SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 69

INTERIM REPORT 2013

CORPORATE INFORMATION

As at 22 August 2013

Board of Directors

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

Non-executive Directors
Mr KUOK Khoon Ean
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 Chen (chairman)
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO

Remuneration Committee
Mr WONG Kai Man (chairman)
Mr KUOK Khoon Chen
Mr Alexander Reid HAMILTON
Professor LI Kwok Cheung Arthur

Nomination Committee
Mr KUOK Khoon Chen (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 HM 12
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

00069	Hong Kong
S07	Singapore
SHALY	American Depositary Receipt

Websites

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

Key Dates

Record date for 2013 interim dividend
26 September 2013

Payment of 2013 interim dividend
7 October 2013

The board of directors ("**Board**") of Shangri-La Asia Limited ("**Company**") wishes to announce the unaudited interim results of the Company and its subsidiaries ("**Group**"), and associates for the six months ended 30 June 2013. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit Committee of the Board. The review report of the auditor is set out on page 3.

For the six months ended 30 June 2013, the consolidated profit attributable to equity holders of the Company before inclusion of the fair value gains of investment properties amounted to US$25.7 million, as compared to US$75.7 million in 2012, representing a fall of 66%. Overall, the consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2013 increased to US$215.3 million (US6.896 cents per share) from US$198.4 million (US6.357 cents per share) in the same period last year.

The Board has declared an interim dividend of **HK8 cents** per share for 2013 (2012: HK10 cents per share) payable on Monday, 7 October 2013, to shareholders whose names appear on the Registers of Members of the Company on Thursday, 26 September 2013.

GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

		Six months ended 30 June	
		2013	2012
		Unaudited	Unaudited (Restated)
Sales	*US$'000*	**1,006,587**	973,481
Profit attributable to the equity holders of the Company			
– Profit before fair value gains of investment properties	*US$'000*	**25,659**	75,698
– Share of net fair value gains of investment properties	*US$'000*	**189,607**	122,707
– Total reported profit	*US$'000*	**215,266**	198,405
Earnings per share	*US cents*	**6.896**	6.357
equivalent to	*HK cents*	**53.444**	49.267
Dividend per share	*HK cents*	**8**	10
Annualized Return on Equity		**7.1%**	7.0%

$$\left[\frac{\text{Profit attributable to equity holders of the Company for the six months}}{\text{Average equity attributable to equity holders of the Company}} \times 2\right]$$

Consolidated Statement of Financial Position

		As at	
		30 June 2013	31 December 2012
		Unaudited	Audited (Restated)
Total equity	*US$'000*	**6,650,508**	6,527,550
Net assets attributable to the Company's equity holders	*US$'000*	**6,116,390**	6,024,876
Net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances)	*US$'000*	**3,620,508**	3,526,443
Net assets per share attributable to the Company's equity holders	*US$*	**1.95**	1.92
Net assets (total equity) per share	*US$*	**2.12**	2.08
Net borrowings to total equity ratio		**54.4%**	54.0%

pwc

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

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 4 to 35, which comprises the interim condensed consolidated statement of financial position of Shangri-La Asia Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2013

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in US dollar thousands)

		As at	
	Note	**30 June 2013 Unaudited**	31 December 2012 Audited (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**5,840,484**	5,908,344
Investment properties	*4*	**1,021,633**	956,412
Leasehold land and land use rights	*4*	**659,456**	686,093
Intangible assets	*4*	**93,007**	93,511
Interest in associates		**3,146,493**	2,956,495
Deferred income tax assets		**3,538**	3,188
Derivative financial instruments	*15*	**681**	–
Available-for-sale financial assets	*5*	**4,404**	4,412
Other receivables	*6*	**15,820**	18,133
		10,785,516	10,626,588
Current assets			
Inventories		**48,072**	50,012
Properties for sale		**24,085**	25,448
Accounts receivable, prepayments and deposits	*7*	**236,218**	288,463
Due from associates		**64,901**	63,386
Derivative financial instruments	*15*	**190**	–
Financial assets held for trading	*8*	**20,218**	24,929
Cash and bank balances		**1,070,531**	838,918
		1,464,215	1,291,156
Assets of disposal group classified as held for sale	*9*	**92,826**	–
		1,557,041	1,291,156
Total assets		**12,342,557**	11,917,744
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*10*	**2,553,925**	2,553,647
Other reserves	*11*	**1,851,430**	1,923,620
Retained earnings			
– Proposed interim/final dividend	*24*	**32,224**	40,280
– Others		**1,678,811**	1,507,329
		6,116,390	6,024,876
Non-controlling interests		**534,118**	502,674
Total equity		**6,650,508**	6,527,550

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

(All amounts in US dollar thousands)

	Note	As at 30 June 2013 Unaudited	As at 31 December 2012 Audited (Restated)
LIABILITIES			
Non-current liabilities			
Bank loans	*12*	**3,199,591**	2,757,007
Convertible bonds	*13*	**494,388**	483,879
Fixed rate bonds	*14*	**596,329**	595,843
Derivative financial instruments	*15*	**23**	765
Due to non-controlling shareholders	*16*	**26,398**	25,900
Deferred income tax liabilities		**271,636**	249,777
		4,588,365	4,113,171
Current liabilities			
Accounts payable and accruals	*17*	**598,196**	719,305
Due to non-controlling shareholders	*16*	**10,264**	7,889
Current income tax liabilities		**25,470**	17,148
Bank loans	*12*	**400,731**	528,632
Derivative financial instruments	*15*	**1,606**	4,049
		1,036,267	1,277,023
Liabilities of disposal group classified as held for sale	*9*	**67,417**	–
		1,103,684	1,277,023
Total liabilities		**5,692,049**	5,390,194
Total equity and liabilities		**12,342,557**	11,917,744
Net current assets		**453,357**	14,133
Total assets less current liabilities		**11,238,873**	10,640,721

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in US dollar thousands unless otherwise stated)

		Six months ended 30 June	
		2013	2012
	Note	**Unaudited**	Unaudited (Restated)
Sales	*3*	**1,006,587**	973,481
Cost of sales	*18*	**(438,938)**	(411,679)
Gross profit		**567,649**	561,802
Other gains – net	*19*	**31,624**	11,486
Marketing costs	*18*	**(39,351)**	(35,975)
Administrative expenses	*18*	**(92,630)**	(84,504)
Other operating expenses	*18*	**(331,616)**	(313,585)
Operating profit		**135,676**	139,224
Finance costs – net			
– Interest expense	*20*	**(50,834)**	(43,703)
– Foreign exchange gains/(losses)	*20*	**7,496**	(3,218)
Share of profit of associates	*21*	**203,872**	160,286
Profit before income tax		**296,210**	252,589
Income tax expense	*22*	**(60,517)**	(42,299)
Profit for the period		**235,693**	210,290
Profit attributable to:			
Equity holders of the Company		**215,266**	198,405
Non-controlling interests		**20,427**	11,885
		235,693	210,290
Earnings per share for profit attributable to the equity holders of the Company during the period *(expressed in US cents per share)*			
– basic	*23*	**6.896**	6.357
– diluted	*23*	**6.893**	6.353
Dividends	*24*	**32,224**	40,274

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
		(Restated)
Profit for the period	**235,693**	210,290
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligation	**–**	(490)
Items that may be reclassified subsequently to profit or loss		
Fair value changes of interest-rate swap contracts – hedging	**1,687**	(565)
Fair value changes of currency forward contracts – hedging	**–**	3,964
Currency translation differences – subsidiaries	**(65,303)**	(33,906)
Currency translation differences – associates	**(15,850)**	(11,723)
	(79,466)	(42,230)
Other comprehensive loss for the period	**(79,466)**	(42,720)
Total comprehensive income for the period	**156,227**	167,570
Total comprehensive income attributable to:		
Equity holders of the Company	**143,137**	156,538
Non-controlling interests	**13,090**	11,032
	156,227	167,570

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands)

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2012, as previously reported		2,551,789	1,782,763	1,271,551	5,606,103	421,751	6,027,854
Opening adjustment for the adoption of revised HKAS 19		–	–	(1,558)	(1,558)	(164)	(1,722)
Balance at 1 January 2012, as restated		2,551,789	1,782,763	1,269,993	5,604,545	421,587	6,026,132
Fair value changes of an interest-rate swap contract – hedging	*11*	–	(565)	–	(565)	–	(565)
Fair value changes of currency forward contracts – hedging	*11*	–	3,964	–	3,964	–	3,964
Currency translation differences		–	(44,785)	–	(44,785)	(844)	(45,629)
Remeasurements of post employment benefit obligation		–	–	(481)	(481)	(9)	(490)
Net loss recognized directly in equity, as restated		–	(41,386)	(481)	(41,867)	(853)	(42,720)
Profit for the period, as restated		–	–	198,405	198,405	11,885	210,290
Total comprehensive (loss)/income for the six months ended 30 June 2012, as restated		–	(41,386)	197,924	156,538	11,032	167,570
Exercise of share options – allotment of shares	*10*	968	–	–	968	–	968
Exercise of share options – transfer from share option reserve to share premium	*10*	225	(225)	–	–	–	–
Payment of 2011 final dividend		–	–	(40,274)	(40,274)	–	(40,274)
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(7,136)	(7,136)
Equity injected by non-controlling shareholders		–	–	–	–	16,775	16,775
		1,193	(225)	(40,274)	(39,306)	9,639	(29,667)
Balance at 30 June 2012, as restated		2,552,982	1,741,152	1,427,643	5,721,777	442,258	6,164,035

