SHANGRI-LA GROUP

Annual Report 2018

SHANGRI-LA ASIA LIMITED

Incorporated in Bermuda with Limited Liability

Stock code: 69

Cover Photo: One Galle Face, Colombo, Sri Lanka

Contents

The Group's Business Presence

As at 20 March 2019

- *Business in operation*
- *Projects under development / in planning*

Asia

Bahrain

Cambodia
Phnom Penh

Hong Kong

India
Bengaluru
New Delhi

Indonesia
Bali
Jakarta
Surabaya

Japan
Tokyo

Mainland China
Baotou
Beihai
Beijing
Changchun
Changzhou
Chengdu
Dalian
Fuzhou
Guangzhou
Guilin
Haikou
Hangzhou
Harbin
Hefei
Huhhot
Jinan
Kunming
Lhasa
Manzhouli
Nanchang
Nanjing
Nanning
Ningbo
Putian
Qiantan
Qingdao
Qinhuangdao
Qufu
Sanya
Shanghai
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Shaoxing
Shenyang
Shenzhen
Suzhou
Tangshan
Tianjin
Wenzhou
Wuhan
Xiamen
Xian
Yangzhou
Yiwu
Zhengzhou
Zhoushan

Malaysia
Johor
Kota Kinabalu
Penang
Kuala Lumpur

Maldives
Male
Villingili

Mongolia
Ulaanbaatar

Myanmar
Yangon

Oman
Muscat

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

Oceania

Australia
Cairns
Sydney
Melbourne

Fiji
Yanuca

Europe

France
Paris

United Kingdom
London

Turkey
Istanbul

Africa

Mauritius

North America

Canada
Toronto
Vancouver

Financial Highlights

The following table summarises the highlights of our financial results:

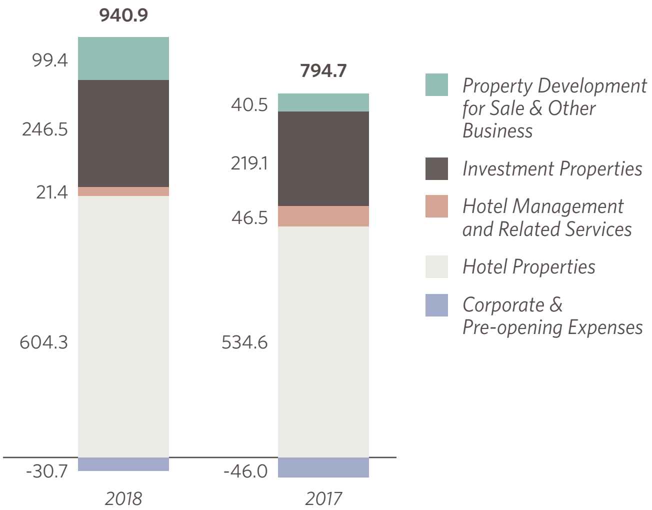
	2018 USD Million	2017 USD Million	2018/17 % Change
Consolidated Revenue	**2,517.9**	2,189.8	15.0%
EBITDA (Note 1) of the Company and its subsidiaries	**664.5**	535.9	24.0%
Effective share of EBITDA (Note 2) of the Company, subsidiaries and associates	**940.9**	794.7	18.4%
Profit attributable to owners of the Company			
- Operating items	**197.3**	140.7	40.2%
- Non-operating items	**(4.4)**	17.3	N/M
Total	**192.9**	158.0	22.1%
Earnings per share (US cents per share)	**5.40**	4.43	21.9%
Dividend per share (HK cents per share)	**22**	17	29.4%
Net assets attributable to owners of the Company	**6,289.0**	6,602.6	-4.7%
Net assets per share attributable to owners of the Company (USD)	**1.76**	1.84	-4.3%
Effective share of net borrowings (Note 3) of the Company, subsidiaries and associates	**3,983.2**	4,335.8	-8.1%

Notes:

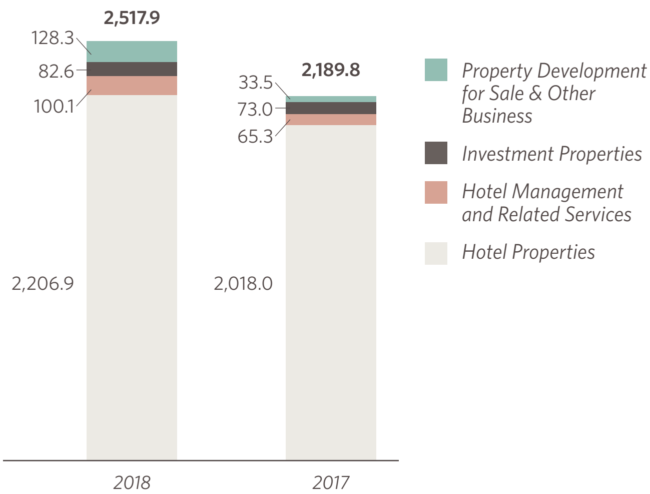
1. EBITDA, which is a non-HKFRS financial measure, is defined as the earnings before finance costs, tax, depreciation and amortisation and non-recurring items such as gain/loss on disposal of fixed assets and interest in investee companies; fair value gains/losses on investment properties and financial assets at fair value through profit or loss; and impairment losses on fixed assets.
2. Effective share of EBITDA is the aggregate total of the Company's EBITDA and the Group's share of EBITDA of subsidiaries and associates based on percentage of equity interests.
3. Effective share of net borrowings (balance of bank loans and fixed rate bonds less short-term fund placement, cash and bank balance) is the aggregate total of the Company's net borrowings and the Group's share of net borrowings of subsidiaries and associates based on percentage of equity interests.
4. For information, effective share of depreciation and amortisation of the Company, subsidiaries and associates was USD384.6 million for the year ended 31 December 2018, an increase of 6.2%, compared to USD362.2 million for the year ended 31 December 2017.

- Consolidated revenue was USD2,517.9 million for the year ended 31 December 2018, an increase of 15.0%, compared to USD2,189.8 million for the year ended 31 December 2017.
- EBITDA of the Company and its subsidiaries was USD664.5 million for the year ended 31 December 2018, an increase of 24.0%, compared to USD535.9 million for the year ended 31 December 2017.
- Effective share of EBITDA of the Company, subsidiaries and associates was USD940.9 million for the year ended 31 December 2018, an increase of 18.4%, compared to USD794.7 million for the year ended 31 December 2017.
- Consolidated profit attributable to owners of the Company was USD192.9 million for the year ended 31 December 2018, an increase of 22.1%, compared to USD158.0 million for the year ended 31 December 2017.

Effective Share of EBITDA by Category (USD Million)



Segment Revenue by Category (USD Million)



Corporate Information

As at 20 March 2019

BOARD OF DIRECTORS

Executive Director(s)
Ms KUOK Hui Kwong *(Chairman)*
Mr LIM Beng Chee *(CEO)*
Mr LUI Man Shing *(until 5 June 2019)*

Non-executive Director(s)
Mr HO Kian Guan (alternate – Mr HO Chung Tao)

Independent Non-executive Director(s)
Mr Alexander Reid HAMILTON *(until 5 June 2019)*
Professor LI Kwok Cheung Arthur
Dr LEE Kai-Fu *(until 5 June 2019)*
Mr YAP Chee Keong
Mr LI Xiaodong Forrest *(from 1 May 2019)*

EXECUTIVE COMMITTEE

Ms KUOK Hui Kwong *(chairman)*
Mr LIM Beng Chee
Mr LUI Man Shing *(until 1 May 2019)*

NOMINATION COMMITTEE

Ms KUOK Hui Kwong *(chairman)*
Mr Alexander Reid HAMILTON *(until 1 May 2019)*
Professor LI Kwok Cheung Arthur
Mr LI Xiaodong Forrest *(from 1 May 2019)*

REMUNERATION COMMITTEE

Mr Alexander Reid HAMILTON *(chairman)* *(until 1 May 2019)*
Ms KUOK Hui Kwong
Professor LI Kwok Cheung Arthur *(chairman from 1 May 2019)*
Mr YAP Chee Keong *(from 1 May 2019)*

AUDIT & RISK COMMITTEE

Mr YAP Chee Keong *(chairman)*
Mr HO Kian Guan
Mr Alexander Reid HAMILTON *(until 1 May 2019)*
Professor LI Kwok Cheung Arthur

COMPANY SECRETARY

Mr SEOW Chow Loong Iain

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

PRINCIPAL SHARE REGISTRAR IN BERMUDA

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

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODES

HKSE – 00069
Singapore stock exchange – S07
American Depositary Receipt – SHALY

WEBSITES

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

INVESTOR RELATIONS CONTACT

enquiry.ir@shangri-la.com
28/F Kerry Centre
683 King's Road
Quarry Bay
Hong Kong

KEY DATES

Closure of registers of members for Annual General Meeting
31 May 2019 to 5 June 2019, both dates inclusive

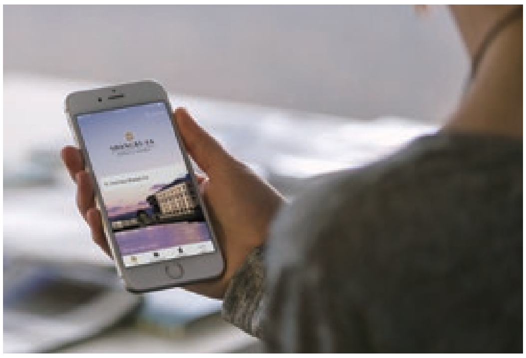
Annual General Meeting
5 June 2019

Record date for 2018 final dividend
11 June 2019

Payment of 2018 final dividend
20 June 2019 *(subject to Shareholders' approval at the Annual General Meeting)*

Announcement of 2019 interim results
August 2019

Year in Review



January

The Group's digital transformation journey began with the launch of the new **Shangri-La Mobile App**. Key features such as mobile check-in/check-out and instant awards redemption for Golden Circle members help create a seamless online-offline experience for our guests.

