SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 69

Annual Report 2012

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CORPORATE INFORMATION

As at 21 March 2013

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 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

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

AUDIT COMMITTEE

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

COMPANY SECRETARY

Ms TEO Ching Leun

AUDITOR

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

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
26 Burnaby Street
Hamilton HM 11
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

30 May 2013 to 3 June 2013, both dates inclusive

Annual General Meeting

3 June 2013

Record date for 2012 final dividend

6 June 2013

Payment of 2012 final dividend

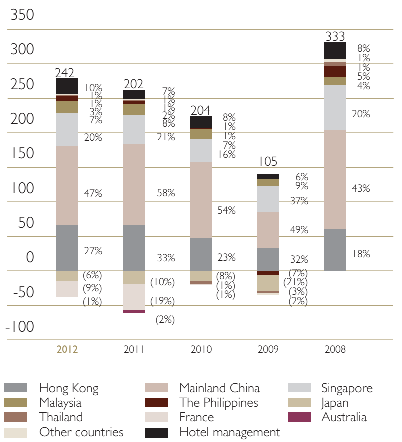
18 June 2013
(subject to Shareholders' approval at the Annual General Meeting)

FINANCIAL HIGHLIGHTS

	2012 US$ Million	2011 US$ Million	2012/2011 % Change	2010 US$ Million	2009 US$ Million	2008 US$ Million
CONSOLIDATED						
Sales	2,057	1,912	8%	1,575	1,230	1,353
EBITDA	608	550	11%	461	299	497
Profit attributable to equity holders of the Company	359	253	42%	287	255	166
Dividends	81	81	0%	77	45	89
Total equity	6,530	6,028	8%	4,990	4,545	4,251
Net assets attributable to the Company's equity holders	6,027	5,606	8%	4,638	4,230	3,953
Net borrowings to total equity ratio	54.0%	34.7%	56%	43.0%	40.6%	34.5%
Earnings per share (in US cents)	11.50	8.18	41%	9.98	8.89	5.76
Dividends per share (in HK cents)	20.00	20.00	-	20.00	12.00	24.00
Net assets per share attributable to the Company's equity holders (in US dollars)	1.92	1.79	7%	1.61	1.47	1.37
Net assets (total equity) per share (in US dollars)	2.08	1.93	8%	1.73	1.57	1.47

SEGMENT RESULTS

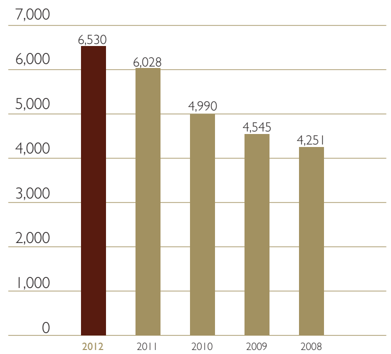
US$ Million



(Details of 2012 and 2011 are disclosed in Note 5 to the Financial Statements)

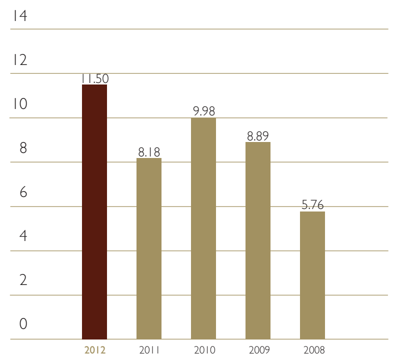
TOTAL EQUITY

US$ Million



EARNINGS PER SHARE

US Cents



CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the Annual Report of Shangri-La Asia Limited covering the financial year 2012.

The health of the global economy appears to have slightly improved from the very critical state it was in for most of 2011. The risk of sovereign default by several Eurozone countries has abated whilst the economy of the United States of America appears to have averted the threat of depression. Nevertheless, there still exist problems of high unemployment, growing public sector debt, a vulnerable banking system and political uncertainties in many of the developed economies which will impede global economic recovery in the short term.

In 2012, consolidated group revenue increased by 7.6% over the previous year to USD2.06 billion. With operating costs generally contained, EBITDA margins also improved by 2.9% to 29.6% of revenues. Aggregate EBITDA (including EBITDA share of associates) for the year was USD764.5 million compared to USD675.9 million in 2011.

Profits after tax from our investment properties which includes offices, service apartments and some retail shop space amounted to USD81.5 million representing a 31.6% increase over 2011. Contribution from this sector will continue to grow over the years as new properties commence business operations and yields mature.

Profits attributable to shareholders of USD358.9 million (2011 USD253.0 million) included revaluation gains on investment properties of USD185 million (2011 USD137 million).

Earnings per share amounted to US11.50 cents per share (2011 US8.18 cents per share).

A final dividend of HK10 cents per ordinary share has been proposed, which when added to the interim dividend of HK10 cents per ordinary share, will amount to a total dividend of HK20 cents per ordinary share for the year.

During the year we opened five new hotels and acquired 100% interest in two existing hotels (both in Australia); one in Brisbane which has been rebranded a Traders Hotel and the Shangri-La Hotel, Sydney which we operated earlier under a management contract. Of the five new hotels, the Shangri-La Yangzhou is wholly owned whilst the Shangri-La Changzhou and the Shangri-La Haikou, the Shangri-La Toronto (Canada) and the Shangri-La Mumbai (India) operate under management contracts without any equity participation. This brings the number of hotels operated by the Group to 78 hotels.

The Group's development plans continue to focus on Asia and predominantly on the growing Mainland China market for both domestic travel as well as outbound travel.

As at the end of 2012 the Group had 42 new hotel projects under development of which 24 are in Mainland China. 10 new hotels are expected to complete and open in 2013. Of these six will be in Mainland China and one each in Iskandar Johore (Malaysia), Istanbul, London and Doha (Qatar).

In recognition of the Group's efforts in the area of Corporate Social Responsibility, the Company was awarded an "AA" rating on the Reputex Honour Board in 2012.

Despite a challenging year, the operating results of the Group have been satisfactory. This is attributable to the hard work and dedication of the management and staff members at all levels and the support and guidance provided by my colleagues on the Board for which I remain truly grateful.

KUOK Khoon Ean
Chairman

21 March 2013

DIRECTORS AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

KUOK Khoon Ean
Aged 57, Chairman and CEO
Malaysian

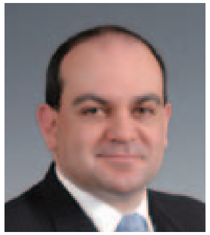
Mr KUOK has been the Chairman and the CEO since April 2008 and June 2009, respectively. He is a director of a number of companies within the Group as well as of several listed companies: he is a director of Shangri-La Hotel Public Company Limited ("**SHPCL**", a subsidiary of the Company) (listed on Thai-SE), a non-executive director of Wilmar International Limited (listed on Singapore-SE), and an independent non-executive director of The Bank of East Asia, Limited (listed on HKSE) and IHH Healthcare Berhad (listed on Malaysia-SE). Mr KUOK served as a non-executive director of SCMP Group Limited (listed on HKSE) and The Post Publishing Public Company Limited (listed on Thai-SE) until January 2013. He 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. 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 Ms TEO Ching Leun (the company secretary of the Company).

LUI Man Shing
Aged 69, Deputy Chairman
Chinese

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 61, CFO
Indian

Mr RAO was appointed as an Executive Director in December 2008. He joined SLIM in May 1988 as Group Financial Controller and was appointed as the CFO in 1997. Mr RAO is also the vice chairman of SLIM-HK and a director of a number of companies within the Group. 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.

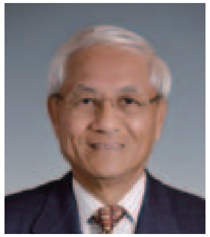


Gregory Allan DOGAN
Aged 48, COO
British

Mr DOGAN was appointed as an Executive Director in May 2010. He joined the Group in 1997 and is the COO as well as the president and chief executive officer of SLIM-HK. He is also a director of a number of companies within the Group. 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.

DIRECTORS AND COMPANY SECRETARY

NON-EXECUTIVE DIRECTORS



HO Kian Guan
Aged 67, Non-executive Director
Singaporean

Mr HO was appointed as a Non-executive Director in May 1993. He is the executive chairman of 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. He is the brother of Mr HO Kian Hock (his alternate).

Roberto V ONGPIN
Aged 76, Non-executive Director
Filipino

Mr ONGPIN was appointed as a Non-executive Director in August 2003. He is also a director of a subsidiary of the Company. Mr ONGPIN is the chairman of PhilWeb Corporation, Alphaland Corporation, Atok-Big Wedge Co, Inc and ISM Communications Corporation, a director of Petron Corporation, San Miguel Corporation, Ginebra San Miguel, Inc and PAL Holdings, Inc (all listed on Philippines-SE), and the deputy chairman of SCMP Group Limited (listed on HKSE) and 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 a director of Philippine Airlines, Inc. He served as the chairman/co-chairman of Philippine Bank of Communications until December 2012 (listed on Philippines-SE). 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 65, Alternate Director
Singaporean

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 71, Independent Non-executive Director
British

Mr HAMILTON was appointed as an Independent Non-executive Director in November 2001. He is an independent non-executive director of a number of listed companies including CITIC Pacific Limited, Esprit Holdings Limited and COSCO International Holdings Limited (all listed on HKSE), and 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 55, Independent Non-executive Director
American

Mr DATTELS was appointed as an Independent Non-executive Director in February 2004. He is currently a senior partner of TPG Capital, LP based in San Francisco with a focus on Asian investing. Mr DATTELS also serves as a director of Blackberry. He served as an independent non-executive director of Sing Tao News Corporation Limited (listed on HKSE) until May 2010. Mr DATTELS served as a partner and managing director of Goldman Sachs where he was head of investment banking for all Asian countries outside of Japan from 1996 to 2000 and 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 62, Independent Non-executive Director
Chinese

Mr WONG was appointed as an Independent Non-executive Director in July 2006. He is also an independent non-executive director of SUNeVision Holdings Limited (listed on the Growth Enterprise Market of HKSE), and SCMP Group Limited, China Construction Bank Corporation and VTech Holdings Limited (all listed on HKSE). Mr WONG is a non-executive director of the Securities and Futures Commission and was also a member of the Growth Enterprise Market Listing Committee of HKSE from 1999 to 2003. He is an accountant with 32 years of audit, initial public offering and computer audit experience. He retired as an audit partner from PricewaterhouseCoopers, Hong Kong in June 2005. 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 a member of the Remuneration Committee and was re-designated as the chairman in March 2012. He is also a member of the Audit Committee and the Nomination Committee.

DIRECTORS AND COMPANY SECRETARY

Michael Wing-Nin CHIU
Aged 68, Independent Non-executive Director
American

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 is also the executive chairman and managing director of SereS Hotels & Resorts Pte Limited. 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 67, Independent Non-executive Director
Chinese

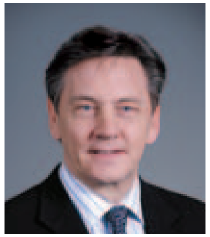
Professor LI was appointed as an Independent Non-executive Director in March 2011. He is currently Emeritus Professor of Surgery, The Chinese University of Hong Kong. Professor LI is also a non-executive deputy chairman of The Bank of East Asia, Limited (listed on HKSE), a non-executive director of AFFIN Holdings Berhad (listed on Malaysia-SE) and BioDiem Limited (listed on the Australia stock exchange), and an independent non-executive director of China Flooring Holding Company Limited and The Wharf (Holdings) Limited (both listed on HKSE). He is also a member of the National Committee of the Chinese People's Political Consultative Conference and the Executive Council of the Hong Kong Special Administrative Region. Professor LI obtained his medical degree from the University of Cambridge 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 to 1996. From 1996 to 2002, Professor LI was the Vice-Chancellor (President) of the University. In 2002, Professor LI became Secretary for Education and Manpower 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 52, Company Secretary
Singaporean

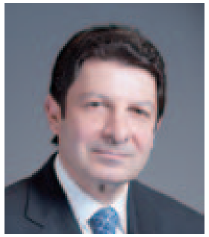
Ms TEO was appointed as the Company Secretary of the Company in March 2008. She is also a director of a number of companies within the Group. Ms TEO holds an LLB (Hons) degree from the National University of Singapore and an LLM degree in Laws from the University of London. She is a solicitor qualified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

SENIOR MANAGEMENT



Michael COTTAN
Aged 58, Executive Vice President
British

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 John DeCOCINIS
Aged 60, Executive Vice President
Italian

Mr DeCOCINIS joined the Group in 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 52, Executive Vice President
Turkish

Mr SEKERCIOGLU joined the Group in 1994. He is a director of a number of companies within the Group. Mr SEKERCIOGLU is currently leading the Shanghai corporate hub and is 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 55, Executive Vice President
Singaporean

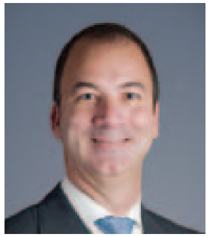
Mr PAW joined the Group in 1994 and is in charge of hotels in North and Central West China. He was previously the Area Vice President and General Manager of Shangri-La Hotel, Guangzhou, Vice President – Sales & Marketing of various hotels of the Group in Beijing and Shanghai and Hotel Manager of Traders 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 54, Chief Information Officer
Indian

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 49, Chief Marketing Officer
Singaporean

Mr ZHU joined the Group in 1989 and has served as Director of Sales and Marketing in several leading hotels in the Group. He is a director of a number of companies within the Group. Mr ZHU was formerly Vice President – China as well as Vice President – Sales and Marketing for China hotels of the Group.



Lawrence Thomas McFADDEN
Aged 48, Group Director of Food and Beverage
American

Mr McFADDEN joined the Group in 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.

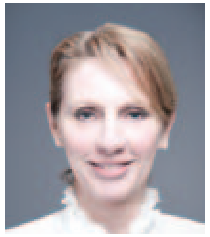
Caroline CHEAH
Aged 57, Group Director of Rooms
Singaporean

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 55, Group Director of Engineering
Singaporean

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 Masters degree in Property and Maintenance Management.

SENIOR MANAGEMENT



Shelley Maree PERKINS
Aged 48, Group Director of Human Resources
Australian

Ms PERKINS joined the Group in 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 55, Senior Design Director
Chinese

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 Masters 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. PERFORMANCE REVIEW

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

(i) Hotel operation – Hotel ownership and operation

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

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

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

– Shangri-La Hotels are five-star luxury hotels offering gracious hospitality and located in premier cities

– Shangri-La Resorts offer travelers and families a relaxing and engaging vacation in some of the world's most exotic destinations

– Kerry Hotels is a new five-star brand with contemporary, unique, functional designs and enthusiastic, intuitive service

– Traders Hotels are four-star business hotels which also appeal to leisure travelers

Hotel operation continued to be the Group's main source of revenue and operating profits. The Group's extensive presence in South East Asia and predominantly in Mainland China, which as a region performed relatively better than the economies of Europe and North America, enabled its owned hotels to post year on year improvement in operating results.

On 7 August 2012, the Group completed the acquisition of the entire interest in an operating hotel in Brisbane, Australia and rebranded it as Traders Hotel, Brisbane. On 18 September 2012, the Group completed the acquisition of the entire equity interest in the investment holding companies which own the existing Shangri-La Hotel, Sydney in Australia (which has been managed by the Group since 2003). The Group also opened the wholly owned Shangri-La Hotel, Yangzhou in Mainland China on 17 December 2012.

The weighted average room yields ("**RevPAR**") for the Group's owned hotels registered a 6% increase in 2012 over the previous year. A weak global economy and continuing economic and political uncertainties in the major economies of the world constrained demand and dampened RevPAR growth. The Mainland Chinese economy where a majority of the Group's hotels are located performed relatively well in GDP growth terms. However, several cities in which the Group's hotels are located experienced the influx of competitive supply which caused RevPAR of these hotels to decline year on year.

Yields of the Group's investment properties generally registered impressive improvements over 2011 with the exception of Beijing Kerry Centre, Shanghai Kerry Centre and Shangri-La Residences, Dalian which were adversely affected by their respective renovation programmes.

The year ended on a satisfactory note for the Group in terms of its earnings metrics with both the EBITDA and consolidated profit attributable to the equity holders of the Company recording year on year improvements.

(a) Revenues

Hotel Operation

As at 31 December 2012, the Group had equity interest in 59 operating hotels (2011: 56) comprising 27,524 available guest rooms (2011: 26,457) 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.

MANAGEMENT DISCUSSION & ANALYSIS

Details of the operating hotels owned by the subsidiaries and associates are disclosed in Note 42 to the Financial Statements included in this Annual Report.

On an unconsolidated basis and consistent with 2011, room revenues accounted for over 50% while food and beverage revenues accounted for over 43% of the total revenues from hotel operation. Both room revenues and food and beverage revenues increased by 8% to US$1,274.1 million and US$1,103.4 million, respectively over 2011.

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

	2012 Weighted Average			2011 Weighted Average		
Country	Occupancy (%)	Transient Room Rate (US$)	RevPAR (US$)	Occupancy (%)	Transient Room Rate (US$)	RevPAR (US$)
PRC						
Hong Kong	80	336	264	80	327	258
Mainland China	59	166	95	62	155	94
Singapore	75	257	198	73	250	193
Malaysia	73	145	106	70	138	97
The Philippines	71	201	148	71	184	131
Japan	70	521	355	56	493	273
Thailand	60	152	90	46	155	68
France	82	1,289	982	55	1,296	623
Australia *	77	237	181	73	172	122
Other countries	64	200	128	67	183	121
Subsidiaries and associates	64	196	125	65	182	117

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

* includes the newly acquired hotels in Brisbane and Sydney from the dates these were acquired

Comments on performance by geography:

PRC

Hong Kong

The two Shangri-La hotels recorded a marginal increase in weighted average room rate of 2% and an increase in RevPAR of 3%. The Traders Hotel, Hong Kong also recorded a marginal increase in weighted average room rate of 2%.

Mainland China

The 369-room Shangri-La Hotel, Yangzhou opened for business on 17 December 2012, bringing the total number of Group-owned operating hotels in Mainland China to 31.

The overall RevPAR growth in 2012 for the Mainland China hotel portfolio was a modest 1%. This was attributable to the increase in rooms supply in the competitive set in approximately half of the cities in Mainland China where Group's hotels operate. However, in cities not affected by increases in competitive supply, the Group's hotels have experienced RevPAR increases between 8% and 13%. The Kerry Hotel, Pudong, Shanghai in its second year of operation gained traction and increased RevPAR by 61% year on year. Over the past years, the market has exhibited a unique propensity to absorb the competitive supply in most cities due to a healthy GDP growth rate of the local economy. It is expected that going forward this experience will be replicated with a return to a respectable year on year RevPAR growth for the Group's hotel portfolio.

Major renovations completed in 2012 including the following:

– Function rooms and guestrooms renovations at the Kerry Hotel, Beijing;

– Guestroom renovations at the Shangri-La Hotel, Huhhot;

– Renovations of the suites at the Shangri-La Hotel, Changchun; and

– Renovations to the lobby and lobby lounge at the Pudong Shangri-La, East Shanghai.

Singapore

Since it re-opened for business in January 2011 after a complete renovation, the Shangri-La's Rasa Sentosa Resort & Spa, Singapore was very well received by the market. In 2012, the resort registered an increase in RevPAR of 16%. Major renovations at the Garden Wing at the Shangri-La Hotel, Singapore were completed by end of May 2012. The hotel's newly built CHI, The Spa at Shangri-La opened for business in December 2012.

The Philippines

All the four Group-owned hotels in the country continued to record an increase in RevPAR between 9% to 14%, led mainly by improvements in room rates.

Renovations of the guestrooms at the Atrium Wing and the ballroom at the Shangri-La's Mactan Resort & Spa, Cebu were completed in May 2012. Renovations of the Tower Wing and lobby lounge at the Edsa Shangri-La, Manila are on-going and are expected to be completed by end of 2013.

MANAGEMENT DISCUSSION & ANALYSIS

Malaysia
With the exception of the Shangri-La's Rasa Ria Resort, Kota Kinabalu where business was adversely affected by renovations to its Garden Wing guestrooms from March 2011 to May 2012, all the other five Group-owned hotels in the country recorded an increase in RevPAR. Amongst them, the Shangri-La Hotel, Kuala Lumpur recorded an increase in RevPAR of 17% on the back of buoyant corporate business. The performance of Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu continued to improve after its major renovation in 2011, recording an increase in RevPAR of 20% in 2012.

Thailand
The performance of the two hotels continued to improve. The Shangri-La Hotel, Bangkok recorded an increase in weighted average RevPAR of 34%, supported by increased visitor arrivals into the city with continuing improvement in the political environment. The Shangri-La Hotel, Chiang Mai also recorded an increase in weighted average RevPAR of 21%.

Japan
With the pick-up in domestic demand and an increase in overseas visitor arrivals following the weakening of the Japanese Yen, Shangri-La Tokyo registered an increase in weighted average occupancy, room rate and RevPAR of 14 percentage points, 6% and 30%, respectively.

France
Performance of the Shangri-La Hotel, Paris improved significantly, registering an increase in occupancy and RevPAR of 27 percentage points and 58%, respectively. Construction of its 20-room extension is on-going and is expected to be completed in mid 2013.

Australia
The Shangri-La Hotel, The Marina, Cairns registered an increase in RevPAR of 16%. On a full year basis, the Shangri-La Hotel, Sydney registered an increase in occupancy and room rate of 2 percentage points and 4%, respectively. The 191-room Traders Hotel, Brisbane is centrally located adjacent to the Brisbane Transit Centre and next to Roma Street Parklands.

Other Countries
The resort in Fiji recorded a marginal decrease in RevPAR of 3%. Performance of the Shangri-La Hotel, Jakarta continued to improve, registering an increase in RevPAR of 9%, mainly led by an increase in room rate.

The Traders Hotel, Yangon continued to experience improved results with a more liberal political environment in Myanmar and recorded an increase in RevPAR of 124%. It is envisaged that the hotel will further benefit from the strong interest from business and leisure travelers to Myanmar. The hotel is currently undergoing a phased major renovation which is expected to continue into early 2014.

The two Group-owned hotels in Republic of Maldives recorded a decrease in RevPAR of 9% as a result of flight connectivity issues which are being addressed.

Hotel Management
Except for the Portman, all the other 58 hotels in which the Group has equity interest together with Shangri-La Tokyo, are managed by the hotel management subsidiaries, SLIM, as at 31 December 2012.

As at 31 December 2012, SLIM also had hotel management agreements in respect of 19 operating hotels (6,347 available rooms) owned by third parties located in Toronto, Vancouver, Mumbai, 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 (2 hotels), Haikou and Suzhou (in Mainland China). There were four new hotels that opened for business in 2012. In October 2012, the Shangri-La Hotel, Toronto and the Shangri-La Hotel, Changzhou opened for business. The Shangri-La Hotel, Haikou in Mainland China and the Shangri-La Hotel, Mumbai opened for business in November 2012 and December 2012, respectively.

Overall weighted average RevPAR for these 19 hotels decreased marginally by 3%. Revenue of SLIM on consolidation, after elimination of revenue earned from fellow subsidiaries, recorded an increase of 15%.

In April 2012, SLIM signed a new management agreement in respect of a hotel under development in Guiyang City, Guizhou Province in Mainland China. Subsequently however in December 2012, SLIM was advised by the developer that it was unsuccessful in securing the necessary governmental approvals to incorporate a hotel in the mixed use development that was being built. Accordingly, SLIM decided to terminate this management agreement. As at 31 December 2012, SLIM had management agreements on hand for 7 new hotels under development which were owned by third parties.

Property Rentals

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

Excepting the serviced apartments and commercial spaces in Beijing Kerry Centre and Shanghai Kerry Centre and the serviced apartments in Shangri-La Residences, Dalian which were under phased renovation programmes, the other investment properties in Mainland China recorded favourable increase in yields. Notably, all different components of the China World Trade Center in Beijing, the Group-owned largest investment property complex, recorded significant growth in yields ranging from 8% to 50% as compared to 2011. The Kerry Parkside, Pudong in Shanghai (a 23.2% owned high-end composite development which commenced business in February 2011) recorded increase in yields of commercial spaces (83%), office spaces (153%) and serviced apartments (333%). The yields of the office spaces and commercial spaces of the Shangri-La Centre in Qingdao also recorded an increase of 59% and 73%, respectively.

In general, the yields of the investment properties in other countries were stable or recorded marginal improvement with the exception of the UBN Apartments in Malaysia which registered a decrease of 9%.

