNTS PAYABLE AND ACCRUALS

	2011 US$'000	2010 US$'000
Trade payables	97,476	80,537
Construction cost payable, payable for land use rights and accrued expenses	610,405	447,608
	707,881	528,145

At 31 December 2011, the ageing analysis of the trade payables is as follows:

	2011 US$'000	2010 US$'000
0 – 3 months	88,032	73,123
4 – 6 months	6,284	4,476
Over 6 months	3,160	2,938
	97,476	80,537

26 EXPENSES BY NATURE

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

	2011 US$'000	2010 US$'000
Depreciation of property, plant and equipment (net of amount capitalized of US$93,000 (2010: US$94,000)) (*Note 7*)	282,280	231,441
Amortization of leasehold land and land use rights (*Note 9*)	12,730	11,756
Amortization of trademark and website development (*Note 10*)	548	830
Employee benefit expenses excluding directors' emoluments (net of amount capitalized and amount grouped under pre-opening expenses) (*Note 28*)	563,319	443,246
Cost of inventories sold or consumed in operation	271,097	221,077
Loss on disposal of property, plant and equipment and partial replacement of investment properties	1,717	1,949
Discarding of property, plant and equipment due to renovation of hotels and a resort	9,990	9,158
Operating lease expenses	32,207	28,117
Pre-opening expenses	4,996	14,446
Auditors' remuneration	1,393	1,294

27 OTHER GAINS – NET

	2011 US$'000	2010 US$'000
Fair value gains on investment properties *(Note 8)*	48,377	61,955
Net unrealized (losses)/gains on financial assets held for trading	(9,202)	557
Fair value losses on derivative financial instruments – interest-rate swap contracts	(5,039)	(21,599)
Negative goodwill arising from acquisition of a subsidiary *(Note 36(b))*	3,598	–
Provision for impairment losses on leasehold land, properties under development and hotel properties	–	(5,834)
Impairment of goodwill on acquisition of a subsidiary *(Note 36)*	(11,984)	–
Provision for taxation relating to a rationalization of the ownership structure of properties in Mainland China	(2,500)	(2,000)
Non-operating items	23,250	33,079
Interest income	11,917	6,880
Dividend income	988	817
Others	884	140
	37,039	40,916

28 EMPLOYEE BENEFIT EXPENSES

(excluding directors' emoluments)

	2011 US$'000	2010 US$'000
Wages and salaries (including unutilized annual leave)	430,091	338,958
Pension costs	33,214	24,263
Other welfare	101,817	87,752
	565,122	450,973
Less: Amount included in pre-opening expenses	(1,803)	(7,727)
	563,319	443,246

Pension Scheme Arrangement

The Group operates and participates in a number of pension and retirement schemes of both the defined contribution and defined benefit types. Principal schemes are described below:

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 2011 were not material.

28 EMPLOYEE BENEFIT EXPENSES (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 10% to 22%, of the employee's salaries and bonuses, as applicable, and were charged to the income statement as incurred. The maximum contributions by the subsidiaries for each employee for the Group's subsidiaries in Singapore are fixed by the government at S$800 (equivalent to US$620) 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 11%, respectively of their gross salaries and bonus, if applicable, to such fund.

The four 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 2011 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 Peso46,352,000 (equivalent to US$1,062,000), Peso25,345,000 (equivalent to US$581,000) and Peso17,056,000 (equivalent to US$391,000), respectively.

Total pension cost including charges for Directors charged to the income statement for the year under all pension schemes was US$33,327,000 (2010: US$24,355,000).

29 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2011 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits[4]	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
Mr KUOK Khoon Ean	6	774	2,839	–	19	15	–	3,653
Mr LUI Man Shing	6	418	774	–	23	15	–	1,236
Mr Madhu Rama Chandra RAO	–	387	1,298	–	262	39	–	1,986
Mr Gregory Allan DOGAN	–	356	1,298	–	208	36	–	1,898
Mr HO Kian Guan	26	–	–	–	–	–	–	26
Mr KUOK Khoon Loong Edward	–	310	774	–	7	7	–	1,098
Mr Roberto V ONGPIN	26	–	–	–	–	–	–	26
Mr Alexander Reid HAMILTON	45	–	–	–	–	–	–	45
Mr Timothy David DATTELS	26	–	–	–	–	–	–	26
Mr WONG Kai Man	45	–	–	–	–	–	–	45
Mr Michael Wing-Nin CHIU	26	–	–	–	–	–	–	26
Professor LI Kwok Cheung Arthur[2]	27	–	–	–	–	–	–	27
Mr HO Kian Hock[1]	–	–	–	–	–	–	–	–