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

(All amounts in US dollar thousands)

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2013, as previously reported		2,553,647	1,923,738	1,549,898	6,027,283	502,794	6,530,077
Opening adjustment for the adoption of revised HKAS 19		–	(118)	(2,289)	(2,407)	(120)	(2,527)
Balance at 1 January 2013, as restated		2,553,647	1,923,620	1,547,609	6,024,876	502,674	6,527,550
Fair value changes of interest-rate swap contracts – hedging	*11*	–	1,687	–	1,687	–	1,687
Currency translation differences		–	(73,816)	–	(73,816)	(7,337)	(81,153)
Net loss recognized directly in equity		–	(72,129)	–	(72,129)	(7,337)	(79,466)
Profit for the period		–	–	215,266	215,266	20,427	235,693
Total comprehensive (loss)/income for the six months ended 30 June 2013		–	(72,129)	215,266	143,137	13,090	156,227
Exercise of share options – allotment of shares	*10*	217	–	–	217	–	217
Exercise of share options – transfer from share option reserve to share premium	*10*	61	(61)	–	–	–	–
Payment of 2012 final dividend		–	–	(40,280)	(40,280)	–	(40,280)
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(14,868)	(14,868)
Difference between the consideration paid and the portion of the non-controlling interests arising from acquisition of partial equity interest in a subsidiary from a non-controlling shareholder	*25*	–	–	(11,560)	(11,560)	–	(11,560)
Equity acquired from a non-controlling shareholder	*25*	–	–	–	–	11,560	11,560
Equity injected by non-controlling shareholders		–	–	–	–	21,662	21,662
		278	(61)	(51,840)	(51,623)	18,354	(33,269)
Balance at 30 June 2013		**2,553,925**	**1,851,430**	**1,711,035**	**6,116,390**	**534,118**	**6,650,508**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Cash flows from operating activities	**29,166**	20,335
Cash flows from investing activities		
– purchases of property, plant and equipment, investment properties and land use rights	**(242,323)**	(532,595)
– proceeds on disposal of property, plant and equipment	**1,119**	630
– acquisition of interests in a subsidiary (net of cash and cash equivalents acquired)	**–**	(1,686)
– payment of deposit for acquisition of a subsidiary	**–**	(32,398)
– payment of deposit for acquisition of a hotel property	**–**	(4,942)
– deposit received on disposal of a subsidiary	**12,379**	–
– land cost refund received	**78,206**	–
– (increase)/decrease in short-term bank deposits with more than 3 months maturity	**(78,108)**	3,113
– capital contribution and net movement of loans to associates	**(20,530)**	(56,585)
– investment in fixed rate bonds	**–**	(172,945)
– dividends received from associates	**30,015**	7,441
– other investing cash flow – net	**5,937**	6,495
Net cash used in investing activities	**(213,305)**	(783,472)
Cash flows from financing activities		
– dividend paid	**(53,151)**	(47,883)
– net proceeds from issuance of ordinary shares	**217**	968
– net proceeds from issuance of fixed rate bonds	**–**	595,150
– net increase in bank loans	**353,810**	156,809
– net increase in loans and capital from non-controlling shareholders	**50,531**	16,103
Net cash generated from financing activities	**351,407**	721,147
Net increase/(decrease) in cash and cash equivalents	**167,268**	(41,990)
Cash and cash equivalents at 1 January	**821,284**	799,502
Exchange losses on cash and cash equivalents	**(6,542)**	(2,212)
Cash and cash equivalents at 30 June	**982,010**	755,300
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	**380,595**	335,500
Short-term bank deposits	**697,157**	455,971
Cash and bank balances	**1,077,752**	791,471
Less: Short-term bank deposits with more than 3 months maturity	**(95,742)**	(36,171)
Cash and cash equivalents	**982,010**	755,300
Analysis of balances of cash and bank balances		
Cash and bank balances	**1,077,752**	791,471
Less: Cash and bank balances of a subsidiary reclassified as assets held for sale *(Note 9)*	**(7,221)**	–
Cash and bank balances	**1,070,531**	791,471

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

1. General information

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

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

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

These condensed consolidated interim financial statements were approved by the Board for issue on 22 August 2013. These condensed consolidated interim financial statements have been reviewed by the Company's auditor, not audited.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 with the addition of certain amendments to standards and new interpretations which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2013. These amendments to standards and new interpretations had no material impact on the Group's financial statements except for below:

HKAS 1 Revised (Amendments) – Presentation of Financial Statements requires that the Statement of Other Comprehensive Income to present separately items of other comprehensive income that could be reclassified to profit or loss at a future point in time from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

2. Basis of preparation and accounting policies *(continued)*

HKAS 19 Revised – Employee Benefits introduces a number of amendments to the accounting for defined benefit schemes. Among them, HKAS 19 Revised eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognized in income statement over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognized immediately in other comprehensive income. HKAS 19 Revised also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not. The adoption of HKAS 19 Revised has been applied retrospectively and has the following impact on the consolidated financial statements:

Consolidated Statement of Financial Position

	As at	
	31 December 2012	1 January 2012
Increase in accounts payable and accruals	1,409	1,166
Decrease in accounts receivable, prepayments and deposits	2,192	1,266
Decrease in deferred tax assets	5	2
Decrease in deferred tax liabilities	1,079	712
Decrease in retained earnings	2,289	1,558
Decrease in non-controlling interests	120	164
Decrease in exchange fluctuation reserve	118	–

Consolidated Income Statement

	For the year ended 31 December 2012	For the six months ended 30 June 2012
Decrease in other operating expenses	142	58
Increase in income tax expense	41	17
Net increase in profit for the year/period	101	41
Attributable to:		
Equity holders of the Company	91	41
Non-controlling interests	10	–

2. Basis of preparation and accounting policies *(continued)*

Consolidated Statement of Comprehensive Income

	For the year ended 31 December 2012	For the six months ended 30 June 2012
Decrease in other comprehensive income	782	490
Attributable to:		
Equity holders of the Company	857	481
Non-controlling interests	(75)	9

HKFRS 13 – Fair Value Measurement defines fair value and explains how to measure fair value for financial reporting. This new standard does not require fair value measurements in addition to those already required or permitted by other HKFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting. It sets out a single framework for measuring fair value and requires disclosures about fair value measurements. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities. The Group has provided those disclosures related to financial instruments applicable to interim financial reporting in Note 29.

3. Segment information

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

Hotel operation (hotel ownership and operation)

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

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

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

Hotel management (provision of hotel management and related services)

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

3. Segment information *(continued)*

Segment income statement

For the six months ended 30 June 2013 and 2012 *(US$ million)*

	2013 Sales *(Note b)*	2013 Profit/(Loss) after tax *(Note a)*	2012 Sales *(Note b)*	2012 Profit/(Loss) after tax *(Note a)*
Hotel operation				
Hong Kong	**130.7**	**33.8**	128.5	34.9
Mainland China	**369.5**	**2.5**	405.0	15.1
Singapore	**93.5**	**17.4**	86.2	19.0
Malaysia	**75.4**	**8.3**	68.5	9.0
The Philippines	**103.1**	**8.8**	98.1	7.3
Japan	**26.1**	**(5.4)**	25.2	(8.1)
Thailand	**34.8**	**3.5**	30.6	1.2
Australia	**50.0**	**(1.2)**	9.7	(1.3)
France	**23.9**	**(13.2)**	28.3	(8.9)
Turkey	**–**	**(4.1)**	–	–
Other countries	**44.1**	**(1.3)**	40.9	(1.5)
	951.1	**49.1**	921.0	66.7
Property rentals				
Mainland China	**13.2**	**38.6**	12.3	33.7
Singapore	**7.7**	**6.2**	8.0	5.7
Malaysia	**3.7**	**1.0**	3.3	0.8
Other countries	**9.4**	**1.6**	7.6	3.0
	34.0	**47.4**	31.2	43.2
Hotel management	**63.3**	**5.3**	57.7	11.7
Total	**1,048.4**	**101.8**	1,009.9	121.6
Less: Hotel management – Inter-segment sales	**(41.8)**		(36.4)	
Total external sales	**1,006.6**		973.5	
Corporate finance costs (net)		**(29.5)**		(17.3)
Land cost amortization and pre-opening expenses for projects		**(33.7)**		(22.6)
Corporate expenses		**(8.5)**		(9.1)
Exchange gains of corporate investment holding companies		**3.5**		–
Profit before non-operating items		**33.6**		72.6
Non-operating items				
Fair value gains on investment properties		**189.6**		122.7
Unrealized (losses)/gains on equity securities		**(5.0)**		4.2
Fair value losses on interest-rate swap contracts –non-hedging		**(0.1)**		(0.9)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises		**(0.4)**		(0.4)
Reversal of provision for impairment loss for a property under development		**1.5**		–
Reversal of deferred tax credit of an associate in prior year		**(0.5)**		–
Provision for taxation relating to a rationalization of the ownership structure of an associate		**(3.4)**		–
Realized loss on disposal of long term investment		**–**		(1.6)
Unrealized gains and interest income on fixed rate bonds investment		**–**		1.8
Profit attributable to equity holders of the Company		**215.3**		198.4

Notes:

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

b. Sales exclude sales of associates.

