SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 69

Annual Report 2013

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CORPORATE INFORMATION

As at 19 March 2014

BOARD OF DIRECTORS

Executive Directors

Mr KUOK Khoon Chen *(Chairman and CEO)*
Mr LUI Man Shing *(Deputy Chairman)*
Mr Madhu Rama Chandra RAO *(CFO)*
Mr Gregory Allan DOGAN *(COO)*

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 HM12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(with effect from 31 March 2014)

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

STOCK CODES

HKSE	00069
Singapore-SE	S07
ADR	SHALY

WEBSITES

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

KEY DATES

Closure of registers of members for Annual General Meeting

27 May 2014 to 29 May 2014, both dates inclusive

Annual General Meeting

29 May 2014

Record date for 2013 final dividend

4 June 2014

Payment of 2013 final dividend

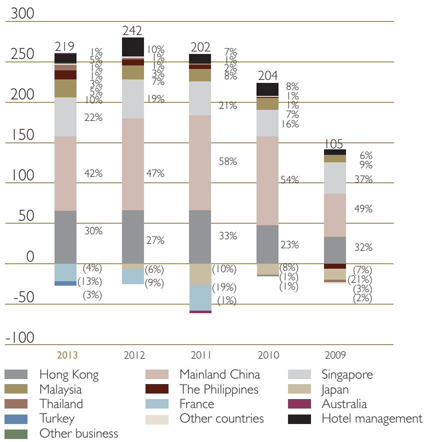
13 June 2014
(subject to Shareholders' approval at the Annual General Meeting)

FINANCIAL HIGHLIGHTS

	2013 US$ Million	2012 US$ Million	2013/2012 % Change	2011 US$ Million	2010 US$ Million	2009 US$ Million
CONSOLIDATED						
For the year ended 31 December		(Restated)				
Sales	2,081	2,057	1%	1,912	1,575	1,230
EBITDA	572	608	-6%	550	461	299
Profit attributable to equity holders of the Company	392	359	9%	253	287	255
Dividends	48	81	-40%	81	77	45
Earnings per share (in US cents)	12.57	11.50	9%	8.18	9.98	8.89
Dividends per share (in HK cents)	12.00	20.00	-40%	20.00	20.00	12.00
As at 31 December		(Restated)		(Restated)		
Total equity	6,867	6,528	5%	6,026	4,990	4,545
Net assets attributable to the Company's equity holders	6,313	6,025	5%	5,605	4,638	4,230
Net borrowings to total equity ratio	54.1%	54.0%	0%	34.7%	43.0%	40.6%
Net assets per share attributable to the Company's equity holders (in US dollars)	2.02	1.92	5%	1.79	1.61	1.47
Net assets (total equity) per share (in US dollars)	2.19	2.08	5%	1.93	1.73	1.57

SEGMENT RESULTS

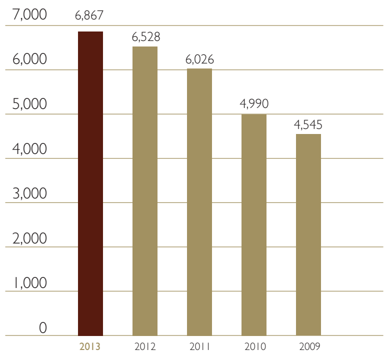
US$ Million



(Details of 2013 and 2012 are disclosed in Note 5 to the Financial Statements)

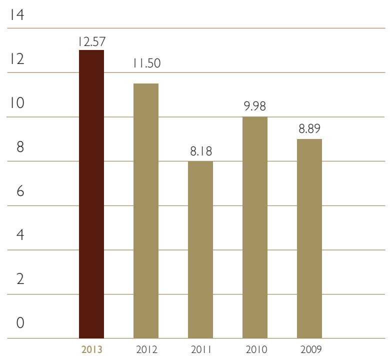
TOTAL EQUITY

US$ Million



EARNINGS PER SHARE

US Cents



CHAIRMAN'S STATEMENT

On behalf of the Board, I wish to present the Annual Report of Shangri-La Asia Limited for the financial year ended 31 December 2013.

The global economy has been showing signs of a slow, albeit, inconsistent recovery through 2013. However, the luxury segment of the hotel industry is facing challenging times in Mainland China. The situation has been exacerbated by the emergence of new competitive supply in several cities already afflicted by weak demand. Consequently, consolidated revenues grew marginally by 1.16% over 2012 to US$2.081 billion.

Despite efforts to contain operating costs, the EBITDA for the year was US$571.8 million compared to US$608.2 million in 2012. The prevailing competitive environment is expected to continue to exert pressure on the Group's operating profits through 2014.

Profits after tax from the hotel property folio continues to be adversely impacted by the start-up costs of newly opened hotels, pre-opening costs of hotels under development, higher depreciation and amortization costs from newly opened hotels and increase in interest costs attributable to a growing loan portfolio.

Profits after tax from the Group's investment properties portfolio amounted to US$97.3 million which represented an increase of 19.4% over 2012. Occupancies and rental yields continued to be generally robust through 2013.

Profits attributable to shareholders of US$392.3 million (2012: US$359.0 million) included revaluation gains on investment properties of US$398.7 million (2012: US$185.0 million).

Earnings per share amounted to US12.57 cents per share (2012: US11.50 cents per share).

A final dividend of HK4 cents per ordinary share has been proposed, which when added to the interim dividend of HK8 cents per ordinary share, will amount to a total dividend of HK12 cents per ordinary share for the financial year 2013.

During the year, the Group opened three new hotels in Mainland China, one in Istanbul, Turkey and one hotel under management contract in Malaysia. It also disposed its interest in an operating hotel in Mainland China at a profit and terminated its management contract with the Shangri-La Hotel, Mumbai, India.

As at the end of 2013, the Group's hotel portfolio consisted of 63 hotels that it owned/leased and operated and 19 hotels that it operated for third party owners. It also had 22 new hotel projects under development of which 13 projects are in Mainland China and has on hand management contracts for 5 hotels which are being developed by third party owners.

I would like to acknowledge the dedication and hard work of the management and staff member of each and every hotel and the management and marketing network of the Group. I would also like to thank my fellow Directors for their support and guidance.

KUOK Khoon Chen
Chairman

19 March 2014

DIRECTORS AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

KUOK Khoon Chen
Aged 59, Chairman and CEO
Malaysian

Mr KUOK was appointed as the Chairman and the CEO in August 2013. Mr KUOK was an Executive Director and the Chairman from September 1997 to October 2000. He is also a director of a number of companies within the Group. Mr KUOK is an executive director of China World Trade Center Company Limited (an associate of the Company, listed on the Shanghai Stock Exchange) and a non-executive director of Wilmar International Limited (listed on Singapore-SE). He served as the chairman of KPL (listed on HKSE) from June 2008 to August 2013. Mr KUOK is the deputy chairman and managing director of KGL, the chairman and managing director of KHL and the chairman of Paruni Limited (all of such companies are Substantial Shareholders) and is deemed as interested in more than 5% of the share capital of KGL within the meaning of Part XV of the SFO. He is also the chairman of and is interested in more than 5% of the share capital of Kuok Brothers Sdn Berhad (a Shareholder with interest of less than 10% but discloseable under Part XV of the SFO). He holds a Bachelor's degree in Economics from Monash University, Australia. Mr KUOK is the chairman of the Nomination Committee and the Executive Committee, and a member of the Remuneration Committee. He is the brother of Mr KUOK Khoon Ean, a Non-executive Director, and Ms TEO Ching Leun, the company secretary of the Company, is his cousin.

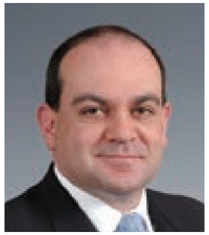
LUI Man Shing
Aged 70, Deputy Chairman
Chinese

Mr LUI was appointed as an Executive Director in March 2002 and was elected as the Deputy Chairman in March 2007. He is also a director of a number of companies within the Group. Mr LUI is the vice chairman of Shangri-La Hotel Public Company Limited (a subsidiary of the Company, listed on Thai-SE). He is also a director of KHL (Substantial Shareholder) and is interested in less than 5% of the share capital of KGL (Substantial Shareholder). Mr LUI is also a member of the Executive Committee.

DIRECTORS AND COMPANY SECRETARY

Madhu Rama Chandra RAO
Aged 62, CFO
Indian

Mr RAO was appointed as an Executive Director in December 2008. He joined SLIM-HK in May 1988 as group financial controller and was appointed as the CFO in 1997. Mr RAO is also the vice chairman of SLIM-HK and a director of a number of companies within the Group. Mr RAO is interested in less than 5% of the share capital of KGL (Substantial Shareholder). He was previously with a leading chartered accountancy practice in Mumbai, India for 17 years, including 12 years as partner. Mr RAO graduated from the University of Mumbai and is a fellow member of the Institute of Chartered Accountants of India. He is also a member of the Nomination Committee and the Executive Committee.



Gregory Allan DOGAN
Aged 49, COO
British

Mr DOGAN was appointed as an Executive Director in May 2010. He joined the Group in 1997 and is the COO as well as the president and chief executive officer of SLIM-HK. He is also a director of a number of companies within the Group. Mr DOGAN is interested in less than 5% of the share capital of KGL (Substantial Shareholder). Prior to joining the Group, Mr DOGAN held managerial positions at luxury hotels in Spain, Dubai and China.

NON-EXECUTIVE DIRECTORS

KUOK Khoon Ean
Aged 58, Non-executive Director
Malaysian

Mr KUOK was appointed as a Director in April 2008. He was previously the Chairman and the CEO and was re-designated as a Non-executive Director in August 2013. He is a director of a number of companies within the Group as well as of several listed companies: he is a director of Shangri-La Hotel Public Company Limited (a subsidiary of the Company, listed on Thai-SE), a non-executive director of Wilmar International Limited (listed on Singapore-SE), and an independent non-executive director of The Bank of East Asia, Limited (listed on HKSE) and IHH Healthcare Berhad (listed on Malaysia-SE). Mr KUOK served as a non-executive director of SCMP Group Limited (listed on HKSE) and The Post Publishing Public Company Limited (listed on Thai-SE) until January 2013. He is a director of KGL and the managing director of KHL (both Substantial Shareholders) and is deemed as interested in more than 5% of the share capital of KGL within the meaning of Part XV of the SFO. He holds a Bachelor's degree in Economics from Nottingham University. Mr KUOK was the chairman of the Nomination Committee and the Executive Committee and a member of the Remuneration Committee until August 2013. He is the brother of Mr KUOK Khoon Chen, the Chairman, and Ms TEO Ching Leun, the company secretary of the Company, is his cousin.

HO Kian Guan
Aged 68, Non-executive Director
Singaporean

Mr HO was appointed as a Non-executive Director in May 1993. He is the executive chairman of Keck Seng (Malaysia) Berhad (listed on Malaysia-SE) and Keck Seng Investments (Hong Kong) Limited (listed on HKSE). Mr HO served as a director of Parkway Holdings Limited (a company delisted from Singapore-SE on 24 November 2010) until October 2011. He is the brother of Mr HO Kian Hock, his alternate.

Roberto V ONGPIN
Aged 77, Non-executive Director
Filipino

Mr ONGPIN was appointed as a Non-executive Director in August 2003. He is also a director of a subsidiary of the Company. Mr ONGPIN is the chairman of PhilWeb Corporation, Alphaland Corporation and Atok-Big Wedge Co, Inc, a director of Petron Corporation, San Miguel Corporation and PAL Holdings, Inc (all listed on Philippines-SE), and the deputy chairman of SCMP Group Limited (listed on HKSE) and a non-executive director of Forum Energy PLC (listed on the AIM of London Stock Exchange). He is also a director of Philippine Airlines, Inc. He served as the chairman of ISM Communications Corporation until November 2013, the chairman/co-chairman of Philippine Bank of Communications until December 2012 and a director of Ginebra San Miguel, Inc until May 2013 (all listed on Philippines-SE). Prior to 1979, Mr ONGPIN was the chairman and the managing partner of the SGV Group, the largest accounting and consulting firm in Asia. He was the Minister of Trade and Industry of the Republic of the Philippines from 1979 to 1986. He has an MBA from Harvard University and is a Certified Public Accountant (Philippines).

HO Kian Hock
Aged 66, Alternate Director
Singaporean

Mr HO was appointed as an alternate Director to Mr HO Kian Guan in November 2004. He is the deputy executive chairman of Keck Seng Investments (Hong Kong) Limited (listed on HKSE) and the managing director of Keck Seng (Malaysia) Berhad (listed on Malaysia-SE). He was an alternate director of Parkway Holdings Limited (a company delisted from Singapore-SE on 24 November 2010) until October 2011. He is the brother of Mr HO Kian Guan, a Non-executive Director.

DIRECTORS AND COMPANY SECRETARY

INDEPENDENT NON-EXECUTIVE DIRECTORS

Alexander Reid HAMILTON
Aged 72, Independent Non-executive Director
British

Mr HAMILTON was appointed as an Independent Non-executive Director in November 2001. He is an independent non-executive director of a number of listed companies including CITIC Pacific Limited, Esprit Holdings Limited and COSCO International Holdings Limited (all listed on HKSE), and JP Morgan China Region Fund Inc (a USA registered closed end fund quoted on the New York Stock Exchange). Mr HAMILTON served as an independent non-executive director of China COSCO Holdings Company Limited (listed on HKSE) until May 2011. He is a member of the Institute of Chartered Accountants of Scotland, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Directors. He was a partner in Price Waterhouse for 16 years and has more than 20 years of audit and accounting experience. Mr HAMILTON is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Timothy David DATTELS
Aged 56, Independent Non-executive Director
American

Mr DATTELS was appointed as an Independent Non-executive Director in February 2004. He is currently a senior partner of TPG Capital, LP, based in San Francisco with a focus on Asian investing. Mr DATTELS also serves as a director of Blackberry (listed on Toronto Stock Exchange and NASDAQ). He served as a partner and managing director of Goldman Sachs where he was head of investment banking for all Asian countries outside of Japan from 1996 to 2000 and he advised several of Asia's leading entrepreneurs and governments. Mr DATTELS holds a BA (Hons) from The University of Western Ontario and an MBA from Harvard Business School.

WONG Kai Man
Aged 63, Independent Non-executive Director
Chinese

Mr WONG was appointed as an Independent Non-executive Director in July 2006. He is also an independent non-executive director of SUNeVision Holdings Limited (listed on the Growth Enterprise Market of HKSE), and SCMP Group Limited and VTech Holdings Limited (both listed on HKSE). Mr WONG served as an independent non-executive director of China Construction Bank Corporation (listed on HKSE) until December 2013. Mr WONG is a non-executive director of the Securities and Futures Commission and was also a member of the Growth Enterprise Market Listing Committee of HKSE from 1999 to 2003. He is an accountant with 32 years of audit, initial public offering and computer audit experience. He retired as an audit partner from PricewaterhouseCoopers, Hong Kong in June 2005. He obtained a Bachelor of Science degree in Physics from The University of Hong Kong and an MBA from The Chinese University of Hong Kong. Mr WONG is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

COMPANY SECRETARY

Michael Wing-Nin CHIU
Aged 69, Independent Non-executive Director
American

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

LI Kwok Cheung Arthur
Aged 68, Independent Non-executive Director
Chinese

Professor LI was appointed as an Independent Non-executive Director in March 2011. He is currently Emeritus Professor of Surgery, The Chinese University of Hong Kong. Professor LI is also a non-executive deputy chairman of The Bank of East Asia, Limited (listed on HKSE), a non-executive director of AFFIN Holdings Berhad (listed on Malaysia-SE) and BioDiem Limited (a company delisted from the Australia stock exchange in November 2013), and an independent non-executive director of Nature Flooring Holding Company Limited (listed on HKSE). He served as an independent non-executive director of The Wharf (Holdings) Limited (listed on HKSE) until August 2013. He is also the chairman of Digital Broadcasting Corporation Hong Kong Limited, a member of the National Committee of the Chinese People's Political Consultative Conference and the Executive Council of the Hong Kong Special Administrative Region. Professor LI obtained his medical degree from the University of Cambridge in 1969 and assumed various senior roles in the medical profession of the academia. He was Foundation Professor and Chairman of Department of Surgery of The Chinese University of Hong Kong, and was Dean of Faculty of Medicine from 1992 to 1996. From 1996 to 2002, Professor LI was the Vice-Chancellor (President) of the University. In 2002, Professor LI became Secretary for Education and Manpower and his term ended in June 2007. Professor LI is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

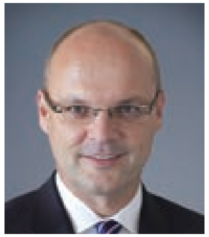
TEO Ching Leun
Aged 53, Company Secretary
Singaporean

Ms TEO was appointed as the Company Secretary of the Company in March 2008. She is also a director of a number of companies within the Group. Ms TEO holds an LLB (Hons) degree from the National University of Singapore and an LLM degree in Laws from the University of London. She is a solicitor qualified in Hong Kong and has been admitted as a solicitor of the Supreme Court of England and Wales and as an advocate and solicitor of the Supreme Court of Singapore. Ms TEO is the cousin of Mr KUOK Khoon Chen, the Chairman, and Mr KUOK Khoon Ean, a Non-executive Director.

SENIOR MANAGEMENT

Darren GEARING
Aged 48, Executive Vice President
British

Mr GEARING joined the Group in 1990 and is the General Manager of Shangri-La Hotel, At The Shard, London. His portfolio includes Europe, North America, India and the Middle East. Prior to his current role, he was Vice President and General Manager at Island Shangri-La, Hong Kong, overseeing Hong Kong, Beijing and Inner Mongolia.

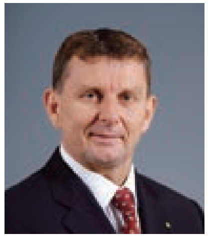


Wolfgang KRUEGER
Aged 49, Executive Vice President
German

Mr KRUEGER joined the Group in 2001 and is in charge of overseeing the operations of the Shangri-La hotels in Hong Kong, Taiwan, Japan and Southern China, covering Guangzhou and Shenzhen, along with Aberdeen Marina Club in Hong Kong. He was previously Vice President and General Manager of Island Shangri-La, Hong Kong. During his tenure with the Group, Mr KRUEGER has managed major Shangri-La hotels in gateway cities like Tokyo, Taipei and Manila. He has more than 20 years of hospitality experience and his previous management experience includes posts in the United Kingdom, Turkey, Germany, the United States of America and several countries in Asia.

Chris LIU
Aged 46, Executive Vice President – Projects
Malaysian

Mr LIU has worked nearly 6 years for the Group before he rejoined the Group as Executive Vice President – Projects in 2013. Mr LIU spearheads the Group's development division and oversees the new hotel constructions and renovation projects. Currently, he is also a director and/or the General Manager of various subsidiaries or associates of the Group. Mr LIU is a qualified architect and holds a Bachelor of Architecture degree from Cornell University, New York.



Jean-Michel OFFE
Aged 57, Executive Vice President – Development and Innovation
French

Mr OFFE has worked nearly 20 years for the Group. He rejoined the Group as Executive Vice President – Development and Innovation in 2013. He is in charge of the execution and implementation of all the new hotel concepts and visionary designs. With more than 30 years of luxury hotel experience, Mr OFFE held various senior management positions at Hong Kong corporate office and the Group's flagship hotels in Bangkok and Singapore.

PAW Chuen Kee
Aged 56, Executive Vice President
Singaporean

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

Cetin SEKERCIOGLU
Aged 53, Executive Vice President
Turkish

Mr SEKERCIOGLU joined the Group in 1994. He is a director of a number of companies within the Group. Mr SEKERCIOGLU is currently leading the Shangri-La hotels and resorts in South East Asia. Previously, he was responsible for the Shanghai corporate hub and was in charge of hotels in South and East China, and Taiwan. He also held senior executive positions in Hong Kong, Singapore, Shanghai and Thailand and was the General Manager in various hotels of the Group. His previous hospitality management experience includes posts in Turkey, the United States of America, France, England, Switzerland and Italy.

SENIOR MANAGEMENT

Lothar NESSMANN
Aged 54, Chief Operating Officer – Traders
German

Mr NESSMANN has worked nearly 20 years for the Group. He was appointed the Chief Operating Officer – Traders in 2014. Mr NESSMANN is responsible for overseeing the Traders' portfolio, which includes hotels in Asia Pacific and Middle East regions, along with properties in the development pipeline. Prior to his current position, he was Vice President and General Manager of Shangri-La Hotel, Kuala Lumpur. During his tenure, he has held management positions at Shangri-La hotels throughout Asia. With nearly 30 years of luxury hotel experience, he has also held posts in China, the Middle East and the United Kingdom.

Kent ZHU
Aged 50, Chief Marketing Officer
Singaporean

Mr ZHU joined the Group in 1989 and has served as Director of Sales and Marketing in several leading hotels in the Group. He is a director of a number of companies within the Group. Prior to his current role leading Shangri-La's corporate marketing division, he was Vice President – China as well as Vice President – Sales and Marketing for the China hotels of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

1. PERFORMANCE REVIEW

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

(i) Hotel operations – Hotel ownership/under lease and operation

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

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

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

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

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

– Kerry Hotels are five-star hotels with contemporary, unique, functional designs and enthusiastic, intuitive service

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

Hotel operations continued to be the Group's main source of revenue and operating profits. Mainland China continues to be the primary focus of the Group's principal business activities. As at 31 December 2013, the Group has equity interest in 33 operating hotels in Mainland China. All these hotels encountered a difficult business environment due to curbs on luxury spending initiated by the central government and the emergence of new competition in several cities. In comparison, most of the Group's owned hotels located outside Mainland China recorded increase in the weighted average room yields ("**RevPAR**"). Overall, however, there was no change in the weighted average RevPAR for the year ended 31 December 2013 as compared to 2012.

The Group's major investment properties performed well through the year and most of them registered double digit improvements in yields.

The Group continued with its roll-out plan for new hotels in 2013. The 186-room Shangri-La Bosphorus, Istanbul (a 50% Group-owned hotel) opened for business on 11 May 2013. The 508-room Jing An Shangri-La, West Shanghai (part of Jing An Kerry Centre in which the Group has 49% equity interest), the 482-room Shangri-La Hotel, Qufu (a 100% Group-owned hotel) and the 424-room Shangri-La Hotel, Shenyang (part of Shenyang Kerry Centre in which the Group has 25% equity interest) opened for business on 29 June 2013, 1 August 2013 and 15 August 2013, respectively. The construction of the extension of the Shangri-La Hotel, Paris which offers 11 additional guestrooms and 9 suites was completed and opened for business on 4 June 2013.

In terms of investment properties, the new office building and commercial mall of Jing An Kerry Centre had its soft opening in early July 2013. The Shangri-La Residences in Yangon, Myanmar (a 55.86% Group-owned serviced apartments) opened for business in November 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has equity interests in certain joint venture companies which are also engaged in businesses other than the above-mentioned three main business segments. These included the sale of the residential units in Phase I of Arcadia Court held by a project company in Tangshan City, Mainland China in which the Group has 35% equity interest. The Group also has 20% equity interest in a company which is engaged in the wines trading business in Hong Kong and Mainland China. These other businesses did not have a material impact on the Group's consolidated results for the year ended 31 December 2013.

(a) Revenues

(i) Hotel Operations

As at 31 December 2013, the Group had equity interest in 62 operating hotels (2012: 59) comprising 28,392 available guest rooms (2012: 27,524) 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.

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

On an unconsolidated basis, room revenues accounted for around 51% while food and beverage revenues accounted for around 43% of the total revenues from hotel operations. Due to the poor market conditions in Mainland China, room revenues only increased by 4% to US$1,328.9 million while food and beverage revenues decreased marginally by 0.4% to US$1,099.4 million over 2012.

Comments on performance by geography:

The People's Republic of China

Hong Kong

The two Shangri-La hotels recorded a marginal increase in RevPAR of 1%, supported by the 1 percentage point increase in occupancy. The Traders Hotel, Hong Kong also recorded a marginal increase in RevPAR of 1%. Weighted average occupancies increased from 79% to 80% in 2013 while the weighted Average Transient Room Rate ("**ATR**") decreased from US$336 to US$331 in 2013.

Mainland China

Three new Shangri-La hotels (in Shanghai, Qufu and Shenyang) opened for business during the year. As detailed in the section headed "Disposals" in this Annual Report, the disposal transaction of the Group's entire 51% equity interest in the company which owns the Shangri-La Hotel, Zhongshan was completed in September 2013.

Apart from declining room occupancies, the hotels also had to contend with a decline in food and beverage revenues from a drop in business events and functions. Except for the Kerry Hotel, Beijing which benefited from a completion of its renovation programme in 2012 (with RevPAR increasing by 26%) and the Kerry Hotel, Pudong which was gradually picking up its business in its third year of operation (with RevPAR increasing by 12%), all other hotels in Mainland China recorded a decline in RevPAR ranging from 2% to 33% at the Shangri-La Hotel, Zhongshan before its disposal. The overall weighted average RevPAR for the Mainland China hotel portfolio registered a 9% decrease in 2013. This was largely due to a drop in weighted average occupancies from 57% in 2012 to 51% in 2013. The weighted ATR stood as US$166 for 2013 compared to US$165 for 2012.

Singapore

Benefiting from the completion of major renovations at the Garden Wing by end of May 2012, the Shangri-La Hotel, Singapore recorded an increase in RevPAR of 8% primarily supported by an increase of 7 percentage points in occupancy. The Shangri-La's Rasa Sentosa Resort & Spa, Singapore recorded a marginal increase in RevPAR of 1% on the back of a 16% RevPAR increase in 2012. A decrease of 7% in the ATR of the Traders Hotel, Singapore resulted in the overall weighted average RevPAR of the Singapore hotel portfolio increasing by a mere 2% in 2013. Weighted average occupancies of the Group's hotels increased marginally by 1 percentage point to 75% while the weighted ATR decreased from US$257 to US$256 in 2013.

The Philippines

Shangri-La's Boracay Resort & Spa recorded an increase in ATR of 9% and an increase in RevPAR of 10%. Affected by the on-going major renovations of the Tower Wing and lobby lounge at the Edsa Shangri-La, Manila, the hotel registered a 7% decrease in RevPAR. The Makati Shangri-La, Manila recorded a 2% decrease in RevPAR while the RevPAR of the Shangri-La's Mactan Resort & Spa, Cebu remained unchanged. Overall, the Group's hotels in the country recorded weighted average occupancies and weighted ATR of 67% (2012: 70%) and US$209 (2012: US$201), respectively.

Malaysia

All the Group-owned hotels in the country recorded an increase in RevPAR. Among them, the performance of Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu continued to improve after the completion of major renovations in 2011. It recorded a further increase in RevPAR of 19% in 2013. Likewise, following the completion of the guestroom renovations in May 2012, the Shangri-La's Rasa Ria Resort, Kota Kinabalu also recorded an increase in occupancy of 17 percentage points and an increase in RevPAR of 28%. Weighted average occupancies of the Group's hotels increased to 78% from 71% in 2012 while the weighted ATR increased by US$4 to US$148 in 2013.

Thailand

The Shangri-La Hotel, Bangkok recorded an increase in RevPAR of 14%, supported by increased visitor arrivals into the city. The performance of this hotel would have been even better but for the political events towards the end of the year which have resulted in a sharp decline in visitor arrivals and occupancies at upscale hotels in the city. The Shangri-La Hotel, Chiang Mai registered an increase in ATR and RevPAR of 18% and 28%, respectively. The two hotels recorded a weighted average occupancies of 66% (2012: 59%). Weighted ATR increased from US$152 to US$157 in 2013.

Japan

Stimulated by the continuous weakening of the Japanese Yen, foreign visitor arrivals increased. With domestic demand also increasing, the Shangri-La Tokyo recorded an average occupancy of 81% during the year, a year-on-year 12 percentage points increase. With increasing emphasis paid on improving patronage from corporate clientele, ATR declined by 15% to US$444 resulting in a marginal growth of 1% in RevPAR. However, due to the heavy burden of the lease rent, the property continued to record cash losses during the year.

Australia

The Traders Hotel, Brisbane registered a 17% decrease in ATR (in US dollar terms), primarily affected by the depreciation of the Australian dollar in the second half of 2013. However, the weighted average RevPAR of the three hotels in the country still increased by 8%, largely supported by the full year operation of the Shangri-La Hotel, Sydney which was acquired by the Group in September 2012. The three hotels in the country recorded weighted average occupancies and weighted ATR of 81% (2012: 76%) and US$241 (2012: US$237), respectively.

France

The Shangri-La Hotel, Paris recorded a decrease in occupancy of 7 percentage points to 70% and a decrease in RevPAR of 6% as a result of the increase in total room inventory after the completion of the extension to the hotel by 20 rooms in early June 2013. ATR increased by 2% to US$1,320.

Turkey

The performance of the Shangri-La Bosphorus, Istanbul was affected by a slow-pick up in business due to the frequent political disturbances in the city in the months following its opening. The hotel recorded an average occupancy of 39% and an ATR of US$548 since opening.

Other Countries

The resort in Fiji registered a decrease in RevPAR of 15% as a result of the phased major renovations to its facilities. Performance of the Shangri-La Hotel, Jakarta continued to improve, recording an increase in RevPAR of 4%, mainly led by an increase in ATR.

The Traders Hotel, Yangon continued to experience improved results and recorded an increase in RevPAR of 57%, mainly supported by a 37% increase in ATR. It is envisaged that the hotel will continue to benefit from the strong interest from business and leisure travelers to Myanmar. The hotel is currently undergoing a phased major renovation which is expected to continue through the first half of 2014.

Performance of the two hotels in Maldives improved significantly. With an increase in overseas visitor arrivals, the two hotels registered an increase in weighted average occupancies, ATR and RevPAR of 10 percentage points, 3% and 22%, respectively.

The hotels in other countries overall recorded weighted average occupancies of 63%, an increment of 3 percentage points from 2012. Weighted ATR was US$197 compared to US$183 in 2012.

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 annual report has excluded the hotel rooms under renovation in the computation.

(ii) Hotel Management

The Group terminated the hotel management agreement in respect of the hotel in Zhongshan upon disposal of its entire interest in that hotel in September 2013. Except for the Portman, all the other 61 hotels in which the Group has equity interest together with Shangri-La Tokyo, are managed by the hotel management subsidiary, SLIM, as at 31 December 2013.