29 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 2010 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits[4]	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
Mr KUOK Khoon Ean	6	697	2,581	–	22	15	–	3,321
Mr LUI Man Shing	6	418	774	–	20	15	–	1,233
Mr Madhu Rama Chandra RAO	1	356	781	–	182	36	–	1,356
Mr Gregory Allan DOGAN[3]	–	199	546	–	106	20	–	871
Mr HO Kian Guan	30	–	–	–	–	–	–	30
Mr KUOK Khoon Loong Edward	34	248	774	–	6	6	–	1,068
Mr Roberto V ONGPIN	26	–	–	–	–	–	–	26
Mr Alexander Reid HAMILTON	45	–	–	–	–	–	–	45
Mr Timothy David DATTELS	26	–	–	–	–	–	–	26
Mr WONG Kai Man	45	–	–	–	–	–	–	45
Mr Michael Wing-Nin CHIU	26	–	–	–	–	–	–	26
Mr HO Kian Hock[1]	–	–	–	–	–	–	–	–

Notes:

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

(2) Professor Li Kwok Cheung Arthur was appointed as Independent Non-Executive Director on 30 March 2011.

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

(4) 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.

29 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Movement of option shares granted under the New Option Scheme to the Directors for the year ended 31 December 2011 are as follows:

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2011	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 2011	Exercise price per option share 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

29 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Movement of option shares granted under the New Option Scheme to the Directors for the year ended 31 December 2011 are as follows: (continued)

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2011	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 2011	Exercise price per option share 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
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

29 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

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

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 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
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

29 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Movement of option shares granted under the New Option Scheme to the Directors for the year ended 31 December 2010 are as follows: (continued)

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 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
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

Five highest paid individuals

Same as in 2010, the five highest paid individuals in the Group for the year are all directors of the Company. Details of the emoluments of the Directors of the Company are provided in Note 29.

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.

30 FINANCE COSTS – NET

	2011 US$'000	2010 US$'000
Interest expense:		
– bank loans	65,022	48,609
– convertible bonds (*Note 21*)	12,445	–
– other loans	1,203	2,018
	78,670	50,627
Less: amount capitalized	(7,705)	(3,953)
	70,965	46,674
Net foreign exchange transaction gains	(27,006)	(18,847)
	43,959	27,827

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 2.8% per annum (2010: 1.9%).

31 SHARE OF PROFIT OF ASSOCIATES

	2011 US$'000	2010 US$'000
Share of profit before tax and non-operating items of associates	78,917	69,396
Share of net increase in fair value of investment properties	140,356	166,385
Negative goodwill arising from acquisition of an associate (*Note 36*)	5,408	–
Share of profit before tax of associates	224,681	235,781
Share of associates' taxation before provision for taxation for non-operating items	(24,633)	(19,015)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(34,469)	(40,956)
Deferred tax credit arising from fixed assets transfer between an associate and its subsidiary	–	4,144
Share of associates' taxation	(59,102)	(55,827)
Share of profit of associates	165,579	179,954

32 INCOME TAX EXPENSE

	2011 US$'000	2010 US$'000
Current income tax		
– Hong Kong profits tax	15,504	10,227
– Overseas taxation	57,339	46,405
Deferred income tax (*Note 24*)	4,378	3,279
	77,221	59,911

Share of associates' taxation for the year ended 31 December 2011 of US$59,102,000 (2010: US$55,827,000) is included in the consolidated income statement as share of profit of associates.

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:

	2011 US$'000	2010 US$'000
Profit before income tax	361,085	372,837
Calculated at a taxation rate of 16.5% (2010: 16.5%)	59,579	61,519
Effect of different taxation rates of subsidiaries operating in other countries	15,215	12,592
Income not subject to taxation	(35,569)	(43,850)
Expenses not deductible for taxation purposes	39,140	33,760
Utilization of previously unrecognized tax losses	(619)	(787)
Effect on opening net deferred taxation resulting from decrease in tax rate	(5,203)	(6)
Over provision in prior year	(1,908)	(2,113)
Withholding tax	7,919	4,697
Recognition of deferred tax assets	–	(4,119)
Tax incentive	(1,333)	(1,824)
Others	–	42
Taxation charge	77,221	59,911

(a) Hong Kong profits tax is provided at a rate of 16.5% (2010: 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.