(b) Segment Results

Details of the segment information are provided in Note 5 to the Financial Statements included in this Annual Report. Net profit before non-operating items in 2012 increased by 13.5% to US$154.3 million.

Net profit attributable to equity holders of the Company from hotel operation, property rental from investment properties and hotel management increased by US$9.9 million, US$19.6 million and US$10.3 million, respectively.

Hotels in Hong Kong, Mainland China and Singapore continued to be the key profit contributors of the Group. Overall results of the hotels in Hong Kong remained flat as compared to 2011 principally affected by a modest increase in RevPAR which was offset by inflationary increases in labour costs. Profit contribution from the hotels in Mainland China have been adversely affected by the start-up losses of the hotels newly opened for business in 2010 and 2011 and a reduction in RevPAR of the hotels in cities which experienced the emergence of competitive supply or due to specific local economic problems. The 2011 segment results of the hotels in Mainland China were also favourably affected by US$28.1 million of foreign exchange gains arising from foreign currency loans due to the continued appreciation of the Renminbi relative to the United States dollar. The corresponding amount reduced to a mere US$2.0 million in 2012. Overall performance of the hotels in Singapore improved significantly benefiting from the performance of the Shangri-La's Rasa Sentosa Resort & Spa. Performance of the hotels in Tokyo and Paris improved significantly and resulted in a large reduction in their operation losses.

Net profit from hotel management increased due to higher fee incomes following the opening for business of new hotels and project management services from hotels under development or renovation.

The Mainland China segment continued to be the key profit contributor for the Group's investment properties portfolio. Net profit of the Mainland China properties increased by US$17.7 million, due mainly to the US$18.5 million incremental profit from the China World Trade Center in Beijing and the Kerry Parkside, Pudong in Shanghai.

(c) EBITDA and Consolidated Profits

In 2012, the EBITDA in respect of the Company and its subsidiaries increased by US$58.5 million to US$608.1 million and the EBITDA to Consolidated Sales ratio increased to 29.56% from 28.74%. The adjusted EBITDA to Consolidated Sales ratio of 2012 was 29.75% after excluding the results of the two newly acquired hotels in Australia and the newly opened Shangri-La Hotel, Yangzhou in Mainland China. The Group's share of EBITDA of its associates amounted to US$156.4 million, representing an increase of US$30.1 million or 23.89% year on year. Some of these associates are also substantially owned by subsidiaries of the controlling shareholder of the Company. The aggregate EBITDA (EBITDA of the Company and its subsidiaries and effective share of EBITDA of its associates) amounted to US$764.5 million in 2012 compared to US$675.9 million in 2011.

Following an increase in the consolidated gross profit margin of the hotel segment (from 57.7% in 2011 to 58.3% in 2012), the overall consolidated gross profit margin improved to 57.2% from 56.1%. Total labour cost increased by 9.9% from US$565.1 million to US$621.4 million. However, the adjusted comparative labour cost increased by 7.9% after excluding the labour cost of the two Australian hotels acquired in 2012 and that of the newly opened Shangri-La Hotel, Yangzhou in Mainland China.

Consolidated operating profit before finance costs for 2012 increased from US$239.5 million to US$302.0 million including the net credit of non-operating items (before tax and share of non-controlling interests) of US$58.1 million (2011: US$37.0 million) recorded under "Other gains – net" as detailed in Note 28 to the consolidated financial statements included in this Annual Report. The key non-operating items in the income statement of the Company and its subsidiaries in 2012 were the gross fair value gains on investment properties of US$16.5 million, unrealized gain on financial assets held for trading and realized gain on disposal of fixed rate corporate bonds aggregating to US$18.3 million, interest income (including coupon interest from fixed rate corporate bonds investment) of US$15.9 million, negative goodwill of US$16.0 million arising from the acquisition of the investment holding companies which own the Shangri-La Hotel, Sydney and the provision for impairment loss of hotel properties and properties under development of US$8.6 million.

The consolidated finance cost for 2012 increased by US$35.5 million over 2011 on account of the convertible bonds issued in May 2011 and the fixed rate bonds issued in April 2012.

The share of profits after tax for the year in respect of associates included a net credit after tax of US$183.3 million (2011: US$105.9 million) for fair value gains of investment properties and a credit of US$6.6 million (2011: US$5.4 million) for negative goodwill arising from acquisition of an associate.

Aided by the large increase in the share of profits after tax of associates of US$96.0 million, the Group recorded a 41.9% increase in consolidated profits attributable to the equity holders of the Company.

2. CORPORATE DEBT AND FINANCIAL CONDITIONS

On 10 April 2012, the Group issued 5-year fixed rate bonds due April 2017 in the aggregate principal amount of US$600 million at a fixed rate of 4.75% per annum. The net proceeds from the issue, after deduction of fees and commissions, were approximately US$595.1 million. A large portion of the net proceeds were used to finance new development projects. Pending investment into new projects, part of the bonds proceeds of US$172.9 million were temporarily invested in good quality bonds issued by large multinational enterprises with annual average yields in excess of 4% per annum, to reduce the interest burden. US$90 million was used to repay corporate bank loans maturing in 2012 and US$64 million was used to temporarily repay revolving corporate bank loans. The Group disposed of all its holding in corporate bonds to realize funds to meet its project needs before the year end and recorded realized gains of US$9.1 million.

At the corporate level, the Group executed the following bank loan agreements during 2012 for securing project funding as well as refinancing of loans maturing in 2012:

– seven 3-year unsecured bank loan agreements totaling HK$4,350 million (approximately US$561.3 million) and US$75 million; and

– four 5-year unsecured bank loan agreements totaling HK$1,200 million (approximately US$154.8 million), JPY5,000 million (approximately US$58.1 million) and US$100 million.

At the subsidiary level, the Group executed the following unsecured bank loan agreements during 2012:

– one 2-year agreement of Renminbi 65 million (approximately US$10.4 million), one 3-year agreement of Renminbi 70 million (approximately US$11.2 million) and one 7-year agreement of Renminbi 200 million (approximately US$32.1 million) to refinance outstanding bank loans matured in 2012;

– one 4-year agreement of S$65 million (approximately US$53.5 million) to finance a hotel renovation programme;

– one 5-year agreement of Renminbi 250 million (approximately US$40.1 million) and one 5-year agreement of GBP30 million (approximately US$48.4 million) to finance project developments; and

– one 3-year agreement of HK$360 million (approximately US$46.5 million) to refinance outstanding bank loans matured in 2012.

An outstanding bank loan of Euro 83 million (approximately US$109.4 million) maturing in 2022 was acquired when the Group acquired the entire equity interest in a local company in Italy in May 2012.

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.

With the increased capital expenditure in 2012, the net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, increased from 34.7% as at 31 December 2011 to 54.0% as at 31 December 2012.

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

The analysis of borrowings outstanding as at 31 December 2012 is as follows:

	Maturities of Borrowings Contracted as at 31 December 2012				
			Repayment		
(US$ million)	Within 1 year	In the 2nd year	In the 3rd to 5th year	After 5 years	Total
Borrowings					
Corporate borrowings					
– unsecured bank loans	86.5	38.7	1,920.5	–	2,045.7
– convertible bonds	–	–	483.9	–	483.9
– fixed rate bonds	–	–	595.8	–	595.8
Project bank loans					
– secured	91.8	58.3	43.7	46.9	240.7
– unsecured	350.3	369.3	266.9	12.8	999.3
Total	528.6	466.3	3,310.8	59.7	4,365.4
Undrawn but committed facilities					
Bank loans and overdrafts	167.9	47.8	591.8	25.6	833.1

Subsequent to the year end, the wholly owned subsidiary in France executed a 5-year bank loan agreement of Euro 75 million (approximately US$98.9 million) and a 3-year bank loan agreement of Euro 75 million (approximately US$98.9 million) to refinance outstanding bank loans maturing in early 2013. The Group also executed a 3-year and three 5-year unsecured bank loan agreements totaling an equivalent amount of approximately US$562.9 million at the corporate level and it is currently negotiating with certain banks to finalize additional long term loan facilities for refinancing maturing loans as well as project funding.

The currency–mix of the borrowings and cash and bank balances as at 31 December 2012 is as follows:

(US$ million)	Borrowings	Cash and Bank Balances
In United States dollars	1,657.1	169.5
In Hong Kong dollars	1,607.2	107.4
In Renminbi	583.3	359.1
In Euros	296.8	10.1
In Philippine Pesos	63.0	25.8
In Australian dollars	56.8	63.5
In Singapore dollars	48.1	42.9
In Japanese Yen	46.5	2.0
In Thai Baht	4.2	17.1
In Malaysian Ringgit	2.4	6.6
In Fiji dollars	–	16.6
In Mongolia Tugrik	–	7.6
In Sri Lankan Rupee	–	4.7
In Maldive Rufiyaa	–	3.2
In British Pound	–	2.7
In other currencies	–	0.1
	4,365.4	838.9

Excepting the convertible bonds, the fixed rate bonds and the bank 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.

Details of financial guarantees, contingencies and charges over assets as at 31 December 2012 are disclosed in Note 38 to the Financial Statements included in this Annual Report.

3. TREASURY POLICIES

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

(a) Minimize Interest Risk

Intra-group financing between subsidiaries in Mainland China by way of entrusted loan agreements through local banks increased to RMB620 million (approximately US$99.5 million) as at 31 December 2012. The Group will continue to arrange entrusted loans utilizing the cash surplus of operating hotels 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 interest-rate swap contracts. As at 31 December 2012, the outstanding HIBOR interest-rate swap contracts are:

(i) Contracts executed in prior years with principal amount of HK$900 million (at fixed rates ranging between 4.28% and 4.63% per annum maturing during August 2013 to January 2014) which did not qualify for hedge accounting. US$0.9 million fair value losses were recorded during the year on these contracts.

(ii) Contract executed in 2012 with principal amount of HK$300 million (at a fixed rate of 1.087% per annum maturing in December 2016) which qualified for hedge accounting in order to fix the effective interest expenses under a corporate bank loan agreement of the same principal amount.

Taking into account these interest-rate swap contracts, convertible bonds, fixed rate bonds and the Renminbi bank loans, the Group has fixed its interest liability on 42% of its borrowings outstanding as at 31 December 2012.

(b) Minimize Currency Risk

There is a natural economic hedge to the extent that most of the Group-owned hotels 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.

In general, the Group has not felt it appropriate to substantially hedge against currency risks through currency forward contracts on a consideration of the currency risks involved and the cost of obtaining such cover. In 2012, the Company has entered into currency forward contracts to buy Australian dollars 418 million and sell equivalent United States dollars to hedge the currency risks associated with the forecast foreign currency payment obligations under the sale and purchase agreements to acquire an operating hotel in Brisbane and the entire equity interest in a group of companies which own the Shangri-La Hotel, Sydney as detailed under the section headed "Acquisitions and New Joint Ventures" of this report. These contracts qualified for hedge accounting.

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 2012). All changes in the fair value of investment properties (including those under construction) are recorded in the income statement. The Group's share of the net increase in their fair value over their book value (net of provision for deferred taxation) amounted to US$185.0 million and this was credited to the consolidated income statement during the year.

Investment properties are stated at professional valuations carried out by the following independent firms of professional valuers as at 31 December 2012:

CB Richard Ellis Limited, DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited	:	For properties in Mainland China
CB Richard Ellis Limited	:	For property in The Republic of Mongolia
Colliers International Consultancy & Valuation (Singapore) Pte Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd	:	For properties in Singapore
W.M. Malik & Kamaruzaman	:	For properties in Malaysia
Galtier Expertises Immobilières et Financières	:	For properties in France
Jones Lang LaSalle Hotels	:	For properties in Australia

5. FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The equity securities within the investment portfolio remained unchanged during the year. The Group recorded net unrealized fair value gains of US$9.2 million (US$9.0 million after share of non-controlling interests) and dividend income of US$0.9 million (US$0.8 million after share of non-controlling interests) during the year.

The Company also acquired fixed rate bonds during the year which were all disposed before the year end. Net realized gain on sale of these bonds of US$9.1 million and interest income thereon of US$4.9 million were recorded during the year.

6. DEVELOPMENT PROGRAMMES

(a) On-going Projects

Construction work on the following projects is on-going:

(i) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Serviced Apartments/ Villas	Projected Opening
In Mainland China				
Shangri-La Hotel, Qufu	100%	482	–	Mid 2013
Jing An Shangri-La, West Shanghai (part of Jing An Kerry Centre, Shanghai)	49%	508	–	Mid 2013
Shangri-La Hotel, Shenyang (part of Shenyang Kerry Centre, Shenyang)	25%	424	38	Mid 2013
Shangri-La Hotel, Lhasa	100%	285	–	Late 2013
Shangri-La's Sanya Resort & Spa, Hainan	100%	506	18 Villas	Mid 2014
Shangri-La Hotel, Diqing	100%	225	–	2014
Shangri-La Hotel, Hefei	100%	498	–	2014
Shangri-La Hotel, Qinhuangdao	100%	326	–	2014
Shangri-La Hotel, Tianjin (part of Tianjin Kerry Centre, Tianjin)	20%	468	39	2014
Shangri-La Hotel, Nanjing (part of the composite development project in Nanjing City)	55%	503	40	2014
Shangri-La Hotel, Tangshan (part of the composite development project in Tangshan City)	35%	436	–	2014
Shangri-La Hotel, Nanchang (part of composite development project in Nanchang City)	20%	468	–	2014
Shangri-La Hotel, Xiamen	100%	599	34	2015
Extension of Shangri-La Hotel, Dalian	100%	113	–	2015
Shangri-La Harbin, Songbei	100%	583	41	2015
Shangri-La Hotel, Hangzhou (part of Hangzhou Kerry Centre, Hangzhou)	25%	417	–	2015
Shangri-La Hotel, Jinan (part of composite development project in Jinan City)	45%	400	–	2016
In other countries				
Shangri-La Bosphorus, Istanbul, Turkey	50%	186	–	Mid 2013
Extension of Shangri-La Hotel, Paris, France	100%	20	–	Mid 2013
Shangri-La Hotel, at The Shard, London, the United Kingdom	Operating lease	202	–	Mid 2013
Shangri-La's Nusa Dua Resort & Spa, Bali, Indonesia *(Note 1)*	49%	232	38 Villas	Late 2013
Shangri-La Hotel, Ulaanbaatar, The Republic of Mongolia	51%	290	–	2014
Traders Orchard Gateway, Singapore	Operating lease	502	–	2014
Shangri-La's Hambantota Resort & Spa, Sri Lanka	90%	374	29 Villas	2014
Extension of the Ocean Wing of Shangri-La's Rasa Ria Resort, Kota Kinabalu, Malaysia	64.59%	81	–	2015
Shangri-La at the Fort, Manila (part of composite development project in Bonifacio Global City, Metro Manila, The Philippines)	40%	576	–	2015
Shangri-La Hotel, Colombo, Sri Lanka (part of the composite development project in Colombo)	90%	527	20	2016

Note 1: Projected opening in 2013 refers to the opening of the golf course and phased opening of the villas only.

(ii) Composite Developments and Investment Properties Developments

	Group's Equity Interest	Total gross floor area upon completion (excluding hotel component) (approximate in square meters) Residential	Office	Commercial	Serviced Apartments	Projected Opening
In Mainland China						
Jing An Kerry Centre, Shanghai	49%	–	113,739	66,469	–	Mid 2013
Tangshan City Project	35%	231,688	–	18,460	–	Late 2013
Shenyang Kerry Centre, Shenyang	25%	731,701	195,732	374,625	–	2014
Tianjin Kerry Centre, Tianjin	20%	175,532	120,342	111,126	22,000	2014
Nanjing City Project	55%	–	–	871	–	2014
Nanchang City Project	20%	81,998	71,012	9,204	–	2015
Jinan City Project	45%	–	32,470	6,083	–	2015
Hangzhou Kerry Centre, Hangzhou	25%	–	11,670	105,141	33,512	2016
In other countries						
Shangri-La Residences in Yangon, Myanmar	55.86%	–	–	–	55,233	Late 2013
Bonifacio Global City, Metro Manila, The Philippines	40%	37,522	–	4,405	17,554	2015
Traders Square in Yangon, Myanmar	59.28%	–	24,225	8,028	–	2015
Composite development project in Colombo, Sri Lanka	90%	52,000	30,000	56,000	–	2016
		1,310,441	599,190	760,412	128,299	

* Further details of the Group's properties under development as at year end 2012 are disclosed under the section headed "Properties Under Development" included in the Directors' Report.

The Group has also acquired land use rights and leasehold land in Mainland China and The Republic of Ghana in recent years. The Group is now finalizing the development plan for these projects:

- Zhoushan, Mainland China (hotel development)
- Wolong Bay in Dalian, Mainland China (hotel development)
- Zhuhai, Mainland China (hotel and training centre development)
- Accra, The Republic of Ghana (hotel development)

The Group has also paid the cost for a piece of land in Fuzhou, Mainland China for the extension of the Shangri-La Hotel, Fuzhou.

As disclosed in the 2011 Annual Report of the Company, the Group has acquired a 45% and 40% equity interest in composite developments in Zhengzhou City and Putian City respectively, in Mainland China by entering into the relevant master joint venture agreements. The respective project companies have been formed in 2012 and these developments are in the planning stage.

(b) Acquisitions and New Joint Ventures

(i) Hung Hom, Hong Kong

In mid January 2012, the Group 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 has finalized the development plan to build a composite development including a Shangri-La hotel and retail facilities. Approvals for the development plans have been sought from the relevant government authorities.

(ii) Traders Hotel, 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 at a cash consideration of A$47.95 million (approximately US$48.56 million) which approximated the fair value of the assets being acquired. The acquisition was completed on 7 August 2012. The hotel has been rebranded as Traders Hotel, Brisbane.

(iii) Rome, Italy

In May 2012, the Group acquired the entire equity interest in a local company in Italy which owns a very well located building in Rome at a cash consideration of EUR31,431,000 which approximated the fair value of the assets being acquired. The Group intends to convert the building into an approximately 110-room Shangri-La hotel after all the existing tenants are vacated. Under the agreement, the Group paid EUR1,611,000 (approximately US$2.0 million) to the vendor in May 2012 and the balance of the cash consideration of EUR29,820,000 (approximately US$39.3 million based on exchange rate prevailing at year end 2012) is payable once the remaining tenants are vacated. The Group provided a bank guarantee of EUR30.60 million (approximately US$40.4 million) issued in favour of the vendor to secure the payment of the balance of the cash consideration.

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(iv) Kunming City, Yunnan Province, Mainland China

On 13 June 2012, the joint venture company formed between the Group, a wholly owned subsidiary of KPL and Moneyeasy Holdings Limited ("**MHL**") won the land bid for the land use rights of the project sites in Kunming City, Yunnan Province in Mainland China which are designated for hotel and commercial uses. Pursuant to the master joint venture agreements, the joint venture company was established and owned as to 45% by the Group, 35% by KPL and 20% by MHL. The Group's 45% share of the maximum total investment amount will be Renminbi 481.5 million (approximately US$77.3 million). KPL is a subsidiary of the Company's controlling shareholder, KGL. The Group is now discussing the conceptual design for this development with KPL and MHL.

(v) Shangri-La Hotel, Sydney

On 22 June 2012, the Group entered into a sale and purchase agreement with the hotel owner to acquire 100% equity interest in a group of project companies which own the existing Shangri-La Hotel, Sydney at a cash consideration of A$352.5 million (approximately US$371.0 million). The acquisition was completed on 18 September 2012. The Group recorded in its consolidated income statement a negative goodwill of US$16.0 million, being the excess of the fair value of the net identifiable assets of the acquired subsidiaries over the cash consideration, and an expense of US$18.8 million for stamp duty payment.

(vi) 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, office, serviced apartments and a large-scale commercial retail mall complex. Completion of the acquisition is subject to certain conditions. On 23 December 2011, the Group and 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. Following the obtaining of necessary approvals from the local government authorities and completion of certain changes in local registration, the acquisition was completed in mid September 2012 and the Group recorded in its consolidated income statement a negative goodwill of US$6.6 million, being the excess of the fair value of the net identifiable assets of the acquired associate over the cash consideration. The Group's 25% share of the maximum total investment amount will be Renminbi 1,500 million (approximately US$240.8 million). Development work is on-going.

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 as at 31 December 2012 is estimated at US$3,352 million including US$1,488 million payable in the next 12 months which is expected to be sourced from the recurring operating cashflow, available and new bank facilities and cash balances.

7. DISPOSAL AND DILUTION OF INTEREST

(a) Hambantota and Colombo, Sri Lanka

The Group acquired land sites in Colombo for a high-end composite development and in Hambantota for resort development in recent years and commenced construction in February 2012. In September and November 2012, the project companies for these two projects issued new shares to certain subsidiaries of Wilmar International Limited ("**WIL**") and the Group diluted its interest in these two projects to 90%. The dilution will strengthen the co-operation between the Group and WIL.

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

On 19 December 2012, the Group and a wholly owned subsidiary of KPL entered into sale and purchase agreements pursuant to which the KPL subsidiary will acquire from the Group its entire holding of 25% of the equity interest in each of the project companies which own the land use rights of two land sites in Bayuquan, Yingkou City, Liaoning Province in Mainland China for a high-end composite development for an aggregate cash consideration of Renminbi 100,268,000 (approximately US$16.1 million). Completion of the disposal 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 aggregate consideration was arrived at based on arm's length negotiations by reference to the net asset value of the project companies and the market value of the land sites and property under development. As KPL, the major shareholder of the project companies, has proposed that the hotel element will only form a relatively small part of the entire project, the Group concluded that this no longer conforms to its investment strategy. While it is currently estimated that the Group will not record a loss on disposal, this disposal will allow the Group to retain cash resources for other investment opportunities.

(c) Shangri-La Hotel, Zhongshan, Mainland China

Subsequent to the year end, on 1 February 2013, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire holding of 51% equity interest in a project company which owns Shangri-La Hotel, Zhongshan for a cash consideration of RMB129,530,000 (approximately US$20.6 million). Completion of the disposal 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 terminate the hotel management agreement shortly after completion of the transaction. After considering the hotel's historical financial performance and its prospects, the Group agreed to dispose of the investment at a fair price. It is currently envisaged that the Group will record a marginal profit on disposal.

8. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

As at the date of this Annual Report, the Group has 19 management agreements in respect of operating hotels owned by third parties.

Currently the Group has agreements on hand for development of 7 new hotels owned by third parties. The development projects are located in Bengaluru (2 hotels) and Chennai (India), Chongqing (Mainland China), Doha (2 hotels) (Qatar) and Iskandar (Malaysia).

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.

MANAGEMENT DISCUSSION & ANALYSIS

9. PROSPECTS

Uncertainties continue to plague the recovery of the global economy. The economies of the Euro zone are still confronting the challenges posed by the austerity measures imposed on several constituent governments which will inevitably depress prospects for an early recovery of these economies. The world's largest economy, the United States of America, which is showing feeble signs of economic recovery is now struggling with the effects of a reduction in the national debt ceiling. Several global corporations continue to exercise a conservative attitude towards travel and associated spending, although the general outlook is more favourable than it was a year ago. The Mainland Chinese economy continues to maintain a good GDP growth rate and with the newly appointed leadership and the government focused on stimulating the domestic economy as its principal economic priority, the Group should be well positioned to benefit from the effects of this policy. The rest of the South East Asian economies are generally enjoying stable growth rates.

On the supply front, the Group's hotels in several Mainland Chinese cities have confronted the emergence of new competition. However, this has not resulted in alarming declines of RevPAR in these cities. Given the Group's long experience in the hotel sector in Mainland China, it is confident that with robust GDP growth rates of several cities in which its hotels are operating, the additional competitive supply will be absorbed by the demand growth within the shortest possible time.

The operating performance of the Group's recently opened hotels in Paris and Tokyo has shown remarkable turnaround and these hotels have established an enviable reputation for the brand with impeccable product and service standards.

The Group remains cautiously optimistic about the operating performance of its hotel portfolio for 2013.

Net profit after tax from the Group's investment properties continues to register impressive year on year growth as the newly opened mixed use complexes in Mainland China ramp up yields. The Group's share of the net profit after tax for all of the Group's investment properties whether held through subsidiaries or associates (excluding revaluation gains) grew by 31.6% in 2012 to US$81.5 million. It is expected that this number will continue to grow over the next few years as the new investments open for business and the older ones mature in terms of their yield potential. This will provide an important source of material and recurring profit streams which will provide greater stability to the Group's future earnings.