4. Capital expenditure

	Property, plant and equipment	Investment properties	Leasehold land and land use rights	Intangible assets
Opening net book amount as at 1 January 2013	5,908,344	956,412	686,093	93,511
Additions	211,810	54,282	1,097	–
Reversal of provision for impairment loss *(Note 19)*	2,759	–	–	–
Fair value gain *(Note 19)*	–	27,718	–	–
Exchange differences	(76,115)	(16,572)	1,011	(114)
Disposals	(2,425)	(207)	–	–
Depreciation/amortization charge *(Note 18)*	(153,734)	–	(8,270)	(390)
Classified as held for sale	(50,155)	–	(20,475)	–
Closing net book amount as at 30 June 2013	**5,840,484**	**1,021,633**	**659,456**	**93,007**
Opening net book amount as at 1 January 2012	4,659,689	884,907	739,099	93,058
Additions	518,945	4,351	–	558
Acquisition of a subsidiary	123,885	–	–	–
Exchange differences	(37,199)	3,960	(10,010)	(228)
Disposals	(1,393)	(1,970)	–	–
Depreciation/amortization charge *(Note 18)*	(144,471)	–	(9,821)	(331)
Closing net book amount as at 30 June 2012	5,119,456	891,248	719,268	93,057

5. Available-for-sale financial assets

	As at 30 June 2013	As at 31 December 2012
Equity securities:		
Overseas unlisted shares, at cost	**1,916**	1,916
– Exchange differences	**405**	418
	2,321	2,334
Club debentures, at fair value	**2,083**	2,078
	4,404	4,412

6. Other receivables

	As at	
	30 June 2013	31 December 2012
Security deposit on leased premises, at fair value	**15,820**	18,133

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US$17,698,000) (31 December 2012: JPY1,751,000,000 (equivalent to US$20,344,000)) 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.

7. Accounts receivable, prepayments and deposits

	As at	
	30 June 2013	31 December 2012 (Restated)
Trade receivables – net	**90,613**	94,145
Deposits for acquisition of land	**–**	75,220
Prepayments and other deposits	**60,265**	50,254
Other receivables	**85,340**	68,844
	236,218	288,463

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

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

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

	As at	
	30 June 2013	31 December 2012
0 – 3 months	**83,890**	87,587
4 – 6 months	**4,102**	4,498
Over 6 months	**2,621**	2,060
	90,613	94,145

8. Financial assets held for trading

	As at 30 June 2013	As at 31 December 2012
Equity securities, at market value		
Shares listed in Hong Kong	**17,558**	23,256
Shares listed outside Hong Kong	**2,660**	1,673
	20,218	24,929

9. Assets/(liabilities) of disposal group classified as held for sale

(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 the Shangri-La Hotel, Zhongshan in Mainland China for a cash consideration of RMB129,530,000 (equivalent to US$20,631,000) subject to adjustment in accordance with the change in working capital of the project company. Major classes of assets and liabilities of the company to be disposed as at 30 June 2013 are as follows:

	As at 30 June 2013
Assets	
Property, plant and equipment	**50,155**
Land use rights	**20,475**
Inventories	**286**
Accounts receivable, prepayments and deposits	**371**
Cash and bank balances	**7,221**
	78,508
Less: Amounts due from group companies eliminated upon consolidation	**(19)**
Assets of the disposal group reclassified as held for sale	**78,489**
Liabilities	
Accounts payable and accruals	**(11,246)**
Bank loans	**(27,211)**
Amounts due to group companies and a non-controlling shareholder	**(39,039)**
	(77,496)
Add: Amounts due to group companies eliminated upon consolidation	**10,079**
Liabilities of the disposal group reclassified as held for sale	**(67,417)**

The necessary approvals from the local government authorities and the changes of registration of the project company as required by local laws were obtained in July 2013 and August 2013, respectively.

9. Assets/(liabilities) of disposal group classified as held for sale *(continued)*

(b) On 19 December 2012, the Group entered into sale and purchase agreements with a subsidiary of Kerry Properties Limited to dispose of its entire equity interest of 25% in two project companies which own the land use rights of two land sites in Bayuquan, Yingkou City, Liaoning Province in Mainland China for an aggregate cash consideration of RMB100,268,000 (equivalent to US$16,230,000). The Group's 25% share in the amount of net assets of the two project companies to be disposed as at 30 June 2013 is as follows:

	As at 30 June 2013
Assets of the disposal group reclassified as held for sale	
Interest in associates	**14,337**

Following the obtaining of necessary approvals from the local government authorities and completion of the changes of registration as required by local laws, the disposal was completed in July 2013 upon receipt of the balance of the cash consideration.

10. Share capital

		Amount		
Authorized – Ordinary shares of HK$1 each	**No. of shares** ('000)	**Ordinary shares**	**Share premium**	**Total**
At 31 December 2012 and 30 June 2013	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid				
– Ordinary shares of HK$1 each				
At 1 January 2012	3,131,075	404,266	2,147,523	2,551,789
Exercise of share options				
– allotment of shares	682	88	880	968
– transfer from share option reserve	–	–	225	225
At 30 June 2012	3,131,757	404,354	2,148,628	2,552,982
Exercise of share options				
– allotment of shares	340	44	480	524
– transfer from share option reserve	–	–	141	141
At 31 December 2012 and 1 January 2013	3,132,097	404,398	2,149,249	2,553,647
Exercise of share options				
– allotment of shares	136	17	200	217
– transfer from share option reserve	–	–	61	61
At 30 June 2013	**3,132,233**	**404,415**	**2,149,510**	**2,553,925**

10. Share capital *(continued)*

Share options

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

Details of the Company's share option schemes adopted on 24 May 2002 ("**2002 Option Scheme**") and 28 May 2012 ("**2012 Option Scheme**") are set out under the section headed "**SHARE OPTION SCHEMES**" of the Company's 2012 Annual Report.

Certain share options at various exercise prices granted to option holders of the Company under the 2002 Option Scheme were exercised during the six months ended 30 June 2013 and 2012 and the following new shares were issued:

	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 2013				
February	–	50,000	16,000	105
March	–	–	20,000	37
April	–	50,000	–	75
For the six months ended 30 June 2013	**–**	**100,000**	**36,000**	**217**
For the six months ended 30 June 2012	220,000	250,000	212,500	968
For the year ended 31 December 2012	220,000	550,000	252,500	1,492

The weighted average closing price of the shares immediately before the dates on which the options were exercised for the six months ended 30 June 2013 was HK$16.75 (six months ended 30 June 2012: HK$17.36).

10. Share capital *(continued)*

Share options *(continued)*

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

	For the six months ended 30 June 2013		For the year ended 31 December 2012	
	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	**12.85**	**8,169,000**	12.71	9,456,500
Exercised	**12.39**	**(136,000)**	11.31	(1,022,500)
Lapsed	**–**	**–**	13.69	(265,000)
At 30 June/31 December	**12.86**	**8,033,000**	12.85	8,169,000

Details of the outstanding option shares of the 2002 Option Scheme at 30 June 2013 are set out under the section headed "SHARE OPTIONS" of this Report.

No new option was granted during the six months ended 30 June 2013 and 2012.

No options have been exercised and lapsed subsequent to 30 June 2013 and up to the approval date of the financial statements.