33 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$89,050,000 (2010: US$50,204,000).

Movement of retained earnings of the Company

	2011 US$'000	2010 US$'000
Balance at 1 January	55,803	65,214
Profit for the year	89,050	50,204
2010/2009 final dividend paid	(40,393)	(22,353)
2011/2010 interim dividend paid *(Note 35)*	(40,398)	(37,262)
Balance at 31 December	64,062	55,803
Representing		
2011/2010 final dividend proposed *(Note 35)*	40,405	40,391
Retained earnings	23,657	15,412
Balance at 31 December	64,062	55,803

34 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.

	2011	2010
Profit attributable to equity holders of the Company (US$'000)	252,979	287,076
Weighted average number of ordinary shares in issue (thousands)	3,092,831	2,876,706
Basic earnings per share (US cents per share)	8.18	9.98

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.

34 EARNINGS PER SHARE (continued)

Diluted (continued)

For the year ended 31 December 2011 and 2010, all share options issued under the New Option Scheme have the greatest dilution effect.

	2011	2010
Profit attributable to equity holders of the Company (US$'000)	252,979	287,076
Weighted average number of ordinary shares in issue (thousands)	3,092,831	2,876,706
Adjustments for – share options (thousands)	3,096	2,832
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,095,927	2,879,538
Diluted earnings per share (US cents per share)	8.17	9.97

35 DIVIDENDS

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Interim dividend paid of HK10 cents (2010: HK10 cents) per ordinary share	40,263	37,121	40,398	37,262
Proposed final dividend of HK10 cents (2010: HK10 cents) per ordinary share	40,270	40,251	40,405	40,391
	80,533	77,372	80,803	77,653

At a meeting held on 19 March 2012, the Board proposed a final dividend of HK10 cents per ordinary share for the year ended 31 December 2011. This proposed dividend is not shown as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

The proposed final dividend of US$40,270,000 for the year ended 31 December 2011 is calculated based on 3,131,406,799 shares in issue as at 19 March 2012, after elimination 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 (Note 18).

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2011 US$'000	2010 US$'000
Profit before income tax	361,085	372,837
Share of profit of associates	(165,579)	(179,954)
Fair value gains on investment properties	(48,377)	(61,955)
Provision for impairment loss on property under development and hotel property	–	5,834
Impairment of goodwill on acquisition of a subsidiary	11,984	–
Depreciation	282,280	231,441
Amortization of leasehold land and land use rights, trademark and website development	13,278	12,586
Interest on convertible bonds and bank loans	70,965	46,674
Interest income	(11,917)	(6,880)
Dividend income	(988)	(817)
Loss on disposal of fixed assets and discarding of fixed assets due to properties renovations	11,707	11,107
Net unrealized losses/(gains) on financial assets held for trading	9,202	(557)
Fair value losses on derivative financial instruments – interest-rate swap contracts	5,039	21,599
Negative goodwill arising from acquisition of a subsidiary	(3,598)	–
Net foreign exchange transaction gains	(27,006)	(18,847)
Operating profit before working capital changes	508,075	433,068
Increase in inventories	(8,554)	(4,310)
Increase in accounts receivable, prepayments and deposits (net of deposits for land bids)	(23,948)	(21,785)
Increase in amounts due from associates	(9,732)	(2,073)
Increase in accounts payable and accruals	149,467	49,638
Net cash generated from operations	615,308	454,538

(b) Acquisition of interests in subsidiaries

On 31 March 2011, the Group completed the acquisition of 55% equity interest in a company 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 (equivalent to US$6,080,000) 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.

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of interests in subsidiaries (continued)

By end of June 2011, the Group acquired 100% equity interest in a project company in Yangzhou City in Mainland China from Kerry Properties Limited which is a subsidiary of the Company's controlling shareholder Kerry Holdings Limited ("KHL") at a total consideration of RMB226,586,000 (equivalent to US$35,569,000).