April

Shangri-La appointed to manage the 250-room **Shangri-La Hotel, Bahrain** and **waterfront villas** at 'Bahrain Marina', a waterfront complex in the capital of Manama. Scheduled to open in 2022, the hotel will offer premium recreational, dining and meeting facilities.

June

Shangri-La is the first hotel group in Asia to receive full **Marine Stewardship Council** seafood Chain of Custody certification for all its 53 properties in Mainland China and Hong Kong. The Group initiated the certification programme as part of its sustainable sourcing strategy and commitment to protect future seafood supplies and positively impact the environment.

July

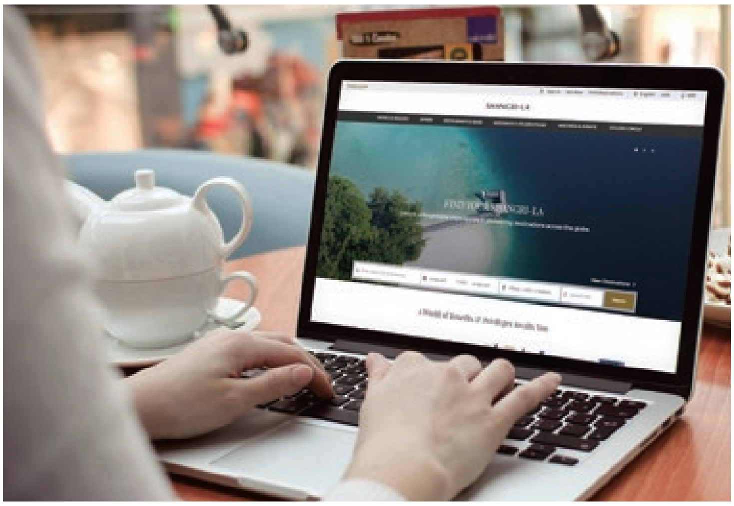
Shangri-La opens its **Shared Financial Services centre** in Wuhan, China. Aimed at enhancing controllership and accounting quality across 39 hotels in China, the centre will drive synergy and efficiency of processes, and enable a 'plug and play' model for new hotels. Work migration continues through 2019.

Year in Review

August

Shangri-La Group, our corporate brand, was launched to manage the various diverse assets the Group owns and operates. These include four stay brands – Shangri-La Hotels & Resorts, Kerry Hotels, Hotel Jen and Traders Hotels – as well as mixed-use developments including sports and recreation clubs, offices, food and beverage outlets, residences and shopping malls.

Concurrently, **Shangri-La.com** was revamped to offer visitors a more secure website and an enhanced user experience to drive more direct bookings.



Huaiyang Training Kitchen opens in Shangri-La Hotel, Nanjing. The 392 sqm facility is the first of its kind within the company and provides a platform for all internal culinary talents to grow and develop their skills and cuisine innovations.

The joint venture partnership for **Shangri-La Hotel, Hangzhou** is renewed for another 25 years. The hotel has played an integral role in elevating the city onto the world stage.

October

Shangri-La further expands its portfolio in Australia with the ground breaking of **Shangri-La Melbourne**. The 492-room property with meeting facilities, food and beverage offerings, spa and gym facilities will open in 2022. It overlooks the UNESCO World Heritage Royal Exhibition Building and Carlton Gardens.

November

Partnership with **Tencent** to develop and deploy technology solutions to power the transformation of hotel operations and services for Shangri-La, and across the Group's various global businesses.

The Group's **first SGD 825 million seven-year bond** offering in Singapore issued. Proceeds from this bond issuance will be used for general corporate purposes and the refinancing of the Group's loans.

Ride for Hope 3, Shangri-La's community outreach programme in China, raises over RMB 5.7 million to help underprivileged children with hip disabilities. The initiative – supported by 30 Shangri-La hotels in Mainland China and Hong Kong – involved 5,000 cyclists over 15 days to complete the 5,000 km trail across 68 China cities.

December

Shangri-La Hotel, The Marina, Cairns and **Shangri-La's Fijian Resort & Spa, Yanuca, Fiji** unveiled following an extensive refurbishment exercise. While the makeover in Cairns encompassed rooms and suites, the renovation in Fiji covered all accommodation, public areas and restaurants.

A second global headquarters was established in Singapore to strengthen the Group's talent base and to enhance its effectiveness in managing the varied businesses in South East Asia.

The Residences at One Galle Face, consisting of two 50-storey luxury towers, is the first branded residential complex to be constructed in Sri Lanka. Its 390 residential units are progressively being handed over to residents who will enjoy extensive facilities including high-end retail and access to a 39-storey office tower.

Construction of a **mixed-use development begins in Fuzhou, China**. It overlooks Wuyi Square and the scenic surroundings of Wushan and Yushan. Due for completion in 2022, the site incorporates upscale retail, a luxury hotel and premium office space totalling over 121,000 sqm.

Awards of the Year

Best Business Brand in Asia Pacific
Business Traveller Asia Pacific Awards (Asia)

Best Hotel Brand in China
Business Traveller China Awards (China)

Best Business Hotel Chain in Asia Pacific
Business Traveller UK Reader Awards (UK)

Best Upscale Hotel Brand
Buying Business Travel Awards 2018 (UK)

Hotel Group with Best Customer Loyalty
China Daily (China)

Public Welfare Practice Award
8th China Charity Festival (China)

Top 60 Hotel Groups in China
China Tourist Hotel Association (China)

The MICE Hotel Brand Award of The Year
City Travel (China)

Best Hotel Brand for Business & Leisure
DestinAsian (Asia)

Best Loyalty Partnership
Warmer Welcomes alliance with Taj Hotels Resorts and Palaces, Flight Global's 10th Loyalty Awards (France)

Hotel Brand Most Favoured by Chinese Family
Global Times (China)

Most Popular Hotel Group
Travel + Leisure China Travel Awards (China)

One of the World's Best Brands
Travel + Leisure World's Best Awards (US)

Best Hotel Chain (Worldwide)
Globe Travel Awards, Travel Weekly (UK)

World's Most Excellent Hotel Chains (Worldwide)
TripAdvisor

Best Luxury Hotel Brand in Greater China
TTG China (China)

Annual Best Hotel Group
Voyage Best Hotel & Resort Value Award (China)

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of Shangri-La Asia Limited for the financial year ended 31 December 2018.

In 2018, consolidated revenues increased by 15.0% to USD2,517.9 million. Aggregate effective share of EBITDA to the Group increased by 18.4% to USD940.9 million, demonstrating our ability to generate strong cash flow from our businesses. Consolidated profit attributable to owners of the Company (before non-operating items) increased by 40.2% to USD197.3 million, partly driven by lower pre-opening and opening expenses compared to 2017. Consolidated profit attributed to owners of the Company (after non-operating items) increased by 22.1% to USD192.9 million.

A final dividend of HK14 cents per ordinary share has been proposed, which when added to the interim dividend will amount to a total dividend of HK22 cents per share for the Financial Year.

Our hotel business has expanded steadily with the signing of a management contract for a Shangri-La hotel in Manama (Bahrain) and the ground-breaking of a managed hotel in Melbourne (Australia). We also extended our joint venture partnership in Shangri-La Hangzhou for another 25 years. Revenue generated from our hotels increased by 9.4% to USD2,206.9 million. The performance of our hotels in Mainland China remained stable despite uncertainties arising from the worsening trade relations between China and the US. We were able to post a modest RevPAR growth of 4.0% to USD85 in China, as demand growth continued to outstrip supply in China's Tier 1 and 2 cities.

The year was also helped by the strong ramp-up of new hotels that opened in 2017, namely Kerry Hotel (Hong Kong) and Shangri-La Hotel, Colombo (Sri Lanka) as well as from the strong performance of the re-opened Tower Wing of our flagship Shangri-La Hotel, Singapore after a major eight-month renovation in 2017. Adjusting for such events and others, on a like-for-like basis, revenue generated from our hotel business grew 4.2% to USD2,103.4 million.

Revenue generated from the Group's investment properties increased 13.2% to USD82.6 million, helped by the steady growth across our major properties. In particular, we saw a healthy rise in occupancy levels at the office and commercial units of the Shangri-La Centre, Ulaanbaatar (Mongolia). Revenue generated from property development for sale grew 281.2% to USD127.7 million. This was boosted by Shangri-La's One Galle Face development in Colombo (Sri Lanka), where we have started handing over units to buyers at the end of 2018. We expect this development to contribute positively to the growth of the Group's results in 2019 as we continue to hand over the remaining pre-sold units.

> *"We are excited about the opportunities ahead of us and are focused on laying the foundation to help us grow from strength to strength."*

2018 was a pace-setting year as we pushed ahead to lay the foundation for our long term growth and expansion. We launched a new Shangri-La Mobile App and revamped our website which led to more Golden Circle enrolment as well as a higher proportion of revenue being driven to our e-direct channels. We also formed a strategic partnership with leading technology company, Tencent, to accelerate the pace of digital adoption and enable significant technology applications in many aspects of our operations.

Our people are at the heart of everything we do. Having people with the right attitude and skills is critical for delivering excellent service and products. We will continue to invest in our people development agenda by building on On-the-Job training, coaching and by leveraging new technology platforms. We remain committed to nurturing our people and to grow the next generation of hospitality leaders.

In 2018, we stepped up our sustainability efforts by implementing various energy saving technologies and resource management initiatives across the company. We continue to actively engage and partner with the many communities where we operate to create mutual benefit and value for society.

Our balance sheet continued to strengthen, with effective net debt/effective EBITDA reaching 4.2 times, an improvement on 5.5 times a year ago. This was helped by our strong cash flow from operations of USD446.3 million in the year, as well as growth in effective share of EBITDA. In 2018, we launched our maiden SGD825 million corporate bond in Singapore. The bond has helped to extend the Group's average loan maturity to 3.12 years, compared to 2.82 years a year ago. Having a stronger balance sheet will allow us to seize potential growth opportunities when they arise.

