



SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with Limited Liability)
Stock code: 69

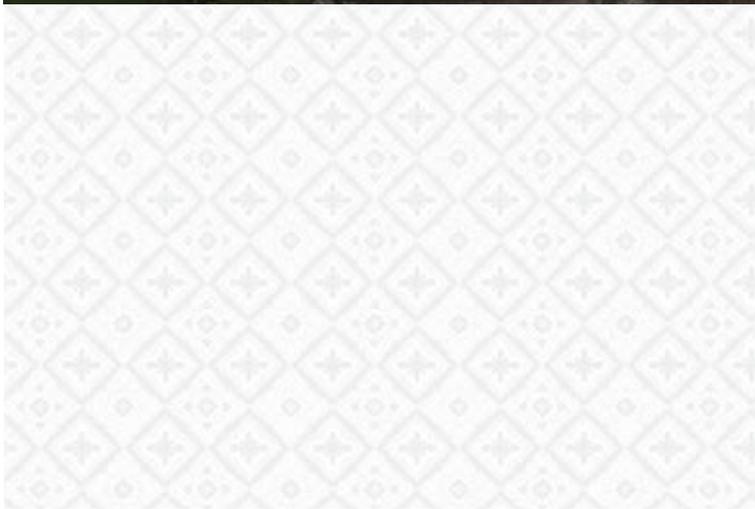
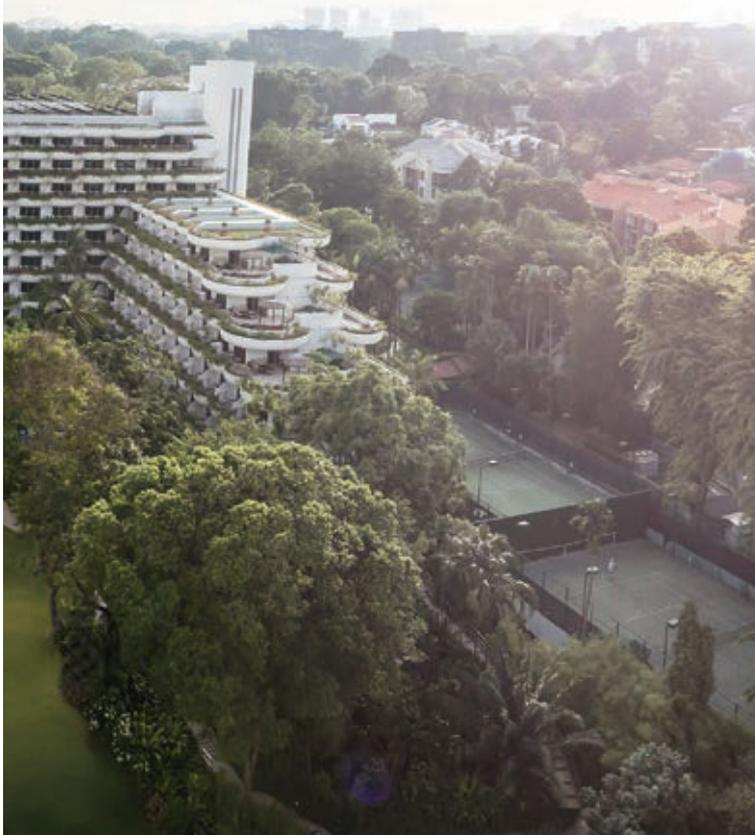


ANNUAL REPORT 2015

Shangri-La Hotel, Singapore
Celebrating 45 years of hospitality
and excellence in 2016

When the first Shangri-La hotel opened in 1971 it brought the new concept of a city-resort to Singapore. Set amidst 15 acres of landscaped tropical gardens in one of the most enviable locations in the heart of the city, the iconic Shangri-La Hotel, Singapore set the standard for what would become a global collection of hotels renowned for their hallmark hospitality from the heart.

In 2015, the hotel celebrated the 30th anniversary of its prestigious Valley Wing, which has become the accommodation of choice for heads of state, captains of industry and discerning travellers from around the world. Shangri-La Hotel, Singapore has three distinctive wings with 750 guestrooms, including the Tower Wing, Garden Wing and Valley Wing, as well as serviced apartments and villa residences.

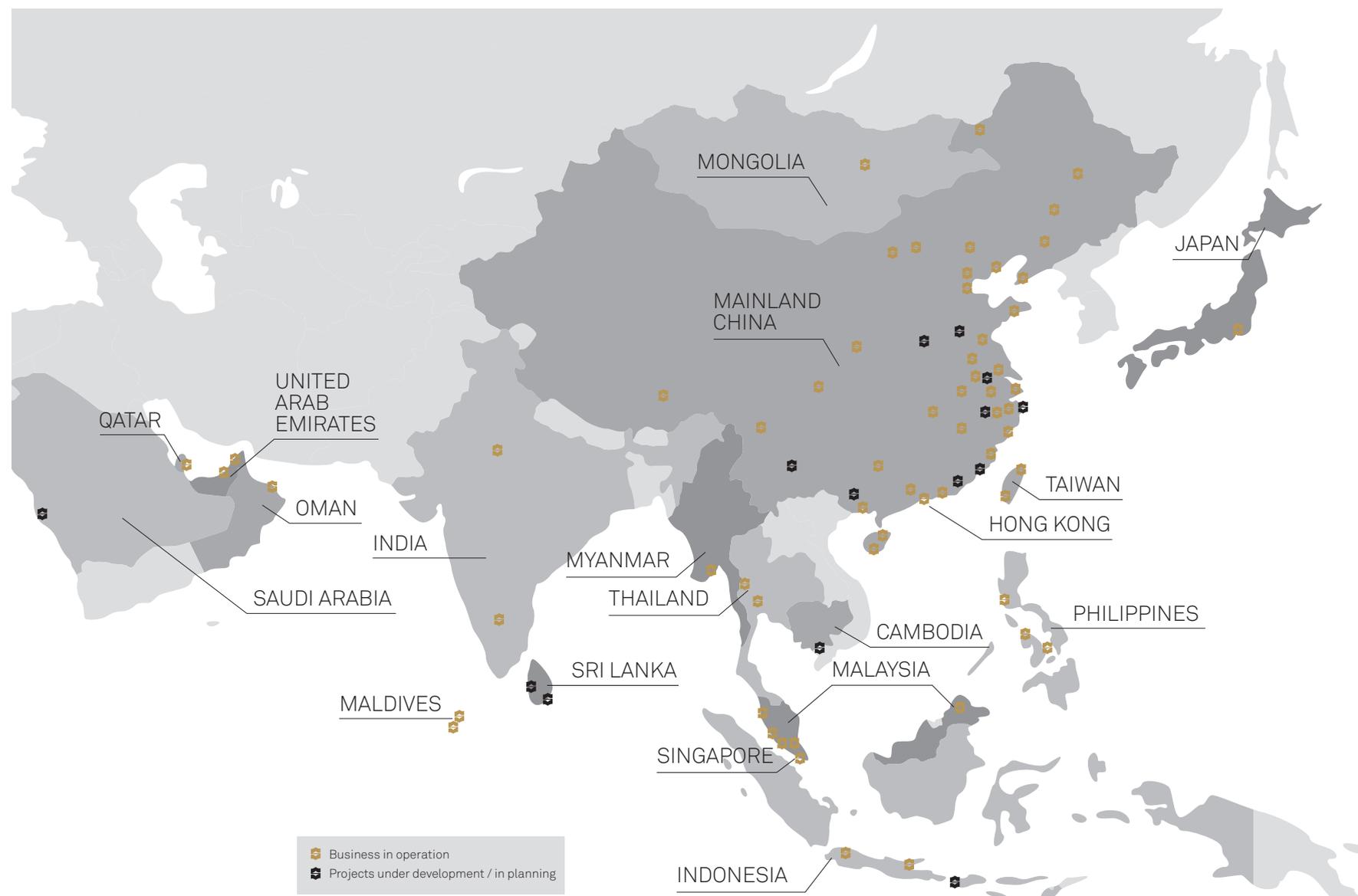


The Group's Business Presence

As at 5 April 2016

ASIA

- CAMBODIA**
 - Phnom Penh
- HONG KONG**
- INDIA**
 - Bengaluru
 - New Delhi
- INDONESIA**
 - Bali
 - Jakarta
 - Surabaya
- JAPAN**
 - Tokyo
- MAINLAND CHINA**
 - Baotou
 - Beihai
 - Beijing
 - Changchun
 - Changzhou
 - Chengdu
 - Dalian
 - Diqing
 - Fuzhou
 - Guangzhou
 - Guilin
 - Haikou
 - Hangzhou
 - Harbin
 - Hefei
 - Huhhot
 - Jinan
 - Kunming
 - Lhasa
 - Manzhouli
 - Nanchang
 - Nanjing
 - Nanning
 - Ningbo
- PHILIPPINES**
 - Boracay
 - Cebu
 - Manila
- QATAR**
 - Doha
- SAUDI ARABIA**
 - Jeddah
- SINGAPORE**
- SRI LANKA**
 - Colombo
 - Hambantota
- TAIWAN**
 - Tainan
 - Taipei
- THAILAND**
 - Bangkok
 - Chiang Mai
- UNITED ARAB EMIRATES**
 - Abu Dhabi
 - Dubai
- MALAYSIA**
 - Johor
 - Kota Kinabalu
 - Kuala Lumpur
 - Penang
 - Putrajaya
- MALDIVES**
 - Male
 - Villingili
- MONGOLIA**
 - Ulaanbaatar
- MYANMAR**
 - Yangon
- OMAN**
 - Muscat



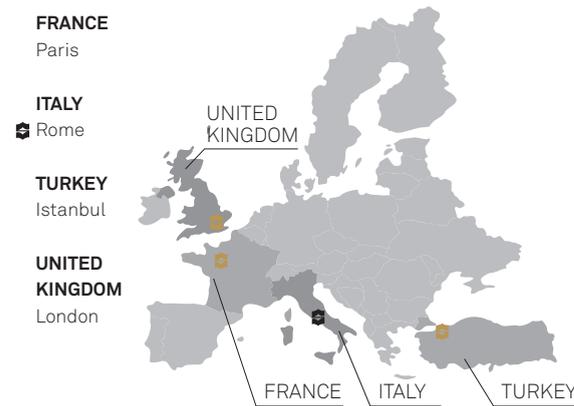
OCEANIA

- AUSTRALIA**
 - Brisbane
 - Cairns
 - Sydney
- FIJI**
 - Yanuca



EUROPE

- FRANCE**
 - Paris
- ITALY**
 - Rome
- TURKEY**
 - Istanbul
- UNITED KINGDOM**
 - London



AFRICA

- GHANA**
 - Accra
- MAURITIUS**
 - Mauritius



NORTH AMERICA

- CANADA**
 - Toronto
 - Vancouver



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Financial Highlights

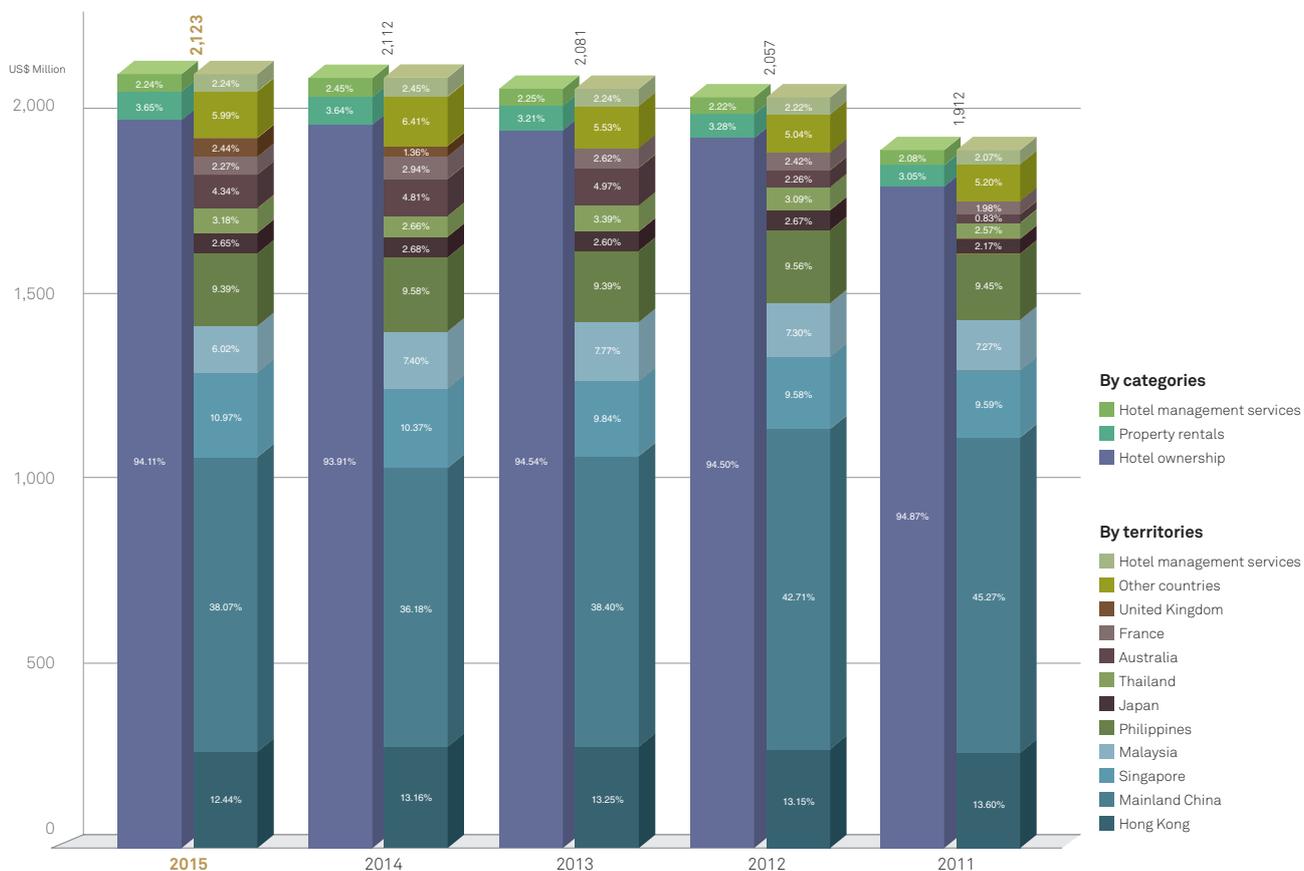
	2015	2014	2015/2014	2013	2012	2011
	US\$ Million	US\$ Million	% Change	US\$ Million	US\$ Million	US\$ Million

CONSOLIDATED

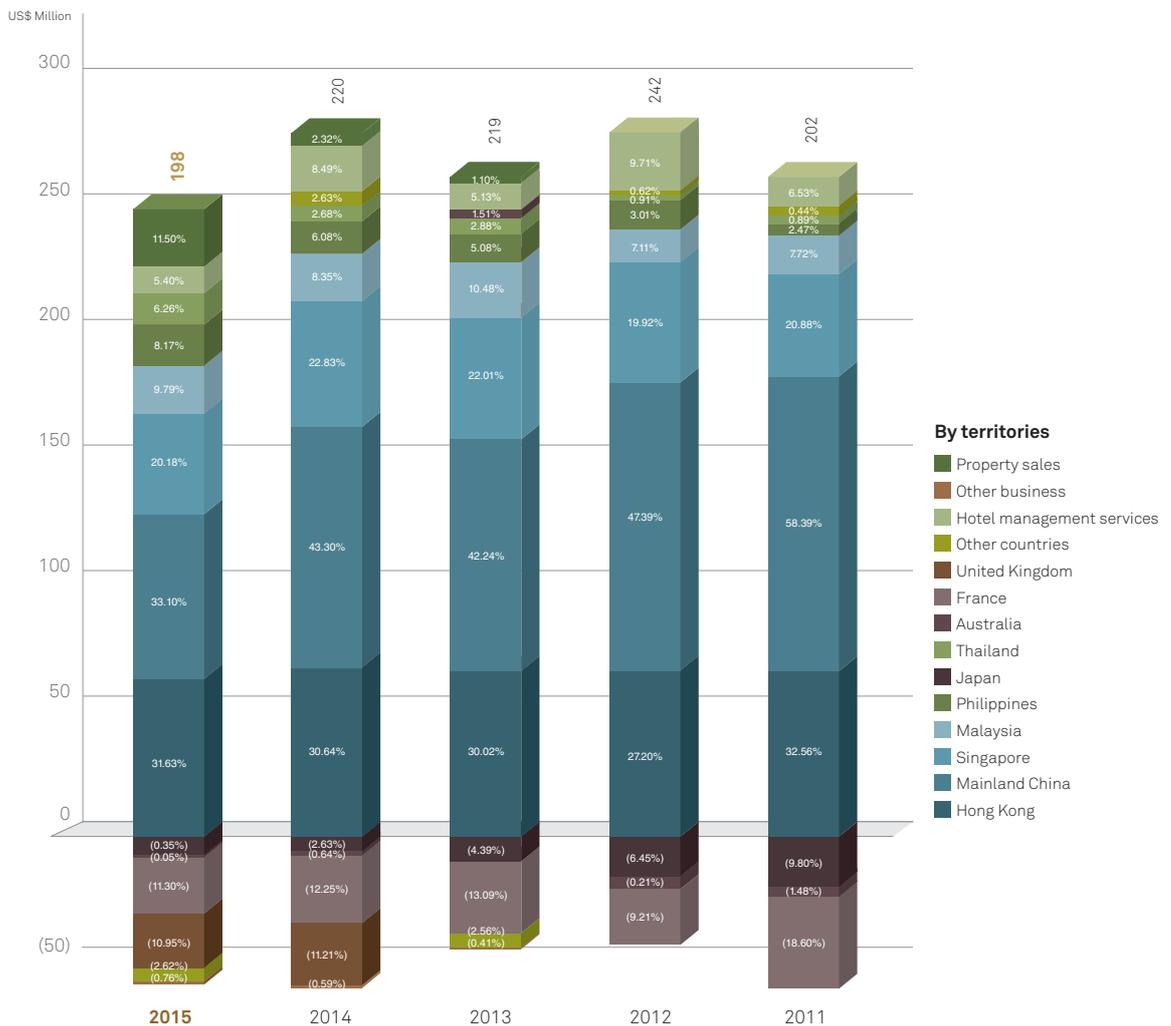
For the year ended 31 December

Sales	2,123	2,112	0.5%	2,081	2,057	1,912
Segment results	198	220	-10.0%	219	242	202
Profit attributable to equity holders of the Company	140	181	-22.5%	392	359	253
EBITDA	530	542	-2.3%	572	608	550
Earnings per share (US cents)	3.93	5.77	-31.9%	12.57	11.50	8.18
Total equity	6,890	7,439	-7.4%	6,867	6,528	6,026

SALES COMPOSITION

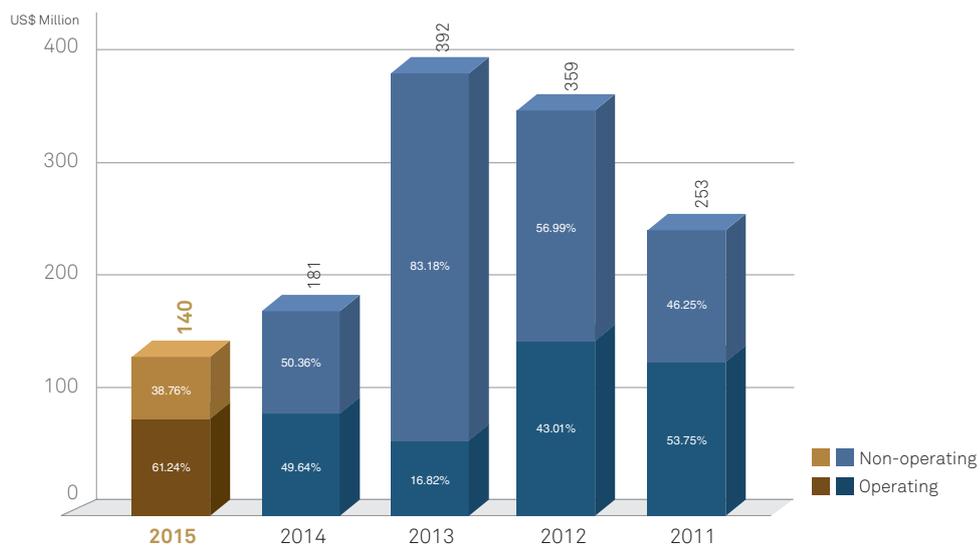


SEGMENT RESULTS

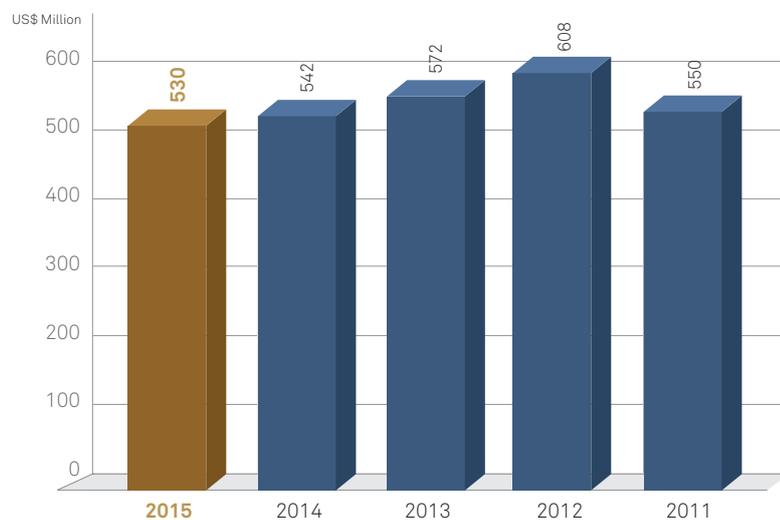


Financial Highlights

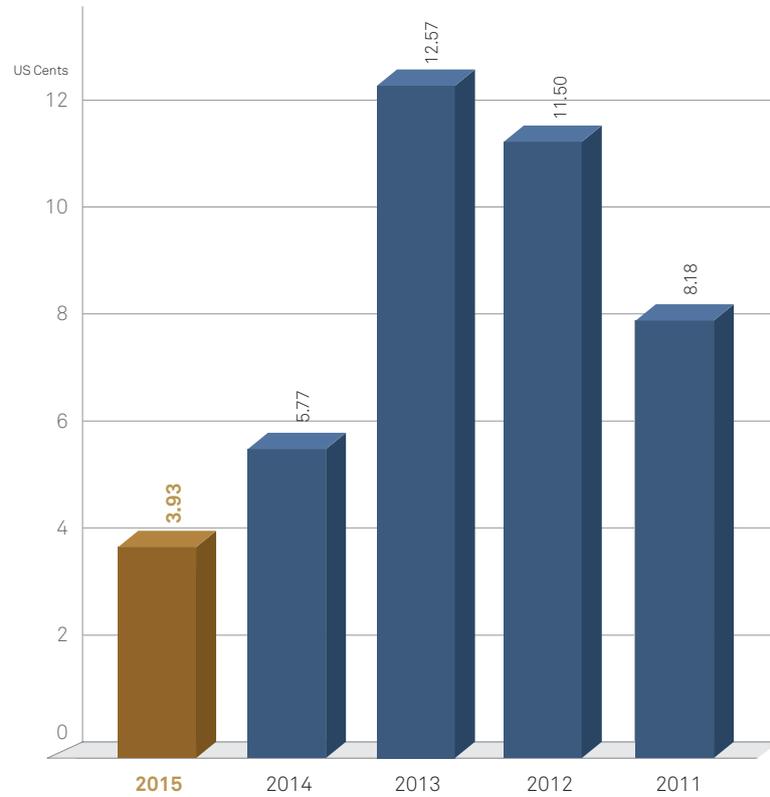
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



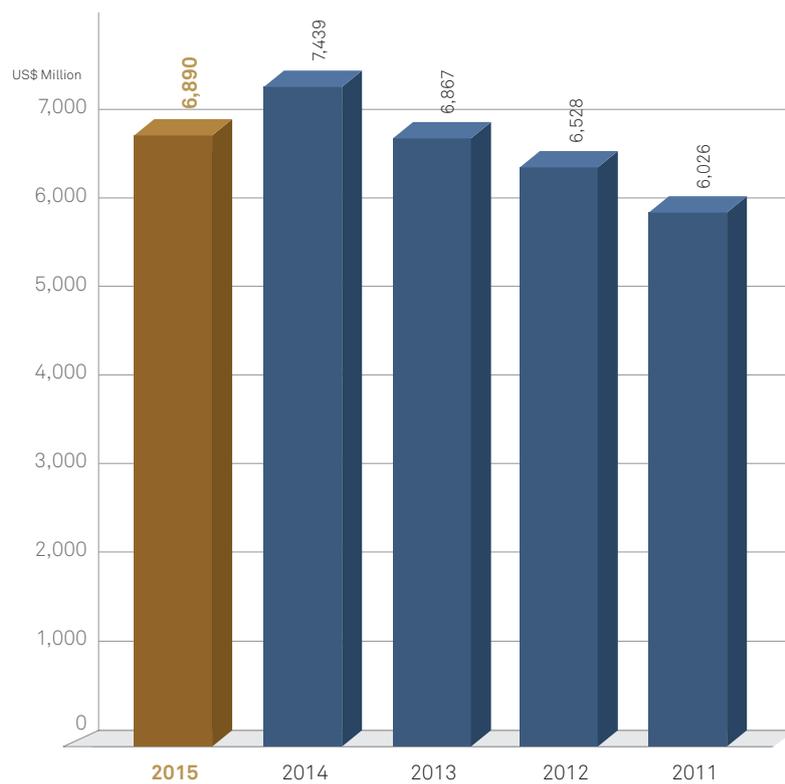
EBITDA



EARNINGS PER SHARE



TOTAL EQUITY

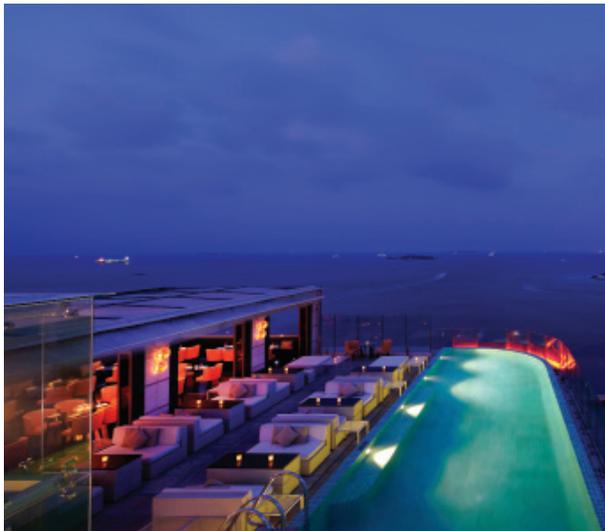


Year in Review

In 2015 the Group opened eight Shangri-La hotels, unveiled the renovated Shangri-La's Le Touessrok Resort & Spa, Mauritius, rebranded four properties Hotel Jen, and signed four management contracts with third parties for hotels under development.