10. HUMAN RESOURCES

As of 31 December 2012, the Company and its subsidiaries had approximately 28,700 employees. The headcount of all the Group's managed hotels and resorts totaled approximately 43,700. Salaries and benefits, including provident fund, insurance and medical cover, housing, share option schemes and share award scheme were maintained at competitive levels. Bonuses were awarded based on individual performance as well as the financial performance of business units.

The share option scheme of the Company which was adopted by the Shareholders in 2002 expired on 23 May 2012 such that no further options shall thereafter be offered. A new option scheme was adopted by the Shareholders on 28 May 2012. Details of these two schemes are provided in the section headed "Share Option Schemes" of the Directors' Report . The Group has not granted any new options in 2011 and 2012. There was no charge to the income statement during the Financial Year for options granted in prior years.

A new share award scheme was adopted by the Shareholders on 28 May 2012 and its details are provided in the section headed "Share Award Scheme" of the Directors' Report. The Group has not granted any shares under the share award scheme in 2012.

The Group's total employee benefit expenses (excluding Directors' emoluments) amount to US$621,351,000 (2011: US$565,122,000).

The Group remains committed to developing its human capital.

Performance Management and Talent Development

The Group remunerates its employees based on skills, experience and professional qualifications, and employees are rewarded on their contribution to organizational success. The Group continues to improve and refine the way in which the Talent Management System is implemented consistently across all hotels. In 2012, 100% of permanent employees received an annual performance development review.

In 2011, lack of opportunity for career progression in the Group was identified as the primary reason for leaving employment. In response to this challenge, the Human Capital Review process was introduced. This aims to identify and promote the top performing candidates in every hotel. To further aid impacting this area, the internal transfer and promotion process was streamlined, automated with full transparency of all opportunities across the Group. In 2012, 15.7% of permanent employees transferred or were promoted into new positions with the Group.

Over the year, the turnover rate of all permanent employees improved from 27% to 25%. Hotels are held accountable for strategies to reduce turnover that are especially relevant to their local conditions. This includes mentoring programmes, cross-exposures to other divisions or hotels, skills and leadership training programmes. Compared to industry standards, turnover amongst the Group's senior management is consistently below the average, within the range of 5% to 10% per year. The average length of service of hotel General Managers with the Group is nearly 13 years.

The Shangri-La Academy located in Zhuhai, 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 7,700 employees through its four core certificate programmes, its diploma programme and its various management development programmes. The curriculum is regularly reviewed to add new courses.

CORPORATE SOCIAL RESPONSIBILITY

The Company has had a long history of commitment to building a community of responsible and educated citizens who are environmentally conscious, practice social responsibility in their daily lives and inspire others to do the same.

The Group strengthened leadership in social responsibility by assigning oversight of all environment, social and governance issues to the Executive Committee. This demonstrates stronger ownership and better corporate governance that ensures sustainable operations from top-down. This also ensures that the Company continues to perform well as a constituent of the Hang Seng Sustainability Index.

In 2011 the Group published its first Sustainability Report for the fiscal year 2010. The Company 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, social investment and governance. Global benchmarking has also extended to the membership of the United Nations Global Compact and participation in the Carbon Disclosure Project. In recognition of its efforts in environmental, social and governance areas, the Company rose higher on the RepuTex Honour Board in 2012, and has been assigned an "AA" rating. Ranked 11th on the list of more than 600 companies in Hong Kong, the Group remains the only hotel brand represented on the list.

Highlights for 2012 include improvements in the supply chain processes by issuing an enhanced Supplier Code of Conduct highlighting human rights and ethical principles to all its business partners. This is a step towards fulfilling the principles of both the United Nations Global Compact as well as responding to the requirements in corporate governance of HKSE. The Company also embarked on a green procurement programme, most recognized through its sustainable seafood campaign.

By year end, the Group achieved more sustainable operations by decreasing overall energy consumption despite hotel development/ expansion. A total of 45 hotels are now certified under the ISO 14001 Environmental Management System and 32 hotels have completed the OHSA 18001 Occupational Health and Safety Management System bringing the Group closer to its goal of an Integrated Management System.

Colleague engagement remains at 95% satisfaction rate, making it the highest contributor to overall employment satisfaction in the Financial Year. A CSR training module was administered to over 35,000 colleagues to promote greater awareness and understanding of global sustainability issues. Volunteerism has risen to 40% of every hotel's headcount, up from over 20% in 2011. Both colleagues and guests now have higher participation rates in local community activities under *Embrace, Shangri-La's Care for People* programme which focus on children's health and education projects and conservation activities under *Sanctuary, Shangri-La's Care for Nature* programme. In 2012, Sanctuary opened new water, nature reserve and conservation projects in Mainland China, including the Care for Panda project in Chengdu.

The Company has issued its second Sustainability Report along with this Annual Report. It follows the fiscal years January 2011 through December 2012 and is based on the Global Reporting Initiative Version 3.1 Guidelines (GRI G3.1). It is a voluntary report which has not been independently verified but has been checked by GRI to achieve Level B. The report is available at the Company's business website at www.shangri-la.com and at the Company's corporate website at www.ir.shangri-la.com as well as at the HKSE's information dissemination system.

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 and proposes a final dividend of HK10 cents per Share for the Financial Year.

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

RESERVES

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

DONATIONS

Charitable donations and other donations made by the Group during the Financial Year amounted to US$693,000.

PROPERTY, PLANT AND EQUIPMENT INVESTMENT PROPERTIES

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

PRINCIPAL PROPERTIES

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

PRE-EMPTIVE RIGHTS

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

SHARE CAPITAL

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

REPORT OF THE DIRECTORS

SUBSIDIARIES AND ASSOCIATES

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

PARTICULARS OF BANK LOANS AND OVERDRAFTS

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

MANAGEMENT CONTRACTS

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

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 the period thereafter 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 *(ceased as a Director on 30 March 2012)*
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

Mr KUOK Khoon Ean, Mr Gregory Allan DOGAN, Mr Alexander Reid HAMILTON and Mr Timothy David DATTELS 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 Nomination Committee, on behalf of the Board, has assessed the independence of each existing Independent Non-executive Directors and 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 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	1,566,219,154	50.01
KHL *(Notes 1 and 2)*	Beneficial owner	76,332,421	2.44
	Interest of controlled corporations	1,418,820,819	45.30
Caninco Investments Limited ("**Caninco**") *(Note 2)*	Beneficial owner	506,297,599	16.17
	Interest of controlled corporation	137,620,204	4.39
Paruni Limited ("**Paruni**") *(Note 2)*	Beneficial owner	335,041,480	10.70
	Interest of controlled corporation	22,018,019	0.70
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 as interested are also included in the Shares in which KGL is shown as interested.

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

DIRECTORS' INTERESTS

As at Year End, the interests and short positions of the Directors in shares, underlying shares and debentures in/of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) ("**Associated Corporation(s)**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and HKSE pursuant to the Securities Model Code were as follows:

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

Name of company	Name of Director	Class of shares	Number of shares held: Personal interests	Family interests	Corporate interests	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	735,977	–	127,651,755 *(Note 3)*	128,387,732	4.099
	HO Kian Hock *(Alternate to HO Kian Guan)*	Ordinary	–	–	127,651,755 *(Note 3)*	127,651,755	4.076
Associated Corporation							
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 Option Schemes" of this Directors' Report.

DIRECTORS' DEALINGS

During the Financial Year, the particulars of the deemed dealings in Shares by the Directors (other than exercise of share options) having been notified to the Company are set out below:

Director	Dealing entity	Date of dealing	Number of Shares bought/ (sold)	Dealing price(s) per Share (HK$)
Mr HO Kian Guan	N/A	28 March 2012	10,000	17.00
	N/A	17 April 2012	4,000	16.66

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).

REPORT OF THE DIRECTORS

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:

(1) Mr HO Kian Guan and Mr HO Kian Hock are substantial shareholders and directors of the company which holds River View Hotel, Singapore. Mr HO Kian Guan and Mr 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:

(a) 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 programme; and/or

(b) 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. The Board is independent of the board of each of the abovementioned companies carrying on the competing businesses.

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

(2) Mr KUOK Khoon Ean, Mr LUI Man Shing and Mr Madhu Rama Chandra RAO are directors of some of the subsidiaries of KPL. The principal businesses of KPL include (a) property development in Hong Kong, China and the Asia Pacific region, and/or (b) hotel ownership and operations in Hong Kong and China.

For the companies to which each of Mr KUOK Khoon Ean and Mr Madhu Rama Chandra RAO is a director and part of the companies to which Mr LUI Man Shing is a director, the Group maintains interest in each of such companies and such Directors' directorship in each such company represents the interest of the Group.

For the companies to which Mr LUI Man Shing is a director and in which the Group maintains no interest, the business activity of each such company is property development. Each such company and the Group do not have direct competition in the same business activity in the same geographical location.

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

SHARE OPTION SCHEMES

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

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

(1) Purpose of the Option Scheme

The purpose of the Option Scheme is to motivate eligible participants of the Option Scheme to optimize their future contributions to the Company and its subsidiaries and associates, and the entities 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) Eligible participants of the Option Scheme

The eligible participants of the Option Scheme include:

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

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

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

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

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

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

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

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

(i) any person approved by Shareholders; and

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

(3) Life of the Option Scheme

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

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

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

As at the date of this Directors' Report, only the 2012 Option Scheme was in effect and options with right to subscribe for a total of 313,165,679 Shares (representing nearly 10% of the issued share capital thereby) were available for grant under the 2012 Option Scheme.

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

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

(6) Exercise period

The period 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 beyond 10 years commencing on the date of grant of an option. The minimum period for which an option must be held (if any) or the fulfilment of any condition (if any) before it can be exercised shall be determined by the Board upon the grant of an option. The amount payable on acceptance of an option is HK$1 under the 2002 Option Scheme and nil under the 2012 Option Scheme. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.

(7) Exercise price for Shares under the Option Scheme

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

(a) the nominal value of a Share;

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

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

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

Grantees	Date of grant	Tranche	Number of option shares						Exercise price per option share HK$	Exercise period
			Held as at 1 January 2012	Transferred from other category during the year	Transferred to other category during the year	Exercised during the year	Lapsed during the year	Held as at 31 December 2012		
2002 Option Scheme										
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 (ceased as a Director on 30 March 2012)	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 2012	Transferred from other category during the year	Transferred to other category during the year	Exercised during the year	Lapsed during the year	Held as at 31 December 2012	Exercise price per option share HK$	Exercise period
2002 Option Scheme (continued)										
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	–	–	(90,000)	–	–	6.81	29 May 2003 – 28 May 2012
	29 May 2002	II	90,000	–	–	(90,000)	–	–	6.81	29 May 2004 – 28 May 2012
	28 April 2005	I	1,510,000	–	(90,000)	(200,000)	–	1,220,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	1,855,000	–	(90,000)	(250,000)	–	1,515,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	1,000,000	–	(40,000)	(67,500)	(52,500)	840,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	1,135,000	–	(40,000)	(85,000)	(52,500)	957,500	14.60	16 June 2008 – 15 June 2016

Grantees	Date of grant	Tranche	Number of option shares: Held as at 1 January 2012	Transferred from other category during the year	Transferred to other category during the year	Exercised during the year	Lapsed during the year	Held as at 31 December 2012	Exercise price per option share HK$	Exercise period
2002 Option Scheme (continued)										
3. Other participants	29 May 2002	II	40,000	–	–	(40,000)	–	–	6.81	29 May 2004 – 28 May 2012
	28 April 2005	I	–	90,000	–	(50,000)	(40,000)	–	11.60	28 April 2006 – 31 December 2012
	28 April 2005	I	715,000	–	–	–	–	715,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	–	90,000	–	(50,000)	(40,000)	–	11.60	28 April 2007 – 31 December 2012
	28 April 2005	II	715,000	–	–	–	–	715,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	–	40,000	–	–	(40,000)	–	14.60	16 June 2007 – 31 December 2012
	16 June 2006	I	519,000	–	–	–	–	519,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	–	40,000	–	–	(40,000)	–	14.60	16 June 2008 – 31 December 2012
	16 June 2006	II	732,500	–	–	–	–	732,500	14.60	16 June 2008 – 15 June 2016
Total			9,456,500	260,000	(260,000)	(1,022,500)	(265,000)	8,169,000		

Notes:

1. No options were cancelled during the Financial Year.

2. No options were granted under any Option Scheme during the Financial Year.

SHARE AWARD SCHEME

A share award scheme of the Company was adopted by Shareholders on 28 May 2012 ("**Award Scheme**"). Subsequent to the adoption of the Award Scheme, the Board resolved to impose further restraints/limits on the Award Scheme and such changes took effect on 10 August 2012.

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

(1) Purpose of the Award Scheme

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

(2) Qualified participants of the Award Scheme

The qualified participants of the Award Scheme include:

(a) a director;

(b) an employee; or

(c) an officer,

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

(3) Life of the Award Scheme

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

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

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

As at the date of this Directors' Report, a maximum of 93,965,483 Shares (representing 3% of the issued share capital thereby) were available for grant under the Award Scheme.

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

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

(6) Vesting

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

(7) Consideration for Shares granted under the Award Scheme

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

(8) Operation and administration of the Award Scheme

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

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

CONNECTED 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 13 and 17 April 2012, the Company acquired in the secondary market through a professional financial institution certain guaranteed notes which were issued by Wiseyear Holdings Limited ("**KPL Issuer**", a subsidiary of KPL) and were unconditionally and irrevocably guaranteed by KPL. The notes purchased included (i) 5% guaranteed notes due 2017 in the principal amount of US$20,000,000 acquired at a total consideration (inclusive of accrued interest, transaction fees and expenses) of US$20,905,000; and (ii) 5.875% guaranteed notes due 2021 in the principal amount of US$9,000,000 acquired at a total consideration (inclusive of accrued interest, transaction fees and expenses) of US$9,335,562.50.

The above funds were raised from medium term fixed rate bonds a large portion of which was used to finance new development projects. Pending investment into new projects, part of the bonds were temporarily invested in good quality bonds issued by large multinational enterprises to reduce the interest burden.

As at Year End, all the above notes purchased have been disposed of with disposal gain recorded.

KPL Issuer is a subsidiary of KPL which is a subsidiary of KGL (Substantial Shareholder). Accordingly, KPL Issuer is a connected person of the Company, and the acquisitions of the said notes constituted the provision of financial assistance by the Company to a connected person and thus connected transactions for the Company. The transaction also constitutes a related party transaction in accordance with HKFRS and is disclosed in Note 40(h) to the Financial Statements.

(2) On 23 May 2012, the Company and Metropolitan Bank & Trust Company ("**Lender**", a bank incorporated in the Philippines) entered into a continuing suretyship agreement ("**Suretyship Agreement**") pursuant to which the Company granted suretyship in favour of the Lender in relation to 50% of the payment obligations for a term loan of Philippines Pesos 10,000,000,000 extended by the Lender to Fort Bonifacio Shangri-La Hotel, Inc ("**Fort Bonifacio**"), a company owned by the Company, Shang Properties, Inc ("**SPI**", a company owned as to approximately 34.61% by KPL and the shares in which are listed on the Philippines-SE) and Alphaland Corporation ("**Alphaland**", a company in which Mr Roberto V ONGPIN, a Non-executive Director, is deemed to be interested in approximately 17.06% and the shares in which are listed on the Philippines-SE) as to 40%, 40% and 20% respectively.

As a condition of the Company's provision of the suretyship, Alphaland entered into a counter-guarantee and indemnity agreement in favour of the Company to indemnify the Company such that any amounts paid by the Company in respect of the Suretyship Agreement would reflect its 40% equity interest in Fort Bonifacio.

SPI is an associate of KPL which is a subsidiary of KGL (Substantial Shareholder). Accordingly, SPI is a connected person of the Company. Each of the Company and SPI is interested in Fort Bonifacio as to 40%. Accordingly, the suretyship granted by the Company under the Suretyship Agreement for the benefit of Fort Bonifacio constituted a connected transaction for the Company. The arrangement also constitutes a related party transaction in accordance with HKFRS and the utilized amount of the suretyship as at Year End is included in the balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group under Note 40(d) to the Financial Statements.

(3) On 4 June 2012, Shangri-La China Limited ("**SACL**", a subsidiary of the Company), Kerry Properties (China) Limited ("**KPCL**", a subsidiary of KPL) and Moneyeasy Holdings Limited ("**MHL**") entered into a shareholders agreement for the purpose of their joint venture of Shangri-La International Hotels (Kunming) Limited ("**Kunming JVCO**"), owned as to 45% by SACL, 35% by KPCL and 20% by MHL.

On 13 June 2012, Kunming JVCO won the land bid at the public bidding for the land use rights of the project sites in Kunming City, Yunnan Province, China at a consideration of RMB214.07 million.

On 14 June 2012, SACL, KPCL and MHL entered into a supplemental shareholders agreement. Pursuant to the aforesaid shareholders agreements, the maximum total investment amount of the Kunming JVCO would be RMB1,070 million to which the Group would contribute not more than RMB481.5 million in proportion to its equity interest in the Kunming JVCO.

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

(4) On 18 May 2012, Shangri-La Ulaanbaatar Hotel LLC ("**SLUH**"), a company owned as to 51% by the Company and 49% by MCS Properties Holding LLC ("**MCSP Holding**"), entered into a letter of award pursuant to which SLUH has awarded to Samsung C&T Corporation ("**Samsung CTC**") the main contract works for its phase II development in Ulaanbaatar at the contract sum of MNT375,904,233,782.75 (equivalent to approximately US$270 million).

On 26 September 2012, SLUH, Samsung CTC and SCTM LLC ("**SCTM**", a company owned as to 70% by Samsung CTC and 30% by MCS Property LLC ("**MCS Property**", a wholly owned subsidiary of MCSP Holding)) entered into a novation deed whereby Samsung CTC novated the main contract works to SCTM.

MCSP Holding is a substantial shareholder of SLUH, a subsidiary of the Company. MCSP Holding owns (through MCS Property, its wholly owned subsidiary) 30% in SCTM and SCTM is an associate of MCSP Holding. Accordingly, SCTM is a connected person of the Company and the entering into of the novation agreement as described above and the transactions contemplated thereunder constituted a connected transaction for the Company.

(5) On 19 December 2012, SACL (a subsidiary of the Company) and KPCL (a subsidiary of KPL) entered into two sale and purchase agreements pursuant to which SACL agreed to sell to KPCL its entire 25% equity interest in each of Zhanfeng Real Estate (Yingkou) Co, Limited and Zhanye Real Estate (Yingkou) Co, Limited (altogether "**Yingkou JVCOs**", and each owned by SACL, KPCL and WCA Pte Limited as to 25%, 40% and 35% respectively) at a total consideration of RMB100,268,000, subject to adjustment by the amount equivalent to any further proportionate capital (if any) required to be paid by SACL to the Yingkou JVCOs before completion. The consideration was arrived at by reference to the net asset value of the Yingkou JVCOs and the market value of the land sites and property under development held by the Yingkou JVCOs.

No material gain/loss to the Group would be expected on completion of the above disposal.

KPCL is wholly owned by KPL which is a subsidiary of KGL (Substantial Shareholder). Accordingly, KPCL is a connected person of the Company, and the entering into of the sale and purchase agreements as described above and the transactions contemplated thereunder constituted connected transactions for the Company. The transaction also constitutes a related party transaction in accordance with HKFRS and is disclosed in Note 40(g) to the Financial Statements.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

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

(1) On 28 January 1995, the Company entered into a discloseable and connected transaction to acquire various hotel interests from certain parties, including connected persons of the Company. Included in these hotel interests was Edsa Shangri-La, Manila ("**Edsa Shangri-La Hotel**") which is built on land leased from Shang Properties, Inc ("**SPI**") under a 25-year lease commencing in 1992, with an option to renew the lease for a further term of 25 years. Upon expiration of the further term, SPI agrees to grant to Edsa Shangri-La Hotel & Resort, Inc (the owner of Edsa 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$1,929,000 (2011: US$1,853,000) was paid to SPI under the said lease.

(2) SLIM-HK and its fellow subsidiaries provided 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 a member of SLIM and each of the said connected persons of the Company. The provision of Hotel Management Services to the following entities remained as continuing connected transactions for the Company during the Financial Year and are required for disclosure in this Annual Report:

(a) Traders Hotel, Singapore

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

(b) Kerry Hotel, Beijing

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

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

Hotel	Date of transaction	Nature of agreement	Counter party	Aggregate amount received by SLIM 2012 (US$)	2011 (US$)
(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	2,022,000	2,077,000
(b) Kerry Hotel, Beijing	30 June 1998, as supplemented by the supplemental agreement dated 26 September 2011	Management and marketing services agreement	BKH	1,657,000	1,193,000

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

In view of the transaction amount involved, the transaction of (b) above became an exempt continuing connected transaction for the Financial Year but remains constituting a related party transaction in accordance with HKFRS and the amount of this transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) to the Financial Statements.

(3) On 7 May 2009, Shangri-La Ulaanbaatar LLC ("**SLUL**"), a non-wholly owned subsidiary of the Company, as landlord, entered into (a) a tenancy agreement with each of (i) MCS Holding LLC ("**MCS Holding**") and (ii) Green Catering LLC ("**Green Catering**") in relation to the leases of various office premises of an office building in Ulaanbaatar, and (b) a master licence agreement with MCS Holding in relation to the licences of car parking spaces at the same office building.

(a) Pursuant to the tenancy agreements:

(i) MCS Holding leased as lessee certain office premises for a term of 3 years from 7 May 2009 to 6 May 2012 at a monthly rental of US$209,260.50 and monthly management fee of US$34,305 (subject to periodic revision and re-adjustment); and

(ii) Green Catering will lease as lessee certain office premises for a term of 3 years from 7 May 2009 to 6 May 2012 (which was subsequently revised to defer to the period from 1 October 2009 to 30 September 2012) at a monthly rental of US$63,159 and monthly management fee of US$11,095.50 (subject to periodic revision and re-adjustment),

exclusive of value-added tax, government levies and taxes and other outgoings required by the laws and regulations.

(b) Pursuant to the master licence agreement, SLUL 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 to 6 May 2012.

In substitution for the requirement of payment of rental deposits under the tenancy agreements, Mr Odjargal JAMBALJAMTS ("**OJ**") had provided a guarantee in favour of SLUL in the form of guarantee letters to guarantee performance of MCS Holding and Green Catering under the tenancy agreements.

MCS Holding and Green Catering are wholly owned by MCS (Mongolia) Limited 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, the 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 up to the end of the original lease/licence periods on 6 May 2012:

	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 period from 1 January 2012 up to 6 May 2012, an aggregate amount of US$1,190,000 (2011: US$3,388,000) 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 have been 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-HK and Shanghai Pudong Kerry City Properties Co, Limited ("**SPKCP**", a company owned as to 23.2% by the Company, 40.8% by KPL, 16% by Allgreen, and 20% by a third party) entered into a hotel management agreement pursuant to which SLIM-HK was appointed as the manager to provide hotel management services including hotel management, marketing, communication and reservation services to Kerry Hotel Pudong, Shanghai ("**KHPU**"), a hotel owned by SPKCP.

SPKCP is an associate of KPL which is a subsidiary of KGL (Substantial Shareholder). Accordingly, SPKCP is a connected person of the Company at holding level, and the 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$3,145,000 (2011: US$1,811,000) was received from SPKCP. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(b) to the Financial Statements.

(5) On 18 November 2010, SLIM-HK and Ubagan Limited ("**Ubagan**"), a subsidiary of KGL (Substantial Shareholder), entered into an offer letter pursuant to which SLIM-HK agreed to lease from Ubagan various office premises on 20/F, 21/F, 27/F, 28/F and 29/F 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 the same date, SLIM-HK and Ubagan also entered into two licence agreements pursuant to which Ubagan agreed to grant licences to SLIM-HK for using 14 floating car parking spaces and 5 fixed car parking spaces at Kerry Centre commencing from 19 November 2010 until the expiration of the term of the above mentioned lease or such other date as may be otherwise agreed to be terminated by both parties. The monthly licence fees for each floating car parking space and each fixed car parking space are respectively HK$2,500 and HK$3,200, which are subject to revision from time to time.