I would like to take this opportunity to thank all our colleagues; it is because of their hard work and dedication that we continue to deliver excellent service and memorable experiences to our guests and customers. I am grateful to my fellow Directors for their valued guidance and support and to our shareholders for their continued trust. Several Directors will be retiring from the Board this year. I wish to express my deepest gratitude to Alexander Reid Hamilton, Lee Kai-Fu and Lui Man Shing for their invaluable service and contribution to the Group. Alexander Reid Hamilton joined our Board as an independent director in November 2001 and served as Audit Committee Chair from November 2001 to March 2018. Lui Man Shing joined our Board in March 2002 and served as Deputy Chairman from March 2007 to June 2016. We are indebted to them for their invaluable guidance provided over the years.

We are excited about the opportunities ahead of us and are focused on laying the foundation to help us grow from strength to strength. We will continue to drive shareholder value and to build a strong and sustainable future for Shangri-La.

KUOK Hui Kwong
Chairman

20 March 2019

Board of Directors, Company Secretary and Senior Management

EXECUTIVE DIRECTOR(S)

KUOK Hui Kwong
Aged 41, Malaysian
Executive Director
Chairman

Period of service with the Group
- NED from October 2014 to June 2016
- ED and Deputy Chairman from June 2016 to December 2016
- ED and Chairman since January 2017

Other current major position(s) held within the Group
- Executive Committee – chairman
- Nomination Committee – chairman
- Remuneration Committee – member

Directorship of listed companies in the past three years
- China World Trade Center Company Limited (listed on the Shanghai stock exchange), an associate of the Company – director since April 2015 and executive director since April 2018
- SCMP Group Limited (currently known as Great Wall Pan Asia Holdings Limited) (listed on HKSE with stock code 00583) – executive director from February 2004 to June 2016
- The Post Publishing Public Company Limited (listed on the Thailand stock exchange) – director from November 2012 to June 2016

Other current major appointments
- Kerry Group Kuok Foundation (Hong Kong) Limited (charitable organisation) – governor

Other experience and previous major appointments
- SCMP Group Limited (currently known as Great Wall Pan Asia Holdings Limited) – managing director and chief executive officer from January 2009 to June 2012

Academic/professional qualification(s)
- Bachelor's degree in East Asian Studies – Harvard University, United States

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**
  - KGL (Substantial Shareholder) – director
  - KHL (Substantial Shareholder) – director

Board of Directors, Company Secretary and Senior Management

LIM Beng Chee
Aged 51, Singaporean
Executive Director
CEO

Period of service with the Group
- NED from September 2016 to December 2016
- ED and CEO since January 2017

Other current major position(s) held within the Group
- Executive Committee – member

Directorship of listed companies in the past three years
- Raffles Medical Group Limited (listed on the Singapore stock exchange) – independent director since July 2015 (until April 2019)
- China World Trade Center Company Limited (listed on the Shanghai stock exchange), an associate of the Company – chairman and executive director since April 2018

Other experience and previous major appointments
- CapitaLand Mall Asia Limited (formerly known as CapitaMalls Asia Limited) – chief executive officer
- over 15 years of experience in retail real estate investment, development, mall operations, asset management and fund management in Asia

Academic/professional qualification(s)
- Bachelor's degree in Physics (Hons) – University of Oxford, United Kingdom
- MBA (Accountancy) – Nanyang Technological University, Singapore

LUI Man Shing
(alias: Maris PAKDEETAVEEVIVAT)
Aged 75, Chinese
Executive Director
(until 5 June 2019)

Period of service with the Group
- ED since March 2002
- Deputy Chairman from March 2007 to June 2016

Other current major position(s) held within the Group
- Executive Committee – member (until 1 May 2019)

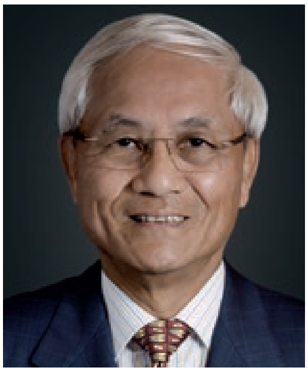
Directorship of listed companies in the past three years
- Shangri-La Hotel Public Company Limited (listed on the Thailand stock exchange), a subsidiary of the Company – vice chairman since May 1994; managing director since May 2013

Other experience and previous major appointments
- significant management and consultancy experience in the hospitality and 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%

Board of Directors, Company Secretary and Senior Management

NON-EXECUTIVE DIRECTOR(S)



HO Kian Guan
(alias: HO Kim Swee)
Aged 73, Singaporean
Non-executive Director

Period of service with the Group
- NED since May 1993

Other current major position(s) held within the Group
- Audit & Risk Committee – member

Directorship of listed companies in the past three 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 with stock code 00184) – executive chairman since December 1979
- Parkway Life REIT (listed on the Singapore stock exchange) – independent director since October 2016 and chairman since April 2017

Academic/professional qualification(s)
- Bachelor's degree in Business Administration and Commerce – Nanyang University, Singapore

Relationship with Directors and Senior Management
- father of HO Chung Tao (his alternate)

HO Chung Tao
Aged 44, Singaporean
Alternate Director
to HO Kian Guan

Period of service with the Group
- alternate Director since October 2016

Directorship of listed companies in the past three years
- Keck Seng Investments (Hong Kong) Limited (listed on HKSE with stock code 00184) – executive director since October 2008
- Keck Seng (Malaysia) Berhad (listed on the Malaysia stock exchange) – alternate director since June 2014

Other experience and previous major appointments
- worked for a major US investment bank based in Japan focusing on real estate acquisitions, a venture capital firm in Japan and a securities firm in Singapore

Academic/professional qualification(s)
- Bachelor's degree in Hotel Administration – Cornell University, United States

Relationship with Directors and Senior Management
- son of HO Kian Guan (NED)

Board of Directors, Company Secretary and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTOR(S)

Alexander Reid HAMILTON

Aged 77, British
Independent Non-executive Director (until 5 June 2019)

Period of service with the Group

- INED since November 2001

Other current major position(s) held within the Group

- Nomination Committee – member (until 1 May 2019)
- Remuneration Committee – chairman (until 1 May 2019)
- Audit & Risk Committee – member (until 1 May 2019)

Directorship of listed companies in the past three years

- Esprit Holdings Limited (listed on HKSE with stock code 00330) – independent non-executive director since August 1995
- COSCO SHIPPING International (Hong Kong) Co, Limited (formerly known as COSCO International Holdings Limited) (listed on HKSE with stock code 00517) – independent non-executive director since June 2011
- JP Morgan China Region Fund Inc (a US-registered closed-end fund quoted on the New York stock exchange) – independent non-executive director from December 1994 to July 2016

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

LI Kwok Cheung Arthur

Aged 73, 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 (chairman from 1 May 2019)
- Audit & Risk Committee – member

Directorship of listed companies in the past three years

- The Bank of East Asia, Limited (listed on HKSE with stock code 00023) – non-executive director since January 2008; non-executive deputy chairman since April 2009
- Nature Home Holding Company Limited (listed on HKSE with stock code 02083) – independent non-executive director since May 2011

Other current major appointments

- 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 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 August 2002 to June 2007

Academic/professional qualification(s)

- Medical degree – University of Cambridge, United Kingdom

Board of Directors, Company Secretary and Senior Management

LEE Kai-Fu
Aged 57, Taiwanese
Independent Non-executive Director (until 5 June 2019)

Period of service with the Group

- INED since November 2015

Directorship of listed companies in the past three years

- LightInTheBox Holding Company, Limited (listed on NASDAQ) – independent director since June 2013
- Sinovation (Beijing) Enterprise Management Limited (listed on National Equities Exchange and Quotations) – chairman since September 2015
- Hon Hai Precision Industry Company, Limited (listed on the Taiwan stock exchange) – independent director since July 2016
- Meitu, Inc (listed on HKSE with stock code 01357) – non-executive director since August 2016
- Fosun International Limited (listed on HKSE with stock code 00656) – independent non-executive director since March 2017

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)

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

Board of Directors, Company Secretary and Senior Management

YAP Chee Keong
Aged 58, Singaporean
Independent Non-executive Director

Period of service with the Group
- INED since December 2017

Other current major position(s) held within the Group
- Audit & Risk Committee – chairman
- Remuneration Committee – member (from 1 May 2019)

Directorship of listed companies in the past three years
- The Straits Trading Company Limited (listed on the Singapore stock exchange) – director from May 2009 to April 2018
- Olam International Limited (listed on the Singapore stock exchange) – independent non-executive director since December 2015
- Malaysia Smelting Corporation Berhad – (listed on both the Malaysia and the Singapore stock exchanges) – non-executive director from May 2016 to May 2018
- Sembcorp Industries Limited (listed on the Singapore stock exchange) – independent non-executive director since October 2016
- Tiger Airways Holdings Limited (delisted from the Singapore stock exchange in May 2016) – independent non-executive director from December 2009 to May 2016
- InterOil Corporation (delisted from the New York stock exchange in February 2017) – independent non-executive director from March 2015 to February 2017
- ARA Asset Management Limited (delisted from the Singapore stock exchange in April 2017) – non-executive director from January 2014 to April 2017

Other current major appointments
- Citibank Singapore Limited – independent non-executive director
- Certis CISCO Security Pte Limited – independent non-executive director
- MediaCorp Pte Limited – independent non-executive director

Other experience and previous major appointments
- The Straits Trading Company Limited – executive director
- Singapore Power Limited – chief financial officer

Academic/professional qualification(s)
- Bachelor's degree in Accountancy – National University of Singapore
- Fellow – CPA, Australia
- Fellow – Institute of Singapore Chartered Accountants

Board of Directors, Company Secretary and Senior Management

LI Xiaodong Forrest
Aged 41, Singaporean
Independent Non-executive Director (from 1 May 2019)

Period of service with the Group

- INED effective from May 2019

Other current major position(s) held within the Group

- Nomination Committee – member (from 1 May 2019)

Directorship of listed companies in the past three years

- Sea Limited (listed on the New York stock exchange) – chairman and group chief executive officer since May 2009

Other experience and previous major appointments

- Singapore's Committee on the Future Economy – member from January 2016 to February 2017

Academic/professional qualification(s)

- Bachelor's degree in Engineering – Shanghai Jiao Tong University, Mainland China
- MBA – Stanford Graduate School of Business, Stanford University, United States

Board of Directors, Company Secretary and Senior Management

COMPANY SECRETARY

SEOW Chow Loong Iain

Aged 53, Singaporean

Company Secretary

Period of service with the Group

- joined the Group in November 2011 as Senior Legal Counsel
- General Counsel since June 2017
- Company Secretary since January 2019

Directorship of listed companies in the past three years

- CMON Limited (listed on HKSE with stock code 08278) – independent non-executive director since November 2016

Other experience and previous major appointments

- Jones Day – partner

Academic/professional qualification(s)

- Bachelor's degree in Laws – King's College London, United Kingdom
- Solicitor – Hong Kong, England and Wales
- Advocate and solicitor (non-practising) – Supreme Court of Singapore

SENIOR MANAGEMENT

KUOK Hui Kwong

Aged 41, Malaysian

Chairman

- The biography is set out in the previous subsection.