JANUARY

- **Hotel Jen Malé** debuts in the capital city of Maldives following the rebranding of Traders Hotel, Malé.



Panoramic View from Azur – Hotel Jen Malé

FEBRUARY

- **Shangri-La Hotel, Nanchang** opens in the city's new central business district.



Lobby Lounge – Shangri-La Hotel, Nanchang

MARCH

- The first Hotel Jen in Mainland China – **Hotel Jen Upper East Beijing** – is unveiled with the rebranding of Traders Hotel Upper East Beijing.



Swimming Pool – Hotel Jen Upper East Beijing

- **Hotel Jen Shenyang** becomes the first Hotel Jen in northeast China following the rebranding of Traders Hotel, Shenyang.

APRIL

- **Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu** unveils an Ocean Wing extension, adding 83 spacious rooms to its premier wing.



Ocean Wing Lobby – Shangri-La's Rasa Ria Resort & Spa

- **Hotel Jen Puteri Harbour, Johor** in Malaysia becomes the 10th hotel to adopt the new Hotel Jen brand with its rebranding from Traders Hotel Puteri Harbour.



Aerial View – Hotel Jen Puteri Harbour, Johor

- SLIM-HK signs a management agreement for **Shangri-La Hotel, Phnom Penh**. The hotel, scheduled to open in 2019, will be part of a new mixed-use development located along the Mekong River.

MAY

- **Shangri-La Hotel, Qinhuangdao** opens at Golden Dream Bay, the city's finest address and latest residential and entertainment zone.



Lobby – Shangri-La Hotel, Qinhuangdao

- The shopping mall of **Tianjin Kerry Centre** (part of Phase I), in which the Group has a 25% equity interest, opens in the city's central business district on the east bank of Haihe River. Phase I development includes Tianjin Arcadia Court, Shangri-La Hotel, Tianjin and shopping mall.



Tianjin Kerry Centre

Year in Review

JUNE

- **Shangri-La Hotel, Ulaanbaatar** opens in Mongolia's capital and largest city. The hotel is connected to Ulaanbaatar's only luxury mixed-use development, the Shangri-La Centre, which is scheduled to open in 2016.



Bellman – Shangri-La Hotel, Ulaanbaatar

- The 27-storey **Shangri-La Hotel, Hefei** opens in the heart of China's Anhui province.



Shangri-La Hotel, Hefei

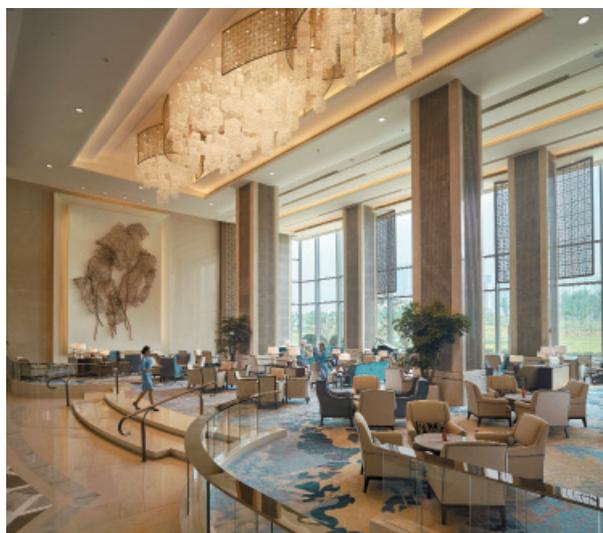
AUGUST

- **Hylandia by Shangri-La** opens in northwestern Yunnan in Diqing Tibetan Autonomous Prefecture in Shangri-La City.



Lodgers Lounge – Hylandia by Shangri-La

- **Shangri-La Hotel Tangshan** opens in Phoenix New Town, a new eco-oriented urban area adjacent to Tangshan's new financial and commercial hub.



Lobby Lounge – Shangri-La Hotel, Tangshan

- The Group disposes of its 55% equity interest in a **composite development project in Ghana** to a strategic partner, reducing its equity interest in the project from 100% to 45%.

SEPTEMBER

- **Shangri-La Hotel, Bengaluru** opens in South India's capital state of Karnataka at one of Bengaluru's premier addresses overlooking Bangalore Palace.



CHI Spa Treatment Room – Shangri-La Hotel, Bengaluru

- SLIM-HK signs a management contract for the first Hotel Jen in Borneo. **Hotel Jen Kota Kinabalu** is scheduled to open in 2018.



Hotel Rendering

NOVEMBER

- **Shangri-La's Le Toussierok Resort & Spa, Mauritius**, the legendary 34-acre oceanfront Mauritian hideaway, debuts following an extensive renovation.



Main Pool – Shangri-La's Le Toussierok Resort & Spa, Mauritius

- SLIM-HK signs a contract for the management and operation of **Shangri-La Hotel, Jeddah**. The first Shangri-La in Saudi Arabia is scheduled to open in early 2018.

DECEMBER

- **Shangri-La's loyalty programme, Golden Circle**, launches the #Loyaltyls campaign in celebration of its fifth anniversary. New programme benefits, partnerships and exclusive offers are to be rolled out through May 2016.
- SLIM-HK signs an agreement for the management of **Shangri-La Hotel, Yiwu**. Scheduled to open at the end of 2016, the hotel will form part of the upscale and newly built Yiwu World Trade Centre.
- **Hotel Jen Tanglin Singapore** unveils a fresh look following an extensive makeover. The major renovation completes its transition from Traders Hotel, Singapore.



Deluxe Room – Hotel Jen Tanglin

- **Shangri-La Hotel, Doha** opens in the commercial district of West Bay, marking Shangri-La's 95th hotel.



Shangri-La Hotel, Doha's Pool

Awards of the Year

Shangri-La Hotels and Resorts received the coveted title of "Best Business Hotel Brand in Asia-Pacific" for the 14th year running at the 2015 *Business Traveller* Asia Pacific Travel Awards.

- ◎ Best Luxury Hotel Brand, *TTG Travel Awards* 2015 (Asia)
- ◎ Luxury Hotel & Resort Operator of the Year, *TTG Travel Awards* 2015 (UK)
- ◎ Best Hotel Chain in Asia-Pacific, *DestinAsian Readers' Choice Awards* 2015 (Asia)
- ◎ Best Business Hotel Brand, *Business Traveller* 2015 (China)
- ◎ Best Business Hotel Brand in Asia Pacific, *Business Traveller* 2015 (Asia Pacific)
- ◎ Shangri-La Asia – index component, Dow Jones Sustainability Indices 2015

DestinAsian



- ◎ “Best Customer Service” and “Top 10 Best Hotels for Business Travel”, *Fortune & Travel + Leisure’s* The Best in Business Travel 2015 (US)
- ◎ Top Ten “World’s Most Popular Luxury Hotel Brands, Luxury Branding 2015” (UK)
- ◎ Best Hotel Group, *Oriental Morning Post* and *The Paper* The World Travel Awards 2015 (China)
- ◎ Best Hotel Group, *Voyage* Best Hotel & Resort Value Award 2015 (China)
- ◎ Best Hotel Group, *Shanghai Morning Post* Tourism Awards 2015 (China)
- ◎ Best Mobile Site, Mob-Ex Awards 2015 (Hong Kong)
- ◎ Best Hotel/Resort Group – Australian Federation of Travel Agents, National Industry Awards (Australia)
- ◎ The Most Popular Hotel Group Brand in China, *21st Century News* Golden Pillow Awards 2015 (China)
- ◎ China’s Most Popular Hotel Group, *MAG* 2015 (China)
- ◎ Best Real Estate Developer, Leisure/Hotels – Asia and The Philippines, *Euromoney* Real Estate Awards (Asia)



Chairman's Statement

On behalf of the Board, I would like to present the Annual Report of Shangri-La Asia Limited for the financial year ended 31 December 2015.

Both the global and the regional business environment continued to be challenging throughout the year. The operating performance of the Group's hotel portfolio was impacted by weakening local currencies and the slow rate of supply absorption of new hotel rooms in certain markets.

Consolidated revenues increased by 1% over 2015 to US\$2,123 million. After tax profits (before non-operating items) attributable to shareholders decreased by 4% compared to 2014, to US\$85.8 million. However, after tax profits (inclusive of non-operating items) attributable to shareholders decreased by 23% to US\$140.1 million due to the impairment provision made in respect of hotels amounting to US\$71.4 million (net of non-controlling interests) during the year.

A final dividend of HK 5 cents per ordinary share has been proposed, which when added to the interim dividend will amount to a total dividend of HK 10 cents per share for the financial year.

During the year, the Group opened eight new hotels (two owned by third party interests) and an extension to an existing resort in Malaysia, and signed management contracts for four new hotels being developed by third parties.



Hotel Jen Orchardgateway Singapore

As in the previous financial year, the performance of our investment property portfolio continued to record a healthy improvement. This has made a positive contribution to the Group's results for the year. With well-located premium properties and additions to this portfolio in the next few years, this trend is expected to continue for the foreseeable future.

I wish to thank all our staff and management for their commitment, hard work, and trust, and my fellow Directors for their continued support and guidance.

KUOK Khoon Chen

Chairman

24 March 2016

Board of Directors, Company Secretary and Senior Management

As at 5 April 2016

EXECUTIVE DIRECTORS



KUOK Khoon Chen

Aged 61, Malaysian

Executive Director

Chairman and CEO

Period of service with the Group

- ED and Chairman from September 1997 to October 2000
- ED, CEO and Chairman since August 2013

Other current major position(s) held within the Group

- Executive Committee – chairman
- Nomination Committee – chairman
- Remuneration Committee – member
- SLIM-HK – chairman

Directorship of listed companies in past 3 years

- China World Trade Center Company Limited (listed on the Shanghai stock exchange), an associate of the Company – executive director since May 2002
- Wilmar International Limited (listed on the Singapore stock exchange) – non-executive director since February 2010
- KPL (listed on HKSE) – executive director and chairman from June 2008 to August 2013

Academic/professional qualification(s)

- Bachelor's degree in Economics – Monash University, Australia

Relationship with significant shareholders

- **Shareholding interest**
 - KGL (Substantial Shareholder) – deemed interest of more than 5%
 - Kuok Brothers Sdn Berhad (Other Major Shareholder) – deemed interest of more than 5%
 - Kuok (Singapore) Limited (Other Major Shareholder) – deemed interest of less than 5%
- **Directorship/office/employment**
 - KGL (Substantial Shareholder) – managing director and deputy chairman
 - KHL (Substantial Shareholder) – managing director and chairman
 - Paruni Limited (Substantial Shareholder) – chairman
 - Kuok Brothers Sdn Berhad (Other Major Shareholder) – chairman

Relationship with Directors and Senior Management

- LIU Kung Wei Christopher (ED) is the son of his cousin
- KUOK Hui Kwong (NED) is his sister
- TEO Ching Leun (company secretary) is his cousin

Board of Directors, Company Secretary and Senior Management

As at 5 April 2016



LUI Man Shing

Aged 72, Chinese

Executive Director

Deputy Chairman

Period of service with the Group

- ED since March 2002
- Deputy Chairman since March 2007

Other current major position(s) held within the Group

- Executive Committee – member

Directorship of listed companies in past 3 years

- Shangri-La Hotel Public Company Limited (listed on the Thailand stock exchange), a subsidiary of the Company – vice chairman since May 1994; managing director since May 2013

Other experience and previous major appointments

- has significant management and consultancy experience in the hospitality and the property development industries since 1990

Relationship with significant shareholders

- **Shareholding interest**
 - KGL (Substantial Shareholder) – less than 5%
 - Kuok (Singapore) Limited (Other Major Shareholder) – less than 5%
- **Directorship/office/employment**
 - KHL (Substantial Shareholder) – director



Madhu Rama Chandra RAO

Aged 64, Indian

Executive Director

CFO (will retire as CFO on 15 April 2016)

Period of service with the Group

- joined the Group as group financial controller in 1988
- CFO since 1997
- ED since December 2008

Other current major position(s) held within the Group

- Executive Committee – member
- SLIM-HK – vice chairman

Other experience and previous major appointments

- worked with a leading chartered accountancy practice in Mumbai, India for 17 years, including 12 years as partner

Academic/professional qualification(s)

- Bachelor's degree in Accountancy – University of Mumbai
- Fellow – Institute of Chartered Accountants of India

Relationship with significant shareholders

- **Shareholding interest**
 - KGL (Substantial Shareholder) – less than 5%



Gregory Allan DOGAN

Aged 51, British

Executive Director

Period of service with the Group

- joined the Group in 1997
- COO from August 2008 to April 2016
- ED since May 2010

Other current major position(s) held within the Group

- SLIM-HK – president and chief executive officer

Other experience and previous major appointments

- held managerial positions at luxury hotels in Spain, Dubai and China before joining the Group

Relationship with significant shareholders

- **Shareholding interest**
 - KGL (Substantial Shareholder) – less than 5%



LIU Kung Wei Christopher

Aged 48, Malaysian

Executive Director

MD and COO

Period of service with the Group

- worked for the Group from January 2001 to September 2006
- rejoined the Group in May 2013 as executive vice president – projects
- ED, MD and COO since April 2016

Other experience and previous major appointments

- spearheaded the Group's development division and oversaw new hotel construction and renovation projects

Academic/Professional qualification(s)

- Bachelor of Architecture degree – Cornell University, New York, USA
- qualified architect

Relationship with significant shareholders

- **Shareholding interest**
 - KGL (Substantial Shareholder) – less than 5%

Relationship with Directors and Senior Management

- KUOK Khoon Chen (ED) is a cousin of his mother
- KUOK Hui Kwong (NED) is a cousin of his mother
- TEO Ching Leun (company secretary) is a cousin of his mother

Board of Directors, Company Secretary and Senior Management

As at 5 April 2016

NON-EXECUTIVE DIRECTORS



HO Kian Guan

Aged 70, Singaporean

Non-executive Director

Period of service with the Group

- NED since May 1993

Other current major position(s) held within the Group

- Audit Committee – member

Directorship of listed companies in past 3 years

- Keck Seng (Malaysia) Berhad (listed on the Malaysia stock exchange) – executive chairman since September 1970
- Keck Seng Investments (Hong Kong) Limited (listed on HKSE) – executive chairman since December 1979

Academic/professional qualification(s)

- Bachelor's degree in Business Administration and Commerce – Nanyang Technological University, Singapore

Relationship with Directors and Senior Management

- HO Kian Hock (his alternate) is his brother



KUOK Hui Kwong

Aged 38, Malaysian

Non-executive Director

Period of service with the Group

- NED since October 2014

Directorship of listed companies in past 3 years

- SCMP Group Limited (listed on HKSE) – executive director since February 2004
- The Post Publishing Public Company Limited (listed on the Thailand stock exchange) – director since November 2012
- China World Trade Center Company Limited (listed on the Shanghai stock exchange), an associate of the Company – director since April 2015

Other current major appointments

- Kerry Group Kuok Foundation (Hong Kong) Limited (charity organisation) – governor

Other experience and previous major appointments

- SCMP Group Limited – managing director and chief executive officer from January 2009 to June 2012

Academic/professional qualification(s)

- Undergraduate degree – Harvard University, USA

Relationship with significant shareholders

- **Shareholding interest**
 - KGL (Substantial Shareholder) – deemed interest of more than 5%
 - Kuok Brothers Sdn Berhad (Other Major Shareholder) – deemed interest of less than 5%
 - Kuok (Singapore) Limited (Other Major Shareholder) – deemed interest of less than 5%
- **Directorship/office/employment**
 - KHL (Substantial Shareholder) – director

Relationship with Directors and Senior Management

- KUOK Khoo Chen (ED) is her brother
- LIU Kung Wei Christopher (ED) is the son of her cousin
- TEO Ching Leun (company secretary) is her cousin



HO Kian Hock

Aged 68, Singaporean

Alternate Director (to HO Kian Guan)

Period of service with the Group

- alternate Director since November 2004

Directorship of listed companies in past 3 years

- Keck Seng (Malaysia) Berhad (listed on the Malaysia stock exchange) – managing director since June 1971
- Keck Seng Investments (Hong Kong) Limited (listed on HKSE) – deputy executive chairman since December 1979

Other experience and previous major appointments

- has over 40 years' experience in corporate planning and management

Academic/professional qualification(s)

- Bachelor of Science and Engineering degree – University of South Wales, Australia

Relationship with Directors and Senior Management

- HO Kian Guan (NED) is his brother

Board of Directors, Company Secretary and Senior Management

As at 5 April 2016

INDEPENDENT NON-EXECUTIVE DIRECTORS



Alexander Reid HAMILTON

Aged 74, British

Independent Non-executive Director

Period of service with the Group

- INED since November 2001

Other current major position(s) held within the Group

- Nomination Committee – member
- Remuneration Committee – chairman
- Audit Committee – chairman

Directorship of listed companies in past 3 years

- Esprit Holdings Limited (listed on HKSE) – independent non-executive director since August 1995
- COSCO International Holdings Limited (listed on HKSE) – independent non-executive director since June 2011
- JP Morgan China Region Fund Inc (a USA registered closed end fund quoted on the New York stock exchange) – independent non-executive director since December 1994
- CITIC Limited (listed on HKSE) – independent non-executive director from May 1994 to June 2015

Other current major appointments

- Octopus Cards Limited – independent non-executive director

Other experience and previous major appointments

- Price Waterhouse (currently known as PricewaterhouseCoopers) – partner for 16 years

Academic/professional qualification(s)

- Member – Institute of Chartered Accountants of Scotland
- Fellow – Hong Kong Institute of Certified Public Accountants
- Fellow – Institute of Directors



Timothy David DATTELS

Aged 58, American

Independent Non-executive Director

Period of service with the Group

- INED since February 2004

Directorship of listed companies in past 3 years

- BlackBerry Limited (listed on the Toronto stock exchange and NASDAQ) – director since July 2012

Other current major appointments

- TPG Capital Asia – managing partner

Other experience and previous major appointments

- Goldman Sachs – partner and managing director; head of investment banking for Asia ex-Japan from 1996 to 2000 and advised several leading Asian entrepreneurs and governments

Academic/professional qualification(s)

- Bachelor's degree – The University of Western Ontario, Canada
- MBA – Harvard Business School, USA



LI Kwok Cheung Arthur

Aged 70, Chinese

Independent Non-executive Director

Period of service with the Group

- INED since March 2011

Other current major position(s) held within the Group

- Nomination Committee – member
- Remuneration Committee – member
- Audit Committee – member

Directorship of listed companies in past 3 years

- The Bank of East Asia, Limited (listed on HKSE) – non-executive director since January 2008; non-executive deputy chairman since April 2009
- Nature Home Holding Company Limited (listed on HKSE) – independent non-executive director since May 2011
- The Wharf (Holdings) Limited (listed on HKSE) – independent non-executive director from July 2012 to August 2013
- AFFIN Holdings Berhad (listed on the Malaysia stock exchange) – non-executive director from May 2008 to December 2014
- BioDiem Limited (delisted from the Australia stock exchange in November 2013) – non-executive director from May 2010 to December 2014, and re-appointed as non-executive director from January 2016
- CaixaBank, SA (listed on the Spain stock exchanges) – director from November 2014 to December 2015

Other current major appointments

- Digital Broadcasting Corporation Hong Kong Limited – chairman
- The Executive Council of the Hong Kong Special Administrative Region – member
- Council for Sustainable Development of the Government of the Hong Kong Special Administrative Region – chairman
- The National Committee of the Chinese People's Political Consultative Conference – member
- The Chinese University of Hong Kong – emeritus professor of surgery
- The University of Hong Kong – council chairman

Other experience and previous major appointments

- The Chinese University of Hong Kong – vice-chancellor (president) from 1996 to 2002
- Education and Manpower Bureau of the Hong Kong Special Administrative Region – Secretary for Education and Manpower from 2002 to June 2007

Academic/professional qualification(s)

- Medical degree – University of Cambridge, UK

Board of Directors, Company Secretary and Senior Management

As at 5 April 2016



LEE Kai-Fu

Aged 54, Taiwanese

Independent Non-executive Director

Period of service with the Group

- INED since November 2015

Directorship of listed companies in past 3 years

- LightInTheBox Holding Company, Limited (listed on NASDAQ) – independent director since June 2013

Other current major appointments

- Innovation Works (China) – chairman and chief executive officer

Other experience and previous major appointments

- Google Greater China – president
- Microsoft Corp – corporate vice president
- Microsoft Research Asia (China) – founder and managing director
- Silicon Graphics Inc – vice president

Academic/professional qualification(s)

- Honorary Doctorate degree of Business Practice – Carnegie Mellon University, USA
- Honorary Doctorate degree – City University of Hong Kong
- Doctor of Philosophy in Computer Science – Carnegie Mellon University, USA
- Bachelor's degree in Computer Science – Columbia University, USA
- Fellow – Institute of Electrical and Electronics Engineers

COMPANY SECRETARY



TEO Ching Leun

Aged 55, Singaporean

Company Secretary

Period of service with the Group

- company secretary since March 2008

Academic/professional qualification(s)

- LLB (Hons) degree – National University of Singapore
- LLM degree in Laws – University of London, UK
- Solicitor – Hong Kong
- Solicitor – Supreme Court of England and Wales
- Advocate and solicitor – Supreme Court of Singapore

Relationship with Directors and Senior Management

- KUOK Khoon Chen (ED) is her cousin
- LIU Kung Wei Christopher (ED) is the son of her cousin
- KUOK Hui Kwong (NED) is her cousin

SENIOR MANAGEMENT



Darren GEARING

Aged 50, British

Executive Vice President

Period of service with the Group

- joined the Group in 1990

Current major responsibilities

- Shangri-La Hotel, At The Shard, London – general manager
- current portfolio includes hotels in Europe, North America, India and the Middle East

Other experience and previous major appointments

- previous portfolio includes hotels in Hong Kong, Beijing and Inner Mongolia



Wolfgang KRUEGER

Aged 51, German

Executive Vice President

Period of service with the Group

- joined the Group in 2001

Current major responsibilities

- current portfolio includes Shangri-La hotels in Hong Kong, Taiwan, Japan and Southern China, covering Guangzhou and Shenzhen

Other experience and previous major appointments

- managed major Shangri-La hotels in gateway cities such as Tokyo, Taipei and Manila
- has more than 20 years of hospitality experience
- management experience before joining the Group includes posts in UK, Turkey, Germany, USA and several countries in Asia



Jean-Michel OFFE

Aged 59, French

Executive Vice President – Development and Innovation

Period of service with the Group

- worked for the Group from August 1993 to October 2011
- rejoined the Group in June 2013

Current major responsibilities

- in charge of the execution and implementation of all new hotel concepts and visionary designs

Other experience and previous major appointments

- held various senior management positions at the Group's corporate office in Hong Kong and the Group's flagship hotels in Bangkok and Singapore
- has more than 30 years of luxury hotel experience

Academic/professional qualification(s)

- Diploma – CAP Cuisine Classique, Paris

Board of Directors, Company Secretary and Senior Management

As at 5 April 2016



PAW Chuen Kee

Aged 58, Singaporean

Executive Vice President

Period of service with the Group

- joined the Group in 1994

Current major responsibilities

- current portfolio includes hotels in Mainland China and Taiwan

Other experience and previous major appointments

- vice president of sales and marketing looking after regional sales offices and certain hotels in Mainland China
- has more than 30 years of hospitality experience and held management posts in Mainland China, USA and Singapore

Academic/professional qualification(s)

- Bachelor's degree in Hotel Management – Brigham Young University, USA



Lothar NESSMANN

Aged 56, German

Chief Operating Officer – Hotel Jen

Period of service with the Group

- worked for the Group from August 1993 to September 1998
- rejoined the Group in August 2001

Current major responsibilities

- current portfolio includes Hotel Jen and Traders, which have hotels in the Asia Pacific and Middle East regions
- leads the re-branding strategy of the Traders Hotels to the Hotel Jen Brand, along with the development of the Hotel Jen portfolio

Other experience and previous major appointments

- held management positions at Shangri-La hotels throughout Asia
- has about 30 years of luxury hotel experience and held posts in Mainland China, the Middle East and UK



Steven TAYLOR

Aged 41, British

Chief Marketing Officer

Period of service with the Group

- joined the Group in January 2015

Current major responsibilities

- oversees all functions across Shangri-La's sales and marketing division, including revenue management, sales, digital marketing, brand communications, loyalty and partner marketing, customer insights and relationship management, reservations and distribution and corporate communications

Other experience and previous major appointments

- Starwood Hotels & Resorts (Europe, Africa and the Middle East) – vice president of marketing, responsible for 260 hotels under 9 brands
- before joining the Group, had over 15 years of experience in the hospitality industry

Academic/professional qualification(s)

- EMBA – Swiss School of Hospitality & Tourism



TOH Hup Hock

Aged 50, Singaporean

CFO (from 15 April 2016)

Period of service with the Group

- will join the Group in April 2016

Other experience and previous major appointments

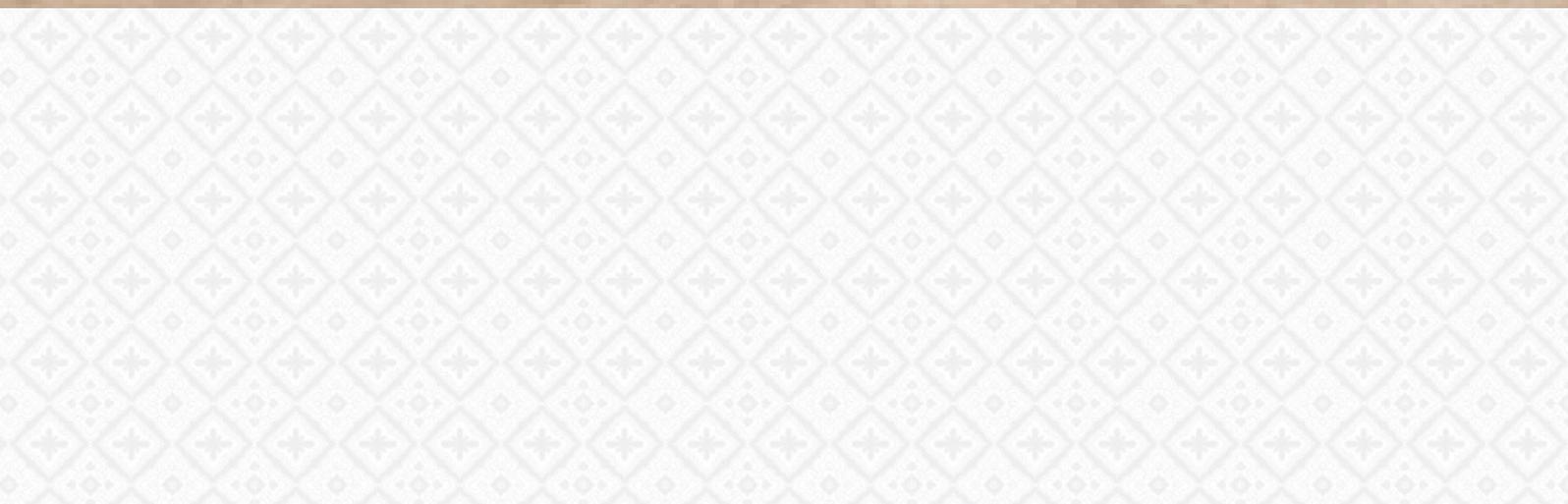
- Sands China Limited – chief financial officer, executive vice president and executive director
- General Electric Company – chief financial officer or similar position in Asia, including GE Lighting Asia, GE Consumer Products Asia, GE Consumer & Industrial Asia and GE Plastics Greater China

Academic/professional qualification(s)

- MBA – University of Queensland, Australia
- Bachelor of Science in Accounting – Murdoch University, Australia
- Fellow – CPA Australia



Hotel Jen Tanglin Singapore





DISCUSSION AND ANALYSIS

Discussion and Analysis

1. PERFORMANCE REVIEW

The Group's business is organised into four main segments:

- (i) **Hotel ownership**
(including hotels under lease)
- (ii) **Hotel management services** for Group-owned hotels and for hotels owned by third parties
- (iii) **Property rentals** from ownership and leasing of office properties, commercial properties and serviced apartments/residences
- (iv) **Property sales**

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



Shangri-La Hotels are five-star luxury hotels characterised by extensive facilities and exceptional hospitality, located in premier cities.