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

	US$'000
Purchase consideration:	
Cash consideration	40,741
Conversion of loan previously granted	6,080
Total purchase consideration	46,821
Fair value of net assets acquired:	
Property, plant and equipment and leasehold land	86,435
Current assets (including cash and cash equivalents of US$7,754,000)	39,734
Current liabilities	(13,354)
Bank loans	(74,979)
Non-controlling interests	599
	38,435
Impairment loss of goodwill arising from acquisition of a subsidiary (*Note 27*)	11,984
Excess of share of fair value of net assets of a subsidiary over its purchase consideration (represented by negative goodwill included in other gains of the income statement (*Note 27*))	(3,598)

(c) Acquisition of interests in associates

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 it 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 31).

In September 2011, the Group completed the acquisition of 50% equity interest in a project company which owns the Shangri-La Hotel, Istanbul in Turkey which is under development for a cash consideration of US$92,000,000.

In December 2011, the Group completed the acquisition of 49% equity interest in a project company which owns development rights over certain land in Nusa Dua, Bali, Indonesia. Consideration of US$35,632,000 has been paid in October 2011.

The Group's share of fair value of the net assets acquired approximate to purchase consideration paid for both the Turkey and Indonesia acquisition.

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Disposal of partial interest in a subsidiary

In December 2011, the Group transferred a total of 24% equity interest and proportionate shareholder's loan in an original 75% owned subsidiary, which wholly owns the project company of Shangri-La Hotel, Ulaanbaatar, The Republic of Mongolia to the non-controlling shareholder. The total cash consideration for the transfer was US$15,037,000. The Group recorded a gain of US$1,032,000 on disposal which was recognized in the Group's equity. The Group's shareholding in the subsidiary was diluted from 75% to 51%.

37 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

As at 31 December 2011, 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$2,103,078,000 (2010: US$2,230,667,000) for the subsidiaries and US$220,425,000 (2010: US$79,991,000) 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 guarantees to the Company under the joint venture agreements. The utilized amount of these facilities covered by the Company's guarantees after setting off the amount of counter guarantees from the non-controlling shareholders and which also represented the net financial exposure of the Company at the date of the statement of financial position amounts to US$181,834,000 (2010: US$203,640,000).

(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$226,455,000 (2010: US$91,466,000).

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.

37 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS (continued)

(b) Contingent liabilities

As at 31 December 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$3,397,000 (2010: US$26,577,000). These facilities were undrawn as at 31 December 2011.

(c) Charges over assets

As at 31 December 2011, bank borrowings of certain subsidiaries amounting to US$158,472,000 (2010: US$97,323,000) were secured by:

(i) Freehold land and buildings of a subsidiary with net book value of US$38,794,000 (2010: US$42,095,000).

(ii) Land lease rights 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$152,537,000 (2010: US$160,876,000).

(iii) Legal mortgage over the property owned by a subsidiary with net book value of US$102,421,000 (2010: US$88,061,000).

(iv) Legal mortgage over the property owned by a subsidiary acquired during the year with net book value of US$51,790,000 (2010: Nil).

38 COMMITMENTS

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

	2011 US$'000	2010 US$'000
Existing properties – Property, plant and equipment and investment properties		
Contracted but not provided for	112,411	103,453
Authorized but not contracted for	68,580	98,279
Development projects		
Contracted but not provided for	938,444	1,393,849
Authorized but not contracted for	2,680,283	1,392,040
	3,799,718	2,987,621

38 COMMITMENTS (continued)

(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:

	2011 US$'000	2010 US$'000
Not later than one year	27,760	28,796
Later than one year and not later than five years	83,296	94,656
Later than five years	350,875	393,491
	461,931	516,943

(c) At 31 December 2011, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2011 US$'000	2010 US$'000
Not later than one year	43,659	36,957
Later than one year and not later than five years	35,429	34,435
Later than five years	1,168	1,639
	80,256	73,031

39 RELATED PARTY TRANSACTIONS

Kerry Group Limited ("KGL"), which owns approximately 50.01% 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 2011, has significant influence over the Company.

The following transactions were carried out with related parties:

	2011 US$'000	2010 US$'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	2,322	2,153
Payment of project management service and project consultancy service fees	45	45
Reimbursement of office expenses and payment of administration and related expenses	8,283	4,705
Payment of office rental, management fees and rates	6,206	2,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 RELATED PARTY TRANSACTIONS (continued)

	2011 US$'000	2010 US$'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	16,800	9,737
Receipt for laundry services fee	894	866
Purchase of wine	1,963	–
(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	181,691	62,959

	2011 US$'000	2010 US$'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	103,453	92,625
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to an associate of the Group	32,185	28,507

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

	2011 US$'000	2010 US$'000
(e) Key management compensation		
Fees, salaries and other short-term employee benefits	9,759	7,758
Post employment benefits	112	91

39 RELATED PARTY TRANSACTIONS (continued)

(f) Rights Issue

On 11 February 2011, the Company completed a rights issue of ordinary shares in the proportion of one rights share for every twelve 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 Company paid a total underwriting commission of HK$22,018,000 (equivalent to US$2,841,000).