11. Other reserves

	Share option reserve	Hedging reserve	Convertible bonds reserve	Capital redemption reserve	Exchange fluctuation reserve	Capital reserve	Other reserve	Contributed surplus	Total
At 1 January 2012	5,225	–	44,518	10,666	729,755	601,490	1,368	389,741	1,782,763
Currency translation differences	–	–	–	–	(44,785)	–	–	–	(44,785)
Exercise of share options – transfer to share premium	(225)	–	–	–	–	–	–	–	(225)
Fair value changes of an interest-rate swap contract	–	(565)	–	–	–	–	–	–	(565)
Fair value changes of currency forward contracts	–	3,964	–	–	–	–	–	–	3,964
At 30 June 2012	5,000	3,399	44,518	10,666	684,970	601,490	1,368	389,741	1,741,152
Currency translation differences	–	–	–	–	186,974	–	–	–	186,974
Exercise of share options – transfer to share premium	(141)	–	–	–	–	–	–	–	(141)
Fair value changes of an interest-rate swap contract	–	(283)	–	–	–	–	–	–	(283)
Fair value changes of currency forward contracts	–	(3,964)	–	–	–	–	–	–	(3,964)
At 31 December 2012 and 1 January 2013	4,859	(848)	44,518	10,666	871,944	601,490	1,368	389,741	1,923,738
Opening adjustment for the adoption of revised HKAS 19	–	–	–	–	(118)	–	–	–	(118)
At 31 December 2012 and 1 January 2013, as restated	4,859	(848)	44,518	10,666	871,826	601,490	1,368	389,741	1,923,620
Currency translation differences	–	–	–	–	(73,816)	–	–	–	(73,816)
Exercise of share options – transfer to share premium	(61)	–	–	–	–	–	–	–	(61)
Fair value changes of interest-rate swap contracts	–	1,687	–	–	–	–	–	–	1,687
At 30 June 2013	**4,798**	**839**	**44,518**	**10,666**	**798,010**	**601,490**	**1,368**	**389,741**	**1,851,430**

12. Bank loans

	As at 30 June 2013	As at 31 December 2012
Bank loans – secured *(Note 26 (c))*	**217,834**	240,671
Bank loans – unsecured	**3,382,488**	3,044,968
	3,600,322	3,285,639

The maturity of bank loans is as follows:

	As at 30 June 2013	As at 31 December 2012
Within 1 year	**400,731**	528,632
Between 1 and 2 years	**856,579**	466,202
Between 2 and 5 years	**2,270,077**	2,231,090
Wholly repayable within 5 years	**3,527,387**	3,225,924
Over 5 years	**72,935**	59,715
	3,600,322	3,285,639

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

	30 June 2013								
	HK$	**RMB**	**US$**	**JPY**	**Peso**	**Euros**	**SGD**	**AUD**	**GBP**
Bank loans	**1.71%**	**6.30%**	**1.94%**	**0.73%**	**3.09%**	**2.22%**	**1.31%**	**4.73%**	**2.95%**

	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%

12. Bank loans *(continued)*

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

	As at	
	30 June 2013	31 December 2012
Hong Kong dollars	**1,474,271**	1,607,174
Renminbi	**545,701**	583,253
United States dollars	**1,019,139**	577,416
Euros	**288,548**	296,762
Japanese Yen	**40,429**	46,474
Philippines Pesos	**56,026**	62,988
Singapore dollars	**91,713**	48,148
Australian dollars	**50,943**	56,842
British Pounds	**33,552**	–
Malaysian Ringgit	**–**	2,353
Thai Baht	**–**	4,229
	3,600,322	3,285,639

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2013	31 December 2012
Floating rate		
– expiring within one year	**153,601**	167,892
– expiring beyond one year	**816,204**	640,631
Fixed rate		
– expiring within one year	**–**	–
– expiring beyond one year	**3,257**	24,548
	973,062	833,071

13. Convertible bonds

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 ("**Maturity Date**"), in the aggregate principal amount of US$500 million with an initial conversion price of HK$29.03 per ordinary share of the Company (subject to adjustment) 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.

The initial fair values of the liability component and the equity conversion component, based on net proceeds, were determined at issuance of the bonds. The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 11).

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

	As at	
	30 June 2013	31 December 2012
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 20)*	**43,306**	32,797
Liability component	**494,388**	483,879

The face value of outstanding bonds at 30 June 2013 amounted to US$500,000,000. No convertible bonds were converted to ordinary shares of the Company during the period or subsequent to 30 June 2013 and up to the date of this Report. The carrying value of the liability component is calculated using cash flows discounted at an initial market interest rate of 4.34% per annum.

14. 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:

	As at	
	30 June 2013	31 December 2012
Face value of fixed rate bonds issued on 10 April 2012	**600,000**	600,000
Issuing expenses	**(4,859)**	(4,859)
Net bonds proceeds received	**595,141**	595,141
Accumulated amortization of issuing expenses	**1,188**	702
Carrying value of fixed rate bonds	**596,329**	595,843

The fixed rate bonds have accrued bonds interest of US$6,333,000 as at 30 June 2013.

15. Derivative financial instruments

	As at	
	30 June 2013	31 December 2012
Non-current net assets/(liabilities)		
Interest-rate swap contracts – hedging	**658**	(636)
Interest-rate swap contracts – non hedging	**–**	(129)
	658	(765)
Current net assets/(liabilities)		
Interest-rate swap contracts – hedging	**181**	(212)
Interest-rate swap contracts – non hedging	**(1,597)**	(3,837)
	(1,416)	(4,049)

15. Derivative financial instruments *(continued)*

The Group has endeavored to hedge its medium term interest rate risk by entering into fixed HIBOR and LIBOR interest-rate swap contracts. Apart from a new interest-rate swap contract of HK$300,000,000 entered during the current period and the swap contract of HK$300,000,000 entered in 2012 for specifically hedging bank loans of the same principal amounts which qualify for hedge accounting, all other swap contracts executed in prior years do not qualify for hedge accounting.

All the interest-rate swap contracts were initially recognized at fair value on the date the contract was entered and are subsequently re-measured at fair value at each date of statement of financial position. The recorded fair value could be an asset or liability depending on the prevailing financial market conditions and the anticipated interest rate environment.

The notional principal amounts of the outstanding HIBOR interest-rate swap contracts at 30 June 2013 were as follows:

– Not qualifying for hedging HK$900,000,000 (31 December 2012: HK$900,000,000) with fixed interest rates vary from 4.28% to 4.63% per annum (31 December 2012: 4.28% to 4.63% per annum);

– Qualifying for hedging HK$600,000,000 (31 December 2012: HK$300,000,000) with fixed interest rates at 0.94% and 1.087% per annum (31 December 2012: 1.087% per annum).

16. Due to non-controlling shareholders

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

	As at	
	30 June 2013	31 December 2012
– Interest-free and not payable within 12 months	**26,398**	25,900

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

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

	As at	
	30 June 2013	31 December 2012
– Interest-free with no fixed repayment terms	**10,264**	7,889

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

17. Accounts payable and accruals

	As at	
	30 June 2013	31 December 2012 (Restated)
Trade payables	**81,995**	103,145
Construction cost payable, payable for land use rights and accrued expenses	**516,201**	616,160
	598,196	719,305

The ageing analysis of the trade payables is as follows:

	As at	
	30 June 2013	31 December 2012
0 – 3 months	**74,495**	95,613
4 – 6 months	**2,799**	4,025
Over 6 months	**4,701**	3,507
	81,995	103,145

18. Expenses by nature

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

	For the six months ended	
	30 June 2013	30 June 2012 (Restated)
Depreciation of property, plant and equipment (net of amount capitalized of US$95,000 (2012: US$80,000)) *(Note 4)*	**153,639**	144,391
Amortization of leasehold land and land use rights *(Note 4)*	**8,270**	9,821
Amortization of trademark and website development *(Note 4)*	**390**	331
Employee benefit expenses	**318,665**	280,865
Cost of inventories sold or consumed in operation	**132,482**	131,884
(Gain)/loss on disposal of property, plant and equipment and partial replacement of investment properties	**(86)**	758
Discarding of property, plant and equipment and investment properties due to renovation	**1,304**	1,917

19. Other gains – net

	For the six months ended	
	30 June 2013	30 June 2012
Net unrealized (losses)/gains on financial assets held for trading		
– equity securities	**(4,711)**	4,196
– fixed rate bonds	**–**	172
Fair value losses on interest-rate swap contracts – non-hedging	**(82)**	(886)
Interest income		
– bank deposit and others	**5,342**	5,940
– fixed rate bonds	**–**	1,621
Fair value gain of an investment property under development	**27,718**	–
Reversal of provision for impairment loss for a property under development	**2,759**	–
Dividend income	**589**	443
Others	**9**	–
	31,624	11,486

20. Finance costs – net

	For the six months ended	
	30 June 2013	30 June 2012
Interest expense		
– bank loans	**48,237**	39,020
– interest-rate swap contracts – hedging	**195**	91
– convertible bonds	**10,509**	10,067
– fixed rate bonds	**14,740**	6,549
– other loans	**1,294**	805
	74,975	56,532
Less: amount capitalized	**(24,141)**	(12,829)
	50,834	43,703
Net foreign exchange (gains)/losses	**(7,496)**	3,218
	43,338	46,921

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 3.26% per annum for the period (2012: 3.11%).