Shangri-La Resorts offer travellers and families relaxing and engaging holiday experiences in some of the world's most exotic destinations.

KERRY HOTELS

Kerry Hotels are five-star hotels with unique contemporary designs and sincere, intuitive service.



Hotel Jen is a new brand launched in 2014 that caters to an emerging generation of independently-minded business and leisure travellers with a friendly, technology-centric approach.



Traders Hotels are four-star business hotels that also appeal to leisure travellers.



Hylandia by Shangri-La, Yunnan, Mainland China

Mainland China continues to be the primary focus of the Group's principal business activities. As disclosed in the 2015 Interim Report, hotels in Mainland China continued to face challenges from a difficult business environment. Intense price competition continued in most cities. Performance of hotels in Hong Kong, Singapore and Malaysia suffered from a decline in visitor arrivals. Start-up costs of newly opened hotels operating in a weak business environment continued to be a drag on profitability. The weakening of most global currencies relative to the US dollar also diluted Group hotels' revenues and profits. Net profit from the hotel ownership segment reduced substantially by 61% to US\$27.2 million during the year ended 31 December 2015.

In comparison, the principal investment properties in Mainland China continued to perform well. Both renovated and newly opened investment properties in Mainland China generated good operating profits. The property rental segment continued to be the Group's key profit contributor. Net profit after tax from the property rentals segment increased by 9% during the year to US\$139.0 million.

The Group has equity interests in certain joint venture companies engaged in composite developments. Some of these developments have office spaces and/or residential units for sale. As the property sales market in Mainland China improved in the second half of 2015, the Group recorded an improvement in net profit from property sales for the year ended 31 December 2015 resulting in it becoming one of the main business segments for the year.

The Group also engaged in businesses other than the main business segments mentioned above. These include:

- the operation of a golf course in Bali, Indonesia (a 53.3%-owned business); and
- wine trading in Hong Kong and Mainland China (a 20%-owned business).

These other businesses did not have a material impact on the Group's consolidated results for the year ended 31 December 2015.

(a) Segment Results

Details of the segment information are provided in Note 5 to the consolidated financial statements included in this Annual Report.

(i) Hotel Ownership

During the year ended 31 December 2015, the following Group-owned new hotels and extension of an existing hotel opened for business:

	Number of Rooms	Date of Opening	Group's Equity Interest
In Mainland China			
Shangri-La Hotel, Nanchang *	473	8 February 2015	20%
Shangri-La Hotel, Qinquangdao	330	8 May 2015	100%
Shangri-La Hotel, Hefei	401	25 June 2015	100%
Hylandia by Shangri-La	166	3 August 2015	100%
Shangri-La Hotel, Tangshan *	301	28 August 2015	35%
In Mongolia			
Shangri-La Hotel, Ulaanbaatar *	290	3 June 2015	51%
In Malaysia			
Extension of the Ocean Wing of Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu	83	2 April 2015	64.59%

* This hotel forms part of a composite development project in the city.

The newly acquired Le Touessrok Resort in Mauritius (a 26%-owned resort) closed for a major renovation on 15 April 2015. After an extensive renovation, it was reflagged as Shangri-La's Le Touessrok Resort & Spa, Mauritius and reopened on 1 November 2015. It is the second property in the Group's portfolio of high-end five-star resorts in the Indian Ocean.

The former Traders Hotel, Singapore reopened in December 2015 as the newly renovated Hotel Jen Tanglin Singapore, following a major refurbishment during the year.

Discussion and Analysis

As at 31 December 2015, the Group had equity interest in 73 operating hotels, including the Portman Ritz-Carlton Hotel, Shanghai (“**Portman**”) (2014: 67) and 3 hotels under operating lease (2014: 3), representing a room inventory of 33,202 (2014: 30,883) across Asia Pacific, Europe and Africa. Details of the operating hotels owned by the subsidiaries and associates are disclosed in Note 41 to the consolidated financial statements included in this Annual Report.

As at 31 December 2015, operating hotels owned by the Group and hotels under operating lease agreements are as follows:

	Group's Equity Interest	Available Rooms
(A) Hotels owned by the Group		
Hong Kong		
Kowloon Shangri-La, Hong Kong	100%	688
Island Shangri-La, Hong Kong	80%	565
Hotel Jen Hong Kong	30%	283
Mainland China		
Shangri-La Hotel, Beijing	38%	670
China World Hotel, Beijing	50%	716
China World Summit Wing, Beijing	40.32%	278
Traders Hotel, Beijing	50%	570
Kerry Hotel, Beijing	23.75%	485
Pudong Shangri-La, East Shanghai	100%	952
Jing An Shangri-La, West Shanghai	49%	508
Kerry Hotel Pudong, Shanghai	23.2%	574
Portman Ritz-Carlton Hotel, Shanghai	30%	610
Shangri-La Hotel, Shenzhen	72%	522
Futian Shangri-La, Shenzhen	100%	528
Golden Flower Hotel, Xian	100%	382
Shangri-La Hotel, Xian	100%	393
Shangri-La Hotel, Hangzhou	45%	382
Shangri-La Hotel, Beihai	100%	362
Shangri-La Hotel, Changchun	100%	457
Hotel Jen Shenyang	100%	407
Shangri-La Hotel, Shenyang	25%	383
Shangri-La Hotel, Qingdao	100%	696
Shangri-La Hotel, Dalian	100%	563
Shangri-La Hotel, Wuhan	92%	442
Shangri-La Hotel, Harbin	100%	404
Shangri-La Hotel, Fuzhou	100%	414
Shangri-La Hotel, Guangzhou	80%	704
Shangri-La Hotel, Chengdu	80%	593
Shangri-La Hotel, Wenzhou	75%	409
Shangri-La Hotel, Ningbo	95%	562
Shangri-La Hotel, Guilin	100%	439
Shangri-La Hotel, Baotou	100%	360
Shangri-La Hotel, Huhhot	100%	365

	Group's Equity Interest	Available Rooms
Shangri-La Hotel, Manzhouli	100%	235
Shangri-La Hotel, Yangzhou	100%	369
Shangri-La Hotel, Qufu	100%	322
Shangri-La Hotel, Lhasa	100%	289
Shangri-La's Sanya Resort & Spa, Hainan	100%	348
Shangri-La Hotel, Nanjing	55%	450
Shangri-La Hotel, Qinhuangdao	100%	330
Shangri-La Hotel, Hefei	100%	401
Hylandia by Shangri-La	100%	166
Shangri-La Hotel, Tianjin	20%	304
Shangri-La Hotel, Nanchang	20%	473
Shangri-La Hotel, Tangshan	35%	301
Singapore		
Shangri-La Hotel, Singapore	100%	747
Shangri-La's Rasa Sentosa Resort & Spa	100%	454
Hotel Jen Tanglin Singapore	44.6%	565
Malaysia		
Shangri-La Hotel, Kuala Lumpur	52.78%	655
Shangri-La's Rasa Sayang Resort & Spa, Penang	52.78%	303
Golden Sands Resort, Penang	52.78%	387
Hotel Jen Penang	31.67%	443
Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu	64.59%	499
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu	40%	492
The Philippines		
Makati Shangri-La, Manila	100%	696
Edsa Shangri-La, Manila	100%	630
Shangri-La's Mactan Resort & Spa, Cebu	93.95%	530
Shangri-La's Boracay Resort & Spa	100%	219
Thailand		
Shangri-La Hotel, Bangkok	73.61%	802
Shangri-La Hotel, Chiang Mai	73.61%	277
Australia		
Shangri-La Hotel, Sydney	100%	565
Shangri-La Hotel, The Marina, Cairns	100%	255
Hotel Jen Brisbane	100%	191
France		
Shangri-La Hotel, Paris	100%	101
Maldives		
Shangri-La's Villingili Resort & Spa, Maldives	70%	132
Hotel Jen Malé, Maldives	100%	117

Discussion and Analysis

	Group's Equity Interest	Available Rooms
Other areas		
Shangri-La Bosphorus, Istanbul	50%	186
Shangri-La's Fijian Resort & Spa, Yanuca, Fiji	71.64%	442
Sule Shangri-La, Yangon	59.16%	479
Shangri-La Hotel, Jakarta, Indonesia	25%	619
Shangri-La Hotel, Surabaya, Indonesia	11.34%	368
Shangri-La Hotel, Ulaanbaatar	51%	290
Shangri-La's Le Touessrok Resort & Spa, Mauritius	26%	203
Total of 73 owned hotels		32,301
(B) Hotels under operating lease agreements		
Shangri-La Hotel, Tokyo		200
Shangri-La Hotel, At The Shard, London		202
Hotel Jen Orchardgateway Singapore		499
Total of 3 leased hotels		901
Grand total		33,202

For the year ended 31 December 2015, on an unconsolidated basis, room revenues accounted for around 50% of the total revenues from hotel operation while food and beverage revenues accounted for around 44%. Despite the opening of new hotels during the year, room revenues expressed in US dollar terms were adversely affected by the general depreciation of most currencies (against the US dollar) and recorded a marginal decrease of 1% while food and beverage revenues increased by 3% as compared to 2014.

The key performance indicators of the Group-owned hotels (including hotels under lease) on an unconsolidated basis for the years ended 31 December 2015 and 2014 are as follows:

Country	2015 Weighted Average			2014 Weighted Average		
	Occupancy (%)	Room Rate (US\$)	RevPAR (US\$)	Occupancy (%)	Room Rate (US\$)	RevPAR (US\$)
The People's Republic of China						
Hong Kong	78	307	239	82	327	267
Mainland China	58	138	79	55	152	83
Singapore	69	221	152	76	249	190
Malaysia	71	123	87	74	148	110
The Philippines	70	201	140	72	199	143
Japan	87	467	406	86	460	397
Thailand	68	148	101	54	154	83
Australia	83	206	172	81	235	189
France	64	1,226	783	75	1,339	1,000
United Kingdom	68	588	402	60	619	373
Other countries	54	203	110	64	219	140
Weighted Average	62	175	109	62	194	121

Overall, both the weighted Average Room Rate ("ADR") and the weighted Average Room Yields ("RevPAR") decreased by 10% in 2015. Depreciation of local currencies accounted for half of this decrease.

Comments on performance by geography:

The People's Republic of China

Hong Kong

Hotels in Hong Kong registered a decrease in weighted average RevPAR of 11% mainly due to the decline in visitors from Mainland China. The decline is attributable to the political and social environment in the city, cheaper alternative destinations available due to the weakening of most currencies against the US and Hong Kong dollar and a general slowdown of economic growth in Mainland China. The two Shangri-La hotels recorded an overall 10% decrease in weighted average RevPAR while Hotel Jen Hong Kong recorded a 15% decrease in RevPAR for the year as compared to 2014.

In line with the operating results, the overall net profit of the Hong Kong hotel ownership segment decreased to US\$62.7 million for the year from US\$67.5 million in 2014.

Mainland China

Five new Shangri-La hotels opened for business during the year. As at 31 December 2015, the Group has equity interest in 42 operating hotels in Mainland China.

Overall weighted average occupancies increased by 3 percentage points to 58%. However, given the weakening of the Renminbi and influx of new hotel supply in some cities, the weighted average ADR of the hotel portfolio declined by 9% resulting in an overall decrease in the weighted average RevPAR by 4%. Hotels in Shenzhen and Shanghai (with the exception of Portman) registered notable improvements in weighted average RevPAR ranging from 4% to 25%. In Beijing, the RevPAR of the Traders Hotel, Beijing remained at the same level as 2014 while the Kerry Hotel, Beijing registered an increase of 5%. The other three hotels in the city recorded a decrease in weighted average RevPAR ranging from 1% to 14%. Among the new hotels opened in or after 2013, the Shangri-La hotels in Jing An (Shanghai), Shenyang, Tianjin, Sanya and Nanjing registered increases in RevPAR of 25%, 36%, 19%, 36% and 113%, respectively, while the hotels in Qufu and Lhasa registered decreases in RevPAR of 15% and 16%, respectively, during the year.

The difficult market conditions, together with the start-up losses recorded by the newly opened hotels (a total of nine hotels opened for business in 2014 and 2015) adversely affected the results of this segment. The effective share of the depreciation charges for these nine newly opened hotels in 2015 increased by US\$45.1 million as compared to the previous year. The net losses of this segment increased to US\$55.8 million in the year from US\$15.1 million in 2014.

The 417-room Midtown Shangri-La, Hangzhou (a 25%-owned hotel) opened for business on 12 March 2016.

Singapore

Performance of the Group's hotels in the city suffered from a decline in visitor arrivals, the 8% depreciation of the Singapore dollar against the US dollar as well as the major renovation of Hotel Jen Tanglin Singapore. The resort in Sentosa registered a marginal decrease in occupancy of 2 percentage points and a marginal decrease in ADR of 2%. Shangri-La Hotel, Singapore registered a decrease in occupancy and ADR of 2 percentage points and 10%, respectively. The Hotel Jen Tanglin Singapore recorded a 54% decrease in RevPAR in US dollar terms. The Hotel Jen Orchardgateway Singapore, however, recorded increase in occupancy and RevPAR of 27 percentage points and 36%, respectively.

As a result, the overall net profit of the four hotels reduced to US\$29.9 million for the year from US\$39.4 million in 2014.

Discussion and Analysis

The Philippines

With the exception of Shangri-La's Mactan Resort & Spa, Cebu which recorded an increase in occupancy and RevPAR of 4 percentage points and 5%, respectively, the other three operating hotels in the Philippines recorded decreases in RevPAR ranging from 3% to 6%. Overall, the four hotels recorded a marginal decrease in weighted average RevPAR of 2%. This is despite a 3% depreciation of the Philippines peso during 2015.

However, the net profit from these hotels increased by US\$2.8 million as there was an additional tax charge in 2014 relating to prior years.

The 576-room Shangri-La at the Fort, Manila (a 40%-owned hotel) opened for business on 1 March 2016.

Malaysia

While the Group's hotels experienced a weak demand sentiment in the first half of 2015, market conditions improved in the second half of the year. Shangri-La's Rasa Sayang Resort & Spa, Penang also benefited from the completion of its renovation programme in 2014 and registered a remarkable increase in occupancy of 14 percentage points. With the opening for business of the extension of Ocean Wing, Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu ("**RRR**") registered a decrease in occupancy of 7 percentage points. The overall weighted average occupancies for all the six hotels and resorts decreased by 3 percentage points. This, together with a 16% depreciation of the Malaysian ringgit against the US dollar during the year, led to a decrease in weighted average RevPAR of 21% in US dollar terms.

The net profit of the Malaysia hotel ownership segment, however, increased by US\$1.1 million as a result of US\$2.5 million exchange gains recorded from the translation of the US dollar shareholder loans granted by the Group to its associates and the tax incentive allowance obtained from the investment in the extension of Ocean Wing of RRR.

Thailand

Supported by increased visitor arrivals following an improvement in the political environment, the two hotels in Thailand recorded remarkable increases in weighted average occupancies of 15 percentage points. The weighted average ADR was down by 4%, adversely affected by the 5% depreciation of the Thai baht against the US dollar during the year.

The two hotels recorded an increase in net profit of US\$6.5 million.

Japan

With the continuous weakening of the Japanese yen (it weakened by 12% in 2015), the Shangri-La Hotel, Tokyo registered a marginal increase in RevPAR of 2% in US dollar terms due to higher occupancies and increase in ADR by 15% in local currency terms.

Net loss of the hotel substantially reduced from US\$5.8 million in 2014 to US\$0.7 million for the current year.

Australia

The three hotels in Australia registered a decrease in weighted average ADR of 12% in US dollar terms, largely due to a 17% depreciation of the Australian dollar during the year. The Group's hotels in Sydney and Cairns recorded an increase in occupancy of 7 percentage points and 1 percentage point, respectively. The newly rebranded Hotel Jen Brisbane, however, registered a decrease in occupancy of 7 percentage points as the new brand was striving to gain local market acceptance. The overall weighted average occupancies increased by 3 percentage points.

Benefiting from the cost saving efforts, the overall net loss of the three hotels reduced from US\$1.4 million to US\$0.1 million in the current year.

France

Although the market situation improved in the second half of 2015, the hotel in France still recorded a decrease in RevPAR in US dollar terms of 22% due to a decrease of 11 percentage points in occupancy following weaker demand from the key markets in Russia and the Middle East, terrorism related incidents in the city and a 16% depreciation of the Euro as compared to 2014.

The reduction in the loan interest rate following the signing of new bank loan agreements and the favourable translation effect of a weaker Euro resulted in the net loss of the hotel reducing from US\$27.0 million in 2014 to US\$22.4 million in the current year.

The United Kingdom

The leased hotel in London recorded an increase in occupancy of 8 percentage points and an increase in RevPAR of 8% in 2015. The hotel was recognised as one of the best business hotels in the United Kingdom.

The hotel still has to contend with the burden of a high fixed lease rental. However, the amount of net loss reduced from US\$24.7 million in 2014 to US\$21.7 million in the current year.

Other Countries

The performance of the Shangri-La Bosphorus, Istanbul in Turkey registered a marginal decrease in occupancy of 1 percentage point but recorded a decline in RevPAR of 20% in US dollar terms mainly due to the sharp depreciation of the local currency by 20%. The Group also recorded an exchange loss of US\$1.3 million on translation of the US dollar bank loan borrowed by the hotel.

The Shangri-La's Fijian Resort & Spa, Yanuca, Fiji registered a decrease in occupancy of 4 percentage points and its RevPAR in US dollar terms decreased by 18% as a result of a 10% depreciation of the local currency.

The RevPAR of the Shangri-La Hotel, Jakarta was adversely affected by its ongoing renovations. The hotel registered a decrease in RevPAR of 12% largely due to a decrease of 10 percentage points in occupancy.

The Sule Shangri-La, Yangon in Myanmar was affected by increasing hotel supply in the market and recorded a drop in occupancy and room rate of 6 percentage points and 9%, respectively, which led to a decrease in RevPAR of 18% as compared to last year.

The two hotels in the Maldives recorded a decrease in weighted average RevPAR of 25% following a substantial decrease in weighted average occupancies of 18 percentage points in 2015. This was largely due to deteriorating economic conditions in its principal source markets and political uncertainties in the country.

The newly opened Shangri-La Hotel, Ulaanbaatar in Mongolia registered an average room rate of US\$182 with occupancy of 28% since its opening in June 2015.

The overall results of hotels in other countries turned from a net profit of US\$1.7 million in 2014 to a net loss of US\$10.9 million caused by the large start-up loss of the new hotel in Mongolia.

Discussion and Analysis

(ii) Hotel Management

The 397-room Shangri-La Hotel, Bengaluru in India and the 272-room Shangri-La Hotel, Doha in Qatar opened for business on 24 September 2015 and 21 December 2015, respectively. The management agreement with the Traders Hotel, Dubai was terminated during the year following its sale.

As at 31 December 2015, the Group's wholly owned subsidiary, SLIM International Limited and its subsidiaries ("SLIM") managed a total of 95 hotels and resorts. Except for the Portman, all the other 72 hotels (2014: 66) in which the Group has equity interest and 3 hotels under operating lease agreements (2014: 3) are managed by SLIM. SLIM also managed a total of 20 operating hotels (6,597 available rooms) owned by third parties located in Toronto and Vancouver (Canada); Manila (the Philippines); Muscat (Oman); Doha (Qatar); Abu Dhabi (2 hotels) and Dubai (UAE); Putrajaya, Johor and Kuala Lumpur (Malaysia); New Delhi and Bengaluru (India); Taipei and Tainan (Taiwan); and Beijing, Changzhou (2 hotels), Haikou and Suzhou (Mainland China).

For the year ended 31 December 2015, overall weighted average RevPAR of those hotels under third party hotel management agreements registered a decrease of 11% in US dollar terms as compared to last year mainly due to the depreciation of the local currencies. Consolidated revenues of SLIM, after elimination of revenue earned from fellow subsidiaries, recorded a decline of 8%.

Net profit of the hotel management segment decreased substantially from US\$18.7 million in 2014 to US\$10.7 million in the current year following the reduction in fee income as a result of the decrease of the underlying hotels' revenues and operating profits.

During the year, SLIM had signed 4 new management agreements with third parties for hotels under development. Further details are provided in the paragraph headed "MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES" included in this Discussion and Analysis section. As at 31 December 2015, SLIM had management agreements on hand for 8 new hotel projects which were owned by third parties.

(iii) Property Rentals

As at 31 December 2015, the subsidiaries and associates owned a portfolio comprising investment properties of 1,173,273 square metres leasable area* and investment properties under development with approximately 1,081,218 square metres gross floor area upon completion.

(in square metres)	Total leasable area* as at 31 December 2015		
	Office spaces	Commercial spaces	Serviced apartments
Mainland China	610,681	197,144	207,866
Singapore	2,119	14,720	20,345
Malaysia	30,651	2,065	8,800
Other countries	20,233	14,147	44,502
Total	663,684	228,076	281,513

* Being the total leasable area owned by subsidiaries and associates

The Group's major investment properties are located principally in Shanghai and Beijing and are owned by associates. While incremental profit was recorded from the investment properties in Mainland China, the financial performance of the investment properties in Singapore, Malaysia and Mongolia measured in US dollar terms were adversely affected by the significant depreciation of their currencies during the year.

Mainland China

(in square metres)	Group's equity interests	Total leasable area* as at 31 December 2015		
		Office spaces	Commercial spaces	Serviced apartments
China World Trade Center	40.32%-50%	190,415	45,438	50,602
Century Towers, Beijing	50%	–	–	14,617
Beijing Kerry Centre	23.75%	80,348	17,006	33,311
Shanghai Centre	30%	30,161	9,477	39,780
Kerry Parkside Shanghai Pudong	23.2%	92,932	26,444	24,336
Jing An Kerry Centre – Phase I	24.75%	34,395	6,017	16,671
Jing An Kerry Centre – Phase II	49%	109,000	36,963	–
Shangri-La Centre, Chengdu	80%	41,519	4,212	–
Shangri-La Residences, Dalian	100%	–	–	28,549
Shangri-La Centre, Qingdao	100%	31,911	8,029	–
Tianjin Kerry Centre	20%	–	43,558	–
Total		610,681	197,144	207,866

* Being the total leasable area owned by subsidiaries and associates

In Beijing, the China World Trade Center (the Group owns between 40.32% to 50% equity interests) recorded further improvement in yields of 4% for its office spaces. Yields of commercial spaces and serviced apartments however recorded decreases of 1% and 4%, respectively. Major renovations to the Center's original exhibition hall and its connecting area are ongoing and are expected to be completed by late 2016. These spaces will be converted into a shopping mall with much higher rental yields and the total lettable area will be increased by approximately 21,500 square metres upon completion. The serviced apartments of Century Towers, Beijing (50% owned by the Group) recorded a remarkable increase in yields of 58% following the completion of major renovations during the year. Yields of office and commercial spaces at the Beijing Kerry Centre (23.75% owned by the Group) recorded increases of 7% and 28%, respectively. Yields of the serviced apartments at the Beijing Kerry Centre, which re-opened for business in April 2014, recorded a 45% increase as compared to 2014.