As at 31 December 2013, SLIM also had hotel management agreements in respect of 19 operating hotels (6,202 available rooms) owned by third parties located in Toronto, Vancouver, New Delhi, Muscat (in Oman), Manila, Abu Dhabi (2 hotels), Dubai (2 hotels), Putrajaya, Johor and Kuala Lumpur (in Malaysia), Taipei and Tainan (in Taiwan); and Beijing, Changzhou (2 hotels), Haikou and Suzhou (in Mainland China). The 283-room Traders Hotel, Puteri Harbour, Johor in Malaysia opened for business on 1 June 2013 while the management agreement in respect of Shangri-La Hotel, Mumbai in India was terminated by the Group in September 2013.

Revenues of SLIM on consolidation, after elimination of revenues earned from fellow subsidiaries, recorded an increase of 2% mainly due to opening of new hotels owned by associates during the year.

SLIM signed a new management agreement in respect of a hotel under development in Shaoxing City, Zhejiang Province in Mainland China in September 2013. In the second half of 2013, SLIM terminated the management agreement in respect of the hotels under development in Chongqing, Mainland China and Chennai, India owing to inordinate delays in the execution of these projects. As at 31 December 2013, SLIM had management agreements on hand for 5 new hotels under development which were owned by third parties.

(iii) Property Rentals

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

Most investment properties in Mainland China including those major investment properties recorded an improvement in yields. In Beijing, the properties of the China World Trade Center recorded improvement in yields ranging from 2% to 26%. Major renovations to the exhibition hall and connecting area at this Center are on-going. The existing spaces will be converted into a shopping mall with higher rental yields. The total lettable area will then be increased by 14,500 square meters to 36,000 square meters upon completion of renovations in December 2015. The yields of the office spaces and commercial spaces of Beijing Kerry Centre recorded an increase of 18% and 2%, respectively. Major renovations to the serviced apartments in the Beijing Kerry Centre are on-going.

In Shanghai, the properties at the Shanghai Centre recorded improvement in yields ranging from 2% to 16%. The properties at the Kerry Parkside, Pudong continued to perform well. The yields of the serviced apartments, office spaces and commercial spaces recorded increases of 32%, 15% and 31%, respectively. The yields of the office spaces at the Jing An Kerry Centre Phase I (formerly known as Shanghai Kerry Centre) recorded an increase of 4% while the yields of the serviced apartments substantially increased by over 3,600% following the completion of major renovations. The new office building and commercial mall of Jing An Kerry Centre (Phase II) opened for business in July 2013 and recorded an average occupancy of 35% for office spaces and 52% for commercial spaces.

In other cities, the yields of the office spaces and commercial spaces at the Shangri-La Centre in Qingdao recorded an increase of 13% and 24%, respectively. The yields of the office spaces and commercial spaces at the Shangri-La Centre in Chengdu also recorded an increase of 9% and 13%, respectively. Shangri-La Residences, Dalian is currently under renovation and recorded a decrease in yields of 3%.

The Group's serviced apartments in Singapore (Shangri-La Apartments and Shangri-La Residences), Malaysia (UBN Apartments, Kuala Lumpur) and Thailand (part of Shangri-La Hotel, Bangkok) registered a decrease in yields of 7%, 12% and 5%, respectively. The commercial spaces in Singapore (Tanglin Place and Tanglin Mall) and Thailand (Chao Phya Tower, Bangkok) recorded an increase in yields of 2% and 22%, respectively while the commercial spaces in Malaysia (UBN Tower, Kuala Lumpur), the Republic of Mongolia (Central Tower, Ulaanbaatar) and Australia (Pier Retail Complex, Cairns) registered a decrease in yields of 1%, 12% and 36%, respectively. In term of office spaces, save for the yields of the Pier Retail Complex, Cairns in Australia (which decreased by 25%), all the other properties in other countries recorded increase in yields ranging from 2% to 6%.

(b) Segment Results

Details of the segment information are provided in Note 5 to the Financial Statements included in this Annual Report. Net profit before non-operating items in 2013 decreased substantially by 57.3% to US$66.0 million.

Net profit attributable to equity holders of the Company from hotel operations and hotel management decreased by US$28.5 million and US$12.3 million, respectively while the net profit from property rentals increased by US$15.8 million compared to 2012.

Hotels in Hong Kong and Singapore continued to be the key profit contributors of the Group. Overall results of the hotels in Hong Kong remained unchanged, the additional contributions from a modest increase in RevPAR were offset by an increase in labour costs. Net profit of the Singapore hotels decreased marginally due to the decline in RevPAR of the Traders Hotel, Singapore. Historically, the Mainland China hotel segment had been a key profit contributor of the Group. However, the net profit from this segment decreased by US$39.9 million in 2013 due to the difficult market conditions as also the start-up costs (including depreciation) of the newly opened hotels. Hotels have to contend with a relatively high fixed cost base by nature of their business, resulting in a disproportionately greater negative impact on the financial results in the context of lower revenues. In contrast, the hotels in Malaysia, the Philippines and Thailand performed well and recorded a total increase in net profit of US$13.4 million. The reduction in operation losses of the hotel in Tokyo of US$6.0 million was entirely offset by the increase in losses of the hotel in Paris. The Group also accounted for US$6.2 million start-up losses (which included depreciation) of the Shangri-La Bosphorus, Istanbul in Turkey.

Net profit from hotel management decreased substantially following the reduction of revenues and profits of the Mainland China hotel segment and the increase in operating expenses relating to the corporate support for new projects under development.

The Mainland China properties segment continued to be a key profit contributor to the Group. The incremental profit recorded during the year from this segment was US$17.5 million, mainly contributed by the China World Trade Center (US$6.4 million) and the Kerry Parkside, Pudong (US$6.5 million).

(c) EBITDA and Consolidated Profits

With the substantial drop in the profit contribution from the Mainland China hotel segment in 2013, the EBITDA in respect of the Company and its subsidiaries decreased by US$36.4 million to US$571.8 million and the EBITDA to Consolidated Sales ratio reduced to 27.5% from 29.6%. The Group's share of EBITDA of its associates amounted to US$141.6 million, representing a decrease of US$14.8 million or 9.5% year on year on account of the pre-opening expenses and the start-up losses recorded by the newly opened hotels and investment properties owned by associates. Some of these associates are also substantially owned by subsidiaries of the controlling shareholder of the Company. The aggregate EBITDA (EBITDA of the Company and its subsidiaries and effective share of EBITDA of its associates) amounted to US$713.4 million in 2013 compared to US$764.6 million in 2012.

In terms of the consolidated financial results, the consolidated gross profit margin of the hotels owned by subsidiaries decreased marginally from 58.3% in 2012 to 58.2% and the overall consolidated gross profit margin decreased slightly to 56.4% from 57.2% as a result of the decrease in profit contribution from the hotel management segment. The consolidated labour cost increased by 7.0%. However, the adjusted comparative labour cost increased only by 1.3% after excluding the cost of the four newly opened/acquired hotels. They are the Traders Hotel, Brisbane and the Shangri-La Hotel, Sydney in Australia (acquired on 7 August 2012 and 18 September 2012, respectively); and the Shangri-La Hotel, Yangzhou and the Shangri-La Hotel, Qufu in Mainland China (opened on 17 December 2012 and on 1 August 2013, respectively).

In line with the decrease in profit from the hotel operation segment, the consolidated operating profit before finance costs for 2013 decreased from US$302.2 million to US$239.5 million after inclusion of the net credit of non-operating items (before tax and share of non-controlling interests) of US$35.1 million (2012: US$58.1 million) recorded under "Other gains – net" as detailed in Note 28 to the Financial Statements included in this Annual Report. The key non-operating items in the income statement of the Group in 2013 were the net fair value gains before tax on investment properties of US$57.6 million, dividend and interest income of US$12.7 million, gain on disposal of the hotel in Zhongshan of US$20.4 million, gain on disposal of associates (Yingkou City project in Mainland China) of US$2.6 million, gain on disposal of a vacant land in Malé, the Republic of Maldives of US$1.3 million, net impairment provision for hotel and other properties and properties under development of US$55.5 million (which was mainly caused by an operating hotel in Mainland China); and net unrealized losses on financial assets held for trading of US$4.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The consolidated finance costs for 2013 increased by US$25.6 million on account of the increase in bank loans and the US$15.5 million exchange losses arising from the refinancing of Australian dollars shareholder's loan.

The share of profit after tax for the year in respect of associates included a net credit of US$378.9 million (2012: US$183.3 million) for fair value gains on investment properties largely arising from the annual revaluation of China World Trade Center and Jing An Kerry Centre and net loss of US$15.7 million on discarding of property, plant and equipment upon major renovations at the exhibition hall at China World Trade Center.

Aided by the large increase in the share of profit after tax of associates, the Group recorded a 9.3% increase in consolidated profit attributable to the equity holders of the Company in 2013.

2. CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Group has concluded new bank loan agreements to refinance existing bank loans in order to reduce the interest costs and extend the maturity. Under this refinancing effort, bank loan facilities totaling an equivalent amount of approximately US$977 million carrying a higher interest cost have either been cancelled or prepaid. Seven 5-year unsecured bank loan agreements totaling an equivalent amount of approximately US$581 million with lower interest margin were executed during the year. Interest margin of five bank loan facilities totaling an equivalent amount of approximately US$639 million has been reduced by revising the terms of the original loan agreements. In addition, the Group has also executed two 3-year and two 5-year unsecured bank loan agreements totaling an equivalent amount of approximately US$496 million during the year for securing project funding.

At the subsidiary level, the Group executed the following bank loan agreements in 2013:

– one 3-year agreement of RMB215 million (approximately US$35.5 million), one 5-year agreement of RMB700 million (approximately US$115.5 million), one 5-year agreement of US$175 million and one 5-year agreement of GBP15 million (approximately US$24.7 million) to finance project developments

– one 5-year agreement of EUR75 million (approximately US$103.4 million) and one 3-year agreement of EUR75 million (approximately US$103.4 million) to refinance outstanding bank loans that matured in early 2013

– two 3-year agreements totaling RMB410 million (approximately US$67.6 million) and one 5-year agreement of RMB175 million (approximately US$28.9 million) to refinance outstanding bank loans that matured in 2013

– three 3-year agreements totaling A$206.5 million (approximately US$186.0 million) to refinance an outstanding bank loan matured in 2013 and for repayment of shareholder's loans

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

The net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, increased marginally by 0.1 percentage point to 54.1% as at 31 December 2013.

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

The analysis of borrowings outstanding as at 31 December 2013 is as follows:

(US$ million)	Within 1 year	In the 2nd year	Repayment In the 3rd to 5th year	After 5 years	Total
	Maturities of Borrowings Contracted as at 31 December 2013				
Borrowings					
Corporate borrowings					
– unsecured bank loans	–	713.2	1,600.2	–	2,313.4
– convertible bonds	–	–	505.1	–	505.1
– fixed rate bonds	–	–	596.8	–	596.8
Project bank loans					
– secured	58.1	18.7	204.2	30.3	311.3
– unsecured	347.2	130.0	624.3	25.0	1,126.5
Total	405.3	861.9	3,530.6	55.3	4,853.1
Undrawn but committed facilities					
Bank loans and overdrafts	173.3	64.1	586.4	–	823.8

Subsequent to the year end, the Group executed a 5-year unsecured bank loan agreement of HK$1,000 million (approximately US$129.0 million). An undrawn corporate bank loan facility of US$70 million was cancelled due to its relatively high interest margin as compared to other undrawn corporate loan facilities. At the subsidiary level, the Group executed a 5-year unsecured bank loan agreement of RMB300 million (approximately US$49.5 million) to fund project developments. A 5-year unsecured bank loan agreement of US$32 million was also executed to refinance outstanding bank loans maturing in early 2014. The Group is negotiating with certain banks to finalize additional long term loan facilities for refinancing maturing loans as well as for project funding.

The currency-mix of the borrowings and cash and bank balances as at 31 December 2013 is as follows:

(US$ million)	Borrowings	Cash and Bank Balances
In United States dollars	2,214.0	314.9
In Hong Kong dollars	1,409.8	91.4
In Renminbi	515.9	465.6
In Euros	283.2	6.2
In Australian dollars	175.7	45.8
In Singapore dollars	86.9	73.6
In British Pounds	74.2	30.9
In Japanese Yen	47.6	9.3
In Philippine Pesos	45.8	18.1
In Thai Baht	–	22.3
In Malaysian Ringgit	–	29.0
In Fiji dollars	–	16.4
In Mongolian Tugrik	–	8.8
In Sri Lankan Rupee	–	0.7
In Maldivian Rufiyaa	–	0.9
In other currencies	–	1.2
	4,853.1	1,135.1

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

Details of financial guarantees, contingencies and charges over assets as at 31 December 2013 are disclosed in Note 38 to the Financial Statements included in this Annual Report.

3. TREASURY POLICIES

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

(a) Minimize Interest Risk

Intra-group financing between subsidiaries in Mainland China by way of entrusted loan agreements through local banks amounted to RMB605 million (approximately US$99.8 million) as at 31 December 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.

The Group has endeavoured to hedge its medium term interest rate risk by entering into interest-rate swap contracts. The Group has executed new HIBOR/LIBOR 5-year term interest-rate swap contracts in order to fix the base interest rates of a specific HKD and USD corporate bank loan folio. During the year, new interest-rate swap contracts totaling US$206 million (at fixed rates ranging between 1.42% and 1.785% per annum) and HK$1,900 million (approximately US$245.2 million) (at fixed rates ranging between 0.94% and 1.635% per annum) have been executed. All these new interest-rate swap contracts qualify for hedge accounting. As at 31 December 2013, the Group has the following outstanding interest-rate swap contracts which qualified for hedge accounting:

– HK$2,200 million (approximately US$283.9 million) at fixed rates ranging between 0.94% and 1.635% per annum maturing during December 2016 to October 2018

– US$206 million at fixed rates ranging between 1.42% and 1.785% per annum maturing during August 2018 to October 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 43% of its borrowings outstanding as at 31 December 2013.

(b) Minimize Currency Risk

There is a natural economic hedge to the extent that most of the Group-owned hotels derive their revenues (and most of the expenses associated therewith) in local currencies. The Group's hotels in Asia are quoting room tariffs in the local currency in view of the general strength of the Asian currencies relative to the United States dollar. It is the Group's endeavour, wherever and to the extent possible, to quote tariffs in the stronger currency (for example room rates in Istanbul are quoted in Euros) and maintain bank balances in that currency, if legally permitted.

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

In view of the continuing depreciation of Australian dollar against United States dollar, the Group refinanced A$166.6 million (approximately US$154.4 million) shareholder's loans previously granted to the hotels in Australia by obtaining new local bank loans and executed short term currency forward contracts to sell Australian dollars for United States dollars before the finalization of these bank loan agreements in order to reduce the exchange losses upon repatriation of funds out of Australia. A realized exchange loss of US$15.5 million arising from the repayment of the shareholder's loans denominated in Australian dollars was recorded by the Group.

4. INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed semi annually (including those properties being constructed for future use as investment properties of which fair value becomes reliably determinable). All changes in the fair value of investment properties (including those under construction) are recorded in the income statement. The Group's share of the net increase in their fair value over their book value (net of provision for deferred taxation) amounted to US$398.7 million and this was credited to the consolidated income statement during the year.

Investment properties are stated at professional valuations carried out by the following independent firms of professional valuers engaged by the Group or the relevant associates as at 31 December 2013:

CB Richard Ellis Limited, DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited	:	For properties in Mainland China
CB Richard Ellis Limited	:	For properties in the Republic of Mongolia
Colliers International Consultancy & Valuation (Singapore) Pte Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd	:	For properties in Singapore
W.M. Malik & Kamaruzaman	:	For properties in Malaysia
Jones Lang LaSalle Hotels	:	For properties in Australia
American Appraisal (Thailand) Ltd	:	For properties in Myanmar

5. FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

As at 31 December 2013, the market value of the Group's investment portfolio was US$21.0 million which mainly included 4,483,451 ordinary shares in Kerry Properties Limited ("**KPL**") originally held and additional 2,241,725 ordinary shares in the newly listed Kerry Logistics Network Limited which were granted by KPL in mid December 2013 under the spin-off. The other equity securities within the investment portfolio remained unchanged during the year. The Group recorded net unrealized fair value losses of US$4.0 million (US$4.1 million after share of non-controlling interests) and dividend income of US$1.0 million (US$0.9 million after share of non-controlling interests) during the year.

6. DEVELOPMENT PROGRAMMES

Construction work on the following projects is on-going:

(a) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Serviced Apartments/ Villas	Projected Opening
Hotels in the People's Republic of China				
Shangri-La Hotel, Lhasa	100%	289	–	17 April 2014
Shangri-La's Sanya Resort & Spa, Hainan	100%	506	–	2014
Shangri-La Hotel, Nanjing	55%	522	40	2014
Shangri-La Hotel, Tianjin (part of Tianjin Kerry Centre)	20%	471	39	2014
Shangri-La Hotel, Qinhuangdao	100%	331	–	2014
Shangri-La Hotel, Tangshan (part of composite development project in Tangshan City)	35%	398	38	2014

MANAGEMENT DISCUSSION AND ANALYSIS

	Group's Equity Interest	Hotel Rooms	Serviced Apartments/ Villas	Projected Opening
Shangri-La Hotel, Hefei	100%	402	–	2015
Shangri-La Hotel, Nanchang (part of composite development project in Nanchang City)	20%	474	–	2015
Shangri-La Hotel, Diqing	100%	226	–	2015
Shangri-La Hotel, Hangzhou (part of Kerry Central, Hangzhou)	25%	417	–	2015
Shangri-La Hotel, Xiamen	100%	425	15	2016
Shangri-La Harbin, Songbei District	100%	451	33	2016
Shangri-La Hotel, Jinan (part of composite development project in Jinan City)	45%	411	–	2016
Shangri-La Hotel, Hunghom Bay, Hong Kong	100%	572	–	2016
Hotels in other countries				
Shangri-La Hotel, At The Shard, London, the United Kingdom	Operating lease	202	–	6 May 2014
Shangri-La Hotel, Ulaanbaatar, the Republic of Mongolia	51%	290	–	2014
Traders Orchard Gateway Hotel, Singapore	Operating lease	502	–	2014

	Group's Equity Interest	Hotel Rooms	Serviced Apartments/ Villas	Projected Opening
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's Nusa Dua Resort & Spa, Bali, Indonesia (Note 1)	53.3%	323	26 Villas	2017
Shangri-La Hotel, Colombo, Sri Lanka (part of composite development project in Colombo)	90%	503	41	2017
Lakeside Shangri-La, Yangon, Myanmar	55.86%	350	–	2017

Note 1: As at the date of this Annual Report, the phase I development was completed. The golf course and clubhouse opened for business in January 2014 and 7 villas out of the total 26 villas were completed in February 2014.

(b) 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						
Shenyang Kerry Centre	25%	731,701	195,732	389,199	–	2014
Phase II of Arcadia Court, Tangshan City	35%	109,178	–	22,808	–	2014
Tianjin Kerry Centre	20%	209,579	60,000	129,402	30,019	2014
Nanchang City Project	20%	81,998	71,011	9,204	–	2014
Phase II of Shangri-La Hotel, Dalian	100%	18,631	–	4,600	12,150	2015
Kerry Central, Hangzhou	25%	–	11,670	103,341	33,512	2015
Jinan City Project	45%	–	35,983	4,705	–	2016
Putian City Project	40%	266,633	–	5,859	–	2016
In other countries						
Bonifacio Global City, Metro Manila, the Philippines	40%	37,522	–	4,405	17,554	2015
Traders Square in Yangon, Myanmar	59.28%	–	37,779	11,808	–	2016
Composite development project in Colombo, Sri Lanka	90%	106,307	55,500	68,000	–	2016
		1,561,549	467,675	753,331	93,235	

Note: Further details of the Group's properties under development as at year end 2013 are disclosed under the section headed "Properties Under Development" included in the Directors' Report.

The Group is currently reviewing the development plans of the following projects in which land use rights and leasehold land were acquired in recent years:

Hotel development (wholly owned by the Group)

– Zhuhai, Mainland China
– Zhoushan, Mainland China
– Wolong Bay in Dalian, Mainland China
– Accra, the Republic of Ghana

Composite development (45% equity interests owned by the Group)

– Zhengzhou, Mainland China
– Kunming, Mainland China

The Group acquired the entire equity interest in a local company which owns a very well located building in Rome in May 2012. The Group intends to convert the building into a Shangri-La hotel after all the existing tenants are vacated. The seller 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$41.1 million based on exchange rate at year end 2013) is not payable until then.

The Group adjusts its development plans and investment strategy from time to time in response to the changing market conditions and the financial position of the Group. 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 all of the land cost of RMB481 million (approximately US$79.3 million).

The estimated incremental funding required directly by the subsidiaries and the Group's share of the funding obligations of the associates for all the projects and other renovations involving fund commitments as at 31 December 2013 is estimated at US$2,422 million including US$1,079 million payable in the next 12 months which is expected to be sourced from operating cashflow, available and new bank facilities and cash balances.

7. ACQUISITIONS

(a) Additional interest in Shangri-La Hotel, The Marina, Cairns, Australia

On 28 March 2013, the Group completed the acquisition of the remaining 45% equity interest in a former 55% owned subsidiary which owns the Shangri-La Hotel, The Marina, Cairns and the associated properties in Cairns, Australia at a cash 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 for the hotel. The Group's shareholding in the subsidiary has increased to 100%.

(b) Additional interest in the resort and villa project in Bali, Indonesia

By end of August 2013, the Group subscribed additional shares issued by the project company that owns the Shangri-La's Nusa Dua Resort & Spa, Bali and villa development project at a cash consideration of US$7.1 million. The Group's equity interest in the project company increased from 49% to 53.3%.

(c) Additional interest in Shangri-La Hotel, Surabaya, Indonesia

On 15 November 2013, the Group completed the acquisition of 1.35% equity interest in the hotel company which owns the Shangri-La Hotel, Surabaya from an existing shareholder at a cash consideration of US$0.6 million. The Group's equity interest in the hotel company increased from 10% to 11.35%.

8. DISPOSALS

(a) Equity interest in the Bayuquan, Yingkou City development project, Mainland China

On 19 December 2012, the Group entered into sale and purchase agreements with a subsidiary of KPL 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. The Group recorded a net profit of US$2.6 million on the disposal.

(b) Equity interest in the Shangri-La Hotel, Zhongshan, Mainland China

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 hotel company which owns the Shangri-La Hotel, Zhongshan in Mainland China. The final cash consideration calculated in accordance with the terms of the agreement was RMB119.1 million (approximately US$19.0 million). The disposal was completed in September 2013 and the Group recorded a net profit of US$20.4 million.

(c) Vacant land in Malé, the Republic of Maldives

On 1 August 2013, the Group entered into a sale and purchase agreement with an independent third party to dispose of a piece of vacant land in Malé, the Republic of Maldives held by a wholly owned subsidiary for a cash consideration of US$6.3 million. The disposal was completed upon receipt of the cash consideration in September 2013. The impairment loss provided in an earlier year for this land of US$4.0 million was reversed and a gain on disposal of US$1.3 million was recorded by the Group.

9. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

As at the date of this Annual Report, the Group has management agreements in respect of 19 operating hotels owned by third parties. The Group also has agreements on hand for development of 5 new hotels owned by third parties. The development projects are located in Bengaluru, India (2 hotels), Doha, Qatar (2 hotels) and Shaoxing (Mainland China).

The Group adjusts its development plans from time to time. The Group continues to review proposals it receives for management opportunities and intends to secure management agreements for third party owned hotels that do not require capital commitments in locations/cities which it considers to be of long-term strategic interest.

MANAGEMENT DISCUSSION AND ANALYSIS

10. PROSPECTS

The challenging business environment confronting the luxury hotel segment in Mainland China is expected to continue through 2014. Whilst it is therefore expected that the performance of this segment will continue to be weak in the near term, in general the Group remains cautiously optimistic about its short and medium term business prospects as the Mainland Chinese economy continues to maintain a stable and good GDP growth rate with increasing emphasis on stimulating domestic consumption. In comparison, it is expected that most hotels in other countries generally will continue to record increments in both occupancies and room rates. The performance of the Group's hotel in Bangkok has been adversely affected by recent political developments in the city. However, the hotel in Chiang Mai has benefited from increasing visitor arrivals. The performance of the two hotels in Maldives has shown remarkable improvement in 2013, it is expected that they will continue to perform well in the near term. Also, the performance of the hotels in Paris and Istanbul is expected to steadily improve in 2014, barring unforeseen circumstances.

Given the business characteristic of hotel operations, start-up costs of newly opened hotels will continue to be a drag on Group profitability. The emphasis on cost savings continues relentlessly. On the revenue front, the Group has rolled out different marketing campaigns under its Golden Circle guest loyalty programme which are expected to improve customer loyalty and improve market share of its hotels.

The investment properties segment continues to be a key profit contributor. Yields of the Group's major investment properties continue to register increase impressive year on year growth rates. It is expected that the newly opened properties in Mainland China will generate good operating profits once operations stabilize.

Apart from the focus on operating profits, the Group has reviewed its asset portfolio to sell assets that it considers non-core at an acceptable price. Funds released thereby will be used to pay down borrowings and reduce interest costs.

11. HUMAN RESOURCES

As of 31 December 2013, the Company and its subsidiaries had approximately 27,900 employees. The headcount of all the Group's managed hotels and resorts totaled approximately 43,500. Salaries and benefits, including provident fund, insurance and medical cover, housing and share option schemes were maintained at competitive levels. Bonuses were awarded based on individual performance as well as the financial performance of business units.

In terms of the new option scheme adopted by the Shareholders on 28 May 2012, options on 19,000,000 shares were granted to eligible executives of the Group at an exercise price of HK$12.11 per share on 23 August 2013. All those new options are immediately exercisable on the grant date till 22 August 2023 and an option expense of US$7.9 million was charged to the income statement during the year. As at the date of this Annual Report, options on 132,000 and 400,000 shares have been exercised and lapsed, respectively and the options outstanding aggregate to 18,468,000 shares. Details of the new option scheme are provided in the section headed "Share Option Schemes" in the Directors' Report. Information of the new share options granted in 2013 is provided in Note 18 to the Financial Statements.

Details of the share award scheme adopted by the Shareholders on 28 May 2012 are provided in the section headed "Share Award Scheme" of the Directors' Report. The Group has not granted any shares under the share award scheme in 2013.

The Group's total employee benefit expenses (excluding Directors' emoluments and share options granted during the year) amounted to US$664,980,000 (2012: US$621,209,000).

The Group remains committed to developing its human capital.

Performance Management and Talent Development

The Group remunerates its employees based on skills, experience and professional qualifications and all permanent employees receive an annual performance review. Rewards are based on the employees' contribution to the Group's success.

Following the introduction of a Productivity Measurement System in 2012, improvements in control of Full Time Equivalent employees has resulted in increased productivity, ensuring manning levels are optimal for business levels of the hotels.

The Human Capital Review process has successfully streamlined the transfer and promotion of top performing employees which has improved retention and employee satisfaction of talent. In 2013, 18% of permanent employees were offered opportunities for career growth through this transparent process.

The turnover rate of the Group continues to improve, reducing to 24% in 2013 from 25% a year earlier. Hotels have implemented strategies to address reasons for leaving the company. Turnover of the Group's senior management is well below the industry average and the average length of service of the Hotel General Managers is nearly 13 years.

The Shangri-La Academy located in Zhuhai, Mainland China is an important resource for employee education and training. Since its opening in 2004, more than 8,000 employees have graduated from the core certificate and management development programmes offered by the Academy. A number of programmes are under development to ensure the curriculum stays current and relevant to the changing needs of the business environment.

CORPORATE SOCIAL RESPONSIBILITY

In 2013, the Group's efforts in sustainability received recognition through continued inclusion in the Hang Seng Sustainability Index, demonstrating its leadership in environmental, social and governance amongst listed companies in Hong Kong. As well, the Company has been listed for the first time in the Dow Jones Sustainability Indices ("**DJSI**") and is the only hotel group to be included within the Asia Pacific index amongst 2,500 companies reviewed globally.

According to DJSI, companies that are part of the DJSI World or regional indices are selected following a best-in-class approach. These companies represent the top 10% to 20% of the best-performing publicly traded companies in sustainability globally.

Towards the end of the year, the Company was also recognized for managing operations well vis-a-vis its carbon emissions. Despite an increase in hotel footprint, the Company received the Best Year on Year Performance citation from the Carbon Disclosure Project (CDP), an organization working with shareholders and corporations to disclose and manage the greenhouse gas emissions of major corporations.

As part of its commitment to stakeholders, the Group also embarked on a formal stakeholder engagement exercise that collected feedback from investors, colleagues, guests, business partners and other members of the Group's local communities. While the Group has made considerable progress in this sphere, there remains the need to address environmental issues as part of a wider risk management strategy, enhance overall communications and take a more concerted approach towards measuring and monitoring the impacts of its signature corporate social responsibility ("**CSR**") programmes.

Taking these findings, the Group drew up a CSR Strategic Plan for the next six years, which includes setting milestones in sustainable operations between operating hotels and project development. Key targets will be made public in early 2014. The Group continues to issue Communications on Progress under the United Nations Global Compact. The latest report can be found at http://www.shangri-la.com/corporate/about-us/corporate-social-responsibility/sustainability/reports/. This report also covers details of our operational standards that cover all our stakeholders as well as workplace practices to ensure the highest standards in health, safety and security. Over half of the Group's hotels are certified under the OHSAS 18000 Occupational health and safety management systems and the design standards abide by the same principles.

The Group invested in a comprehensive strategy to aid the victims of typhoon Haiyan in the Philippines in October 2013. Titled "*Relief, Rebuild, Rehabilitate*", the Company approached fundraising with the goal of full transparency and the engagement of stakeholders. A dedicated site, www.shangri-lacares.com, was set up to ensure that all donations were put to good use. As of year-end, more than HK$4,000,000 was raised. All the funds were used to provide not only immediate relief goods, such as water, food and medicine, but also much-needed reconstruction materials to rebuild the homes of over 540 families in Daanbantayan, North Cebu. Once the homes had been repaired, hotel guests and colleague volunteers provided further support with post-trauma counseling and social activities to help the stricken families get back to a level of normalcy and resume their livelihoods.