21. Share of profit of associates

	For the six months ended	
	30 June 2013	30 June 2012
Share of profit before tax of associates before share of net fair value gains of investment properties	**40,857**	51,622
Share of net fair value gains of investment properties	**237,325**	163,609
Share of profit before tax of associates	**278,182**	215,231
Share of associates' taxation before provision for deferred tax liabilities on fair value gains of investment properties	**(14,979)**	(14,043)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(59,331)**	(40,902)
Share of associates' taxation	**(74,310)**	(54,945)
Share of profit of associates	**203,872**	160,286

22. Income tax expense

Income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong includes withholding tax paid and payable on dividends from subsidiaries and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

	For the six months ended	
	30 June 2013	30 June 2012 (Restated)
Current income tax		
– Hong Kong profits tax	**7,482**	8,642
– Overseas taxation	**32,735**	36,108
Deferred income tax	**20,300**	(2,451)
	60,517	42,299

23. Earnings per share

Basic

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

	For the six months ended	
	30 June 2013	30 June 2012 (Restated)
Profit attributable to equity holders of the Company (US$'000)	**215,266**	198,405
Weighted average number of ordinary shares in issue (thousands)	**3,121,680**	3,120,882
Basic earnings per share (US cents per share)	**6.896**	6.357

Diluted

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

For the six months ended 30 June 2013 and 2012, all the share options issued under the 2002 Option Scheme have the greatest dilution effect.

	For the six months ended	
	30 June 2013	30 June 2012 (Restated)
Profit attributable to equity holders of the Company (US$'000)	**215,266**	198,405
Weighted average number of ordinary shares in issue (thousands)	**3,121,680**	3,120,882
Adjustments for share options (thousands)	**1,486**	2,083
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,123,166**	3,122,965
Diluted earnings per share (US cents per share)	**6.893**	6.353

24. Dividends

	For the six months ended	
	30 June 2013	30 June 2012
Interim dividend of HK8 cents (2012: HK10 cents) per ordinary share	**32,224**	40,274

Notes:

(a) 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, which was paid on 18 June 2013, and has been reflected as a charge against retained earnings for the six months ended 30 June 2013.

(b) At a meeting held on 22 August 2013, the Board declared an interim dividend of HK8 cents per ordinary share for the year ending 31 December 2013. This declared dividend is not reflected as a dividend payable in these financial statements but reflected as an appropriation of retained earnings for the year ending 31 December 2013. The declared interim dividend of US$32,224,000 for the six months ended 30 June 2013 is calculated based on 3,132,232,799 shares of the Company in issue as at 22 August 2013 after elimination on consolidation the amount of US$108,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company.

25. Acquisition of interest in a subsidiary

On 28 March 2013, the Group completed the acquisition of the remaining 45% equity interest in an original 55% owned subsidiary which owns the Shangri-La Hotel, The Marina, Cairns and the associated properties in Australia at a consideration of A$1 (equivalent to US$1) in accordance with the terms of the shareholders' agreement. The difference of US$11,560,000 between the consideration paid and the portion of the non-controlling interests arising from the acquisition was recognized in the Group's equity.

26. Financial guarantees, contingencies and charges over assets

(a) Financial guarantees

As at 30 June 2013, the Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The Group also executed a counter guarantee in favour of the major shareholder of an associate which had provided full guarantee in favour of a bank for securing banking facilities granted to the associate. The utilized amount of such facilities covered by the Group's guarantees for these associates amounts to US$362,080,000 (31 December 2012: US$342,966,000). The guarantees are stated at their respective contracted amounts. The Board is of the opinion that it is not probable that such guarantees will be called upon.

(b) Contingent liabilities

As at 30 June 2013, 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$12,593,000 (31 December 2012: US$26,052,000). These facilities were undrawn as at 30 June 2013.

26. Financial guarantees, contingencies and charges over assets *(continued)*

(c) Charges over assets

As at 30 June 2013, bank borrowings of certain subsidiaries amounting to US$217,834,000 (31 December 2012: US$240,671,000) were secured by:

(i) Land use 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$135,841,000 (31 December 2012: US$140,735,000).

(ii) Legal mortgage over the property owned by three subsidiaries with an aggregate net book value of US$258,704,000 (31 December 2012: US$270,975,000).

27. Commitments

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

	As at	
	30 June 2013	31 December 2012
Existing properties – Property, plant and equipment and investment properties		
– Contracted but not provided for	**57,506**	66,435
– Authorized but not contracted for	**37,955**	39,059
Development projects and properties to be acquired		
– Contracted but not provided for	**1,234,546**	1,402,503
– Authorized but not contracted for	**1,096,800**	1,843,994
	2,426,807	3,351,991

28. 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 30 June 2013, has significant influence over the Company.

The following transactions were carried out with related parties:

	For the six months ended	
	30 June 2013	30 June 2012
(a) Transactions with subsidiaries of KGL (other than subsidiaries of the Company)		
Receipt of hotel management and related services fees and royalty fees	**1,404**	1,422
Reimbursement of office expenses and payment of administration and related expenses	**1,564**	1,560
Payment of office rental, management fees and rates	**3,542**	3,213

28. Related party transactions *(continued)*

	For the six months ended	
	30 June 2013	30 June 2012
(b) Transactions with associates of the Group		
Receipt of hotel management and related services fees and royalty fees	**8,394**	8,935
Receipt of laundry services fees	**371**	457
Purchase of wines	**588**	276

	As at	
	30 June 2013	31 December 2012
(c) Financial assistance provided to subsidiaries of KGL (other than subsidiaries of the Company)		
Balance of loan to associates of the Group	**97,864**	97,864
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	**305,621**	283,102

	As at	
	30 June 2013	31 December 2012
(d) Financial assistance provided to associates of the Group (excluding item (c) above)		
Balance of loan to associates of the Group	**88,140**	73,452
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	**56,459**	59,864

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

	For the six months ended	
	30 June 2013	30 June 2012
(e) Key management compensation		
Fees, salaries and other short-term employee benefits	**1,195**	1,138
Post employment benefits	**57**	57
	1,252	1,195

29. Financial instruments measured at fair value

The Group measures financial assets and liabilities 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 definitions, the valuation technique and inputs used in the fair value measurements for financial assets and liabilities under Level 1 and Level 2 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2012.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2013.

	Level 1	Level 2	Total
Assets			
Derivative financial instruments			
– Interest-rate swap contracts	**–**	**871**	**871**
Available-for-sale financial assets			
– Club debentures	**2,083**	**–**	**2,083**
Financial assets held for trading			
– Equity securities	**20,218**	**–**	**20,218**
	22,301	**871**	**23,172**
Liabilities			
Derivative financial instruments			
– Interest-rate swap contracts	**–**	**1,629**	**1,629**
	–	**1,629**	**1,629**

29. Financial instruments measured at fair value *(continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1	Level 2	Total
Assets			
Available-for-sale financial assets			
– Club debentures	2,078	–	2,078
Financial assets held for trading			
– Equity securities	24,929	–	24,929
	27,007	–	27,007
Liabilities			
Derivative financial instruments			
– Interest-rate swap contracts	–	4,814	4,814
	–	4,814	4,814

During the six months ended 30 June 2013, there was no transfer between Level 1 and Level 2 of the Group's financial assets and liabilities.

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

(a) In July 2013, the Group completed the disposal of its entire interest of 25% in two project companies in Mainland China as detailed in Note 9(b) and received the balance of cash consideration of RMB95,255,000 (equivalent to US$15,432,000). The Group is now finalizing the tax liabilities for this transaction with the local tax authorities. It is expected that the Group will record a profit in the consolidated income statement in the second half year of 2013.

(b) Subsequent to 30 June 2013 and up to the date of this Report, the Group executed four 5-year bank loan agreements totaling US$485,000,000.

OPERATIONS REVIEW

(Performance compared to the corresponding period last year)

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

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

Revenues

(a) Hotel Operation

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

– The 186-room Shangri-La Bosphorus, Istanbul (a 50% Group-owned hotel) and the 508-room Jing An Shangri-La, West Shanghai (a 49% Group-owned hotel) opened for business on 11 May 2013 and 29 June 2013, respectively. The Garden Wing of the Shangri-La Hotel, Paris which offers 11 new guestrooms and 9 suites opened for business on 4 June 2013.

– As at 30 June 2013, the Group has equity interest in 61 operating hotels with 27,900 available guest rooms, 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.

– As at 30 June 2013, the total number of Group-owned operating hotels in Mainland China was 32. These hotels encountered a difficult business environment in Mainland China due to curbs on luxury spending initiated by the central government and the emergence of new competition in several cities. Consequently, the weighted average room yields ("**RevPAR**") of the Group's hotels recorded a 9% year-on-year decline, led mainly by decrease in average occupancy.

– In comparison, the Group's hotels located outside Mainland China have fared better. Most of the hotels recorded an increase in RevPAR. Notably, the hotel in Myanmar recorded a 72% year-on-year growth in RevPAR with the improving political and business environment in that country. The hotel in Paris however experienced a 27% decline in RevPAR due to lower occupancies. Segment results are set out on page 14 of this Report.

– The overall weighted average RevPAR decline for the six months ended 30 June 2013 was a modest 1%.