In Shanghai, yields of the office spaces, commercial spaces and serviced apartments at the Jing An Kerry Centre Phase I (24.75% owned by the Group) registered growth of 21%, 25% and 36%, respectively. The office spaces at the Jing An Kerry Centre Phase II (49% owned by the Group) recorded growth in yields of 32% while the commercial spaces remained at the same level as last year. Yields of the commercial spaces and office spaces at the Kerry Parkside Shanghai Pudong (23.20% owned by the Group) recorded increases of 8% and 10%, respectively, while its serviced apartments performed at the same level as last year. Yields of serviced apartments and commercial spaces in the Shanghai Centre recorded an increase of 7% and 4%, respectively while yields of office spaces registered a decrease of 6% in 2015.

In other cities, the Shangri-La Residences, Dalian (a 100%-owned property) recorded an improvement in yields of 11% as compared to last year. The Shangri-La Centre, Qingdao (a 100%-owned property) recorded an increase in yields of 6% for its office spaces but the yields of its commercial spaces registered a decline of 10%. In Chengdu, the Shangri-La Centre (an 80%-owned property) recorded a 10% increase in yields for its commercial spaces but a 14% decrease in yields for its office spaces.

The Tianjin Kerry Centre (a 20%-owned property) opened for business in May 2015 and its commercial spaces reached an occupancy of 87% by end of 2015.

The investment properties in Mainland China continued to be the key profit contributors with their net profits increasing from US\$110.5 million in 2014 to US\$121.4 million in the current year. During the year, the Jing An Kerry Centre recorded an incremental profit of US\$8.8 million while the Beijing Kerry Centre and China World Trade Center each contributed an additional profit of US\$2.7 million.

Discussion and Analysis

Singapore

In Singapore, the yields of Shangri-La Residences (a 100%-owned property) registered an increase of 7% supported by an increase in occupancy of 13 percentage points. In comparison, the Shangri-La Apartments (a 100%-owned property) saw yields decrease by 13% with a stable occupancy (81% in both 2015 and 2014) largely due to the depreciation of the Singapore dollar. The commercial spaces at the Tanglin Place and Tanglin Mall (both 44.60% owned by the Group) recorded modest declines in yields of 4% and 7%, respectively. Office spaces at the Tanglin Place recorded a decline in yields of 11%.

The overall net profit of the investment properties in the country reduced marginally by US\$0.8 million as compared to 2014.

Malaysia

Affected by the depreciation of the Malaysian ringgit during the year, the UBN Apartments (a 52.78%-owned property); and the commercial spaces and office spaces of UBN Tower (a 52.78%-owned property) recorded decreases in yields of 26%, 2% and 13%, respectively.

The overall net profit of the investment properties in the country remained at the same level as last year.

Other Countries

While the Shangri-La Residences in Yangon, Myanmar (a 55.86%-owned property) registered further growth in occupancy of 38 percentage points to 91% and in yields of 67%, both the office spaces and commercial spaces at the Central Tower in Ulaanbaatar (a 51%-owned property) recorded declines in yields of 25% during the year.

Benefiting from a US\$1.6 million incremental profit contributed by the Shangri-La Residences in Yangon, the overall net profit of the investment properties in other countries increased to US\$5.7 million in the current year from US\$4.1 million in last year.

(iv) Property Sales

The Group has equity interests in certain composite developments in Mainland China which included the development of Shangri-La hotels together with office building and/or residential buildings for sales and/or rental purposes. It is envisaged that the residential units for sales would benefit from the strong interest from investors and end-users in this kind of development. Following the improvement of the property sales market in Mainland China in the second half of 2015, the Group recognised a net profit of US\$22.8 million from the sales of the following residential units and office spaces during the year:

- *Arcadia Court, Tangshan (a 35%-owned project) in Mainland China*
Phases I to III with 14 towers are available for sale. As at 31 December 2015, 1,225 units had been sold.
- *Phase I of Tianjin Kerry Centre (a 20%-owned project) in Mainland China*
Three residential towers have been completed and handed over consecutively. As at 31 December 2015, 794 units had been sold.
- *Phase I of Shenyang Kerry Centre (a 25%-owned project) in Mainland China which also includes office spaces*
Four residential towers and the Enterprise Square (office spaces) have been completed and delivered for occupation. As at 31 December 2015, 481 residential units and 134 office units had been sold.
- *Arcadia Court, Putian (a 40%-owned project) in Mainland China*
The first tranche of Phase I units was delivered ahead of schedule by the end of December 2015. As at 31 December 2015, 1,055 residential units had been sold/pre-sold.
- *Arcadia Court, Nanchang (a 20%-owned project) in Mainland China*
One tower has been completed with hand-over commencing in the fourth quarter of 2015. As at 31 December 2015, 184 residential units had been sold/pre-sold.

(b) EBITDA and Consolidated Profits

	EBITDA of the Company and subsidiaries		Effective share of EBITDA of associates	
	2015 US\$ Mil	2014 US\$ Mil	2015 US\$ Mil	2014 US\$ Mil
Hotel ownership	493.0	511.7	61.7	70.1
Hotel management	24.5	33.2	–	–
Sub-total	517.5	544.9	61.7	70.1
Property rentals	36.8	35.3	187.6	174.9
Property sales	–	–	26.5	8.5
Other business	–	–	(1.6)	(1.2)
Corporate and project expenses	(24.6)	(38.1)	(3.0)	(7.5)
Grand total	529.7	542.1	271.2	244.8

For the hotel ownership and hotel management segments, total EBITDA of the Company and subsidiaries and the Group's effective share of EBITDA of associates together decreased by US\$35.8 million in 2015 which was consistent with the slide in the profitability evidenced by the segment results. For the property rental segment, the Group's effective share of EBITDA of associates increased by US\$12.7 million in 2015 with the additional contributions from China World Trade Center and Jing An Kerry Centre of US\$2.0 million and US\$8.4 million, respectively. The Group's effective share of the EBITDA relating to the property sales segment from associates increased by US\$18.0 million.

Total EBITDA of the Company and subsidiaries to consolidated sales ratio was 25.0% compared to 25.7% in 2014. Aggregate EBITDA (EBITDA of the Company and its subsidiaries and the Group's effective share of EBITDA of associates) increased slightly by US\$14.0 million during the year to US\$800.9 million.

EBITDA is defined as earnings before interest expenses on loans and bonds issued, tax, depreciation and amortisation, 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; and impairment loss on fixed assets.

Important comments on the consolidated financial results for the year as compared to those of 2014 are as follows:

- Aggressive cost control measures instituted by the Group arrested the decline in gross profit margin of the hotels owned by subsidiaries from 58.3% to 57.7% and the consolidated gross profit margin of the Group from 56.8% to 56.0% in 2015.
- Due to impairment provisions made in respect of hotels owned by subsidiaries of US\$72.4 million, the consolidated operating profit before finance costs for 2015 decreased by US\$71.2 million compared to 2014.
- The consolidated labour cost increased slightly by US\$1.5 million to US\$678.6 million in 2015.
- Consolidated finance costs increased by US\$18.1 million in 2015 following the commencement of operations of projects under development which were funded by bank loans.
- Net income from associates increased by US\$47.1 million. Of this, operating items contributed US\$19.6 million largely attributable to improved yields from investment properties and property sales. Incremental asset revaluation gains of US\$27.5 million (non-operating item) were recorded with the improved contribution from investment properties. Most of the revaluation gains were attributable to the China World Trade Center complex's ongoing developments (Phase 3B and gaining additional commercial spaces from conversion of its exhibition hall).

Discussion and Analysis

The Group's share of the net fair value change of investment properties owned by subsidiaries and associates increased substantially from US\$90.6 million in 2014 to US\$131.4 million in the current year which was, however, substantially offset by the impairment provision recorded during the year. Accordingly, the Group recorded a decrease of US\$40.8 million in consolidated profits attributable to the equity holders of the Company in 2015.

2. CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, twelve 5-year unsecured corporate bank loan agreements totalling an equivalent of US\$2,049.5 million were executed during the year ended 31 December 2015 for refinancing corporate borrowings (including the funding requirement for final redemption of the US\$500 million convertible bonds due May 2016). The corporate office together with certain subsidiaries also jointly executed a 2-year bank loan agreement of US\$100 million.

At the subsidiary level, the Group also executed the following bank loan agreements during the year:

- one 3-year local bank loan agreement of US\$100 million and one 5-year local bank loan agreement of US\$50 million for project financing;
- one 4-year local bank loan agreement of S\$100 million (approximately US\$71.0 million) for hotel renovations; and
- one 5-year bank loan agreement of HK\$360 million (approximately US\$46.5 million), two 4-year bank loan agreements totalling S\$102.9 million (approximately US\$73.0 million), one 3-year bank loan agreement of US\$23.9 million, one 5-year bank loan agreement of RMB200 million (approximately US\$30.8 million) and one 5-year bank loan agreement of EUR100 million (approximately US\$108.8 million) for refinancing maturing 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 Group's net borrowings (total bank loans, convertible bonds and fixed-rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, increased from 49.2% as at 31 December 2014 to 59.3% as at 31 December 2015.

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

The analysis of borrowings outstanding as at 31 December 2015 is as follows:

(US\$ million)	Maturities of Borrowings Contracted as at 31 December 2015				Total
	Within 1 year	In the 2nd year	Repayment In the 3rd to 5th year	After 5 years	
Borrowings					
Corporate borrowings					
– unsecured bank loans	657.4	100.6	1,678.8	–	2,436.8
– convertible bonds	550.5	–	–	–	550.5
– fixed-rate bonds	–	598.8	–	–	598.8
Bank loans of subsidiaries					
– secured	153.5	6.9	20.5	10.2	191.1
– unsecured	241.1	241.0	839.2	68.6	1,389.9
Total outstanding balance	1,602.5	947.3	2,538.5	78.8	5,167.1
Undrawn but committed facilities					
Bank loans and overdrafts	190.7	83.9	1,039.5	675.9	1,990.0

As at 31 December 2015, the Group had net current liabilities of US\$892.8 million. These funding obligations can be met through the committed available bank loan facilities of US\$1,799.3 million, which are expiring after 31 December 2016, the new bank loan facilities committed subsequent to the year end and the net cash inflows to be generated from operating activities.

Subsequent to the year end, certain subsidiaries also executed a 3-year bank loan facility of EUR75 million (approximately US\$81.6 million) for refinancing of a maturing loan, a 5-year local bank loan facility of RMB450 million (approximately US\$69.3 million) and a 5-year bank loan facility of US\$300 million for project financing. The Group is also finalising the documentation of four 5-year bank loan agreements at the corporate level and four bank loan agreements at the subsidiary level totalling equivalent US\$631.1 million.

The currency mix of borrowings and cash and bank balances as at 31 December 2015 is as follows:

(US\$ million)	Borrowings	Cash and Bank Balances
In United States dollars	2,997.3	241.8
In Hong Kong dollars	1,320.4	204.5
In Renminbi	284.7	353.2
In Euros	234.8	42.7
In Australian dollars	144.2	25.6
In Singapore dollars	65.9	67.8
In British pounds	66.7	7.1
In Japanese yen	41.5	3.4
In Philippine pesos	11.6	26.2
In Thai baht	–	59.2
In Malaysian ringgit	–	22.8
In Fiji dollars	–	15.1
In Mongolian tugrik	–	5.7
In Sri Lankan rupee	–	6.1
In Myanmar kyat	–	2.5
In Maldivian rufiyaa	–	0.3
In other currencies	–	0.1
	5,167.1	1,084.1

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

Details of financial guarantees, contingencies and charges over assets as at 31 December 2015 are disclosed in Note 37 to the consolidated financial statements included in this Annual Report.

Discussion and Analysis

3. TREASURY POLICIES

The Group has consistently followed treasury policies aimed at minimising interest and currency risks:

(a) Minimising Interest Risks

The Group had arranged additional shareholder loans and equity contributions totalling US\$426 million to certain loss-making subsidiaries in Mainland China to repay their Renminbi bank borrowings in order to reduce the overall interest costs.

Intra-group financing in Mainland China by way of entrusted loans between subsidiaries and those provided to associates through local banks increased from RMB1,122.5 million (approximately US\$183.4 million) as at 31 December 2014 to RMB1,380.1 million (approximately US\$212.5 million) as at 31 December 2015. The Group reviews the entrusted loans arrangements from time to time in response to changes in the Renminbi exchange rates and bank loan interest rates.

The Group has endeavoured to hedge its medium term interest rate risks by entering into interest-rate swap contracts. No new contract was executed during the year. As at 31 December 2015, the outstanding HIBOR and LIBOR interest-rate swap contracts are:

- 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

All these interest-rate swap contracts qualify for hedge accounting.

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 37% of its borrowings outstanding as at 31 December 2015.

(b) Minimising Currency Risks

It is the Group's practice, wherever and to the extent possible, to quote tariffs in the stronger currency and maintain bank balances in that currency, if legally permitted.

In response to the depreciation of the Renminbi, the Group is progressively reducing its Renminbi cash balances. The Group is trying to minimise its net assets exposure in Renminbi by refinancing the foreign currency borrowings in Mainland China with local bank borrowings in Renminbi.

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

4. INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed semi-annually (including those properties being constructed for future use as investment properties for 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. For the year ended 31 December 2015, the Group's share of the net fair value gains on investment properties being owned by subsidiaries and associates (net of deferred taxation) amounted to US\$12.8 million and US\$118.6 million, respectively, based on the opinion from independent professional valuers as obtained by the Group and the relevant associates which own the investment properties.

Investment properties are stated at professional valuations carried out by independent firms of professional valuers engaged by the Group or the relevant associates as at 31 December 2015:

Crowe Horwath (HK) Consulting & Valuation Limited, DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited : For properties in Mainland China

Crowe Horwath (HK) Consulting & Valuation Limited : For properties in 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 Advisory Services Pty Ltd : For properties in Australia

Knight Frank Chartered (Thailand) Company Limited : For properties in Myanmar

5. IMPAIRMENT PROVISION

The Group assesses the carrying value of a group-owned operating hotel when there is any indication that the asset may be impaired. Indicative criteria include continuing adverse changes in the local market conditions in which the hotel operates or will operate, when the hotel continues to operate at a loss position and its financial performance is worse than expected. Professional valuations were carried out by independent firms of professional valuers during the year for those properties for which the internal assessment results needed independent confirmation. Based on the valuation reports obtained at 30 June 2015, the Group has recognised total impairment losses of US\$53.6 million for five hotels in Mainland China located in Yangzhou, Huhhot, Baotou, Manzhouli and Xian and recognised an impairment loss of US\$15.4 million for a hotel operated under an operating lease in Japan. The Group has also written off the development cost of US\$3.4 million (US\$2.4 million after share of non-controlling interests) in respect of the renovation of a resort in Fiji. These hotels and the project are owned by subsidiaries and therefore the impairment losses are included in the consolidated income statement under "Other (losses)/gains – net", to write down the carrying values of the hotels' fixed assets to their recoverable amount. The recoverable amount of each hotel is the higher of its fair value less costs of disposal and its value in use based on the opinion of independent firms of professional valuers obtained by the Group using the market comparison approach and income approach. Based on a review at year end 2015, no further provision was required.

Discussion and Analysis

6. FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

For the year ended 31 December 2015, the Group had disposed of its investment in trading securities amounting to US\$2.3 million and recorded realised gains of US\$0.2 million (US\$0.1 million after share of non-controlling interests). As at 31 December 2015, the market value of the Group's investment portfolio was US\$15.5 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited and 2,241,725 ordinary shares in Kerry Logistics Network Limited. The Group recorded unrealised fair value losses of US\$4.3 million and dividend income of US\$1.0 million (US\$0.9 million after share of non-controlling interests) during the year.

7. DEVELOPMENT PROGRAMMES

On 1 March 2016, the 576-room Shangri-La at the Fort, Manila (part of composite development project in Bonifacio Global City, Metro Manila in which the Group has 40% equity interest) in the Philippines opened for business. The Group also opened the 417-room Midtown Shangri-La, Hangzhou (part of Kerry Central, Hangzhou in which the Group has 25% equity interest) in Mainland China on 12 March 2016.

Construction work on the following projects is on-going:

(a) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Long Stay Apartments/ Villas	Projected Opening
Hotels in the People's Republic of China				
New hotel in China World Trade Center (part of composite development project in China World Trade Center – Phase 3B)	40.32%	450	–	2nd half 2016
Shangri-La Harbin, Songbei District	100%	344	33	2nd half 2016
Kerry Hotel, Hong Kong	100%	546	–	Late 2016
Shangri-La Hotel, Xiamen	100%	433	–	2017
Shangri-La Hotel, Jinan (part of composite development project in Jinan City)	45%	364	32	2017
Shangri-La Hotel, Zhoushan	100%	300	–	2019
Hotels in other countries				
Shangri-La's Hambantota Resort & Spa, Sri Lanka	90%	300	–	2nd half 2016
Shangri-La Hotel, Colombo, Sri Lanka (part of composite development project in Colombo)	90%	500	41	2017
Lakeside Shangri-La, Yangon, Myanmar	55.86%	276	15	2018

(b) Composite Developments and Investment Properties Developments

	Group's Equity Interest	Total gross floor area upon completion (excluding hotel component) (approximate in square metres)				Scheduled Completion
		Residential	Office	Commercial	Serviced Apartments	
In Mainland China						
Parkside Place, Tangshan	35%	–	–	18,460	–	2nd quarter 2016
Kerry Central, Hangzhou	25%	–	12,651	108,000	33,512	2nd half 2016
Phase II of Shangri-La Hotel, Dalian	100%	18,650	–	4,600	12,150	2nd half 2016
China World Trade Center Phase 3B	40.32%	–	47,441	69,528	–	2016
Putian City Project (Phase I) ⁽¹⁾	40%	141,409	–	7,205	–	2016 onwards*
Nanchang City Project (Phase I) ⁽¹⁾	20%	65,135	70,546	9,144	–	2016 onwards*
Shenyang Kerry Centre (Phase I & II) ⁽¹⁾	25%	513,879	165,484	214,613	–	2016 onwards*
Jinan City Project	45%	–	34,568	5,479	–	2017 onwards*
In other countries						
Bonifacio Global City, Metro Manila, the Philippines	40%	37,522	–	4,405	–	2nd half 2016
Sule Square, Yangon, Myanmar	59.28%	–	37,725	9,864	–	2016
Composite development project in Ulaanbaatar, Mongolia	51%	32,328	40,902	46,372	–	2016
Composite development project in Colombo, Sri Lanka ⁽²⁾	90%	111,100	59,984	68,585	–	2018
		920,023	469,301	566,255	45,662	

* Being developed in phases

(1) Part of Phase I development (office and residential) has been sold and handed over.

(2) The pre-sale of residences was officially launched on 22 May 2015.

Note: Further details of the Group's properties under development as at 31 December 2015 are disclosed under the section entitled "Properties Under Development" included in this Annual 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

- Wolong Bay in Dalian, Mainland China (wholly owned by the Group)
- Bali, Indonesia (53.3% equity interest owned by the Group)

Composite development

- Zhengzhou, Mainland China (45% equity interest owned by the Group)
- Kunming, Mainland China (45% equity interest owned by the Group)
- Tianjin Kerry Centre – Phase II, Mainland China (20% equity interest owned by the Group)
- Accra, the Republic of Ghana (the Group's equity interest was reduced from 100% to 45% with the completion of a sale and purchase agreement to dispose of 55% equity interest to a strategic partner on 20 August 2015)

Discussion and Analysis

The Group acquired the entire equity interest in a local company which owns a very well-located building in Rome in May 2012. The vacant possession of the premises has been obtained and the final adjusted balance of the cash consideration of EUR28.8 million (approximately US\$31.7 million) was paid in May 2015. The Group intends to convert the building into a Shangri-La hotel.

The Group continues to review its asset portfolio, and may sell assets that it considers non-core at an acceptable price and introduce strategic investors for some of its operating assets/development projects. The Group adjusts its development plans and investment strategy from time to time in response to changing market conditions and in order to improve the financial position of the Group.

The estimated incremental funding required directly by subsidiaries and the Group's share of the funding obligations of associates for all projects and other renovations involving fund commitments as at 31 December 2015 is estimated at US\$1,197.1 million, including US\$775.0 million payable in the next 12 months which is expected to be sourced from operating cashflow, available and new bank facilities and cash balances.

8. DISPOSAL

On 20 August 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 55% equity interest in a project company which indirectly owns a piece of land in Accra, the Republic of Ghana for a cash consideration of US\$15,150,000. The Group's equity interest in the project company was reduced from 100% to 45% with the completion of the transaction. Both parties intend to develop a high-end composite development, which includes a hotel, on the site.

9. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

During the year ended 31 December 2015, the Group signed the following hotel management agreements with third parties:

- In April 2015, the Group signed a management agreement for the management and operation of a hotel as part of a new mixed-use development located in Phnom Penh, Cambodia expected to open in 2019.
- In September 2015, the Group signed a management agreement with a third party in respect of a new development under the Hotel Jen brand in Kota Kinabalu, Malaysia comprising 440 rooms scheduled for opening in 2018.
- In November 2015, the Group signed an agreement with a third party for the management and operation of a 236-room Shangri-La hotel and serviced residences being developed in Jeddah, Saudi Arabia. This hotel will open in early 2018.
- In December 2015, the Group also signed an agreement for the management of a 516-room Shangri-La Hotel in Yiwu in Mainland China scheduled to open at the end of 2016. The hotel will form part of the upscale and newly built Yiwu World Trade Centre that comprises luxury living and expansive commercial and retail space in the heart of the city's central business district.

Subsequent to the year end, the Group signed an agreement with a third party in January 2016 in relation to the management of a 328-room Shangri-La hotel at Jinji Lake Suzhou in Mainland China scheduled to open at the end of 2017. The hotel will form part of the upscale Xiexin Plaza complex that comprises luxury living and a grade A office tower in the Suzhou Industrial Park. The Group signed another agreement with a third party in March 2016 in relation to the management of a 200-room Hotel Jen Kuala Lumpur in Malaysia scheduled to open in 2019. The hotel will be located in the heart of the city.

As at the date of this report, the Group has management agreements in respect of 20 operating hotels owned by third parties. In addition, the Group also has agreements on hand for the development of 10 new hotels owned by third parties. The development projects are located in Shaoxing, Nanning, Qiantan, Yiwu and Suzhou (Mainland China); Kota Kinabalu and Kuala Lumpur (Malaysia), Jeddah (Saudi Arabia), Phnom Penh (Cambodia) and Bengaluru (India).

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

10. PROSPECTS

Despite the difficult business environment, the Group's hotels have generally held up well in terms of their profit performance. While the global and regional economic situation is beset with challenges, the Group's hotels will continue to focus on optimising their market share and profit performance by leveraging on the strength of their brands.

Meanwhile, the performance of the Group's investment properties has shown steady improvement over these years and has made a useful contribution to the Group's profitability. The year's results have also benefited from a substantial profit contribution from residential sales. This positive contribution is expected to grow in the foreseeable future as projects under development commence commercial operations and from the continuing sale of residential/commercial properties.

11. HUMAN RESOURCES

As of 31 December 2015, the Company and its subsidiaries had approximately 27,900 employees. The headcount of all the Group's managed hotels and resorts totalled approximately 45,700. Salaries and benefits, including provident funds, 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.

Details of the new share option scheme and the new share award scheme adopted by the shareholders on 28 May 2012 are provided in the section headed "Share Option Schemes" and "Share Award Scheme" of the Directors' Report, respectively. The Group has not granted any new option shares under the share option scheme or shares under the share award scheme in 2015.

The Group's total employee benefit expenses (excluding directors' emoluments and share options granted during the year) amounted to US\$678.6 million (2014: US\$677.1 million).

The Group remains committed to developing its human capital. Turnover dropped from 26.4% to 25.5% as a result of efforts to engage and drive colleague loyalty through personal development opportunities as well as competitive compensation strategies.

Employee productivity and restructuring of the management levels have both been areas of focus to improve efficiency and manage costs. Reduction in management positions has been particularly effective in driving empowerment at the guest contact point as well as realising substantial savings. Productivity targets have been set for all operating hotels.