There were subsequent new and/or termination of lease(s) or licence(s) entered into between SLIM-HK and Ubagan on various dates in relation to various units of office premises and/or car parking spaces due to relocation of certain offices and/or business expansion. Up to the Year End, the changes in such lease(s) and licence(s) included:

(a) Office Lease(s)

(i) Pursuant to a tenancy agreement dated 9 November 2011, additional office premises on 7/F at Kerry Centre was leased to SLIM-HK 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 rental term commencing from 1 October 2011. This lease was terminated with effect from 22 November 2012.

(ii) Pursuant to a tenancy agreement dated 18 September 2012, additional office premises on 19/F at Kerry Centre was leased to SLIM-HK at a monthly rental of HK$667,600 and monthly management fee and air-conditioning charge of HK$108,485 (subject to revision) for rental term commencing from 15 August 2012.

(b) Car Parking Licence(s)

As at Year End, a total of 15 floating car parking spaces and 5 fixed car parking spaces at Kerry Centre were licensed to SLIM-HK at monthly licence fees of respectively HK$2,500 and HK$3,200 each, 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 rentals and fees payable under the lease and the licence agreements entered into on 18 November 2010 and taking into account the possible additional cost for the management fee and air-conditioning charge, and any further lease(s) or licence(s) of additional office premises or car parking space(s) in the event of business expansion of the Group, the Company has set annual cap for each of the following financial years:

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

For the Financial Year, an aggregate amount of US$6,389,000 (2011: US$5,621,000) was paid to Ubagan. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the payment of office rental, management fees and rates under Note 40(a) to the Financial Statements.

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

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

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

As the Jing An Hotel is expected to be opened in 2013, no fee has yet been received from SJXP during the Financial Year.

The continuing connected transactions mentioned in (1) to (6) above have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

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

The Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.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, China	1	Shangri-La Hotel	100%	50,700	79,512	482	–	Interior renovation in progress	Mid 2013	10 Chun Qiu Road, Qufu, Shandong, China
Shanghai, China	2	Jing An Shangri-La (part of Jing An Kerry Centre)	49%	N/A	73,664	508	–	Completion verification in progress	Mid 2013	1238 & 1288 Yanan Zhong Road, 1537 & 1565 Nanjing Xi Road, Jing An District, Shanghai, China
Shenyang, China	3	Shangri-La Hotel (part of Shenyang Kerry Centre)	25%	N/A	61,087	424	38	Superstructure work completed and internal work in progress	Mid 2013	Lot No. 2007-053, No. 8 Golden Corridor, 113 Qingnian Da Street, Shenhe District, Shenyang, China
Lhasa, China	4	Shangri-La Hotel	100%	30,509	45,205	285	–	Main tower structural work completed Interior renovation in progress	Late 2013	19 LuoBuLingKa Road, Lhasa, Tibet, China
Paris, France	5	Shangri-La Hotel (Extension)	100%	3,953	15,176	20	–	Interior renovation in progress	Mid 2013	10 Avenue d'Iéna, Paris, 75116, France
Istanbul, Turkey	6	Shangri-La Hotel, Bosphorus	50%	5,417	16,414	186	–	Interior renovation in progress	Mid 2013	Sinanpasa Mth, Hayrettin Iskelesi Street, Deniz Muzesi Yani Besiktas, Istanbul, Turkey
Bali Nusa Dua, Indonesia	7	Shangri-La Hotel and golf club	49%	68,556	46,553	232	38	Structural work in progress	Late 2013	Lot S-5 Bali Golf Kawasan, Nusa Dua, Bali, Indonesia
Sanya, China	8	Shangri-La Hotel	100%	179,111	85,362	506	18	Main tower structural work completed Mechanical and engineering installation in progress	Mid 2014	88 Hai Tang North Road, Haitang Bay Town, Sanya, China

Location		Properties	Group's effective interest as at Year End	Approximate total site area (m²)	Approximate total gross floor area (m²)	Number of projected rooms	Number of apartments or villas	Stage of completion	Projected opening	Address
Ulaanbaatar, The Republic of Mongolia	9	Shangri-La Hotel	51%	30,000	32,782	290	–	Main tower structural work completed	2014	North East of National Amusement Park Place, Khoroo 1 of Sukhbaatar District, Ulaanbaatar, The Republic of Mongolia
Tangshan, China	10	Shangri-La Hotel (part of composite development)	35%	N/A	56,419	436	–	Superstructure work in progress	2014	Da Li Road, Changhong Street, Chaoyang Street, Feng Huang Xin Cheng, Tangshan, China
Nanjing, China	11	Shangri-La Hotel (part of composite development)	55%	N/A	85,943	503	40	Superstructure work in progress	2014	331 Zhong Yang Road, Gu Lou District, Nanjing, China
Diqing, China	12	Shangri-La Hotel	100%	24,872	39,384	225	–	Foundation work in progress	2014	5 Chi Ci Ka Road, Shangri-La County, Diqing Tibetan, Yunnan Province, China
Heifei, China	13	Shangri-La Hotel	100%	20,000	111,598	498	–	Basement in progress	2014	Northeast of the Intersection of the Northern 1st Ring Road and Jieshou Road, Luyang District, Hefei City, Anhui Province, China
Qinhuangdao, China	14	Shangri-La Hotel	100%	39,860	75,745	326	–	Superstructure work completed	2014	Lot No. 5, Golden Dream Bay, Haigang District, Qinhuangdao, Hebei Province, China
Tianjin, China	15	Shangri-La Hotel (part of Tianjin Kerry Centre)	20%	N/A	70,000	468	39	Superstructure work in progress	2014	Junction of Liuwei Road and Liujin Road, Hedong District, Tianjin, China
Nanchang, China	16	Shangri-La Hotel (part of composite development)	20%	N/A	76,475	468	–	Superstructure work in progress	2014	Lot No. B-7, Honggutan Central District, Nanchang, China

(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	17	Shangri-La Hotel	90%	588,413	42,821	374	29	Superstructure work in progress	2014	Lot B and C of Welliakkulebedda, District of Hambantota, Sri Lanka
Xiamen, China	18	Shangri-La Hotel	100%	13,852	110,240	599	34	Schematic design completed	2015	Southeast section of intersection of Taibei Road and Taidong Road, Guan Yin Shan Area, Land 03-07, Siming District, Xiamen, Fujian, China
Kota Kinabalu, Malaysia	19	Shangri-La's Rasa Ria Resort (Extension)	64.59%	N/A	12,286	81	–	Foundation work started	2015	Pantai Dalit Beach, Tuaran, Sabah, 89208, Malaysia
Harbin Songbei, China	20	Shangri-La Hotel	100%	40,000	100,000	583	41	Foundation work completed	2015	East of Hei Da Gong Road, North of the northern dike of Songhua River, Songbei District, Harbin City, China
Dalian, China	21	Shangri-La Hotel (Phase II)	100%	5,900	51,800	113	–	Piling and excavation completed	2015	Chang Jiang Road South, Zhi Gong Jie West, Zhi Fu Jie East, Zhongshan District, Dalian, China
Hangzhou, China	22	Shangri-La Hotel (part of Hangzhou Kerry Centre)	25%	N/A	46,763	417	–	Piling work in progress	2015	East to Yan An Road, South to Qing Chun Road, West to Planned Chang Shou Road, North to Hai Er Xiang, Xia Cheng District, Hangzhou, China
Bonifacio Global City, Metro Manila, The Philippines	23	Shangri-La Hotel (part of composite development)	40%	N/A	69,201	576	–	Superstructure work completed	2015	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, The Philippines

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
Jinan, China	24	Shangri-La Hotel (part of composite development)	45%	N/A	53,098	400	–	Schematic design in progress	2016	Site No. 2011-G043 to G044 South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, China
Colombo, Sri Lanka	25	Shangri-La Hotel (part of composite development)	90%	N/A	63,939	527	20	Retaining structure completed	2016	Between Galle Face green promenade and Beira Lake, Colombo, Sri Lanka
		Total				9,527	297			

(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, the United Kingdom	1	Shangri-La Hotel, at the Shard, London	N/A	N/A	17,652	202	–	Renovation in progress	Mid 2013	32 London Bridge Street, Southwark, London SE1, the United Kingdom
Singapore	2	Traders Orchard Gateway	N/A	N/A	24,971	502	–	Superstructure work in progress	2014	277 Orchard Road, Singapore
		Total				704	–			

(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, China	1. Composite development of Jing An Kerry Centre	49%	45,867		Completion verification in progress	Mid 2013	1238 & 1288 Yanan Zhong Road, 1537 & 1565 Nanjing Xi Road, Jing An District, Shanghai, China
	• Office			113,739			
	• Commercial			66,469			
Tangshan, China	2. Composite development	35%	101,107		Superstructure work completed Mechanical and engineering and external work in progress	Late 2013	Da Li Road, Changhong Street, Chaoyang Street, Feng Huang Xin Cheng, Tangshan, China
	• Residential			231,688			
	• Commercial			18,460			
Yangon, Myanmar	3. Composite development	55.86%	60,953		Interior renovation in progress	Late 2013	No. 150/150 (A), Kan Yeik Thar Road, Between Upper Pansodan Road and Thein Phyu Road, Mingalar Tuang Nyunt Township, Yangon, Myanmar
	• Serviced apartment			55,233			
Shenyang, China	4. Composite development of Shenyang Kerry Centre	25%	172,694		Superstructure work for office completed, mechanical and engineering in progress Superstructure work for residential in progress	2014	Lot No. 2007-053, No. 8 Golden Corridor, 113 Qingnian Da Street, Shenhe District, Shenyang, China
	• Residential			731,701			
	• Office			195,732			
	• Commercial			374,625			
Tianjin, China	5. Composite development of Tianjin Kerry Centre	20%	86,164		Superstructure work in progress	2014	Junction of Liuwei Road and Liujin Road, Hedong District, Tianjin, China
	• Residential			175,532			
	• Office			120,342			
	• Commercial			111,126			
	• Serviced apartment			22,000			
Nanjing, China	6. Composite development	55%	16,305		Superstructure work in progress	2014	331 Zhong Yang Road, Gu Lou District, Nanjing China
	• Commercial			871			

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
Nanchang, China	7. Composite development	20%	47,738		Piling work in progress	2015	Lot No. B-7, Honggutan Central District, Nanchang, China
	• Residential			81,998			
	• Office			71,012			
	• Commercial			9,204			
Bonifacio Global City, Metro Manila, The Philippines	8. Composite development	40%	15,120		Superstructure work in progress	2015	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, The Philippines
	• Residential			37,522			
	• Serviced apartment			17,554			
	• Commercial			4,405			
Yangon, Myanmar	9. Composite development	59.28%	4,280		Piling work in progress	2015	No. 223, Sule Pagoda Road, Pabedan Township, Yangon, Myanmar
	• Office			24,225			
	• Commercial			8,028			
Jinan, China	10. Composite development	45%	22,293		Schematic design in progress	2015	Site No. 2011-G043 to G044 South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, China
	• Office			32,470			
	• Commercial			6,083			
Hangzhou, China	11. Composite development of Hangzhou Kerry Centre	25%	67,374		Piling work in progress	2016	East to Yan An Road, South to Qing Chun Road, West to Planned Chang Shou Road, North to Hai Er Xiang, Xia Cheng District, Hangzhou, China
	• Office			11,670			
	• Commercial			105,141			
	• Serviced apartment			33,512			
Colombo, Sri Lanka	12. Composite development	90%	40,000		Retaining structure completed	2016	Between Galle Face green promenade and Beira Lake, Colombo, Sri Lanka
	• Office			30,000			
	• Residential			52,000			
	• Commercial			56,000			

(D) Properties under concept planning

Location	Purpose	Group's effective interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)	Address
Zhuhai, China	1. Hotel and training centre development	100%	110,046	81,239	Site No. 2011-03, Xiang Zhou Da Lang Wan South Side, Zhuhai City, China
Dalian Wolong Bay, China	2. Hotel	100%	47,615	151,094	Zhong Yang Chuang Zhi District, Xiao Yao Bay, Jin Zhou Xin District, Dalian, China
Zhoushan, China	3. Hotel	100%	28,541	85,623	LKC 1-3 Block of Lincheng Street, Dinghai District, Zhoushan, Zhejiang Province, China
Zhengzhou, China	4. Composite development	45%	44,573	221,570	East of Huayuan Road, South of Weier Road, Zhengzhou City, China
Putian, China	5. Composite development	40%	147,577	372,404	Yanshou Village, Longqiao Street Office, Chengxiang District and Xibai Village, Xitianwei Town, Lincheng District, Putian City, China
Kunming, China	6. Hotel	45%	15,446	85,630	No. 88-96 Dongfeng Road, Panlong District, Kunming, China
Hung Hom, Hong Kong	7. Hotel	100%	15,623	62,486	Junction of Hung Luen Road and Wa Shun Street, Hung Hom, Kowloon of Inland Lot No. 11205, Hong Kong
Accra, The Republic of Ghana	8. Hotel	100%	49,870	174,545	Airport North on Spintex Road, City of Accra, The Republic of Ghana

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

KUOK Khoon Ean
Chairman

Hong Kong, 21 March 2013

CORPORATE GOVERNANCE REPORT

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

DIRECTORS HANDBOOK

On 19 March 2012, the Board adopted a composite handbook ("**Directors Handbook**") comprising the Securities Principles and the CG Principles terms of both of which align with or are stricter than the requirements set out in, respectively, the Securities Model Code and the CG Model Code save for the positions of the Chairman and the CEO may be served by the same person. The Directors Handbook serves as a comprehensive guidebook for all Directors as well as a good orientation set for any new Director.

The Directors Handbook incorporates (amongst other things):

(1) Securities Principles

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

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

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

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

(2) CG Principles

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

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

(c) the terms of the corporate governance functions;

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

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

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

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

During the Financial Year after the first adoption of the Directors Handbook, the Board had considered and revised the Directors Handbook to reflect, amongst other things, the emphasis under the new rules under SFO regarding obligation to timely disclose price sensitive information which took effect on 1 January 2013 and the Group's implementation of measures to facilitate compliance with such new rules.

Before the adoption of the Directors Handbook, the Securities Model Code and the CG Model Code were the codes applicable to the Directors.

Code on securities transactions

The Securities Model Code and the Securities Principles were the codes for the Directors' securities transactions respectively for the period before and after the adoption of the Directors Handbook. The Company has made specific enquiry of each of the Directors and all the Directors have confirmed compliance with the respective codes throughout the Financial Year.

Besides, the code previously adopted by the Board for securities transactions by relevant employees and the Securities Principles were the codes for relevant employees ("**Relevant Employees**") in respect of their dealings in the securities of the Company respectively for the period before and after the adoption of the Directors Handbook. The codes which the Relevant Employees are obliged to comply are similar to those which the Directors are also obliged to comply except that the Relevant Employees are not required to fulfil the public filing requirement. The Company has made specific enquiry of each of the Relevant Employees and they have confirmed compliance with the respective codes throughout the Financial Year.

Code on corporate governance

The CG Model Code and the CG Principles were the codes for the Company's corporate governance respectively for the period before and after the adoption of the Directors Handbook and the Company has met the respective codes except for the deviation summarized below:

CG Model Code		Deviation and reason
A.2.1	The roles of the Chairman and the CEO should be separate and should not be performed by the same individual	Mr KUOK Khoon 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 and the COO, is also the president and chief executive officer of SLIM-HK, the hotel management subsidiary of the Company, which is entrusted with the primary responsibility of operating the assets of the Group.
C.3.7	Audit Committee should review arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters (should have been fulfilled by 1 April 2012)	Before 1 April 2012, the Audit Committee has formulated a whistleblowing policy (for internal users) which accommodates such requirement. The policy was subsequently issued in June 2012.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

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 which include the following major duties:

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

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

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

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

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

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

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

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

THE BOARD

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

Members, meetings held and attendance

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

Name of Director	Meetings attended/ eligible to attend
Executive Directors	
Mr KUOK Khoon Ean *(Chairman & CEO)*	4/4
Mr LUI Man Shing *(Deputy Chairman)*	4/4
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 *(ceased as a Director on 30 March 2012)*	0/1
Mr Roberto V ONGPIN	4/4
Independent Non-executive Directors	
Mr Alexander Reid HAMILTON	4/4
Mr Timothy David DATTELS	2/4
Mr WONG Kai Man	3/4
Mr Michael Wing-Nin CHIU	4/4
Professor LI Kwok Cheung Arthur	4/4

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

Name of Director	Attendance
Chairman	
Mr KUOK Khoon Ean	✓
Non-executive Directors	
Mr HO Kian Guan *(alternate – Mr HO Kian Hock)*	✓ (X)
Mr KUOK Khoon Loong Edward *(ceased as a Director on 30 March 2012)*	X
Mr Roberto V ONGPIN	✓
Independent Non-executive Directors	
Mr Alexander Reid HAMILTON	✓
Mr Timothy David DATTELS	X
Mr WONG Kai Man	✓
Mr Michael Wing-Nin CHIU	✓
Professor LI Kwok Cheung Arthur	✓
Total attendance	7/9

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

Directors' training

The Company encourages Directors to participate in continuous professional development to develop and refresh the knowledge and skills needed for acting as a Director of the Company. The Company also organizes presentations or trainings that help update Directors on the latest development of rules and regulations, keeps Directors informed of any external seminars that are suitable for Directors to attend, or updates Directors on the latest development of the Group.

During the Financial Year, the following trainings were arranged by the Company for the Directors:

(1) 28 May 2012 – Presentation by an external professional body in relation to amendments to Listing Rules and CG Model Code which took effect in 2012;

(2) 23 August 2012 – Presentation by an in-house executive in relation to the Group's mission, performance and latest developments in the area of corporate social responsibilities; and

(3) 10 December 2012 – Presentation by an external professional body in relation to the implementation of new rules under SFO regarding the obligation to timely disclose price sensitive information which took effect on 1 January 2013.

CORPORATE GOVERNANCE REPORT

The attendance of each of the Directors at of the above workshops and trainings is as follows:

Name of Director	Attendance (1)	(2)	(3)
Executive Directors			
Mr KUOK Khoon Ean *(Chairman & 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 *(alternate – Mr HO Kian Hock)*	✓ (X)	✓ (X)	✓ (X)
Mr KUOK Khoon Loong Edward *(ceased as a Director on 30 March 2012)*	N/A	N/A	N/A
Mr Roberto V ONGPIN	X	X	✓
Independent Non-executive Directors			
Mr Alexander Reid HAMILTON	✓	✓	✓
Mr Timothy David DATTELS	X	✓	X
Mr WONG Kai Man	✓	X	✓
Mr Michael Wing-Nin CHIU	✓	✓	✓
Professor LI Kwok Cheung Arthur	✓	✓	✓
Total attendance	9/11	9/11	10/11

During the Financial Year, some Directors also have attended other seminar(s), presentation(s) or forum(s) (including reading materials) organized/prepared by professional body(ies) or other listed company(ies). The topics or the brief particulars of such trainings are as follows:

(1) Mr KUOK Khoon Ean
- presentation on new statutory regime for disclosure of insider information
- accreditation programme for directors of public listed companies (Malaysia)
- readings in the following topics:
  - financial instrument fair value practices
  - anti-money laundering and counter-terrorist financing
  - plain language guide on connected transaction rules
  - stress-testing
  - new regulatory measures under SFO
  - corporate governance of locally incorporated authorized institutions
  - use of internal models approach to calculate market risk
  - new statutory regime for disclosure of insider information
  - board effectiveness

(2) Mr HO Kian Guan
- training on impact of amendments to listing requirements, Malaysian code on corporate governance 2012, optimizing IFRS convergence (Malaysia)

(3) Mr HO Kian Hock (alternate to Mr HO Kian Guan)
- training on impact of amendments to listing requirements, Malaysian code on corporate governance 2012, optimizing IFRS convergence (Malaysia)

(4) Mr Alexander Reid HAMILTON

- seminar on board effectiveness: "what works best"
- seminar on HKFRS updates and corporate governance
- briefing on revised corporate governance code introduced by HKSE
- participation at independent non-executive directors forums
- seminar on corporate governance and listing – "what comes next?"
- training on discussion on director's duties, continuing obligations and corporate governance
- briefing on new guidelines on disclosure of insider information issued by Securities and Futures Commission
- training on amendments to SFO in relation to the disclosure of insider information, corporate governance code and rule amendment in 2012, securities transactions by directors and related disclosure requirement
- readings in the following topics:
  - 2012 Listing Rules amendments
  - continuous disclosure obligations of issuers
  - disclosure of insider information or price sensitive information and guidelines
  - directors' practice notes
  - HKSE's consultation papers on board diversity, trading halts and environmental, social and governance reporting guide
  - passage of the new Companies Ordinance
  - US Foreign Corrupt Practices Act Jurisdiction in Asia Pacific: "to infinity and beyond"

(5) Mr WONG Kai Man

- briefing session on review of corporate governance code and associated listing rules
- seminar on corporate governance and listing
- conference of topic "embracing the economic landscape – 2012 and beyond"
- seminar on environmental, social and governance reporting
- participation at the ACCA CFO Summit Asia 2012
- seminar on retail strategy – navigating the China luxury market
- forum on corporate governance
- seminar on accounting, tax and legal updates
- briefing session on global regulatory briefing and update
- seminar on overview of the new statutory disclosure of inside information regime

(6) Professor LI Kwok Cheung Arthur

- participation at independent non-executive directors forums
- readings in the following topics:
  - financial instrument fair value practices
  - anti-money laundering and counter-terrorist financing
  - plain language guide on connected transaction rules
  - stress-testing
  - new regulatory measures under SFO
  - corporate governance of locally incorporated authorized institutions
  - use of internal models approach to calculate market risk
  - new statutory regime for disclosure of insider information
  - board effectiveness

CORPORATE GOVERNANCE REPORT

EXECUTIVE COMMITTEE

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

(1) constitution and share capital

(2) corporate objectives and strategy

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

(4) interim and annual results

(5) significant investments

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

(7) corporate governance and internal controls

(8) risk management

(9) major acquisitions and disposals

(10) material contracts

(11) Board members and Auditor

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

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

Member	Board capacity
Mr KUOK Khoon Ean *(chairman)*	Chairman & CEO
Mr LUI Man Shing *(appointed on 19 March 2012)*	Deputy Chairman
Mr Madhu Rama Chandra RAO	CFO

NOMINATION COMMITTEE

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

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

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

(3) to assess the independence of each newly proposed Independent Non-executive Director and 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 latest full version of the terms of reference of the Nomination Committee has been posted on the Company's corporate website.

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

Member *(all appointed on 19 March 2012)*	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

During the Financial Year, the change to the members of the Board and the work performed by the Nomination Committee included the follows:

(i) Mr KUOK Khoon Loong Edward tendered notice to retire as a Director with effect from 30 March 2012. The approval of the cessation of directorship was approved by all members of the Board on 15 March 2012.

(ii) For the purpose of re-election of the retiring Directors in the 2012 annual general meeting, all members of the Nomination Committee:

- reviewed and confirmed the contribution of each of those retiring Directors;
- assessed and confirmed the independence of the retiring Director who was an Independent Non-executive Director; and
- recommended the Board to propose the re-election of each of those retiring Directors at the 2012 annual general meeting.

Nomination policy

Before the establishment of the Nomination Committee, 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.

Upon the establishment of the Nomination Committee, a new nomination policy was simultaneously adopted and the major terms of the policy in effect during the Financial Year were as follows:

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

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

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

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

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

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

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

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

Term of appointment of Directors

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

(1) any Director appointed other than by Shareholders shall retire from office in the next general meeting of the Company;

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

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

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

REMUNERATION COMMITTEE

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

(1) to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and 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 upon the adoption of the CG Principles, to also make recommendation on the Directors' fees and the fees for members of each committee of the Board);

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

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

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

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

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

Members, meetings held and attendance

During the Financial Year, the Remuneration Committee held 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 WONG Kai Man *(appointed as chairman on 19 March 2012)*	INED	2/2
Mr KUOK Khoon Ean *(acted as chairman until 19 March 2012)*	Chairman & CEO	0/2
Mr Alexander Reid HAMILTON	INED	2/2
Professor LI Kwok Cheung Arthur *(appointed on 19 March 2012)*	INED	1/1

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

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

(ii) approving the terms of remuneration of the 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; and

(iii) considering imposing further restrains/limits on the Company's share award scheme to the effect that the limits of the aggregate awards to a single qualified participant and the overall aggregate awards allowed under the scheme were both reduced.

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 and expatriate senior management.