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) At 31 December 2011, the Company held interests in the following principal subsidiaries:

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Seanoble Assets Limited	The British Virgin Islands	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
Shangri-La Hotels (Europe)	Luxembourg	Ordinary EUR75,600,000	100	–	Investment holding	
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

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2011, 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
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

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2011, 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$89,166,670	–	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$700,000,000	–	100	Real estate development	3,6,7
Fuzhou Shangri-La Hotel Co., Ltd.	The People's Republic of China	US$22,200,000	–	100	Hotel ownership and operation	6,7

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2011, 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
Zhongshan Shangri-La Hotel Co., Ltd.	The People's Republic of China	US$33,380,000	–	51	Hotel ownership and operation	5,7
Shangri-La Hotel (Chengdu) Co., Ltd.	The People's Republic of China	US$53,340,000	–	80	Hotel ownership and operation and real estate development and operation	6,7
Shangri-La Hotel (Guangzhou Pazhou) Co., Ltd.	The People's Republic of China	US$60,340,000	–	80	Hotel ownership and operation	6,7
Shangri-La Hotel (Shenzhen Futian) Co., Ltd.	The People's Republic of China	US$71,000,000	–	100	Hotel ownership and operation	2,6,7
Shangri-La Hotel (Ningbo) Co., Ltd.	The People's Republic of China	US$83,000,000	–	95	Hotel ownership and operation	6,7
Shangri-La Hotel (Wenzhou) Co., Ltd.	The People's Republic of China	US$46,250,000	–	75	Hotel ownership and operation	6,7
Shangri-La Hotel (Xian) Co., Ltd.	The People's Republic of China	US$42,800,000	–	100	Hotel ownership and operation	6,7

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2011, 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 (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
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	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	RMB175,000,000	–	100	Hotel ownership and operation	3,6,7
Sanya Shangri-La Hotel Co., Ltd.	The People's Republic of China	RMB848,922,200	–	100	Hotel ownership and operation	3,6,7

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2011, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Percentage holding in the voting shares Indirect	Nature of business	Notes
Shangri-La Hotel (Lhasa) Co., Ltd.	The People's Republic of China	US$28,000,000	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Qufu) Co., Ltd.	The People's Republic of China	RMB275,454,100	–	100	Hotel ownership and operation	3,6,7
Ji Xiang Real Estate (Nanjing) Co., Ltd.	The People's Republic of China	RMB392,372,135	–	55	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Diqing) Co., Ltd.	The People's Republic of China	RMB148,500,000	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Xiamen) Co., Ltd.	The People's Republic of China	RMB168,434,250	–	100	Hotel ownership and operation	3,6,7
Dalian Wolong Bay Shangri-La Hotel Co., Ltd.	The People's Republic of China	RMB430,000,000	–	100	Hotel ownership and operation and real estate development and operation	3,6,7
Kerry Real Estate (Yangzhou) Co., Ltd.	The People's Republic of China	US$25,000,000	–	100	Hotel ownership and operation and real estate development	3,6,7

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2011, 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
Harbin Songbei Shangri-La Hotel Co., Ltd.	The People's Republic of China	RMB143,242,650	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Zhuhai) Co., Ltd	The People's Republic of China	RMB51,965,650	–	100	Hotel ownership and operation and operation of staff training academy	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	–	51	Hotel ownership and operation	3
Makati Shangri-La Hotel & Resort, Inc.	The Philippines	Common Peso1,100,000,000	–	100	Hotel ownership and operation	
Edsa Shangri-La Hotel & Resort, Inc.	The Philippines	Common Peso792,128,700	–	100	Hotel ownership and operation	