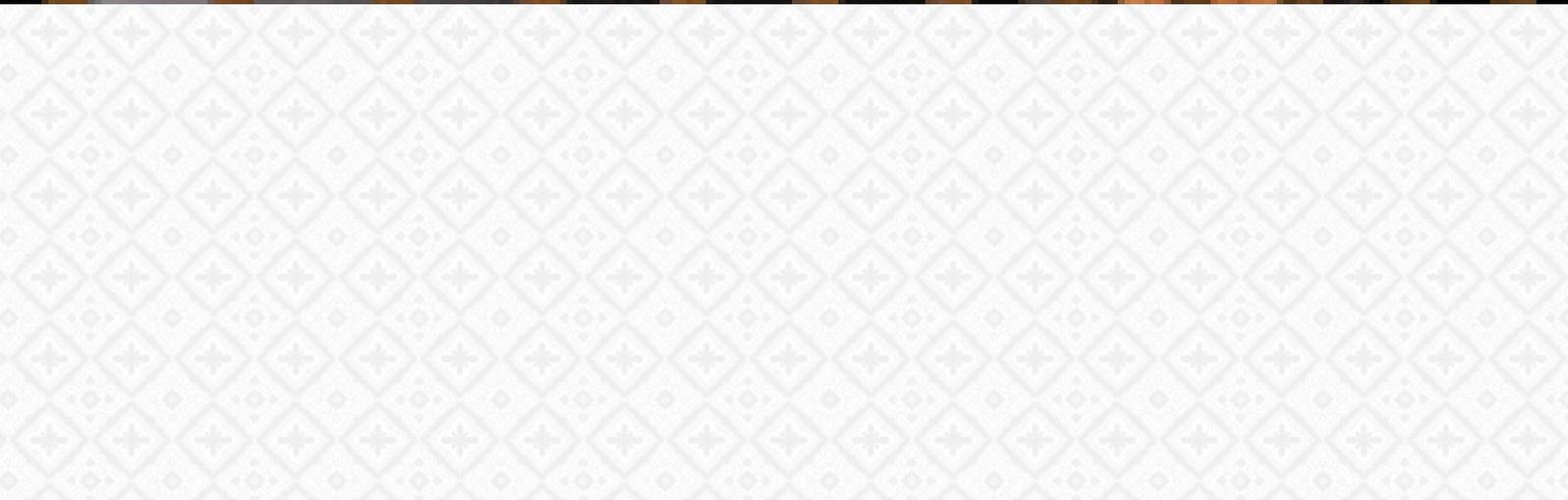
The use of social media sites is particularly important as a source of recruitment as well as enhancing our Employer Branding. The use of WeChat, LinkedIn and other social media channels has realised impressive results and will continue to grow as a cost-effective source of securing candidates.

New proprietary leadership programmes have been developed targeted at junior and senior managers to further enhance their skills and provide a platform for business success. These programmes will be rolled-out to the hotels in 2016.

The Shangri-La Academy has relocated to the corporate office and will continue to offer many of the core programmes. However, these will be supplemented by specialised courses run by experts from the field, engaged on a need basis. This allows the Academy to be more flexible and the courses to be targeted and attractive.



Kerry Hotel, Beijing, Mainland China





PROPERTIES UNDER DEVELOPMENT

Properties Under Development

(A) HOTELS OWNED AND MANAGED BY THE GROUP

Location	Properties	Group's equity interest as at Year End	Approximate total site area (m ²)	Approximate total gross floor area (m ²)
In the People's Republic of China				
1. Hangzhou, China	Shangri-La Hotel (part of Kerry Central, Hangzhou)	25%	N/A	45,782
2. Beijing, China	Hotel Jen (part of China World Trade Center Phase 3B)	40.32%	N/A	N/A
3. Harbin Songbei, China	Shangri-La Hotel	100%	40,000	57,000
4. Hung Hom, Hong Kong	Kerry Hotel	100%	15,623	62,492
5. Xiamen, China	Shangri-La Hotel	100%	13,852	45,419
6. Jinan, China	Shangri-La Hotel (part of composite development)	45%	N/A	59,427
7. Zhoushan, China	Shangri-La Hotel	100%	28,541	85,623
In other countries				
1. Bonifacio Global City, Metro Manila, The Philippines	Shangri-La Hotel (part of composite development)	40%	N/A	69,201
2. Hambantota, Sri Lanka	Shangri-La Hotel	90%	135,000	54,988
3. Colombo, Sri Lanka	Shangri-La Hotel (part of composite development)	90%	N/A	67,317
4. Yangon, Myanmar	Lakeside Shangri-La Hotel	55.86%	36,038	75,039
Total				

Number of projected rooms	Number of apartments or villas	Stage of completion	Projected opening	Address
417	–	External work, interior decoration and mechanical and engineering work in progress.	Opened on 12 March 2016	East to Yan An Road, South to Qing Chun Road, West to Planned Chang Shou Road, North to Hai Er Xiang, Xia Cheng District, Hangzhou, China
450	–	Main building structure completed. Mechanical and engineering work in progress.	2016	1 Jian Guo Men Wai Avenue, Chaoyang District, Beijing 100004, China
344	33	Main structure completed. Curtain wall installation in progress.	2016	East of Hei Da Gong Road, North of the northern dike of Songhua River, Songbei District, Harbin City, China
546	–	Superstructure work in progress.	2016	Junction of Hung Luen Road and Wa Shun Street, Hung Hom, Kowloon of Inland Lot No. 11205, Hong Kong
433	–	Superstructure work in progress.	2017	Southeast section of intersection of Taibei Road and Taidong Road, Guan Yin Shan Area, Land 03-07, Siming District, Xiamen, Fujian, China
364	32	Structural work topped out.	2017	Site No. 2011-G043 to G044 South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, China
300	–	Piling work commenced.	2019	LKC 1-3 Block of Lincheng Street, Dinghai District, Zhoushan, Zhejiang Province, China
576	97	Interior renovation in progress.	Opened on 1 March 2016	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, The Philippines
300	–	Main building completed. Mechanical and engineering work in progress.	2016	Sithrakkala Estate, Chithragala, Ambalantota, Sri Lanka
500	41	Main structure work in progress.	2017	1 Galle Road, Colombo, Sri Lanka
276	15	Piling completed.	2018	No.150/150 (A), Kan Yeik Thar Road, Between Upper Pansodan Road and Thein Phyu Road, Mingalar Tuang Nyunt Township, Yangon, Myanmar
4,506	218			

Properties Under Development

(B) OTHER PROPERTIES OWNED BY THE GROUP

Location	Properties/Purpose	Group's equity interest as at Year End	Approximate total site area (m ²)	Approximate total gross floor area (m ²)
In the People's Republic of China				
1. Tangshan, China	Tangshan Parkside Place – Commercial	35%	6,339	18,460
2. Hangzhou, China	Kerry Central, Hangzhou – Office – Commercial – Serviced apartment	25%	67,374	12,651 108,000 33,512
3. Dalian, China	Composite Development – Residential – Commercial – Serviced apartment	100%	5,887	18,650 4,600 12,150
4. Beijing, China	China World Trade Center Phase 3B – Office – Commercial	40.32%	40,763	47,441 69,528
5. Putian, China	Composite Development – Residential – Commercial	40%	147,577	141,409 7,205
6. Nanchang, China	Composite Development – Residential – Office – Commercial	20%	24,104	65,135 70,545 9,144
7. Shenyang, China	Shenyang Kerry Centre – Residential – Office – Commercial	25%	141,851	513,879 165,484 214,613
8. Jinan, China	Composite Development – Office – Commercial	45%	22,293	34,568 5,479

Stage of completion	Projected opening	Address
Interior decoration work in progress.	2016	889 Changhong West Street, Lubei District, Tangshan, China
External work, interior decoration and mechanical and engineering work in progress.	2016	East to Yan An Road, South to Qing Chun Road, West to Planned Chang Shou Road, North to Hai Er Xiang, Xia Cheng District, Hangzhou, China
Main building completed. Mechanical and engineering work in progress.	Phase II in 2016	Chang Jiang Road South, Zhi Gong Jie West, Zhi Fu Jie East, Zhongshan District, Dalian, China
Main building structure completed. Curtain wall installation work in progress.	2016	1 Jian Guo Men Wai Avenue, Chaoyang District, Beijing 100004, China
Phase I: Residential external work and mechanical and engineering work in progress.	Phase I from 2016 onwards	666 Jiu Hua Road, Chengxiang District, Putian City, China
Phase I: Residential Tower 1 and 3 interior decoration in progress. Tower 4 and 5 structural work topped out.	Phase I from 2016 onwards	667 Cui Lin road, Honggutan New District, Nanchang, China
Phase I: Residential interior decoration and mechanical and engineering work in progress. Phase II: Residential superstructure work in progress, Commercial and office structural work completed.	Phase I from 2016 onwards	Lot No. 2007-053, No. 8 Golden Corridor, East of Qingnian Da Avenue, Shenhe District, Shenyang, China
Main structure topped out.	Phase I from 2017 onwards	South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, China

Properties Under Development

Location	Properties/Purpose	Group's equity interest as at Year End	Approximate total site area (m ²)	Approximate total gross floor area (m ²)
In other countries				
1. Bonifacio Global City, Metro Manila, The Philippines	Composite Development – Residential – Commercial	40%	15,120	37,522 4,405
2. Sule Square, Yangon, Myanmar	Composite Development – Office – Commercial	59.28%	4,280	37,725 9,864
3. Ulaanbaatar, Mongolia	Composite Development – Residential – Office – Commercial	51%	18,667	32,328 40,902 46,372
4. Colombo, Sri Lanka	Composite Development – Residential – Office – Commercial	90%	40,469	111,100 59,984 68,585

(C) PROPERTIES UNDER CONCEPT PLANNING

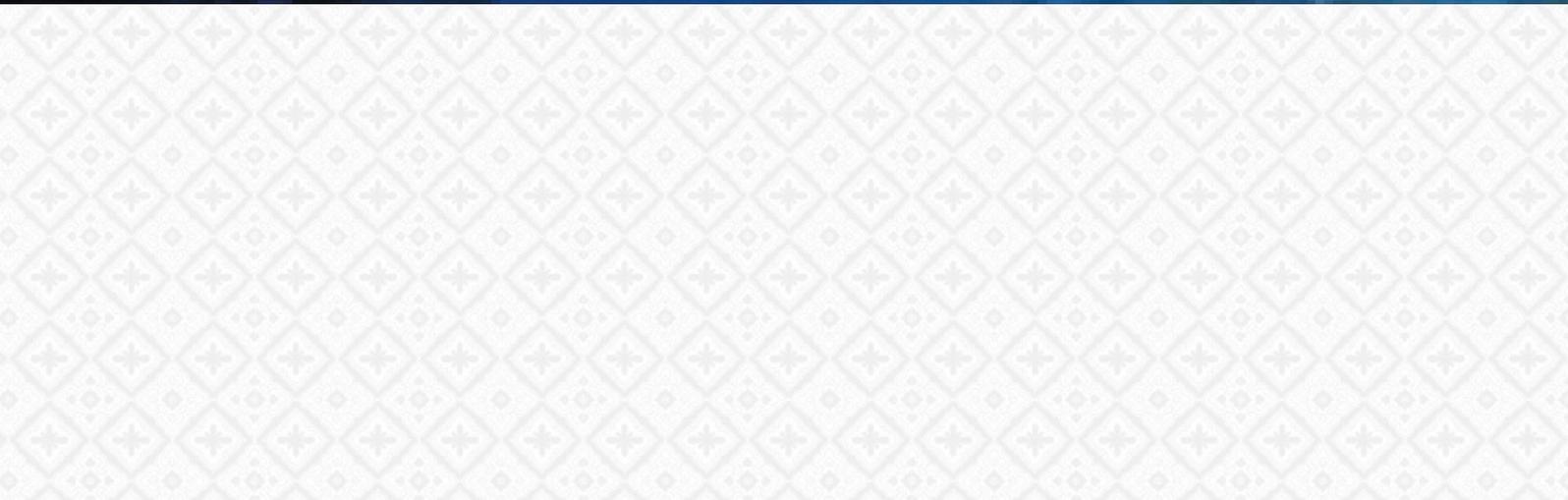
Location	Purpose	Group's equity interest as at Year End	Approximate total site area (m ²)	Approximate total gross floor area (m ²)
In the People's Republic of China				
1. Zhengzhou, China	Composite Development	45%	44,573	218,940
2. Kunming, China	Composite Development	45%	15,446	81,928
3. Dalian Wulong Bay, China	Hotel	100%	47,615	151,094
In other countries				
1. Accra, The Republic of Ghana	Composite Development	45%	49,874	35,545
2. Bali Nusa Dua, Indonesia	Shangri-La Hotel and golf club	53.30%	64,460	52,197

Stage of completion	Projected opening	Address
Interior decoration work in progress.	2016	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, The Philippines
Main structure topped off. Curtain wall installation work in progress.	2016	No.223, Sule Pagoda Road, Pabedan Township, Yangon, Myanmar
Mechanical and engineering work in progress.	2016	North East of National Amusement Park Place, Khoroo 1 of Sukhbaatar District, Ulaanbaatar, Mongolia
Main structure work in progress.	2018	1 Galle Road, Colombo, Sri Lanka

Address
East of Huayuan Road, South of Weier Road, Zhengzhou City, China
No.88-96 Dongfeng Road, Panlong District, Kunming City, China
Zhong Yang Chuang Zhi District, Xiao Yao Bay, Jin Zhou Xin District, Dalian, China
Airport North on Spintex Road, City of Accra, The Republic of Ghana
Jl Terompong, Bualu, Dusa Dua, Kei Venoa, Kec Kuta Selatan, Kab/Badung, Bali, Indonesia



Shangri-La's Boracay Resort & Spa, Philippines





RESPONSIBLE BUSINESS

Responsible Business

2015

was an exciting
year in
Shangri-La's
responsible
business journey.

2015 was an exciting year in Shangri-La's responsible business journey. The Group's continued inclusion in the Hang Seng Corporate Sustainability Index reinforced our sustainability leadership among Hong Kong listed companies. In addition, the Group was listed in the Dow Jones Sustainability Index for the 3rd consecutive year, once again confirming Shangri-La's position as one among the global sustainability leaders.

During the year, progress was made in environmental impact management with carbon and water intensities continuing to fall across our property portfolio to levels below the targets we set for 2015. Towards the end of the year, a Group-wide food waste management programme was launched to tackle Shangri-La's top waste stream. Our hotels also continued to enlist the help of suppliers to reduce waste through initiatives such as packaging redesign and soap recycling.

To further enhance communication regarding Shangri-La's sustainability commitments with internal and external stakeholders, the Group launched Shangri-La Sustainability, a blog devoted to the Group's responsible business initiatives and the CSR activities of individual hotels and colleagues. With its weekly posts, the blog creates awareness of Shangri-La's sustainability efforts among readers from 40 countries. For more information, please visit <http://www.shangri-la-sustainability.com/>

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM



Hang Seng Corporate
Sustainability Index
Series Member 2015-2016

We also began to regularly collect guest feedback on our responsible business practices through the inclusion of questions on sustainability initiatives in guest surveys.

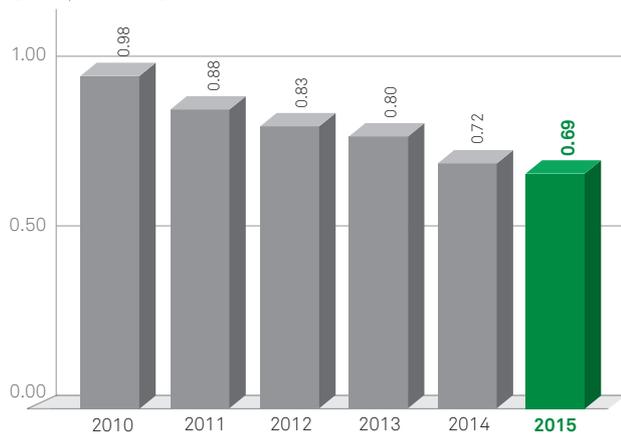
In an effort to strive for continuous improvement, in 2014 Shangri-La published a new series of ambitious sustainability goals for 2020. The year 2015 not only saw progress made on the 2020 goals, but also the enhancement of some goals through quantitative targets. With a more concrete set of goals, we are confident of strengthening our sustainability efforts in the coming years to safeguard our mission of operating a responsible business that both improves the lives of people and cares for the environment.

OUR ENVIRONMENT

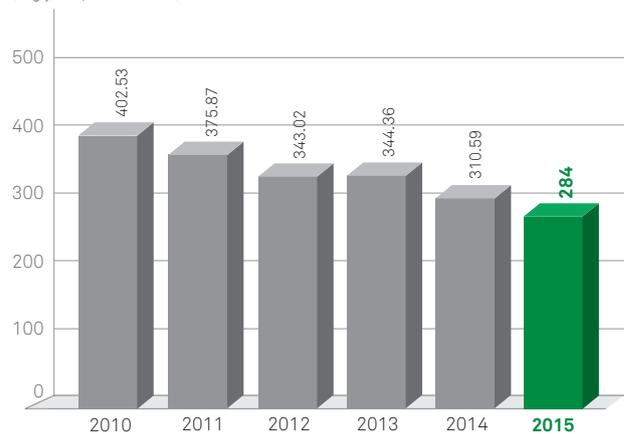
In 2015, Shangri-La continued to practise environmental stewardship by focusing on carbon footprint reduction, resource efficiency, waste management, and the certification of hotels' environmental management systems to the internationally recognised ISO 14001 standard. Compared with the 2010 baseline levels, the Group achieved a 24% reduction in carbon intensity and a 29% reduction in water intensity by the end of 2015. These results significantly exceeded the Group's original targets of 20% carbon footprint intensity and 15% water footprint intensity reduction by the end of 2015 from 2010 levels, demonstrating our dedication to continuous improvement in resource efficiency.

	2010	2011	2012	2013	2014	2015
Number of hotels*	66	72	72	81	88	96

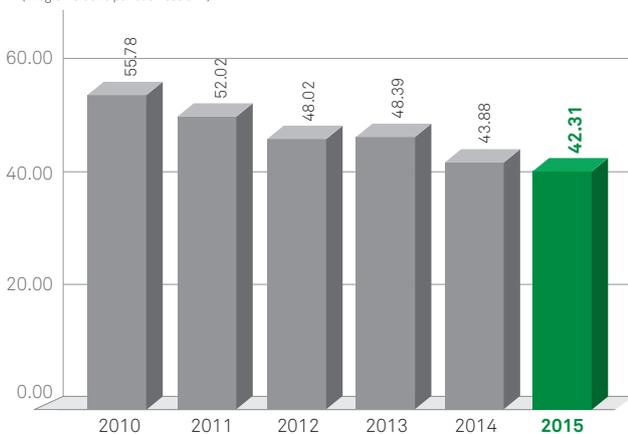
**Average Potable Water Consumption
(kiloliters per business unit)



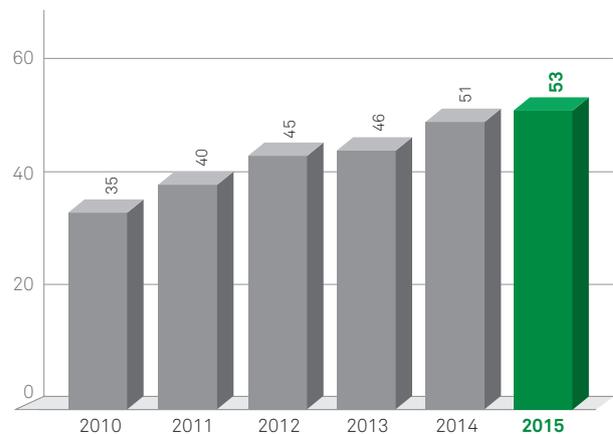
**Average Energy Consumption
(megajoules per business unit)



**Average scope 1 and scope 2 GHG emissions
(kilograms CO₂e per business unit)



ISO 14001 Certified Hotels



* Number of hotels managed by SLIM, including the Aberdeen Marina Club.

** The comparative information has been restated to conform with the current year's presentation.

Responsible Business

China Carbon Emission Trading Pilots

In China, seven regional pilot Carbon Emission Trading schemes were established between 2013 and 2014. Five of our hotels in Beijing and Shanghai are either directly covered by the regional carbon markets, or indirectly involved through the property complex in which they are situated. In 2015, participating hotels continued to comply with the annual carbon emissions targets set by the local authorities, with Shangri-La Hotel Beijing outperforming the reduction target by 11%. Our hotels in Wenzhou and Guangzhou were also in compliance with the energy targets set by local authorities. China has announced its intention of launching a nationwide carbon emission trading scheme in 2017 and the Group is also closely monitoring the development of this national scheme.

Waste Management

Waste reduction is another key aspect of managing Shangri-La's environmental impact. As an audit commissioned in 2014 identified food waste as one of the top items in hotels' waste profile in terms of weight, Shangri-La conducted a pilot Food Waste Management project from late 2014 to early 2015 to develop action plans for food waste management. Following this project, a group-wide Food Waste Management programme was rolled out in late 2015 with steps 2 and 3 being implemented in 2016. For Step 1 hotels were asked to record waste generated during preparation, due to spoilage and after reaching the guests, in order to identify the key sources of waste. Steps 2 and 3 require hotels to fully implement waste reduction plans and measure outcomes. A group target for food waste reduction will be set based on the outcome of the programme.

STEP 1

Initial food waste data collection

STEP 2

Food waste reduction plan implementation

STEP 3

Post-implementation data measurement



Soap for Hope Project

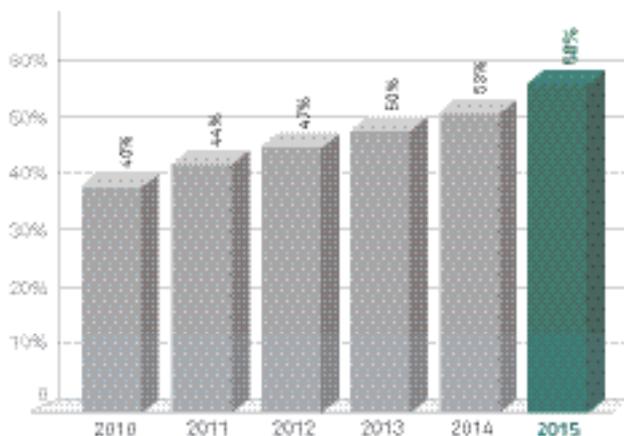
As well as improving our operations, Shangri-La is also harnessing the power of partnership in fostering waste reduction at source and in recycling. In August 2015, the Group Purchasing Division worked with Shangri-La's amenities supplier to design a new paper box package for bathroom amenities, which is 11% lighter than the previous packaging. The potential annual saving is up to 4,500kg of paper. Through the "Soap for Hope" project, our hotels are collaborating with suppliers and other external partners to turn discarded soaps from guest rooms into new soap bars. These sanitised soap bars are distributed to under-privileged communities to promote hygiene. 20% of our hotels are diverting used soap from landfill through this "Soap for Hope" project and Shangri-La is committed to expanding "Soap for Hope" to other hotels.

OUR BUSINESS

Getting Smart on Understanding – How Responsible Business Practices Affect Guests' Decisions

Over the years, our quality improvement initiatives have continuously strengthened guest satisfaction. The 2015 Overall Stay Experience improved significantly due to the introduction of "Your VoiCE", a survey methodology allowing guests to provide "in the moment" feedback immediately after utilising any of our products and services, through QR Code technology. In addition to functional experiences, we also included an icon for Shangri-La's Sustainability initiatives regarding support for linen re-use, sustainable dishes, and endangered species. More than 1000 guests responded positively and voted in-room collateral and the Company website as the most popular sources to obtain information about hotels' responsible business programmes. In 2015, we also started baseline measurement for our Guest Loyalty Index ("GLI"). Guest Loyalty Index provides a holistic view of the customer journey from first exposure to the Shangri-La brand to long-term loyalty and the lifetime support of a customer. One of the key drivers of guest loyalty is emotional connection to the brand, within which "hotel does things that are good for the society and environment" is considered an important factor. Together with "Your VoiCE" survey result, the outcome of GLI highlights the need for Shangri-La to further improve awareness of the Group's environmental and social commitments to guests via in-room collateral and the Company's website. These are our priorities for 2016.

Global Overall Stay Experience



Responsible Business

Focusing on the Supply Chain

Shangri-La recognises that the impact of our business extends beyond our own operations into the supply chain. To ensure the suppliers we work with share our values of being socially and environmentally responsible, all suppliers are required to adhere to our Supplier Code of Conduct. In 2015, the Group Purchasing Division continued to engage with an independent professional firm to evaluate group suppliers' compliance with the Supplier Code of Conduct. 16 out of 37 Group contract suppliers passed the initial audit, which is a pass rate of 43%. Six took corrective measures in order to receive a passing grade during their reassessment, bringing the overall pass rate to 60%. The rest will be monitored and required to show continued improvements. To help suppliers enhance their responsible business practices, the Group Purchasing Division organised a supplier seminar featuring a training session on Supplier Code of Conduct audits, sharing of best practice, and an open discussion with suppliers on challenges and opportunities. Participating suppliers gave positive feedback on the seminar, including:

“we are able to understand our facility's shortage and where to improve” and

“after the seminar, we are interested to learn more about other CSR related subjects”

Due to the overwhelmingly positive feedback, the Group Purchasing Division decided to host the supplier seminar more frequently in coming years.



2015 Supplier Seminar for Group Suppliers

Rooted in Nature – Sustainable Cuisine Campaign

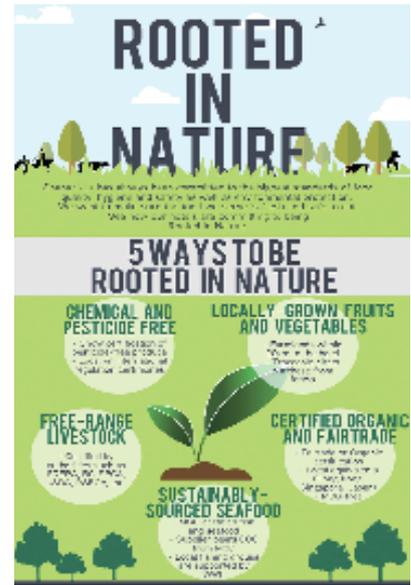
After a successful introduction in 2014, Shangri-La formally launched the group-wide Rooted in Nature media campaign in April 2015 with the message “While 22 April is Earth Day on the calendar, every day is Earth Day in the Shangri-La kitchens”. This culinary initiative encourages hotels to source from local, small-scale suppliers and suppliers of ethically harvested food. Some hotels have taken this one step further by creating farmers’ cooperatives together with local farms and by hosting frequent farmers’ markets to introduce locally grown fruits and vegetables to guests. As a result of the campaign, our hotels recorded more than 350 articles and dozens of TV/Radio segments covering our efforts. By the end of 2015, more than 1700 Rooted in Nature dishes were being offered by Shangri-La hotels worldwide.