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

In addition to salary, Executive Directors and senior management are eligible to receive a discretionary bonus the amount of which shall be reviewed and approved by the Remuneration Committee 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. The grant of share options and share awards to Directors or senior management and the terms thereto shall be approved by the Remuneration Committee.

Remuneration of Directors and senior management

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

Annul fee	Amount (HK$)	Basis of pro-rating for the year
As NED/INED	200,000	Period of directorship
As Remuneration Committee member	50,000	Period of membership
As Nomination Committee member	25,000	Period of membership
As Audit Committee member	50,000	Period of membership
	50,000	Attendance rate at meetings

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

The remuneration (including bonus but excluding other benefits) paid to 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$2,000,001 to HK$3,000,000	3
HK$3,000,001 to HK$4,000,000	6
HK$4,000,001 to HK$5,000,000	2
	11

AUDIT COMMITTEE

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

(11) after adoption of the CG Principles on 19 March 2012, also to oversee, monitor and observe the Company's corporate governance matters.

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

Members, meetings held and attendance

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

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

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

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

(ii) making recommendation on the remuneration payable to the Auditor for the Financial Year and the re-appointment of 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;

(v) reviewing the Group's compliance and disclosure requirements under the HKFRS, the Listing Rules and the Companies Ordinance of Hong Kong;

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

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

(viii) since the adoption of the CG Principles on 19 March 2012, overseeing the Company's corporate governance matters with reference to the Company's terms of reference for corporate governance functions;

(ix) adopting a whistleblowing policy (for internal users) through which employees of the Group may, in confidence, raise concerns about suspected serious ethical misconduct or improper activities; and

(x) adopting a whistleblowing policy (for external users) through which the Group's business associates may, in confidence, raise concerns about suspected serious ethical misconduct or improper activities they encounter while working/ collaborating with the Group and such policy took effect from 1 January 2013 and has been posted on the Company's corporate website.

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

INTERNAL CONTROLS

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

INTERNAL AUDIT

The Board also monitors its internal financial control systems through management reviews and a programme of internal audits. The internal audit team reviews the major operational and financial systems of the Group on a continuing basis and aims to cover all major operations within every division on a rotational basis. The scope of its review and the audit programme is determined and approved by the Audit Committee at the beginning of each financial year 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 external 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	
Audit services (including interim review)	1,019
Non-audit services	
(a) tax services	229
(b) other advisory services	167
	1,415
Other auditor(s)	
Audit services	524
Non-audit services	
(a) tax services	37
(b) other advisory services	88
Total	649

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

CORPORATE GOVERNANCE REPORT

RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

GENERAL MEETINGS OF THE COMPANY

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

- annual general meeting held on 28 May 2012

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

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

	Other capacity			Meeting date
	Remuneration Committee	Audit Committee	Nomination Committee	28 May 2012
Executive Directors				
Mr KUOK Khoon Ean *(Chairman & CEO)*	✓		✓	1
Mr LUI Man Shing *(Deputy Chairman)*				1
Mr Madhu Rama Chandra RAO *(CFO)*			✓	1
Mr Gregory Allan DOGAN *(COO)*				1
Non-executive Directors				
Mr HO Kian Guan				1
Mr KUOK Khoon Loong Edward *(ceased as a Director on 30 March 2012)*				N/A
Mr Roberto V ONGPIN				1
Independent Non-executive Directors				
Mr Alexander Reid HAMILTON	✓	✓	✓	1
Mr Timothy David DATTELS				0
Mr WONG Kai Man	✓	✓	✓	1
Mr Michael Wing-Nin CHIU				1
Professor LI Kwok Cheung Arthur	✓	✓	✓	1
Total attendance				10

NEW ISSUE MANDATE GRANTED TO DIRECTORS

At the Company's annual general meeting in 2012, Shareholders granted to the Directors general mandate to issue new Shares (subject to terms of the Listing Rules) representing not more than 20% of the Company's issued share capital as at the date of such general meeting.

Up to the date of the Annual Report, such general mandate has never been exercised. Such general mandate will expire not later than the conclusion of the Annual General Meeting.

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

SHARE REPURCHASE MANDATE GRANTED TO DIRECTORS

At the Company's annual general meeting in 2012, Shareholders granted to the Directors general mandate to repurchase Shares (subject to terms of the Listing Rules) representing not more than 10% of the Company's issued share capital as at the date of such general meeting.

Up to the date of the Annual Report, such general mandate has never been exercised. Such general mandate will expire not later than the conclusion of the Annual General Meeting.

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

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

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

DIVIDEND POLICY

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

The total dividend paid/declared for the Financial Year represents 52% of the annual recurring profits.

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

INVESTOR RELATIONS

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

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

CORPORATE GOVERNANCE REPORT

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/her right hereof shall refer to the "Procedures for Shareholders' Requests to Convene a General Meeting" ("**Procedures to Convene General Meeting**") as posted on the Company's corporate website. The major terms of the Procedures to Convene General Meeting are summarized as follows:

(1) Holder(s) of Shares and registered in the Company's register(s) of members as registered Shareholder(s) ("**Requisitionist(s)**") may submit a written request ("**Requisition**") to 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) state the full name of each Requisitionist;

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

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

(e) be signed by each Requisitionist;

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

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

(3) If the Board receives a due Requisition:

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

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

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

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

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

(5) The Board shall have 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 General Meeting, or if a special general meeting is, in the Board's reasonable and absolute discretion, not appropriately requested to be convened, and the Board shall inform the Requisitionists within 21 calendar days therefrom that the request under the Requisition will not be proceeded with.

Shareholders' and investors' communications

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

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

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

In the event any Shareholder wishes to put forward any proposal to a general meeting of Shareholders or for the Board's consideration, the Shareholder shall raise his/her proposal to the Board in writing to the Company's head office and principal place of business in Hong Kong or through the enquiry channel 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.

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.

Subsequent to the Financial Year, the Board proposes to:

(a) amend the Bye-Laws to dispense with the strict requirement of advertising the relevant notice in newspapers for the purpose of suspension of registration of transfers and/or closure of registers of members of the Company; and

(b) formally adopt the Chinese name "香格里拉(亞洲)有限公司" which is currently used by the Company for identification purpose only as the secondary name of the Company.

Reasons and details for such amendment and adoption have been set out in a separate circular of the Company issued simultaneously with this Annual Report. Each of the amendment of the Bye-Laws and the formal adoption of the Chinese name is subject to the approval of a special resolution of Shareholders at the Annual General Meeting.

CORPORATE GOVERNANCE REPORT

PUBLIC FLOAT

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

(1) as at Year End, the public float of the Shares made up 45.76% or a capitalization of approximately HK$22.13 billion based on the closing price of the Shares as at Year End; and

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

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of Shangri-La Asia Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 83 to 184, which comprise the consolidated and Company statements of financial position as at 31 December 2012 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 CONSOLIDATED 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 2012, 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, 21 March 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	5,908,344	4,659,689
Investment properties	8	956,412	884,907
Leasehold land and land use rights	9	686,093	739,099
Intangible assets	10	93,511	93,058
Interest in associates	12	2,956,495	2,381,770
Deferred income tax assets	25	3,193	2,237
Available-for-sale financial assets	13	4,412	4,364
Other receivables	14	18,133	19,998
		10,626,593	8,785,122
Current assets			
Inventories		50,012	49,373
Properties for sale		25,448	27,346
Accounts receivable, prepayments and deposits	15	290,655	225,727
Due from associates	12	63,386	30,433
Financial assets held for trading	16	24,929	15,741
Cash and bank balances	17	838,918	838,786
		1,293,348	1,187,406
Total assets		11,919,941	9,972,528

	Note	As at 31 December 2012 US$'000	2011 US$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	2,553,647	2,551,789
Other reserves	19	1,923,738	1,782,763
Retained earnings			
– Proposed final dividend	36	40,280	40,270
– Others		1,509,618	1,231,281
		6,027,283	5,606,103
Non-controlling interests	24	502,794	421,751
Total equity		6,530,077	6,027,854
LIABILITIES			
Non-current liabilities			
Bank loans	20	2,757,007	1,927,745
Convertible bonds	21	483,879	463,527
Fixed rate bonds	22	595,843	–
Derivative financial instruments	23	765	3,537
Due to non-controlling shareholders	24	25,900	24,904
Deferred income tax liabilities	25	250,856	234,656
		4,114,250	2,654,369

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2012 US$'000	2011 US$'000
Current liabilities			
Accounts payable and accruals	26	717,896	707,881
Due to non-controlling shareholders	24	7,889	7,298
Current income tax liabilities		17,148	18,609
Bank loans	20	528,632	536,350
Derivative financial instruments	23	4,049	20,167
		1,275,614	1,290,305
Total liabilities		5,389,864	3,944,674
Total equity and liabilities		11,919,941	9,972,528
Net current assets/(liabilities)		17,734	(102,899)
Total assets less current liabilities		10,644,327	8,682,223

KUOK Khoon Ean
Director

Madhu Rama Chandra RAO
Director

STATEMENT OF FINANCIAL POSITION

	Note	2012 US$'000	2011 US$'000
		As at 31 December	
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,535	1,504
Investments in subsidiaries	11	3,717,149	3,783,349
Club debentures	13	840	840
		3,719,524	3,785,693
Current assets			
Amounts due from subsidiaries	11	77,305	82,465
Dividends receivable, prepayments and deposits		485,820	463,560
Cash and bank balances	17	25,812	2,326
		588,937	548,351
Total assets		4,308,461	4,334,044
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	2,553,647	2,551,789
Other reserves	19	1,539,756	1,540,122
Retained earnings			
– Proposed final dividend	36	40,415	40,405
– Others		18,626	23,657
Total equity		4,152,444	4,155,973

	Note	2012 US$'000	2011 US$'000
		As at 31 December	
LIABILITIES			
Non-current liabilities			
Derivative financial instruments	23	129	3,537
Current liabilities			
Accounts payable and accruals		10,773	11,259
Derivative financial instruments	23	3,837	20,167
Amounts due to subsidiaries	11	141,278	143,108
		155,888	174,534
Total liabilities		156,017	178,071
Total equity and liabilities		4,308,461	4,334,044
Net current assets		433,049	373,817
Total assets less current liabilities		4,152,573	4,159,510

KUOK Khoon Ean
Director

Madhu Rama Chandra RAO
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2012 US$'000	2011 US$'000
Sales	5	2,057,249	1,912,089
Cost of sales	27	(881,325)	(839,925)
Gross profit		1,175,924	1,072,164
Other gains – net	28	58,139	37,039
Marketing costs	27	(80,953)	(74,864)
Administrative expenses	27	(182,696)	(177,722)
Other operating expenses	27	(668,406)	(617,152)
Operating profit		302,008	239,465
Finance costs – net	31	(79,427)	(43,959)
Share of profit of associates	32	261,576	165,579
Profit before income tax		484,157	361,085
Income tax expense	33	(101,961)	(77,221)
Profit for the year		382,196	283,864
Attributable to:			
Equity holders of the Company		358,895	252,979
Non-controlling interests		23,301	30,885
		382,196	283,864

	Note	Year ended 31 December 2012 US$'000	2011 US$'000
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)			
– basic	35	11.50	8.18
– diluted	35	11.49	8.17
Dividends	36	80,554	80,533

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2012	2011
	US$'000	US$'000
Profit for the year	382,196	283,864
Other comprehensive income:		
Fair value changes of an interest-rate swap contract – hedging	(848)	–
Currency translation differences – subsidiaries	113,763	63,524
Currency translation differences – associates	36,623	79,371
Other comprehensive income for the year	149,538	142,895
Total comprehensive income for the year	531,734	426,759
Attributable to:		
Equity holders of the Company	500,236	398,111
Non-controlling interests	31,498	28,648
	531,734	426,759

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total
		Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	US$'000	US$'000
Balance at 1 January 2012		2,551,789	1,782,763	1,271,551	5,606,103	421,751	6,027,854
Fair value changes of an interest-rate swap contract – hedging		–	(848)	–	(848)	–	(848)
Currency translation differences		–	142,189	–	142,189	8,197	150,386
Net income recognized directly in equity		–	141,341	–	141,341	8,197	149,538
Profit for the year		–	–	358,895	358,895	23,301	382,196
Total comprehensive income for the year ended 31 December 2012		–	141,341	358,895	500,236	31,498	531,734
Exercise of share options – allotment of shares	18	1,492	–	–	1,492	–	1,492
Exercise of share options – transfer from share option reserve to share premium	18, 19	366	(366)	–	–	–	–
Payment of 2011 final dividend		–	–	(40,274)	(40,274)	–	(40,274)
Payment of 2012 interim dividend		–	–	(40,274)	(40,274)	–	(40,274)
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(15,598)	(15,598)
Equity injected by non-controlling shareholders		–	–	–	–	19,872	19,872
Net change in equity loans due to non-controlling shareholders		–	–	–	–	45,271	45,271
		1,858	(366)	(80,548)	(79,056)	49,545	(29,511)
Balance at 31 December 2012		2,553,647	1,923,738	1,549,898	6,027,283	502,794	6,530,077

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total
		Share capital	Other reserves	Retained earnings	Total		
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 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		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		–	–	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

Included in the retained earnings are statutory funds of approximately US$52,105,000 (2011: US$46,703,000). These funds are set up by way of appropriation from the profit after taxation of the respective companies, established and operating in Mainland China, in accordance with the relevant laws and regulations.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2012 US$'000	2011 US$'000
Cash flows from operating activities			
Cash generated from operations	37	501,591	615,308
Interest paid		(119,448)	(88,864)
Hong Kong profits tax paid		(18,101)	(12,519)
Overseas tax paid		(71,302)	(59,231)
Net cash generated from operating activities		292,740	454,694
Cash flows from investing activities			
Purchase of property, plant and equipment		(459,996)	(145,680)
Expenditure on properties under development		(521,579)	(256,298)
Purchase of leasehold land and land use rights		(1,202)	(93,257)
Capital expenditure on investment properties		(14,579)	(10,545)
Proceeds from disposal of property, plant and equipment; leasehold land and land use rights; and investment properties		2,191	873
Deposit payments for leasehold land and land use rights		–	(38,140)
Deposit payment for acquisition of an associate		–	(7,344)
Capital expenditure on properties for sale		–	(487)
Acquisition of Trademark		(400)	(1,000)
Expenditure on website development costs		(612)	–
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)	37	(342,028)	(32,987)
Acquisition of interests in an associate	37	(145,226)	(276,181)
Deposit received on disposal of an associate		797	–
Capital contribution to associates		(121,430)	(82,625)
Net increase in loans to associates		(26,587)	(10,511)
Interest received		17,260	11,216
Dividends received from associates		36,971	43,235
Dividends received from listed securities		927	988
Investment in fixed rate bonds		(172,945)	–
Sale proceeds on disposal of fixed rate bonds		180,762	–
Decrease/(increase) in short-term bank deposits more than 3 months maturity		21,650	(23,645)
Net consideration received from the resale of the Company's shares held by a subsidiary		–	826
Net cash used in investing activities		(1,546,026)	(906,525)

	Note	Year ended 31 December 2012 US$'000	2011 US$'000
Cash flows from financing activities			
Dividends paid to the Company's equity holders		(80,548)	(80,514)
Dividends paid to non-controlling shareholders		(15,452)	(12,266)
Net proceeds from issuance of ordinary shares		1,492	604,489
Net proceeds from issuance of convertible bonds		–	495,600
Net proceeds from issuance of fixed rate bonds		595,141	–
Net increase in loans from non-controlling shareholders		44,600	6,502
Capital injection from non-controlling shareholders		19,872	16,507
Repayment of bank loans		(606,373)	(1,279,116)
Bank loans drawn down		1,304,911	962,347
Net cash generated from financing activities		1,263,643	713,549
Net increase in cash and cash equivalents		10,357	261,718
Cash and cash equivalents at beginning of the year		799,502	525,056
Exchange gains on cash and cash equivalents		11,425	12,728
Cash and cash equivalents at end of the year	17	821,284	799,502

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Shangri-La Asia Limited ("**Company**") and its subsidiaries (together "**Group**") owns and operates hotels and associated properties; and provides hotel management and related services.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation

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

The following amendment to standard is relevant to the Group's operation and are mandatory for financial year ended 31 December 2012:

– Amendments to HKAS12	Income Taxes

This amendment to standard had no material impact on the presentation of the Group's financial statements.

The following new standards and amendments to standards are relevant to the Group's operation but are not effective for the year 2012 and have not been early adopted:

– Amendments to HKAS 1 (Revised)	Presentation of Financial Statements
– 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

The aggregate 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 as negative goodwill.

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

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

(b) Transactions with non-controlling interests

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (see Note 2.8).

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

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

Translation differences on non-monetary items, such as financial assets held for trading 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 at the date of the statement of financial position.

2.5 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

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

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

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

Properties under development and freehold land for hotel properties are not subject to depreciation and are stated at cost less accumulated impairment, if any.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other operating expenses in the income statement.

2.6 Investment properties

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

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

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value reviewed annually by external professional valuers. Property under construction that is being classified as investment property is revalued to fair value when it becomes reliably determinable on a continuing basis. Changes in fair values are recognized in the income statement. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leasehold land and land use rights

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

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments

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

(a) Financial assets held for trading

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the date of the statement of financial position. The non-derivatives are stated at cost less impairment as the fair value of these unlisted financial assets cannot be reliably measured.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments (continued)

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

2.11 Derivative financial instruments (hedging and non-hedging)

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

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

(a) Hedging

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(b) Non-hedging

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

2.12 Inventories

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

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

2.13 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

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

For the Group's defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no 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)

(b) Pension obligations (continued)

For defined benefit plans, pension costs are assessed using the project unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans at least every 3 years. The pension obligation is measured as the present value of the estimated future cash outflows. Actuarial gains and losses arising from funded plans are recognized over the average remaining service lives of employees. Past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested.

2.23 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:

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

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

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

Other revenue:

(d) 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 judgement 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 loans 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 2012, 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$25,658,000 (2011: US$28,815,000) and US$386,136,000 (2011: US$306,998,000), 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) Equity securities price risk

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Equity securities 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 would increase/decrease by US$1,248,000 (2011: US$789,000) while the Group's profit attributable to the equity holders of the Company would increase/decrease by US$1,225,000 (2011: US$776,000).

Based on the market value of all the trading securities as at 31 December 2012, 93.3% (2011: 93.9%) of the Group's trading securities are listed on HKSE and are valued at closing market bid prices at the date of the statement of financial position. The market equity index for HKSE, at the close of business of the nearest trading day in the year to the date of the statement of financial position, and the highest and lowest points during the year were as follows:

	31 December 2012	High/low 2012	31 December 2011	High/low 2011
Hong Kong – Hang Seng Index	22,657	22,719/ 18,056	18,434	24,419/ 16,250

(b) Credit risk

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

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

(c) Liquidity risk

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

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 2012				
Bank loans	285,739	242,893	466,202	2,290,805
Convertible bonds	–	–	–	559,200
Fixed rate bonds	–	–	–	600,000
Interest payable for bank loans	19,881	53,619	58,512	58,363
Interest payable for fixed rate bonds	–	28,500	28,500	71,250
Derivative financial instruments	1,265	2,784	341	424
Due to non-controlling shareholders	–	7,889	–	30,881
Accounts payable and accruals	95,613	622,283	–	–
Financial guarantee contracts	250	19,217	27,970	295,529
At 31 December 2011				
Bank loans	32,626	503,724	510,596	1,417,149
Convertible bonds	–	–	–	559,200
Interest payable for bank loans	17,363	48,979	48,448	48,798
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

The amounts disclosed in the table are the contractual undiscounted cash flows which are equal to their carrying balances in the respective consolidated statement of financial position except that the amount due to non-controlling shareholders with maturities over two years, the convertible bonds and the fixed rate bonds included in the consolidated statement of financial position as at 31 December 2012 are US$25,900,000 (2011: US$24,904,000), US$ 483,879,000 (2011: US$463,527,000) and US$595,843,000 (2011: 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 2012				
Derivative financial instruments	1,212	2,625	129	–
Financial guarantee contracts for bank loans granted to subsidiaries and associates	237,587	234,102	420,519	2,483,840
At 31 December 2011				
Derivative financial instruments	5,799	14,368	3,424	113
Financial guarantee contracts for bank loans granted to subsidiaries and associates	18,266	457,116	475,052	1,554,903

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 loans and derivative financial instrument of interest-rate swap contracts.

Bank loans issued at variable rates expose the Group to cash flow interest-rate risk. Group policy is to maintain an optimal portion of its borrowings at fixed rate, considering the convertible bonds, fixed rate bonds and Renminbi bank loans are fixed rate in nature and taking into account the principal amount of all interest-rate swap contracts executed. As at 31 December 2012, 42% (31 December 2011: 54%) of borrowings were at fixed rates on that basis.

The Group analyzes its interest rate exposure on bank loans based on the assumption that the loan position at year end could be wholly refinanced and/or renewed. The Group calculates the impact on income statement of a defined interest rate shift. The same interest rate shift is used for all currencies. The sensitivity test is run only for bank loans that represent the major interest bearing portion. Based on the simulation performed, the impact on income statement of 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$24,131,000 (2011: US$24,013,000) 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 loans at floating rates. The Group closely monitors the movement of interest rates from time to time and enters into interest-rate swap contracts. Under the interest-rate swap contracts, the Group agrees with other parties to exchange, 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 2012, 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$249,000 (2011: US$580,000) 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$250,000 (2011: US$580,000).

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

The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012 US$'000	2011 US$'000
Total borrowings	4,365,361	2,927,622
Less: Cash and bank balances (*Note 17*)	(838,918)	(838,786)
Net debt	3,526,443	2,088,836
Total equity	6,530,077	6,027,854
Gearing ratio (net debt over total equity)	54.0%	34.7%

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

3.3 Accounting for interest-rate swap contracts

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

As at 31 December 2012, the Group had interest-rate swap contracts with total principal amount of HK$1,200,000,000 (equivalent to US$154,839,000), out of which contracts with total principal amount of HK$900,000,000 (equivalent to US$116,129,000) do not qualify for hedge accounting while the rest of HK$300,000,000 (equivalent to US$38,710,000) qualify for hedge accounting. Changes in the fair value of those contracts that do not qualify for hedge accounting are recognized immediately in the income statement. For those contracts that qualify for hedge accounting, the effective portion of the change in the fair value of the contracts would be recognized in "Hedging reserve" in equity while the gain or loss relating to the ineffective portion is recognized immediately in "Other gains/(losses) – net" of income statement and the related cash flows in the period would be classified as interest expenses in the income statement.

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation of financial instruments

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

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

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

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

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 2012.

Group	Level 1 US$'000	Level 2 US$'000	Total US$'000
Assets			
Financial assets held for trading (*Note 16*)			
– Equity securities	24,929	–	24,929
Available-for-sale financial assets (*Note 13*)			
– Club debentures	2,078	–	2,078
Total assets	27,007	–	27,007
Liabilities			
Derivative financial instruments (*Note 23*)			
– Interest-rate swap contracts	–	4,814	4,814
	–	4,814	4,814

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation of financial instruments (continued)

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 23*)			
– Interest-rate swap contracts	–	23,704	23,704
	–	23,704	23,704

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(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.

4.2 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	2012 US$'000	2011 US$'000
Hotel operation:		
Room rentals	980,877	911,743
Food and beverage sales	848,134	790,866
Rendering of ancillary services	115,099	111,367
Hotel management and related service fees	45,744	39,683
Property rentals	67,395	58,430
	2,057,249	1,912,089

The Group is domiciled in Hong Kong. The sales revenue from external customers attributed to Hong Kong and other countries are US$304,628,000 (2011: US$290,600,000) and US$1,752,621,000 (2011: US$1,621,489,000), 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$572,183,000 (2011: US$269,635,000) and US$7,090,310,000 (2011: US$6,127,116,000), 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.

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 operation (hotel ownership and operation)**
   – Hong Kong
   – Mainland China
   – Singapore
   – Malaysia
   – The Philippines
   – Japan
   – Thailand
   – France
   – Australia
   – Other countries (including Fiji, Myanmar, Republic of Maldives and Indonesia)

ii. **Property rentals (ownership and leasing of office, commercial and serviced apartments)**
   – Mainland China
   – Singapore
   – Malaysia
   – Other countries (including Thailand, Australia and The Republic of Mongolia)

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

The chief operating decision-maker assesses the performance of the operating segments based on a measure of the share of profits after tax and non-controlling interests. This measurement basis excludes the effects of pre-opening expenses of projects, corporate expenses and other non-operating items such as fair value gains or losses on investment properties, fair value adjustments on monetary items and impairments for any isolated non-recurring event.