OPERATIONS REVIEW *(continued)*

Revenues *(continued)*

(a) Hotel Operations *(continued)*

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

Country	2013 Weighted Average			2012 Weighted Average		
	Occupancy (%)	**Room Rate (US$)**	**RevPAR (US$)**	Occupancy (%)	Room Rate (US$)	RevPAR (US$)
The People's Republic of China						
Hong Kong	**77**	**334**	**257**	74	338	251
Mainland China	**49**	**169**	**83**	55	166	91
Singapore	**74**	**258**	**191**	72	252	182
Malaysia	**77**	**145**	**111**	68	144	98
The Philippines	**70**	**219**	**153**	71	200	143
Japan	**80**	**425**	**340**	64	495	316
Thailand	**67**	**161**	**108**	55	156	86
Australia	**77**	**252**	**194**	78	265	205
France	**60**	**1,423**	**857**	85	1,366	1,167
Turkey	**30**	**605**	**181**	–	–	–
Other countries	**58**	**209**	**122**	59	186	109
Weighted Average	**59**	**203**	**119**	61	197	120

Note: The RevPAR of hotels under renovation has been computed by including the rooms under renovation in the number of available rooms in line with industry practice. The 2012 comparatives have been restated accordingly. RevPAR disclosed in the 2012 Interim Report has excluded the hotel rooms under renovation in the computation.

(b) Hotel Management

– Except for the Portman, all the other 60 hotels in which the Group has equity interest together with Shangri-La Tokyo are managed by the hotel management subsidiary, SLIM International Limited and its subsidiaries ("**SLIM**") as at 30 June 2013.

– The 283-room Traders Hotel, Puteri Harbour, Johor in Malaysia opened for business on 1 June 2013. SLIM has hotel management agreements in respect of 20 operating hotels owned by third parties as at 30 June 2013. Overall weighted average RevPAR of these hotels registered a decrease of 7%.

– Revenue of SLIM on consolidation, after elimination of revenue earned from fellow subsidiaries, recorded a marginal increase of 1%.

– As at the date of this Report, SLIM has management agreements on hand for 6 hotels under development owned by third parties.

OPERATIONS REVIEW *(continued)*

Revenues *(continued)*

(c) Property Rentals

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

- Unlike the hotel segment, the investment properties in Mainland China generally recorded an improvement in yields except for the commercial spaces in Beijing Kerry Centre, the office spaces in Shanghai Centre and Shangri-La Residences, Dalian which are under renovation and recorded a decrease in yields of 39%, 3% and 13%, respectively. Most properties of the China World Trade Center in Beijing recorded improvement in yields ranging from 5% to 25% as compared to the same period last year. The yields of the office spaces and commercial spaces of the Shangri-La Centre in Qingdao also recorded an increase of 16% and 34% respectively, as compared to the same period last year.

- The Kerry Parkside, Pudong in Shanghai (a 23.2% owned high-end composite development) continued to perform well. The yields of the serviced apartments, office spaces and commercial spaces recorded an increase of 55%, 25% and 31%, respectively.

- Jing An Kerry Centre in Shanghai (a 49% owned, high-end composite development which consists of office and commercial spaces; and the Jing An Shangri-La, West Shanghai) commenced business on 29 June 2013 and has been well received by the market. The retail mall had its soft opening in early July 2013.

- The Group's serviced apartments in Singapore (Shangri-La Apartments and Shangri-La Residences), Malaysia (UBN Apartments) and Thailand (part of Shangri-La Hotel, Bangkok) registered a decrease in yields of 3%, 14% and 16%, respectively. The commercial spaces in Malaysia (UBN Tower), Singapore (Tanglin Place and Tanglin Mall) and Thailand (Chao Phya Tower, Bangkok) recorded increase in yields of 1%, 3% and 28%, respectively while the commercial spaces of the Central Tower in Ulaanbaatar, The Republic of Mongolia and in the Pier Retail Complex, Cairns in Australia registered a decrease in yields of 13% and 32%, respectively. In terms of office spaces, save for the yields of the Pier Retail Complex, Cairns in Australia (which decreased by 29%), all the other properties in other countries recorded increase in yields ranging from 6% in Chao Phya Tower, Bangkok to 11% in the Central Tower in Ulaanbaatar.

Consolidated Profits

- On a segment basis, net profit attributable to equity holders of the Company from hotel operations decreased substantially by US$17.6 million while that from investment properties increased slightly by US$4.2 million compared to the same period last year. The reduction in net profit from hotel operations was largely attributable to the decrease in profits of US$12.6 million from the Mainland China hotels and the US$4.1 million start-up losses recorded by the newly opened Shangri-La Bosphorus, Istanbul in Turkey. Hotels have to contend with a relatively high fixed cost base by the nature of their business, resulting in a greater negative impact on the financial results of the Mainland China hotel segment in the context of lower revenues. The reduction in operating losses of the hotel in Tokyo was offset by the increase in losses of the hotel in Paris. Consequently, the profit contribution from hotel management during the period decreased by US$6.4 million. In terms of investment properties, the China World Trade Center in Beijing continued to be the key profit contributor and the Group recorded an incremental net profit of US$4.6 million in respect of this property during the period.

OPERATIONS REVIEW *(continued)*

Consolidated Profits *(continued)*

– The earnings before interest expenses, tax, depreciation, amortization and non-operating items ("**EBITDA**") of the Group for the current period decreased by US$8.7 million compared to the same period last year to US$281.0 million. The EBITDA to Consolidated Sales ratio of the Group was 27.92% as compared to 29.56% for the year ended 31 December 2012. The Group's share of EBITDA of its associates for the current period decreased by US$9.9 million to US$71.1 million after recording the share of pre-opening expenses of US$14.4 million.

– Net corporate finance costs for the current period increased by US$12.2 million relative to last year to US$29.5 million on account of the increased bank borrowings and the fixed rate bonds issued in April 2012. Consequently, the consolidated net finance costs before foreign exchange as disclosed in Note 20 to the condensed consolidated interim financial statements included in this Report increased by US$7.1 million. The Group recorded a consolidated net exchange gain of US$7.5 million, due mainly to the US$6.0 million exchange gain arising from the depreciation of the bank loans denominated in Japanese Yen, compared to a net loss of US$3.2 million last year.

– Net credit from non-operating items during the current period was US$181.7 million (US$125.8 million last year), mainly contributed by the US$189.6 million fair value gains on investment properties (net of tax). These fair value gains included US$178.0 million share of net increase after provision for deferred tax from investment properties held by associates as disclosed in Note 21 to the condensed consolidated interim financial statements included in this Report.

CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Group executed two 3-year and three 5-year unsecured bank loan agreements totaling an equivalent amount of approximately US$632.9 million during the period. Subsequent to the period end and up to the date of this Report, the Group executed three 5-year unsecured bank loan agreements totaling US$310 million. The Group is currently negotiating with certain banks to finalize additional long term loan facilities for refinancing maturing loans as well as meeting project funding requirements or to revise the terms of existing loan agreements in order to reduce the Group's interest expenses.

At the subsidiary level, a wholly owned subsidiary in France executed a 5-year loan agreement of Euro 75 million (approximately US$97.9 million) and a 3-year bank loan agreement of Euro 75 million (approximately US$97.9 million) to refinance its outstanding bank loans matured in early 2013. The Group also executed two 3-year bank loan agreements totaling RMB410 million (approximately US$66.7 million) in Mainland China to refinance maturing bank loans. Subsequent to the period end and up to the date of this Report, the Group executed one 5-year loan agreement of US$175 million to finance a project development.

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

The net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, increased slightly from 54.0% as at 31 December 2012 to 54.4% as at 30 June 2013.

CORPORATE DEBT AND FINANCIAL CONDITIONS *(continued)*

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

The analysis of borrowings outstanding as at 30 June 2013 is as follows:

(US$ million)	Maturities of Borrowings Contracted as at 30 June 2013				
	Within 1 year	**In the 2nd year**	**Repayment In the 3rd to 5th year**	**After 5 years**	**Total**
Borrowings					
Corporate borrowings					
– unsecured bank loans	40.4	601.1	1,675.2	–	2,316.7
– convertible bonds	–	–	494.4	–	494.4
– fixed rate bonds	–	–	596.3	–	596.3
Project bank loans					
– secured	81.2	57.0	38.4	41.2	217.8
– unsecured	279.1	198.5	556.5	31.7	1,065.8
Total	400.7	856.6	3,360.8	72.9	4,691.0
Undrawn but committed facilities					
Bank loans and overdrafts	153.6	98.7	720.8	–	973.1

The currency-mix of the borrowings and cash and bank balances as at 30 June 2013 is as follows:

(US$ million)	**Borrowings**	**Cash and Bank Balances**
In Hong Kong dollars	1,474.3	122.2
In United States dollars	2,109.9	244.1
In Renminbi	545.7	426.4
In Euros	288.5	6.8
In Japanese Yen	40.4	1.7
In Singapore dollars	91.7	108.4
In Philippines Pesos	56.0	26.9
In Australian dollars	50.9	63.5
In British Pound	33.6	10.1
In Malaysian Ringgit	–	10.3
In Thai Baht	–	18.1
In Mongolian Tugrik	–	13.9
In Fiji dollars	–	14.5
In Maldive Rufiyaa	–	0.7
In other currencies	–	2.9
	4,691.0	1,070.5

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

Details of financial guarantees, contingencies and charges over assets as at 30 June 2013 are disclosed in Note 26 to the condensed consolidated interim financial statements included in this Report.