OUR PEOPLE

The success of Shangri-La depends on the success of our people. To this end, we support colleagues in achieving their full career potential by providing a fair and inclusive working environment, offering well-designed training and development programmes while focusing on colleagues’ health and wellbeing.

Fair Workplace

Shangri-La’s commitment to maintaining a fair and inclusive workplace is governed by our Code of Conduct and Ethics (the “Code”). The Code sets out the standards required of employees in order to uphold Shangri-La’s core values of integrity, fairness, respect, ethical business conduct, and excellence in service. All permanent colleagues are required to sign the Code and attend compulsory training programmes upon joining Shangri-La. The implementation of the Code is supported by a whistleblowing policy, which holds employees responsible for alerting non-compliant behaviour and incidences, specifies channels for raising concerns, and protects whistleblowers from reprisals and victimisation.



Rooted in Nature Poster



Farmers’ Market – Shangri-La Hotel, Kuala Lumpur

Responsible Business

Training and Development

In regard to professional development, it is a Group requirement that all permanent colleagues in every hotel, irrespective of service level, age or gender, undertake a minimum full day's orientation programme and then participate in the four-day Shangri-La Care service culture learning programme. These programmes are additional to the comprehensive skills training that is tailored to each individual job position and is based on the intrinsic abilities of colleagues. The success of these programmes is measured by a performance monitor, measuring items such as customer satisfaction and willingness to recommend the hotel to others. Comprehensive leadership learning programmes are delivered to supervisors and managers and are measured by metrics such as turnover and the number of internal promotions. These initiatives resulted in a reduction in the staff turnover rate in 2015 compared with 2014.

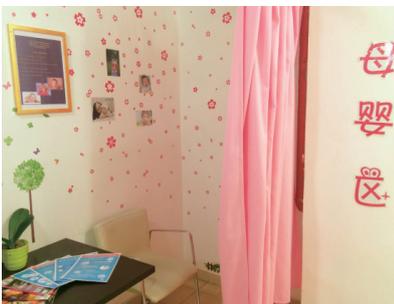
The Shangri-La Global Academy



Shangri-La Global Academy's Training Session

The Shangri-La Academy was set up to engage and train colleagues internally, by focusing on employability and innovation. In 2015, 83 courses were offered and 1,425 colleagues were trained. The Academy also participated in the HKMA (Hong Kong Management Association) Award for Excellence in Training & Development – Development Category, and was one of the finalists. This is a testament to the Group's efforts in enhancing our people's skills and knowledge. In 2016, with over 90 hotels globally, the Academy will be re-branded as the Shangri-La Global Academy. The mission of the Global Academy is to grow great leaders, to nurture exceptional hospitality professionals, and to provide creative and effective solutions to address evolving organisational needs.

Well-being



Nursing Area for Breastfeeding Mothers – Kerry Hotel, Pudong

Equally important to professional development is colleagues' well-being. Apart from medical checkups and the promotion of smoke-free workplaces, hotels also run activities that promote healthy lifestyles, with the support of the Employees' Committee. In 2015, over 600 health-related activities were arranged, including medical talks, sports exercises, and advice on weight control and healthy eating. In hotels, staff restaurants provide healthy food options and run awareness campaigns for promoting healthy eating habits. Shangri-La Hotel, Guangzhou and Kerry Hotel, Pudong went the extra mile by introducing nursing areas for breastfeeding or for pumping breast milk.

Occupational Health and Safety

In regard to occupational health and safety, it is the responsibility of hotel Health & Safety committees to ensure the implementation of safety measures. Safety at work training is provided to new colleagues as part of their orientation. All colleagues are retrained on an annual basis, which is verified during the annual Security Audits conducted by the Group. 46 hotels have undergone the stringent external assessment process to obtain the globally recognised Occupational Health and Safety OHSAS 18001 certification, with more being scheduled in the coming years, underlining Shangri-La's commitment to further strengthening safety measures.

OUR COMMUNITIES



Pre-opening CSR Activity – Shangri-La Hotel, Bengaluru

Care for People – Embrace

To make a real impact on local communities, it is a Group policy that each hotel forms a 10 to 15 year partnership with local institutions working on children's health or education programmes. The selection of the Embrace partner is based on a social needs assessment, matched with resources that hotels can ably deliver. Existing hotel Embrace partners include schools, special education centres, and health centres. Hotels help to improve infrastructure and provide funds, mentorship, life skills training and apprenticeships, with the aim of driving the upward mobility of young beneficiaries, so that ultimately they can care for themselves and others. In 2015, five new Embrace projects were established, bringing the total number of projects to 92. Some highlights of 2015 include:

Responsible Business

In 2014 **Shangri-La's Tanjung Aru Resort & Spa** initiated an ambitious project together with the Ministry of Health and MERCY Malaysia to build and equip a Health Clinic in the village of Terian (Malaysian Borneo) located in the interior of the jungle within the Crocker Range Park. Due to be completed in mid-2016, the clinic will cater for 1,400 residents of the indigenous Kadazan community from nine remote villages who previously had little to no medical care due to a lack of road access. Through the project it is hoped that key issues including malnutrition, alcoholism, and unsafe birth conditions are addressed to improve the lives of these communities.

Shangri-La's Mactan Resort & Spa's six-year Embrace partnership with the community of Tingo is a real life demonstration of our long-term commitment to caring for the local community. Tingo is a community of almost 1,000 families situated on an island across from the resort. Since 2010, the resort has implemented 50 projects, focusing on the upgrade of the facilities of Tingo Elementary School, the enhancement of teaching quality, and the provision of tutorials, mentorship and scholarship programmes for students. Attention has also been given to other members of the local community via health care programmes that promote handwashing, healthy cooking, and the provision of free medical consultations. In 2015, Soap for Hope was introduced to Tingo. Through teaching the skill of recycling used soap into fresh bars and soap press machine donations, the project hopes to provide a new form of livelihood to members of the community and improve their hygiene practices.



Charity Christmas Tree – Shangri-La Hotel, Kuala Lumpur

Since 1985 more than MYR 3 million has been raised over 30 years through the Embrace the Gift of Life programme run by **Shangri-La Hotel, Kuala Lumpur** to help over 200 critically ill children. The fundraising is done through the annual Christmas Charity Tree, which portrays a different theme every year. Donors are invited to contribute at least MYR 1,000 for each of the attractive features on the tree. Each year more than MYR 100,000 is raised to help children from underprivileged backgrounds suffering from severe heart ailments that need urgent surgery. The hotel works directly with the hospitals, covering the surgery costs ranging between MYR 30,000 and MYR 50,000 through direct payment, even before the funds are raised.

In China, hotels in Beijing, Shanghai, Chengdu and Guangzhou worked with the Kerry Group Kuok Foundation (KGKF) to support the "Big Friends Project". The beneficiaries are children from low income migrant families, who have limited chances to continue secondary education. In 2015, participating hotels mentored over 200 students and organised various activities such as hotel visits and familiarisation, graduation ceremonies,

nature studies, and city experience for a day. Some hotels also offered internships to the students they helped. Participating hotels include **China World Hotel, Beijing, China World Summit Wing, Beijing, Traders Hotel, Beijing, Kerry Hotel, Beijing, Hotel Jen Upper East, Pudong Shangri-La, East Shanghai, Jing An Shangri-La, West Shanghai, Kerry Hotel Pudong Shanghai, Shangri-La Hotel, Guangzhou and Shangri-La Hotel, Chengdu.**

In 2012, Embrace ++ was introduced to encourage hotels to provide traineeship for young adults helped via Embrace. The number of traineeships increased from 4 in 2012 to 156 in 2015.

One good example is the **Shangri-La Hotel, Chiang Mai**, which has focused on creating trainee opportunities for the local and northern communities of Thailand since its opening. To date, the hotel has taken on 562 trainees, of which 39 became employees. Many moved on to pursue further studies or take up other jobs.

Care for Nature – Sanctuary

Apart from caring for people from local communities, in 2015 we continued our efforts in the field of habitat and bio-diversity protection through our Sanctuary – Care for Nature programme. From reef care, turtle care, panda care to wetland protection and showcasing flora and fauna, our Sanctuary projects combine conservation with raising public awareness, guest engagement, staff engagement and education programmes to address bio-diversity challenges from various angles. Hotels with Sanctuary projects also form partnerships with relevant external parties including accredited non-government organisations, academic bodies, and community groups to ensure local endorsement and professional input. Bio-diversity data are collected on a regular basis to measure results and inform decision makers on the next steps required for each project. Significant progress was made in 2015, including:

Shangri-La Hotel Nanjing launched a Care for Nature project to protect the endangered *Luehdorfia Chinensis* butterfly. The aim of the project is to raise awareness of the plight of the butterfly through guest and community engagement activities, as well as habitat protection.

Shangri-La Hotel, Haikou planted 5,740 saplings with an average survival rate of 80%. The hotel also contributed to mangrove maintenance through regular colleague volunteering activities including dead tree removal and pest control. Mangrove protection-themed staff activities were organised for raising awareness. Hotel guests were also invited to participate in tree planting activities.



Big Friend Activity – Jing An Shangri-La



Sanctuary, Shangri-La's Reef Care Project, Fish House Building



Sanctuary, Shangri-La's Reef Care Project, Fish House Helping to Preserve and Grow the Fragile Coral Reefs

Responsible Business

Shangri-La Hotel, Xian and Golden Flower Hotel, Xian enhanced their support to the national nature reserve of Zhouzhi, the hotels' Sanctuary partner, by providing cameras for capturing 3,000 photos of rare animals and donating seeds of valuable Chinese herbal medical plants to boost local farmers' livelihoods.



Sanctuary, Shangri-La's Turtle Care Project

Sabah Wildlife Department and **Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu** announced they are nearing the completion of the successful jointly-managed Orangutan Rehabilitation and Conservation Programme. Launched in 1996, Shangri-La's Orangutan Care Project provides specialist care for orphaned orangutans in a sanctuary located within the resort's private 64-acre Nature Reserve. Over the course of nearly 20 years, 43 orphaned orangutans have successfully completed the first phase of their rehabilitation under the care of trained rangers in the Nature Reserve before moving to the renowned Sepilok Orangutan Rehabilitation Center. In addition to orangutan rehabilitation, the resort's programme provides a platform for education on wildlife conservation to school children and the general public based on the west coast of Sabah. We are grateful for the opportunity to have brought almost 12,000 students from 276 schools in Sabah to see our Orangutan Care project so they could gain a better understanding of how precious the endangered orangutans are and the urgent need to protect them.

At **Shangri-La Barr Al Jissah Resort & Spa**, Sultanate of Oman, the hotel administers a Turtle Care Project, which aims to protect the endangered hawksbill and green turtles species native to the beaches of Oman. Since the resort opened 10 years ago, over 1,000 nests have been laid along its beaches and over 50,000 turtle hatchlings have made their way to the sea under the care of the project. In 2016, efforts to raise awareness and create hands-on guest engagement with local schools and visitors will be further strengthened through the successful completion of an onsite Eco Centre.

Looking ahead, the newly opened **Shangri-La's Le Touessrok Resort and Spa, Mauritius** is gearing up to launch its "Care for Nature" programme focusing on creating awareness of endemic flora and fauna species and habitat protection. The hotel will use an Echo Parakeet mascot to increase public awareness of the plight of this bird species. As part of plans for the future, a Dodo & Ebony museum/Eco Centre will be set up to mark the dodo's extinction and remind visitors of the importance of saving currently endangered species.

Colleague Volunteering

Through Embrace, Sanctuary and other hotel CSR activities, in 2015 our colleagues devoted a record-breaking 135,000 volunteer hours, demonstrating a genuine care for the communities in which we operate. To assist hotels with planning for volunteering activities, the Group's Sustainability team issues a CSR Calendar template every year with key international days. Hotels then develop and execute yearly plans based on local needs. Eight hours' paid volunteer leave is provided to each colleague to encourage participation in Embrace, Sanctuary and other approved hotel CSR activities.

Case Study – Ride for Hope

Organised by the Futian Shangri-La, Shenzhen, the seven-day, 800-kilometre "Ride for Hope 2" charity ride from Guilin to Hong Kong raised over RMB8 20,000. More than 500 bikers from two different provinces participated in the relay ride and joined the eight dedicated riders from the hotels. The core team of riders who completed the entire journey finished the challenge at the Kowloon Shangri-La, Hong Kong. With the funds raised, Futian Shangri-La is sponsoring the construction of a local primary school and is working with another 11 village schools in Guangxi Zhuang Autonomous Region to build 40 water cellars.



Disaster Relief

When the 7.8 magnitude earthquake struck Nepal in 2015, Shangri-La hotels around the world mobilised quickly. HKD1,600,000 was raised through hotel fundraising activities within a three month period. Part of the funds was distributed to our Nepalese colleagues to support their families through difficult times. The rest was donated to our charity partner Oxfam for supporting the long-term recovery of Nepal.



Shangri-La's Fundraising Campaign for Nepal

two of our hotels, Kowloon Shangri-La, Hong Kong and Island Shangri-La, Hong Kong, underwent the audit process for the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) Chain of Custody certification in 2015. Once the certificate is awarded in 2016, these two hotels will be the first in Hong Kong to achieve the MSC certification. In addition to sustainable food initiatives, the Group will continue its efforts to engage suppliers in our sustainability agenda through product development, waste management, community investment, and disaster relief and rehabilitation.

Going forward, other sustainability priorities are:

- Further reduction of CO₂ emissions and water consumption throughout our hotels. The Group has set a target to achieve a further 20% reduction in CO₂ emissions intensity and 20% reduction in water usage intensity from 2015 levels across all its hotels by 2020
- Enhancing processes to measure total waste generation and diversion from landfill in order to formalise an overall waste reduction target. Critical to this effort will be the collection of recycling, reusing and composting data across the Group
- Certification of all hotels to ISO 14001 Environmental Management System, Occupational Health and Safety (OHS) and Food safety (ISO 22000/HACCP) standards by 2020
- Ensuring consistent stakeholder engagement through projects with universities, academia, industry organisations and non-profit organisations where possible
- Achieving a 20% reduction of colleagues' accident and injury rates by 2020 from 2015 level
- Providing 600,000 cumulative volunteer hours through the Group's Embrace and Sanctuary projects and other CSR activities by 2020
- Strengthening diversity and equal opportunity through the hiring of more people with disabilities and improving gender balance in senior management roles

While focusing our efforts on the sustainability of current hotel operations, the Group also recognises the importance of addressing sustainability throughout the hotel lifecycle. Whenever possible, new hotel developments are being built according to LEED or equivalent green building standards. New developments will also take into greater account surrounding habitats and bio-diversity.

Moving ahead, a greater focus will be placed on communicating the Group's sustainability platform and 2020 targets to stakeholders through social media and other promotional activities. The Group is also enhancing communications about its environmental and social commitments with guests via in-room collateral and the Shangri-La website.



Hylandia by Shangri-La, Yunnan, Mainland China



DIRECTORS' REPORT

Directors' Report

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

GENERAL DISCLOSURE ITEMS

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", "Hotel Jen", "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 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.

Business Review

The details of the Group's business review are set out in:

- (1) the section entitled "Discussion and Analysis" for the review of business and financial performances; and
- (2) the section entitled "Responsible Business" for the review of corporate social responsibilities.

Results and Appropriations

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

The Board has declared an interim dividend of HK 5 cents per Share and proposes a final dividend of HK 5 cents per Share for the Financial Year.

The details of dividends paid and proposed for the Financial Year are set out in Note 35 to the Financial Statements.

Reserves

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

Donations

Charitable donations and other donations made by the Group during the Financial Year amounted to US\$255,000.

Property, Plant and Equipment Investment Properties

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

Principal Properties

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

Pre-emptive Rights

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

Share Capital

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

Subsidiaries and Associates

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

Particulars of Bank Loans and Overdrafts

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

Management Contracts

No contract with any person or entity concerning the management and administration of the whole or any substantial part of the business of the Group (other than contract of service with any Director or employee of the Group) was entered into or existed during the Financial Year.

Directors and Officers Liability Insurance

An insurance policy with permitted indemnity provision insuring claims made against, among others, the directors and the management officers of the Group members and the persons representing the Group in associates as directors or management officers was in effect throughout the Financial Year and remained in effect up to the date of the Annual Report.

Changes in Directors' Information

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

- (1) Professor LI Kwok Cheung Arthur was appointed the chairman of the Council for Sustainable Development of the Government of the Hong Kong Special Administrative Region on 1 March 2015. He was also appointed a council member and council chairman of The University of Hong Kong on 20 March 2015 and 1 January 2016, respectively.
- (2) Mr Alexander Reid HAMILTON ceased to act as an independent non-executive director of DBS Bank (HK) Limited and CITIC Limited (listed on HKSE) on 21 April 2015 and 2 June 2015, respectively.
- (3) Mr WONG Kai Man retired by rotation as an Independent Non-executive Director and also ceased to be (a) chairman and member of the Remuneration Committee, and (b) member of the Nomination Committee and the Audit Committee, all changes effective on 28 May 2015. Effective from the same date:
 - (a) Mr Alexander Reid HAMILTON became the chairman of the Remuneration Committee;
 - (b) Mr Madhu Rama Chandra RAO ceased to be member of the Nomination Committee;
 - (c) Mr HO Kian Guan became a member of the Audit Committee.
- (4) Dr LEE Kai-Fu was appointed an Independent Non-executive Director on 18 November 2015.
- (5) As part of the regular annual salary review, the Remuneration Committee has reviewed and approved the proposed monthly salary of the Executive Directors for 2016. There were no adjustments to the monthly salary of the Executive Directors.
- (6) Mr Madhu Rama Chandra RAO will, on 15 April 2016, retire as the CFO and will relinquish the title thereof, but will remain as an Executive Director.

Directors' Report

Notes:

1. 1,672,743 shares were held through a company that was wholly owned by Mr KUOK Khoon Chen.

277,451 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 of which the relevant director is a contingent beneficiary.

842,614 shares were held through discretionary trusts the contingent beneficiaries of which include both Mr KUOK Khoon Chen and Ms KUOK Hui Kwong.

3. 95,537,377 shares were held through companies that were owned as to 33.33% by each of Mr HO Kian Guan and Mr HO Kian Hock.

11,083,411 shares were held through a company that was owned as to 31.34% by each of Mr HO Kian Guan and Mr HO Kian Hock.

39,266,930 shares were held through companies that were owned as to 6.75% and 6.91% by Mr HO Kian Guan and Mr HO Kian Hock, respectively.

4. 32,000 shares were held jointly by Ms KUOK Hui Kwong and her spouse.

5. The spouse of Ms KUOK Hui Kwong was deemed interested in these shares.

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 entitled "Share Option Schemes" of this Directors' Report.

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 2015		For the year ended 31 December 2014	
	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
<i>At 1 January</i>	12.33	24,478,500	12.32	26,591,000
Granted	–	–	–	–
Exercised	11.60	(30,000)	11.97	(110,000)
Lapsed	11.79	(5,722,500)	12.25	(2,002,500)
<i>At 31 December</i>	12.50	18,726,000	12.33	24,478,500

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

Last exercisable date	Exercise price in HK\$ per option share	Number of outstanding option shares as at	
		31 December 2015	31 December 2014
27 April 2015	11.60	–	4,245,000
15 June 2016	14.60	2,918,000	3,045,500
22 August 2023	12.11	15,808,000	17,188,000
		18,726,000	24,478,500

No options have been exercised subsequent to 31 December 2015 and up to the approval date of the financial statements. Options on 120,000 shares with exercise price of HK\$12.11 per share have lapsed subsequent to 31 December 2015 and up to the approval date of the financial statements.

Notes to the Consolidated Financial Statements

19 OTHER RESERVES

	Share option reserve US\$'000	Hedging reserve US\$'000
Balance at 1 January 2014	12,607	362
Currency translation differences	–	–
Exercise of share options – transfer to share premium	(45)	–
Fair value changes of interest-rate swap contracts	–	(3,337)
Balance at 31 December 2014 and 1 January 2015	12,562	(2,975)
Currency translation differences	–	–
Exercise of share options – transfer to share premium	(12)	–
Transfer of share option reserve to retained earnings upon expiry of share options	(2,098)	–
Fair value changes of interest-rate swap contracts	–	(2,874)
Balance at 31 December 2015	10,452	(5,849)

- (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 Group arises when the Group 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.

	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
	44,518	10,666	843,502	601,490	1,368	389,741	1,904,254
	-	-	(184,088)	-	-	-	(184,088)
	-	-	-	-	-	-	(45)
	-	-	-	-	-	-	(3,337)
	44,518	10,666	659,414	601,490	1,368	389,741	1,716,784
	-	-	(597,379)	-	-	-	(597,379)
	-	-	-	-	-	-	(12)
	-	-	-	-	-	-	(2,098)
	-	-	-	-	-	-	(2,874)
	44,518	10,666	62,035	601,490	1,368	389,741	1,114,421

Notes to the Consolidated Financial Statements

20 BANK LOANS

	2015 US\$'000	2014 US\$'000
Bank loans – secured (Note 37(c))	191,132	263,844
Bank loans – unsecured	3,826,724	3,716,952
Total	4,017,856	3,980,796
Less: Non-current portion	(2,965,774)	(3,277,663)
Current portion	1,052,082	703,133

The maturity of bank loans is as follows:

	2015 US\$'000	2014 US\$'000
Within 1 year	1,052,082	703,133
Between 1 and 2 years	348,470	1,204,420
Between 2 and 5 years	2,538,500	1,909,195
Repayable within 5 years	3,939,052	3,816,748
Over 5 years	78,804	164,048
Total	4,017,856	3,980,796

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

	31 December 2015								
	HK\$	RMB	GBP	US\$	JPY	Pesos	Euros	SGD	AUD
Bank loans	1.39%	5.38%	1.94%	1.89%	1.40%	2.11%	1.32%	2.15%	3.41%

	31 December 2014								
	HK\$	RMB	GBP	US\$	JPY	Pesos	Euros	SGD	AUD
Bank loans	1.72%	6.29%	1.94%	1.81%	1.43%	3.01%	2.00%	1.43%	3.97%

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

	2015 US\$'000	2014 US\$'000
Hong Kong dollars	1,320,361	1,319,071
Renminbi	284,675	715,533
United States dollars	1,848,093	1,317,498
Euros	234,771	243,074
Japanese Yen	41,480	41,483
Philippines Pesos	11,654	32,853
Singapore dollars	65,933	78,251
Australian dollars	144,203	162,810
British pounds	66,686	70,223
Total	4,017,856	3,980,796

20 BANK LOANS (CONTINUED)

The Group has the following undrawn borrowing facilities:

	2015 US\$'000	2014 US\$'000
Floating rate		
– expiring within one year	190,687	173,536
– expiring beyond one year	1,796,845	630,690
Fixed rate		
– expiring within one year	–	435
– expiring beyond one year	2,500	35,380
	1,990,032	840,041

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\$27.63 per ordinary share of the Company on 11 June 2015. Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at 111.84% of their principal amount on the Maturity Date.

The initial fair values of the liability component and the equity conversion component, based on net proceeds, were determined at issuance of the bonds. The fair value of the liability component, included under non-current liabilities, was calculated 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 recognised in the consolidated statement of financial position is calculated as follows:

	2015 US\$'000	2014 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	99,376	76,223
Liability component at 31 December	550,458	527,305

The face value of outstanding bonds at 31 December 2015 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 2015 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.

Notes to the Consolidated Financial Statements

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 recognised in the statement of financial position is calculated as follows:

	2015 US\$'000	2014 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 amortisation of issuing expenses	3,617	2,646
Carrying amount of fixed rate bonds at 31 December	598,758	597,787

As at 31 December 2015, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US\$6,333,000 (31 December 2014: US\$6,333,000). The carrying amount of the bonds approximates to its fair value.

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2015 US\$'000	2014 US\$'000
<i>Non-current liabilities</i>		
Interest-rate swap contracts – hedging	3,612	2,500
<i>Current liabilities</i>		
Interest-rate swap contracts – hedging	2,302	978
Total	5,914	3,478
<i>Non-current assets</i>		
Interest-rate swap contracts – hedging	34	342
<i>Current assets</i>		
Interest-rate swap contracts – hedging	31	161
Total	65	503

All the interest-rate swap contracts qualify for hedge accounting. The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 31 December 2015 were as follows:

- HK\$2,200,000,000 (31 December 2014: HK\$2,200,000,000) with fixed interest rate of 0.940% to 1.635% per annum (31 December 2014: 0.940% to 1.635% per annum).
- US\$206,000,000 (31 December 2014: US\$206,000,000) with fixed interest rates of 1.420% to 1.785% per annum (31 December 2014: 1.420% to 1.785% per annum).

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

	2015 US\$'000	2014 US\$'000
<i>Non-controlling interests</i>		
Share of equity	366,859	410,598
Equity loans (Note (a))	130,533	124,451
	497,392	535,049

Notes:

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

	2015 US\$'000	2014 US\$'000
– LIBOR per annum	8,724	9,490
– LIBOR plus 1% per annum	101,335	71,591
– LIBOR plus 3% per annum	–	22,050
– Fixed rate of 2.5% per annum	17,924	17,911
– Interest-free	2,550	3,409
	130,533	124,451

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

	2015 US\$'000	2014 US\$'000
– Interest-free and not payable within 12 months	28,563	27,579

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% (2014: 4.1%) per annum.

(c) Amounts due to/(from) non-controlling shareholders (current portion) are unsecured and with the following terms:

	2015 US\$'000	2014 US\$'000
Amounts due to non-controlling shareholders		
– Interest-free with no fixed repayment terms	22,059	8,605
Amounts due from non-controlling shareholders		
– Interest-free with no fixed repayment terms	(106)	(57)
	21,953	8,548

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

Notes to the Consolidated Financial Statements

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% (2014: 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:

	2015 US\$'000	2014 US\$'000
At 1 January	304,404	284,694
Exchange differences	(10,673)	(3,654)
Deferred taxation charged to consolidated income statement (Note 33)	20,158	22,945
Deferred taxation (credited)/charged to other comprehensive income	(312)	419
Disposal of controlling interests in a subsidiary	(621)	–
At 31 December	312,956	304,404

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 2015 US\$'000	31 December 2014 US\$'000
Deferred income tax assets	(4,363)	(553)
Deferred income tax liabilities	317,319	304,957
	312,956	304,404

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2015, the Group has the following unrecognised tax losses to carry forward against future taxable income.