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2011, 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 Peso272,630,000 Preferred Peso170,741,500 Redeemable Common Peso285,513,000	–	93.95	Hotel ownership and operation	
Addu Investments Private Limited	Republic of Maldives	Rufiyaa 640,000,000	–	70	Hotel ownership and operation	
Traders Hotel Malé Private Limited	Republic of Maldives	Rufiyaa 64,000,000	–	100	Hotel ownership and operation	
Yanuca Island Limited	Fiji	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

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2011, 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	

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2011, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
UBN Holdings Sdn Bhd	Malaysia	Ordinary RM45,000,000	–	52.78	Investment holding and property investment	
Traders Yangon Company Limited	Myanmar	Ordinary Kyat21,600,000	–	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	Ordinary EUR40,010,000	–	100	Hotel ownership and operation	2
Shangri-La Hotels Japan K.K.	Japan	Ordinary YEN902,500,000	–	100	Hotel ownership and operation	2
Shangri-La Hotel (Cairns) Pty Limited	Australia	Ordinary AUD8,250,000	–	100	Investment holding	
Shangri-La Hotel (Ghana) Limited	The Republic of Ghana	GHS1,500,000	–	100	Hotel ownership and operation	3
Shangri-La Hotels Lanka (Private) Limited	Sri Lanka	Rupees 10	–	100	Hotel, serviced apartments and office ownership and operation	3

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2011, 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 Investments Lanka (Private) Limited	Sri Lanka	Rupees 10	–	100	Hotel ownership and operation	3
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
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.

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2011, 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 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
Shanghai Pudong Kerry City Properties Co., Ltd.	The People's Republic of China	23.20	Hotel ownership and operation and property investment	
Tianjin Kerry Real Estate Development Co., Ltd.	The People's Republic of China	20	Hotel ownership and operation and property investment	3

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2011, the Group held interests in the following principal associates: (continued)

Name	Place of establishment/operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
Kerry Real Estate (Nanchang) Co., Ltd.	The People's Republic of China	20	Hotel ownership and operation and property investment	3
Hengyun Real Estate (Tangshan) Co., Ltd.	The People's Republic of China	35	Property investment	3
Ruihe Real Estate (Tangshan) Co., Ltd.	The People's Republic of China	35	Hotel ownership and operation	3
Xiang Heng Real Estate (Jinan) Co., Ltd.	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Kerry (Shenyang) Real Estate Development Co., Ltd.	The People's Republic of China	25	Hotel ownership and operation and property investment	3
Zhanye Real Estate (Yingkou) Co., Ltd	The People's Republic of China	25	Property investment	3
Zhanfeng Real Estate (Yingkou) Co., Ltd	The People's Republic of China	25	Hotel ownership and operation and property investment	3
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	

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2011, 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
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
PT Narendra Interpacific Indonesia	Indonesia	49	Hotel and golf club ownership and operation	3
Besiktas Emlak Yatırım ve Turizm Anonim Sirketi	Turkey	50	Hotel ownership and operation	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 2011 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.

41 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, 88 Queensway, 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
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

41 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, 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

Address	Existing use	Lease term
Shangri-La Hotel, Chengdu 9 Binjiang Dong Road, Chengdu, Sichuan 610021, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Xian 38B Keji Road, Xian 710075, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Baotou 66 Min Zu East Road, Qing Shan District, Baotou 014030, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, 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

41 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, 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 Province, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Guilin 111 Huan Cheng Bei Er Lu, Guilin 541004, Guangxi, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Manzhouli 99 Liudao Street, Manzhouli 021400, Inner Mongolia, 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 6015, The Philippines	Hotel operation	Medium lease
Shangri-La's Boracay Resort & Spa Barangay Yapak, Boracay Island, Malay, Aklan 5608, The Philippines	Hotel operation	Medium lease
Shangri-La's Fijian Resort & Spa, Yanuca Yanuca Island, Sigatoka, Nadroga, Fiji	Hotel operation	Long lease

41 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, 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
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
Shangri-La Hotel, Chiang Mai 89/8 Chang Klan Road, Muang, Chiang Mai 50100, Thailand	Hotel operation	Freehold

41 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 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
Shangri-La Hotel, The Marina, Cairns Pierpoint Road, Marlin Marina, Cairns, Queensland 4870, Australia	Hotel operation	Long lease

(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
Kerry Hotel, Beijing 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Beijing 29 Zizhuyuan Road, Beijing 100089, The People's Republic of China	Hotel operation	Medium lease