5 SALES AND SEGMENT INFORMATION (continued)

Segment income statement

For year ended 31 December 2012 and 2011 (US$ million)

	2012 Sales (*Note ii*)	2012 Profit/(Loss) after tax (*Note i*)	2011 Sales (*Note ii*)	2011 Profit/(Loss) after tax (*Note i*)
Hotel operation				
Hong Kong	270.5	65.8	260.0	65.8
Mainland China	853.3	50.9	844.0	71.9
Singapore	180.9	36.9	167.3	31.5
Malaysia	143.2	15.5	132.9	14.1
The Philippines	196.7	7.2	180.7	5.0
Japan	54.9	(15.6)	41.5	(19.8)
Thailand	63.6	2.2	49.1	1.8
France	49.8	(22.3)	37.8	(37.6)
Australia	46.4	(0.5)	15.8	(3.0)
Other countries	84.8	(3.2)	84.9	(2.7)
	1,944.1	136.9	1,814.0	127.0
Property rentals				
Mainland China	25.4	63.8	21.6	46.1
Singapore	16.1	11.3	16.1	10.7
Malaysia	7.0	1.7	6.2	1.5
Other countries	18.9	4.7	14.5	3.6
	67.4	81.5	58.4	61.9
Hotel management	135.2	23.5	113.6	13.2
Total	2,146.7	241.9	1,986.0	202.1

	2012 Sales (*Note ii*)	2012 Profit/(Loss) after tax (*Note i*)	2011 Sales (*Note ii*)	2011 Profit/(Loss) after tax (*Note i*)
Less: Hotel management – Inter-segment sales	(89.5)		(73.9)	
Total external sales	2,057.2		1,912.1	
Net corporate finance costs (including foreign exchange gains and losses)		(24.8)		(20.0)
Land cost amortization and pre-opening expenses for projects		(42.7)		(26.5)
Corporate expenses		(20.1)		(19.6)
Profit before non-operating items		154.3		136.0

5 SALES AND SEGMENT INFORMATION (continued)

Segment income statement (continued)

For year ended 31 December 2012 and 2011 (US$ million)

	2012 Profit/(Loss) after tax (*Note i*)	2011 Profit/(Loss) after tax (*Note i*)
Profit before non-operating items	154.3	136.0
Non-operating items		
Fair value gains on investment properties	185.0	137.0
Net unrealized gains/(losses) on financial assets held for trading	9.0	(9.0)
Fair value losses on interest-rate swap contracts – non-hedging	(0.9)	(5.0)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	(0.9)	(0.9)
Negative goodwill arising from acquisition of subsidiaries and an associate	22.6	9.0
Realized (loss)/gain on disposal of long term investment	(1.7)	0.4
Provision for impairment losses on projects and hotel properties	(5.0)	–
Stamp duty expenses relating to acquisition of subsidiaries	(18.8)	–
Realized gains on fixed rate bonds investment	9.1	–
Reversal of deferred tax provision on revaluation gain of investment properties owned by an associate	6.2	–
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)
Total non-operating items	204.6	117.0
Profit attributable to equity holders of the Company	358.9	253.0

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 2012 and 2011 (US$ million)

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

	2012 Share of profit of associates	2011 Share of profit of associates
Hotel operation		
Hong Kong	0.3	0.4
Mainland China	8.5	2.1
Singapore	5.0	5.2
Malaysia	3.1	4.5
The Philippines	1.1	0.9
Other countries	1.8	1.9
	19.8	15.0
Property rentals		
Mainland China	61.5	43.3
Singapore	5.4	4.4
	66.9	47.7
Total	86.7	62.7

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:

	2012		2011	
	Depreciation and amortization	Income tax expense/ (credit)	Depreciation and amortization	Income tax expense/ (credit)
Hotel operation				
Hong Kong	16.5	16.3	15.6	14.8
Mainland China	132.8	35.5	136.8	35.0
Singapore	15.2	9.5	18.1	4.1
Malaysia	17.4	4.7	16.0	4.1
The Philippines	35.1	7.3	34.3	5.6
Japan	3.6	–	4.0	0.1
Thailand	19.8	0.8	21.2	(10.8)
France	23.8	–	23.6	–
Australia	5.9	0.5	2.0	–
Other countries	18.0	1.1	16.3	0.5
	288.1	75.7	287.9	53.4
Property rentals				
Mainland China	–	3.1	–	3.3
Singapore	–	1.3	–	1.4
Malaysia	–	1.1	–	0.9
Other countries	–	2.8	–	–
	–	8.3	–	5.6
Hotel management	4.0	8.2	2.7	7.6
Total	292.1	92.2	290.6	66.6

5 SALES AND SEGMENT INFORMATION (continued)

Segment assets

As at 31 December 2012 and 2011 (US$ million)

	As at 31 December	
	2012	2011
Hotel operation		
Hong Kong	245.3	238.4
Mainland China	2,559.6	2,598.9
Singapore	644.1	569.3
Malaysia	381.8	367.2
The Philippines	554.3	578.3
Japan	34.1	41.9
Thailand	229.0	231.6
France	433.0	417.4
Australia	493.8	55.4
Other countries	328.6	319.5
	5,903.6	5,417.9
Property rentals		
Mainland China	322.4	313.8
Singapore	473.7	442.7
Malaysia	92.2	87.8
Other countries	103.1	89.6
	991.4	933.9

	As at 31 December	
	2012	2011
Hotel management	148.7	118.1
Elimination	(58.2)	(30.7)
Total segment assets	6,985.5	6,439.2
Assets allocated to projects	1,747.4	984.5
Unallocated assets	137.0	73.9
Intangible assets	93.5	93.1
Total assets of the Company and its subsidiaries	8,963.4	7,590.7
Interest in associates	2,956.5	2,381.8
Total assets	11,919.9	9,972.5

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

6 FINANCIAL INSTRUMENTS BY CATEGORY

Group

	Loans and receivables US$'000	Assets at fair value through income statement US$'000	Available-for-sale assets US$'000	Total US$'000
Assets as per consolidated statement of financial position				
31 December 2012				
Available-for-sale financial assets (*Note 13*)	–	–	4,412	4,412
Other receivables (*Note 14*)	18,133	–	–	18,133
Accounts receivable (*Note 15*)	165,181	–	–	165,181
Due from associates (*Note 12*)	112,736	–	–	112,736
Financial assets held for trading (*Note 16*)	–	24,929	–	24,929
Cash and bank balances (*Note 17*)	838,918	–	–	838,918
Total	1,134,968	24,929	4,412	1,164,309
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

	Derivatives not qualifying for hedge accounting US$'000	Derivatives qualifying for hedge accounting US$'000	Other financial liabilities US$'000	Total US$'000
Liabilities as per consolidated statement of financial position				
31 December 2012				
Bank loans (*Note 20*)	–	–	3,285,639	3,285,639
Convertible bonds (*Note 21*)	–	–	483,879	483,879
Fixed rate bonds (*Note 22*)	–	–	595,843	595,843
Derivative financial instruments (*Note 23*)	3,966	848	–	4,814
Due to non-controlling shareholders (*Note 24*)	–	–	33,789	33,789
Accounts payable and accruals (*Note 26*)	–	–	717,896	717,896
Total	3,966	848	5,117,046	5,121,860
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 23*)	23,704	–	–	23,704
Due to non-controlling shareholders (*Note 24*)	–	–	32,202	32,202
Accounts payable and accruals (*Note 26*)	–	–	707,881	707,881
Total	23,704	–	3,667,705	3,691,409

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 2012			
Amount due from subsidiaries *(Note 11)*	77,305	–	77,305
Club debentures *(Note 13)*	–	840	840
Dividend receivable	474,118	–	474,118
Cash and bank balances *(Note 17)*	25,812	–	25,812
Total	577,235	840	578,075
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

	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 2012			
Derivative financial instruments *(Note 23)*	3,966	–	3,966
Amounts due to subsidiaries *(Note 11)*	–	141,278	141,278
Accounts payable and accruals	–	10,773	10,773
Total	3,966	152,051	156,017
31 December 2011			
Derivative financial instruments *(Note 23)*	23,704	–	23,704
Amounts due to subsidiaries *(Note 11)*	–	143,108	143,108
Accounts payable and accruals	–	11,259	11,259
Total	23,704	154,367	178,071

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 2011					
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
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

	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 2012					
Opening net book amount	3,750,085	254,133	357,259	298,212	4,659,689
Exchange differences	74,060	4,257	6,296	5,829	90,442
Additions	392,920	6,085	64,397	554,047	1,017,449
Acquisition of subsidiaries (*Note 37*)	403,290	–	47,172	371	450,833
Provision for impairment loss	(5,304)	(678)	(358)	(2,294)	(8,634)
Disposals	(5,279)	(751)	(2,100)	–	(8,130)
Transfer	92,491	(22,298)	47,484	(117,677)	–
Reclassification as investment properties	(9,519)	(754)	1,027	(170)	(9,416)
Depreciation	(130,476)	(37,884)	(115,529)	–	(283,889)
Closing net book amount	4,562,268	202,110	405,648	738,318	5,908,344
At 31 December 2012					
Cost	6,005,623	476,484	1,185,024	738,318	8,405,449
Accumulated depreciation	(1,443,355)	(274,374)	(779,376)	–	(2,497,105)
Net book amount	4,562,268	202,110	405,648	738,318	5,908,344

(a) All depreciation expenses (net of amount capitalized of US$181,000 in 2012 (2011: US$93,000)) have been included as part of other operating expenses.

(b) For year 2012, bank loans of US$240,671,000 (2011: US$158,472,000) are secured on certain fixed assets as disclosed under Note 38(c).

7 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Buildings comprise mainly hotel properties. Details of the hotel properties of the Company's subsidiaries are summarized in Note 42(a).

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

(e) The net book amount of the group's interest in leasehold and freehold land included in property, plant and equipment are analyzed as follows:

	2012 US$'000	2011 US$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	374,021	75,572
Outside Hong Kong, held on:		
Freehold	921,907	785,782
	1,295,928	861,354

(f) 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 2011			
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
Year ended 31 December 2012			
Opening net book amount	1,504	–	1,504
Additions	210	–	210
Depreciation	(179)	–	(179)
Closing net book amount	1,535	–	1,535
At 31 December 2012			
Cost	2,924	145	3,069
Accumulated depreciation	(1,389)	(145)	(1,534)
Net book amount	1,535	–	1,535

8 INVESTMENT PROPERTIES

	2012 US$'000	2011 US$'000
At 1 January	884,907	794,029
Exchange differences	33,294	6,363
Additions	14,579	7,952
Derecognition of cost for replaced part	(2,300)	(131)
Transferred from property, plant and equipment	9,416	–
Transferred from properties for sale	–	28,317
Fair value gains *(Note 28)*	16,516	48,377
At 31 December	956,412	884,907

(a) The investment properties were revalued at 31 December 2012 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:

	2012 US$'000	2011 US$'000
Outside Hong Kong, held on:		
Freehold	564,956	534,766
Leases of over 50 years	94,137	73,200
Leases of between 10 to 50 years	297,319	276,941
	956,412	884,907

(c) Details of investment properties of the Company's subsidiaries are summarized in Note 43(a).

9 LEASEHOLD LAND AND LAND USE RIGHTS

	2012 US$'000	2011 US$'000
At 1 January		
Cost	845,609	693,970
Accumulated amortization	(106,510)	(90,762)
Net book amount	739,099	603,208
Opening net book amount	739,099	603,208
Exchange differences	4,208	27,456
Additions	1,202	115,303
Acquisition of subsidiaries	36,210	5,862
Reclassification as deposit	(74,396)	–
Amortization of prepaid operating lease payment	(20,230)	(12,730)
Closing net book amount	686,093	739,099
At 31 December		
Cost	812,207	845,609
Accumulated amortization	(126,114)	(106,510)
Net book amount	686,093	739,099

9 LEASEHOLD LAND AND LAND USE RIGHTS (continued)

All amortization expenses in 2012 and 2011 have been included as part of other operating expenses.

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book amount are analyzed as follows:

	2012 US$'000	2011 US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	145,507	129,401
Leases of between 10 to 50 years	540,586	609,698
	686,093	739,099

10 INTANGIBLE ASSETS

	Goodwill US$'000	Trademark and licences US$'000	Website development US$'000	Total US$'000
At 1 January 2011				
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
Year ended 31 December 2012				
Opening net book amount	84,504	8,554	–	93,058
Exchange difference	182	(10)	–	172
Additions	–	400	612	1,012
Amortization expenses	–	(578)	(153)	(731)
Closing net book amount	84,686	8,366	459	93,511
At 31 December 2012				
Cost	84,686	12,348	2,642	99,676
Accumulated amortization	–	(3,982)	(2,183)	(6,165)
Net book amount	84,686	8,366	459	93,511

10 INTANGIBLE ASSETS (continued)

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 2013 has been applied to the cashflow projection. In view of the cashflow projection, provision for impairment losses is not considered necessary.

11 INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Investments in subsidiaries

	2012 US$'000	2011 US$'000
Company		
Investments, at cost		
Unlisted shares	1,911,439	1,828,241
Equity loans	1,805,710	1,955,108
	3,717,149	3,783,349

Equity loans are unsecured, interest-free with no fixed repayment terms except for the principal amounts of equity loans in Euro and Australian dollar of equivalent US$44,837,000 (2011: Nil) and US$5,227,000 (2011: Nil) which are bearing interest at EURIBOR+1.5% per annum and Australian LIBOR+1% per annum, respectively.

(b) Amounts due from subsidiaries – unsecured

	2012 US$'000	2011 US$'000
Current – interest free and repayable on demand	77,305	82,465

(c) Amounts due to subsidiaries – unsecured

	2012 US$'000	2011 US$'000
Current – interest free and repayable on demand	141,278	143,108

(d) Details of principal subsidiaries are set out in Note 41(a).

12 INTEREST IN ASSOCIATES AND DUE FROM ASSOCIATES

	2012 US$'000	2011 US$'000
Interest in associates		
At 1 January	2,159,192	1,587,855
Share of profit of associates (*Note* 32)		
– profit before taxation	341,601	224,681
– taxation	(80,025)	(59,102)
	261,576	165,579
Exchange difference	34,073	77,811
Capital contribution to associates	121,430	82,625
Capitalization of equity loans	44,894	–
Transfer from land deposit	34,914	–
Dividend declared by associates	(36,521)	(30,859)
Acquisition of associates (*Note* 37(c))	152,570	276,181
Investment in associates under equity method	2,772,128	2,159,192
Equity loans (*Note* (a))	135,017	172,588
Other long term shareholder loans (*Note* (b))	49,350	49,990
	2,956,495	2,381,770
Due from associates (*Note* (c))	63,386	30,433

Notes:

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

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

	2012 US$'000	2011 US$'000
– HIBOR plus 2% per annum and wholly repayable on 31 December 2015 (in Hong Kong dollars)	29,210	29,210
– SWAP cost plus 0.5% per annum (in Singapore dollars)	–	11,535
– HIBOR plus 1.5% per annum and wholly repayable on 15 May 2016 (in Hong Kong dollars)	15,409	9,245
– HIBOR plus 2% per annum and wholly repayable on 21 November 2017 (in Hong Kong dollars)	4,731	–
	49,350	49,990

Other long term shareholder loans are unsecured and not repayable within twelve months. The fair values of other long term shareholder loans are not materially different from their carrying amounts.

(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$49,350,000 (2011: US$49,990,000) and amounts due from associates of US$63,386,000 (2011: US$30,433,000).

12 INTEREST IN ASSOCIATES AND DUE FROM ASSOCIATES

(continued)

(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$'000	Country of incorporation	Group's share of interest Assets US$'000	Liabilities US$'000	Revenues US$'000	Profit US$'000	% interest held
2012							
China World Trade Center Ltd	240,000	The People's Republic of China	2,094,857	967,115	200,114	169,944	50
Shanghai Ji Xiang Properties Co, Ltd	311,250	The People's Republic of China	656,884	328,340	–	40,214	49
Others	–	–	2,028,949	528,740	189,502	51,418	
			4,780,690	1,824,195	389,616	261,576	
2011							
China World Trade Center Ltd	240,000	The People's Republic of China	1,872,242	882,497	172,264	100,562	50
Shanghai Ji Xiang Properties Co, Ltd	311,250	The People's Republic of China	486,219	201,333	–	15,430	49
Others	–	–	1,520,854	413,715	169,250	49,587	
			3,879,315	1,497,545	341,514	165,579	

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group 2012 US$'000	Group 2011 US$'000	Company 2012 US$'000	Company 2011 US$'000
Equity securities:				
Overseas unlisted shares,				
at cost	1,916	1,916	–	–
– Exchange differences	418	376	–	–
	2,334	2,292	–	–
Club debentures, at fair value	2,078	2,072	840	840
	4,412	4,364	840	840

There were no disposals on available-for-sale financial assets in 2012 and 2011.

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

14 OTHER RECEIVABLES

	2012 US$'000	2011 US$'000
Security deposit on leased premises	18,133	19,998

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US$20,344,000) (31 December 2011: JPY1,751,000,000 (equivalent to US$22,567,000)) 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

	2012 US$'000	2011 US$'000
Trade receivables	95,645	78,237
Less: provision for impairment of receivables	(1,500)	(697)
Trade receivables – net	94,145	77,540
Deposits for acquisition of land	75,220	38,140
Deposit for acquisition of an associate	–	7,344
Prepayments and other deposits	50,254	50,318
Other receivables	71,036	52,385
	290,655	225,727

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

(a) The fair values of the trade and other receivables are not materially different from their carrying values.

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (continued)

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

	2012 US$'000	2011 US$'000
0 – 3 months	87,587	73,143
4 – 6 months	4,498	2,016
Over 6 months	2,060	2,381
	94,145	77,540

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2012, trade receivables of US$41,546,000 (2011: US$31,425,000) 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:

	2012 US$'000	2011 US$'000
Up to 3 months	35,022	27,981
4 – 6 months	4,478	1,724
Over 6 months	2,046	1,720
	41,546	31,425

As of 31 December 2012, trade receivables of US$1,500,000 (2011: US$697,000) 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:

	2012 US$'000	2011 US$'000
Hong Kong dollars	18,738	18,321
United States dollars	12,611	18,156
Renminbi	37,654	30,720
Singapore dollars	13,694	12,348
Malaysian Ringgit	7,198	5,784
Thai Baht	6,290	3,305
Philippines Pesos	16,366	13,480
Japanese Yen	4,306	5,315
Euros	8,321	10,706
Australian dollars	11,777	2,734
British Pound	13,549	311
Mongolian Tugrik	8,671	5,970
Other currencies	6,006	2,775
	165,181	129,925

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (continued)

(b) (continued)

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

	2012 US$'000	2011 US$'000
At 1 January	697	800
Exchange differences	28	13
Provision for receivables impairment	1,242	590
Receivables written off during the year as uncollectible	(54)	(102)
Unused amounts reversed	(413)	(604)
At 31 December	1,500	697

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

	2012 US$'000	2011 US$'000
Equity securities, at market value		
Shares listed in Hong Kong	23,256	14,781
Shares listed outside Hong Kong	1,673	960
	24,929	15,741

17 CASH AND BANK BALANCES

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Cash at bank and in hand	330,895	366,442	710	2,326
Short-term bank deposits	508,023	472,344	25,102	–
Cash and bank balances	838,918	838,786	25,812	2,326
Maximum exposure to credit risk for all balances at bank	832,755	824,096	25,812	2,326

The effective interest rate on short-term bank deposits was 1.9% per annum (2011: 2.5% per annum); these deposits have an average maturity of 1.9 months (2011: 2.6 months).

17 CASH AND BANK BALANCES (continued)

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

	Group	
	2012 US$'000	2011 US$'000
Cash and bank balances (as above)	838,918	838,786
Less: Short-term bank deposits more than 3 months maturity	(17,634)	(39,284)
Cash and cash equivalents	821,284	799,502

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 2011 and 31 December 2012	5,000,000	646,496	–	646,496
Issued and fully paid – Ordinary shares of HK$1 each				
At 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 option reserve	–	–	644	644
– rights issue	240,752	31,065	570,929	601,994
At 31 December 2011 and 1 January 2012	3,131,075	404,266	2,147,523	2,551,789
Exercise of share options				
– allotment of shares	1,022	132	1,360	1,492
– transfer from option reserve	–	–	366	366
At 31 December 2012	3,132,097	404,398	2,149,249	2,553,647

18 SHARE CAPITAL (continued)

As at 31 December 2012, 10,501,055 ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was credited to the equity in prior years.

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 following option shares at various exercise prices granted to option holders of the Company under the 2002 Option Scheme as detailed in the Directors' Report were exercised:

	Number of option shares issued			
	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 2012				
February	–	50,000	32,500	136
March	60,000	50,000	140,000	391
April	40,000	50,000	40,000	185
May	120,000	50,000	–	180
June	–	50,000	–	75
October	–	100,000	40,000	225
November	–	100,000	–	150
December	–	100,000	–	150
For the year ended 31 December 2012	220,000	550,000	252,500	1,492
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

18 SHARE CAPITAL (continued)

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$16.62(2011: HK$19.55).

Movements in the number of outstanding option shares and their related weighted average exercise prices under the 2002 Option Scheme are as follows:

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	Weighted average exercise price in HK$ per option share	Number of outstanding option shares	Weighted average exercise price in HK$ per option share	Number of outstanding option shares
At 1 January	12.71	9,456,500	12.57	11,257,500
Exercised	11.31	(1,022,500)	11.74	(1,646,000)
Lapsed	13.69	(265,000)	13.05	(155,000)
At 31 December	12.85	8,169,000	12.71	9,456,500

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

		Number of outstanding option shares as at	
Last exercisable date	**Exercise price in HK$ per option share**	31 December 2012	31 December 2011
28 May 2012	6.81	–	220,000
27 April 2015	11.60	4,765,000	5,395,000
15 June 2016	14.60	3,404,000	3,841,500
		8,169,000	9,456,500

There was no option granted during the year ended 31 December 2012 and 2011.

Options on 50,000 shares and 36,000 shares with exercise price of HK$11.60 and HK$14.60 per share, respectively have been exercised subsequent to 31 December 2012 and up to the approval date of the financial statements. No options have lapsed subsequent to 31 December 2012 and up to the approval date of the financial statements.

19 OTHER RESERVES

	Share option reserve US$'000	Hedging reserve US$'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 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	–	–	44,518	–	–	–	–	–	44,518
Balance at 31 December 2011 and 1 January 2012	5,225	–	44,518	10,666	729,755	601,490	1,368	389,741	1,782,763
Currency translation differences	–	–	–	–	142,189	–	–	–	142,189
Exercise of share options									
– transfer to share premium	(366)	–	–	–	–	–	–	–	(366)
Fair value changes of an interest-rate swap contract	–	(848)	–	–	–	–	–	–	(848)
Balance at 31 December 2012	4,859	(848)	44,518	10,666	871,944	601,490	1,368	389,741	1,923,738
Company									
Balance at 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 and 1 January 2012	5,225	–	–	10,666	–	–	–	1,524,231	1,540,122
Exercise of share options									
– transfer to share premium	(366)	–	–	–	–	–	–	–	(366)
Balance at 31 December 2012	4,859	–	–	10,666	–	–	–	1,524,231	1,539,756

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 2012, the Company's distributable reserves comprised:

	2012 US$'000	2011 US$'000
Distributable retained earnings	59,041	64,062
Contributed surplus	1,524,231	1,524,231
	1,583,272	1,588,293

20 BANK LOANS

	Group	
	2012 US$'000	2011 US$'000
Bank loans – secured (*Note 38(c)*)	240,671	158,472
Bank loans – unsecured	3,044,968	2,305,623
	3,285,639	2,464,095

The maturity of bank loans is as follows:

	2012 US$'000	2011 US$'000
Within 1 year	528,632	536,350
Between 1 and 2 years	466,202	510,597
Between 2 and 5 years	2,231,090	1,404,313
Repayable within 5 years	3,225,924	2,451,260
Over 5 years	59,715	12,835
	3,285,639	2,464,095

20 BANK LOANS (continued)

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

	31 December 2012									
	HK$	RMB	MYR	US$	JPY	Pesos	Euros	Baht	SGD	AUD
Bank loans	1.66%	6.27%	3.81%	1.48%	0.76%	1.31%	1.41%	5.33%	1.47%	5.15%

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

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

	2012 US$'000	2011 US$'000
Hong Kong dollars	1,607,174	956,206
Renminbi	583,253	576,244
United States dollars	577,416	462,080
Euros	296,762	193,773
Japanese Yen	46,474	77,330
Philippines Pesos	62,988	65,185
Singapore dollars	48,148	56,977
Australian dollars	56,842	54,545
Malaysian Ringgit	2,353	15,367
Thai Baht	4,229	6,388
	3,285,639	2,464,095

The Group has the following undrawn borrowing facilities:

	2012 US$'000	2011 US$'000
Floating rate		
– expiring within one year	167,892	149,275
– expiring beyond one year	640,631	704,550
Fixed rate		
– expiring within one year	–	1,320
– expiring beyond one year	24,548	18,886
	833,071	874,031

21 CONVERTIBLE BONDS

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 ("**Maturity Date**"), in the aggregate principal amount of US$500 million. Each bond will, at the option of the holder, be convertible on or after 22 June 2011 up to the close of business on the business day immediately prior to 2 May 2016 into fully paid ordinary shares of the Company with a par value of HK$1.00 each at an initial conversion price of HK$29.03 per ordinary share of the Company (subject to adjustment) and the conversion price has been adjusted to HK$28.37 per ordinary share of the Company on 10 October 2012. Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at 111.84% of their principal amount on the Maturity Date.