TREASURY POLICIES

Treasury policies aimed at minimizing interest and currency risk have been consistently followed by the Group as disclosed in the 2012 Annual Report.

Intra-group financing between subsidiaries in Mainland China by way of entrusted loan agreements through local banks increased from RMB620 million (approximately US$99.5 million) as at 31 December 2012 to RMB755 million (approximately US$122.8 million) as at 30 June 2013. 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.

A new 5-year interest-rate swap contract of HK$300 million which qualified for hedge accounting was executed during the period. As at 30 June 2013, the outstanding HIBOR interest-rate swap contracts are:

i) *Interest-rate swap contracts not qualifying for hedge accounting*
   – HK$900 million (at fixed rates ranging between 4.28% and 4.63% per annum maturing during August 2013 to January 2014); and

ii) *Interest-rate swap contracts qualifying for hedge accounting to fix the effective interest expenses under corporate bank loan facilities of the same principal amounts*
   – HK$300 million (at a fixed rate of 1.087% per annum maturing in December 2016)
   – HK$300 million (at a fixed rate of 0.94% per annum maturing in January 2018)

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 39% of its borrowings outstanding as at 30 June 2013.

Subsequent to 30 June 2013, the Group has also executed 5-year term HIBOR interest-rate swap contracts totaling HK$800 million at fixed rates ranging between 1.505% and 1.635% per annum maturing in 2018 in order to hedge the interest expenses of a specified corporate bank loan folio. These new contracts qualified for hedge accounting.

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

INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value (including those properties being constructed for future use as investment properties of which fair value becomes reliably determinable at 30 June 2013). All changes in the fair value are recorded in the income statement. For the six months ended 30 June 2013, the Group's share of the net fair value gains on investment properties (including those under construction) being owned by a subsidiary and certain associates (net of deferred taxation) amounted to US$189.6 million based on the opinion from independent professional valuers as obtained by the Group and the major shareholder of certain associates. The newly opened Jing An Kerry Centre in Shanghai contributed most of the total net fair value gains recorded during the period.

FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The equity securities within the investment portfolio remained unchanged during the period. The Group recorded net unrealized fair value losses of US$4.7 million (US$5.0 million after share of non-controlling interests) and dividend income of US$0.6 million (US$0.5 million after share of non-controlling interests) for these equity securities.

DEVELOPMENT PROGRAMMES

On 1 August 2013, the 482-room Shangri-La Hotel, Qufu (a 100% owned hotel) in Mainland China's Shandong Province opened for business. Qufu is Master Confucius' birthplace. There are 3 UNESCO World Heritage Cultural Sites in the city and the Group's hotel is the city's first international luxury hotel. On 15 August 2013, the 424-room Shangri-La Hotel, Shenyang (part of Shenyang Kerry Centre with 25% equity interest) opened for business.

Construction work on the following projects is on-going:

(i) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Serviced Apartments/ Villas	Projected Opening
Hotels in Mainland China				
Shangri-La Hotel, Lhasa	100%	289	–	Early 2014
Shangri-La's Sanya Resort & Spa, Hainan	100%	506	8 Villas	2014
Shangri-La Hotel, Nanjing (part of composite development project in Nanjing City)	55%	522	40	2014
Shangri-La Hotel, Tianjin (part of Tianjin Kerry Centre)	20%	468	39	2014
Shangri-La Hotel, Qinhuangdao	100%	331	–	2014
Shangri-La Hotel, Tangshan (part of composite development project in Tangshan City)	35%	445	–	2014
Shangri-La Hotel, Hefei	100%	402	–	2014
Shangri-La Hotel, Diqing	100%	226	–	2014
Shangri-La Hotel, Nanchang (part of composite development project in Nanchang City)	20%	366	–	2014
Shangri-La Hotel, Xiamen	100%	425	12	2015
Shangri-La Hotel, Hangzhou (part of Hangzhou Kerry Centre)	25%	417	–	2015
Shangri-La Harbin, Songbei	100%	451	33	2016
Shangri-La Hotel, Jinan (part of composite development project in Jinan City)	45%	411	–	2016
Hotels in other countries				
Shangri-La Hotel, at The Shard, London, the United Kingdom	Operating lease	202	–	Late 2013
Shangri-La's Nusa Dua Resort & Spa, Bali, Indonesia (Note 1)	49%	310	32 Villas	2014
Shangri-La Hotel, Ulaanbaatar, The Republic of Mongolia	51%	290	–	2014
Traders Orchard Gateway, Singapore	Operating lease	502	–	2014
Extension of the Ocean Wing of Shangri-La's Rasa Ria Resort, Kota Kinabalu, Malaysia	64.59%	83	–	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's Hambantota Resort & Spa, Sri Lanka	90%	300	–	2015
Shangri-La Hotel, Colombo, Sri Lanka (part of composite development project in Colombo)	90%	503	39	2017

Note 1: Projected opening in 2014 refers to the opening of the golf course and phased opening of the villas only.

DEVELOPMENT PROGRAMMES *(continued)*

(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						
Tangshan City Project	35%	231,688	–	18,460	–	Late 2013
Shenyang Kerry Centre	25%	731,701	195,732	374,625	–	2014
Tianjin Kerry Centre	20%	175,532	120,342	111,126	22,000	2014
Nanjing City Project	55%	–	–	1,300	–	2014
Nanchang City Project	20%	81,998	71,012	9,204	–	2015
Jinan City Project	45%	–	32,470	6,083	–	2015
Hangzhou Kerry Centre	25%	–	11,670	105,141	33,512	2016
Phase 2 of Shangri-La Hotel, Dalian	100% *(Note 2)*					
In other countries						
Shangri-La Residences in Yangon, Myanmar	55.86%	–	–	–	53,126	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	485,451	694,372	126,192	

Note 2: Scope of this project is under evaluation in terms of its development mix.

The Group has also acquired land use rights and leasehold lands in Mainland China, Hong Kong and The Republic of Ghana in recent years. Approvals for the development plans of the Hung Hom hotel project in Hong Kong have been sought from the relevant government authorities and construction work will commence shortly. The Group is currently reviewing the development plan for the other parcels of land.

Additionally, the Group has equity interests of 45%, 40% and 45% in the composite developments in Zhengzhou City, Putian City and Kunming City respectively, in Mainland China. These developments are currently in the planning stage.

The seller of the building located in Rome, Italy is still negotiating with the remaining tenants in order to deliver vacant possession of the premises in accordance with the terms of the sale and purchase agreement. The balance of the cash consideration of EUR29.8 million (approximately US$38.9 million) is not payable until then.

The Group has executed a termination agreement with the local government in relation to the acquisition of a piece of land adjacent to the Shangri-La Hotel, Fuzhou and received a refund of most of the land cost of RMB481 million (approximately US$78.2 million).

ACQUISITION AND DISPOSALS

On 28 March 2013, the Group completed the acquisition of the remaining 45% equity interest in an erstwhile 55% owned subsidiary which owns the Shangri-La Hotel, The Marina, Cairns and the associated properties in Cairns, Australia at a consideration of A$1 (equivalent to US$1) according to the terms of the shareholders' agreement as the non-controlling shareholder was not able to provide the proportionate funding and/or bank guarantee to meet the funding requirements of the hotel. The Group's shareholding in the subsidiary has increased to 100%.

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 the Shangri-La Hotel, Zhongshan in Mainland China for a cash consideration of RMB129.5 million (approximately US$20.6 million) subject to adjustment in accordance with the change in working capital of the project company. The necessary approvals from the local government authorities and the changes of registration of the project company as required by local laws were obtained in July 2013 and August 2013, respectively. As at the date of this Report, total cash of RMB103.6 million (approximately US$16.5 million) was received by the Group. It is expected that the transaction would be completed shortly and the Group would record a profit on this disposal.

On 19 December 2012, the Group entered into sale and purchase agreements with a subsidiary of Kerry Properties Limited to dispose of its entire equity interest of 25% in two 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 RMB100.3 million (approximately US$16.2 million). The disposal was completed in July 2013 following the receipt of necessary approvals from the local government authorities and completion of the changes of registration as required by local laws and receipt of the balance of cash consideration. The Group would record a marginal gain on disposal in the second half year of 2013.

MANAGEMENT AGREEMENTS

As at the date of this Report, the Group has 20 management agreements in respect of operating hotels owned by third parties.

In addition, the Group has agreements on hand for the management of 6 new hotels. The new hotel projects are located in Bengaluru (2 hotels) and Chennai (India), Chongqing (Mainland China) and Doha (2 hotels) (Qatar).

PROSPECTS

The situation confronting the luxury hotel segment in Mainland China which has adversely impacted the Group's operating results is expected to continue for most of the remainder of this year. Management is making all efforts to mitigate the effect of this situation by prudent cost containment and driving for optimal results of hotels outside of Mainland China. Start-up costs of newly opened hotels will become an added burden under these circumstances. Recurring profits from investment properties are showing a steady growth and will provide a vital underpinning for the Group's annual results.