41 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, Hangzhou 78 Beishan Road, Hangzhou 310007, The People's Republic of China	Hotel operation	Medium lease
Kerry Hotel, Pudong, Shanghai No. 1388 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Hotel operation	Medium lease
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

42 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
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

42 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
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	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	Office, commercial and residential rental	Medium lease

42 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
Kerry Parkside Shanghai Pudong No. 1378 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Office, commercial and residential rental	Medium lease
Tanglin Mall, Singapore 163 Tanglin Road, Singapore 247933	Commercial rental	Long lease
Tanglin Place, Singapore 91 Tanglin Road, Singapore 247918	Office and commercial rental	Freehold

43 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

(a) On 4 January 2012, a wholly owned subsidiary of the Company executed the memorandum of agreement in relation to the grant of a land site situated in Hung Hom, Hong Kong at the consideration of HK$2,328,000,000 (equivalent to US$300,387,000) pursuant to the acceptance of the tender submitted. The acquisition was completed and cash consideration was fully paid before the end of January 2012.

(b) In March 2012, a non-wholly owned subsidiary of the Company executed a 3-year unsecured bilateral bank loan agreement of RMB70,000,000 (equivalent to US$11,109,000).

44 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 19 March 2012.

FIVE YEAR SUMMARY

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

	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
Results					
Profit attributable to:					
Equity holders	252,979	287,076	255,499	165,940	340,863
Non-controlling interests	30,885	25,850	5,247	17,527	33,362
Assets and liabilities					
Total assets	9,972,528	8,538,616	7,814,700	6,922,711	6,101,010
Total liabilities	3,944,674	3,548,409	3,269,403	2,671,323	1,915,682
Total equity	6,027,854	4,990,207	4,545,297	4,251,388	4,185,328

DEFINITIONS

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

"Annual General Meeting"	forthcoming 2012 annual general meeting of the Company
"Annual Report"	this 2011 annual report of the Company
"Audit Committee"	audit committee of the Company
"Auditor"	external auditor of the Company, currently being PricewaterhouseCoopers
"Board"	board of Directors
"Bye-Laws"	bye-laws of the Company
"CEO", "CFO" and "COO"	respectively the chief executive officer, the chief financial officer and the chief operating officer of the Company
"CG Model Code"	code provisions as set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules from time to time
"CG Principles"	corporate governance principles of the Company adopted by the Board on 19 March 2012, and such principles align with and/or incorporate terms that are stricter than the revised CG Model Code which would take effect from 1 April 2012, save for that disclosed in this Annual Report
"Chairman" or "Deputy Chairman"	respectively chairman and deputy chairman of the Board
"Company"	Shangri-La Asia Limited
"Director(s)"	director(s) of the Company
"Directors' Report"	report of the Directors as set out in this Annual Report
"Executive Director(s)" or "ED(s)"	executive Director(s)
"Financial Statements"	financial statements of the Group for the Financial Year as set out on pages 63 to 161 of this Annual Report
"Financial Year"	financial year ended 31 December 2011
"Group"	Company and its subsidiaries
"HKSE"	The Stock Exchange of Hong Kong Limited
"Independent Non-executive Director(s)" or "INED(s)"	independent non-executive Director(s)
"KGL"	Kerry Group Limited, a Substantial Shareholder, and a connected person of the Company
"KHL"	Kerry Holdings Limited, a Substantial Shareholder, and a connected person of the Company

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
"Listing Rules"	Rules Governing the Listing of Securities on HKSE
"Malaysia-SE"	Bursa Malaysia Securities Berhad, the stock exchange in Malaysia
"Nomination Committee"	nomination committee of the Company
"Non-executive Director(s)" or "NED(s)"	non-executive Director(s)
"Philippines-SE"	Philippine Stock Exchange, Inc
"PRC"	People's Republic of China, excluding Hong Kong
"Remuneration Committee"	remuneration committee of the Company
"Securities Model Code"	code set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules from time to time
"Securities Principles"	principles for securities transaction by Directors or any non-Directors of the Company adopted by the Board on 19 March 2012, and such principles align with and/or incorporate terms that are stricter than the Securities Model Code
"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"	Shangri-La International Hotel Management Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong and whose principal business is the provision of hotel management services
"substantial shareholder"	as defined in the Listing Rules, and "Substantial Shareholder" shall mean a substantial shareholder of the Company
"Thai-SE"	Stock Exchange of Thailand
"Year End"	31 December 2011