21 CONVERTIBLE BONDS (continued)

The initial fair values of the liability component and the equity conversion component, based on net proceeds, were determined at issuance of the bonds. The fair value of the liability component, included 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).

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

	2012 US$'000	2011 US$'000
Face value of convertible bonds issued on 12 May 2011	500,000	500,000
Issuing expenses	(4,400)	(4,400)
Equity component credited to the equity	(44,518)	(44,518)
Liability component on initial recognition at 12 May 2011	451,082	451,082
Accumulated interest expense *(Note 31)*	32,797	12,445
Liability component at 31 December 2012	483,879	463,527

The face value of outstanding bonds at 31 December 2012 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 2012 and up to the date of this report. The carrying value of the liability component is calculated by using cash flows discounted at an initial market interest rate of 4.34% per annum.

22 FIXED RATE BONDS

On 10 April 2012, a wholly owned subsidiary of the Company issued fixed rate bonds in the aggregate principal amount of US$600,000,000 which carry a coupon rate of 4.75% per annum and have a maturity term of 5 years. The fixed rate bonds recognized in the statement of financial position is calculated as follows:

	US$'000
Face value of fixed rate bonds issued on 10 April 2012	600,000
Issuing expenses	(4,859)
Net bonds proceeds received	595,141
Accumulated amortization of issuing expenses	702
Carrying value of fixed rate bonds at 31 December 2012	595,843

As at 31 December 2012, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US$6,333,000.

23 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Non-current liabilities				
Interest-rate swap contracts				
– hedging	636	–	–	–
Interest-rate swap contracts				
– non-hedging	129	3,537	129	3,537
	765	3,537	129	3,537
Current liabilities				
Interest-rate swap contracts				
– hedging	212	–	–	–
Interest-rate swap contracts				
– non-hedging	3,837	20,167	3,837	20,167
	4,049	20,167	3,837	20,167

The notional principal amounts of the outstanding HIBOR interest-rate swap contracts at 31 December 2012 were as follows:

- Not qualify for hedging HK$900,000,000 (31 December 2011: HK$3,460,000,000 and US$100,000,000, respectively) with fixed interest rates vary from 4.28% to 4.63% per annum (31 December 2011: 4.28% to 4.70% per annum);

- Qualify for hedging HK$300,000,000 (31 December 2011: Nil) with a fixed interest rate of 1.087% per annum.

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

	2012	2011
	US$'000	US$'000
Non-controlling interests		
Share of equity	387,350	354,632
Equity loans (*Note (a)*)	115,444	67,119
	502,794	421,751

Notes:

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

	2012	2011
	US$'000	US$'000
– LIBOR per annum	10,787	12,669
– LIBOR plus1% per annum	45,820	31,880
– LIBOR plus 3% per annum	22,050	–
– fixed rate of 5% per annum	11,612	–
– Interest-free	25,175	22,570
	115,444	67,119

24 NON-CONTROLLING INTERESTS AND BALANCES WITH NON-CONTROLLING SHAREHOLDERS (continued)

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

	2012 US$'000	2011 US$'000
– Interest-free and not payable within 12 months	25,900	24,904

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% (2011: 4.1%) per annum.

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

	2012 US$'000	2011 US$'000
– Interest-free with no fixed repayment terms	7,889	7,298

The fair values 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.

25 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2011: 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	
	2012 US$'000	2011 US$'000
At 1 January	232,419	222,821
Exchange differences	2,318	459
Acquisition of a subsidiary	(935)	4,761
Deferred taxation charged to consolidated income statement (*Note 33*)	13,861	4,378
At 31 December	247,663	232,419

25 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. 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.

	Group	
	2012	2011
	US$'000	US$'000
Deferred income tax assets	(3,193)	(2,237)
Deferred income tax liabilities	250,856	234,656
	247,663	232,419

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 2012, the Group has the following unrecognized tax losses to carry forward against future taxable income.

	Group	
	2012	2011
	US$'000	US$'000
With no expiry date	67,682	30,802
Lapsed within the next five years	156,989	88,867
Lapsed within the next ten years	98,686	90,254
	323,357	209,923

25 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	
	2012	2011	2012	2011	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January	164,942	174,927	31,122	21,666	49,651	42,717	245,715	239,310
Charged/(credited) to income statement	11,797	(14,308)	6,167	8,538	1,079	6,594	19,043	824
Acquisition of a subsidiary	–	4,761	–	–	–	–	–	4,761
Exchange differences	1,923	(438)	274	918	286	340	2,483	820
At 31 December	178,662	164,942	37,563	31,122	51,016	49,651	267,241	245,715

Deferred income tax assets	Provision of assets		Tax losses		Others		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January	(3,762)	(3,006)	(7,165)	(5,161)	(2,369)	(8,322)	(13,296)	(16,489)
Charged/(credited) to income statement	(2,495)	(588)	1,809	(1,800)	(4,496)	5,942	(5,182)	3,554
Acquisition of a subsidiary	–	–	(935)	–	–	–	(935)	–
Exchange differences	(69)	(168)	40	(204)	(136)	11	(165)	(361)
At 31 December	(6,326)	(3,762)	(6,251)	(7,165)	(7,001)	(2,369)	(19,578)	(13,296)

26 ACCOUNTS PAYABLE AND ACCRUALS

	2012 US$'000	2011 US$'000
Trade payables	103,145	97,476
Construction cost payable, payable for land use rights and accrued expenses	614,751	610,405
	717,896	707,881

At 31 December 2012, the ageing analysis of the trade payables is as follows:

	2012 US$'000	2011 US$'000
0 – 3 months	95,613	88,032
4 – 6 months	4,025	6,284
Over 6 months	3,507	3,160
	103,145	97,476

27 EXPENSES BY NATURE

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

	2012 US$'000	2011 US$'000
Depreciation of property, plant and equipment (net of amount capitalized of US$181,000 (2011: US$93,000)) *(Note 7)*	283,708	282,280
Amortization of leasehold land and land use rights *(Note 9)*	20,230	12,730
Amortization of trademark and website development *(Note 10)*	731	548
Employee benefit expenses excluding directors' emoluments (net of amount capitalized and amount grouped under pre-opening expenses) *(Note 29)*	618,324	563,319
Cost of inventories sold or consumed in operation	282,024	271,097
Stamp duty expenses for acquisition of subsidiaries	18,842	–
Loss on disposal of property, plant and equipment and partial replacement of investment properties	3,842	1,717
Discarding of property, plant and equipment due to renovation of hotels and a resort	3,826	9,990
Operating lease expenses	39,177	32,207
Pre-opening expenses	8,032	4,996
Auditors' remuneration	1,543	1,393

28 OTHER GAINS – NET

	2012 US$'000	2011 US$'000
Fair value gains on investment properties *(Note 8)*	16,516	48,377
Gains/(losses) on financial assets held for trading		
– net unrealized gains/(losses) on equity securities	9,188	(9,202)
– realized gains on fixed rate bonds	9,118	–
Fair value losses on derivative financial instruments		
– interest-rate swap contracts – non-hedging	(924)	(5,039)
Provision for impairment losses on properties under development and hotel properties *(Note 7)*	(8,634)	–
Negative goodwill arising from acquisition of subsidiaries *(Note 37(b))*	16,040	3,598
Impairment of goodwill on acquisition of a subsidiary	–	(11,984)
Provision for taxation relating to a rationalization of the ownership structure of properties in Mainland China	–	(2,500)
Non-operating items	41,304	23,250
Interest income		
– fixed rate bonds	4,929	–
– bank deposit and others	10,926	11,917
Dividend income	927	988
Others	53	884
	58,139	37,039

29 EMPLOYEE BENEFIT EXPENSES

(excluding directors' emoluments)

	2012 US$'000	2011 US$'000
Wages and salaries (including unutilized annual leave)	469,980	430,091
Pension costs	35,913	33,214
Other welfare	115,458	101,817
	621,351	565,122
Less: Amount included in pre-opening expenses	(3,027)	(1,803)
	618,324	563,319

29 EMPLOYEE BENEFIT EXPENSES (continued)

Pension Scheme Arrangement

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

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$1,250 (equivalent to US$161) 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 2012 were not material.

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 9% 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$658) per month for monthly salaries and bonus payment. The employees of the Group's subsidiaries in Singapore and Malaysia are also required to contribute 16% and 12%, respectively of their gross salaries and bonus, if applicable, to 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 2012 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 7.0% 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 Peso83,025,000 (equivalent to US$2,023,000), Peso25,600,000 (equivalent to US$624,000) and Peso34,308,000 (equivalent to US$836,000), respectively.

Total pension cost including charges for Directors charged to the income statement for the year under all pension schemes was US$36,029,000 (2011: US$33,327,000).

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2012 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	821	2,839	–	14	15	–	3,695
Mr LUI Man Shing	6	418	1,161	–	26	15	–	1,626
Mr Madhu Rama Chandra RAO	–	418	1,548	–	250	42	–	2,258
Mr Gregory Allan DOGAN	–	418	1,419	–	238	42	–	2,117
Mr HO Kian Guan	26	–	–	–	–	–	–	26
Mr KUOK Khoon Loong Edward[3]	–	77	774	–	2	2	–	855
Mr Roberto V ONGPIN	26	–	–	–	–	–	–	26
Mr Alexander Reid HAMILTON	48	–	–	–	–	–	–	48
Mr Timothy David DATTELS	26	–	–	–	–	–	–	26
Mr WONG Kai Man	48	–	–	–	–	–	–	48
Mr Michael Wing-Nin CHIU	26	–	–	–	–	–	–	26
Professor LI Kwok Cheung Arthur	46	–	–	–	–	–	–	46
Mr HO Kian Hock[1]	–	–	–	–	–	–	–	–

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

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

Name of Director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Inducement fees US$'000	Other benefits[4] US$'000	Employer's Contribution to pension schemes US$'000	Compensation for loss of office as director US$'000	Total US$'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]	–	–	–	–	–	–	–	–

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 KUOK Khoon Loong Edward retired as Director on 30 March 2012.

(4) Other benefits include housing, holiday warrant, medical expenses and insurance premium. Pursuant to the 2002 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.

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

Movement of option shares granted to the Directors for the year ended 31 December 2012 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 2012	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 2012	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 Jun 2006	II	14.00	60,000	–	–	–	–	–	60,000	14.60	–	16 Jun 2008 – 15 Jun 2016
Madhu Rama Chandra RAO	28 Apr 2005	II	11.75	250,000	–	–	–	–	–	250,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	50,000	–	–	–	–	–	50,000	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	50,000	–	–	–	–	–	50,000	14.60	–	16 Jun 2008 – 15 Jun 2016
Gregory Allan DOGAN	28 Apr 2005	II	11.75	50,000	–	–	–	–	–	50,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	37,500	–	–	–	–	–	37,500	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	37,500	–	–	–	–	–	37,500	14.60	–	16 Jun 2008 – 15 Jun 2016
KUOK Khoon Loong Edward	16 Jun 2006	II	14.00	100,000	–	–	–	(100,000)	–	–	14.60	4.54	16 Jun 2008 – 15 Jun 2016

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

Movement of option shares granted to the Directors for the year ended 31 December 2012 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 2012	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 2012	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
Robert V ONGPIN	28 Apr 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2008 – 15 Jun 2016
Timothy David DATTELS	28 Apr 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2008 – 15 Jun 2016

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

Movement of option shares granted 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 Jun 2006	II	14.00	60,000	–	–	–	–	–	60,000	14.60	16 Jun 2008 – 15 Jun 2016
Madhu Rama Chandra RAO	28 Apr 2005	II	11.75	250,000	–	–	–	–	–	250,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	50,000	–	–	–	–	–	50,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	50,000	–	–	–	–	–	50,000	14.60	16 Jun 2008 – 15 Jun 2016
Gregory Allan DOGAN	28 Apr 2005	II	11.75	50,000	–	–	–	–	–	50,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	37,500	–	–	–	–	–	37,500	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	37,500	–	–	–	–	–	37,500	14.60	16 Jun 2008 – 15 Jun 2016
KUOK Khoon Loong Edward	16 Jun 2006	II	14.00	100,000	–	–	–	–	–	100,000	14.60	16 Jun 2008 – 15 Jun 2016

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

Movement of option shares granted 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
Robert V ONGPIN	28 Apr 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	16 Jun 2008 – 15 Jun 2016
Timothy David DATTELS	28 Apr 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	16 Jun 2008 – 15 Jun 2016

Five highest paid individuals

Same as in 2011, 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 above in this Note.

31 FINANCE COSTS – NET

	2012 US$'000	2011 US$'000
Interest expense:		
– bank loans	83,918	65,022
– convertible bonds (*Note 21*)	20,352	12,445
– fixed rate bonds (*Note 22*)	21,285	–
– other loans	1,988	1,203
	127,543	78,670
Less: amount capitalized	(31,850)	(7,705)
	95,693	70,965
Net foreign exchange gains	(16,266)	(27,006)
	79,427	43,959

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 3.3% per annum (2011: 2.8%).

32 SHARE OF PROFIT OF ASSOCIATES

	2012 US$'000	2011 US$'000
Share of profit before tax and non-operating items of associates	101,343	78,917
Share of net increase in fair value of investment properties	233,649	140,356
Negative goodwill arising from acquisition of an associate (*Note 37(c)*)	6,609	5,408
Share of profit before tax of associates	341,601	224,681
Share of associates' taxation before provision for taxation for non-operating items	(29,645)	(24,633)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(50,380)	(34,469)
Share of associates' taxation	(80,025)	(59,102)
Share of profit of associates	261,576	165,579

33 INCOME TAX EXPENSE

	2012 US$'000	2011 US$'000
Current income tax		
– Hong Kong profits tax	15,543	15,504
– Overseas taxation	72,557	57,339
Deferred income tax (*Note 25*)	13,861	4,378
	101,961	77,221

Share of associates' taxation for the year ended 31 December 2012 of US$80,025,000 (2011: US$59,102,000) 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:

	2012 US$'000	2011 US$'000
Profit before income tax	484,157	361,085
Calculated at a taxation rate of 16.5% (2011: 16.5%)	79,886	59,579
Effect of different taxation rates of subsidiaries operating in other countries	22,105	15,215
Income not subject to taxation	(55,978)	(35,866)
Tax effect on unrecognized tax losses	14,263	16,831
Expenses not deductible for taxation purposes	28,025	22,606
Utilization of previously unrecognized tax losses	(76)	(619)
Effect on opening net deferred taxation resulting from decrease in tax rate	–	(5,203)
Under/(over) provision in prior year	654	(1,908)
Withholding tax	13,193	7,919
Tax incentive	(111)	(1,333)
Taxation charge	101,961	77,221

33 INCOME TAX EXPENSE (continued)

(a) Hong Kong profits tax is provided at a rate of 16.5% (2011: 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.

34 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS AND RETAINED EARNINGS OF THE COMPANY

The profit attributable to equity holders is dealt with in the financial statements of the Company to the extent of US$75,798,000 (2011: US$89,050,000).

Movement of retained earnings of the Company

	2012 US$'000	2011 US$'000
Balance at 1 January	64,062	55,803
Profit for the year	75,798	89,050
2011/2010 final dividend paid	(40,409)	(40,393)
2012/2011 interim dividend paid (*Note 36*)	(40,410)	(40,398)
Balance at 31 December	59,041	64,062
Representing		
2012/2011 final dividend proposed (*Note 36*)	40,415	40,405
Retained earnings	18,626	23,657
Balance at 31 December	59,041	64,062

35 EARNINGS PER SHARE

Basic

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

	2012	2011
Profit attributable to equity holders of the Company (US$'000)	358,895	252,979
Weighted average number of ordinary shares in issue (thousands)	3,121,119	3,092,831
Basic earnings per share (US cents per share)	11.50	8.18

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.

35 EARNINGS PER SHARE (continued)

Diluted (continued)

For the year ended 31 December 2012 and 2011, all share options issued under the option scheme have the greatest dilution effect.

	2012	2011
Profit attributable to equity holders of the Company (US$'000)	358,895	252,979
Weighted average number of ordinary shares in issue (thousands)	3,121,119	3,092,831
Adjustments for – share options (thousands)	1,654	3,096
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,122,773	3,095,927
Diluted earnings per share (US cents per share)	11.49	8.17

36 DIVIDENDS

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Interim dividend paid of HK10 cents (2011: HK10 cents) per ordinary share	40,274	40,263	40,410	40,398
Proposed final dividend of HK10 cents (2011: HK10 cents) per ordinary share	40,280	40,270	40,415	40,405
	80,554	80,533	80,825	80,803

At a meeting held on 21 March 2013, the Board proposed a final dividend of HK10 cents per ordinary share for the year ended 31 December 2012. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2013.

The proposed final dividend of US$40,280,000 for the year ended 31 December 2012 is calculated based on 3,132,182,799 shares in issue as at 21 March 2013, 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).

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2012 US$'000	2011 US$'000
Profit before income tax	484,157	361,085
Share of profit of associates	(261,576)	(165,579)
Fair value gains on investment properties	(16,516)	(48,377)
Provision for impairment loss on property under development and hotel property	8,634	–
Negative goodwill arising from acquisition of subsidiaries	(16,040)	(3,598)
Impairment of goodwill on acquisition of a subsidiary	–	11,984
Depreciation	283,708	282,280
Amortization of leasehold land and land use rights, trademark and website development	20,961	13,278
Interest on convertible bonds, fixed rate bonds, bank loans and overdrafts	95,693	70,965
Interest income	(15,855)	(11,917)
Dividend income	(927)	(988)
Loss on disposal of fixed assets and discarding of fixed assets due to properties renovations	7,668	11,707
Net realized and unrealized (gains)/losses on financial assets held for trading	(18,306)	9,202
Fair value losses on derivative financial instruments – interest-rate swap contracts	924	5,039
Net foreign exchange transaction gains	(16,266)	(27,006)

	2012 US$'000	2011 US$'000
Operating profit before working capital changes	556,259	508,075
Increase in inventories	(105)	(8,554)
Increase in accounts receivable, prepayments and deposits (net of deposits for acquisition of land)	(22,370)	(23,948)
Increase in amounts due from associates	(6,327)	(9,732)
(Decrease)/increase in accounts payable and accruals	(25,866)	149,467
Net cash generated from operations	501,591	615,308

(b) Acquisition of interests in subsidiaries

(i) Rome, Italy

In May 2012, the Group acquired the entire equity interest in a local company in Italy which owns a very well located building in Rome at a net cash consideration of EUR31,431,000 (equivalent to US$38,937,000 based on the prevailing exchange rate on the date of acquisition). The building will be converted into a 110-room Shangri-La hotel after all the existing tenants are vacated. Under the agreement, the Group made a cash payment of EUR1,611,000 (equivalent to US$1,995,000) to the vendor in May 2012 and the balance of the cash consideration of EUR29,820,000 (equivalent to US$36,942,000 based on the prevailing exchange rate on the date of acquisition) is payable once the remaining tenants are vacated. The Group provided a bank guarantee of EUR30,602,000 (equivalent to US$40,356,000) issued in favour of the vendor to secure the payment of the balance of the cash consideration.

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of interests in subsidiaries (continued)

(i) Rome, Italy (continued)

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 paid	1,995
Balance of consideration payable	36,942
Total purchase consideration	38,937
Fair value of net assets acquired:	
Property, plant and equipment	123,885
Cash and bank balances	309
Other assets less current liabilities	17,485
Bank loans	(102,742)
	38,937

(ii) Sydney, Australia

In September 2012, the Group acquired the entire equity interest in a group of investment holding companies which own the Shangri-La Hotel, Sydney at a total consideration of A$352,459,000 (equivalent to US$371,009,000 based on the prevailing exchange rate on the date of acquisition). The hotel has been managed by the Group before the completion of acquisition since 2003.

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 paid	371,009
Fair value of net assets acquired:	
Property, plant and equipment	326,948
Leasehold land	36,210
Cash and bank balances	30,667
Other assets less current liabilities	(6,776)
	387,049
Excess of share of fair value of net assets of subsidiaries over its purchase consideration (represented by negative goodwill included in other gains of the income statement (*Note 28*))	16,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of interests in subsidiaries (continued)

(ii) Sydney, Australia (continued)

The amount of sales and profit for the year included in the consolidated income statement for the year ended 31 December 2012 contributed by the acquired investment holding companies since the date of acquisition are US$23,325,000 and US$1,544,000, respectively.

Had these investment holding companies been consolidated from 1 January 2012, the consolidated income statement of the Group would show pro-forma sales and profit for the year of US$2,108,871,000 and US$386,735,000, respectively based on the Group's accounting policies.

(c) Acquisition of interests in an associate

In September 2012, the Group also obtained the necessary approvals from the local authorities and completed certain changes of registration for the acquisition of 25% equity interest in a project company in Hangzhou City in Mainland China from a wholly owned subsidiary of Kerry Properties Limited (whose controlling shareholder is a substantial shareholder of the Company) for a high-end composite development comprising a hotel, office, serviced apartments and a large-scale commercial retail mall complex. Total deposits of RMB48,431,000 (equivalent to US$7,344,000) were paid in 2011. Balance of the cash consideration of RMB920,189,000 (equivalent to US$145,226,000) was paid in September 2012. The 25% share of the fair value of the net assets of the project company was RMB1,010,948,000 (equivalent to US$159,179,000). The excess of the share of the fair value of the net assets over the total purchase consideration amounted to US$6,609,000 which was included in share of profit of associates (Note 32).

38 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

As at 31 December 2012, 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$2,896,157,000 (2011: US$2,103,078,000) for the subsidiaries and US$342,966,000 (2011: US$220,425,000) for associates.

(ii) The Company executed guarantees in favour of banks for securing certain banking facilities granted to six non-wholly owned subsidiaries. The non-controlling shareholders of five non-wholly owned subsidiaries provided proportionate counter guarantees to the Company under the joint venture agreements. The utilized amount of these facilities covered by the Company's guarantees after setting off the amount of counter guarantees from the non-controlling shareholders and which also represented the net financial exposure of the Company at the date of the statement of financial position amounts to US$136,925,000 (2011: US$181,834,000).

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

(a) Financial guarantees (continued)

(iii) The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The Group also provided suretyship in favour of an associate in relation to the payment obligations under its banking facility which in return provide counter guarantee to the Company such that any amounts paid by the Company under the suretyship agreement should be proportionate to its respective shareholding in the associate. The utilized amount of such facilities covered by the Group's guarantees for these associates amounts to US$342,966,000 (2011: US$226,455,000).

Guarantees are stated at their respective contracted amounts. The Board is of the opinion that it is not probable that the above guarantees will be called upon.

(b) Contingent liabilities

As at 31 December 2012, the Group executed guarantees for securing standby documentary credit granted by banks in favour of certain building contractors relating to the execution of construction works for hotel buildings with the amount of US$26,052,000 (2011: US$3,397,000). The Group also executed a bank guarantee of US$3,010,000 (2011: Nil) in favour of the government authorities for the purpose of value added tax refund. These facilities were undrawn as at 31 December 2012.