For more information about the Group's progress on its commitment to CSR and sustainability, please visit http://www.shangri-la.com/corporate/about-us/corporate-social-responsibility/sustainability/.

REPORT OF THE DIRECTORS

The Directors submit this Directors' Report together with the Financial Statements for the Financial Year.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of the Group are the ownership and operation of hotels and associated properties and the provision of hotel management and related services. The Group members are also the registered proprietors of various trademarks and service marks in various countries, including the brand names "Shangri-La", "Traders", "Rasa", "Summer Palace" and "Shang Palace" and related devices and logos.

The principal activities of the Group's associates are the leasing of office, commercial, residential and exhibition hall space and serviced apartments as well as the ownership and operation of hotels.

An analysis of the performance of the Group for the Financial Year by geographical and business segments is set out in Note 5 to the Financial Statements.

RESULTS AND APPROPRIATIONS

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

The Board has declared an interim dividend of HK8 cents per Share and proposes a final dividend of HK4 cents per Share for the Financial Year.

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

RESERVES

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

DONATIONS

Charitable donations and other donations made by the Group during the Financial Year amounted to US$686,000.

PROPERTY, PLANT AND EQUIPMENT INVESTMENT PROPERTIES

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

PRINCIPAL PROPERTIES

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

PRE-EMPTIVE RIGHTS

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

SHARE CAPITAL

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

REPORT OF THE DIRECTORS

SUBSIDIARIES AND ASSOCIATES

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

PARTICULARS OF BANK LOANS AND OVERDRAFTS

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

MANAGEMENT CONTRACTS

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

FIVE YEAR SUMMARY

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

DIRECTORS

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

Executive Directors

Mr KUOK Khoon Chen *(Chairman and CEO) (appointed on 22 August 2013)*
Mr LUI Man Shing *(Deputy Chairman)*
Mr Madhu Rama Chandra RAO *(CFO)*
Mr Gregory Allan DOGAN *(COO)*

Non-executive Directors

Mr KUOK Khoon Ean *(acted as Chairman and CEO until 22 August 2013)*
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

At the Annual General Meeting, (1) Mr KUOK Khoon Chen shall retire in accordance with Bye-Law 102(B), and (2) Mr Madhu Rama Chandra RAO, Mr Roberto V ONGPIN, Mr Michael Wing-Nin CHIU and Professor LI Kwok Cheung Arthur shall retire by rotation in accordance with Bye-Law 99. Both Mr Roberto V ONGPIN and Mr Michael Wing-Nin CHIU expressed that they would not offer themselves for re-election. Save as hereinaforesaid, all other retiring Directors, being eligible, offer themselves for re-election.

Independence of Independent Non-executive Directors

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name	Capacity	Number of Shares held	Approximate % of total issued share capital of the Company
Substantial Shareholders			
KGL *(Note 1)*	Interest of controlled corporations	1,524,297,044	48.66
KHL *(Notes 1 and 2)*	Beneficial owner	76,332,421	2.44
	Interest of controlled corporations	1,354,209,551	43.23
Caninco Investments Limited ("**Caninco**") *(Note 2)*	Beneficial owner	497,497,599	15.88
	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	233,684,562	7.46
Kuok Brothers Sdn Berhad	Beneficial owner	73,886,095	2.36
	Interest of controlled corporations	144,135,415	4.60

Notes:

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

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

DIRECTORS' INTERESTS

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

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

Name of company	Name of Director	Class of shares	Number of shares held: Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate % of total issued share capital of the relevant company
The Company	KUOK Khoon Chen	Ordinary	–	–	1,706,421 *(Note 1)*	256,037 *(Note 2)*	1,962,458	0.063
	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
	KUOK Khoon Ean	Ordinary	474,791	86,356 *(Note 3)*	2,802,196 *(Note 4)*	256,037 *(Note 2)*	3,619,380	0.116
	HO Kian Guan	Ordinary	735,977	–	127,651,755 *(Note 5)*	–	128,387,732	4.099
	HO Kian Hock *(alternate to HO Kian Guan)*	Ordinary	–	–	127,651,755 *(Note 5)*	–	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. 1,463,651 Shares were held through a company which was wholly owned by Mr KUOK Khoon Chen.

   242,770 Shares were held through companies in which Mr KUOK Khoon Chen was entitled to exercise or control the exercise of one-third or more of voting power at their respective general meetings.

2. These Shares were held through discretionary trusts the contingent beneficiaries of which include Mr KUOK Khoon Chen and Mr KUOK Khoon Ean.

3. These Shares were held by the spouse of Mr KUOK Khoon Ean.

4. These Shares were held through a company which was wholly owned by Mr KUOK Khoon Ean and his spouse.

5. 83,595,206 Shares were held through companies which were owned as to 50% by each of Mr HO Kian Guan and Mr HO Kian Hock.

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

   4,683,540 Shares were held through a company which was owned as to 13.33% and 7.08% by Mr HO Kian Guan and Mr HO Kian Hock, respectively.

   34,358,564 Shares were held through companies which were owned as to 6.75% and 6.93% by Mr HO Kian Guan and Mr HO Kian Hock, respectively.

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

As at Year End, there were share options held by Directors with rights to subscribe for Shares. Details of such options are set out in the section headed "Share Option Schemes" of this Directors' Report.

DIRECTORS' DEALINGS

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

Director	Dealing entity	Date of dealing	Number of Shares bought/ (sold)	Dealing price(s) per Share (HK$)
KUOK Khoon Ean	Corporation controlled by the Director and his spouse	23 October 2013	35,000	12.20

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which any Director had a material interest subsisted at Year End or at any time during the Financial Year.

DIRECTORS' SERVICE CONTRACTS

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10(2) of the Listing Rules, the Directors below have disclosed that during the Financial Year and up to the date of this Directors' Report (for the period the respective Directors acted as Directors), they are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

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

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

(a) the hotels operated by the Group and those by the above Directors with competing interests are targeting different segments or groups of customers in the market and the differentiation of the clientele segments is based on a combination of factors, such as the geographical locations of the hotels, the breadth of services and amenities available, the positioning of the hotels in the local market, the level of room rates, the size and scale of the hotels and the guest recognition programme; and/or

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

The abovementioned competing businesses are operated and managed by companies with independent management and administration. The Board is independent of the board of each of the abovementioned companies carrying on the competing businesses.

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

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

For the companies of which each of Mr KUOK Khoon Ean and Mr Madhu Rama Chandra RAO was/is a director and certain companies of which Mr LUI Man Shing is a director, the Group maintains interest in each of such companies in which the relevant Director was appointed to the board to represent the interest of the Group.

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

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

SHARE OPTION SCHEMES

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

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

(1) Purpose of the Option Scheme

The purpose of the Option Scheme is to motivate eligible participants of the Option Scheme to optimize their future contributions to the Company and its subsidiaries and associates, and the entities in which any of the aforesaid companies holds an interest (collectively referred to as "**Enlarged Group**") and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Enlarged Group.

(2) Eligible participants of the Option Scheme

The eligible participants of the Option Scheme include:

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

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

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

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

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

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

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

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

(i) any person approved by Shareholders; and

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

(3) Life of the Option Scheme

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

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

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

As at the date of this Directors' Report, only the 2012 Option Scheme was in effect and options with right to subscribe for a total of 294,565,679 Shares (representing about 9.4% of the issued share capital thereby) were available for grant under the 2012 Option Scheme.

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

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

(6) Exercise period

The period within which an option may be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall not be beyond 10 years commencing on the date of grant of an option. The minimum period for which an option must be held (if any) or the fulfilment of any condition (if any) before it can be exercised shall be determined by the Board upon the grant of an option. The amount payable on acceptance of an option is HK$1 under the 2002 Option Scheme and nil under the 2012 Option Scheme. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.

(7) Exercise price for Shares under the Option Scheme

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

(a) the nominal value of a Share;

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

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

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

Grantees	Date of grant	Tranche	Number of option shares: Held as at 1 January 2013	Granted during the year	Transferred from other category during the year	Transferred to other category during the year	Exercised during the year	Lapsed during the year	Held as at 31 December 2013	Exercise price per option share HK$	Exercise period
2002 Option Scheme											
1. Directors											
LUI Man Shing	16 June 2006	II	60,000	–	–	–	–	–	60,000	14.60	16 June 2008 – 15 June 2016
Madhu Rama Chandra RAO	28 April 2005	II	250,000	–	–	–	–	–	250,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	50,000	–	–	–	–	–	50,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	50,000	–	–	–	–	–	50,000	14.60	16 June 2008 – 15 June 2016
Gregory Allan DOGAN	28 April 2005	II	50,000	–	–	–	–	–	50,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	37,500	–	–	–	–	–	37,500	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	37,500	–	–	–	–	–	37,500	14.60	16 June 2008 – 15 June 2016
Roberto V ONGPIN	28 April 2005	I	75,000	–	–	–	–	–	75,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	75,000	–	–	–	–	–	75,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	30,000	–	–	–	–	–	30,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	30,000	–	–	–	–	–	30,000	14.60	16 June 2008 – 15 June 2016
Timothy David DATTELS	28 April 2005	I	75,000	–	–	–	–	–	75,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	75,000	–	–	–	–	–	75,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	30,000	–	–	–	–	–	30,000	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	30,000	–	–	–	–	–	30,000	14.60	16 June 2008 – 15 June 2016

Grantees	Date of grant	Tranche	Number of option shares: Held as at 1 January 2013	Granted during the year	Transferred from other category during the year	Transferred to other category during the year	Exercised during the year	Lapsed during the year	Held as at 31 December 2013	Exercise price per option share HK$	Exercise period
2002 Option Scheme (continued)											
2. Employees	28 April 2005	I	1,220,000	–	75,000	(40,000)	(25,000)	–	1,230,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	1,515,000	–	75,000	(100,000)	(25,000)	–	1,465,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	840,000	–	62,500	(50,000)	(10,000)	–	842,500	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	957,500	–	62,500	(50,000)	(36,000)	–	934,000	14.60	16 June 2008 – 15 June 2016
3. Other participants	28 April 2005	I	–	–	40,000	–	(40,000)	–	–	11.60	28 April 2006 – 31 December 2013
	28 April 2005	I	715,000	–	–	(75,000)	–	–	640,000	11.60	28 April 2006 – 27 April 2015
	28 April 2005	II	–	–	100,000	–	(100,000)	–	–	11.60	28 April 2007 – 31 December 2013
	28 April 2005	II	715,000	–	–	(75,000)	–	–	640,000	11.60	28 April 2007 – 27 April 2015
	16 June 2006	I	–	–	50,000	–	–	(50,000)	–	14.60	16 June 2007 – 31 December 2013
	16 June 2006	I	519,000	–	–	(62,500)	–	(20,000)	436,500	14.60	16 June 2007 – 15 June 2016
	16 June 2006	II	–	–	50,000	–	–	(50,000)	–	14.60	16 June 2008 – 31 December 2013
	16 June 2006	II	732,500	–	–	(62,500)	–	(20,000)	650,000	14.60	16 June 2008 – 15 June 2016
Sub-total			8,169,000	–	515,000	(515,000)	(236,000)	(140,000)	7,793,000		

Grantees	Date of grant	Tranche	Number of option shares: Held as at 1 January 2013	Granted during the year	Transferred from other category during the year	Transferred to other category during the year	Exercised during the year	Lapsed during the year	Held as at 31 December 2013	Exercise price per option share HK$	Exercise period
2012 Option Scheme											
1. Directors											
KUOK Khoon Chen	23 August 2013	–	–	350,000	–	–	–	–	350,000	12.11	23 August 2013 – 22 August 2023
LUI Man Shing	23 August 2013	–	–	350,000	–	–	–	–	350,000	12.11	23 August 2013 – 22 August 2023
Madhu Rama Chandra RAO	23 August 2013	–	–	350,000	–	–	–	–	350,000	12.11	23 August 2013 – 22 August 2023
Gregory Allan DOGAN	23 August 2013	–	–	350,000	–	–	–	–	350,000	12.11	23 August 2013 – 22 August 2023
KUOK Khoon Ean	23 August 2013	–	–	350,000	–	–	–	–	350,000	12.11	23 August 2013 – 22 August 2023
HO Kian Guan	23 August 2013	–	–	100,000	–	–	–	–	100,000	12.11	23 August 2013 – 22 August 2023
Roberto V ONGPIN	23 August 2013	–	–	100,000	–	–	–	–	100,000	12.11	23 August 2013 – 22 August 2023
Alexander Reid HAMILTON	23 August 2013	–	–	100,000	–	–	–	–	100,000	12.11	23 August 2013 – 22 August 2023
Timothy David DATTELS	23 August 2013	–	–	100,000	–	–	–	–	100,000	12.11	23 August 2013 – 22 August 2023

Grantees	Date of grant	Tranche	Number of option shares: Held as at 1 January 2013	Granted during the year	Transferred from other category during the year	Transferred to other category during the year	Exercised during the year	Lapsed during the year	Held as at 31 December 2013	Exercise price per option share HK$	Exercise period
2012 Option Scheme (continued)											
1. **Directors** (continued)											
WONG Kai Man	23 August 2013	–	–	100,000	–	–	–	–	100,000	12.11	23 August 2013 – 22 August 2023
Michael Wing-Nin CHIU	23 August 2013	–	–	100,000	–	–	–	–	100,000	12.11	23 August 2013 – 22 August 2023
LI Kwok Cheung Arthur	23 August 2013	–	–	100,000	–	–	–	–	100,000	12.11	23 August 2013 – 22 August 2023
2. **Employees**	23 August 2013	–	–	16,430,000	–	(50,000)	(2,000)	(150,000)	16,228,000	12.11	23 August 2013 – 22 August 2023
3. **Other participants**	23 August 2013	–	–	–	50,000	–	(50,000)	–	–	12.11	23 August 2013 – 31 December 2013
	23 August 2013	–	–	120,000	–	–	–	–	120,000	12.11	23 August 2013 – 22 August 2023
Sub-total			–	19,000,000	50,000	(50,000)	(52,000)	(150,000)	18,798,000		
Total			8,169,000	19,000,000	565,000	(565,000)	(288,000)	(290,000)	26,591,000		

Notes:

1. No options were cancelled during the Financial Year.

2. The closing price of the Shares traded on the HKSE on 22 August 2013 (ie, the business day immediately before the grant on 23 August 2013) was HK$11.92.

3. The fair value of the options granted during the Financial Year and the weighted average closing price of the Shares immediately before the dates on which the options were exercised are set out in Note 18 to the Financial Statements.

SHARE AWARD SCHEME

A share award scheme of the Company was adopted by Shareholders on 28 May 2012 and was revised on 10 August 2012 with further restraints/limits imposed ("**Award Scheme**").

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

(1) Purpose of the Award Scheme

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

(2) Qualified participants of the Award Scheme

The qualified participants of the Award Scheme include:

(a) a director;

(b) an employee; or

(c) an officer,

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

(3) Life of the Award Scheme

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

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

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

As at the date of this Directors' Report, a maximum of 93,973,943 Shares (representing 3% of the issued share capital thereby) were available for grant under the Award Scheme.

REPORT OF THE DIRECTORS

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

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

(6) Vesting

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

(7) Consideration for Shares granted under the Award Scheme

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

(8) Operation and administration of the Award Scheme

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

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

CONNECTED TRANSACTIONS

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

(1) On 20 December 2013, SLIM-HK and each of Xiang Heng Real Estate (Jinan) Co., Ltd. ("**Jinan Project Co**") and Zhengzhou Yuheng Real Estate Co., Ltd. ("**Zhengzhou Project Co**"), both are owned as to 45% by the Company and 55% by KPL, entered into a hotel pre-opening technical services agreement pursuant to which SLIM-HK was engaged to provide hotel pre-opening technical services for the hotels being developed by Jinan Project Co and Zhengzhou Project Co.

On 30 December 2013, SLIM-HK and Ji Xiang Real Estate (Nanjing) Co., Ltd. ("**Nanjing Project Co**"), a company owned as to 55% by the Company and 45% by KPL, entered into a hotel pre-opening technical services agreement and a project management consultancy services agreement pursuant to which SLIM-HK was engaged to provide hotel pre-opening technical services and project management consultancy services for the hotel being developed by Nanjing Project Co.

The aggregate service fees under the above three hotel pre-opening technical services agreements were US$2,109,000. In the event the actual opening date of any such hotel is later than the expected opening date as stated in the respective agreement, an additional fee of US$15,000 net of tax per calendar month or part thereof shall be paid to SLIM-HK for the period up to the actual opening date of the hotel or effective date of termination of the agreement, whichever is earlier. The service fee under the project management consultancy services agreement amounted to US$3,140,000.

Jinan Project Co, Zhengzhou Project Co and Nanjing Project Co ("**Project Cos**") are associates of KPL which is a subsidiary of KGL (Substantial Shareholder). Accordingly, the Project Cos are connected persons of the Company and the entering into of each of the service agreements described above constituted a connected transaction for the Company.

CONTINUING CONNECTED TRANSACTIONS

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

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

SPI is an associate of KGL (Substantial Shareholder). Accordingly, SPI is a connected person of the Company at holding level, and the lease as described above constitutes a continuing connected transaction for the Company.

For the Financial Year, an aggregate amount of US$1,847,000 (2012: US$1,929,000) was paid to SPI under the said lease.

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

(a) Traders Hotel, Singapore

Traders Hotel, Singapore is owned by Cuscaden Properties Pte Ltd ("**CPPL**") which is owned as to 44.6% by the Company and 55.4% by Allgreen Properties Limited ("**Allgreen**"). CPPL is a subsidiary of Allgreen which is an associate of KGL (Substantial Shareholder). Accordingly, CPPL is regarded as a connected person of the Company at holding level.

(b) Kerry Hotel, Beijing

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

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

Hotel	Date of transaction	Nature of agreement	Counter party	Aggregate amount received by SLIM 2013 (US$)	2012 (US$)
(a) Traders Hotel, Singapore	Principal agreement signed on 1 March 1994. Various related agreements signed on various dates in/after 1994.	Management agreement, marketing and reservations agreement and licence agreements	CPPL	1,853,000	2,022,000
(b) Kerry Hotel, Beijing	30 June 1998, as supplemented by a side letter dated 26 January 2004 and supplemental agreement dated 26 September 2011	Management and marketing services agreement	BKH	1,915,000	1,657,000

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

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

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

On 11 June 2013, the Company announced that the hotel management agreement had been renewed for another consecutive 3-year term which would expire on 5 January 2017.

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

Based on the terms of the hotel management agreement, the expected occupancy of Pudong Hotel, possible inflation, reasonable increase in occupancy and reasonable allowance for unexpected increase in occupancy and/or room rate of Pudong Hotel, the Company has set annual cap for each of the following financial years:

Financial year	Annual cap (US$)
2013	5,700,000
2014	7,100,000
2015	8,800,000
2016	11,000,000

For the Financial Year, an aggregate amount of US$3,505,000 (2012: US$3,145,000) was received from SPKCP. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(b) to the Financial Statements.

(4) On 18 November 2010, SLIM-HK and Ubagan Limited ("**Ubagan**"), a subsidiary of KGL (Substantial Shareholder), entered into an offer letter pursuant to which SLIM-HK agreed to lease from Ubagan various office premises at Kerry Centre for a term of 3 years commencing from 19 November 2010.

On the same date, SLIM-HK and Ubagan also entered into licence agreements pursuant to which Ubagan agreed to grant licences to SLIM-HK for using various floating car parking spaces and fixed car parking spaces at Kerry Centre commencing from 19 November 2010 until the expiration of the term of the above-mentioned lease or such other date as may be otherwise agreed to be terminated by both parties.

Subsequently, SLIM-HK entered into further tenancy and licence agreements with Ubagan in respect of leasing additional office premises and licensing of additional car parking spaces at Kerry Centre.

On 25 October 2013, SLIM-HK and Ubagan (a) entered into a tenancy offer letter to renew the tenancies in respect of office premises on 19/F, 20/F, 21/F, 27/F, 28/F and 29/F at Kerry Centre for another 3-year term which would expire on 18 November 2016, and (b) agreed to continue the licences of the car parking spaces.

The monthly rental/fee(s) for (a) the tenancy of the office premises is HK$4,490,631.60 (excluding the management fee and air-conditioning charge of HK$593,274.50); and (b) each floating car parking space and each fixed car parking space are HK$2,500 and HK$3,200, respectively.

Ubagan is a subsidiary of KGL (Substantial Shareholder). Accordingly, Ubagan is a connected person of the Company at holding level, and the lease and the licence agreements as described above constitute continuing connected transactions for the Company.

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

Financial year	Annual cap (HK$)	Equivalent amount (US$)
2013	60,000,000	7,742,000
2014	70,000,000	9,033,000
2015	75,000,000	9,677,000
2016 (up to expiry of the lease)	75,000,000	9,677,000

For the Financial Year, an aggregate amount of US$6,877,000 (2012: US$6,389,000) was paid to Ubagan. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the payment of office rental, management fees and rates under Note 40(a) to the Financial Statements.

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

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

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

For the Financial Year, an aggregate amount of US$1,240,000 (2012: nil) was received from SJXP. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) to the Financial Statements.

(6) On 20 June 2013, SLIM-HK and Kerry (Shenyang) Real Estate Development Co., Ltd. ("**KSRE**", a company owned as to 25% by the Company, 60% by KPL and 15% by Allgreen) entered into a hotel management agreement pursuant to which SLIM-HK would provide hotel management services to Shangri-La Hotel, Shenyang ("**Shenyang Hotel**"), a hotel owned by KSRE. The agreement has a 3-year term commencing from the opening date of the Shenyang Hotel and SLIM-HK has the right to decide whether the term shall be renewed for another consecutive 3-year term provided that the entire term of the hotel management agreement as renewed shall not be longer than 20 years.

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

Based on the terms of the hotel management agreement and the expected occupancy of the Shenyang Hotel, and taking into account possible inflation and reasonable buffer to allow for increase in room rate and occupancy of the Shenyang Hotel, the Company has set annual cap for each of the following financial years:

Financial year	Annual cap (US$)
2013	700,000
2014	2,000,000
2015	2,500,000
2016 (assuming the hotel management agreement will be renewed upon expiry of the initial 3-year term)	2,800,000

For the Financial Year, an aggregate amount of US$397,000 (2012: N/A) was received from KSRE. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) to the Financial Statements.

(7) On 20 December 2013, the Company announced that certain subsidiaries of the Group order wines from wine suppliers on an ongoing basis for the Group's hotel operations in food and beverage business. The Group has maintained a wine programme with various wine suppliers including Kerry Wines Limited ("**Kerry Wines**", a company owned as to 20% by the Company, 60% by KGL and 20% by a company which is an associate of Mr KUOK Khoon Chen and Mr KUOK Khoon Ean, both being Directors, under the Listing Rules). Throughout the Financial Year, certain subsidiaries of the Group respectively entered into customer agreements with Kerry Wines or its subsidiary ("**KW Member(s)**") in connection with the purchase arrangements under such wine programme. Under the wine programme and pursuant to the customer agreements, the KW Member(s) offer such subsidiaries of the Group certain readily available wines listed under the wine programme at agreed unit prices, subject to revision from time to time, and/or other specific types of wines at prices to be agreed between them when the purchase orders are placed. Besides, the Group may, if it considers appropriate and necessary, also purchase wines en primeur from KW Member(s). All wines purchased from KW Member(s) were/will be effected by purchase orders.

Each KW Member is a subsidiary of KGL (Substantial Shareholder). Accordingly, the KW Members are connected persons of the Company at holding level, and the purchases of wines described above constitute continuing connected transactions for the Company.

Based on (i) the value of the wine orders recognized during the period from 1 January 2013 to 31 October 2013, and (ii) the business plans of the Group for the two months ended 31 December 2013, the Group has set the annual cap of the wine orders to be placed with the KW Members for the Financial Year at US$4,000,000.

For the Financial Year, the actual aggregate value of such purchases amounted to US$2,224,000 (2012: US$1,443,000). The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the purchase of wine under Note 40(a) to the Financial Statements.

The continuing connected transactions mentioned in (1) to (7) above have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the transactions have been entered into:

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

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

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

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

PROPERTIES UNDER DEVELOPMENT

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

(A) Hotels owned and managed by the Group

	Location	Properties	Group's effective interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)	Number of projected rooms	Number of apartments or villas	Stage of completion	Projected opening	Address
1	Lhasa, China	Shangri-La Hotel	100%	30,509	45,205	289	–	Interior renovation in progress	To be opened on 17 April 2014	19 Norbulingka Road, Lhasa, Tibet, China
2	Sanya, China	Shangri-La Resort & Spa	100%	179,111	67,494	506	–	Superstructure work completed Mechanical and engineering and external work in progress	2014	88 Hai Tang North Road, Haitang Bay Town, Sanya, China
3	Tangshan, China	Shangri-La Hotel (part of Tangshan Kerry Centre)	35%	N/A	56,419	398	38	Structure topped out Internal and external work in progress	2014	West of Da Li Road, North of Changhong Street, South of Chaoyang Street, Lubei District, Tangshan, China
4	Nanjing, China	Shangri-La Hotel	55%	16,305	85,072	522	40	Superstructure work completed Mechanical and engineering and external work in progress	2014	331 Zhong Yang Road, Gu Lou District, Nanjing, China
5	Qinhuangdao, China	Shangri-La Hotel	100%	39,860	75,745	331	–	Mechanical and engineering work in progress	2014	Lot No. 5, Golden Dream Bay, Haigang District, Qinhuangdao, Hebei Province, China
6	Tianjin, China	Shangri-La Hotel (part of Tianjin Kerry Centre)	20%	N/A	70,000	471	39	Superstructure work completed Fixed furniture installation in progress	2014	Junction of Liuwei Road and Liujing Road, Hedong District, Tianjin, China
7	Ulaanbaatar, the Republic of Mongolia	Shangri-La Hotel	51%	30,000	27,668	290	–	Curtain wall installation commenced	2014	North East of National Amusement Park Place, Khoroo 1 of Sukhbaatar District, Ulaanbaatar, the Republic of Mongolia
8	Nanchang, China	Shangri-La Hotel (part of composite development)	20%	N/A	76,475	474	–	Superstructure work in progress	2015	Lot No. B-7, Honggutan Central District, Nanchang, China
9	Hefei, China	Shangri-La Hotel	100%	21,255	89,126	402	–	Core and shell construction of main tower topped out Curtain wall installation in progress	2015	Northeast of the Intersection of the Northern 1st Ring Road and Jieshou Road, Luyang District, Hefei City, Anhui Province, China
10	Diqing, China	Shangri-La Hotel	100%	25,429	40,231	226	–	Superstructure work in progress	2015	5 Chi Ci Ka Road, Shangri-La County, Diqing Tibetan, Yunnan Province, China

Location	Properties	Group's effective interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)	Number of projected rooms	Number of apartments or villas	Stage of completion	Projected opening	Address
11 Hangzhou, China	Shangri-La Hotel (part of Kerry Central, Hangzhou)	25%	N/A	46,763	417	–	Excavation work completed Basement construction work in progress	2015	East to Yan An Road, South to Qing Chun Road, West to Planned Chang Shou Road, North to Hai Er Xiang, Xia Cheng District, Hangzhou, China
12 Hambantota, Sri Lanka	Shangri-La Resort & Spa	90%	135,000	67,441	300	–	Main building topped off	2015	Sithrakkala Estate, Chithragala, Ambalantota, Sri Lanka
13 Bonifacio Global City, Metro Manila, the Philippines	Shangri-La Hotel (part of composite development)	40%	N/A	69,201	576	–	Superstructure work in progress	2015	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, the Philippines
14 Kota Kinabalu, Malaysia	Shangri-La's Rasa Ria Resort (extension)	64.59%	N/A	12,286	83	–	Foundation work completed	2015	Pantai Dalit Beach, Tuaran, Sabah, 89208, Malaysia
15 Xiamen, China	Shangri-La Hotel	100%	13,852	51,710	425	15	Piling work completed	2016	Southeast section of intersection of Taibei Road and Taidong Road, Guan Yin Shan Area, Land 03-07, Siming District, Xiamen, Fujian, China
16 Harbin Songbei, China	Shangri-La Hotel	100%	40,000	57,000	451	33	Foundation work completed	2016	East of Hei Da Gong Road, North of the northern dike of Songhua River, Songbei District, Harbin City, China
17 Jinan, China	Shangri-La Hotel (part of composite development)	45%	N/A	50,565	411	–	Excavation work in progress	2016	Site No. 2011-G043 to G044 South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, China
18 Hung Hom, Hong Kong	Shangri-La Hotel	100%	15,623	62,492	572	–	Piling work commenced	2016	Junction of Hung Luen Road and Wa Shun Street, Hung Hom, Kowloon of Inland Lot No. 11205, Hong Kong
19 Bali Nusa Dua, Indonesia	Shangri-La Hotel and golf club	53.30%	64,460	52,197	323	26	Phase I development for golf course, clubhouse and 7 villas were completed	2017 (for Phase II)	Jl Terompong, Bualu, Nusa Dua, Kel Benoa, Kec Kuta Selatan, Kab/Badung, Bali, Indonesia
20 Yangon, Myanmar	Shangri-La Hotel	55.86%	36,038	53,356	350	–	Piling work commenced	2017	No. 150/150 (A), Kan Yeik Thar Road, Between Upper Pansodan Road and Thein Phyu Road, Mingalar Tuang Nyunt Township, Yangon, Myanmar
21 Colombo, Sri Lanka	Shangri-La Hotel (part of composite development)	90%	N/A	64,859	503	41	Piling work commenced	2017	1 Galle Road, Colombo, Sri Lanka
	Total				8,320	232			

(B) Hotels under operating lease and managed by the Group

	Location	Properties	Group's effective interest as at Year End	Approximate total site area (m²)	Approximate total gross floor area (m²)	Number of projected rooms	Number of apartments or villas	Stage of completion	Projected opening	Address
1	London, the United Kingdom	Shangri-La Hotel, At the Shard	N/A	N/A	17,652	202	–	Interior renovation in progress	To be opened on 6 May 2014	31 St Thomas Street, London SE1 9QU, the United Kingdom
2	Singapore	Traders Orchard Gateway Hotel	N/A	N/A	24,971	502	–	Interior renovation in progress	2014	277 Orchard Road, Singapore
		Total				704	–			