LIM Beng Chee

Aged 51, Singaporean

CEO

- The biography is set out in the previous subsection.

Sven Oliver BONKE

Aged 54, American

President & COO

Period of service with the Group

- joined the Group in September 2017 as President & COO

Other experience and previous major appointments

- over 30 years of experience in the hospitality industry

SENIOR MANAGEMENT (CONTINUED)

- Loews Hotels group – chief commercial officer
- InterContinental Hotels group – chief commercial officer
- Starwood Hotels & Resorts group – senior vice president, sales & marketing in Asia Pacific, Europe, Middle East and Africa

Academic/professional qualification(s)

- Bachelor's degree in Business Administration & Sociology – Loyola University New Orleans, United States
- Advanced Management Program – Harvard Business School, Harvard University, United States

TOH Hup Hock

Aged 53, Singaporean

CFO (until 31 March 2019)

Period of service with the Group

- joined the Group in April 2016 as CFO

Directorship of listed companies in the past three years

- Sands China Limited (listed on HKSE with stock code 01928) – executive director from June 2010 to April 2016
- China World Trade Center Company Limited (listed on the Shanghai stock exchange), an associate of the Company – executive director since April 2018 (until April 2019)

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
- Tourism Development Committee of the Macau Special Administrative Region Government – member from June 2015 to April 2016

Academic/professional qualification(s)

- Bachelor's degree in Accounting – Murdoch University, Australia
- MBA – University of Queensland, Australia
- Fellow – CPA, Australia

Board of Directors, Company Secretary and Senior Management

TAN Lay Beng

Aged 52, Malaysian

CFO (from 1 April 2019)

Period of service with the Group

- joined the Group in March 2019 as CFO Designate

Other experience and previous major appointments

- DHL Express Asia Pacific – chief financial officer and executive vice president

Academic/professional qualification(s)

- Bachelor's degree in Accountancy – National University of Singapore
- MBA – Manchester Business School, The University of Manchester, United Kingdom
- Fellow – Institute of Singapore Chartered Accountants

CHONG Kwang Cheong Robert

Aged 56, Singaporean

CCHRO

Period of service with the Group

- joined the Group in May 2018 as CCHRO

Other experience and previous major appointments

- over 30 years of experience in managing human resources function of global companies
- Keppel Corporation Limited – director of group human resources
- Temasek Holdings Pte Limited – managing director of human resources

Academic/professional qualification(s)

- Bachelor's degree in Sociology – National University of Singapore
- MBA – Nanyang Business School, Nanyang Technological University, Singapore
- Advanced Management Program – Harvard Business School, Harvard University, United States

YANG Jian Cheng

Aged 34, Chinese

CTO

Period of service with the Group

- joined the Group in January 2017 as CTO

Other experience and previous major appointments

- over six years of experience in online travel and hospitality industry, covering revenue optimization, digital marketing, distribution and operation automation in Mainland China
- Qunar.com – senior director of high-end hotel business

Academic/professional qualification(s)

- Bachelor's degree in Electronic Science and Technology – Tianjin University, Mainland China
- Master's degree in Microelectronics and Solid-state Electronics – Peking University, Mainland China

CHAN Kong Leong

Aged 46, Singaporean

Regional CEO of South East Asia

Period of service with the Group

- joined the Group in January 2019 as Regional CEO of South East Asia

Directorship of listed companies in past 3 years

- Suntec Real Estate Investment Trust (Suntec REIT, listed on Singapore stock exchange and its manager was ARA Trust Management (Suntec) Limited) – executive director and chief executive officer of the manager from January 2017 to December 2018

Other experience and previous major appointments

- over 20 years of private and public sector experience in managing investment, project development, asset management, operations, strategic planning and different corporate functions
- CapitaLand Limited – senior vice president, head of regional investment, assets and fund management and regional general manager, West China

Academic/professional qualification(s)

- Bachelor's degree in Building – National University of Singapore
- Charter holder – Chartered Financial Analyst

Discussion and Analysis


Hotel Jen Beijing, China

DISCUSSION AND ANALYSIS

The principal activities of the Group remained the same as in 2017. The Group's business is organised into four main segments:

- **Hotel Properties** – development, ownership and operations of hotel properties (including hotels under lease)
- **Hotel Management and Related Services** for Group-owned hotels and for hotels owned by third parties
- **Investment Properties** – development, ownership and operations of office properties, commercial properties and serviced apartments/residences
- **Property Development for Sale**

The Group continues to develop hotel properties, investment properties for rental purpose and properties for sales for the above mentioned business segments.

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

- **Shangri-La Hotels and Resorts**
- **Kerry Hotels**
- **Hotel Jen**
- **Traders Hotels**

The following table summarises the hotels and rooms of the Group as at 31 December 2018:

	Owned/Leased		Managed		Total Operating Hotels		Hotels Under Development	
	Hotels	Rooms in '000	Hotels	Rooms in '000	Hotels	Rooms in '000	Owned Hotels	Hotels under Management Contracts
SHANGRI-LA HOTELS and RESORTS	71	30.9	15	4.7	86	35.6	4	8
KERRY HOTELS	3	1.6	-	-	3	1.6	-	-
HOTEL JEN By Shangri-La (Note 2)	7	2.8	2	0.6	9	3.4	-	1
TRADERS HOTELS	-	-	3	1.2	3	1.2	1	-
Other (Note 1)	1	0.6	-	-	1	0.6	-	-
Total	**82**	**35.9**	**20**	**6.5**	**102**	**42.4**	**5**	**9**

Notes:

1) Other hotel refers to the Portman Ritz-Carlton Hotel, Shanghai (the Group has 30% equity interest).

2) No new hotel opened for business in 2018. Hotel Jen Brisbane in Australia ceased operations and was disposed of in December 2018 as requested by the local government authority to take the underlying land on which the hotel was built for redevelopment.

The following table summarises the total Gross Floor Area ("**GFA**") of the operating investment properties for rental owned by subsidiaries and associates:

			Total GFA of the operating investment properties as at 31 December 2018		
(in square metres)		Group's equity interest	Office spaces	Commercial spaces	Serviced apartments/ residential
Mainland China	China World Trade Center				
	– Phase I	40.32%-50%	88,433	90,770	80,124
	– Phase II	43.23%	76,536	24,337	–
	– Phase IIIA	40.32%	143,088	45,851	–
	– Phase IIIB	40.32%	83,419	62,498	–
			391,476	223,456	80,124
	Century Tower, Beijing	50%	–	–	43,445
	Beijing Kerry Centre	23.75%	92,723	12,831	36,161
	Shanghai Centre	30%	40,819	12,057	50,988
	Jing An Kerry Centre – Phase I	24.75%	38,611	13,009	17,812
	Jing An Kerry Centre – Phase II	49%	117,823	80,967	–
	Kerry Parkside Shanghai Pudong	23.2%	94,995	49,319	34,907
	Shangri-La Centre, Chengdu	80%	41,519	4,097	–
	Shangri-La Residences, Dalian	100%	–	–	54,004
	Shangri-La Centre, Qingdao	100%	31,911	8,029	–
	Tianjin Kerry Centre	20%	–	82,494	–
	Hangzhou Kerry Centre	25%	12,583	98,886	–
	Jinan Enterprise Square	45%	32,944	5,681	–
			895,404	590,826	317,441
Malaysia	UBN Apartments, Malaysia	52.78%	–	–	17,356
	UBN Tower, Malaysia	52.78%	45,175	8,530	–
			45,175	8,530	17,356
Singapore	Shangri-La Apartments, Singapore	100%	–	–	13,794
	Shangri-La Residences, Singapore	100%	–	–	10,941
	Tanglin Mall, Singapore	44.6%	–	21,267	–
	Tanglin Place, Singapore	44.6%	3,291	1,666	–
			3,291	22,933	24,735
Australia	The Pier Retail Complex, Cairns	100%	515	11,370	–
Mongolia	Central Tower, Ulaanbaatar	51%	23,114	4,510	–
	Shangri-La Centre, Ulaanbaatar	51%	18,241	16,728	19,585
			41,355	21,238	19,585
Myanmar	Shangri-La Residences, Yangon	55.86%	–	–	56,834
	Sule Square, Yangon	59.28%	37,635	11,807	–
			37,635	11,807	56,834
TOTAL			1,023,375	666,704	435,951

RESULTS OF OPERATIONS

Revenue

Consolidated revenue consisted of the following:

	Year ended 31 December		2018/17
	2018 USD Million	2017 USD Million	% change
Hotel Properties			
Revenue from rooms	**1,143.3**	1,042.5	9.7%
Food and beverage sales	**941.3**	861.1	9.3%
Rendering of ancillary services	**122.3**	114.4	6.9%
Sub-total of hotel ownership	**2,206.9**	2,018.0	9.4%
Hotel Management and Related Services			
Gross revenue (including revenue earned from subsidiaries)	**229.9**	159.7	44.0%
Less: Inter-segment revenue elimination with subsidiaries	**(129.8)**	(94.4)	–37.5%
Net amount after elimination	**100.1**	65.3	53.3%
Investment Properties	**82.6**	73.0	13.2%
Property Development for Sale	**127.7**	33.5	281.2%
Other Business	**0.6**	–	N/A
Consolidated Revenue	**2,517.9**	2,189.8	15.0%

Consolidated revenue was USD2,517.9 million for the year ended 31 December 2018, an increase of 15.0% (or USD328.1 million), compared to USD2,189.8 million for the year ended 31 December 2017. The increase was mainly driven by:

- USD67.2 million of carry-over impact of opening of new hotels in 2017.
- USD27.0 million from Shangri La Hotel, Singapore's improvement after major renovations in 2017.
- USD22.3 million from a favourable foreign exchange rate from hotel properties operations.
- USD35.6 million (after inter-segment elimination) from change of accounting standards HKFRS 15 in treatment of revenue from contracts with customers.
- A net increase of USD94.2 million in property development for sale mainly driven by recognition of revenue from the sale of residences in Shangri-La's One Galle Face development in Colombo, Sri Lanka.
- Offset by a decrease of USD13.0 million due to temporary closure of Shangri-La's Boracay Resort & Spa (The Philippines), due to the government's order to completely close down the Boracay Island for six months commencing 26 April 2018 for environmental rehabilitation.
- With the remaining increase of USD94.8 million driven by the general improvement in operations in hotel and investment properties.

(i) Hotel Properties

At 31 December 2018, the Group had equity interest in 79 operating hotels (including the Portman Ritz-Carlton Hotel, Shanghai) (2017: 80) and 3 hotels under operating lease (2017: 3), representing a room inventory of 35,834 (2017: 36,056) across Asia Pacific, Europe and Africa.

In December 2018, the Group completed the disposal of the Hotel Jen Brisbane in Australia as requested by the local government authority to take the underlying land on which the hotel was built for redevelopment.

Details of these 82 hotels are as follows:

		Group's equity interest	Available rooms
(A)	**Hotels owned by the Group**		
	Hong Kong		
	Kowloon Shangri-La, Hong Kong	100%	682
	Island Shangri-La, Hong Kong	80%	565
	Hotel Jen Hong Kong	30%	283
	Kerry Hotel, Hong Kong	100%	546
	Mainland China		
	Shangri-La Hotel, Beijing	38%	670
	China World Hotel, Beijing	50%	584
	China World Summit Wing, Beijing	40.32%	278
	Hotel Jen Beijing	40.32%	450
	Kerry Hotel, Beijing	23.75%	486
	Pudong Shangri-La, East Shanghai	100%	946
	Jing An Shangri-La, West Shanghai	49%	508
	Kerry Hotel Pudong, Shanghai	23.2%	574
	Portman Ritz-Carlton Hotel, Shanghai	30%	593
	Shangri-La Hotel, Shenzhen	72%	522
	Futian Shangri-La, Shenzhen	100%	528
	Shangri-La Hotel, Xian	100%	393
	Shangri-La Hotel, Hangzhou	45%	380
	Shangri-La Hotel, Beihai	100%	362
	Shangri-La Hotel, Changchun	100%	382
	Hotel Jen Shenyang	100%	407
	Shangri-La Hotel, Shenyang	25%	383
	Shangri-La Hotel, Qingdao	100%	702
	Shangri-La Hotel, Dalian	100%	560
	Shangri-La Hotel, Wuhan	92%	442
	Shangri-La Hotel, Harbin	100%	403
	Shangri-La Hotel, Fuzhou	100%	414
	Shangri-La Hotel, Guangzhou	80%	690
	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
	Shangri-La Hotel, Manzhouli	100%	235
	Shangri-La Hotel, Yangzhou	100%	360
	Shangri-La Hotel, Qufu	100%	322
	Shangri-La Hotel, Lhasa	100%	289
	Shangri-La's Sanya Resort & Spa, Hainan	100%	496
	Shangri-La Hotel, Nanjing	55%	450
	Shangri-La Hotel, Qinhuangdao	100%	328
	Shangri-La Hotel, Hefei	100%	400
	Shangri-La Resort, Shangri-La	100%	228
	Shangri-La Hotel, Tianjin	20%	304
	Shangri-La Hotel, Nanchang	20%	473
	Shangri-La Hotel, Tangshan	35%	301

		Group's equity interest	Available rooms
	Midtown Shangri-La, Hangzhou	25%	414
	Songbei Shangri-La, Harbin	100%	344
	Shangri-La Hotel, Xiamen	100%	325
	Shangri-La Hotel, Jinan	45%	364
	Singapore		
	Shangri-La Hotel, Singapore	100%	792
	Shangri-La's Rasa Sentosa Resort & Spa, Singapore	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
	Shangri-La at the Fort, Manila	40%	576
	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
	France		
	Shangri-La Hotel, Paris	100%	100
	Maldives		
	Shangri-La's Villingili Resort & Spa, Maldives	70%	132
	Hotel Jen Malé, Maldives	100%	114
	Other areas		
	Shangri-La Bosphorus, Istanbul, Turkey	50%	186
	Shangri-La's Fijian Resort & Spa, Yanuca, Fiji	71.64%	442
	Sule Shangri-La, Yangon, Myanmar	59.16%	474
	Shangri-La Hotel, Jakarta, Indonesia	25%	619
	Shangri-La Hotel, Surabaya, Indonesia	11.34%	365
	Shangri-La Hotel, Ulaanbaatar, Mongolia	51%	290
	Shangri-La's Le Touessrok Resort & Spa, Mauritius	26%	203
	Shangri-La's Hambantota Golf Resort & Spa, Sri Lanka	90%	274
	Shangri-La Hotel, Colombo, Sri Lanka	90%	500
	Total of 79 owned hotels		34,933
(B)	**Hotels under operating lease agreements**		
	Shangri-La Hotel, Tokyo, Japan		200
	Shangri-La Hotel, At The Shard, London, United Kingdom		202
	Hotel Jen Orchardgateway Singapore		499
	Total of 3 leased hotels		901
	Grand total		35,834

Revenue from our consolidated hotel properties for the year ended 31 December 2018 was USD2,206.9 million, an increase of 9.4% (or USD188.9 million), compared to USD2,018.0 million for the year ended 31 December 2017.

	Year ended 31 December		**2018/17**
	2018 USD Million	2017 USD Million	% change
The People's Republic of China			
Hong Kong	**370.1**	312.5	18.4%
Mainland China	**842.1**	794.9	6.0%
Singapore	**237.0**	184.6	28.4%
Malaysia	**129.3**	121.3	6.6%
The Philippines	**171.7**	184.9	–7.1%
Japan	**67.2**	63.7	5.5%
Thailand	**78.2**	70.1	11.6%
France	**50.1**	42.6	17.6%
Australia	**92.2**	101.9	–9.5%
United Kingdom	**50.7**	47.4	7.0%
Mongolia	**15.2**	13.4	13.4%
Sri Lanka	**40.2**	12.6	219.0%
Other countries	**62.9**	68.1	–7.6%
Consolidated revenue from Hotel Properties business	**2,206.9**	2,018.0	9.4%

In 2018, revenue from our consolidated hotel properties was driven by a number of factors, including:

- New hotel openings in 2017, including Kerry Hotel, Hong Kong (Hong Kong), Songbei Shangri-La, Harbin (Mainland China), Shangri-La Hotel, Xiamen (Mainland China), and Shangri-La Hotel, Colombo (Sri Lanka).
- Improvement in hotel performances after major renovation of Shangri-La Hotel, Singapore was completed in May 2017.
- Favourable foreign exchange rates.
- General improvement in hotel operations environment on a like-for-like basis.
- Offset by temporary closure of Shangri-La's Boracay Resort & Spa (The Philippines), due to the government's order to completely close down the Boracay Island for six months commencing 26 April 2018 for environmental rehabilitation.

Please refer to table below for their respective impact on our revenue growth in 2018:

	USD Million	% growth
Consolidated hotel properties revenue growth	188.9	9.4%
Carry-over impact from new hotels opened in 2017	(67.2)	(3.3%)
Shangri-La Hotel, Singapore renovations	(27.0)	(1.3%)
Foreign exchange effects	(22.3)	(1.1%)
Shangri-La's Boracay Resort & Spa 6 months' closure	13.0	0.6%
Consolidated hotel properties revenue like-for-like growth	85.4	4.2%

The key performance indicators of the Group-owned hotels (including hotels under lease) on an unconsolidated basis (including both subsidiaries and associates) for the years ended 31 December 2018 and 2017 are as follows:

	2018 Weighted Average			2017 Weighted Average		
Country	**Occupancy (%)**	**Room Rate (USD)**	**RevPAR (USD)**	Occupancy (%)	Room Rate (USD)	RevPAR (USD)
The People's Republic of China						
Hong Kong	**84**	**295**	**249**	77	290	222
Mainland China	**67**	**126**	**85**	67	123	82
Tier 1 Cities	**79**	**173**	**137**	77	168	130
Tier 2 Cities	**67**	**100**	**67**	66	98	64
Tier 3+4 cities	**52**	**92**	**48**	54	89	48
Singapore	**80**	**220**	**175**	68	208	142
Malaysia	**75**	**139**	**104**	73	127	93
The Philippines	**67**	**182**	**121**	67	183	123
Japan	**86**	**586**	**502**	87	538	466
Thailand	**71**	**163**	**116**	69	152	105
France	**63**	**1,293**	**816**	58	1,139	663
Australia	**79**	**227**	**180**	91	220	199
United Kingdom	**79**	**548**	**435**	79	517	407
Mongolia	**30**	**219**	**66**	24	231	54
Sri Lanka	**42**	**161**	**68**	39	145	56
Other countries	**52**	**193**	**100**	54	186	99
Weighted Average	**68**	**169**	**115**	67	162	109

Note: Performance indicators in respect of hotels in Mainland China excludes the Portman Ritz-Carlton Hotel.