	2015 US\$'000	2014 US\$'000
With no expiry date	135,987	155,188
Lapsed within the next five years	412,858	239,480
Lapsed within the next ten years	27,004	41,349
	575,849	436,017

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		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January	189,293	182,015	55,532	54,449	71,896	62,885	-	-	316,721	299,349
Charged to income statement	7,499	10,734	9,900	1,449	2,733	9,309	1,010	-	21,142	21,492
Disposal of controlling interests in a subsidiary	(621)	-	-	-	-	-	-	-	(621)	-
Exchange differences	(8,798)	(3,456)	(1,896)	(366)	(1,872)	(298)	-	-	(12,566)	(4,120)
At 31 December	187,373	189,293	63,536	55,532	72,757	71,896	1,010	-	324,676	316,721

Deferred income tax assets	Provision of assets		Tax losses		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January	(3,116)	(3,191)	(707)	(2,400)	(8,494)	(9,064)	(12,317)	(14,655)
Charged/(credited) to income statement	137	45	637	1,749	(1,758)	(341)	(984)	1,453
Charged/(credited) to other comprehensive income	-	-	-	-	(312)	419	(312)	419
Exchange differences	174	30	34	(56)	1,685	492	1,893	466
At 31 December	(2,805)	(3,116)	(36)	(707)	(8,879)	(8,494)	(11,720)	(12,317)

26 ACCOUNTS PAYABLE AND ACCRUALS

	2015	2014
	US\$'000	US\$'000
Trade payables	105,341	102,867
Construction cost payable, other payables and accrued expenses	714,175	710,035
Short term advance from an associate of the Company's controlling shareholder	15,400	16,343
	834,916	829,245

The short term advance from an associate of the Company's controlling shareholder is unsecured and bearing interest at a fixed rate of 5.21% (2014: 6.02%) per annum.

At 31 December 2015, the ageing analysis of the trade payables based on invoice date is as follows:

	2015	2014
	US\$'000	US\$'000
0 – 3 months	94,116	91,167
4 – 6 months	7,412	5,434
Over 6 months	3,813	6,266
	105,341	102,867

Notes to the Consolidated Financial Statements

27 EXPENSES BY NATURE

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

	2015 US\$'000	2014 US\$'000
Depreciation of property, plant and equipment (net of amount capitalised of US\$81,000 (2014: US\$232,000)) (Note 7)	324,779	300,238
Amortisation of leasehold land and land use rights (net of amount capitalised of US\$431,000 (2014: Nil)) (Note 9)	15,823	16,858
Amortisation of trademark; and website and system development (Note 10)	786	777
Employee benefit expenses excluding directors' emoluments (net of amount capitalised and amount grouped under pre-opening expenses) (Note 29)	675,690	669,087
Cost of inventories sold or consumed in operation	275,308	280,410
Loss on disposal of property, plant and equipment; and partial replacement of investment properties	2,819	3,305
Discarding of property, plant and equipment due to renovation of hotels and resorts	4,088	1,354
Operating lease expenses	69,734	55,824
Pre-opening expenses	4,937	29,342
Auditors' remuneration		
– Audit services	1,776	1,687
– Non-audit services	595	572

28 OTHER (LOSSES)/GAINS – NET

	2015 US\$'000	2014 US\$'000
Fair value gains on investment properties (Note 8)	36,333	1,537
Net realised and unrealised (losses)/gains on financial assets held for trading – equity securities	(4,111)	996
(Provision for)/reversal of impairment losses on hotel properties and other properties (Note 7)	(72,379)	4,956
Impairment provision for a property under development and the underlying land (Note 7 and 9)	–	(3,275)
Gain on disposal of controlling interests in a subsidiary which owns a land site for composite development (Note 36(b))	3,051	–
Non-operating items	(37,106)	4,214
Interest income	14,945	13,816
Dividend income	1,050	1,045
Others	–	267
	(21,111)	19,342

29 EMPLOYEE BENEFIT EXPENSES

(excluding Directors' emoluments and share options granted to Directors and employees)

	2015 US\$'000	2014 US\$'000
Wages and salaries (including unutilised annual leave)	517,670	519,683
Pension costs – defined contribution plans	39,487	38,147
Pension costs – defined benefit plans	1,481	1,695
Other welfare	119,930	117,563
	678,568	677,088
Less: Amount included in pre-opening expenses	(2,878)	(8,001)
	675,690	669,087

Total pension cost including charges for Directors charged to the income statement for the year under all pension schemes was US\$41,090,000 (2014: US\$39,967,000).

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 plan

The Company and subsidiaries in Hong Kong participate in a mandatory provident fund scheme (“MPF”) which requires both the employers and employees in Hong Kong to contribute 5% of their monthly gross earnings with a ceiling of HK\$1,500 (equivalent to US\$194). 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 utilised 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 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 9.5% to 21%, of the employee's salaries and bonuses, as applicable, and are 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\$850 (equivalent to US\$603) per month for monthly salaries and bonus payment. The employees of the Group's subsidiaries in Singapore and Malaysia are also required to contribute 20% and 11%, respectively of their gross salaries and bonuses, 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% (varying with 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 utilised by the employers to reduce their future contributions. The assets of the scheme are held separately in independently administered funds. Contributions made by the employers were charged to income statements as incurred.

Notes to the Consolidated Financial Statements

29 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

Pension scheme arrangement (continued)

(b) Defined benefit retirement plan

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 at 31 December 2015 using the Projected Unit Credit Actuarial Cost Method.

Movements in the present value of the defined benefit obligations:

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Balance at 1 January	16,150	16,685	(7,204)	(6,501)	8,946	10,184
Exchange difference	(1,721)	(508)	409	72	(1,312)	(436)
<i>Included in income statement</i>						
Current service cost	1,054	1,208	–	–	1,054	1,208
Past service cost	–	–	–	–	–	–
Interest cost on benefit obligation	738	772	(311)	(285)	427	487
	1,792	1,980	(311)	(285)	1,481	1,695
<i>Included in other comprehensive income</i>						
Actuarial loss/(gains)	1,564	(1,423)	–	–	1,564	(1,423)
Return on assets excluding amount included in net interest cost	–	–	(83)	37	(83)	37
	1,564	(1,423)	(83)	37	1,481	(1,386)
<i>Other</i>						
Contributions	–	–	(1,347)	(1,031)	(1,347)	(1,031)
Benefits paid	(1,458)	(584)	1,309	504	(149)	(80)
	(1,458)	(584)	(38)	(527)	(1,496)	(1,111)
Balance at 31 December	16,327	16,150	(7,227)	(7,204)	9,100	8,946

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:

	2015	2014
Cash equivalents	31%	14%
Equity securities	28%	44%
Government bonds, treasury notes and other assets	41%	42%

The principal actuarial assumptions used to determine retirement benefits costs are as follows:

For hotels in	2015		2014	
	Malaysia	The Philippines	Malaysia	The Philippines
Discount rate at 31 December	5.5%	4.78% to 4.94%	5.5%	4.30% to 4.53%
Future salary growth rate	4% to 7%	4%	4% to 7%	4%

The average duration of the defined benefit obligation as of 31 December 2015 ranged from 11.99 years to 17.36 years (31 December 2014: ranged from 12.20 years to 17.49 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 2015 by assuming all other assumptions were held constant. The defined benefit obligation would be affected by the amount as shown below.

	Increase/ (decrease) in percentage points	Increase/ (decrease) in the Group's net defined benefit obligation US\$'000
Discount rate	1%	(1,412)
	(1%)	1,578
Future salary growth rate	1%	1,721
	(1%)	(1,525)

30 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2014 is set out below:

Name of Director	Fees US\$'000	Salary US\$'000	Discretionary bonuses US\$'000	Inducement fees US\$'000	Estimated money value of other benefits ⁽⁷⁾ US\$'000	Employer's Contribution to retirement benefit schemes US\$'000	Remunerations paid or receivable in respect of office as director US\$'000	Emoluments paid or receivable in respect of director other service in connection with the management of the affairs of the company or its subsidiary undertaking US\$'000	Total US\$'000
KUOK Khoon Chen	-	743	1,548	-	16	15	-	-	2,322
LUI Man Shing	6	418	903	-	26	15	-	-	1,368
Madhu Rama Chandra RAO	-	449	1,419	-	247	45	-	-	2,160
Gregory Allan DOGAN	-	495	1,677	-	239	50	-	-	2,461
KUOK Khoon Ean ⁽²⁾	15	-	-	-	-	-	-	-	15
KUOK Hui Kwong ⁽⁴⁾	5	-	-	-	-	-	-	-	5
HO Kian Guan	26	-	-	-	-	-	-	-	26
Roberto V ONGPIN ⁽³⁾	11	-	-	-	-	-	-	-	11
Alexander Reid HAMILTON	64	-	-	-	-	-	-	-	64
Timothy David DATTELS	26	-	-	-	-	-	-	-	26
WONG Kai Man ⁽⁶⁾	64	-	-	-	-	-	-	-	64
Michael Wing-Nin CHIU ⁽³⁾	11	-	-	-	-	-	-	-	11
LI Kwok Cheung Arthur	64	-	-	-	-	-	-	-	64
HO Kian Hock ⁽¹⁾	-	-	-	-	-	-	-	-	-

Notes:

- (1) Mr HO Kian Hock is Alternate Director to Mr HO Kian Guan.
- (2) Mr KUOK Khoon Ean was re-designated as Non-Executive Director on 22 August 2013 and resigned as Director on 1 July 2014.
- (3) Mr Roberto V ONGPIN and Mr Michael Wing-Nin CHIU retired as Directors on 29 May 2014.
- (4) Ms KUOK Hui Kwong was appointed as Director on 27 October 2014.
- (5) Dr LEE Kai-Fu was appointed as Director on 18 November 2015.
- (6) Mr WONG Kai Man was retired as Director on 28 May 2015.
- (7) 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 in the same year.

Notes to the Consolidated Financial Statements

30 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2015 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 2015	No. of option shares granted during the year	Transfer from other category during the year
KUOK Khoon Chen	23 Aug 2013	–	11.92	350,000	–	–
LUI Man Shing	16 Jun 2006	II	14.00	60,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Madhu Rama Chandra RAO	28 Apr 2005	II	11.75	250,000	–	–
	16 Jun 2006	I	14.00	50,000	–	–
	16 Jun 2006	II	14.00	50,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Gregory Allan DOGAN	28 Apr 2005	II	11.75	50,000	–	–
	16 Jun 2006	I	14.00	37,500	–	–
	16 Jun 2006	II	14.00	37,500	–	–
	23 Aug 2013	–	11.92	350,000	–	–
HO Kian Guan	23 Aug 2013	–	11.92	100,000	–	–
Alexander Reid HAMILTON	23 Aug 2013	–	11.92	100,000	–	–
Timothy David DATTELS	28 Apr 2005	I	11.75	75,000	–	–
	28 Apr 2005	II	11.75	75,000	–	–
	16 Jun 2006	I	14.00	30,000	–	–
	16 Jun 2006	II	14.00	30,000	–	–
	23 Aug 2013	–	11.92	100,000	–	–
WONG Kai Man	23 Aug 2013	–	11.92	100,000	–	–
LI Kwok Cheung Arthur	23 Aug 2013	–	11.92	100,000	–	–

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 2015	Exercise price per option share HK\$	Excess of weighted average closing price per share on exercise date over exercise price HK\$	Exercise period
-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	60,000	14.60	-	16 Jun 2008 – 15 Jun 2016
-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	(250,000)	-	11.60	-	28 Apr 2007 – 27 Apr 2015
-	-	-	50,000	14.60	-	16 Jun 2007 – 15 Jun 2016
-	-	-	50,000	14.60	-	16 Jun 2008 – 15 Jun 2016
-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	(50,000)	-	11.60	-	28 Apr 2007 – 27 Apr 2015
-	-	-	37,500	14.60	-	16 Jun 2007 – 15 Jun 2016
-	-	-	37,500	14.60	-	16 Jun 2008 – 15 Jun 2016
-	-	-	350,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	(75,000)	-	11.60	-	28 Apr 2006 – 27 Apr 2015
-	-	(75,000)	-	11.60	-	28 Apr 2007 – 27 Apr 2015
-	-	-	30,000	14.60	-	16 Jun 2007 – 15 Jun 2016
-	-	-	30,000	14.60	-	16 Jun 2008 – 15 Jun 2016
-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023
(100,000)	-	-	-	12.11	-	23 Aug 2013 – 22 Aug 2023
-	-	-	100,000	12.11	-	23 Aug 2013 – 22 Aug 2023

Notes to the Consolidated Financial Statements

30 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2014 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 2014	No. of option shares granted during the year	Transfer from other category during the year
KUOK Khoon Chen	23 Aug 2013	–	11.92	350,000	–	–
LUI Man Shing	16 Jun 2006	II	14.00	60,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Madhu Rama Chandra RAO	28 Apr 2005	II	11.75	250,000	–	–
	16 Jun 2006	I	14.00	50,000	–	–
	16 Jun 2006	II	14.00	50,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Gregory Allan DOGAN	28 Apr 2005	II	11.75	50,000	–	–
	16 Jun 2006	I	14.00	37,500	–	–
	16 Jun 2006	II	14.00	37,500	–	–
	23 Aug 2013	–	11.92	350,000	–	–
KUOK Khoon Ean	23 Aug 2013	–	11.92	350,000	–	–
HO Kian Guan	23 Aug 2013	–	11.92	100,000	–	–

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 2014	Exercise price per option share HK\$	Excess of weighted average closing price per share on exercise date over exercise price HK\$	Exercise period
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	60,000	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	250,000	11.60	–	28 Apr 2007 – 27 Apr 2015
–	–	–	50,000	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	–	50,000	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	50,000	11.60	–	28 Apr 2007 – 27 Apr 2015
–	–	–	37,500	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	–	37,500	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
(350,000)	–	–	–	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023

Notes to the Consolidated Financial Statements

30 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2014 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 2014	No. of option shares granted during the year	Transfer from other category during the year
Roberto V ONGPIN	28 Apr 2005	I	11.75	75,000	–	–
	28 Apr 2005	II	11.75	75,000	–	–
	16 Jun 2006	I	14.00	30,000	–	–
	16 Jun 2006	II	14.00	30,000	–	–
	23 Aug 2013	–	11.92	100,000	–	–
Alexander Reid HAMILTON	23 Aug 2013	–	11.92	100,000	–	–
Timothy David DATTELS	28 Apr 2005	I	11.75	75,000	–	–
	28 Apr 2005	II	11.75	75,000	–	–
	16 Jun 2006	I	14.00	30,000	–	–
	16 Jun 2006	II	14.00	30,000	–	–
	23 Aug 2013	–	11.92	100,000	–	–
WONG Kai Man	23 Aug 2013	–	11.92	100,000	–	–
Michael Wing-Nin CHIU	23 Aug 2013	–	11.92	100,000	–	–
LI Kwok Cheung Arthur	23 Aug 2013	–	11.92	100,000	–	–

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 2014	Exercise price per option share HK\$	Excess of weighted average closing price per share on exercise date over exercise price HK\$	Exercise period
(75,000)	–	–	–	11.60	–	28 Apr 2006 – 27 Apr 2015
(75,000)	–	–	–	11.60	–	28 Apr 2007 – 27 Apr 2015
(30,000)	–	–	–	14.60	–	16 Jun 2007 – 15 Jun 2016
(30,000)	–	–	–	14.60	–	16 Jun 2008 – 15 Jun 2016
(100,000)	–	–	–	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	75,000	11.60	–	28 Apr 2006 – 27 Apr 2015
–	–	–	75,000	11.60	–	28 Apr 2007 – 27 Apr 2015
–	–	–	30,000	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	–	30,000	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
(100,000)	–	–	–	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023

Notes to the Consolidated Financial Statements

30 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2014: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2014: one) individual during the year are as follows:

	2015 US\$'000	2014 US\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	512	473
Employer's contribution to pension scheme	16	15
Discretionary bonuses	974	1,298
Inducement fee to join the Group	–	–
Compensation for loss of office	–	–
	1,502	1,786

Pursuant to the 2012 Option Scheme of the Company (Note 18), the Company also granted to the individual options to subscribe for shares in the Company subject to terms and conditions stipulated therein.

31 FINANCE COSTS – NET

	2015 US\$'000	2014 US\$'000
<i>Interest expense:</i>		
– bank loans	112,641	113,104
– convertible bonds	23,153	22,179
– fixed rate bonds	29,476	29,476
– other loans	3,364	3,292
	168,634	168,051
Less: amount capitalised	(42,307)	(51,285)
	126,327	116,766
Net foreign exchange losses	9,024	528
	135,351	117,294

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.2% per annum (2014: 3.2%).

32 SHARE OF PROFIT OF ASSOCIATES

	2015 US\$'000	2014 US\$'000
Share of profit before tax and before share of net fair value gains of investment properties	184,889	155,269
Share of net fair value gains of investment properties	157,487	120,395
Share of profit before tax of associates	342,376	275,664
Share of tax before provision for deferred tax liabilities on fair value gains of investment properties	(49,093)	(39,015)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(38,925)	(29,363)
Share of associates' taxation	(88,018)	(68,378)
Share of profit of associates	254,358	207,286

33 INCOME TAX EXPENSE

	2015 US\$'000	2014 US\$'000
<i>Current income tax</i>		
– Hong Kong profits tax	14,578	16,696
– Overseas taxation	67,619	67,430
Deferred income tax (Note 25)	20,158	22,945
	102,355	107,071

Share of associates' taxation for the year ended 31 December 2015 of US\$88,018,000 (2014: US\$68,378,000) is included in the consolidated income statement as share of profit of associates.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2015 US\$'000	2014 US\$'000
Profit before income tax	272,333	314,566
Calculated at a taxation rate of 16.5% (2014: 16.5%)	44,935	51,903
Effect of different taxation rates of subsidiaries operating in other countries	17,027	18,390
Income not subject to taxation	(50,596)	(38,417)
Tax effect on unrecognised tax losses	29,330	23,773
Expenses not deductible for taxation purposes	47,741	41,783
Utilisation of previously unrecognised tax losses	(356)	(864)
Over provision in prior year	(143)	(648)
Withholding tax	14,510	11,261
Tax incentive	(93)	(110)
Taxation charge	102,355	107,071

- (a) Hong Kong profits tax is provided at a rate of 16.5% (2014: 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.

Notes to the Consolidated Financial Statements

34 EARNINGS PER SHARE

Basic

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

	2015	2014
Profit attributable to equity holders of the Company (US\$'000)	140,131	180,889
Weighted average number of ordinary shares in issue (thousands)	3,569,513	3,134,231
Basic earnings per share (US cents per share)	3.93	5.77

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 would be issued at fair value (determined as the average annual market share price of the Company's shares for the year) 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 2015, there is no dilution effect on the earnings per share. For the year ended 31 December 2014, 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.

	2015	2014
Profit attributable to equity holders of the Company (US\$'000)	140,131	180,889
Weighted average number of ordinary shares in issue (thousands)	3,569,513	3,134,231
Adjustments for — share options (thousands)	—	366
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,569,513	3,134,597
Diluted earnings per share (US cents per share)	3.93	5.77

35 DIVIDENDS

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Interim dividend paid of HK5 cents (2014: HK6 cents) per ordinary share	23,029	24,170	23,097	24,252
Proposed final dividend of HK5 cents (2014: HK6 cents) per ordinary share	23,029	27,635	23,097	27,716
	46,058	51,805	46,194	51,968

At a meeting held on 24 March 2016, the Board proposed a final dividend of HK5 cents per ordinary share for the year ended 31 December 2015. This proposed dividend is not reflected as a dividend payable in these financial statements.

The proposed final dividend of US\$23,029,000 for the year ended 31 December 2015 is calculated based on 3,580,024,056 shares in issue as at 24 March 2016, after elimination on consolidation the amount of US\$68,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (Note 18).

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2015 US\$'000	2014 US\$'000
Profit before income tax	272,333	314,566
Share of profit of associates	(254,358)	(207,286)
Fair value gains on investment properties	(36,333)	(1,537)
Gain on disposal of controlling interests in a subsidiary which owns a land site for composite development	(3,051)	–
Provision for/(reversal of) impairment losses on hotel properties and other properties	72,379	(4,956)
Impairment provision for a property under development and the underlying land	–	3,275
Depreciation	324,779	300,238
Amortisation of leasehold land and land use rights, trademark; and website and system development	16,609	17,635
Interest on convertible bonds, fixed rate bonds, bank loans and overdrafts	126,327	116,766
Interest income	(14,945)	(13,816)
Dividend income	(1,050)	(1,045)
Loss on disposal of fixed assets and discarding of fixed assets due to properties renovations	6,907	4,659
Net realised and unrealised losses/(gains) on financial assets held for trading	4,111	(996)
Net foreign exchange losses	9,024	528
Operating profit before working capital changes	522,732	528,031
Decrease in inventories	3,636	2,661
(Increase)/decrease in accounts receivable, prepayments and deposits	(39,841)	23,579
Decrease/(increase) in amounts due from associates	3,809	(2,480)
Increase in accounts payable and accruals	69,088	12,795
Net cash generated from operations	559,424	564,586

Notes to the Consolidated Financial Statements

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Disposal of controlling interests in a subsidiary

On 20 August 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose 55% of its equity interest in a wholly owned project company which indirectly owns a piece of land for a composite development in Accra, the Republic of Ghana for a cash consideration of US\$15,150,000. The Group's equity interest in the project company was reduced from 100% to 45% with the completion of the transaction in the same month. The financial effects of the disposal transaction are as follows:

	US\$'000
<i>Assets and liabilities disposed of</i>	
Property, plant and equipment	2,767
Leasehold land and land use rights	9,088
Intangible assets	178
Cash and bank balances	317
Other net liabilities	(1,128)
Net assets disposed of	11,222
Disposal proceeds received	15,150
Less: 100% share of the net assets disposed of	(11,222)
Less: Cumulative exchange differences in respect of the net assets of the subsidiary released from equity to profit or loss	(13,272)
Add: 45% share of the net assets recognised as interest in associates measured at fair value	12,395
Net disposal gain	3,051
<i>Net cash inflow arising on disposal</i>	
Disposal proceeds	15,150
Less: Amount of deposit received in 2014	(500)
Amount of disposal proceeds received during the year	14,650
Less: Cash and bank balances disposed of	(317)
	14,333

37 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

As at 31 December 2015, 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 utilised 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\$3,408,708,000 (2014: US\$3,441,374,000) for the subsidiaries and US\$375,945,000 (2014: US\$420,897,000) 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 utilised 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\$261,315,000 (2014: US\$173,477,000).
- (iii) The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees for these associates amounts to US\$375,945,000 (2014: US\$420,897,000).

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 2015, 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\$16,940,000 (2014: US\$17,977,000). These facilities were undrawn as at 31 December 2015.

(c) Charges over assets

As at 31 December 2015, bank loans of certain subsidiaries amounting to US\$191,132,000 (2014: US\$263,844,000) were secured by:

- (i) Land lease rights and all immovable assets owned by a subsidiary with net book value of US\$119,959,000 (2014: US\$127,416,000) together with a pledge of all the equity shares of the subsidiary.
- (ii) Legal mortgage over the property owned by four subsidiaries with an aggregate net book value of US\$403,079,000 (2014: US\$548,661,000).

Notes to the Consolidated Financial Statements

38 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:

	2015 US\$'000	2014 US\$'000
Existing properties - Property, plant and equipment and investment properties		
– contracted but not provided for	48,814	66,601
– authorised but not contracted for	95,669	124,780
Development projects		
– contracted but not provided for	185,946	285,402
– authorised but not contracted for	866,718	1,352,396
	1,197,147	1,829,179

- (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:

	2015 US\$'000	2014 US\$'000
Not later than one year	53,820	51,848
Later than one year and not later than five years	180,393	171,372
Later than five years	905,412	1,046,658
	1,139,625	1,269,878

- (c) At 31 December 2015, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2015 US\$'000	2014 US\$'000
Not later than one year	49,359	46,649
Later than one year and not later than five years	33,437	32,519
Later than five years	437	120
	83,233	79,288

39 RELATED PARTY TRANSACTIONS

Kerry Holdings Limited (“KHL”), which owns approximately 45.65% 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 2015, has significant influence over the Company.

The following transactions were carried out with related parties:

	2015 US\$'000	2014 US\$'000
(a) Transactions with subsidiaries of KHL during the year (other than subsidiaries of the Company)		
Receipt of hotel management, consultancy and related services and royalty fees	(Note ii) 11,051	9,813
Reimbursement of office expenses and payment of administration and related expenses	2,912	2,890
Reimbursement of office rental, management fees and rates	332	342
Payment of office rental, management fees and rates	7,128	8,023
Payment for magazine publication, newspaper subscription and advertisement	(Note i) 73	63
Purchase of wine	3,367	2,743
(b) Transactions with associates of the Group during the year (other than the subsidiaries of KHL included under item (a) above)		
Receipt of hotel management, consultancy and related services and royalty fees	(Note iii) 17,532	18,683
Receipt for laundry services	(Note i) 342	672
(c) Financial assistance provided to subsidiaries of KHL as at 31 December (other than subsidiaries of the Company)		
Balance of loan to associates of the Group	154,510	153,588
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	251,813	320,473
(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	83,940	81,690
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to an associate of the Group	114,636	100,425

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

Notes to the Consolidated Financial Statements

39 RELATED PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties: (continued)

	2015 US\$'000	2014 US\$'000
(e) Key management compensation		
Fees, salaries and other short-term employee benefits of executive directors	7,064	8,186
Post employment benefits of executive directors	122	125

(f) Rights Issue

On 22 December 2014, the Company completed a rights issue of ordinary shares in the proportion of one rights share for every seven shares in issue at a subscription price of HK\$11.10 per rights share. A total of 15 covenantors have undertaken to take up a total of 249,729,040 rights shares to be provisionally allotted to them. Pursuant to the underwriting agreement, the underwriters agreed to underwrite for all rights shares other than those having been undertaken by the covenantors. All the covenantors and the underwriters are companies owned or controlled by Mr KUOK Hock Nien and/or interests associated with him. The Company paid a total underwriting commission of HK\$21,952,000 (equivalent to US\$2,833,000).