(C) Investment properties owned by the Group

	Location	Properties/ Purpose	Group's effective interest as at Year End	Approximate total site area (m²)	Approximate total gross floor area (m²)	Stage of completion	Projected opening	Address
1	Tangshan, China	Tangshan Kerry Centre	35%	101,107		Phase I : Development with gross floor area of 62,422 square meters for residential was completed in 2013 Phase II: Structure topped out, internal and external work in progress	2014	West of Da Li Road, North of Changhong Street, South of Chaoyang Street, Lubei District, Tangshan, China
		• Residential			109,178			
		• Commercial			22,808			
2	Tianjin, China	Tianjin Kerry Centre	20%	86,164		Completion verification in progress	2014	Junction of Liuwei Road and Liujin Road, Hedong District, Tianjin, China
		• Residential			209,579			
		• Office			60,000			
		• Commercial			129,402			
		• Serviced apartment			30,019			

	Location	Properties/ Purpose	Group's effective interest as at Year End	Approximate total site area (m²)	Approximate total gross floor area (m²)	Stage of completion	Projected opening	Address
3	Shenyang, China	Shenyang Kerry Centre	25%	157,828		Superstructure work completed Interior decoration and mechanical and engineering work in progress	In phases between 2014 and 2022	Lot No. 2007-053, No. 8 Golden Corridor, East of Qingnian Avenue, Shenhe District, Shenyang, China
		• Residential			731,701			
		• Office			195,732			
		• Commercial			389,199			
4	Nanchang, China	Composite development	20%	47,738		Superstructure work in progress	2014	Lot No. B-7, Honggutan Central District, Nanchang, China
		• Residential			81,998			
		• Office			71,011			
		• Commercial			9,204			
5	Hangzhou, China	Kerry Central, Hangzhou	25%	67,374		Excavation work completed Basement construction work in progress	2015	East to Yan An Road, South to Qing Chun Road, West to Planned Chang Shou Road, North to Hai Er Xiang, Xia Cheng District, Hangzhou, China
		• Office			11,670			
		• Commercial			103,341			
		• Serviced apartment			33,512			
6	Dalian, China	Composite development	100%	5,887		Foundation construction completed	2015	Chang Jiang Road South, Zhi Gong Jie West, Zhi Fu Jie East, Zhongshan District, Dalian, China
		• Residential			18,631			
		• Commercial			4,600			
		• Serviced apartment			12,150			
7	Bonifacio Global City, Metro Manila, the Philippines	Composite development	40%	15,120		Structural work in progress	2015	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, the Philippines
		• Residential			37,522			
		• Serviced apartment			17,554			
		• Commercial			4,405			
8	Putian, China	Composite development	40%	147,577		Superstructure work in progress	2016	Tianwei Town, Xibai Village, Licheng District Xi and Yanshou Village, Longqiao Street Office, Chengxiang District, Putian City, China
		• Residential			266,633			
		• Commercial			5,859			

Location	Properties/ Purpose	Group's effective interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)	Stage of completion	Projected opening	Address
9 Yangon, Myanmar	Traders Square	59.28%	4,280		Excavation work completed	2016	No. 223, Sule Pagoda Road, Pabedan Township, Yangon, Myanmar
	• Office			37,779			
	• Commercial			11,808			
10 Jinan, China	Composite development	45%	22,293		Excavation work in progress	2016	Site No. 2011-G043 to G044 South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, China
	• Office			35,983			
	• Commercial			4,705			
11 Colombo, Sri Lanka	Composite development	90%	40,486		Foundation construction in progress	2016	1 Galle Road, Colombo, Sri Lanka
	• Residential			106,307			
	• Office			55,500			
	• Commercial			68,000			

(D) Properties under concept planning

Location	Purpose	Group's effective interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)	Address
1 Zhengzhou, China	Composite development	45%	44,573	218,406	East of Huayuan Road, South of Weier Road, Zhengzhou City, China
2 Kunming, China	Hotel	45%	15,446	74,802	No. 88-96 Dongfeng Road, Panlong District, Kunming City, China
3 Zhuhai, China	Hotel and training centre	100%	110,046	81,239	Site No. 2011-03, Xiang Zhou Da Lang Wan South Side, Zhuhai City, China
4 Zhoushan, China	Hotel	100%	28,541	85,623	LKC 1-3 Block of Lincheng Street, Dinghai District, Zhoushan, Zhejiang Province, China
5 Dalian Wolong Bay, China	Hotel	100%	47,615	151,094	Zhong Yang Chuang Zhi District, Xiao Yao Bay, Jin Zhou Xin District, Dalian, China
6 Accra, the Republic of Ghana	Hotel	100%	49,870	174,545	Airport North on Spintex Road, City of Accra, the Republic of Ghana

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

KUOK Khoon Chen
Chairman

Hong Kong, 19 March 2014

CORPORATE GOVERNANCE REPORT

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

DIRECTORS HANDBOOK

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

The Directors Handbook incorporates (amongst other things):

(1) Securities Principles

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

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

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

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

(2) CG Principles

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

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

(c) the terms of the corporate governance functions;

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

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

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

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

CORPORATE GOVERNANCE REPORT

During the Financial Year, the Board considered and revised the Directors Handbook to, amongst other things:

- revise the Board's nomination policy to include a board diversity policy with effect from September 2013 to comply with the relevant new requirements under the Listing Rules.

Code on securities transactions

The Securities Principles were the code for the Directors' securities transactions for the Financial Year. The Company has made specific enquiry of each of the Directors and all the Directors have confirmed compliance with the Securities Principles throughout the Financial Year.

The Securities Principles also applied to certain employees ("**Relevant Employees**") in respect of their dealings in the securities of the Company for the Financial Year. The code with which the Relevant Employees are obliged to comply is similar to that with which the Directors are obliged to comply except that the Relevant Employees are not required to fulfil the public filing requirement. The Company has made specific enquiry of each of the Relevant Employees and they have confirmed compliance with the Securities Principles throughout the Financial Year.

Code on corporate governance

The CG Principles were the code for the Company's corporate governance for the Financial Year and the Company has met the CG Principles and the CG Model Code except for the deviations summarized below:

CG Model Code		Deviations and reason
A.2.1	The roles of the Chairman and the CEO should be separate and should not be performed by the same individual	Mr KUOK Khoon Chen and Mr KUOK Khoon Ean respectively serves/served as both the Chairman and the CEO for the period after and before 22 August 2013. The Company believes that the non-separation of the two roles is not significant given that Mr Gregory Allan DOGAN, an Executive Director and the COO, is also the president and chief executive officer of SLIM-HK, the hotel management subsidiary of the Company, which is entrusted with the primary responsibility of operating the assets of the Group.
E.1.2	The Chairman should attend the annual general meeting	Mr KUOK Khoon Ean, the then Chairman, took 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 then acting Chairman, represented the Chairman at such meeting.

CORPORATE GOVERNANCE FUNCTIONS

Under the CG Principles, the Audit Committee has the delegated responsibility to oversee, monitor and observe the terms for the Company's corporate governance functions which include the following major duties:

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

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

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

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

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

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

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

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

THE BOARD

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

Members, meetings held and attendance

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

Name of Director	Meetings attended/ eligible to attend
Executive Directors	
KUOK Khoon Chen *(Chairman & CEO) (appointed on 22 August 2013)*	1/1
LUI Man Shing *(Deputy Chairman)*	5/5
Madhu Rama Chandra RAO *(CFO)*	5/5
Gregory Allan DOGAN *(COO)*	5/5
Non-executive Directors	
KUOK Khoon Ean *(acted as Chairman & CEO until 22 August 2013)*	3/5
HO Kian Guan *(alternate – HO Kian Hock)*	5 (0)/5
Roberto V ONGPIN	1/5
Independent Non-executive Directors	
Alexander Reid HAMILTON	5/5
Timothy David DATTELS	5/5
WONG Kai Man	4/5
Michael Wing-Nin CHIU	5/5
LI Kwok Cheung Arthur	4/5

CORPORATE GOVERNANCE REPORT

Other than the above full Board meetings, the then Chairman (Mr KUOK Khoon Ean) also held an annual meeting with the Directors without the presence of any of the other Executive Directors (except the Deputy Chairman who was designated as the acting Chairman during the sabbatical period of the Chairman). The attendance of such Directors at the meeting is as follows:

Name of Director	Attendance
Chairman/Deputy Chairman	
KUOK Khoon Ean *(acted as Chairman until 22 August 2013)*	✓
LUI Man Shing *(Deputy Chairman)*	✓
Non-executive Directors	
HO Kian Guan *(alternate – HO Kian Hock)*	✓(X)
Roberto V ONGPIN	X
Independent Non-executive Directors	
Alexander Reid HAMILTON	✓
Timothy David DATTELS	X
WONG Kai Man	X
Michael Wing-Nin CHIU	✓
LI Kwok Cheung Arthur	X
Total attendance	5/9

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

Directors' training

The Company encourages Directors to participate in continuous professional development to enhance and refresh their skills and knowledge in acting as a Director of the Company. The Company also organizes presentations and training sessions that help update Directors on the latest corporate governance and regulatory/legal issues as well as any other current topics. Separately from what the Company arranges, some of the Directors also attend other external training sessions and presentations.

A summary of the Directors' professional development initiatives during the Financial Year is set out below:

	Category of training topics		
	Corporate governance	Regulatory	Others
Executive Directors			
KUOK Khoon Chen *(Chairman & CEO)* *(appointed on 22 August 2013)*	✓		✓
LUI Man Shing *(Deputy Chairman)*	✓		
Madhu Rama Chandra RAO *(CFO)*	✓		
Gregory Allan DOGAN *(COO)*	✓		
Non-executive Directors			
KUOK Khoon Ean *(acted as Chairman & CEO until 22 August 2013)*	✓	✓	✓
HO Kian Guan *(alternate - HO Kian Hock)*	✓(✓)		
Independent Non-executive Directors			
Alexander Reid HAMILTON	✓	✓	✓
Timothy David DATTELS			✓
WONG Kai Man	✓	✓	✓
Michael Wing-Nin CHIU	✓		
LI Kwok Cheung Arthur	✓	✓	✓

EXECUTIVE COMMITTEE

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

(1) constitution and share capital

(2) corporate objectives and strategy

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

(4) interim and annual results

(5) significant investments

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

(7) corporate governance and internal controls

(8) risk management

(9) major acquisitions and disposals

(10) material contracts

(11) Board members and Auditor

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

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

Member	Board capacity (during the period of membership)
KUOK Khoon Chen *(appointed as chairman and member on 22 August 2013)*	Chairman & CEO
KUOK Khoon Ean *(acted as chairman and member until 22 August 2013)*	Chairman & CEO
LUI Man Shing	Deputy Chairman
Madhu Rama Chandra RAO	CFO

NOMINATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

Member	Board capacity (during the period of membership)
KUOK Khoon Chen *(appointed as chairman and member on 22 August 2013)*	Chairman & CEO
KUOK Khoon Ean *(acted as chairman and member until 22 August 2013)*	Chairman & CEO
Madhu Rama Chandra RAO	CFO
Alexander Reid HAMILTON	INED
WONG Kai Man	INED
LI Kwok Cheung Arthur	INED

During the Financial Year, the work performed by the Nomination Committee included the following:

(i) For the purpose of re-election of the retiring Directors at the 2013 annual general meeting of the Company, the Nomination Committee had:

- assessed and confirmed the independence of all Independent Non-executive Directors;
- evaluated and confirmed the contribution of each of those retiring Directors;
- in respect of the retiring Directors who had served as Independent Non-executive Directors for more than 9 years, considered and concluded that each of them remained independent and suitable to continue to act as an Independent Non-executive Director; and
- recommended the Board to propose the re-election of each of those retiring Directors at the 2013 annual general meeting of the Company.

(ii) In relation to (a) the wishes of Mr KUOK Khoon Ean to be re-designated as a Non-executive Director and to resign as the Chairman and the CEO, and (b) the proposed appointment of Mr KUOK Khoon Chen as an Executive Director, the Chairman and the CEO, the Nomination Committee had:

- assessed the record and personal particulars of Mr KUOK Khoon Chen; and

- recommended the Board to approve the re-designation of Mr KUOK Khoon Ean and the appointment of Mr KUOK Khoon Chen.

Nomination policy

The terms of the nomination policy of the Company in effect during the Financial Year were as follows:

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

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

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

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

(5) the Board shall observe the board diversity policy (introduced in September 2013) and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, including diversity of age, culture and gender;

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

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

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

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

Term of appointment of Directors

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

(1) any Director, who was newly appointed by the Board or by the Shareholders in general meeting to fill a casual vacancy, shall retire from office at the next general meeting of the Company;

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

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

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

REMUNERATION COMMITTEE

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

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

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

(3) to make recommendations to the Board on the Directors' fees and the fees for members of each committee of the Board;

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

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

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

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

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

Members, meetings held and attendance

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

Member	Board capacity (during the period of membership)	Meetings attended/ eligible to attend
WONG Kai Man *(chairman)*	INED	2/2
KUOK Khoon Chen *(appointed on 22 August 2013)*	Chairman & CEO	1/1
KUOK Khoon Ean *(resigned on 22 August 2013)*	Chairman & CEO	1/1
Alexander Reid HAMILTON	INED	2/2
LI Kwok Cheung Arthur	INED	2/2

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

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

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

(iii) in respect of the appointment of Mr KUOK Khoon Chen as an Executive Director, the Chairman and the CEO, reviewing and approving the remuneration package of Mr KUOK Khoon Chen including the fixing of his monthly base salary; and

(iv) proposing the list of individual Directors and senior management as grantees of share options and the number of option shares to be granted to each of them.

Remuneration policy for Executive Directors and senior management

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

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

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

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

In order to attract, retain and motivate executives and key employees serving any member of the Group, Directors and senior management are also eligible to participate in the Company's share option scheme and share award scheme. The grant of share options and share awards to Directors and/or senior management and the terms thereto shall be approved by the Remuneration Committee.

Remuneration of Directors and senior management

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

Annual fee	Amount (HK$)	Basis of pro-rating for the year
As NED/INED	200,000	Period of directorship
As Remuneration Committee member	50,000	Period of membership
As Nomination Committee member	50,000	Period of membership
As Audit Committee member	100,000	Period of membership
	100,000	Attendance rate at meetings

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

The remuneration (including bonus but excluding other benefits) paid to each of the senior management members of the Group (as named in the section of "Senior Management") for the Financial Year is set out below (by band):

Range of remuneration	Number of members of senior management
HK$2,000,001 to HK$3,000,000	2
HK$3,000,001 to HK$4,000,000	3
HK$4,000,001 to HK$5,000,000	1
HK$5,000,001 to HK$6,000,000	1
HK$7,000,001 to HK$8,000,000	1
	8

AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

(11) to oversee, monitor and observe the Company's corporate governance matters.

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

Members, meetings held and attendance

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

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

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

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

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

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

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

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

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

(vii) overseeing the Company's corporate governance matters with reference to the Company's terms of reference for corporate governance functions.

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

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

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

INTERNAL AUDIT

The Board also monitors its internal financial control systems through management reviews and a programme of internal audits. The internal audit team reviews the major operational and financial systems of the Group on a continuing basis and aims to cover all major operations within every division on a rotational basis. The scope of its review and the audit programme is determined and approved by the Audit Committee at the beginning of each financial year in conjunction with the Auditor. The internal audit function reports directly to the Audit Committee and submits regular reports for its review in accordance with the approved programme.

EXTERNAL AUDITORS

The Company's Auditor is PricewaterhouseCoopers, Hong Kong.

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

Services	Fees charged US$'000
PricewaterhouseCoopers	
Audit services (including interim review)	1,091
Non-audit services	
(a) tax services	277
(b) other advisory services	121
Total	1,489
Other auditor(s)	
Audit services	600
Non-audit services	
(a) tax services	115
(b) other advisory services	178
Total	893

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

RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

GENERAL MEETINGS OF THE COMPANY

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

- annual general meeting held on 3 June 2013

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

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

	Other capacity (during the period of membership)			Meeting date
	Remuneration Committee	Audit Committee	Nomination Committee	3 June 2013
Executive Directors				
KUOK Khoon Chen *(Chairman & CEO)* *(appointed on 22 August 2013)*				N/A
LUI Man Shing *(Deputy Chairman)*				✓
Madhu Rama Chandra RAO *(CFO)*			✓	✓
Gregory Allan DOGAN *(COO)*				✓
Non-executive Directors				
KUOK Khoon Ean *(acted as Chairman & CEO until 22 August 2013)*	✓		✓	X
HO Kian Guan *(alternate – HO Kian Hock)*				✓(X)
Roberto V ONGPIN				X
Independent Non-executive Directors				
Alexander Reid HAMILTON	✓	✓	✓	✓
Timothy David DATTELS				✓
WONG Kai Man	✓	✓	✓	✓
Michael Wing-Nin CHIU				✓
LI Kwok Cheung Arthur	✓	✓	✓	✓
Total attendance				9

CORPORATE GOVERNANCE REPORT

NEW ISSUE MANDATE GRANTED TO DIRECTORS

At the Company's annual general meeting in 2013, Shareholders granted to the Directors general mandate to issue new Shares (subject to the requirements of the Listing Rules) representing not more than 20% of the Company's issued share capital as at the date of such general meeting.

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

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

SHARE REPURCHASE MANDATE GRANTED TO DIRECTORS

At the Company's annual general meeting in 2013, Shareholders granted to the Directors general mandate to repurchase Shares (subject to the requirements of the Listing Rules) representing not more than 10% of the Company's issued share capital as at the date of such general meeting.

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

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

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

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

DIVIDEND POLICY

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

The total dividend paid/declared for the Financial Year represents 73% of the annual recurring profits.

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

INVESTOR RELATIONS

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

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

Shareholders' right to request to convene general meeting

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

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

(2) The Requisition must:

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

(b) state the full name of each Requisitionist;

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

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

(e) be signed by each Requisitionist;

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

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

(3) If the Board receives a due Requisition:

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

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

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

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

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

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

Shareholders' and investors' communications

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

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

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

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

CONSTITUTIONAL DOCUMENTS

During the Financial Year, the Company's constitutional documents were amended to effect:

(1) the dispensation of the strict requirement of advertising the relevant notice in newspapers for the purpose of suspension of registration of transfers and/or closure of registers of members of the Company (with effect from 3 June 2013); and

(2) the formal adoption of the Chinese name "香格里拉（亞洲）有限公司" which was used by the Company for identification purpose only as the secondary name of the Company (with effect from 5 June 2013).

PUBLIC FLOAT

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

(1) as at Year End, the public float of the Shares made up 47.04% or a capitalization of approximately HK$22.28 billion based on the closing price of the Shares as at Year End; and

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

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of Shangri-La Asia Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 75 to 192, which comprise the consolidated and Company statements of financial position as at 31 December 2013 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2013 US$'000	2012 US$'000 (Restated)	As at 1 January 2012 US$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	7	6,075,567	5,908,344	4,659,689
Investment properties	8	1,072,942	956,412	884,907
Leasehold land and land use rights	9	653,768	686,093	739,099
Intangible assets	10	93,065	93,511	93,058
Interest in associates	12	3,396,955	2,956,495	2,381,770
Deferred income tax assets	25	758	3,188	2,235
Available-for-sale financial assets	13	4,947	4,412	4,364
Derivative financial instruments	23	1,550	–	–
Other receivables	14	14,954	18,133	19,998
		11,314,506	10,626,588	8,785,120
Current assets				
Inventories		48,383	50,012	49,373
Properties for sale		24,439	25,448	27,346
Accounts receivable, prepayments and deposits	15	312,596	289,839	225,117
Due from associates	12	41,688	63,386	30,433
Derivative financial instruments	23	443	–	–
Due from non-controlling shareholders	24	160	–	–
Financial assets held for trading	16	20,952	24,929	15,741
Cash and bank balances	17	1,135,090	838,918	838,786
		1,583,751	1,292,532	1,186,796
Total assets		12,898,257	11,919,120	9,971,916

	Note	As at 31 December 2013 US$'000	2012 US$'000 (Restated)	As at 1 January 2012 US$'000 (Restated)
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	18	2,554,222	2,553,647	2,551,789
Other reserves	19	1,904,254	1,923,620	1,782,763
Retained earnings				
– Proposed final dividend	36	16,113	40,280	40,270
– Others		1,837,992	1,507,329	1,229,723
		6,312,581	6,024,876	5,604,545
Non-controlling interests	24	554,763	502,674	421,587
Total equity		6,867,344	6,527,550	6,026,132
LIABILITIES				
Non-current liabilities				
Bank loans	20	3,345,807	2,757,007	1,927,745
Convertible bonds	21	505,126	483,879	463,527
Fixed rate bonds	22	596,814	595,843	–
Derivative financial instruments	23	1,265	765	3,537
Due to non-controlling shareholders	24	26,896	25,900	24,904
Deferred income tax liabilities	25	285,452	249,777	233,944
		4,761,360	4,113,171	2,653,657

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2013 US$'000	2012 US$'000 (Restated)	As at 1 January 2012 US$'000 (Restated)
Current liabilities				
Accounts payable and accruals	26	842,991	720,681	709,703
Due to non-controlling shareholders	24	7,912	7,889	7,298
Current income tax liabilities		12,955	17,148	18,609
Bank loans	20	405,329	528,632	536,350
Derivative financial instruments	23	366	4,049	20,167
		1,269,553	1,278,399	1,292,127
Total liabilities		6,030,913	5,391,570	3,945,784
Total equity and liabilities		12,898,257	11,919,120	9,971,916
Net current assets/(liabilities)		314,198	14,133	(105,331)
Total assets less current liabilities		11,628,704	10,640,721	8,679,789

KUOK Khoon Chen
Director

Madhu Rama Chandra RAO
Director

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,499	1,535
Investments in subsidiaries	11	3,607,072	3,717,149
Club debentures	13	840	840
		3,609,411	3,719,524
Current assets			
Amounts due from subsidiaries	11	86,439	77,305
Dividends receivable, prepayments and deposits		611,970	485,820
Cash and bank balances	17	40,122	25,812
		738,531	588,937
Total assets		4,347,942	4,308,461
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	2,554,222	2,553,647
Other reserves	19	1,547,504	1,539,756
Retained earnings			
– Proposed final dividend	34,36	16,167	40,415
– Others	34	42,884	18,626
Total equity		4,160,777	4,152,444

	Note	As at 31 December 2013 US$'000	2012 US$'000
LIABILITIES			
Non-current liabilities			
Derivative financial instruments	23	–	129
Current liabilities			
Accounts payable and accruals		7,885	10,773
Derivative financial instruments	23	–	3,837
Amounts due to subsidiaries	11	179,280	141,278
		187,165	155,888
Total liabilities		187,165	156,017
Total equity and liabilities		4,347,942	4,308,461
Net current assets		551,366	433,049
Total assets less current liabilities		4,160,777	4,152,573

KUOK Khoon Chen
Director

Madhu Rama Chandra RAO
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2013 US$'000	2012 US$'000 (Restated)
Sales	5	2,081,081	2,057,249
Cost of sales	27	(906,747)	(881,325)
Gross profit		1,174,334	1,175,924
Other gains – net	28	35,107	58,139
Marketing costs	27	(84,236)	(80,953)
Administrative expenses	27	(195,280)	(182,696)
Other operating expenses	27	(690,395)	(668,264)
Operating profit		239,530	302,150
Finance costs – net	31	(105,075)	(79,427)
Share of profit of associates	32	416,532	261,576
Profit before income tax		550,987	484,299
Income tax expense	33	(109,871)	(102,002)
Profit for the year		441,116	382,297
Attributable to:			
Equity holders of the Company		392,298	358,986
Non-controlling interests		48,818	23,311
		441,116	382,297

	Note	Year ended 31 December 2013 US$'000	2012 US$'000 (Restated)
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)			
– basic	35	12.57	11.50
– diluted	35	12.56	11.50
Dividends	36	48,337	80,554

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
		(Restated)
Profit for the year	441,116	382,297
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligation	(1,764)	(786)
Items that may be reclassified subsequently to profit or loss		
Fair value changes of interest-rate swap contracts – hedging	1,210	(848)
Currency translation differences – subsidiaries	(88,971)	113,643
Currency translation differences – associates	41,896	36,623
Other comprehensive (loss)/income for the year	(47,629)	148,632
Total comprehensive income for the year	393,487	530,929
Attributable to:		
Equity holders of the Company	363,446	499,387
Non-controlling interests	30,041	31,542
	393,487	530,929

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	US$'000	US$'000
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
Remeasurements of post-employment benefit obligations		–	–	(1,738)	(1,738)	(26)	(1,764)
Fair value changes of interest-rate swap contracts – hedging		–	1,210	–	1,210	–	1,210
Currency translation differences		–	(28,324)	–	(28,324)	(18,751)	(47,075)
Net loss recognized directly in equity		–	(27,114)	(1,738)	(28,852)	(18,777)	(47,629)
Profit for the year		–	–	392,298	392,298	48,818	441,116
Total comprehensive (loss)/income for the year ended 31 December 2013		–	(27,114)	390,560	363,446	30,041	393,487
Granting of share options – value of employee service	*19*	–	7,870	–	7,870	–	7,870
Exercise of share options – allotment of shares	*18*	453	–	–	453	–	453
Exercise of share options – transfer from share option reserve to share premium	*18, 19*	122	(122)	–	–	–	–
Payment of 2012 final dividend		–	–	(40,280)	(40,280)	–	(40,280)
Payment of 2013 interim dividend		–	–	(32,224)	(32,224)	–	(32,224)
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	*37(b)*	–	–	(11,560)	(11,560)	–	(11,560)
Equity interest in a subsidiary acquired from a non-controlling shareholder	*37(b)*	–	–	–	–	11,560	11,560
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(19,686)	(19,686)
Equity injected by non-controlling shareholders		–	–	–	–	13,092	13,092
Net change in equity loans due to non-controlling shareholders		–	–	–	–	17,219	17,219
Disposal of equity interest in a subsidiary		–	–	–	–	(137)	(137)
		575	7,748	(84,064)	(75,741)	22,048	(53,693)
Balance at 31 December 2013		2,554,222	1,904,254	1,854,105	6,312,581	554,763	6,867,344

	Note	Attributable to equity holders of the Company Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
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
Remeasurements of post-employment benefit obligations		–	–	(822)	(822)	36	(786)
Fair value changes of an interest-rate swap contract – hedging		–	(848)	–	(848)	–	(848)
Currency translation differences, as restated		–	142,071	–	142,071	8,195	150,266
Net income/(loss) recognized directly in equity, as restated		–	141,223	(822)	140,401	8,231	148,632
Profit for the year, as restated		–	–	358,986	358,986	23,311	382,297
Total comprehensive income for the year ended 31 December 2012, as restated		–	141,223	358,164	499,387	31,542	530,929
Exercise of share options – allotment of shares	*18*	1,492	–	–	1,492	–	1,492
Exercise of share options – transfer from share option reserve to share premium	*18, 19*	366	(366)	–	–	–	–
Payment of 2011 final dividend		–	–	(40,274)	(40,274)	–	(40,274)
Payment of 2012 interim dividend		–	–	(40,274)	(40,274)	–	(40,274)
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(15,598)	(15,598)
Equity injected by non-controlling shareholders		–	–	–	–	19,872	19,872
Net change in equity loans due to non-controlling shareholders		–	–	–	–	45,271	45,271
		1,858	(366)	(80,548)	(79,056)	49,545	(29,511)
Balance at 31 December 2012		2,553,647	1,923,620	1,547,609	6,024,876	502,674	6,527,550

Included in the retained earnings are statutory funds of approximately US$58,596,000 (2012: US$52,105,000). These funds are set up by way of appropriation from the profit after taxation of the respective companies, established and operating in Mainland China, in accordance with the relevant laws and regulations.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2013 US$'000	2012 US$'000
Cash flows from operating activities			
Cash generated from operations	37	598,038	501,591
Interest paid		(142,003)	(119,448)
Hong Kong profits tax paid		(15,182)	(18,101)
Overseas tax paid		(57,815)	(71,302)
Net cash generated from operating activities		383,038	292,740
Cash flows from investing activities			
Purchase of property, plant and equipment		(138,612)	(459,996)
Expenditure on properties under development		(455,523)	(521,579)
Purchase of leasehold land and land use rights		(1,202)	(1,202)
Capital expenditure on investment properties		(94,447)	(14,579)
Proceeds from disposal of property, plant and equipment; leasehold land and land use rights; and investment properties		6,868	2,191
Refund of land cost previously paid		79,347	–
Acquisition of trademark		–	(400)
Expenditure on website development costs		–	(612)
Net proceeds from disposal of interest in a subsidiary	37	17,701	–
Acquisition of interest and loan in subsidiaries (net of cash and cash equivalents acquired)		–	(342,028)
Acquisition of interests in an associate		–	(145,226)
Net proceeds from disposal of interests in associates	37	15,226	797
Capital contribution to associates		(28,876)	(121,430)
Net increase in loans to associates		(19,067)	(26,587)
Interest received		11,158	17,260
Dividends received from associates		72,677	36,971
Dividends received from listed securities		1,026	927
Acquisition of available-for-sale financial assets		(646)	–
Investment in fixed rate bonds		–	(172,945)
Sale proceeds on disposal of fixed rate bonds		–	180,762
(Increase)/decrease in short-term bank deposits more than 3 months maturity		(6,021)	21,650
Net cash used in investing activities		(540,391)	(1,546,026)

	Note	Year ended 31 December 2013 US$'000	2012 US$'000
Cash flows from financing activities			
Dividends paid to the Company's equity holders		(72,504)	(80,548)
Dividends paid to non-controlling shareholders		(20,114)	(15,452)
Net proceeds from issuance of ordinary shares		453	1,492
Net proceeds from issuance of fixed rate bonds		–	595,141
Net increase in loans from non-controlling shareholders		46,076	44,600
Capital injection from non-controlling shareholders		13,092	19,872
Repayment of bank loans		(1,154,533)	(606,373)
Bank loans drawn down		1,640,885	1,304,911
Net cash generated from financing activities		453,355	1,263,643
Net increase in cash and cash equivalents		296,002	10,357
Cash and cash equivalents at beginning of the year		821,284	799,502
Exchange (losses)/gains on cash and cash equivalents		(5,851)	11,425
Cash and cash equivalents at end of the year	17	1,111,435	821,284

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

New standards and amendments to standards adopted by the Group

The following new standards and amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2013:

HKAS 1 Revised (Amendment) – Presentation of Financial Statements

The amendment 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 of the financial statements only and had no impact on the Group's results of operations or financial position.