The weighted average occupancy of our hotels was 68% for the year ended 31 December 2018, an increase of one percentage point, compared to 67% for the year ended 31 December 2017. The Room Yields ("**RevPAR**") was USD115 for the year ended 31 December 2018, an increase of 6%, compared to USD109 for the year ended 31 December 2017.

Below are comments on hotel performances on selected geographies that witnessed significant events:

The People's Republic of China

Hong Kong

For Hong Kong, the occupancy was 84% for the year ended 31 December 2018, an increase of seven percentage points, compared to 77% for the year ended 31 December 2017. The RevPAR was USD249 for the year ended 31 December 2018, an increase of 12%, compared to USD222 for the year ended 31 December 2017. During the year, the hotels benefited from a 4.9% increase in overall overnight visitors to Hong Kong (i.e. visitors stayed in Hong Kong for at least one night), mainly driven by a 7.4% increase in overnight visitor arrivals from Mainland China. We also saw a healthy ramp up of Kerry Hotel, Hong Kong, which opened in April 2017. Total revenue from Hong Kong hotel properties for the year ended 31 December 2018 increased by 18.4% to USD370.1 million.

Mainland China

The Group had equity interest in 45 operating hotels in Mainland China as at 31 December 2018.

For Mainland China, the occupancy was 67% for the year ended 31 December 2018, largely flat, compared to 67% for the year ended 31 December 2017. The RevPAR was USD85 for the year ended 31 December 2018, an increase of 4%, compared to USD82 for the year ended 31 December 2017. The Mainland China hotel market remained largely stable in the year; we continued to see demand growth outstripping that of supply in Tier 1 and 2 cities, where approximately 75% of the Group's inventory is based. The performance in the year was also helped by the opening of Shangri-La Hotel, Jinan; Hotel Jen Beijing; Shangri-La Hotel, Xiamen and Songbei Shangri-La, Harbin.

Below is the performance of our hotels in different tiered cities;

- In Tier 1 cities, the occupancy was 79% for the year ended 31 December 2018, an increase of two percentage points, compared to 77% for the year ended 31 December 2017. The RevPAR was USD137 for the year ended 31 December 2018, an increase of 5%, compared to USD130 for the year ended 31 December 2017. If adjusted for the exchange rate impact, the RevPAR would have been USD135 for the year ended 31 December 2018, an increase of 4%, compared to USD130 for the year ended 31 December 2017.

- In Tier 2 cities, the occupancy was 67% for the year ended 31 December 2018, an increase of one percentage point, compared to 66% for the year ended 31 December 2017. The RevPAR was USD67 for the year ended 31 December 2018, an increase of 4%, compared to USD64 for the year ended 31 December 2017. If adjusted for the exchange rate impact, the RevPAR would have been USD66 for the year ended 31 December 2018, an increase of 3%, compared to USD64 for the year ended 31 December 2017.

- In Tier 3 and Tier 4 cities, the occupancy was 52% for the year ended 31 December 2018, a decrease of two percentage points, compared to 54% for the year ended 31 December 2017. The RevPAR was USD48 for the year ended 31 December 2018, largely unchanged compared to USD48 for the year ended 31 December 2017. If adjusted for the exchange rate impact, the RevPAR would have been USD47 for the year ended 31 December 2018, a decrease of 1%, compared to USD48 for the year ended 31 December 2017.

Total revenue from Mainland China hotel properties for the year ended 31 December 2018 increased by 6.0% to USD842.1 million.

Singapore
For Singapore, the occupancy was 80% for the year ended 31 December 2018, an increase of 12 percentage points, compared to 68% for the year ended 31 December 2017. The RevPAR was USD175 for the year ended 31 December 2018, an increase of 24%, compared to USD142 for the year ended 31 December 2017. This was largely driven by the successful re-opening of Tower Wing at our flagship Shangri-La Hotel, Singapore, following a major eight-month renovation in 2017. Total revenue from Singapore hotel properties for the year ended 31 December 2018 increased by 28.4% to USD237.0 million.

The Philippines
For The Philippines, the occupancy was 67% for the year ended 31 December 2018, largely unchanged when compared to 67% for the year ended 31 December 2017. The RevPAR was USD121 for the year ended 31 December 2018, a decrease of 2%, compared to USD123 for the year ended 31 December 2017. Performance of our resort in Boracay was affected by the government's order to completely close down the Boracay Island for six months commencing 26 April 2018 for environmental rehabilitation. Total revenue from The Philippines hotel properties for the year ended 31 December 2018 decreased by 7.1% to USD171.7 million.

Australia
For Australia, the occupancy was 79% for the year ended 31 December 2018, a decrease of 12 percentage points, compared to 91% for the year ended 31 December 2017. The RevPAR was USD180 for the year ended 31 December 2018, a decrease of 10%, compared to USD199 for the year ended 31 December 2017. We witnessed a general weakness across the country as the property market and PMI indicators showed softness during the year. The decrease of our hotel performance was exacerbated by the adverse impact from the commencement of the phased guestroom renovation of Shangri-La Hotel, The Marina, Cairns, in April 2018. Total revenue from Australia hotel properties for the year ended 31 December 2018 decreased by 9.5% to USD92.2 million.

Sri Lanka
For Sri-Lanka, the occupancy was 42% for the year ended 31 December 2018, an increase of three percentage points, compared to 39% for the year ended 31 December 2017. The RevPAR was USD68 for the year ended 31 December 2018, an increase of 21%, compared to USD56 for the year ended 31 December 2017. The increase was primarily attributable to the ramping up of Shangri-La Hotel, Colombo, which opened on 16 November 2017. Total revenue from Sri-Lanka hotel properties for the year ended 31 December 2018 increased by 219.0% to USD40.2 million.

(ii) Hotel Management & Related Services

As at 31 December 2018, the Group's wholly owned subsidiary, SLIM International Limited and its subsidiaries ("**SLIM**") managed a total of 101 hotels and resorts:

- 78 Group-owned hotels (Portman Ritz-Carlton Hotel, Shanghai is the only exception)
- 3 hotels under lease agreements
- 20 hotels owned by third parties

The 20 operating hotels (6,474 available rooms) owned by third parties are located in the following destinations:

- Canada: Toronto and Vancouver
- The Philippines: Manila
- Oman: Muscat (2 hotels)
- Qatar: Doha
- UAE: Abu Dhabi (2 hotels) and Dubai
- Malaysia: Johor and Kuala Lumpur
- India: New Delhi and Bengaluru
- Taiwan: Taipei and Tainan
- Mainland China: Changzhou (2 hotels), Haikou, Suzhou and Yiwu

The key performance indicators of the operating hotels under third party management agreements:

	2018 Weighted Average			2017 Weighted Average		
Destinations	**Occupancy (%)**	**Room Rate (USD)**	**RevPAR (USD)**	Occupancy (%)	Room Rate (USD)	RevPAR (USD)
Canada	**74**	**339**	**250**	75	326	245
The Philippines	**56**	**68**	**38**	61	68	41
Oman	**61**	**294**	**178**	64	242	154
Qatar	**67**	**168**	**112**	65	183	119
Malaysia	**71**	**102**	**73**	76	97	74
India	**64**	**136**	**87**	58	133	77
Taiwan	**68**	**169**	**116**	66	166	110
Mainland China	**59**	**76**	**45**	58	74	43
Weighted Average	**64**	**148**	**94**	64	145	92

For the year ended 31 December 2018, the overall weighted average occupancy of the hotels under third-party hotel management agreements remained largely flat at 64%. The RevPAR was USD94 for the year ended 31 December 2018, an increase of 2%, compared to USD92 for the year ended 31 December 2017.

Gross revenues from SLIM was USD229.9 million for the year ended 31 December 2018, an increase of 44.0% (or USD70.2 million) compared to USD159.7 million for the year ended 31 December 2017.

After eliminating inter-segment revenue with subsidiaries, the net revenues from SLIM was USD100.1 million for the year ended 31 December 2018, an increase of 53.3% (or USD34.8 million) compared to USD65.3 million for the year ended 31 December 2017. The increase of revenue was mainly driven by changes of the accounting standards HKFRS 15 in treatment of revenue from contracts with customers. This included a recognition of USD34.3 million in Golden Circle fees and USD5.2 million from the Brand Fund for the year ended 31 December 2018, compared to USD3.9 million and nil, respectively, for the year ended 31 December 2017.

During the year, SLIM signed a new management agreement with a third party for the management and operation of a hotel under development in Manama (Bahrain). As at 31 December 2018, SLIM had management agreements on hand for nine new hotel projects which were owned by third parties.

(iii) Investment Properties

Consolidated revenue from our investment properties for the year ended 31 December 2018 stood at USD82.6 million, an increase of 13.2% (or USD9.6 million), compared to USD73.0 million for the year ended 31 December 2017.

	Year ended 31 December		2018/17
	2018 USD Million	2017 USD Million	% change
Mainland China	**20.2**	17.1	18.1%
Singapore	**13.6**	13.3	2.3%
Malaysia	**6.2**	5.9	5.1%
Mongolia	**16.8**	12.4	35.5%
Other countries	**25.8**	24.3	6.2%
Consolidated revenue from Investment Properties business	**82.6**	73.0	13.2%

In 2018, we saw growth in revenues across our subsidiary investment properties, mainly driven by an improvement in occupancies.