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\$2,354,000 which are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.
- (iii) These transactions include continuing connected transactions as defined in Chapter 14A of Listing Rules of US\$267,000 which are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) At 31 December 2015, the Company held interests in the following principal subsidiaries:

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Seanoble Assets Limited	The British Virgin Islands	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	EUR206,600,000	100	–	Investment holding	
Kerry Industrial Company Limited	Hong Kong	HK\$10,000,002	–	100	Investment holding	1
Shangri-La Hotel (Kowloon) Limited	Hong Kong	HK\$10,000,002	–	100	Hotel ownership and operation	1
Shangri-La International Hotels (Pacific Place) Limited	Hong Kong	HK\$10,005,000	–	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	2,6,8
Beihai Shangri-La Hotel Ltd	The People's Republic of China	US\$16,000,000	–	100	Hotel ownership and operation	7,8
Shanghai Pudong New Area Shangri-La Hotel Co, Ltd	The People's Republic of China	US\$47,000,000	–	100	Hotel ownership and operation	2,5,8
Shenyang Hotel Jen Ltd	The People's Republic of China	US\$39,040,470	–	100	Hotel ownership and operation	7,8
Changchun Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB167,000,000	–	100	Hotel ownership and operation and real estate operation	7,8
Jilin Province Kerry Real Estate Development Ltd	The People's Republic of China	RMB25,000,000	–	100	Real estate development and operation	7,8
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	7,8
Dalian Shangri-La Hotel Co, Ltd	The People's Republic of China	US\$149,000,000	–	100	Hotel ownership and operation and real estate development and operation	7,8
Xian Shangri-La Golden Flower Hotel Co, Ltd	The People's Republic of China	US\$12,000,000	–	100	Hotel ownership and operation	5,8
Harbin Shangri-La Hotel Co, Ltd	The People's Republic of China	US\$20,767,000	–	100	Hotel ownership and operation	7,8

Notes to the Consolidated Financial Statements

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2015, 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		
Wuhan Shangri-La Hotel Co, Ltd	The People's Republic of China	US\$32,667,000	–	92	Hotel ownership and operation	6,8
Fujian Kerry World Trade Centre Co, Ltd	The People's Republic of China	HK\$700,000,000	–	100	Real estate development	3,7,8
Fuzhou Shangri-La Hotel Co, Ltd	The People's Republic of China	US\$22,200,000	–	100	Hotel ownership and operation	7,8
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	7,8
Shangri-La Hotel (Guangzhou Pazhou) Co, Ltd	The People's Republic of China	US\$60,340,000	–	80	Hotel ownership and operation	7,8
Shangri-La Hotel (Shenzhen Futian) Co, Ltd	The People's Republic of China	US\$71,000,000	–	100	Hotel ownership and operation	2,7,8
Shangri-La Hotel (Ningbo) Co, Ltd	The People's Republic of China	US\$83,000,000	–	95	Hotel ownership and operation	7,8
Shangri-La Hotel (Wenzhou) Co, Ltd	The People's Republic of China	US\$46,250,000	–	75	Hotel ownership and operation	7,8
Shangri-La Hotel (Xian) Co, Ltd	The People's Republic of China	US\$42,800,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Guilin) Co, Ltd	The People's Republic of China	US\$70,150,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Baotou) Co, Ltd	The People's Republic of China	US\$24,400,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Huhhot) Co, Ltd	The People's Republic of China	US\$43,670,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Manzhouli) Co, Ltd	The People's Republic of China	US\$84,615,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Zhoushan) Co, Ltd	The People's Republic of China	RMB120,000,000	–	100	Hotel ownership and operation	3,7,8
Shangri-La Hotel (Hefei) Co, Ltd	The People's Republic of China	US\$90,000,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Qinhuangdao) Co, Ltd	The People's Republic of China	RMB880,000,000	–	100	Hotel ownership and operation	7,8
Sanya Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB1,701,194,300	–	100	Hotel ownership and operation	7,8

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2015, 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		
Shangri-La Hotel (Lhasa) Co, Ltd	The People's Republic of China	US\$132,000,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Qufu) Co, Ltd	The People's Republic of China	RMB844,000,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Nanjing) Co, Ltd	The People's Republic of China	RMB750,000,000	–	55	Hotel ownership and operation	7,8
Shangri-La Hotel (Diqing) Co, Ltd	The People's Republic of China	RMB610,000,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Xiamen) Co, Ltd	The People's Republic of China	RMB640,000,000	–	100	Hotel ownership and operation	3,7,8
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	3,7,8
Kerry Real Estate (Yangzhou) Co, Ltd	The People's Republic of China	US\$102,600,000	–	100	Hotel ownership and operation and real estate development	7,8
Harbin Songbei Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB658,000,000	–	100	Hotel ownership and operation	3,7,8
Shangri-La Ulaanbaatar LLC	Mongolia	US\$5,000,000	–	51	Office ownership and operation	
Shangri-La Ulaanbaatar Hotel LLC	Mongolia	US\$20,000,000	–	51	Hotel ownership and operation	4
Makati Shangri-La Hotel & Resort, Inc	The Philippines	Peso 1,100,000,000	–	100	Hotel ownership and operation	
Edsa Shangri-La Hotel & Resort, Inc	The Philippines	Peso 792,128,700	–	100	Hotel ownership and operation	
Mactan Shangri-La Hotel & Resort, Inc	The Philippines	Common Peso 272,630,000 Preferred Peso 170,741,500 Redeemable Common Peso 285,513,000	–	93.95	Hotel ownership and operation	
Addu Investments Private Limited	Republic of Maldives	Rufiyaa 640,000,000	–	70	Hotel ownership and operation	
Traders Hotel Malé Private Limited	Republic of Maldives	Rufiyaa 64,000,000	–	100	Hotel ownership and operation	

Notes to the Consolidated Financial Statements

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2015, 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		
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
Traders Hotel Management Pte Ltd	Singapore	S\$1	–	100	Hotel 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	
Golden Sands Beach Resort Sdn Bhd	Malaysia	RM6,000,000	–	52.78	Hotel ownership and operation	
Pantai Dalit Beach Resort Sdn Bhd	Malaysia	RM135,000,000	–	64.59	Hotel and golf club ownership and operation	
Komtar Hotel Sdn Bhd	Malaysia	RM6,000,000	–	31.67	Hotel 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 and hotel ownership and operation	4
Traders Square Company Limited	Myanmar	Kyat 522,000	–	59.28	Real estate development and operation	3
Shangri-La Hotel Public Company Limited	Thailand	Baht1,300,000,000	–	73.61	Hotel, serviced apartments and office ownership and operation	

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2015, 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		
Shangri-La Hotels (Paris)	France	EUR13,772,210	–	100	Hotel ownership and operation	2
Shangri-La Hotels Japan K.K.	Japan	YEN902,500,000	–	100	Hotel operation	2
Shangri-La Hotels Pte Ltd	United Kingdom	GBP81,000,000	–	100	Hotel operation	2
Shangri-La Hotel (Cairns) Pty Limited	Australia	AUD8,250,000	–	100	Investment holding and hotel operation	9
Abelian Pty Limited	Australia	AUD1	–	100	Investment holding and hotel operation	9
Roma Hotel Pty Limited	Australia	AUD34,000,000	–	100	Hotel ownership and operation	9
Lilyvale Hotel Pty Ltd	Australia	AUD140,000,004	–	100	Hotel ownership and operation	2, 9
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
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
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\$7,340,000	–	100	Hotel management, marketing and consultancy services	7,8
Shangri-La International Hotel Management B.V.	The Netherlands	EUR18,151	–	100	Licensing use of intellectual property rights	

Notes to the Consolidated Financial Statements

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2015, the Company held interests in the following principal subsidiaries: (continued)

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 Subsidiaries which are under various stages of real estate and hotel development and have partially commenced business operations as at the date of the statement of financial position.
- 5 Co-operative Joint Venture.
- 6 Equity Joint Venture.
- 7 Wholly Foreign Owned Enterprise.
- 8 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.
- 9 A Deed of Cross Guarantee was entered on 24 December 2015 between Shangri-La Asia Limited and its wholly owned Australian subsidiaries for the purpose of obtaining the benefit of the Class Order to relieve the entities from the requirement to lodge reports with ASIC (Australian Securities and Investments Commission). Apart from the stated principal subsidiaries, this deed also includes Shangri-La Investments (Australia) Pty Ltd (Australian parent company), Shangri-La Hotels Pty Ltd (hotel management company), Langley Terrace Hotel Pty Ltd (dormant), Traders Hotel Pty Ltd (dormant) and The Pier Cairns Management Services Pty Ltd (agent company for Pier Cairns). All of these entities form a Closed Group. There are no other Extended Closed Group Entities involved.

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) At 31 December 2015, 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	
Shanghai Centre	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	2
Shanghai Pudong Kerry City Properties Co, Ltd	The People's Republic of China	23.20	Hotel ownership and operation and property investment	2
Tianjin Kerry Real Estate Development Co, Ltd	The People's Republic of China	20	Hotel ownership and operation and property investment	4
Kerry Real Estate (Nanchang) Co, Ltd	The People's Republic of China	20	Hotel ownership and operation and property investment	4
Hengyun Real Estate (Tangshan) Co, Ltd	The People's Republic of China	35	Property investment	4
Ruihe Real Estate (Tangshan) Co, Ltd	The People's Republic of China	35	Hotel ownership and operation	
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	4
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	
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

Notes to the Consolidated Financial Statements

40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) At 31 December 2015, 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
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	
Tanjong Aru Hotel Sdn Bhd	Malaysia	40	Hotel ownership and operation	
PT Swadharma Kerry Satya	Indonesia	25	Hotel ownership and operation	2
PT Narendra Interpacific Indonesia	Indonesia	53.30	Hotel and golf club ownership and operation	3,5
Fine Winner Holdings Limited	Hong Kong	30	Hotel ownership and operation	1
Shang Global City Properties, Inc	The Philippines	40	Hotel ownership and operation and property investment	3
SRL Touessrok Hotel Ltd	Mauritius	26	Hotel ownership and operation	
Besiktas Emlak Yatirim ve Turizm Anonim Sirketi	Turkey	50	Hotel ownership and operation	
Kerry Wines Limited	Hong Kong	20	Wines trading	1
Perennial Ghana Development Ltd	The Republic of Ghana	45	Hotel ownership and operation	3

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 Associates which are under various stages of real estate and hotel development and have partially commenced business operations as at the date of the statement of financial position.
- 5 This company is treated as an associate as at 31 December 2015 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 2015 which, in the opinion of the Directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries and associates would, in the opinion of the Directors, result in particulars of excessive length.

41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

- (a) Details of hotel properties of the Company's subsidiaries are as follows:
(lease term represents 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
Hotel Jen, 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

Notes to the Consolidated Financial Statements

41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

Address	Existing use	Lease term
Shangri-La Hotel, Wuhan No. 700, Jianshe Avenue, Hankou, Wuhan 430015, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Fuzhou No. 9 Xin Quan Nan Road, Fuzhou 350005, The People's Republic of China	Hotel operation	Long lease
Shangri-La Hotel, Guangzhou 1 Hui Zhan Dong Road, Hai Zhu District, Guangzhou 510308, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Chengdu 9 Binjiang Dong Road, Chengdu, Sichuan 610021, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Xian 38B Keji Road, Xian 710075, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Baotou 66 Min Zu East Road, Qing Shan District, Baotou 014030, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Yangzhou 472 Wen Chang Xi Lu, New Western District, Yangzhou Jiangsu Province, 225009, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Huhhot 5 Xi Lin Guo Le South Road, Huhhot 010020, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease
Futian Shangri-La, Shenzhen 4088 Yi Tian Road Futian District Shenzhen 518048 The People's Republic of China	Hotel operation	Medium lease

41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

Address	Existing use	Lease term
Shangri-La Hotel, Wenzhou 1 Xiangyuan Road, Wenzhou 325000, Zhejiang Province, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Ningbo 88 Yuyuan Road, Jiangdong District, Ningbo 315040, Zhejiang, 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
Shangri-La Hotel, Qufu 3 Chunqiu Road, Qufu, Shandong, 273100, The People's Republic of China	Hotel operation	Medium lease
Shangri-La's Sanya Resort & Spa, Hainan No.88 North Hai Tang Road, Sanya Hainan, 572000, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Lhasa 19 Norbulingka Road, Lhasa, Tibet Autonomous Region, 850000, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Nanjing 329 Zhongyang Road, Gulou District, Nanjing, Jiangsu Province, 210037, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Qinhuangdao 123 Hebin Road, Haigang District, Qinhuangdao, Hebei, 066000, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Hefei No.256 Suixi Road, Luyang District, Hefei, Anhui Province, 230041 The People's Republic of China	Hotel operation	Medium lease

Notes to the Consolidated Financial Statements

41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

Address	Existing use	Lease term
Hylandia by Shangri-La No.1, Chicika Street, Jiantang Town, Shangri-La City, Diqing Tibetan Autonomous Prefecture, Yunnan Province, The People's Republic of China	Hotel operation	Medium lease
Makati Shangri-La, Manila Ayala Avenue, corner Makati Avenue, Makati City, Metro Manila 1200, The Philippines	Hotel operation	Medium lease
Edsa Shangri-La, Manila 1 Garden Way, Ortigas Center, 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, Fiji Yanuca Island Cuvu, Sigatoka, 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 101 Siloso Road, Sentosa, Singapore 098970	Hotel operation	Long lease
Hotel Jen Orchardgateway Singapore 277 Orchard Road, Singapore 238858	Hotel operation	Medium lease for building
Shangri-La Hotel, Kuala Lumpur 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	Hotel operation	Freehold

41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

Address	Existing use	Lease term
Shangri-La's Rasa Sayang Resort & Spa, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold
Hotel Jen Penang Magazine Road, George Town, 10300 Penang, Malaysia	Hotel operation	Long lease
Golden Sands Resort, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold
Shangri-La's Rasa Ria Resort, Kota Kinabalu Pantai Dalit Beach, Tuaran, Sabah 89208, Malaysia	Hotel and golf club operation	Long lease
Sule Shangri-La, Yangon 223 Sule Pagoda Road, Yangon, Myanmar	Hotel operation	Medium lease
Shangri-La Hotel, Bangkok 89 Soi Wat Suan Plu, New Road, Bangrak, Bangkok 10500, Thailand	Hotel operation, residential and office rental	Freehold
Shangri-La Hotel, Chiang Mai 89/8 Chang Klan Road, Muang, Chiang Mai 50100, Thailand	Hotel operation	Freehold
Shangri-La's Villingili Resort & Spa, Maldives Villingili Island, Addu Atoll, Republic of Maldives	Hotel operation	Medium lease
Hotel Jen Malé, Maldives Ameer Ahmed Magu, Malé 20096, Republic of Maldives	Hotel operation	Medium lease
Shangri-La Hotel, Tokyo Marunouchi Trust Tower Main, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-8283, Japan	Hotel operation	Medium lease for building

Notes to the Consolidated Financial Statements

41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

Address	Existing use	Lease term
Shangri-La Hotel, At The Shard, London 31 St Thomas Street, SE1 9QU, London United Kingdom	Hotel operation	Medium lease for building
Shangri-La Hotel, Paris 10 Avenue d'Iena, 75116 Paris, France	Hotel operation	Freehold
Shangri-La Hotel, The Marina, Cairns Pierpoint Road, Marlin Marina, Cairns, Queensland 4870, Australia	Hotel operation	Long lease
Shangri-La Hotel, Sydney 176 Cumberland Street, The Rocks, Sydney NSW 2000, Australia	Hotel operation	Long lease
Hotel Jen Brisbane 159, Roma Street, Brisbane, Queensland 4000, Australia	Hotel operation	Freehold
Shangri-La Hotel, Ulaanbaatar 19 Olympic Street, Sukhbaatar District-1, Ulaanbaatar, 14241, Mongolia	Hotel operation	Long lease

41 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)

Address	Existing use	Lease term
China World Hotel, Beijing Jianguomenwai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
Traders Hotel, Beijing Jianguomenwai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
China World Summit Wing, Beijing Jianguomenwai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
Kerry Hotel, Beijing 1 Guanhua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Beijing 29 Zizhuyuan Road, Beijing 100089, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Hangzhou 78 Beishan Road, Hangzhou 310007, The People's Republic of China	Hotel operation	Medium lease
Kerry Hotel Pudong, Shanghai No. 1388 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Hotel operation	Medium lease
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 Liaoning, 110016, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Tianjin No. 328 Haihe East Road, Hedong District, Tianjin, 300019 The People's Republic of China	Hotel operation	Medium lease

Notes to the Consolidated Financial Statements

41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

Address	Existing use	Lease term
The Portman Ritz-Carlton, Shanghai 1376 Nanjing Road West, Shanghai 200040, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Nanchang No. 669, Cui Lin Road, Honggutan New District, Nanchang, Jiangxi Province, 330038, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Tangshan 889, Changhong West Road, Lubei District, Tangshan, Hebei, 063000, The People's Republic of China	Hotel operation	Medium lease
Hotel Jen Tanglin 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
Hotel Jen Hong Kong No. 508 Queen's Road West, Western District, Hong Kong	Hotel operation	Long lease
Shangri-La Bosphorus, Istanbul Sinanpasa Mah, Hayrettin, Iskelesi Sok, No.1, Besiktas, Istanbul 34353, Turkey	Hotel operation	Freehold
Shangri-La's Le Touessrok Resort & Spa, Mauritius Coastal Road, Trou d'Eau Douce, 42212 Mauritius	Hotel operation	Freehold/Long lease

42 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, Mongolia	Office rental	Long lease
Shangri-La Apartments, Singapore 1 Anderson Road, Singapore 259983	Residential rental	Freehold
Shangri-La Residences, Singapore No. 1A Lady Hill Road, Singapore 258685	Residential rental	Freehold
UBN Tower, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia	Office and commercial rental	Freehold
UBN Apartments, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia	Residential rental	Freehold
Shangri-La Residences, Yangon Kan Yeik Tha Street, Yangon, Myanmar	Residential rental	Medium lease
The Pier Retail Complex, Cairns Pierpoint Road, Marlin Marina, Cairns, Queensland 4870, Australia	Office and commercial rental	Long lease

Notes to the Consolidated Financial Statements

42 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 and residential 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	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 No. 1378 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Office, commercial and residential rental	Medium lease
Tianjin Kerry Centre Liuwei Road, Hedong District, Tianjin 300171, The People's Republic of China	Office, commercial and residential rental	Medium lease
Tanglin Mall, Singapore 163 Tanglin Road, Singapore 247933	Commercial rental	Long lease
Tanglin Place, Singapore 91 Tanglin Road, Singapore 247918	Office and commercial rental	Freehold

43 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

The Group executed a 5-year bank loan agreement of RMB450,000,000 (equivalent to US\$69,299,000) and another 5-year bank loan agreement of US\$300,000,000 in January 2016 for project financing. The Group also executed a 3-year bank loan agreement of EUR75,000,000 (equivalent to US\$81,575,000) in February 2016 to refinance its outstanding bank loan maturing in early 2016.

44 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2015	2014
	US\$'000	US\$'000
ASSETS		
<i>Non-current assets</i>		
Property, plant and equipment	1,104	1,318
Investments in subsidiaries	4,439,175	3,992,662
Club debentures	840	840
	4,441,119	3,994,820
<i>Current assets</i>		
Amounts due from subsidiaries	12,277	71,786
Dividends receivable, prepayments and deposits	649,703	704,981
Cash and bank balances	4,330	293,341
	666,310	1,070,108
Total assets	5,107,429	5,064,928
EQUITY		
<i>Capital and reserves attributable to the Company's equity holders</i>		
Share capital	3,191,801	3,191,745
Other reserves	1,545,349	1,547,459
Retained earnings	58,658	70,259
Total equity	4,795,808	4,809,463
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable and accruals	7,149	8,738
Amounts due to subsidiaries	304,472	246,727
Total liabilities	311,621	255,465
Total equity and liabilities	5,107,429	5,064,928
Net current assets	354,689	814,643
Total assets less current liabilities	4,795,808	4,809,463

The statement of financial position of the Company was approved by the Board of Directors on 24 March 2016.

Notes to the Consolidated Financial Statements

44 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement of other reserves of the Company:

	Share option reserve US\$'000	Capital redemption reserve US\$'000	Contributed surplus US\$'000 (Note)	Total US\$'000
Balance at 1 January 2014	12,607	10,666	1,524,231	1,547,504
Exercise of share options – transfer to share premium	(45)	–	–	(45)
Balance at 31 December 2014 and 1 January 2015	12,562	10,666	1,524,231	1,547,459
Exercise of share options – transfer to share premium	(12)	–	–	(12)
Transfer of share option reserve to retained earnings upon expiry of share options	(2,098)	–	–	(2,098)
Balance at 31 December 2015	10,452	10,666	1,524,231	1,545,349

Note:

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.

Movement of retained earnings of the Company:

	2015 US\$'000	2014 US\$'000
Balance at 1 January	70,259	59,051
Transfer from share option reserve upon expiry of share options	2,098	–
Profit for the year	37,114	51,628
2014/2013 final dividend paid	(27,716)	(16,168)
2015/2014 interim dividend paid (Note 35)	(23,097)	(24,252)
Balance at 31 December	58,658	70,259
Representing:		
2015/2014 final dividend proposed (Note 35)	23,097	27,716
Retained earnings	35,561	42,543
Balance at 31 December	58,658	70,259

45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 24 March 2016.

Five-Year Summary

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

	Year ended 31 December				
	2015 US\$'000	2014 US\$'000	2013 US\$'000	2012 US\$'000	2011 US\$'000
<i>Results</i>					
Profit attributable to:					
Equity holders	140,131	180,889	392,298	358,986	252,979
Non-controlling interests	29,847	26,606	48,818	23,311	30,885
<i>Assets and liabilities</i>					
Total assets	13,285,413	13,740,279	12,898,257	11,919,120	9,971,916
Total liabilities	6,395,728	6,301,032	6,030,913	5,391,570	3,945,784
Total equity	6,889,685	7,439,247	6,867,344	6,527,550	6,026,132

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 2016 annual general meeting of the Company
"Annual Report"	this 2015 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"	chief executive officer, chief financial officer and chief operating officer, respectively, 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"	chairman and deputy chairman, respectively, 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"	the Directors' report as set out in this Annual Report
"EBITDA"	earnings before interest expenses on loans and bonds issued, tax, depreciation and amortisation, 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; and impairment loss on fixed assets
"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 114 to 220 of this Annual Report
"Financial Year"	financial year ended 31 December 2015
"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
"Hotel Management Services"	hotel management, marketing, communication and/or reservation services, and/or any hotel related services

"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
"Managing Director" or "MD"	managing director of the Company
"Nomination Committee"	nomination committee of the Company
"Non-executive Director(s)" or "NED(s)"	non-executive Director(s)
"Other Major Shareholder(s)"	Shareholder(s) (other than Substantial Shareholder(s)) whose interests and short positions in Shares and underlying Shares are recorded in the register required to be kept by the Company under Section 336 of the SFO, and in general, being Shareholder(s) deemed to have interest of 5% or more but less than 10% in the Company
"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
"Senior Management"	member(s) of the senior management of the Group as indicated in the section entitled "Board of Directors, Company Secretary and Senior Management" in the Annual Report
"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
"SLIM"	SLIM International Limited, a wholly owned subsidiary of the Company incorporated in the Cook Islands, and its subsidiaries (including SLIM-HK) whose 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 entrusted with the primary responsibility of operating the assets of the Group, and whose principal business is the provision of Hotel Management Services
"substantial shareholder(s)"	as defined in the Listing Rules and in general, being shareholder(s) deemed to have interest of 10% or more in the company, and "Substantial Shareholder(s)" shall mean substantial shareholder(s) of the Company
"Year End"	31 December 2015

Corporate Information

As at 5 April 2016

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
Mr LIU Kung Wei Christopher (MD and COO)

Non-executive Directors

Mr HO Kian Guan
Ms KUOK Hui Kwong
Mr HO Kian Hock (alternate to Mr HO Kian Guan)

Independent Non-executive Directors

Mr Alexander Reid HAMILTON
Mr Timothy David DATTELS
Professor LI Kwok Cheung Arthur
Dr LEE Kai-Fu

* will, on 15 April 2016, retire as CFO but will remain as an Executive Director

EXECUTIVE COMMITTEE

Mr KUOK Khoon Chen (chairman)
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO

NOMINATION COMMITTEE

Mr KUOK Khoon Chen (chairman)
Mr Alexander Reid HAMILTON
Professor LI Kwok Cheung Arthur

REMUNERATION COMMITTEE

Mr Alexander Reid HAMILTON (chairman)
Mr KUOK Khoon Chen
Professor LI Kwok Cheung Arthur

AUDIT COMMITTEE

Mr Alexander Reid HAMILTON (chairman)
Professor LI Kwok Cheung Arthur
Mr HO Kian Guan

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

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

STOCK CODES

HKSE – 00069
Singapore stock exchange – 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
31 May 2016 to 2 June 2016, both dates inclusive

Annual General Meeting
2 June 2016

Record date for 2015 final dividend
7 June 2016

Payment of 2015 final dividend
16 June 2016
 (subject to Shareholders' approval at the Annual General Meeting)

Announcement of 2016 interim results
August 2016

The Group's Listed Members





SHANGRI-LA ASIA LIMITED
香格里拉(亞洲)有限公司