HKAS 19 (2011) – Employee Benefits

The standard introduces a number of amendments to the accounting for defined benefit schemes. Among them, HKAS 19 (2011) 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 (2011) 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 (2011) has no material impact on the Group's financial statements for the year ended 31 December 2013. The standard has been applied retrospectively and the effects of its adoption on the consolidated financial statements for the year ended 31 December 2012 are set out below.

2.1 Basis of preparation (continued)

New standards and amendments to standards adopted by the Group (continued)

HKAS 19 (2011) – Employee Benefits (continued)

Effects on the Consolidated Income Statement

	For the year ended 31 December 2012 US$'000
Decrease in other operating expenses	142
Increase in income tax expense	(41)
Net increase in profit for the year	101

Effects on the Consolidated Statement of Comprehensive Income

	For the year ended 31 December 2012 US$'000
Actuarial losses of defined benefit plans	(1,136)
Deferred tax effect on actuarial losses of defined benefit plans	350
Currency translation differences	(120)
Decrease in other comprehensive income for the year	(906)
Attributable to:	
Equity holders of the Company	(940)
Non-controlling interests	34

Effects on the Consolidated Statement of Financial Position

	As at 31 December 2012 US$'000	As at 1 January 2012 US$'000
Increase in accounts payable and accruals	2,785	1,822
Decrease in accounts receivable, prepayments and deposits	816	610
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	–

HKFRS 7 (Amendment) – Financial Instruments: Disclosures

The amendment requires new disclosures which focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The adoption of the amendment affected the disclosure of financial information only and had no impact on the Group's results of operations or financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

New standards and amendments to standards adopted by the Group (continued)

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special Purpose Entities. HKFRS 10 introduces a single control model to determine whether an investee should be consolidated by focusing on whether the entity has power over the investee, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of HKFRS 10 has no impact on the consolidation of investments held by the Group.

HKFRS 11 – Joint Arrangements

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and classifies investments in joint arrangements as either joint operations or joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations are recognized on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed to account for joint ventures. The adoption of HKFRS 11 had no impact on the Group's results of operations or financial position.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 includes new disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of HKFRS 12 affected the disclosure of financial information only and had no impact on the Group's results of operations or financial position.

HKFRS 13 – Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. HKFRS 13 also requires specific disclosures on fair values. The application of HKFRS 13 has no impact on the fair value measurements carried out by the Group.

The following new standards and amendments to standards are relevant to the Group's operation but are not effective for the year 2013 and have not been early adopted:

HKFRS 10 (Amendment)	Consolidated Financial Statements
HKFRS 12 (Amendment)	Disclosure of Interests in Other Entities
HKAS 27 (2011) (Amendment)	Separate Financial Statements
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKFRS 9	Financial Instruments
HK(IFRIC) – Int 21	Levies
Annual Improvements to HKFRSs 2010-2012 Cycle	
Annual Improvements to HKFRSs 2011-2013 Cycle	

The Group expects that the adoption of these new standards and amendments to standards will affect presentation of the financial statements only and will not have material impact on the Group's financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

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

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to obtain, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

The aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement as negative goodwill.

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

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

(b) Transactions with non-controlling interests

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Associates

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

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

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

(c) Group companies

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

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

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

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

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

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

2.5 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

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

Leasehold land classified as finance lease	Underlying land lease term
Hotel properties and other buildings	Lower of underlying land lease term or 50 years
Furniture, fixtures and equipment	10% to 33⅓%
Motor vehicles	20% to 25%
Plant and machinery	5% to 10%

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

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

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

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

2.6 Investment properties

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leasehold land and land use rights

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

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in interest in associates. Goodwill on acquisitions is tested at least annually for impairment and carried at cost less accumulated impairment losses, if any. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences have a definite useful life and are carried at cost less accumulated amortization and impairment, if any. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

(c) Website development costs

Website development costs that are directly associated with the development of identifiable and unique products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Such development costs are carried at cost less accumulated amortization and impairment, if any. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 years upon commencement of operation.

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

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments

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

(a) Financial assets held for trading

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

2.10 Investments (continued)

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

2.11 Derivative financial instruments (hedging and non-hedging)

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

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

(i) Hedging

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

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

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

For currency forward contracts used to hedge the currency risk associated with the forecast foreign currency receipt during the year, the difference between the net cash received and the then book value of the receivable are classified as finance cost.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Non-hedging

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

2.12 Inventories

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

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

2.13 Properties for sale

Properties for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, the properties are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses.

2.14 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of loss is recognized in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank loans in current liabilities on the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the consolidated equity attributable to the Company's equity holders until the shares are resold. Where such shares are subsequently resold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, will increase the consolidated equity attributable to the Company's equity holders.

The dividends on these own shares held are excluded from the dividend distribution to the Company's equity holders recognized in the consolidated financial statements.

2.17 Trade payables

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

2.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. The difference between the proceeds received and fair value at inception (fair value gain/loss) is recognized in the income statement. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

2.19 Convertible bonds

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Pre-operating expenditure

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

2.21 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.22 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

For the Group's defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, where applicable. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Employee benefits (continued)

(ii) Pension obligations (continued)

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

The Group's defined benefit plans are funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries.

(iii) Bonus plans

The Group recognizes a provision where contractually obliged or when it prepares to declare discretionary bonus after evaluating employee performance as well as the financial performance of business units.

2.23 Provisions

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

2.24 Revenue recognition

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

Sales:

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

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

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

Other revenue:

(iv) Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Operating leases

(a) As the lessee

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

(b) As the lessor

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

2.26 Dividend distribution

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

2.27 Share-based compensation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Borrowing costs

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

2.29 Financial guarantee contracts

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

The Company has not charged any fee for guarantee issued on behalf of its subsidiaries and associates and does not expect the guarantees issued by the Company will be called upon.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group Treasury under guidance of the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management and covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Group has investments in different foreign operations, whose net assets are exposed to foreign currency translation risk.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

There is a natural economic hedge to the extent that all the Group's business units in Hong Kong, Mainland China, the Philippines, Singapore, Malaysia, Thailand, Japan, France, Australia and Indonesia derive their revenues (and most of the expenses associated therewith) in local currencies. The Group's hotels are quoting room tariffs in local currencies in view of the general appreciation of the Asian currencies against US dollar. It is the Group's endeavour, wherever and to the extent possible, to quote tariffs in the stronger currency and maintain bank balances in that currency, if legally permitted.

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

The Group analyzes its exchange exposure based on the financial position at year end. The Group's exchange risk mainly arises from long-term bank loans and shareholders' loans and the Group calculates such impact on the income statement. The Group calculates the impact on the exchange fluctuation reserve of the exchange risk on consolidation arising from the translation of the net investment in foreign entities. At 31 December 2013, if US dollar has weakened/strengthened by 5% against all other currencies (except Hong Kong dollar) with all other variables held constant, the Group's profit attributable to the equity holders of the Company and exchange fluctuation reserve would have increased/decreased by US$23,545,000 (2012: US$25,658,000) and US$413,689,000 (2012: US$386,136,000), respectively. The exchange rate between US dollar and Hong Kong dollar is only allowed to fluctuate in a narrow range under the Hong Kong's linked exchange rate system.

(ii) Equity securities price risk

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Equity securities price risk (continued)

For every 5% increase/decrease in the fair value of the trading securities classified under financial assets held for trading, the carrying value of the trading securities will increase/decrease by US$1,048,000 (2012: US$1,248,000) while the Group's profit attributable to the equity holders of the Company will increase/decrease by US$1,018,000 (2012: US$1,225,000) assuming that no account is given for factors such as impairment which may have additional impact on the income statement.

Based on the market value of all the trading securities as at 31 December 2013, 89.2% (2012: 93.3%) of the Group's trading securities are listed on HKSE and are valued at closing market bid prices at the date of the statement of financial position. The market equity index for the HKSE, at the close of business of the nearest trading day in the year to the date of the statement of financial position, and the highest and lowest points during the year were as follows:

	31 December 2013	High/low 2013	31 December 2012	High/low 2012
Hong Kong – Hang Seng Index	23,306	24,112/ 19,426	22,657	22,719/ 18,056

(b) Credit risk

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

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

(c) Liquidity risk

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

Group	Less than 3 months US$'000	Between 3 months and 1 year US$'000	Between 1 and 2 years US$'000	Over 2 years US$'000
At 31 December 2013				
Bank loans	102,067	303,262	861,885	2,483,922
Convertible bonds	–	–	–	559,200
Fixed rate bonds	–	–	–	600,000
Interest payable for bank loans	21,172	57,444	63,192	77,215
Interest payable for fixed rate bonds	–	28,500	28,500	42,750
Derivative financial instruments	92	274	366	899
Due to non-controlling shareholders	–	7,912	–	30,881
Accounts payable and accruals	85,570	757,421	–	–
Financial guarantee contracts for bank loans granted to associates	223	36,900	50,072	300,529
At 31 December 2012				
Bank loans	285,739	242,893	466,202	2,290,805
Convertible bonds	–	–	–	559,200
Fixed rate bonds	–	–	–	600,000
Interest payable for bank loans	19,881	53,619	58,512	58,363
Interest payable for fixed rate bonds	–	28,500	28,500	71,250
Derivative financial instruments	1,265	2,784	341	424
Due to non-controlling shareholders	–	7,889	–	30,881
Accounts payable and accruals	95,613	625,068	–	–
Financial guarantee contracts for bank loans granted to associates	250	19,217	27,970	295,529

The amounts disclosed in the table are the contractual undiscounted cash flows which are equal to their carrying balances in the respective consolidated statement of financial position except that the amount due to non-controlling shareholders with maturities over two years, the convertible bonds and the fixed rate bonds included in the consolidated statement of financial position as at 31 December 2013 are US$26,896,000 (2012: US$ 25,900,000), US$505,126,000 (2012: US$ 483,879,000) and US$596,814,000 (2012: US$595,843,000), respectively; and that the estimated amount of interest payable for bank loans are arrived based on the principal loan balance and prevailing interest rates at year end date up to the final maturity date of the loan agreements.

The analysis of the Company's other financial liabilities and off financial statement items based on the forecasted undiscounted contractual maturities is as follows:

Company	Less than 3 months US$'000	Between 3 months and 1 year US$'000	Between 1 and 2 years US$'000	Over 2 years US$'000
At 31 December 2013				
Derivative financial instruments	–	–	–	–
Financial guarantee contracts for bank loans granted to subsidiaries and associates	63,955	277,817	874,302	2,651,894
At 31 December 2012				
Derivative financial instruments	1,212	2,625	129	–
Financial guarantee contracts for bank loans granted to subsidiaries and associates	237,587	234,102	420,519	2,483,840

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Cash flow and fair value interest-rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from long-term bank loans under floating rates.

Bank loans issued at variable rates expose the Group to cash flow interest-rate risk. Group policy is to maintain an optimal portion of its borrowings at fixed rate, considering the convertible bonds, fixed rate bonds and Renminbi bank loans are fixed rate in nature and taking into account the principal amount of all interest-rate swap contracts executed. As at 31 December 2013, 43% (31 December 2012: 42%) of borrowings were at fixed rates on that basis.

The Group analyzes its interest rate exposure on bank loans based on the assumption that the loan position at year end could be wholly refinanced and/or renewed. The Group calculates the impact on income statement of a defined interest rate shift. The same interest rate shift is used for all currencies. The sensitivity test is run only for bank loans that represent the major interest bearing portion. Based on the simulation performed, the impact on income statement of a one percentage point increase would be a decrease of the Group's profit attributable to the equity holders of the Company of US$29,438,000 (2012: US$24,131,000) after interest capitalization for properties under development.

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest-rate swap contracts which qualify for hedge accounting. Such interest-rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term bank loans at floating rates. The Group closely monitors the movement of interest rates from time to time and enters into interest-rate swap contracts. Under the interest-rate swap contracts, the Group agrees with other parties to exchange, at monthly intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current bank loans; convertible bonds and fixed rate bonds as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management (continued)

The gearing ratios at 31 December 2013 and 2012 were as follows:

	2013 US$'000	2012 US$'000 (Restated)
Total borrowings	4,853,076	4,365,361
Less: Cash and bank balances (*Note 17*)	(1,135,090)	(838,918)
Net debt	3,717,986	3,526,443
Total equity	6,867,344	6,527,550
Gearing ratio (net debt over total equity)	54.1%	54.0%

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

3.3 Accounting for interest rate swap contracts

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

As at 31 December 2013, the Group had interest-rate swap contracts with a total principal amount of HK$2,200,000,000 (equivalent to US$283,871,000) and US$206,000,000, all these contracts qualify for hedge accounting. For these contracts, the effective portion of the change in the fair value of the contracts is recognized in "Hedging reserve" in equity while the gain or loss relating to the ineffective portion is recognized immediately in "Other gains/(losses) – net" of income statement and the related cash flows in the period is classified as interest expenses in the income statement.

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation of financial instruments

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

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

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

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013. See Note 8 for disclosures of the investment properties that are measured at fair value.

Group	Level 1 US$'000	Level 2 US$'000	Total US$'000
Assets			
Available-for-sale financial assets (*Note 13*)			
– Club debentures	2,090	–	2,090
Financial assets held for trading (*Note 16*)			
– Equity securities	20,952	–	20,952
Derivative financial instruments (*Note 23*)			
– Interest-rate swap contracts	–	1,993	1,993
Total assets	23,042	1,993	25,035
Liabilities			
Derivative financial instruments (*Note 23*)			
– Interest-rate swap contracts	–	1,631	1,631

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation of financial instruments (continued)

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

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

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

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to arrive at the fair value of an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statement of financial position, with the resulting value discounted back to present value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

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

The Group tests annually whether goodwill and investments in subsidiaries, associates and non-financial assets have suffered any impairment in accordance with the accounting policies stated in Note 2.8 and Note 2.9, respectively. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts of cash-generating units are determined based on value-in-use calculations which require the use of estimates.

(b) Income taxes

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

(c) Estimate of fair value of investment properties

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for these portions separately.

If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

5 SALES AND SEGMENT INFORMATION

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

Sales	2013 US$'000	2012 US$'000
Hotel operations:		
Room rentals	1,018,607	980,877
Food and beverage sales	828,511	848,134
Rendering of ancillary services	120,366	115,099
Hotel management and related service fees	46,761	45,744
Property rentals	66,836	67,395
	2,081,081	2,057,249

The Group is domiciled in Hong Kong. The sales revenue from external customers attributed to Hong Kong and other countries are US$311,369,000 (2012: US$304,628,000) and US$1,769,712,000 (2012: US$1,752,621,000), respectively.

The total of non-current assets other than available-for-sale financial assets, deferred income tax assets and interest in associates located in Hong Kong and other countries are US$574,469,000 (2012: US$572,183,000) and US$7,335,827,000 (2012: US$7,090,310,000), respectively.

5 SALES AND SEGMENT INFORMATION (continued)

In accordance with HKFRS 8 "Operating Segments", segment information disclosed in the financial statements has been prepared in a manner consistent with the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group's sales revenue is derived from various external customers in which there is no significant sales revenue derived from a single external customer of the Group. The Group's management considers the business from both a geographic and business perspective.

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

i. Hotel operations (hotel ownership/under lease and operation)

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

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

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

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

The Group also engaged in other businesses including the sale of residential units and wines trading.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SALES AND SEGMENT INFORMATION (continued)

Segment income statement

For year ended 31 December 2013 and 2012 (US$ million)

	2013 Sales (Note ii)	2013 Profit/(Loss) after tax (Note i)	2012 Sales (Note ii)	2012 Profit/(Loss) after tax (Restated) (Note i)
Hotel operations				
Hong Kong	275.7	65.6	270.5	65.8
Mainland China	772.3	11.0	853.3	50.9
Singapore	189.7	36.2	180.9	36.9
Malaysia	154.4	21.0	143.2	15.5
The Philippines	195.4	11.1	196.7	7.3
Japan	54.1	(9.6)	54.9	(15.6)
Thailand	70.5	6.3	63.6	2.2
Australia	103.5	3.3	46.4	(0.5)
France	54.6	(28.6)	49.8	(22.3)
Turkey	–	(6.2)	–	–
Other countries	97.3	(1.6)	84.8	(3.2)
	1,967.5	108.5	1,944.1	137.0
Property rentals				
Mainland China	26.8	81.3	25.4	63.8
Singapore	15.0	11.9	16.1	11.3
Malaysia	7.3	1.9	7.0	1.7
Other countries	17.7	2.2	18.9	4.7
	66.8	97.3	67.4	81.5
Hotel management	131.7	11.2	135.2	23.5
Other business	–	1.5	–	–
Total	2,166.0	218.5	2,146.7	242.0

	2013 Sales (Note ii)	2013 Profit/(Loss) after tax (Note i)	2012 Sales (Note ii)	2012 Profit/(Loss) after tax (Restated) (Note i)
Less: Hotel management – Inter-segment sales	(84.9)		(89.5)	
Total external sales	2,081.1		2,057.2	
Net corporate finance costs (including foreign exchange gains and losses)		(56.0)		(24.8)
Land cost amortization and pre-opening expenses for projects		(71.4)		(42.7)
Corporate expenses		(25.1)		(20.1)
Profit before non-operating items		66.0		154.4

5 SALES AND SEGMENT INFORMATION (continued)

Segment income statement (continued)

For year ended 31 December 2013 and 2012 (US$ million)

	2013 Profit/(Loss) after tax *(Note i)*	2012 Profit/(Loss) after tax (Restated) *(Note i)*
Profit before non-operating items	66.0	154.4
Non-operating items		
Fair value gains on investment properties	398.7	185.0
Loss on major renovation of an investment property owned by an associate	(15.6)	–
Net unrealized (losses)/gains on financial assets held for trading	(4.1)	9.0
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	(0.9)	(0.9)
Provision for impairment losses on hotel properties and other properties	(62.2)	(5.0)
Reversal of impairment provision for a property under development	1.5	–
Reversal of impairment provision for a vacant land	4.0	–
Gain on disposal of a vacant land	1.3	–
Reversal of deferred tax (credit)/provision on revaluation gain of investment properties owned by an associate	(0.5)	6.2
Provision for taxation relating to a rationalization of the ownership structure of an associate	(3.3)	–
Gain on disposal of interests in a subsidiary which owns a hotel and associates which own properties under development	23.0	–
Exchange losses arising from the refinancing of Australian dollars shareholder's loan	(15.5)	–
Negative goodwill arising from acquisition of subsidiaries and an associate	–	22.6
Realized loss on disposal of long term investment	–	(1.7)
Stamp duty expenses relating to acquisition of subsidiaries	–	(18.8)
Realized gains on fixed rate bonds investment	–	9.1
Total non-operating items	326.3	204.6
Profit attributable to equity holders of the Company	392.3	359.0

Notes:

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

ii. Sales exclude sales of associates.

5 SALES AND SEGMENT INFORMATION (continued)

Segment income statement (continued)

For year ended 31 December 2013 and 2012 (US$ million)

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

	2013 Share of profit of associates	2012 Share of profit of associates
Hotel operations		
Hong Kong	0.1	0.3
Mainland China	(5.6)	8.5
Singapore	2.8	5.0
Malaysia	4.6	3.1
The Philippines	1.0	1.1
Turkey	(6.2)	–
Other countries	1.0	1.8
	(2.3)	19.8
Property rentals		
Mainland China	77.9	61.5
Singapore	5.9	5.4
	83.8	66.9
Other business	1.6	–
Total	83.1	86.7

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

	2013		2012	
	Depreciation and amortization	Income tax expense	Depreciation and amortization	Income tax expense
Hotel operations				
Hong Kong	16.3	14.0	16.5	16.3
Mainland China	130.8	31.0	132.8	35.5
Singapore	18.8	6.3	15.2	9.5
Malaysia	17.6	6.2	17.4	4.7
The Philippines	37.9	2.4	35.1	7.3
Japan	2.7	–	3.6	–
Thailand	16.8	3.1	19.8	0.8
Australia	17.7	–	5.9	0.5
France	30.1	–	23.8	–
Other countries	20.6	1.5	18.0	1.1
	309.3	64.5	288.1	75.7
Property rentals				
Mainland China	–	3.9	–	3.1
Singapore	–	1.2	–	1.3
Malaysia	–	1.2	–	1.1
Other countries	–	1.7	–	2.8
	–	8.0	–	8.3
Hotel management	4.2	8.4	4.0	8.2
Other business	–	0.1	–	–
Total	313.5	81.0	292.1	92.2

5 SALES AND SEGMENT INFORMATION (continued)

Segment assets

As at 31 December 2013 and 2012 (US$ million)

	As at 31 December 2013	2012 (Restated)
Hotel operations		
Hong Kong	253.3	245.3
Mainland China	2,654.2	2,559.6
Singapore	602.3	644.1
Malaysia	367.7	381.8
The Philippines	512.5	553.5
Japan	28.5	34.1
Thailand	248.7	229.0
Australia	396.3	493.8
France	512.4	433.0
Other countries	323.9	328.6
	5,899.8	5,902.8
Property rentals		
Mainland China	346.1	322.4
Singapore	458.4	473.7
Malaysia	94.6	92.2
Other countries	231.4	103.1
	1,130.5	991.4

	As at 31 December 2013	2012 (Restated)
Hotel management	174.0	148.7
Elimination	(42.6)	(58.2)
Total segment assets	7,161.7	6,984.7
Assets allocated to projects	1,981.0	1,747.4
Unallocated assets	265.5	137.0
Intangible assets	93.1	93.5
Total assets of the Company and its subsidiaries	9,501.3	8,962.6
Interest in associates	3,397.0	2,956.5
Total assets	12,898.3	11,919.1

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

6 FINANCIAL INSTRUMENTS BY CATEGORY

Group

	Loans and receivables US$'000	Assets at fair value through income statement US$'000	Derivatives qualifying for hedge accounting US$'000	Available-for-sale assets US$'000	Total US$'000
Assets as per consolidated statement of financial position					
31 December 2013					
Available-for-sale financial assets (*Note 13*)	–	–	–	4,947	4,947
Other receivables (*Note 14*)	14,954	–	–	–	14,954
Accounts receivable (*Note 15*)	253,210	–	–	–	253,210
Due from associates (*Note 12*)	122,735	–	–	–	122,735
Due from non-controlling shareholders (*Note 24*)	160	–	–	–	160
Financial assets held for trading (*Note 16*)	–	20,952	–	–	20,952
Derivative financial instruments (*Note 23*)	–	–	1,993	–	1,993
Cash and bank balances (*Note 17*)	1,135,090	–	–	–	1,135,090
Total	1,526,149	20,952	1,993	4,947	1,554,041
31 December 2012	(Restated)				
Available-for-sale financial assets (*Note 13*)	–	–	–	4,412	4,412
Other receivables (*Note 14*)	18,133	–	–	–	18,133
Accounts receivable (*Note 15*)	164,365	–	–	–	164,365
Due from associates (*Note 12*)	112,736	–	–	–	112,736
Financial assets held for trading (*Note 16*)	–	24,929	–	–	24,929
Cash and bank balances (*Note 17*)	838,918	–	–	–	838,918
Total	1,134,152	24,929	–	4,412	1,163,493

	Derivatives not qualifying for hedge accounting US$'000	Derivatives qualifying for hedge accounting US$'000	Other financial liabilities US$'000	Total US$'000
Liabilities as per consolidated statement of financial position				
31 December 2013				
Bank loans (*Note 20*)	–	–	3,751,136	3,751,136
Convertible bonds (*Note 21*)	–	–	505,126	505,126
Fixed rate bonds (*Note 22*)	–	–	596,814	596,814
Derivative financial instruments (*Note 23*)	–	1,631	–	1,631
Due to non-controlling shareholders (*Note 24*)	–	–	34,808	34,808
Accounts payable and accruals (*Note 26*)	–	–	842,991	842,991
Total	–	1,631	5,730,875	5,732,506
31 December 2012			(Restated)	
Bank loans (*Note 20*)	–	–	3,285,639	3,285,639
Convertible bonds (*Note 21*)	–	–	483,879	483,879
Fixed rate bonds (*Note 22*)	–	–	595,843	595,843
Derivative financial instruments (*Note 23*)	3,966	848	–	4,814
Due to non-controlling shareholders (*Note 24*)	–	–	33,789	33,789
Accounts payable and accruals (*Note 26*)	–	–	720,681	720,681
Total	3,966	848	5,119,831	5,124,645

6 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

	Loans and receivables US$'000	Available-for-sale assets US$'000	Total US$'000
Assets as per statement of financial position			
31 December 2013			
Amount due from subsidiaries (*Note 11*)	86,439	–	86,439
Club debentures (*Note 13*)	–	840	840
Dividend receivable	599,118	–	599,118
Cash and bank balances (*Note 17*)	40,122	–	40,122
Total	725,679	840	726,519
31 December 2012			
Amount due from subsidiaries (*Note 11*)	77,305	–	77,305
Club debentures (*Note 13*)	–	840	840
Dividend receivable	474,118	–	474,118
Cash and bank balances (*Note 17*)	25,812	–	25,812
Total	577,235	840	578,075

	Derivatives not qualifying for hedge accounting US$'000	Other financial liabilities US$'000	Total US$'000
Liabilities as per statement of financial position			
31 December 2013			
Derivative financial instruments (*Note 23*)	–	–	–
Amounts due to subsidiaries (*Note 11*)	–	179,280	179,280
Accounts payable and accruals	–	7,885	7,885
Total	–	187,165	187,165
31 December 2012			
Derivative financial instruments (*Note 23*)	3,966	–	3,966
Amounts due to subsidiaries (*Note 11*)	–	141,278	141,278
Accounts payable and accruals	–	10,773	10,773
Total	3,966	152,051	156,017

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings US$'000	Vehicles and machinery US$'000	Furniture, fixtures and equipment US$'000	Properties under development US$'000	Total US$'000
At 1 January 2012					
Cost	5,032,196	498,715	1,030,793	298,212	6,859,916
Accumulated depreciation and impairment provision	(1,282,111)	(244,582)	(673,534)	–	(2,200,227)
Net book amount	3,750,085	254,133	357,259	298,212	4,659,689
Year ended 31 December 2012					
Opening net book amount	3,750,085	254,133	357,259	298,212	4,659,689
Exchange differences	74,060	4,257	6,296	5,829	90,442
Additions	392,920	6,085	64,397	554,047	1,017,449
Acquisition of subsidiaries	403,290	–	47,172	371	450,833
Provision for impairment loss	(5,304)	(678)	(358)	(2,294)	(8,634)
Disposals	(5,279)	(751)	(2,100)	–	(8,130)
Transfer	92,491	(22,298)	47,484	(117,677)	–
Reclassification to investment properties	(9,519)	(754)	1,027	(170)	(9,416)
Depreciation	(130,476)	(37,884)	(115,529)	–	(283,889)
Closing net book amount	4,562,268	202,110	405,648	738,318	5,908,344
At 31 December 2012					
Cost	6,005,623	476,484	1,185,024	738,318	8,405,449
Accumulated depreciation and impairment provision	(1,443,355)	(274,374)	(779,376)	–	(2,497,105)
Net book amount	4,562,268	202,110	405,648	738,318	5,908,344

	Land and buildings US$'000	Vehicles and machinery US$'000	Furniture, fixtures and equipment US$'000	Properties under development US$'000	Total US$'000
Year ended 31 December 2013					
Opening net book amount	4,562,268	202,110	405,648	738,318	5,908,344
Exchange differences	(53,838)	(1,319)	(10,044)	(8,476)	(73,677)
Additions	83,236	15,544	39,832	506,923	645,535
(Provision for)/reversal of impairment loss	(62,229)	–	–	2,759	(59,470)
Disposals	(3,002)	(340)	(2,123)	–	(5,465)
Disposal of a subsidiary	(47,907)	(266)	(447)	(905)	(49,525)
Transfer	208,232	65,183	26,405	(299,820)	–
Reclassification from investment properties	–	–	–	14,526	14,526
Depreciation	(149,193)	(46,034)	(109,474)	–	(304,701)
Closing net book amount	4,537,567	234,878	349,797	953,325	6,075,567
At 31 December 2013					
Cost	6,089,148	546,135	1,199,371	953,325	8,787,979
Accumulated depreciation and impairment provision	(1,551,581)	(311,257)	(849,574)	–	(2,712,412)
Net book amount	4,537,567	234,878	349,797	953,325	6,075,567

(a) All depreciation expenses (net of amount capitalized of US$374,000 in 2013 (2012: US$181,000)) have been included as part of the other operating expenses.

(b) For year 2013, bank loans of US$311,268,000 (2012: US$240,671,000) are secured on certain fixed assets as disclosed under Note 38(c).

7 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
At 1 January 2012			
Cost	2,714	221	2,935
Accumulated depreciation	(1,210)	(221)	(1,431)
Net book amount	1,504	–	1,504
Year ended 31 December 2012			
Opening net book amount	1,504	–	1,504
Additions	210	–	210
Depreciation	(179)	–	(179)
Closing net book amount	1,535	–	1,535

	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
At 31 December 2012			
Cost	2,924	145	3,069
Accumulated depreciation	(1,389)	(145)	(1,534)
Net book amount	1,535	–	1,535
Year ended 31 December 2013			
Opening net book amount	1,535	–	1,535
Additions	25	206	231
Disposal	(34)	–	(34)
Depreciation	(199)	(34)	(233)
Closing net book amount	1,327	172	1,499
At 31 December 2013			
Cost	2,772	351	3,123
Accumulated depreciation	(1,445)	(179)	(1,624)
Net book amount	1,327	172	1,499

8 INVESTMENT PROPERTIES

	2013 US$'000	2012 US$'000
At 1 January	956,412	884,907
Exchange differences	(20,649)	33,294
Additions	94,447	14,579
Derecognition of cost for replaced part	(311)	(2,300)
Transferred (to)/from property, plant and equipment	(14,526)	9,416
Fair value gains (*Note 28*)	57,569	16,516
At 31 December	1,072,942	956,412

(a) As at 31 December 2013, except for the carrying amount of an investment property under construction held by a subsidiary amounted to US$11,488,000 which is recorded at historical cost as its fair value cannot be reliably determinable, all the other investment properties were revalued by independent professionally qualified valuers on the basis of their market value as fully operational entities for existing use which equates to the highest and best use of the assets. The valuations performed by the independent valuers for financial reporting purposes would be reviewed by the Group's management and discussions of valuation processes and results are held with the valuers at least once every six months to be in line with the Group's interim and annual reporting requirements. The fair value gains or losses on revaluation are included in "Other gains – net" in income statement (Note 28).