Comments on subsidiary investment properties by geography:

Mainland China
Revenue generated from our investment properties in Mainland China for the year ended 31 December 2018 increased by 18.1% to USD20.2 million. This was mainly driven by the opening of Phase II of Shangri-La Residences, Dalian, which brought the average number of serviced apartments available for Shangri-La Residences, Dalian to 341 for the year ended 31 December 2018 from 213 for the year ended 31 December 2017. We also saw improvement in occupancy rates of our offices in Shangri-La Centre, Qingdao and Shangri-La Centre, Chengdu.

Singapore
Revenue generated from our serviced apartments in Singapore for the year ended 31 December 2018 increased by 2.3% to USD13.6 million. This was mainly driven by an improvement in occupancy rates for Shangri-La Apartments and Shangri-La Residences.

Malaysia
Revenue generated from our subsidiary investment properties in Malaysia for the year ended 31 December 2018 increased by 5.1% to USD6.2 million. This was mainly driven by the improvement in occupancy rates for our commercial spaces at UBN Tower.

Mongolia
Revenue generated from our subsidiary investment properties in Mongolia for the year ended 31 December 2018 increased by 35.5% to USD16.8 million. This was mainly driven by the ramping up of Shangri-La Centre, Ulaanbaatar, which opened for business in July 2016.

Other countries
Revenue generated from our subsidiary investment properties in other countries for the year ended 31 December 2018 increased by 6.2% to USD25.8 million. This was mainly driven by an improvement of occupancy of offices in Sule Square, Yangon (Myanmar), where a multinational telecom company took up three floor spaces as at Q4 2018.

(iv) Property Development for Sale

Property development for sale by subsidiaries for the year ended 31 December 2018 were USD127.7 million, an increase of 281.2%, compared to USD33.5 million for the year ended 31 December 2017. During the year we began recognising sales of residential units of One Galle Face, Colombo (Sri Lanka), as well as continued recognition of sales of residential units of the Yangzhou Lakeview Residence and residential tower of the Shangri-La Hotel, Dalian Phase II project (Yavis), both in Mainland China.

All the remaining residential units of Yangzhou Lakeview Residence were sold in 2017 and the last unit was handed over to the buyer in early 2018. In 2018, 14 units of Yavis were sold and a total 13 units (including 3 units sold in 2017) have been handed over to the buyers. 4 sold units will be handed over to the buyers in 2019. As at 31 December 2018, Yavis had a remaining inventory of 83 units.

One Galle Face, Colombo (Sri Lanka) comprises 390 apartments (372 for sale and 18 for rental purpose) with total gross floor area of approximately 93,500 sqm. At 31 December 2018, an accumulated total of 282 apartments (76% of total) have been sold of which 111 sold apartments (39% of sold) have been handed over to the buyers and recognised as revenue.

EBITDA and Aggregate Effective Share of EBITDA

The following table summarises information related to the EBITDA of the Company and its subsidiaries and the aggregate effective share of EBITDA of the Company, subsidiaries and associates by geographical areas and by business segments:

		EBITDA of subsidiaries		Effective share of EBITDA of subsidiaries		Effective share of EBITDA of associates		Aggregate Effective share of EBITDA	
(USD million)		**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Hotel Properties	Hong Kong	**120.0**	102.5	**109.0**	91.5	**1.5**	1.1	**110.5**	92.6
	Mainland China	**232.6**	217.7	**213.6**	199.7	**66.7**	62.3	**280.3**	262.0
	Singapore	**67.1**	38.9	**67.1**	38.9	**6.1**	6.0	**73.2**	44.9
	Malaysia	**39.0**	40.2	**22.1**	22.7	**7.9**	6.2	**30.0**	28.9
	The Philippines	**47.3**	52.6	**46.0**	51.5	**9.3**	7.1	**55.3**	58.6
	Japan	**4.6**	1.9	**4.6**	1.9	**-**	-	**4.6**	1.9
	Thailand	**31.3**	27.8	**23.1**	20.5	**-**	-	**23.1**	20.5
	France	**2.4**	0.4	**2.4**	0.4	**-**	-	**2.4**	0.4
	Australia	**16.6**	24.1	**16.6**	24.1	**-**	-	**16.6**	24.1
	United Kingdom	**(6.3)**	(4.9)	**(6.3)**	(4.9)	**-**	-	**(6.3)**	(4.9)
	Mongolia	**3.0**	(3.3)	**1.6**	(1.7)	**-**	-	**1.6**	(1.7)
	Sri Lanka	**7.0**	(3.1)	**6.3**	(2.8)	**-**	-	**6.3**	(2.8)
	Other countries	**(0.7)**	5.4	**(0.8)**	3.2	**7.5**	6.9	**6.7**	10.1
		563.9	500.2	**505.3**	445.0	**99.0**	89.6	**604.3**	534.6
Hotel Management and Related Services		**21.4**	46.5	**21.4**	46.5	**-**	-	**21.4**	46.5
Sub-total Hotel Operations		**585.3**	546.7	**526.7**	491.5	**99.0**	89.6	**625.7**	581.1
Investment Properties	Mainland China	**8.9**	7.5	**8.1**	6.9	**213.9**	192.3	**222.0**	199.2
	Singapore	**6.7**	4.9	**6.7**	4.9	**4.7**	4.7	**11.4**	9.6
	Malaysia	**4.1**	3.9	**2.1**	2.0	**-**	-	**2.1**	2.0
	Mongolia	**7.8**	3.2	**4.0**	1.7	**-**	-	**4.0**	1.7
	Other countries	**11.9**	11.5	**7.0**	6.6	**-**	-	**7.0**	6.6
Sub-total Investment Properties		**39.4**	31.0	**27.9**	22.1	**218.6**	197.0	**246.5**	219.1
Property Development for Sale & Other Business		**69.3**	(0.6)	**62.4**	(0.6)	**37.0**	41.1	**99.4**	40.5
Sub-total		**694.0**	577.1	**617.0**	513.0	**354.6**	327.7	**971.6**	840.7
Corporate and pre-opening expenses		**(29.5)**	(41.2)	**(29.7)**	(40.6)	**(1.0)**	(5.4)	**(30.7)**	(46.0)
Grand total		**664.5**	535.9	**587.3**	472.4	**353.6**	322.3	**940.9**	794.7

Aggregate effective share of EBITDA was USD940.9 million for the year ended 31 December 2018, an increase of 18.4% (or USD146.2 million), compared to USD794.7 million for the year ended 31 December 2017. Commentaries of results by business segments are as follows:

Hotel Properties

Effective share of EBITDA from Hotel Properties business for the year ended 31 December 2018 was USD604.3 million, an increase of 13.0% (or USD69.7 million), compared to USD534.6 million for the year ended 31 December 2017. This was primarily driven by the continued strength in our key geographies such as Mainland China and Hong Kong. We were also affected by various one-off factors such as new openings, effects due to renovations and temporary closures, as highlighted in more detail in our revenue discussion of our Hotel Properties business.

Hotel Management and Related Services

SLIM effective share of EBITDA for the year ended 31 December 2018 was USD21.4 million, a decrease of 54.0% (or USD25.1 million), compared to USD46.5 million for the year ended 31 December 2017. The decrease was mainly due to:

i) USD10.0 million of expenses recognised in 2018 as a result of an increase in contract liability due to an upward revaluation of our loyalty points, arising from an upgrade of reward benefits which encourages better use and redemption of points

ii) USD3.9 million driven by the difference of the breakage of our loyalty points between 2017 and 2018

iii) Increase in other expenses, mainly due to recruitment of additional executives and staff for future business development.

Investment Properties

Effective share of EBITDA from Investment Properties business for the year ended 31 December 2018 was USD246.5 million, an increase of 12.5% (or USD27.4 million), compared to USD219.1 million for the year ended 31 December 2017. We saw growth across our major subsidiary investment properties during the year, as highlighted in our revenue discussion of Investment Properties business. Effective share of EBITDA from our subsidiary investment properties increased by 26.2% to USD27.9 million.

Aside from our subsidiary investment properties, we also saw strong growth in effective share of EBITDA from our associated investment properties, growing 11.0% to USD218.6 million. The growth was primarily driven by the ramp up of China World Trade Center Phase IIIB's commercial properties and offices.

Property Development for Sale & Other Business

Property development for sale & other business effective share of EBITDA for the year ended 31 December 2018 was USD99.4 million, an increase of 145.4% (or USD58.9 million), compared to USD40.5 million for the year ended 31 December 2017. The increase was mainly driven by the completion and partial handing over of residential units at Shangri-La's One Galle Face development in Colombo, Sri Lanka.

Corporate and Pre-opening Expenses

Corporate and pre-opening expenses that offset the Group's effective share of EBITDA for the year ended 31 December 2018 were USD30.7 million, a decrease of 33.3% (or USD15.3 million), compared to USD46.0 million for the year ended 31 December 2017. The decrease in expenses was mainly driven by no new openings in 2018, compared to the six owned hotels that opened in 2017.