(c) Charges over assets

As at 31 December 2012, bank loans of certain subsidiaries amounting to US$240,671,000 (2011: US$158,472,000) were secured by:

(i) Freehold land and construction of a subsidiary with net book value of US$37,529,000 (2011: US$38,794,000).

(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$140,735,000 (2011:US$152,537,000).

(iii) Legal mortgage over the property owned by two subsidiaries with an aggregate net book value of US$138,410,000 (2011: US$154,211,000).

(iv) Legal mortgage over the property owned by a subsidiary acquired during the year with net book value of US$132,565,000 (2011: Nil).

39 COMMITMENTS

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

	2012 US$'000	2011 US$'000
Existing properties – Property, plant and equipment and investment properties		
Contracted but not provided for	66,435	112,411
Authorized but not contracted for	39,059	68,580
Development projects		
Contracted but not provided for	1,402,503	938,444
Authorized but not contracted for	1,843,994	2,680,283
	3,351,991	3,799,718

(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:

	2012 US$'000	2011 US$'000
Not later than one year	33,390	27,760
Later than one year and not later than five years	93,658	83,296
Later than five years	510,067	350,875
	637,115	461,931

(c) At 31 December 2012, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2012 US$'000	2011 US$'000
Not later than one year	49,929	43,659
Later than one year and not later than five years	35,303	35,429
Later than five years	628	1,168
	85,860	80,256

40 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 2012, has significant influence over the Company.

The following transactions were carried out with related parties:

	2012 US$'000		2011 US$'000
(a) Transactions with subsidiaries of KGL during the year (other than subsidiaries of the Company)			
Receipt of hotel management, consultancy and related services and royalty fees	3,931	(Note i)	2,735
Reimbursement of office expenses and payment of administration and related expenses	4,482		8,283
Reimbursement of office rental, management fees and rates	491		585
Payment of office rental, management fees and rates	6,389		5,621
Payment for magazine publication	1,344	(Note i)	1,285

	2012 US$'000		2011 US$'000
(b) Transactions with associates of the Group during the year (other than the subsidiaries of KGL included under item (a) above)			
Receipt of hotel management, consultancy and related services and royalty fees	18,757	(Note ii)	17,480
Receipt for laundry services	1,098	(Note i)	894
Purchase of wine	1,443	(Note i)	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	97,864		83,455
Balance of guarantees executed in favour of banks for securing bank loans/ facilities granted to associates of the Group	283,102		181,691

40 RELATED PARTY TRANSACTIONS (continued)

	2012 US$'000	2011 US$'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	73,452	103,453
Balance of guarantees executed in favour of banks for securing bank loans/ facilities granted to associates of the Group	59,864	32,185

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

	2012 US$'000	2011 US$'000
(e) Key management compensation		
Fees, salaries and other short-term employee benefits of executive directors	9,582	9,759
Post employment benefits of executive directors	114	112

(f) Acquisition of interest in an associate from a subsidiary of KGL during the year ended 31 December 2012. Details of such transaction were provided under Note 37(c).

(g) Proposed transfer of interest in associates to a subsidiary of KGL

On 19 December 2012, the Group and a subsidiary of KGL entered into sale and purchase agreements pursuant to which the KGL's subsidiary will acquire from the Group its entire holding of 25% of the equity interest in each of the project companies which own the land use rights of two land sites in Bayuquan, Yingkou City, Liaoning Province in Mainland China for a high-end composite development for an aggregate cash consideration of RMB100,268,000 (equivalent to US$16,097,000). Completion of the disposal 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.

(h) Acquisitions of fixed rate bonds issued by a subsidiary of KGL

On 13 and 17 April 2012, the Company acquired fixed rate bonds with a total principal amount of US$29,000,000 issued by a subsidiary of KGL in the secondary market through a professional financial institution at a total cash consideration of US$30,241,000. All these fixed rate bonds were disposed during the year ended 31 December 2012.

Notes:

i. These transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of The Rules Governing the Listing of Securities on HKSE ("**Listing Rules**") and are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

ii. These transactions include continuing connected transactions as defined in Chapter 14A of Listing Rules of US$682,000 which are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) At 31 December 2012, 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 Ltd	The British Virgin Islands	HK$578,083,745	100	–	Investment holding	1
Shangri-La Asia Treasury Ltd	The British Virgin Islands	HK$780	100	–	Group financing	1
Shangri-La China Ltd	Hong Kong	HK$10,000,000	–	100	Investment holding	1
Shangri-La Hotels (Europe)	Luxembourg	EUR140,100,000	100	–	Investment holding	
Kerry Industrial Company Ltd	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,000,000	–	100	Investment holding	1
Shangri-La Hotel (Kowloon) Ltd	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,000,000	–	100	Hotel ownership and operation	1
Shangri-La International Hotels (Pacific Place) Ltd	Hong Kong	Ordinary HK$5,000 Non-voting deferred HK$10,000,000	–	80	Hotel ownership and operation	1

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2012, 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		
Shenzhen Shangri-La Hotel Ltd	The People's Republic of China	US$32,000,000	–	72	Hotel ownership and operation	2,5,7
Beihai Shangri-La Hotel Ltd	The People's Republic of China	US$16,000,000	–	100	Hotel ownership and operation	6,7
Shanghai Pudong New Area Shangri-La Hotel Co, Ltd	The People's Republic of China	US$47,000,000	–	100	Hotel ownership and operation	2,4,7
Shenyang Traders Hotel Ltd	The People's Republic of China	US$39,040,470	–	100	Hotel ownership and operation	6,7
Changchun Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB167,000,000	–	100	Hotel ownership and operation and real estate operation	6,7
Jilin Province Kerry Real Estate Development Ltd	The People's Republic of China	RMB25,000,000	–	100	Real estate development and operation	6,7
Qingdao Shangri-La Hotel Co, Ltd	The People's Republic of China	US$79,000,000	–	100	Hotel ownership and operation and real estate development and operation	6,7

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2012, 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		
Dalian Shangri-La Hotel Co, Ltd	The People's Republic of China	US$101,566,670	–	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

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2012, 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		
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

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2012, 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 (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$30,615,000	–	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	RMB257,025,320	–	100	Hotel ownership and operation	3,6,7
Sanya Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB961,033,500	–	100	Hotel ownership and operation	3,6,7

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2012, 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$41,200,000	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Qufu) Co, Ltd	The People's Republic of China	RMB480,000,000	–	100	Hotel ownership and operation	3,6,7
Ji Xiang Real Estate (Nanjing) Co, Ltd	The People's Republic of China	RMB569,995,245	–	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	RMB289,519,800	–	100	Hotel ownership and operation	3,6,7
Dalian Wolong Bay Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB430,000,000	–	100	Hotel ownership and operation and real estate development and operation	3,6,7
Kerry Real Estate (Yangzhou) Co, Ltd	The People's Republic of China	US$58,000,000	–	100	Hotel ownership and operation and real estate development	6,7

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2012, 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	RMB300,000,000	–	100	Hotel ownership and operation and real estate development	3,6,7
Shangri-La Hotel (Zhuhai) Co, Ltd	The People's Republic of China	RMB75,213,050	–	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$20,000,000	–	51	Hotel ownership and operation	3
Makati Shangri-La Hotel & Resort, Inc	The Philippines	Peso1,100,000,000	–	100	Hotel ownership and operation	
Edsa Shangri-La Hotel & Resort, Inc	The Philippines	Peso792,128,700	–	100	Hotel ownership and operation	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2012, 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
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 Ltd	Republic of Maldives	Rufiyaa 640,000,000	–	70	Hotel ownership and operation	
Traders Hotel Male' Private Ltd	Republic of Maldives	Rufiyaa 64,000,000	–	100	Hotel ownership and operation	
Yanuca Island Ltd	Fiji	F$1,262,196	–	71.64	Hotel ownership and operation	2
Shangri-La Hotel Ltd	Singapore	S$165,433,560	–	100	Investment holding, hotel ownership and operation and leasing of residential and serviced apartments	2

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2012, 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	S$30,000,000	–	100	Hotel ownership and operation	2
Shangri-La Hotels (Malaysia) Bhd	Malaysia	RM440,000,000	–	52.78	Investment holding and hotel ownership and operation	
Shangri-La Hotel (KL) Sdn Bhd	Malaysia	RM150,000,000	–	52.78	Hotel ownership and operation	
Golden Sands Beach Resort Sdn Bhd	Malaysia	RM6,000,000	–	52.78	Hotel ownership and operation	
Komtar Hotel Sdn Bhd	Malaysia	RM6,000,000	–	31.67	Hotel ownership and operation	
Pantai Dalit Beach Resort Sdn Bhd	Malaysia	RM135,000,000	–	64.59	Hotel and golf club ownership and operation	
UBN Tower Sdn Bhd	Malaysia	RM500,000	–	52.78	Property investment and office management	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2012, 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
UBN Holdings Sdn Bhd	Malaysia	RM45,000,000	–	52.78	Investment holding and property investment	
Traders Yangon Company Ltd	Myanmar	Kyat21,600,000	–	59.16	Hotel ownership and operation	
Shangri-La Hotel Public Company Ltd	Thailand	Baht1,300,000,000	–	73.61	Hotel, serviced apartments and office ownership and operation	2
Shangri-La Hotels (Paris) SARL	France	EUR40,010,000	–	100	Hotel ownership and operation	2
Shangri-La Hotels Japan KK	Japan	YEN902,500,000	–	100	Hotel ownership and operation	2
Shangri-La Hotel (Cairns) Pty Ltd	Australia	AUD8,250,000	–	100	Investment holding	
Roma Hotel Pty Ltd	Australia	AUD34,000,000	–	100	Hotel ownership and operation	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2012, 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
Lilyvale Hotel Pty Ltd	Australia	Ordinary AUD140,000,004 Redeemable preference AUD125,000,000	–	100	Hotel ownership and operation	
Shangri-La Hotels Lanka (Private) Ltd	Sri Lanka	LKR2,219,000,000	–	90	Hotel ownership and operation and real estate development and operation	3
Shangri-La Investments Lanka (Private) Ltd	Sri Lanka	LKR862,709,910	–	90	Hotel ownership and operation	3
Shangri-La Hotel (Ghana) Ltd	The Republic of Ghana	GHS1,500,000	–	100	Hotel ownership and operation	3
Turati Properties Srl	Italy	EUR10,000	–	100	Hotel ownership and operation	2,3
SLIM International Ltd	Cook Islands	US$1,000	100	–	Investment holding	1
Shangri-La International Hotel Management Ltd	Hong Kong	HK$10,000,000	–	100	Hotel management, marketing, consultancy and reservation services	1

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2012, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Shangri-La Hotel Management (Shanghai) Co, Ltd	The People's Republic of China	US$140,000	–	100	Hotel management, marketing and consultancy services	6,7
Shangri-La International Hotel Management BV	The Netherlands	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.

3 Subsidiaries which are under various stages of real estate and hotel development and have not yet commenced business operations as at the date of the statement of financial position.

4 Co-operative Joint Venture.

5 Equity Joint Venture.

6 Wholly Foreign Owned Enterprise.

7 The amount of paid up/issued capital for subsidiaries incorporated in The People's Republic of China represented the amount of paid in registered capital.

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2012, 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 Ltd	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	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2012, 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
Tianjin Kerry Real Estate Development Co, Ltd	The People's Republic of China	20	Hotel ownership and operation and property investment	3
Kerry Real Estate (Nanchang) Co, Ltd	The People's Republic of China	20	Hotel ownership and operation and property investment	3
Hengyun Real Estate (Tangshan) Co, Ltd	The People's Republic of China	35	Property investment	3
Ruihe Real Estate (Tangshan) Co, Ltd	The People's Republic of China	35	Hotel ownership and operation	3
Xiang Heng Real Estate (Jinan) Co, Ltd	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Kerry (Shenyang) Real Estate Development Co, Ltd	The People's Republic of China	25	Hotel ownership and operation and property investment	3
Kerry Real Estate (Hangzhou) Co, Ltd	The People's Republic of China	25	Hotel ownership and operation and property investment	3
Full Fortune Real Estate (Putian) Co, Ltd	The People's Republic of China	40	Property investment	3
Well Fortune Real Estate (Putian) Co, Ltd	The People's Republic of China	40	Hotel ownership and operation	3

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2012, 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
Zhengzhou Yuheng Real Estate Co, Ltd	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Jian'an Real Estate (Kunming) Co, Ltd	The People's Republic of China	45	Hotel ownership and operation	3
Cuscaden Properties Pte Ltd	Singapore	40.75	Hotel ownership and operation and property investment	
Tanjong Aru Hotel Sdn Bhd	Malaysia	40	Hotel ownership and operation	
PT Swadharma Kerry Satya	Indonesia	25	Hotel ownership and operation	2
Fine Winner Holdings Ltd	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
Besiktas Emlak Yatırım ve Turizm Anonim Sirketi	Turkey	50	Hotel ownership and operation	3
PT Narendra Interpacific Indonesia	Indonesia	49	Hotel and golf club ownership and operation	3

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2012, the Group held interests in the following principal associates: (continued)

Notes:

1 Associates audited by PricewaterhouseCoopers, Hong Kong.

2 Associates audited by other member firms of PricewaterhouseCoopers.

3 Associates which are under various stages of real estate and hotel development and have not yet commenced business operations as at the date of the statement of financial position.

(c) The above tables list out the subsidiaries and associates of the Company as at 31 December 2012 which, in the opinion of the Directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries and associates would, in the opinion of the Directors, result in particulars of excessive length.

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

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

Address	Existing use	Lease term
Kowloon Shangri-La, Hong Kong 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong	Hotel operation	Medium lease
Island Shangri-La, Hong Kong Pacific Place, Supreme Court Road, Central, Hong Kong	Hotel operation	Medium lease
Shangri-La Hotel, Shenzhen East Side, Railway Station, 1002 Jianshe Road, Shenzhen 518001, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Beihai 33 Chating Road, Beihai, Guangxi 536007, The People's Republic of China	Hotel operation	Medium lease
Pudong Shangri-La, East Shanghai 33 Fu Cheng Lu, Pudong New Area, Shanghai 200120, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

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	Medium lease
Shangri-La Hotel, Changchun 569 Xian Road, Changchun 130061, The People's Republic of China	Hotel operation and commercial and residential rental	Medium lease
Shangri-La Hotel, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Hotel operation	Medium lease
Golden Flower Hotel, Xian 8 Chang Le Road West, Xian 710032, Shaanxi, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Harbin 555 You Yi Road, Dao Li District, Harbin 150018, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Wuhan No. 700, Jianshe Avenue, Hankou, Wuhan 430015, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Zhongshan 16 Qi Wan Road North, Eastern Area, Zhongshan 528403, The People's Republic of China	Hotel operation	Long lease
Shangri-La Hotel, Fuzhou No. 9 Xin Quan Nan Road, Fuzhou 350005, The People's Republic of China	Hotel operation	Long lease
Shangri-La Hotel, Guangzhou 1 Hui Zhan Dong Road, Hai Zhu District, Guangzhou 510308, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

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, Yangzhou 472 Wen Chang Xi Lu, New Western District, Yangzhou, Jiangsu Province, 225009, The People's Republic of China	Hotel operation	Medium lease

Address	Existing use	Lease term
Shangri-La Hotel, Huhhot 5 Xi Lin Guo Le South Road, Huhhot 010020, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease
Futian Shangri-La, Shenzhen 4088 Yi Tian Road, Futian District, Shenzhen 518048 The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Wenzhou 1 Xiangyuan Road, Wenzhou 325000, Zhejiang Province, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Ningbo 88 Yuyuan Road, Jiangdong District, Ningbo 315040, Zhejiang, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Guilin 111 Huan Cheng Bei Er Lu, Guilin 541004, Guangxi, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
Shangri-La Hotel, Manzhouli 99 Liudao Street, Manzhouli, Inner Mongolia 021400, The People's Republic of China	Hotel operation	Medium lease
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 Centre, Mandaluyong City 1650, Metro Manila, The Philippines	Hotel operation	Medium lease
Shangri-La's Mactan Resort & Spa, Cebu Punta Engano Road, Lapu Lapu City, Cebu 6015, The Philippines	Hotel operation	Medium lease

Address	Existing use	Lease term
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
Shangri-La Hotel, Singapore 22 Orange Grove Road, Singapore 258350	Hotel operation	Freehold
Shangri-La's Rasa Sentosa Resort & Spa, Singapore 101 Siloso Road, Sentosa, Singapore 098970	Hotel operation	Long lease
Shangri-La Hotel, Kuala Lumpur 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	Hotel operation	Freehold

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
Shangri-La's Rasa Sayang Resort & Spa, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold
Traders Hotel, Penang Magazine Road, George Town Penang 10300, Malaysia	Hotel operation	Long lease
Golden Sands Resort, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold
Shangri-La's Rasa Ria Resort, Kota Kinabalu Pantai Dalit Beach, Tuaran, Sabah 89208, Malaysia	Hotel and golf club operation	Long lease
Traders Hotel, Yangon 223 Sule Pagoda Road, Yangon, Myanmar	Hotel operation	Medium lease

Address	Existing use	Lease term
Shangri-La Hotel, Bangkok 89 Soi Wat Suan Plu, New Road, Bangrak, Bangkok 10500, Thailand	Hotel operation, residential and office rental	Freehold
Shangri-La Hotel, Chiang Mai 89/8 Chang Klan Road, Muang, Chiang Mai 50100, Thailand	Hotel operation	Freehold
Shangri-La's Villingili Resort & Spa, Maldives Villingili Island, Addu Atoll, Republic of Maldives	Hotel operation	Medium lease
Traders Hotel, Maldives Ameer Ahmed Magu, Male' 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

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
Shangri-La Hotel, Paris 10 Avenue d'Iena, Paris 75116, France	Hotel operation	Freehold
Shangri-La Hotel, The Marina, Cairns Pierpoint Road, Marlin Marina, Cairns, Queensland 4870, Australia	Hotel operation	Long lease
Shangri-La Hotel, Sydney 176 Cumberland Street, The Rocks, Sydney NSW 2000, Australia	Hotel operation	Long lease
Traders Hotel, Brisbane 159, Roma Street, Brisbane, Queensland 4000, Australia	Hotel operation	Freehold

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

Address	Existing use	Lease term
China World Hotel, Beijing 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
Traders Hotel, Beijing 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
China World Summit Wing, Beijing 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
Kerry Hotel, Beijing 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Hotel operation	Medium lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
Shangri-La Hotel, Beijing 29 Zizhuyuan Road, Beijing 100089, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Hangzhou 78 Beishan Road, Hangzhou 310007, The People's Republic of China	Hotel operation	Medium lease
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, Tanjung Aru, Kota Kinabalu, Sabah 88100, 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

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

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

Address	Existing use	Lease term
Shangri-La Residences, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Residential rental	Medium lease
Shangri-La Centre, Chengdu 9 Binjiang Dong Road Chengdu, Sichuan 610021, The People's Republic of China	Office and commercial rental	Medium lease

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
Shangri-La Centre, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Office and commercial rental	Medium lease
Central Tower, Ulaanbaatar 2 Sukhbaatar Square, SBD -8, Ulaanbaatar 210620a, The Republic of Mongolia	Office rental	Long lease
Shangri-La Apartments, Singapore 1 Anderson Road, Singapore 259983	Residential rental	Freehold
Shangri-La Residences, Singapore No. 1A Lady Hill Road, Singapore 258685	Residential rental	Freehold
UBN Tower, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia	Office and commercial rental	Freehold
UBN Apartments, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia	Residential rental	Freehold

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

Address	Existing use	Lease term
China World Trade Center 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Office, commercial, 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 Road West, Suite 710, Shanghai 200040, The People's Republic of China	Hotel operation and office, commercial, residential and exhibition hall space rental	Medium lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
Beijing Kerry Centre 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Office, commercial and residential rental	Medium lease
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

44 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

(a) On 1 February 2013, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest of 51% in a project company which owns Shangri-La Hotel, Zhongshan for a cash consideration of RMB129,530,000 (equivalent to US$20,631,000). Completion of the transaction 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. It is currently envisaged that the Group will record a marginal profit on the transaction.

(b) A wholly owned subsidiary in France executed a 5-year bank loan agreement of EUR75,000,000 (equivalent to US$98,905,000) and another 3-year bank loan agreement of EUR75,000,000 (equivalent to US$98,905,000) in January and February 2013 respectively, to refinance its outstanding bank loans maturing in early 2013. The Group also executed a 3-year and three 5-year unsecured bank loan agreements totaling an equivalent amount of US$562,903,000 at the corporate level between January and March 2013.

45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 21 March 2013.

FIVE YEAR SUMMARY

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

	2012 USD'000	2011 USD'000	2010 USD'000	2009 USD'000	2008 USD'000
Results					
Profit attributable to:					
Equity holders	358,895	252,979	287,076	255,499	165,940
Non-controlling interests	23,301	30,885	25,850	5,247	17,527
Assets and liabilities					
Total assets	11,919,941	9,972,528	8,538,616	7,814,700	6,922,711
Total liabilities	5,389,864	3,944,674	3,548,409	3,269,403	2,671,323
Total equity	6,530,077	6,027,854	4,990,207	4,545,297	4,251,388

ABBREVIATIONS

In this Annual Report (except for the independent Auditor's report and the Financial Statements), the following expressions have the following meanings:

"Annual General Meeting"	forthcoming 2013 annual general meeting of the Company
"Annual Report"	this 2012 annual report of the Company
"Audit Committee"	audit committee of the Company
"Auditor"	statutory 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 Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules from time to time
"CG Principles"	corporate governance principles of the Company adopted by the Board on 19 March 2012 and as revised from time to time, and such principles align with and/or incorporate terms that are stricter than the CG Model Code, save for that disclosed in the corporate governance report in this Annual Report
"Chairman" or "Deputy Chairman"	respectively chairman and deputy chairman of the Board
"China" or "Mainland China"	The People's Republic of China, excluding Hong Kong and Macau
"Company"	Shangri-La Asia Limited
"Director(s)"	director(s) of the Company
"Directors' Report"	report of the Directors as set out in this Annual Report
"EBITDA"	earnings before interest expenses on loans and bonds issued, tax, depreciation and amortization, gain or loss on disposal of fixed assets and available-for-sale financial assets and excludes fair value gains on investment properties, fair value gains or losses on interest-rate swap contracts and financial assets held for trading, negative goodwill arising from acquisition of subsidiaries, impairment loss on goodwill and fixed assets; and stamp duty paid for acquisition of subsidiaries

"Executive Committee"	executive committee of the Company
"Executive Director(s)" or "ED(s)"	executive Director(s)
"Financial Statements"	consolidated financial statements of the Group for the Financial Year as set out on pages 83 to 184 of this Annual Report
"Financial Year"	financial year ended 31 December 2012
"Group"	Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSE"	The Stock Exchange of Hong Kong Limited
"Independent Non-executive Director(s)" or "INED(s)"	independent non-executive Director(s)
"KGL"	Kerry Group Limited, a Substantial Shareholder, and a connected person of the Company
"KHL"	Kerry Holdings Limited, a Substantial Shareholder and a subsidiary of KGL, and a connected person of the Company
"KPL"	Kerry Properties Limited, whose controlling shareholders include KHL and KGL, and thus is an associate of each of them, and accordingly a connected person of the Company
"Listing Rules"	Rules Governing the Listing of Securities on HKSE
"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"	The Philippine Stock Exchange, Inc
"PRC"	The People's Republic of China, including Hong Kong and Macau
"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 as revised from time to time, and such principles align with and/or incorporate terms that are stricter than the Securities Model Code

ABBREVIATIONS

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$1.00 each in the Company
"Shareholder(s)"	shareholder(s) of the Company
"Singapore-SE"	Singapore Exchange Securities Trading Limited
"SLIM"	SLIM International Limited, a wholly owned subsidiary of the Company incorporated in Cook Islands, and its subsidiaries (including SLIM-HK) and their principal businesses include the provision of hotel management services
"SLIM-HK"	Shangri-La International Hotel Management Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong and whose principal business is the provision of hotel management services
"substantial shareholder"	as defined in the Listing Rules, and "Substantial Shareholder" shall mean a substantial shareholder of the Company
"Sustainability Report"	the Company's publicly issued report on environmental, social and governance performance based on the Global Reporting Initiative requirements and such report is issued every 2 years with the 2012 Sustainability Report issued simultaneously with this Annual Report and the online copy having been posted on the Company's websites
"Thai-SE"	The Stock Exchange of Thailand
"Year End"	31 December 2012