(b) The fair values of investment properties comprised:

	2013 US$'000	2012 US$'000
Outside Hong Kong, held on:		
Freehold	523,051	564,956
Leases of over 50 years	101,906	94,137
Leases of between 10 to 50 years	447,985	297,319
	1,072,942	956,412

(c) The investment property amounted to US$11,488,000, recorded at historical cost, is a commercial complex comprising office and retail mall under construction in Yangon. As at 31 December 2013, its fair value is not able to be reliably measured as the property is still in the very preliminary construction stage.

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

8 INVESTMENT PROPERTIES (continued)

The following table presents the Group's investment properties that are measured at fair value at 31 December 2013.

Description	Fair value measurements at 31 December 2013 using Quoted prices in active markets for identical assets (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000
Recurring fair value measurements			
Investment properties:			
– Office, serviced apartments and commercial complex in Mainland China	–	–	324,316
– Serviced apartments in Singapore	–	–	436,632
– Office, serviced apartments and commercial complex in other regions	–	–	300,506

The fair value of an asset to be transferred between the levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, 2 and 3 during the year.

The following table shows a reconciliation of Level 3 fair values using significant unobservable inputs.

	Office, serviced apartments and commercial complex in Mainland China US$'000	Serviced apartments in Singapore US$'000	Office, serviced apartments and commercial complex in other regions US$'000
At 1 January 2013	297,319	450,288	208,805
Transfers to property, plant and equipment	–	–	(16,096)
Additions	22,668	328	61,533
Disposals	(96)	(214)	(1)
Charges in fair value	(3,634)	(114)	61,317
Exchange differences	8,059	(13,656)	(15,052)
At 31 December 2013	324,316	436,632	300,506

8 INVESTMENT PROPERTIES (continued)

The following table shows the valuation techniques used by the valuers in the determination of Level 3 fair values. There were no changes to the valuation techniques during the year.

Description	Fair value at 31 December 2013 US$'000	Valuation technique	Unobservable inputs	
Mainland China				
– Office, serviced apartments and commercial complex	324,316	Direct comparison approach and income capitalization approach	Rental rate from US$15 to US$48 per sq.m. per month and occupancy from 83% to 95%	Capitalization rate in the range of 4.25% to 9.5%
Singapore				
– Serviced apartments	436,632	Direct comparison approach and income capitalization approach	Occupancy at 82%	Capitalization rate of 3%
Other regions				
– Office, serviced apartments and commercial complex	300,506	Direct comparison approach and income capitalization approach or Cost approach	Rental rate from US$19 to US$50 per sq.m. per month or Replacement cost and future cost to complete (estimated at US$18,000,000)	Capitalization rate in the range of 6% to 12%

Under the income capitalization approach, fair value is determined by discounting the projected cash flow series with the properties using risk-adjusted discount rate. An exit or terminal value projected based on capitalization rate is also included in the projection. The valuation takes into account expected market rental rate and occupancy rate of the respective properties. The capitalization rates used are based on the quality and location of the properties and taking into account market data at the valuation date. The fair value measurement is positively correlated to the rental rate and occupancy rate, and negatively correlated to the capitalization rate and discount rate.

Under the direct comparison approach, fair value is determined with reference to recent sales price of comparable properties in nearby location and adjusting a premium or a discount specific to the quality of the respective properties compared to the recent sales. Higher premium for higher quality properties will result in a higher fair value measurement.

Under the cost approach, fair value is estimated based on the cost of reproducing or replacing the property, less depreciation from physical deterioration, and functional and economic obsolescence. For properties under construction, the costs to complete and the completion dates would be considered.

9 LEASEHOLD LAND AND LAND USE RIGHTS

	2013 US$'000	2012 US$'000
At 1 January		
Cost	812,207	845,609
Accumulated amortization and impairment provision	(126,114)	(106,510)
Net book amount	686,093	739,099
Opening net book amount	686,093	739,099
Exchange differences	3,811	4,208
Additions	1,202	1,202
Reversal of impairment provision	4,000	–
Disposal	(4,000)	–
Disposal of a subsidiary *(Note 37(c))*	(20,419)	–
Acquisition of subsidiaries	–	36,210
Reclassification as deposit	–	(74,396)
Amortization of prepaid operating lease payment	(16,919)	(20,230)
Closing net book value	653,768	686,093
At 31 December		
Cost	796,927	812,207
Accumulated amortization	(143,159)	(126,114)
Net book amount	653,768	686,093

All amortization expenses in 2013 and 2012 have been included as part of the other operating expenses.

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

	2013 US$'000	2012 US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	87,766	145,507
Leases of between 10 to 50 years	566,002	540,586
	653,768	686,093

10 INTANGIBLE ASSETS

	Goodwill US$'000	Trademark and licences US$'000	Website development US$'000	Total US$'000
At 1 January 2012				
Cost	84,504	11,958	2,030	98,492
Accumulated amortization	–	(3,404)	(2,030)	(5,434)
Net book amount	84,504	8,554	–	93,058
Year ended 31 December 2012				
Opening net book amount	84,504	8,554	–	93,058
Exchange difference	182	(10)	–	172
Additions	–	400	612	1,012
Amortization expenses	–	(578)	(153)	(731)
Closing net book amount	84,686	8,366	459	93,511
At 31 December 2012				
Cost	84,686	12,348	2,642	99,676
Accumulated amortization	–	(3,982)	(2,183)	(6,165)
Net book amount	84,686	8,366	459	93,511
Year ended 31 December 2013				
Opening net book amount	84,686	8,366	459	93,511
Exchange difference	406	(73)	–	333
Additions	–	–	–	–
Amortization expenses	–	(575)	(204)	(779)
Closing net book amount	85,092	7,718	255	93,065
At 31 December 2013				
Cost	85,092	12,273	2,642	100,007
Accumulated amortization	–	(4,555)	(2,387)	(6,942)
Net book amount	85,092	7,718	255	93,065

The principal component of goodwill represented the excess of cost of acquisition of the hotel management group, SLIM International Limited, over the fair value of the identified net assets acquired. Due to the synergies of the combination of the hotel operation and hotel management sub-groups, the goodwill impairment assessment is based on the future cashflow generated from the hotel management group. The future cashflow is based on the recent forecasts taking into account the terms and final maturities of all existing management agreements, the past performance of the hotels and the prevailing market conditions. A growth rate of 5% per annum on net cash inflow from 2013 has been applied to the cashflow projection. In view of the cashflow projection, provision for impairment losses is not considered necessary.

11 INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Investments in subsidiaries

	2013 US$'000	2012 US$'000
Company		
Investments, at cost		
Unlisted shares	1,912,066	1,911,439
Equity loans	1,695,006	1,805,710
	3,607,072	3,717,149

Equity loans are unsecured, interest-free with no fixed repayment terms except for the principal amounts of equity loans in Euro and Australian dollar of equivalent US$46,884,000 (2012: US$44,837,000) and US$234,234,000 (2012: US$5,227,000) which are bearing interest at EURIBOR+1.5% per annum and a fixed rate of 3% per annum, respectively.

(b) Amounts due from subsidiaries – unsecured

	2013 US$'000	2012 US$'000
Current – interest free and repayable on demand	86,439	77,305

(c) Amounts due to subsidiaries – unsecured

	2013 US$'000	2012 US$'000
Current – interest free and repayable on demand	179,280	141,278

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

(e) Material non-controlling interests

The total non-controlling interests as at 31 December 2013 is US$554,763,000, of which US$190,630,000 is attributable to Shangri-La Hotels (Malaysia) Berhad Group and US$9,927,000 is attributable to Shangri-La International Hotels (Pacific Place) Limited. The remaining non-controlling interests in respect of other subsidiaries are not material in terms of profit contribution.

Summarized financial information of subsidiaries with material non-controlling interests

Set out below are the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. These summarized financial information are based on the local statutory financial statements of the relevant subsidiaries after adjustments for compliance with the Group's accounting policies.

11 INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (continued)

(e) Material non-controlling interests (continued)

Summarized statement of financial position as at 31 December

	Shangri-La Hotels (Malaysia) Berhad		Shangri-La International Hotels (Pacific Place) Limited	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Current				
Assets	39,901	21,451	49,352	48,119
Liabilities	(65,576)	(52,238)	(26,806)	(75,156)
Total net current (liabilities)/assets	(25,675)	(30,787)	22,546	(27,037)
Non-current				
Assets	457,791	472,030	78,095	84,101
Liabilities	(13,611)	(14,257)	(51,006)	(5,250)
Total non-current net assets	444,180	457,773	27,089	78,851
Net assets	418,505	426,986	49,635	51,814
Attributable to:				
Equity holders of the Company	203,217	208,009	39,708	41,451
Non-controlling interests	215,288	218,977	9,927	10,363
	418,505	426,986	49,635	51,814

Summarized statement of comprehensive income for the year ended 31 December

	Shangri-La Hotels (Malaysia) Berhad		Shangri-La International Hotels (Pacific Place) Limited	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Revenue	161,728	150,206	155,990	153,412
Profit before income tax	42,048	31,483	51,011	52,359
Income tax expense	(9,148)	(5,801)	(8,028)	(8,892)
Other comprehensive (loss)/income	(25,560)	11,796	–	–
Total comprehensive income	7,340	37,478	42,983	43,467
Attributable to:				
Equity holders of the Company	2,337	18,956	34,386	34,774
Non-controlling interests	5,003	18,522	8,597	8,693
	7,340	37,478	42,983	43,467
Dividends paid to non-controlling interests	6,771	4,923	9,032	7,742

11 INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (continued)

(e) Material non-controlling interests (continued)

Summarized cash flows for the year ended 31 December

	Shangri-La Hotels (Malaysia) Berhad		Shangri-La International Hotels (Pacific Place) Limited	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Net cash generated from operating activities	48,271	45,324	46,728	46,991
Net cash used in investing activities	(11,801)	(18,329)	(1,729)	(2,477)
Net cash used in financing activities	(16,127)	(25,051)	(45,161)	(38,710)
Net increase/(decrease) in cash and cash equivalents	20,343	1,944	(162)	5,804
Cash and cash equivalents at beginning of the year	9,021	6,853	33,820	28,016
Exchange (losses)/gains on cash and cash equivalents	(527)	224	–	–
Cash and cash equivalents at end of the year	28,837	9,021	33,658	33,820

12 INTEREST IN ASSOCIATES AND DUE FROM ASSOCIATES

	2013 US$'000	2012 US$'000
Interest in associates		
At 1 January	2,772,128	2,159,192
Share of profit of associates (*Note 32*)		
– profit before taxation	554,374	341,601
– taxation	(137,842)	(80,025)
	416,532	261,576
Exchange difference	41,358	34,073
Capital contribution to associates	28,876	121,430
Transfer to equity loans	(10,000)	–
Capitalization of equity loans	–	44,894
Transfer from land deposit	–	34,914
Dividends declared by associates	(50,984)	(36,521)
(Disposal)/acquisition of associates (*Note 37(d)*)	(13,855)	152,570
Investment in associates under equity method	3,184,055	2,772,128
Equity loans (*Note (a)*)	131,853	135,017
Other long term shareholder loans (*Note (b)*)	81,047	49,350
	3,396,955	2,956,495
Due from associates (*Note (c)*)	41,688	63,386

Notes:

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

12 INTEREST IN ASSOCIATES AND DUE FROM ASSOCIATES (continued)

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

	2013 US$'000	2012 US$'000
– HIBOR plus 2% per annum and wholly repayable on 31 December 2015 (in Hong Kong dollars)	29,210	29,210
– HIBOR plus 1.5% per annum and wholly repayable on 15 May 2016 (in Hong Kong dollars)	24,654	15,409
– HIBOR plus 2% per annum and wholly repayable on 21 November 2017 (in Hong Kong dollars)	4,731	4,731
– HIBOR plus 2.6% per annum and wholly repayable on 17 July 2018 (in Hong Kong dollars)	22,452	–
	81,047	49,350

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

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

(d) The maximum exposure to credit risk at the reporting date is the fair value of the long term shareholder loans of US$81,047,000 (2012: US$49,350,000) and amounts due from associates of US$41,688,000 (2012: US$63,386,000).

(e) Set out below are the associates of the Group as at 31 December 2013, which, in the opinion of the directors, are material to the Group. The associates as listed below are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Nature of investment in the associates as at 31 December 2013 and 2012:

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the business	Measurement method
China World Trade Center Ltd.	The People's Republic of China	50	Note 1	Equity
Shanghai Ji Xiang Properties Co., Ltd.	The People's Republic of China	49	Note 2	Equity

Note 1: China World Trade Center Ltd. owns and operates hotels and investment properties.

Note 2: Shanghai Ji Xiang Properties Co., Ltd. owns and operates hotels and investment properties.

There are no contingent liabilities relating to the Group's interest in the associates.

Summarized financial information for associates

Set out below are the summarized financial information for China World Trade Center Ltd. and Shanghai Ji Xiang Properties Co., Ltd. which are accounted for using the equity method. These summarized financial information are based on the local statutory financial statements of the relevant associates after adjustments for compliance with the Group's accounting policies.

12 INTEREST IN ASSOCIATES AND DUE FROM ASSOCIATES (continued)

(e) (continued)

Summarized financial information for associates (continued)

	China World Trade Center Ltd. As at 31 December		Shanghai Ji Xiang Properties Co., Ltd. As at 31 December	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Current				
Assets	195,676	218,837	35,262	51,474
Liabilities	(226,157)	(266,609)	(163,200)	(57,896)
Net current liabilities	(30,481)	(47,772)	(127,938)	(6,422)
Non-current				
Assets	4,573,319	3,970,878	2,055,371	1,288,514
Liabilities	(1,878,434)	(1,667,620)	(862,406)	(612,186)
Net non-current assets	2,694,885	2,303,258	1,192,965	676,328
Net assets	2,664,404	2,255,486	1,065,027	669,906

Summarized statement of comprehensive income

	China World Trade Center Ltd.		Shanghai Ji Xiang Properties Co., Ltd.	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Revenue	475,401	459,506	36,680	–
Profit before tax (including fair value gains on investment properties)	535,270	452,233	487,177	113,293
Income tax expense	(133,142)	(112,346)	(112,675)	(31,224)
Other comprehensive income	63,150	24,550	20,620	7,028
Total comprehensive income	465,278	364,437	395,122	89,097
Dividends received from associates (net of tax)	55,425	21,581	–	–

12 INTEREST IN ASSOCIATES AND DUE FROM ASSOCIATES (continued)

(e) (continued)

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interest in the joint venture.

	China World Trade Center Ltd.		Shanghai Ji Xiang Properties Co., Ltd.	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Closing net assets	2,664,404	2,255,486	1,065,027	669,906
Respective equity interest	50%	50%	49%	49%
Interest in associates	1,332,202	1,127,743	521,863	328,253
Goodwill	–	–	290	290
Carrying amount	1,332,202	1,127,743	522,153	328,543

(f) The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The aggregated financial information on these associates are as follows:

	2013 US$'000	2012 US$'000
Aggregate carrying amount of individually immaterial associates	1,542,600	1,500,209
Aggregate amounts of the Group's share of		
Profit after tax	31,962	51,419
Other comprehensive income	(855)	20,135
Total comprehensive income	31,107	71,554

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Equity securities:				
Overseas unlisted shares,				
at cost	2,562	1,916	–	–
– Exchange differences	295	418	–	–
	2,857	2,334	–	–
Club debentures, at fair value	2,090	2,078	840	840
	4,947	4,412	840	840

There were no disposals of available-for-sale financial assets in 2013 and 2012.

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

14 OTHER RECEIVABLES

	2013 US$'000	2012 US$'000
Security deposit on leased premises	14,954	18,133

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US$16,681,000) (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.

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2013 US$'000	2012 US$'000 (Restated)
Trade receivables	96,702	95,645
Less: Provision for impairment of receivables	(4,467)	(1,500)
Trade receivables – net	92,235	94,145
Other receivables	93,407	70,220
Value-added tax receivable under a reorganization scheme	67,568	–
Deposits for acquisition of land	–	75,220
Prepayments and other deposits	59,386	50,254
	312,596	289,839

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (continued)

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

	2013 US$'000	2012 US$'000
0 – 3 months	82,603	87,587
4 – 6 months	3,670	4,498
Over 6 months	5,962	2,060
	92,235	94,145

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2013, trade receivables of US$41,216,000 (2012: US$41,546,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 US$'000	2012 US$'000
Up to 3 months	32,019	35,022
4 – 6 months	3,422	4,478
Over 6 months	5,775	2,046
	41,216	41,546

As of 31 December 2013, trade receivables of US$4,467,000 (2012: US$1,500,000) were considered impaired. These receivables were all overdue for more than three months.

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

	2013 US$'000	2012 US$'000 (Restated)
Hong Kong dollars	36,283	18,738
United States dollars	32,092	12,611
Renminbi	33,434	37,654
Singapore dollars	12,753	13,694
Malaysian Ringgit	6,140	7,198
Thai Baht	5,570	6,290
Philippines Pesos	15,137	15,550
Japanese Yen	6,227	4,306
Euros	7,811	8,321
Australian dollars	7,966	11,777
British Pounds	6,092	13,549
Mongolian Tugrik	12,070	8,671
Other currencies	4,067	6,006
	185,642	164,365

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (continued)

(b) (continued)

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

	2013 US$'000	2012 US$'000
At 1 January	1,500	697
Exchange differences	(11)	28
Provision for receivables impairment	5,313	1,242
Receivables written off during the year as uncollectible	(274)	(54)
Unused amounts reversed	(2,061)	(413)
At 31 December	4,467	1,500

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

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

16 FINANCIAL ASSETS HELD FOR TRADING

	2013 US$'000	2012 US$'000
Equity securities, at market value		
Shares listed in Hong Kong	18,686	23,256
Shares listed outside Hong Kong	2,266	1,673
	20,952	24,929

17 CASH AND BANK BALANCES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Cash at bank and in hand	449,870	330,895	20,302	710
Short-term bank deposits	685,220	508,023	19,820	25,102
Cash and bank balances	1,135,090	838,918	40,122	25,812
Maximum exposure to credit risk for all balances at bank	1,129,173	832,755	40,120	25,812

The effective interest rate on short-term bank deposits was 2.0% per annum (2012: 1.9% per annum); these deposits have an average maturity of 1.3 months (2012: 1.9 months).

17 CASH AND BANK BALANCES (continued)

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

	Group 2013 US$'000	Group 2012 US$'000
Cash and bank balances (as above)	1,135,090	838,918
Less: Short-term bank deposits more than 3 months maturity	(23,655)	(17,634)
Cash and cash equivalents	1,111,435	821,284

18 SHARE CAPITAL

	No. of shares ('000)	Amount: Ordinary shares US$'000	Amount: Share premium US$'000	Amount: Total US$'000
Authorized – Ordinary shares of HK$1 each				
At 31 December 2012 and 31 December 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	1,022	132	1,360	1,492
– transfer from option reserve	–	–	366	366
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	288	37	416	453
– transfer from option reserve	–	–	122	122
At 31 December 2013	3,132,385	404,435	2,149,787	2,554,222

18 SHARE CAPITAL (continued)

As at 31 December 2013, 10,501,055 ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognized to equity in prior years.

Share options

The share option scheme approved by the shareholders of the Company on 24 May 2002 ("**2002 Option Scheme**") expired on 23 May 2012. No further option shares will be granted under the 2002 Option Scheme thereafter but the subsisting option shares granted in the past years prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2002 Option Scheme.

The shareholders of the Company approved the adoption of a new share option scheme on 28 May 2012 ("**2012 Option Scheme**") to replace the expired 2002 Option Scheme. On 23 August 2013, the Company granted a total of 19,000,000 option shares under the 2012 Option Scheme at an exercise price of HK$12.11 per share to the directors and key employees of the Group. The options under the 2012 Option Scheme are immediately exercisable on the grant date and 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 2012 Option Scheme are provided in the section headed "Share Option Schemes" in the Directors' Report.

The fair value of the option shares granted on 23 August 2013 determined using the Black-Scholes valuation model was HK$3.21 per option share. The significant inputs into the model were weighted average share price of HK$11.94 at the grant date, exercise price of HK$12.11 per share, expected volatility of 26.29% (based on the historical volatility of the Company's share price over the past few years), annual dividend yield of 1.11%, an expected option life of seven years, and an annual risk-free interest rate of 2.048% per annum. The Group recognized an option expense of US$7,870,000 for the year ended 31 December 2013 due to the new option shares granted by the Company during the year.

The movements in option shares granted on 23 August 2013 pursuant to the 2012 Option Scheme during the year are as follows:

	Number of option shares issued at HK$12.11 per option share
Balance as at 1 January 2013	–
Granted during the year	19,000,000
Lapsed during the year	(150,000)
Exercised during the year	(52,000)
Balance as at 31 December 2013	18,798,000

18 SHARE CAPITAL (continued)

Share options (continued)

The following option shares at various exercise prices granted to option holders of the Company under the 2002 Option Scheme and 2012 Option Scheme were exercised:

	Number of option shares issued				
	At HK$6.81 per option share	At HK$11.60 per option share	At HK$14.60 per option share	At HK$12.11 per option share	Total consideration US$'000
In year 2013					
February	–	50,000	16,000	–	105
March	–	–	20,000	–	38
April	–	50,000	–	–	75
November	–	40,000	–	50,000	138
December	–	50,000	10,000	2,000	97
For the year ended 31 December 2013	–	190,000	46,000	52,000	453

	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	At HK$12.11 per option share	Total consideration US$'000
In year 2012					
February	–	50,000	32,500	–	136
March	60,000	50,000	140,000	–	391
April	40,000	50,000	40,000	–	185
May	120,000	50,000	–	–	180
June	–	50,000	–	–	75
October	–	100,000	40,000	–	225
November	–	100,000	–	–	150
December	–	100,000	–	–	150
For the year ended 31 December 2012	220,000	550,000	252,500	–	1,492

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$15.57 (2012: HK$16.62).

18 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 year ended 31 December 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
Granted	12.11	19,000,000	–	–
Exercised	12.17	(288,000)	11.31	(1,022,500)
Lapsed	13.31	(290,000)	13.69	(265,000)
At 31 December	12.32	26,591,000	12.85	8,169,000

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

		Number of outstanding option shares as at	
Last exercisable date	Exercise price in HK$ per option share	31 December 2013	31 December 2012
27 April 2015	11.60	4,575,000	4,765,000
15 June 2016	14.60	3,218,000	3,404,000
22 August 2023	12.11	18,798,000	–
		26,591,000	8,169,000

Options on 80,000 shares with exercise price of HK$12.11 per share have been exercised subsequent to 31 December 2013 and up to the approval date of the financial statements. Options on 7,500 shares and 250,000 shares with exercise price of HK$14.60 and HK$12.11 per share, respectively have lapsed subsequent to 31 December 2013 and up to the approval date of the financial statements.

19 OTHER RESERVES

	Share option reserve US$'000	Hedging reserve US$'000	Convertible bonds reserve US$'000	Capital redemption reserve US$'000	Exchange fluctuation reserve US$'000	Capital reserve US$'000	Other reserve US$'000 (Note (a))	Contributed surplus US$'000 (Note (b))	Total US$'000
Group									
Balance at 1 January 2012	5,225	–	44,518	10,666	729,755	601,490	1,368	389,741	1,782,763
Currency translation differences, as restated	–	–	–	–	142,071	–	–	–	142,071
Exercise of share options									
– transfer to share premium	(366)	–	–	–	–	–	–	–	(366)
Fair value changes of an interest-rate swap contract	–	(848)	–	–	–	–	–	–	(848)
Balance at 31 December 2012 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	–	–	–	–	(28,324)	–	–	–	(28,324)
Granting of share options									
– value of employee service	7,870	–	–	–	–	–	–	–	7,870
Exercise of share options									
– transfer to share premium	(122)	–	–	–	–	–	–	–	(122)
Fair value changes of interest-rate swap contracts	–	1,210	–	–	–	–	–	–	1,210
Balance at 31 December 2013	12,607	362	44,518	10,666	843,502	601,490	1,368	389,741	1,904,254
Company									
Balance at 1 January 2012	5,225	–	–	10,666	–	–	–	1,524,231	1,540,122
Exercise of share options									
– transfer to share premium	(366)	–	–	–	–	–	–	–	(366)
Balance at 31 December 2012 and 1 January 2013	4,859	–	–	10,666	–	–	–	1,524,231	1,539,756
Granting of share options									
– value of employee service	7,870	–	–	–	–	–	–	–	7,870
Exercise of share options									
– transfer to share premium	(122)	–	–	–	–	–	–	–	(122)
Balance at 31 December 2013	12,607	–	–	10,666	–	–	–	1,524,231	1,547,504

19 OTHER RESERVES (continued)

(a) A subsidiary is required by local law to appropriate a certain percentage of its annual net profits as other reserve until the reserve reaches 10 percent of its registered share capital. This reserve is not available for dividend distribution.

(b) The contributed surplus of the Company arises when the Company issues shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's issued shares and the value of net assets of the companies acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At the Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries, whenever appropriate.

(c) As at 31 December 2013, the Company's distributable reserves comprised:

	2013 US$'000	2012 US$'000
Distributable retained earnings	59,051	59,041
Contributed surplus	1,524,231	1,524,231
	1,583,282	1,583,272

20 BANK LOANS

	Group	
	2013 US$'000	2012 US$'000
Bank loans – secured (*Note 38(c)*)	311,268	240,671
Bank loans – unsecured	3,439,868	3,044,968
Total	3,751,136	3,285,639
Less: Non-current portion	(3,345,807)	(2,757,007)
Current portion	405,329	528,632

The maturity of bank loans is as follows:

	2013 US$'000	2012 US$'000
Within 1 year	405,329	528,632
Between 1 and 2 years	861,885	466,202
Between 2 and 5 years	2,428,660	2,231,090
Repayable within 5 years	3,695,874	3,225,924
Over 5 years	55,262	59,715
	3,751,136	3,285,639

20 BANK LOANS (continued)

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

	31 December 2013								
	HKD	RMB	GBP	USD	JPY	Pesos	Euros	SGD	AUD
Bank overdrafts	–	–	–	–	–	–	–	–	–
Bank loans	1.30%	6.33%	2.59%	1.60%	1.46%	1.20%	2.12%	1.31%	3.96%

	31 December 2012									
	HKD	RMB	MYR	USD	JPY	Pesos	Euros	Baht	SGD	AUD
Bank overdrafts	–	–	–	–	–	–	–	–	–	–
Bank loans	1.66%	6.27%	3.81%	1.48%	0.76%	1.31%	1.41%	5.33%	1.47%	5.15%

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

	2013 US$'000	2012 US$'000
Hong Kong dollars	1,409,755	1,607,174
Renminbi	515,923	583,253
United States dollars	1,112,010	577,416
Euros	283,220	296,762
Japanese Yen	47,632	46,474
Philippines Pesos	45,849	62,988
Singapore dollars	86,911	48,148
Australian dollars	175,676	56,842
British Pounds	74,160	–
Malaysian Ringgit	–	2,353
Thai Baht	–	4,229
	3,751,136	3,285,639

The Group has the following undrawn borrowing facilities:

	2013 US$'000	2012 US$'000
Floating rate		
– expiring within one year	171,893	167,892
– expiring beyond one year	544,812	640,631
Fixed rate		
– expiring within one year	1,386	–
– expiring beyond one year	105,745	24,548
	823,836	833,071

21 CONVERTIBLE BONDS

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 ("**Maturity Date**"), in the aggregate principal amount of US$500 million. Each bond will, at the option of the holder, be convertible on or after 22 June 2011 up to the close of business on the business day immediately prior to 2 May 2016 into fully paid ordinary shares of the Company with a par value of HK$1.00 each at an initial conversion price of HK$29.03 per ordinary share of the Company (subject to adjustment) and the conversion price has been adjusted to HK$28.02 per ordinary share of the Company on 7 October 2013. Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at 111.84% of their principal amount on the Maturity Date.

21 CONVERTIBLE BONDS (continued)

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

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

	2013 US$'000	2012 US$'000
Face value of convertible bonds issued on 12 May 2011	500,000	500,000
Issuing expenses	(4,400)	(4,400)
Equity component credited to the equity	(44,518)	(44,518)
Liability component on initial recognition at 12 May 2011	451,082	451,082
Accumulated interest expense (*Note 31*)	54,044	32,797
Liability component at 31 December	505,126	483,879

The face value of outstanding bonds at 31 December 2013 amounted to US$500,000,000. No convertible bonds were converted to ordinary shares of the Company during the year or subsequent to 31 December 2013 and up to the date of this report. The carrying amount of the liability component which approximates to its fair value is calculated using cash flows discounted at an initial market interest rate of 4.34% per annum.

22 FIXED RATE BONDS

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

	2013 US$'000	2012 US$'000
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	1,673	702
Carrying amount of fixed rate bonds at 31 December	596,814	595,843

As at 31 December 2013, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US$6,333,000. The carrying amount of the bonds approximates to its fair value.

23 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Non-current liabilities				
Interest-rate swap contracts – hedging	1,265	636	–	–
Interest-rate swap contracts – non-hedging	–	129	–	129
	1,265	765	–	129
Current liabilities				
Interest-rate swap contracts – hedging	366	212	–	–
Interest-rate swap contracts – non-hedging	–	3,837	–	3,837
	366	4,049	–	3,837
Total	1,631	4,814	–	3,966

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Non-current assets				
Interest-rate swap contracts – hedging	1,550	–	–	–
Interest-rate swap contracts – non-hedging	–	–	–	–
	1,550	–	–	–
Current assets				
Interest-rate swap contracts – hedging	443	–	–	–
Interest-rate swap contracts – non-hedging	–	–	–	–
	443	–	–	–
Total	1,993	–	–	–

The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 31 December 2013 were as follows:

– Qualify for hedging: HK$2,200,000,000 (31 December 2012: HK$300,000,000) with fixed interest rates of 0.940% to 1.635% per annum (31 December 2012: 1.087% per annum)

– Qualify for hedging: US$206,000,000 (31 December 2012: Nil) with fixed interest rates of 1.420% to 1.785% per annum

– Not qualify for hedging: Nil (31 December 2012: HK$900,000,000 with fixed interest rates of 4.28% to 4.63% per annum)

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

	2013 US$'000	2012 US$'000 (Restated)
Non-controlling interests		
Share of equity	425,188	387,230
Equity loans *(Note (a))*	129,575	115,444
	554,763	502,674

Notes:

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

	2013 US$'000	2012 US$'000
– LIBOR per annum	10,787	10,787
– LIBOR plus 1% per annum	61,173	45,820
– LIBOR plus 3% per annum	22,050	22,050
– fixed rate of 2.5% per annum	13,355	–
– fixed rate of 5% per annum	–	11,612
– Interest-free	22,210	25,175
	129,575	115,444

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

	2013 US$'000	2012 US$'000
– Interest-free and not payable within 12 months	26,896	25,900

The effective interest rate of the interest-free portion of the amounts due to non-controlling shareholders at the date of the statement of financial position is 4.1% (2012: 4.1%) per annum.