HUMAN RESOURCES

As at 30 June 2013, the Company and its subsidiaries had approximately 28,000 employees. The headcount of all the Group's managed hotels and resorts totaled approximately 43,000.

Remuneration policies, share option schemes, share award scheme and training schemes have been consistently applied by the Group as disclosed in the 2012 Annual Report.

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

During the underlying six-month period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

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

Directors Handbook

In 2012, the Board adopted a composite handbook ("**Directors Handbook**") comprising (amongst other things) a set of principles for securities transactions by Directors or any non-Directors of the Company ("**Securities Principles**") and a set of corporate governance principles of the Company ("**CG Principles**") terms of both of which align with or are stricter than the requirements set out in, respectively, the Model Code for Securities Transactions by Directors of Listed Issuers ("**Securities Model Code**") as contained in Appendix 10 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**HKSE**") and the code provisions under the Corporate Governance Code and Corporate Governance Report ("**CG Model Code**") as contained in Appendix 14 to the Listing Rules save for the positions of the Chairman and the Chief Executive Officer of the Company 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.

During the underlying six-month period, the Securities Principles and the CG Principles were the codes for the Directors' securities transactions and the Company's corporate governance respectively.

During the underlying six-month period and up to the date of this Report, the significant change(s) to the Directors Handbook included the adoption of a revised nomination policy to include the policy for board diversity which would take effect on 1 September 2013.

Code on Securities Transactions

The Company has made specific enquiry of each of the Directors and all the Directors have confirmed compliance with the Securities Principles throughout the underlying six-month period.

CORPORATE GOVERNANCE *(continued)*

Code on Corporate Governance

The Company has met the CG Principles throughout the underlying six-month period except for the deviation summarised below:

CG Model Code	Deviation and reason
A.2.1 The roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual	Mr KUOK Khoon Ean served as both the Chairman and the Chief Executive Officer of the Company. The Company believes that the non-separation of the two roles is not significant given that Mr Gregory Allan DOGAN, an Executive Director and the Chief Operating Officer of the Company, is also the president and chief executive officer of Shangri-La International Hotel Management Limited (the hotel management subsidiary of the Company) which is entrusted with the primary responsibility of operating the assets of the Group.
E.1.2 The chairman of the board should attend the annual general meeting	Mr KUOK Khoon Ean, the then Chairman of the Company, had taken an unpaid sabbatical commencing on 1 April 2013 and was absent from the 2013 annual general meeting of the Company. Mr LUI Man Shing, the Acting Chairman during such sabbatical period, represented the Chairman at such meeting.

Changes in Directors' Information

There have been changes in the information of some of the Directors since the date of the Company's 2012 Annual Report. Details of the changes as required to be disclosed under Rule 13.51B(1) of the Listing Rules are as follows:

1. Mr Roberto V ONGPIN ceased to act as a director of Ginebra San Miguel, Inc (listed on The Philippine Stock Exchange, Inc) on 9 May 2013.

2. Mr LUI Man Shing was appointed as managing director of Shangri-La Hotel Public Company Limited (listed on The Stock Exchange of Thailand), a company of which he has been a director and vice chairman, on 13 May 2013.

3. Professor LI Kwok Cheung Arthur ceased to act as an independent non-executive director of The Wharf (Holdings) Limited (listed on HKSE) on 16 August 2013.

4. Mr KUOK Khoon Ean was re-designated as a Non-executive Director of the Company and also resigned as (a) the Chairman of the Board; (b) the Chief Executive Officer of the Company; (c) member and the chairman of the Executive Committee and the Nomination Committee of the Board; and (d) member of the Remuneration Committee of the Board on 22 August 2013.

CORPORATE GOVERNANCE *(continued)*

Changes in Directors' Information *(continued)*

5. Mr KUOK Khoon Chen was appointed as an Executive Director of the Company and assumed the above roles which Mr KUOK Khoon Ean resigned from on 22 August 2013.

6. After the regular annual salary review, the Remuneration Committee of the Board has approved the adjustment in the monthly salary of each Executive Director for 2013. Such adjustments were in the range of 0% to 10% and were considered as normal annual increments.

7. As approved by the shareholders of the Company at the 2013 annual general meeting, the annual fee payable to each member (who is not an Executive Director) of the Nomination Committee and the Audit Committee of the Board for the year ending 31 December 2013 has been revised to respectively HK$50,000 (2012: HK$25,000) and HK$200,000 (2012: HK$100,000).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2013, the interests and short positions of those persons (other than the Directors) in shares and underlying shares in the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance ("**SFO**") or as ascertained by the Company after reasonable enquiry were as follows:

Name	Capacity	Number of ordinary shares held	Approximate % of total issued share capital of the Company
Substantial shareholders			
Kerry Group Limited ("**KGL**") *(Note 1)*	Interest of controlled corporations	1,566,219,154	50.01
Kerry Holdings Limited ("**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	16.16
	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
Persons other than substantial shareholders			
Darmex Holdings Limited ("**Darmex**") *(Note 2)*	Beneficial owner	289,684,562	9.25
The Capital Group Companies, Inc	Interest of controlled corporation	157,292,000	5.02

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 to be interested.

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

DIRECTORS' INTERESTS

As at 30 June 2013, the interests and short positions of the Directors in shares, underlying shares and debentures in/of the Company and its associated corporations (within the meaning of Part XV of the SFO) ("**Associated 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	4.075
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 30 June 2013, there were share options held by the Directors with rights to subscribe for shares in the Company. Details of such options are set out in the section headed "SHARE OPTIONS" of this Report.

SHARE OPTIONS

The share options having been granted by the Company and remaining outstanding during the underlying six-month period were granted under the Company's share option scheme adopted by the shareholders of the Company on 24 May 2002. Details and movements of such option shares during the underlying six-month period are as follows:

Grantees	Date of grant	Tranche	Number of option shares: Held as at 1 January 2013	Transfer from other category during the period	Transfer to other category during the period	Exercised during the period	Lapsed during the period	Held as at 30 June 2013	Exercise price per option share HK$	Exercise period
1. Directors										
LUI Man Shing	16 Jun 2006	II	60,000	–	–	–	–	60,000	14.60	16 Jun 2008 – 15 Jun 2016
Madhu Rama Chandra RAO	28 Apr 2005	II	250,000	–	–	–	–	250,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	50,000	–	–	–	–	50,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	50,000	–	–	–	–	50,000	14.60	16 Jun 2008 – 15 Jun 2016
Gregory Allan DOGAN	28 Apr 2005	II	50,000	–	–	–	–	50,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	37,500	–	–	–	–	37,500	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	37,500	–	–	–	–	37,500	14.60	16 Jun 2008 – 15 Jun 2016
Roberto V ONGPIN	28 Apr 2005	I	75,000	–	–	–	–	75,000	11.60	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	75,000	–	–	–	–	75,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	30,000	–	–	–	–	30,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	30,000	–	–	–	–	30,000	14.60	16 Jun 2008 – 15 Jun 2016
Timothy David DATTELS	28 Apr 2005	I	75,000	–	–	–	–	75,000	11.60	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	75,000	–	–	–	–	75,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	30,000	–	–	–	–	30,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	30,000	–	–	–	–	30,000	14.60	16 Jun 2008 – 15 Jun 2016
2. Employees	28 Apr 2005	I	1,220,000	–	–	(25,000)	–	1,195,000	11.60	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	1,515,000	–	(50,000)	(25,000)	–	1,440,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	840,000	–	(20,000)	(10,000)	–	810,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	957,500	–	(20,000)	(26,000)	–	911,500	14.60	16 Jun 2008 – 15 Jun 2016

SHARE OPTIONS *(continued)*

			Number of option shares							
Grantees	Date of grant	Tranche	Held as at 1 January 2013	Transfer from other category during the period	Transfer to other category during the period	Exercised during the period	Lapsed during the period	Held as at 30 June 2013	Exercise price per option share HK$	Exercise period
3. Other participants	28 Apr 2005	I	715,000	–	–	–	–	715,000	11.60	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	–	50,000	–	(50,000)	–	–	11.60	28 Apr 2007 – 31 Dec 2013
	28 Apr 2005	II	715,000	–	–	–	–	715,000	11.60	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	–	20,000	–	–	–	20,000	14.60	16 Jun 2007 – 31 Dec 2013
	16 Jun 2006	I	519,000	–	–	–	–	519,000	14.60	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	–	20,000	–	–	–	20,000	14.60	16 Jun 2008 – 31 Dec 2013
	16 Jun 2006	II	732,500	–	–	–	–	732,500	14.60	16 Jun 2008 – 15 Jun 2016
Total			8,169,000	90,000	(90,000)	(136,000)	–	8,033,000		

Note: No options were cancelled and granted during the underlying six-month period.

QUALIFICATION FOR INTERIM DIVIDEND

In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited of 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Thursday, 26 September 2013.

On behalf of the Board
KUOK Khoon Chen
Chairman

Hong Kong, 22 August 2013