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

	2013 US$'000	2012 US$'000
– Interest-free with no fixed repayment terms	7,912	7,889
– Interest-free with no fixed repayment terms	(160)	–

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

25 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2012: 16.5%) for subsidiaries operating in Hong Kong. Deferred income tax assets and liabilities of overseas subsidiaries are calculated at the rates of taxation prevailing in the countries in which the respective subsidiaries operate.

The movement on the deferred income tax account is as follows:

	Group	
	2013 US$'000	2012 US$'000 (Restated)
At 1 January	246,589	231,709
Exchange differences	661	2,263
Acquisition of a subsidiary	–	(935)
Deferred taxation charged to consolidated income statement *(Note 33)*	38,330	13,902
Deferred taxation credited to other comprehensive income	(886)	(350)
At 31 December	284,694	246,589

The following amounts which are expected only to be substantially recovered/settled after more than twelve months from the date of the statement of financial position, determined after appropriate offsetting, are shown in the consolidated statement of financial position. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)	1 January 2012 US$'000 (Restated)
Deferred income tax assets	(758)	(3,188)	(2,235)
Deferred income tax liabilities	285,452	249,777	233,944
	284,694	246,589	231,709

Deferred income tax assets are recognized for tax loss carry forwards to the extent that realization of the related tax benefit through the future taxable profits is probable. As at 31 December 2013, the Group has the following unrecognized tax losses to carry forward against future taxable income.

	Group	
	2013 US$'000	2012 US$'000
With no expiry date	92,966	67,682
Lapsed within the next five years	181,336	156,989
Lapsed within the next ten years	62,693	98,686
	336,995	323,357

25 DEFERRED INCOME TAX (continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities	Accelerated tax depreciation		Properties valuation surplus		Dividend withholding tax		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January	178,662	164,942	37,563	31,122	51,016	49,651	267,241	245,715
Charged to income statement	5,573	11,797	16,250	6,167	10,472	1,079	32,295	19,043
Exchange differences	(2,220)	1,923	636	274	1,397	286	(187)	2,483
At 31 December	182,015	178,662	54,449	37,563	62,885	51,016	299,349	267,241

Deferred income tax assets	Provision of assets		Tax losses		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000 (Restated)	US$'000	US$'000 (Restated)
At 1 January	(6,326)	(3,762)	(6,251)	(7,165)	(8,075)	(2,369)	(20,652)	(13,296)
Prior year adjustments in respect of changes in accounting policy *(Note 2(a))*	–	–	–	–	–	(710)	–	(710)
At 1 January, as restated	(6,326)	(3,762)	(6,251)	(7,165)	(8,075)	(3,079)	(20,652)	(14,006)
Charged/(credited) to income statement	670	(2,495)	3,774	1,809	1,591	(4,455)	6,035	(5,141)
Credit to other comprehensive income	–	–	–	–	(886)	(350)	(886)	(350)
Acquisition of a subsidiary	–	–	–	(935)	–	–	–	(935)
Exchange differences	2,465	(69)	77	40	(1,694)	(191)	848	(220)
At 31 December, as restated	(3,191)	(6,326)	(2,400)	(6,251)	(9,064)	(8,075)	(14,655)	(20,652)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 ACCOUNTS PAYABLE AND ACCRUALS

	2013 US$'000	2012 US$'000 (Restated)
Trade payables	94,958	103,145
Value-added tax payable under a reorganization scheme	67,568	–
Construction cost payable, payable for land use rights and accrued expenses	680,465	617,536
	842,991	720,681

At 31 December 2013, the ageing analysis of the trade payables is as follows:

	2013 US$'000	2012 US$'000
0 – 3 months	85,570	95,613
4 – 6 months	5,294	4,025
Over 6 months	4,094	3,507
	94,958	103,145

27 EXPENSES BY NATURE

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

	2013 US$'000	2012 US$'000 (Restated)
Depreciation of property, plant and equipment (net of amount capitalized of US$374,000 (2012: US$181,000)) (*Note 7*)	304,327	283,708
Amortization of leasehold land and land use rights (*Note 9*)	16,919	20,230
Amortization of trademark and website development (*Note 10*)	779	731
Employee benefit expenses excluding directors' emoluments (net of amount capitalized and amount grouped under pre-opening expenses) (*Note 29*)	656,711	618,182
Share options granted to directors and employees	7,870	–
Cost of inventories sold or consumed in operation	276,094	282,024
Stamp duty expenses for acquisition of subsidiaries	–	18,842
Loss on disposal of property, plant and equipment and partial replacement of investment properties	1,451	3,842
Discarding of property, plant and equipment due to renovation of hotels and resorts	2,397	3,826
Operating lease expenses	41,780	39,177
Pre-opening expenses	23,707	8,032
Auditors' remuneration	1,691	1,543

28 OTHER GAINS – NET

	2013 US$'000	2012 US$'000
Fair value gains on investment properties *(Note 8)*	57,569	16,516
(Losses)/gains on financial assets held for trading		
– net unrealized (losses)/gains on equity securities	(3,977)	9,188
– realized gains on fixed rate bonds	–	9,118
Fair value losses on interest-rate swap contracts – non-hedging	(55)	(924)
Provision for impairment losses on hotel properties and other properties *(Note 7)*	(62,229)	(8,634)
Reversal of impairment provision for a property under development	2,759	–
Reversal of impairment provision for a vacant land *(Note 9)*	4,000	–
Gain on disposal of a vacant land	1,305	–
Gain on disposal of interests in a subsidiary which owns a hotel *(Note 37(c))*	20,398	–
Gain on disposal of interests in associates which own properties under development *(Note 37(d))*	2,563	–
Negative goodwill arising from acquisition of subsidiaries	–	16,040
Non-operating items	22,333	41,304
Interest income		
– fixed rate bonds	–	4,929
– bank deposit and others	11,698	10,926
Dividend income	1,026	927
Others	50	53
	35,107	58,139

29 EMPLOYEE BENEFIT EXPENSES

(excluding Directors' emoluments and share options granted to Directors and employees)

	2013 US$'000	2012 US$'000 (Restated)
Wages and salaries (including unutilized annual leave)	505,928	469,980
Pension costs – defined contribution plans	36,851	34,236
Pension costs – defined benefit plans	1,748	1,535
Other welfare	120,453	115,458
	664,980	621,209
Less: Amount included in pre-opening expenses	(8,269)	(3,027)
	656,711	618,182

Total pension cost including charges for Directors charged to the income statement for the year under all pension schemes was US$38,714,000 (2012: US$35,887,000).

29 EMPLOYEE BENEFIT EXPENSES (continued)

Pension Scheme Arrangement

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

(a) Defined contribution retirement plans

The Company and subsidiaries in Hong Kong participate in a mandatory provident fund scheme ("**MPF**") which requires both the employers and employees to contribute 5% of their monthly gross earnings with a ceiling of HK$1,250 (equivalent to US$161). Normally, the employees can only take all the benefits when reaching the statutory retirement age. These companies also participate in other defined contribution schemes which only require the employers to make monthly contribution of the net difference between 10% of the employees' monthly basic salaries (subject to a ceiling of HK$10,000) and the amount already contributed by the employers to the MPF for the relevant employees. Under such schemes, any unvested benefits of employees terminating employment can be utilized by the employers to reduce their future contributions. The assets of these schemes are held separately in independently administrated funds. Contributions made by the employers were charged to the income statements as incurred.

The Group's subsidiaries in Mainland China, Singapore and Malaysia participate in defined contribution schemes managed by the respective local governments in these countries. The Group's subsidiaries in Australia participate in the government-supported superannuation fund scheme (a defined contribution scheme). Contributions are made based on a percentage, ranging from 9% to 22%, of the employee's salaries and bonuses, as applicable, and were charged to the income statement as incurred. The maximum contributions by the subsidiaries for each employee for the Group's subsidiaries in Singapore are fixed by the government at S$800 (equivalent to US$638) per month for monthly salaries and bonus payment. The employees of the Group's subsidiaries in Singapore and Malaysia are also required to contribute 16% and 12%, respectively of their gross salaries and bonus, if applicable, to the respective local fund.

The Group also operates a global defined contribution scheme for senior expatriates employed by the Group which requires the employers to contribute 6% to 10% (vary between staff grading) of the employees' basic salaries. Employees can contribute to the scheme on a voluntary basis. Under such scheme, the unvested benefits of employees terminating employment can be utilized by the employers to reduce their future contributions. The assets of the scheme are held separately in independently administrated fund. Contributions made by the employers were charged to the income statements as incurred.

(b) Defined benefit retirement plans

The hotels in the Philippines and Malaysia have adopted funded non-contributory defined benefit pension plans covering their regular employees. The benefits are based on years of service and the employees' final covered compensation. The plans require periodic contributions by the participating subsidiaries as determined by periodic actuarial reviews. For the hotels in the Philippines and Malaysia, actuarial valuations were performed by qualified actuaries, Orlando J. Manalang and Acturarial Partners Consulting Sdn Bhd, respectively at 31 December 2013 using the Projected Unit Credit Actuarial Cost Method.

29 EMPLOYEE BENEFIT EXPENSES (continued)

Pension Scheme Arrangement (continued)

(b) Defined benefit retirement plan (continued)

Movements in the present value of the defined benefit obligations:

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2013	2012	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January	15,023	12,364	(7,435)	(6,262)	7,588	6,102
Exchange difference	(1,112)	694	511	(418)	(601)	276
Included in income statement						
Current service cost	997	939	–	–	997	939
Past service cost	402	277	–	–	402	277
Interest cost on benefit obligation	716	763	(367)	(444)	349	319
	2,115	1,979	(367)	(444)	1,748	1,535
Included in other comprehensive income						
Actuarial loss	2,663	1,109	–	–	2,663	1,109
Return on assets excluding amount included in net interest cost	–	–	(13)	27	(13)	27
	2,663	1,109	(13)	27	2,650	1,136
Other						
Contributions	–	–	(1,005)	(1,044)	(1,005)	(1,044)
Benefits paid	(2,004)	(1,123)	1,808	706	(196)	(417)
	(2,004)	(1,123)	803	(338)	(1,201)	(1,461)
Balance at 31 December	16,685	15,023	(6,501)	(7,435)	10,184	7,588

29 EMPLOYEE BENEFIT EXPENSES (continued)

Pension Scheme Arrangement (continued)

(b) Defined benefit retirement plan (continued)

The distribution of the plan assets at year end is as follows:

	2013	2012
Equity securities	41%	45%
Government bonds, treasury notes and other assets	59%	55%

The principal actuarial assumptions used to determine retirement benefits costs are as follows:

	2013		2012	
For hotels in	Malaysia	The Philippines	Malaysia	The Philippines
Discount rate at 31 December	5.5%	4.04% to 4.54%	5.25%	5.1% to 6.8%
Future salary growth rate	4% to 7%	5%	4% to 7%	5%

The average duration of the defined benefit obligation as of 31 December 2013 ranged from 12.89 years to 20.01 years.

The pension liability is subject to several key assumptions. The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of 31 December 2013 by assuming all other assumptions were held constant. The estimated total defined benefit obligation to cover the employees' final compensation under the plan would be affected by the amount as shown below.

	Increase/(decrease) in basis points	Increase/(decrease) in the Group's defined benefit obligation US$'000
Discount rate	1.00%	(1,616)
	(1.00%)	1,893
Future salary growth rate	1.00%	1,901
	(1.00%)	(1,652)

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2013 is set out below:

Name of Director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Inducement fees US$'000	Other benefits[5] US$'000	Employer's Contribution to pension schemes US$'000	Compensation for loss of office as director US$'000	Total US$'000
KUOK Khoon Chen[3]	–	268	774	–	5	6	–	1,053
LUI Man Shing	6	418	1,161	–	29	15	–	1,629
Madhu Rama Chandra RAO	–	449	1,556	–	277	45	–	2,327
Gregory Allan DOGAN	–	449	1,814	–	252	45	–	2,560
KUOK Khoon Ean[4]	15	265	387	–	12	4	–	683
HO Kian Guan	26	–	–	–	–	–	–	26
Roberto V ONGPIN	26	–	–	–	–	–	–	26
Alexander Reid HAMILTON	64	–	–	–	–	–	–	64
Timothy David DATTELS	26	–	–	–	–	–	–	26
WONG Kai Man	64	–	–	–	–	–	–	64
Michael Wing-Nin CHIU	26	–	–	–	–	–	–	26
LI Kwok Cheung Arthur	64	–	–	–	–	–	–	64
HO Kian Hock[1]	–	–	–	–	–	–	–	–

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

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2012 is set out below:

Name of Director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Inducement fees US$'000	Other benefits[5] US$'000	Employer's Contribution to pension schemes US$'000	Compensation for loss of office as director US$'000	Total US$'000
KUOK Khoon Ean	6	821	2,839	–	14	15	–	3,695
LUI Man Shing	6	418	1,161	–	26	15	–	1,626
Madhu Rama Chandra RAO	–	418	1,548	–	250	42	–	2,258
Gregory Allan DOGAN	–	418	1,419	–	238	42	–	2,117
HO Kian Guan	26	–	–	–	–	–	–	26
KUOK Khoon Loong Edward[2]	–	77	774	–	2	2	–	855
Roberto V ONGPIN	26	–	–	–	–	–	–	26
Alexander Reid HAMILTON	48	–	–	–	–	–	–	48
Timothy David DATTELS	26	–	–	–	–	–	–	26
WONG Kai Man	48	–	–	–	–	–	–	48
Michael Wing-Nin CHIU	26	–	–	–	–	–	–	26
LI Kwok Cheung Arthur	46	–	–	–	–	–	–	46
HO Kian Hock[1]	–	–	–	–	–	–	–	–

Notes:

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

(2) Mr KUOK Khoon Loong Edward retired as Director on 30 March 2012.

(3) Mr KUOK Khoon Chen was appointed as Director on 22 August 2013.

(4) Mr KUOK Khoon Ean was re-designated as Non-Executive Director on 22 August 2013.

(5) Other benefits include housing, holiday warrant, medical expenses and insurance premium. Pursuant to the existing option scheme of the Company (Note 18), the Company granted to the Directors options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of option shares granted to the Directors in 2013 were included in the total expenses on share options granted.

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

Movement of option shares granted to the Directors for the year ended 31 December 2013 are as follows:

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2013	No. of option shares granted during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2013	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
KUOK Khoon Chen	23 Aug 2013	–	11.92	–	350,000	–	–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
LUI Man Shing	16 Jun 2006	II	14.00	60,000	–	–	–	–	–	60,000	14.60	–	16 Jun 2008 – 15 Jun 2016
	23 Aug 2013	–	11.92	–	350,000	–	–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
Madhu Rama Chandra RAO	28 Apr 2005	II	11.75	250,000	–	–	–	–	–	250,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	50,000	–	–	–	–	–	50,000	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	50,000	–	–	–	–	–	50,000	14.60	–	16 Jun 2008 – 15 Jun 2016
	23 Aug 2013	–	11.92	–	350,000	–	–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023

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

Movement of option shares granted to the Directors for the year ended 31 December 2013 are as follows: (continued)

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2013	No. of option shares granted during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2013	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
Gregory Allan DOGAN	28 Apr 2005	II	11.75	50,000	–	–	–	–	–	50,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	37,500	–	–	–	–	–	37,500	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	37,500	–	–	–	–	–	37,500	14.60	–	16 Jun 2008 – 15 Jun 2016
	23 Aug 2013	–	11.92	–	350,000	–	–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
KUOK Khoon Ean	23 Aug 2013	–	11.92	–	350,000	–	–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
HO Kian Guan	23 Aug 2013	–	11.92	–	100,000	–	–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
Roberto V ONGPIN	28 Apr 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2008 – 15 Jun 2016
	23 Aug 2013	–	11.92	–	100,000	–	–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023

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

Movement of option shares granted to the Directors for the year ended 31 December 2013 are as follows: (continued)

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2013	No. of option shares granted during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2013	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
Alexander Reid HAMILTON	23 Aug 2013	–	11.92	–	100,000	–	–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
Timothy David DATTELS	28 Apr 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2008 – 15 Jun 2016
	23 Aug 2013	–	11.92	–	100,000	–	–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
WONG Kai Man	23 Aug 2013	–	11.92	–	100,000	–	–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
Michael Wing-Nin CHIU	23 Aug 2013	–	11.92	–	100,000	–	–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
LI Kwok Cheung Arthur	23 Aug 2013	–	11.92	–	100,000	–	–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023

The new option shares granted during the year are under the 2012 Option Scheme and the details of which are provided in the section headed "Share Option Schemes" in the Report of the Directors.

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

Movement of option shares granted to the Directors for the year ended 31 December 2012 are as follows:

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2012	No. of option shares granted during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2012	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
LUI Man Shing	16 Jun 2006	II	14.00	60,000	–	–	–	–	–	60,000	14.60	–	16 Jun 2008 – 15 Jun 2016
Madhu Rama Chandra RAO	28 Apr 2005	II	11.75	250,000	–	–	–	–	–	250,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	50,000	–	–	–	–	–	50,000	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	50,000	–	–	–	–	–	50,000	14.60	–	16 Jun 2008 – 15 Jun 2016
Gregory Allan DOGAN	28 Apr 2005	II	11.75	50,000	–	–	–	–	–	50,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	37,500	–	–	–	–	–	37,500	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	37,500	–	–	–	–	–	37,500	14.60	–	16 Jun 2008 – 15 Jun 2016

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

Movement of option shares granted to the Directors for the year ended 31 December 2012 are as follows: (continued)

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2012	No. of option shares granted during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2012	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
KUOK Khoon Loong Edward	16 Jun 2006	II	14.00	100,000	–	–	–	(100,000)	–	–	14.60	4.54	16 Jun 2008 – 15 Jun 2016
Roberto V ONGPIN	28 Apr 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2008 – 15 Jun 2016
Timothy David DATTELS	28 Apr 2005	I	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2006 – 27 Apr 2015
	28 Apr 2005	II	11.75	75,000	–	–	–	–	–	75,000	11.60	–	28 Apr 2007 – 27 Apr 2015
	16 Jun 2006	I	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2007 – 15 Jun 2016
	16 Jun 2006	II	14.00	30,000	–	–	–	–	–	30,000	14.60	–	16 Jun 2008 – 15 Jun 2016

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

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2012: five) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2012: nil) individual during the year are as follows:

	2013 US$'000
Basic salaries, housing allowances, other allowances and benefits in kind	558
Employer's contribution to pension scheme	37
Discretionary bonuses	588
Inducement fee to join the Group	–
Compensation for loss of office	–
	1,183

Pursuant to the 2012 Option Scheme of the Company (Note 18), the Company granted to the individual options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of option shares granted to the individual were included in the total expense on share options granted in 2013 (Note 27).

31 FINANCE COSTS – NET

	2013 US$'000	2012 US$'000
Interest expense:		
– bank loans	107,030	83,918
– convertible bonds (*Note 21*)	21,247	20,352
– fixed rate bonds	29,475	21,285
– other loans	2,464	1,988
	160,216	127,543
Less: Amount capitalized	(49,697)	(31,850)
	110,519	95,693
Net foreign exchange gains	(5,444)	(16,266)
	105,075	79,427

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 3.4% per annum (2012: 3.3%).

32 SHARE OF PROFIT OF ASSOCIATES

	2013 US$'000	2012 US$'000
Share of profit before tax and non-operating items of associates	71,124	101,343
Share of net increase in fair value of investment properties	504,130	233,649
Share of loss on major renovation of an investment property	(20,880)	–
Negative goodwill arising from acquisition of an associate	–	6,609
Share of profit before tax of associates	554,374	341,601
Share of associates' taxation before provision for taxation for non-operating items	(17,821)	(29,645)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(125,241)	(50,380)
Share of deferred tax credit arising from the loss on major renovation of an investment property	5,220	–
Share of associates' taxation	(137,842)	(80,025)
Share of profit of associates	416,532	261,576

33 INCOME TAX EXPENSE

	2013 US$'000	2012 US$'000 (Restated)
Current income tax		
– Hong Kong profits tax	14,793	15,543
– Overseas taxation	56,748	72,557
Deferred income tax *(Note 25)*	38,330	13,902
	109,871	102,002

Share of associates' taxation for the year ended 31 December 2013 of US$137,842,000 (2012: US$80,025,000) is included in the consolidated income statement as share of profit of associates.

33 INCOME TAX EXPENSE (continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2013 US$'000	2012 US$'000 (Restated)
Profit before income tax	550,987	484,299
Calculated at a taxation rate of 16.5% (2012: 16.5%)	90,913	79,909
Effect of different taxation rates of subsidiaries operating in other countries	22,578	22,105
Income not subject to taxation	(79,859)	(55,978)
Tax effect on unrecognized tax losses	18,802	14,263
Expenses not deductible for taxation purposes	48,710	28,043
Utilization of previously unrecognized tax losses	(517)	(76)
(Over)/under provision in prior year	(1,783)	654
Withholding tax	11,123	13,193
Tax incentive	(96)	(111)
Taxation charge	109,871	102,002

(a) Hong Kong profits tax is provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profits of group companies operating in Hong Kong.

(b) Taxation outside Hong Kong includes withholding tax paid and payable on dividends from subsidiaries and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

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

The profit attributable to equity holders is dealt with in the financial statements of the Company to the extent of US$72,759,000 (2012: US$75,798,000).

Movement of retained earnings of the Company

	2013 US$'000	2012 US$'000
Balance at 1 January	59,041	64,062
Profit for the year	72,759	75,798
2012/2011 final dividend paid	(40,416)	(40,409)
2013/2012 interim dividend paid (*Note 36*)	(32,333)	(40,410)
Balance at 31 December	59,051	59,041
Representing		
2013/2012 final dividend proposed (*Note 36*)	16,167	40,415
Retained earnings	42,884	18,626
Balance at 31 December	59,051	59,041

35 EARNINGS PER SHARE

Basic

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

	2013	2012 (Restated)
Profit attributable to equity holders of the Company (US$'000)	392,298	358,986
Weighted average number of ordinary shares in issue (thousands)	3,121,722	3,121,119
Basic earnings per share (US cents per share)	12.57	11.50

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 year ended 31 December 2013, share options of HK$11.60 issued under the 2002 Option Scheme and HK$12.11 issued under the 2012 Option Scheme have the greatest dilution effect. For the year ended 31 December 2012, all share options issued under the 2002 Option Scheme have the greatest dilution effect.

	2013	2012 (Restated)
Profit attributable to equity holders of the Company (US$'000)	392,298	358,986
Weighted average number of ordinary shares in issue (thousands)	3,121,722	3,121,119
Adjustments for – share options (thousands)	2,066	1,654
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,123,788	3,122,773
Diluted earnings per share (US cents per share)	12.56	11.50

36 DIVIDENDS

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Interim dividend paid of HK8 cents (2012: HK10 cents) per ordinary share	32,224	40,274	32,333	40,410
Proposed final dividend of HK4 cents (2012: HK10 cents) per ordinary share	16,113	40,280	16,167	40,415
	48,337	80,554	48,500	80,825

At a meeting held on 19 March 2014, the Board proposed a final dividend of HK4 cents per ordinary share for the year ended 31 December 2013. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2014.

The proposed final dividend of US$16,113,000 for the year ended 31 December 2013 is calculated based on 3,132,464,799 shares in issue as at 19 March 2014, after elimination on consolidation the amount of US$54,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (Note 18).

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2013	2012
	US$'000	US$'000 (Restated)
Profit before income tax	550,987	484,299
Share of profit of associates	(416,532)	(261,576)
Fair value gains on investment properties	(57,569)	(16,516)
Gain on disposal of interests in a subsidiary which owns a hotel	(20,398)	–
Gain on disposal of a vacant land	(1,305)	–
Gain on disposal of interests in associates which own properties under development	(2,563)	–
Provision for impairment losses on hotel properties and other properties	62,229	8,634
Reversal of impairment provision for a property under development	(2,759)	–
Reversal of impairment provision for a vacant land	(4,000)	–
Negative goodwill arising from acquisition of subsidiaries	–	(16,040)
Depreciation	304,327	283,708

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Cash generated from operations (continued)

	2013 US$'000	2012 US$'000 (Restated)
Amortization of leasehold land and land use rights, trademark and website development	17,698	20,961
Interest on convertible bonds, fixed rate bonds, bank loans and overdrafts	110,519	95,693
Interest income	(11,698)	(15,855)
Dividend income	(1,026)	(927)
Loss on disposal of fixed assets and discarding of fixed assets due to properties renovations	3,848	7,668
Net realized and unrealized losses/(gains) on financial assets held for trading	3,977	(18,306)
Fair value losses on interest-rate swap contracts – non-hedging	55	924
Net foreign exchange transaction gains	(5,444)	(16,266)
Share options expenses	7,870	–

	2013 US$'000	2012 US$'000 (Restated)
Operating profit before working capital changes	538,216	556,401
Decrease/(increase) in inventories	1,371	(105)
Increase in accounts receivable, prepayments and deposits (net of deposits for land bids)	(29,310)	(22,370)
Increase in amounts due from associates	(714)	(6,327)
Increase/(decrease) in accounts payable and accruals	88,475	(26,008)
Net cash generated from operations	598,038	501,591

(b) 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 debit balance of the non-controlling interests arising from the acquisition was recognized in the Group's equity.

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposal of interest in a subsidiary

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 hotel company which owns the Shangri-La Hotel, Zhongshan in Mainland China for a gross 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 hotel company. The final gross consideration after adjustment (before tax) is adjusted to RMB119,095,000 (equivalent to US$18,969,000). The disposal was completed in September 2013 and the financial effects of the disposal transaction are as follows:

	US$'000
Assets and liabilities disposed of:	
Property, plant and equipment	49,525
Leasehold land and land use rights	20,419
Cash and bank balances	1,029
Other current assets	539
Current liabilities	(44,754)
Bank loans	(27,350)
Net liabilities disposed of	(592)
Net disposal proceeds (net of tax) received during the year	18,730
Add: Net liabilities disposed of	592
Add: Cumulative exchange differences in respect of the net liabilities of the subsidiary released from equity to profit or loss	1,076
Net disposal gain	20,398

	US$'000
Net cash inflow arising on disposal	
Net disposal proceeds (net of tax) received during the year	18,730
Less: Cash and bank balances disposed of	(1,029)
	17,701

(d) Disposal of interests in associates

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 owns the land use rights of two land sites in Bayuquan, Yingkou City, Liaoning Province in Mainland China for an aggregate gross cash consideration of RMB100,268,000 (equivalent to US$16,230,000). The disposal was completed in July 2013 and the financial effects of the disposal transactions are as follows:

	US$'000
Deposit received in advance in 2012	797
Remaining balance of net disposal proceeds received during the year	15,226
Final net disposal proceeds (net of tax)	16,023
Less: Carrying amount of the net assets of the associates disposed of	(13,855)
Add: Cumulative exchange differences in respect of the net assets of the associates released from equity to profit or loss	395
Net disposal gain	2,563

38 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

As at 31 December 2013, financial guarantees of the Company and the Group were as follows:

(i) The Company executed proportionate guarantees in favour of banks for securing banking facilities granted to certain subsidiaries and associates. The utilized amount of such facilities covered by the Company's guarantees and which also represented the financial exposure of the Company at the date of the statement of financial position amounts to US$3,360,988,000 (2012: US$2,896,157,000) for the subsidiaries and US$387,724,000 (2012: US$342,966,000) for associates.

(ii) The Company executed guarantees in favour of banks for securing certain banking facilities granted to five non-wholly owned subsidiaries. The non-controlling shareholders of five non-wholly owned subsidiaries provided proportionate counter guarantees to the Company under the joint venture agreements. The utilized amount of these facilities covered by the Company's guarantees after setting off the amount of counter guarantees from the non-controlling shareholders and which also represented the net financial exposure of the Company at the date of the statement of financial position amounts to US$119,256,000 (2012: US$136,925,000).

(iii) The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The Group also provided suretyship in favour of an associate in relation to the payment obligations under its banking facility which in return provided counter guarantee to the Company such that any amounts paid by the Company under the suretyship agreement should be proportionate to its respective shareholding in the associate. The utilized amount of such facilities covered by the Group's guarantees for these associates amounts to US$387,724,000 (2012: US$342,966,000).

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

(b) Contingent liabilities

As at 31 December 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$9,897,000 (2012: US$26,052,000). The Group also executed a bank guarantee of US$3,148,000 (2012: US$3,010,000) in favour of the government authorities for the purpose of value-added tax refund. These facilities were undrawn as at 31 December 2013.

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

(c) Charges over assets

As at 31 December 2013, bank loans of certain subsidiaries amounting to US$311,268,000 (2012: US$240,671,000) were secured by:

(i) Land lease rights and all immovable assets owned by a subsidiary together with a pledge of all the equity shares of the subsidiary with net book value of US$136,557,000 (2012: US$140,735,000).

(ii) Legal mortgage over the property owned by five subsidiaries with an aggregate net book value of US$601,780,000 (2012: US$270,975,000).

39 COMMITMENTS

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

	2013 US$'000	2012 US$'000
Existing properties – Property, plant and equipment and investment properties		
Contracted but not provided for	40,524	66,435
Authorized but not contracted for	92,435	39,059
Development projects		
Contracted but not provided for	1,044,283	1,402,503
Authorized but not contracted for	1,245,047	1,843,994
	2,422,289	3,351,991

(b) The Group's commitments under operating leases to make future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2013 US$'000	2012 US$'000
Not later than one year	50,550	33,390
Later than one year and not later than five years	170,506	93,658
Later than five years	1,010,773	510,067
	1,231,829	637,115

(c) At 31 December 2013, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2013 US$'000	2012 US$'000
Not later than one year	51,321	49,929
Later than one year and not later than five years	34,993	35,303
Later than five years	596	628
	86,910	85,860

40 RELATED PARTY TRANSACTIONS

Kerry Group Limited ("**KGL**"), which owns approximately 48.66% of the Company's issued ordinary shares as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance as at 31 December 2013, has significant influence over the Company.

The following transactions were carried out with related parties:

	2013 US$'000		2012 US$'000
(a) Transactions with subsidiaries of KGL during the year (other than subsidiaries of the Company)			
Receipt of hotel management, consultancy and related services and royalty fees	4,586	(Note ii)	3,931
Reimbursement of office expenses and payment of administration and related expenses	2,776		4,482
Reimbursement of office rental, management fees and rates	272		491
Payment of office rental, management fees and rates	6,877		6,389
Payment for magazine publication	393	(Note i)	1,344
Purchase of wine	2,224		1,443

	2013 US$'000		2012 US$'000
(b) Transactions with associates of the Group during the year (other than the subsidiaries of KGL included under item (a) above)			
Receipt of hotel management, consultancy and related services and royalty fees	18,870		18,757
Receipt for laundry services	731	(Note i)	1,098
(c) Financial assistance provided to subsidiaries of KGL as at 31 December (other than subsidiaries of the Company)			
Balance of loan to associates of the Group	97,864		97,864
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	323,295		283,102

40 RELATED PARTY TRANSACTIONS (continued)

	2013 US$'000	2012 US$'000
(d) Financial assistance provided to associates of the Group as at 31 December (excluding item (c) above)		
Balance of loan to associates of the Group	101,986	73,452
Balance of guarantees executed in favour of banks for securing bank loans/ facilities granted to an associate of the Group	64,428	59,864

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

	2013 US$'000	2012 US$'000
(e) Key management compensation		
Fees, salaries and other short-term employee benefits of executive directors	7,458	9,582
Post employment benefits of executive directors	111	114

(f) Transfer of interest in associates to a subsidiary of KGL

On 19 December 2012, the Group and a subsidiary of KGL entered into sale and purchase agreements pursuant to which the KGL's subsidiary would acquire from the Group its entire holding of 25% of the equity interest in each of the project companies which own the land use rights of two land sites in Bayuquan, Yingkou City, Liaoning Province in Mainland China for a high-end composite development for an aggregate cash consideration of RMB100,268,000 (equivalent to US$16,230,000). The disposal was completed in July 2013. Details of such transaction are provided under Note 37(d).

Notes:

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

ii. These transactions include continuing connected transactions as defined in Chapter 14A of Listing Rules of US$1,034,000 which are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries:

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Percentage holding in the voting shares Indirect	Nature of business	Notes
Seanoble Assets Limited	The British Virgin Islands	HK$578,083,745	100	–	Investment holding	1
Shangri-La Asia Treasury Limited	The British Virgin Islands	HK$780	100	–	Group financing	1
Shangri-La China Limited	Hong Kong	HK$1,162,500,000	–	100	Investment holding	1
Shangri-La Hotels (Europe)	Luxembourg	EUR140,100,000	100	–	Investment holding	
Kerry Industrial Company Limited	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,000,000	–	100	Investment holding	1
Shangri-La Hotel (Kowloon) Limited	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,000,000	–	100	Hotel ownership and operation	1
Shangri-La International Hotels (Pacific Place) Limited	Hong Kong	Ordinary HK$5,000 Non-voting deferred HK$10,000,000	–	80	Hotel ownership and operation	1
Shenzhen Shangri-La Hotel Limited	The People's Republic of China	US$32,000,000	–	72	Hotel ownership and operation	2,5,7

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Beihai Shangri-La Hotel Ltd.	The People's Republic of China	US$16,000,000	–	100	Hotel ownership and operation	6,7
Shanghai Pudong New Area Shangri-La Hotel Co., Ltd.	The People's Republic of China	US$47,000,000	–	100	Hotel ownership and operation	2,4,7
Shenyang Traders Hotel Ltd.	The People's Republic of China	US$39,040,470	–	100	Hotel ownership and operation	6,7
Changchun Shangri-La Hotel Co., Ltd.	The People's Republic of China	RMB167,000,000	–	100	Hotel ownership and operation and real estate operation	6,7
Jilin Province Kerry Real Estate Development Ltd	The People's Republic of China	RMB25,000,000	–	100	Real estate development and operation	6,7
Qingdao Shangri-La Hotel Co., Ltd.	The People's Republic of China	US$79,000,000	–	100	Hotel ownership and operation and real estate development and operation	6,7
Dalian Shangri-La Hotel Co., Ltd.	The People's Republic of China	US$111,053,336	–	100	Hotel ownership and operation and real estate development and operation	6,7

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Xian Shangri-La Golden Flower Hotel Co., Ltd	The People's Republic of China	US$12,000,000	–	100	Hotel ownership and operation	4,7
Harbin Shangri-La Hotel Co., Ltd.	The People's Republic of China	US$20,767,000	–	100	Hotel ownership and operation	6,7
Wuhan Kerry Real Estate Development Co., Ltd.	The People's Republic of China	US$6,000,000	–	92	Real estate development and operation	5,7
Wuhan Shangri-La Hotel Co., Ltd.	The People's Republic of China	US$26,667,000	–	92	Hotel ownership and operation	5,7
Fujian Kerry World Trade Centre Co., Ltd.	The People's Republic of China	HK$700,000,000	–	100	Real estate development	3,6,7
Fuzhou Shangri-La Hotel Co., Ltd.	The People's Republic of China	US$22,200,000	–	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Chengdu) Co., Ltd.	The People's Republic of China	US$53,340,000	–	80	Hotel ownership and operation and real estate development and operation	6,7

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Percentage holding in the voting shares Indirect	Nature of business	Notes
Shangri-La Hotel (Guangzhou Pazhou) Co., Ltd.	The People's Republic of China	US$60,340,000	–	80	Hotel ownership and operation	6,7
Shangri-La Hotel (Shenzhen Futian) Co., Ltd.	The People's Republic of China	US$71,000,000	–	100	Hotel ownership and operation	2,6,7
Shangri-La Hotel (Ningbo) Co., Ltd.	The People's Republic of China	US$83,000,000	–	95	Hotel ownership and operation	6,7
Shangri-La Hotel (Wenzhou) Co., Ltd.	The People's Republic of China	US$46,250,000	–	75	Hotel ownership and operation	6,7
Shangri-La Hotel (Xian) Co., Ltd.	The People's Republic of China	US$42,800,000	–	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Guilin) Co., Ltd.	The People's Republic of China	US$53,750,000	–	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Baotou) Co., Ltd.	The People's Republic of China	US$24,400,000	–	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Huhhot) Co., Ltd.	The People's Republic of China	US$43,670,000	–	100	Hotel ownership and operation	6,7

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Shangri-La Hotel (Manzhouli) Co., Ltd.	The People's Republic of China	US$38,615,000	–	100	Hotel ownership and operation	6,7
Shangri-La Hotel (Zhoushan) Co., Ltd.	The People's Republic of China	RMB120,000,000	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Hefei) Co., Ltd.	The People's Republic of China	US$70,800,000	–	100	Hotel ownership and operation	3,6,7
Glory Cheer Development (Qinhuangdao) Co., Ltd.	The People's Republic of China	RMB455,151,100	–	100	Hotel ownership and operation	3,6,7
Sanya Shangri-La Hotel Co., Ltd.	The People's Republic of China	RMB961,033,500	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Lhasa) Co., Ltd.	The People's Republic of China	US$66,000,000	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Qufu) Co., Ltd.	The People's Republic of China	RMB609,000,000	–	100	Hotel ownership and operation	6,7
Ji Xiang Real Estate (Nanjing) Co., Ltd.	The People's Republic of China	RMB750,000,000	–	55	Hotel ownership and operation	3,6,7

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Shangri-La Hotel (Diqing) Co., Ltd.	The People's Republic of China	RMB271,255,000	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Xiamen) Co., Ltd.	The People's Republic of China	RMB289,519,800	–	100	Hotel ownership and operation	3,6,7
Dalian Wolong Bay Shangri-La Hotel Co., Ltd.	The People's Republic of China	RMB430,000,000	–	100	Hotel ownership and operation and real estate development and operation	3,6,7
Kerry Real Estate (Yangzhou) Co., Ltd.	The People's Republic of China	US$58,000,000	–	100	Hotel ownership and operation and real estate development	6,7
Harbin Songbei Shangri-La Hotel Co., Ltd.	The People's Republic of China	RMB372,843,360	–	100	Hotel ownership and operation	3,6,7
Shangri-La Hotel (Zhuhai) Co., Ltd.	The People's Republic of China	RMB83,213,050	–	100	Hotel ownership and operation and operation of staff training academy	3,6,7

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Percentage holding in the voting shares Indirect	Nature of business	Notes
Shangri-La Ulaanbaatar LLC	The Republic of Mongolia	US$5,000,000	–	51	Office ownership and operation	
Shangri-La Ulaanbaatar Hotel LLC	The Republic of Mongolia	US$20,000,000	–	51	Hotel ownership and operation	3
Makati Shangri-La Hotel & Resort, Inc.	The Philippines	Peso1,100,000,000	–	100	Hotel ownership and operation	
Edsa Shangri-La Hotel & Resort, Inc.	The Philippines	Peso792,128,700	–	100	Hotel ownership and operation	
Mactan Shangri-La Hotel & Resort, Inc.	The Philippines	Common Peso272,630,000 Preferred Peso170,741,500 Redeemable Common Peso285,513,000	–	93.95	Hotel ownership and operation	
Addu Investments Private Limited	The Republic of Maldives	Rufiyaa 640,000,000	–	70	Hotel ownership and operation	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Traders Hotel Male' Private Limited	The Republic of Maldives	Rufiyaa 64,000,000	–	100	Hotel ownership and operation	
Yanuca Island Limited	Fiji	F$1,262,196	–	71.64	Hotel ownership and operation	2
Shangri-La Hotel Limited	Singapore	S$165,433,560	–	100	Investment holding, hotel ownership and operation and leasing of residential and serviced apartments	2
Sentosa Beach Resort Pte Ltd	Singapore	S$30,000,000	–	100	Hotel ownership and operation	2
Shangri-La Hotels (Malaysia) Berhad	Malaysia	RM440,000,000	–	52.78	Investment holding and hotel ownership and operation	
Shangri-La Hotel (KL) Sdn Bhd	Malaysia	RM150,000,000	–	52.78	Hotel ownership and operation	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Golden Sands Beach Resort Sdn Bhd	Malaysia	RM6,000,000	–	52.78	Hotel ownership and operation	
Komtar Hotel Sdn Bhd	Malaysia	RM6,000,000	–	31.67	Hotel ownership and operation	
Pantai Dalit Beach Resort Sdn Bhd	Malaysia	RM135,000,000	–	64.59	Hotel and golf club ownership and operation	
UBN Tower Sdn Bhd	Malaysia	RM500,000	–	52.78	Property investment and office management	
UBN Holdings Sdn Bhd	Malaysia	RM45,000,000	–	52.78	Investment holding and property investment	
Traders Yangon Company Limited	Myanmar	Kyat21,600,000	–	59.16	Hotel ownership and operation	
Shangri-La Yangon Company Limited	Myanmar	Kyat11,880,000	–	55.86	Serviced apartments	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Shangri-La Hotel Public Company Limited	Thailand	Baht1,300,000,000	–	73.61	Hotel, serviced apartments and office ownership and operation	2
Shangri-La Hotels (Paris) SARL	France	EUR13,772,210	–	100	Hotel ownership and operation	2
Shangri-La Hotels Japan K.K.	Japan	YEN902,500,000	–	100	Hotel ownership and operation	2
Shangri-La Hotel (Cairns) Pty Limited	Australia	AUD8,250,000	–	100	Investment holding and hotel operation	
Abelian Pty Limited	Australia	AUD1	–	100	Investment holding and hotel operation	
Roma Hotel Pty Limited	Australia	AUD34,000,000	–	100	Hotel ownership and operation	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Percentage holding in the voting shares Indirect	Nature of business	Notes
Lilyvale Hotel Pty. Ltd.	Australia	Ordinary AUD140,000,004 Redeemable preference AUD125,000,000	–	100	Hotel ownership and operation	
Shangri-La Hotels Lanka (Private) Limited	Sri Lanka	LKR2,219,000,000	–	90	Hotel ownership and operation and real estate development and operation	3
Shangri-La Investments Lanka (Private) Limited	Sri Lanka	LKR1,214,245,300	–	90	Hotel ownership and operation	3
Shangri-La Hotel (Ghana) Limited	The Republic of Ghana	GHS1,500,000	–	100	Hotel ownership and operation	3
Turati Properties S.r.l.	Italy	EUR10,000	–	100	Hotel ownership and operation	2,3
SLIM International Limited	Cook Islands	US$1,000	100	–	Investment holding	1

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(a) At 31 December 2013, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Shangri-La International Hotel Management Limited	Hong Kong	HK$10,000,000	–	100	Hotel management, marketing, consultancy and reservation services	1
Shangri-La Hotel Management (Shanghai) Co., Ltd.	The People's Republic of China	US$140,000	–	100	Hotel management, marketing and consultancy services	6,7
Shangri-La International Hotel Management B.V.	The Netherlands	EUR18,151	–	100	Licensing use of intellectual property rights	

Notes:

1 Subsidiaries audited by PricewaterhouseCoopers, Hong Kong.

2 Subsidiaries audited by other member firms of PricewaterhouseCoopers.

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

4 Co-operative Joint Venture.

5 Equity Joint Venture.

6 Wholly Foreign Owned Enterprise.

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

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2013, the Group held interests in the following principal associates:

Name	Place of establishment/operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
China World Trade Center Ltd.	The People's Republic of China	50	Hotel ownership and operation and property investment	2
Beijing Shangri-La Hotel Co., Ltd.	The People's Republic of China	38	Hotel ownership and operation	
Hangzhou Shangri-La Hotel Ltd.	The People's Republic of China	45	Hotel ownership and operation	
Seacliff Limited	The People's Republic of China	30	Hotel ownership and operation and property investment	1
Beijing Jia Ao Real Estate Development Co., Ltd.	The People's Republic of China	23.75	Real estate development and operation	2
Beijing Kerry Hotel Co., Ltd.	The People's Republic of China	23.75	Hotel ownership and operation	2
Shanghai Xin Ci Hou Properties Co., Ltd.	The People's Republic of China	24.75	Real estate development and operation	2
Shanghai Ji Xiang Properties Co., Ltd.	The People's Republic of China	49	Hotel ownership and operation and property investment	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2013, the Group held interests in the following principal associates: (continued)

Name	Place of establishment/operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
Shanghai Pudong Kerry City Properties Co., Ltd.	The People's Republic of China	23.20	Hotel ownership and operation and property investment	
Tianjin Kerry Real Estate Development Co., Ltd.	The People's Republic of China	20	Hotel ownership and operation and property investment	3
Kerry Real Estate (Nanchang) Co., Ltd.	The People's Republic of China	20	Hotel ownership and operation and property investment	3
Hengyun Real Estate (Tangshan) Co., Ltd.	The People's Republic of China	35	Property investment	3
Ruihe Real Estate (Tangshan) Co., Ltd.	The People's Republic of China	35	Hotel ownership and operation	3
Xiang Heng Real Estate (Jinan) Co., Ltd.	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Kerry (Shenyang) Real Estate Development Co., Ltd.	The People's Republic of China	25	Property investment	3

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2013, the Group held interests in the following principal associates: (continued)

Name	Place of establishment/operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
Sheng Xiang Real Estate (Shenyang) Co., Ltd.	The People's Republic of China	25	Property investment	3
Shangri-La Hotel (Shenyang) Co., Ltd.	The People's Republic of China	25	Hotel ownership and operation	3
Kerry Real Estate (Hangzhou) Co., Ltd.	The People's Republic of China	25	Hotel ownership and operation and property investment	3
Full Fortune Real Estate (Putian) Co, Ltd	The People's Republic of China	40	Property investment	3
Well Fortune Real Estate (Putian) Co., Ltd.	The People's Republic of China	40	Hotel ownership and operation	3
Zhengzhou Yuheng Real Estate Co., Ltd.	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Jian'an Real Estate (Kunming) Co., Ltd.	The People's Republic of China	45	Hotel ownership and operation	3
Cuscaden Properties Pte Ltd	Singapore	44.60	Hotel ownership and operation and property investment	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2013, the Group held interests in the following principal associates: (continued)

Name	Place of establishment/operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
Tanjong Aru Hotel Sdn. Bhd.	Malaysia	40	Hotel ownership and operation	
PT Swadharma Kerry Satya	Indonesia	25	Hotel ownership and operation	2
Fine Winner Holdings Limited	Hong Kong	30	Hotel ownership and operation	1
Shang Global City Properties, Inc.	The Philippines	40	Land ownership	3
Fort Bonifacio Shangri-La Hotel, Inc.	The Philippines	40	Hotel ownership and operation and property investment	3
Besiktas Emlak Yatirim ve Turizm Anonim Sirketi	Turkey	50	Hotel ownership and operation	3
PT Narendra Interpacific Indonesia	Indonesia	53.30	Hotel and golf club ownership and operation	3,4
Kerry Wines Limited	Hong Kong	20	Wines trading	1

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

(b) At 31 December 2013, the Group held interests in the following principal associates: (continued)

Notes:

1 Associates audited by PricewaterhouseCoopers, Hong Kong.

2 Associates audited by other member firms of PricewaterhouseCoopers.

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

4 This company is treated as an associate as at 31 December 2013 as the Group only has significant influence but not control according to the terms of the shareholder's agreement.

(c) The above tables list out the subsidiaries and associates of the Company as at 31 December 2013 which, in the opinion of the Directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries and associates would, in the opinion of the Directors, result in particulars of excessive length.

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

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

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

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
Traders Hotel, Shenyang 68 Zhong Hua Road, He Ping District, Shenyang 110001, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Changchun 569 Xian Road, Changchun 130061, The People's Republic of China	Hotel operation and commercial and residential rental	Medium lease
Shangri-La Hotel, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Hotel operation	Medium lease
Golden Flower Hotel, Xian 8 Chang Le Road West, Xian 710032, Shaanxi, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Harbin 555 You Yi Road, Dao Li District, Harbin 150018, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Wuhan 700 Jianshe Avenue, Hankou, Wuhan 430015, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Fuzhou 9 Xin Quan Nan Road, Fuzhou 350005, The People's Republic of China	Hotel operation	Long lease
Shangri-La Hotel, Guangzhou 1 Hui Zhan Dong Road, Hai Zhu District, Guangzhou 510308, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Chengdu 9 Binjiang Dong Road, Chengdu, Sichuan 610021, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
Shangri-La Hotel, Xian 38B Keji Road, Xian 710075, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Baotou 66 Min Zu East Road, Qing Shan District, Baotou 014030, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Yangzhou 472 Wen Chang Xi Lu, New Western District, Yangzhou, Jiangsu Province, 225009, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Huhhot 5 Xi Lin Guo Le South Road, Huhhot 010020, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease

Address	Existing use	Lease term
Futian Shangri-La, Shenzhen 4088 Yi Tian Road, Futian District, Shenzhen 518048, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Wenzhou 1 Xiangyuan Road, Wenzhou 325000, Zhejiang Province, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Ningbo 88 Yuyuan Road, Jiangdong District, Ningbo 315040, Zhejiang, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Guilin 111 Huan Cheng Bei Er Lu, Guilin 541004, Guangxi, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Manzhouli 99 Liudao Street, Manzhouli, Inner Mongolia, 021400, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
Makati Shangri-La, Manila Ayala Avenue, corner Makati Avenue, Makati City, Metro Manila 1200, The Philippines	Hotel operation	Medium lease
Edsa Shangri-La, Manila 1 Garden Way, Ortigas Centre, Mandaluyong City 1650, Metro Manila, The Philippines	Hotel operation	Medium lease
Shangri-La's Mactan Resort & Spa, Cebu Punta Engano Road, Lapu Lapu City, Cebu 6015, The Philippines	Hotel operation	Medium lease
Shangri-La's Boracay Resort & Spa Barangay Yapak, Boracay Island, Malay, Aklan 5608, The Philippines	Hotel operation	Medium lease
Shangri-La's Fijian Resort & Spa, Yanuca Island Yanuca Island, Coral Coast, Fiji Islands, Fiji	Hotel operation	Long lease
Shangri-La Hotel, Singapore 22 Orange Grove Road, Singapore 258350	Hotel operation	Freehold
Shangri-La's Rasa Sentosa Resort & Spa, Singapore 101 Siloso Road, Sentosa, Singapore 098970	Hotel operation	Long lease
Shangri-La Hotel, Kuala Lumpur 11 Jalan Sultan Ismail, Kuala Lumpur 50250, Malaysia	Hotel operation	Freehold
Shangri-La's Rasa Sayang Resort & Spa, Penang Batu Feringgi Beach, Penang 11100, Malaysia	Hotel operation	Freehold

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

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

Address	Existing use	Lease term
Shangri-La Hotel, Bangkok 89 Soi Wat Suan Plu, New Road, Bangrak, Bangkok 10500, Thailand	Hotel operation, residential and office rental	Freehold
Shangri-La Hotel, Chiang Mai 89/8 Chang Klan Road, Muang, Chiang Mai 50100, Thailand	Hotel operation	Freehold
Shangri-La's Villingili Resort & Spa, Maldives Villingili Island, Addu Atoll, The Republic of Maldives	Hotel operation	Medium lease
Traders Hotel, Maldives Ameer Ahmed Magu, Malé 20096, The Republic of Maldives	Hotel operation	Medium lease
Shangri-La Hotel, Tokyo Marunouchi Trust Tower Main, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-8283, Japan	Hotel operation	Medium lease for building

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

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

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

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

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
Shangri-La Hotel, Beijing 29 Zizhuyuan Road, Beijing 100089, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Hangzhou 78 Beishan Road, Hangzhou 310007, The People's Republic of China	Hotel operation	Medium lease
Kerry Hotel, Pudong, Shanghai 1388 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Hotel operation	Medium lease
Jing An Shangri-La, West Shanghai 1218 Middle Yan'an Road, Jing An Kerry Centre, West Nanjing Road, Shanghai 200040, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Shenyang 115 Qingnian Avenue, Shenhe District, Shenyang 110016, Liaoning, The People's Republic of China	Hotel operation	Medium lease
Traders Hotel, Singapore 1A Cuscaden Road, Singapore 249716	Hotel operation	Long lease
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu 20 Jalan Aru, Kota Kinabalu, Sabah 88100, Malaysia	Hotel operation	Long lease
Shangri-La Hotel, Jakarta Kota BNI, Jalan Jend. Sudirman Kav. 1, Jakarta 10220, Indonesia	Hotel operation	Medium lease
Traders Hotel, Hong Kong 508 Queen's Road West, Western District, Hong Kong	Hotel operation	Long lease

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

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

Address	Existing use	Lease term
Shangri-La Residences, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Residential rental	Medium lease
Shangri-La Centre, Chengdu 9 Binjiang Dong Road Chengdu, Sichuan 610021, The People's Republic of China	Office and commercial rental	Medium lease
Shangri-La Centre, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Office and commercial rental	Medium lease
Central Tower, Ulaanbaatar 2 Sukhbaatar Square, SBD-8, Ulaanbaatar 210620a, The Republic of Mongolia	Office rental	Long lease
Shangri-La Apartments, Singapore 1 Anderson Road, Singapore 259983	Residential rental	Freehold
Shangri-La Residences, Singapore 1A Lady Hill Road, Singapore 258685	Residential rental	Freehold
UBN Tower, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, Kuala Lumpur 50250, Malaysia	Office and commercial rental	Freehold
UBN Apartments, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, Kuala Lumpur 50250, Malaysia	Residential rental	Freehold
Shangri-La Residences, Yangon Kan Yeik Tha Street, Yangon, Myanmar	Residential rental	Medium lease

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
China World Trade Center 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Office, commercial, residential and exhibition hall space rental	Medium lease
Century Towers, Beijing 18 Guang Qu Men Wai Avenue, Beijing 100022, The People's Republic of China	Residential rental	Long lease
Shanghai Centre 1376 Nanjing Road West, Suite 710, Shanghai 200040, The People's Republic of China	Hotel operation and office, commercial, residential and exhibition hall space rental	Medium lease
Beijing Kerry Centre 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Office, commercial and residential rental	Medium lease
Jing An Kerry Centre 1218, 1228 and 1238 Yanan Zhong Road, 1539, 1551 and 1563 Nanjing Xi Road, 1515 Nanjing Road West, Jing An District, Shanghai 200040, The People's Republic of China	Office, commercial and residential rental	Medium lease
Kerry Parkside Shanghai Pudong 1378 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Office, commercial and residential rental	Medium lease

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (continued)

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

Address	Existing use	Lease term
Tanglin Mall, Singapore 163 Tanglin Road, Singapore 247933	Commercial rental	Long lease
Tanglin Place, Singapore 91 Tanglin Road, Singapore 247918	Office and commercial rental	Freehold

44 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

The Group executed a 5-year unsecured bank loan agreement of HK$1,000,000,000 (equivalent to US$129,032,000), a 5-year unsecured bank loan agreement of RMB300,000,000 (equivalent to US$49,489,000) and a 5-year unsecured bank loan agreement of US$32,000,000. The Group cancelled an undrawn bank loan facility of US$70,000,000.

45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 19 March 2014.

FIVE YEAR SUMMARY

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

	Year ended 31 December				
	2013	2012	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated)			
Results					
Profit attributable to:					
Equity holders	392,298	358,986	252,979	287,076	255,499
Non-controlling interests	48,818	23,311	30,885	25,850	5,247

	As at 31 December				
	2013	2012	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated)	(Restated)		
Assets and liabilities					
Total assets	12,898,257	11,919,120	9,971,916	8,538,616	7,814,700
Total liabilities	6,030,913	5,391,570	3,945,784	3,548,409	3,269,403
Total equity	6,867,344	6,527,550	6,026,132	4,990,207	4,545,297

Note: The comparative figures of the profit for the year ended 31 December 2012 and the assets and liabilities as at 31 December 2011 and 2012 are restated in accordance with the revised HKAS 19. The comparative figures of the profits for the year ended 31 December 2009, 2010 and 2011 as well as the assets and liabilities as at 31 December 2009 and 2010 have not been restated as there was no adequate information and the effect on the adoption of revised HKAS 19 is considered to be not material.

ABBREVIATIONS

In this Annual Report (except for the independent Auditor's report and the Financial Statements), the following expressions have the following meanings:

"Annual General Meeting"	forthcoming 2014 annual general meeting of the Company
"Annual Report"	this 2013 annual report of the Company
"Audit Committee"	audit committee of the Company
"Auditor"	statutory auditor of the Company, currently being PricewaterhouseCoopers, Hong Kong
"Board"	board of Directors
"Bye-Laws"	bye-laws of the Company
"CEO", "CFO" and "COO"	respectively the chief executive officer, the chief financial officer and the chief operating officer of the Company
"CG Model Code"	code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules from time to time
"CG Principles"	corporate governance principles of the Company adopted by the Board on 19 March 2012 and as revised from time to time, and such principles align with and/or incorporate terms that are stricter than the CG Model Code, save for that disclosed in the corporate governance report in this Annual Report
"Chairman" or "Deputy Chairman"	respectively chairman and deputy chairman of the Board
"China" or "Mainland China"	The People's Republic of China, excluding Hong Kong and Macau
"Company"	Shangri-La Asia Limited
"Director(s)"	director(s) of the Company
"Directors' Report"	report of the Directors as set out in this Annual Report
"EBITDA"	earnings before interest expenses on loans and bonds issued, tax, depreciation and amortization, gain or loss on disposal of fixed assets and interest in investee companies and excludes fair value gains on investment properties, fair value gains or losses on interest-rate swap contracts and financial assets held for trading, negative goodwill arising from acquisition of subsidiaries, impairment loss on goodwill and fixed assets; and stamp duty paid for acquisition of subsidiaries

"Executive Committee"	executive committee of the Company
"Executive Director(s)" or "ED(s)"	executive Director(s)
"Financial Statements"	consolidated financial statements of the Group for the Financial Year as set out on pages 75 to 192 of this Annual Report
"Financial Year"	financial year ended 31 December 2013
"Group"	Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSE"	The Stock Exchange of Hong Kong Limited
"Independent Non-executive Director(s)" or "INED(s)"	independent non-executive Director(s)
"KGL"	Kerry Group Limited, a Substantial Shareholder, and a connected person of the Company
"KHL"	Kerry Holdings Limited, a Substantial Shareholder and a subsidiary of KGL, and a connected person of the Company
"KPL"	Kerry Properties Limited, whose controlling shareholders include KHL and KGL, and thus is an associate of each of them, and accordingly a connected person of the Company
"Listing Rules"	Rules Governing the Listing of Securities on HKSE
"Malaysia-SE"	Bursa Malaysia Securities Berhad, the stock exchange in Malaysia
"Nomination Committee"	nomination committee of the Company
"Non-executive Director(s)" or "NED(s)"	non-executive Director(s)
"Philippines-SE"	The Philippine Stock Exchange, Inc
"Remuneration Committee"	remuneration committee of the Company
"Securities Model Code"	code set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules from time to time
"Securities Principles"	principles for securities transactions by Directors or any non-Directors of the Company adopted by the Board on 19 March 2012 and as revised from time to time, and such principles align with and/or incorporate terms that are stricter than the Securities Model Code

ABBREVIATIONS

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$1.00 each in the Company
"Shareholder(s)"	shareholder(s) of the Company
"Singapore-SE"	Singapore Exchange Securities Trading Limited
"SLIM"	SLIM International Limited, a wholly owned subsidiary of the Company incorporated in Cook Islands, and its subsidiaries (including SLIM-HK) and their principal businesses include the provision of hotel management services
"SLIM-HK"	Shangri-La International Hotel Management Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong and whose principal business is the provision of hotel management services
"substantial shareholder"	as defined in the Listing Rules, and "Substantial Shareholder" shall mean a substantial shareholder of the Company
"Thai-SE"	The Stock Exchange of Thailand
"Year End"	31 December 2013