Consolidated Profit Attributable to Owners of the Company

The following table summarises information related to the consolidated profit attributable to owners of the Company before and after non-operating items by geographical areas and by business segments:

		Year ended 31 December		2018/17
		2018 USD Mil	2017 USD Mil	% change
Hotel Properties	Hong Kong	**58.7**	55.0	6.7%
	Mainland China	**19.9**	17.1	16.4%
	Singapore	**35.3**	16.3	116.6%
	Malaysia	**17.1**	13.9	23.0%
	The Philippines	**9.6**	7.2	33.3%
	Japan	**3.5**	1.5	133.3%
	Thailand	**14.2**	10.7	32.7%
	France	**(13.4)**	(16.1)	16.8%
	Australia	**0.6**	4.3	-86.0%
	United Kingdom	**(16.0)**	(15.2)	-5.3%
	Mongolia	**(7.7)**	(4.5)	-71.1%
	Sri Lanka	**(18.8)**	(12.0)	-56.7%
	Other countries	**(13.1)**	(9.7)	-35.1%
		89.9	68.5	31.2%
Hotel Management and Related Services		**8.4**	32.7	-74.3%
Sub-total Hotel Operations		**98.3**	101.2	-2.9%
Investment Properties	Mainland China	**142.9**	125.8	13.6%
	Singapore	**9.1**	8.0	13.8%
	Malaysia	**1.7**	1.5	13.3%
	Mongolia	**(3.2)**	(2.5)	–28.0%
	Other countries	**3.7**	3.9	–5.1%
Sub-total Investment Properties		**154.2**	136.7	12.8%
Property Development for Sale & Other Business		**84.0**	30.9	171.8%
Consolidated profit from operating properties		**336.5**	268.8	25.2%
Net corporate finance costs (including foreign exchange gains and losses)		**(104.2)**	(77.5)	–34.5%
Land cost amortisation & pre-opening expenses for projects & corporate expenses		**(35.0)**	(50.6)	30.8%
Consolidated profit attributable to owners of the Company before non-operating items		**197.3**	140.7	40.2%
Non-operating items		**(4.4)**	17.3	N/M
Consolidated profit attributable to owners of the Company after non-operating items		**192.9**	158.0	22.1%

Consolidated profit attributable to owners of the Company after non-operating items was USD192.9 million for the year ended 31 December 2018, an increase of 22.1% (or USD34.9 million), compared to USD158.0 million for the year ended 31 December 2017. Commentaries of results by business segments are as follows:

Hotel Properties

Hotel properties profit for the year ended 31 December 2018 was USD89.9 million, an increase of 31.2% (or USD21.4 million), compared to USD68.5 million for the year ended 31 December 2017. The increase was primarily driven by the continued strength in our key geographies such as Mainland China and Hong Kong. We were also affected by various one-off factors such as new openings, effects due to renovations and temporary closures, as highlighted in more detail in our revenue discussion of our Hotel Properties business.

Hotel Management and Related Services

SLIM profit for the year ended 31 December 2018 was USD8.4 million, a decrease of 74.3% (or USD24.3 million), compared to USD32.7 million for the year ended 31 December 2017. The reasons for the decrease were highlighted in our EBITDA discussion of our Hotel Management and Related Services business.

Investment Properties

Investment Properties profit was USD154.2 million for the year ended 31 December 2018, an increase of 12.8% (or USD17.5 million), compared to USD136.7 million for the year ended 31 December 2017. The growth was primarily driven by our investment properties in Mainland China, as discussed in previous sections.

Property Development for Sale & Other Business

Property Development for Sale & Other Business profit for the year ended 31 December 2018 was USD84.0 million, an increase of 171.8% (or USD53.1 million), compared to USD30.9 million for the year ended 31 December 2017. The increase was mainly driven by the completion and partial handing over of residential units at Shangri-La's One Galle Face development in Colombo, Sri Lanka.

Others

Non-operating items for the year ended 31 December 2018 totalled a net charge of USD4.4 million compared to a net credit of USD17.3 million for the year ended 31 December 2017. Major components included:

i) Effective share of net fair value gains on investment properties was USD111.1 million for the year ended 31 December 2018, primarily attributable to:

   - Fair value gains for the investment properties in Mainland China of USD121.7 million as a result of the general increase in rental rates, as well as the opening of Phase IIIB and a new wing of China World Trade Center, and Jinan Enterprise Square

   - Fair value losses of Shangri-La Centre, Ulaanbaatar (Mongolia) of USD3.4 million (a valuation loss of USD15.2 million was reported for the year ended 31 December 2017)

ii) Impairment losses for hotels Shangri-La Hotel, At the Shard, London, Shangri-La Resort, Shangri-La and Shangri-La Hotel, Ulaanbaatar totalled USD112.9 million for the year ended 31 December 2018 compared to nil balance for the year ended 31 December 2017

iii) Net fair value losses on financial assets of USD3.5 million for the year ended 31 December 2018 compared to gains of USD8.6 million for the year ended 31 December 2017

iv) A gain of USD2.9 million on the disposal of Hotel Jen Brisbane (Australia) recognised for the year ended 31 December 2018 compared to a total gain of USD14.9 million on the disposal of interests in a subsidiary and an associate for the year ended 31 December 2017

Details of all the non-operating items are disclosed in the segment profit or loss of Note 5 to the consolidated financial statements included in this Annual Report.

CORPORATE DEBT AND FINANCIAL CONDITIONS

In 2018, we have improved our capital structure:

- Our net debt to EBITDA ratio was 6.1x as at 31 December 2018, in improvement of 1.9x, compared to 8.0x as at 31 December 2017. The improvement was mainly driven by the growth of EBITDA in 2018.

- Our effective net debt to effective share of EBITDA ratio was 4.2x as at 31 December 2018, an improvement of 1.3x, compared to 5.5x as at 31 December 2017. The improvement was mainly driven by the growth of effective share of EBITDA in 2018.

- Our EBITDA over interest expense ratio was 3.7x as at 31 December 2018, an improvement of 0.1x, compared to 3.6x as at 31 December 2017. The improvement was mainly driven by the growth of EBITDA in 2018.

The Group's net borrowings (total bank loans and fixed rate bonds less cash and bank balances and short-term fund placements) to total equity ratio, i.e. the gearing ratio, increased to 61.0% as at 31 December 2018 from 60.5% as at 31 December 2017. The increase was mainly driven by the decrease of total equity due to the devaluation of RMB against the USD in the second half of the year.

At the corporate level, in 2018 the Group executed two five-year unsecured corporate loan agreements totalling an equivalent of USD279.0 million for refinancing maturing loans.

In November 2018, the Group issued the following seven-year fixed rate bonds in order to reduce the refinancing cycle of its bank borrowings and to hedge its medium term borrowing interest rate:

- Principal amount of SGD825.0 million (approximately USD605.4 million) at 4.50% per annum

- Principal amount of USD35.0 million at 5.23% per annum

At the subsidiary level, the Group also executed the following bank loan agreements in 2018 for refinancing maturing loans as well as securing funding for project financing:

- Three three-year local bank loan agreements amounting to RMB620 million and USD70 million totalling an equivalent of USD160.3 million;

- One five-year bank loan agreement of USD300.0 million;

- One ten-year bank loan agreement of Fiji dollar 25.0 million (approximately USD11.7 million).

The Group has not encountered any difficulty when drawing loans from committed banking facilities. None of the banking facilities were cancelled by the banks during or after the close of the 2018 financial year.

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

The analysis of borrowings outstanding as at 31 December 2018 is as follows:

(USD million)	Maturities of Borrowings Contracted as at 31 December 2018 Within 1 year	In the 2nd year	Repayment In the 3rd to 5th year	After 5 years	Total
Borrowings					
Corporate borrowings					
– unsecured bank loans	–	720.1	2,271.4	–	2,991.5
– fixed rate bonds	–	–	–	636.9	636.9
Bank loans of subsidiaries					
– secured	91.0	7.2	10.8	–	109.0
– unsecured	340.2	329.2	658.6	69.4	1,397.4
Total outstanding balance	431.2	1,056.5	2,940.8	706.3	5,134.8
% of total outstanding balance	8.4%	20.6%	57.3%	13.7%	100.0%
Undrawn but committed facilities					
Bank loans and overdrafts	21.8	318.3	590.4	38.8	969.3

The currency mix of borrowings and cash and bank balances as at 31 December 2018 is as follows:

(USD million)	Borrowings	Cash and Bank Balances (Note)
In United States dollars	2,218.8	189.2
In Hong Kong dollars	1,513.3	97.4
In Singapore dollars	602.3	100.1
In Renminbi	442.8	401.3
In Euros	225.3	4.4
In Australian dollars	83.8	44.6
In Japanese yen	45.6	7.5
In Fiji dollars	2.9	1.0
In Philippines pesos	–	14.6
In Thai baht	–	109.7
In Malaysian ringgit	–	57.8
In British pounds	–	3.1
In Mongolian tugrik	–	1.3
In Sri Lankan rupee	–	25.2
In Myanmar kyat	–	1.6
In Maldivian rufiyaa	–	0.3
In other currencies	–	0.3
	5,134.8	1,059.4

Note: Cash and bank balances as stated included short-term fund placements in Malaysian ringgit amounted to USD49.7 million.

Except for the 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 2018 are disclosed in Note 38 to the consolidated financial statements included in this Annual Report.

TREASURY POLICIES

The Group's treasury policies are aimed at minimising interest and currency risks. The Group assesses the market environment and its financial position and adjusts its tactics from time to time.

(A) Minimising Interest Risks

The majority of the Group's borrowings are in US dollars and arranged at the corporate level. Anticipating the onset of an increasing interest rate cycle, the Group has closely monitored the cash flow forecasts of all its subsidiaries and arranged to transfer any surplus cash to the corporate to reduce corporate debts. In order to minimise the overall interest cost, the Group also arranged intra-group loans to utilise the surplus cash of certain subsidiaries to meet the funding requirements of other group companies. The Group reviews the intra-group loan arrangements from time to time in response to changes in currency 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. In November 2018, the Group executed a new USD260.0 million LIBOR five-year term interest-rate swap contract at a fixed rate of 3.045% per annum in order to hedge a newly signed floating rate bank loan executed by a subsidiary.

As at 31 December 2018, the outstanding LIBOR interest-rate swap contracts are USD860 million at fixed rates ranging between 1.825% and 3.045% per annum maturing during April 2022 to November 2023.

Taking into account the interest-rate swap contracts, the fixed rate bonds and the Renminbi bank loans, the Group has fixed its interest liability on 38% of its outstanding borrowings as at 31 December 2018, compared to 28% as at 31 December 2017.

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

(B) Minimising Currency Risks

The Group aims to use bank borrowings in local currency to finance the capital expenditure and operational funding requirements of the properties and/or development projects in the corresponding country to achieve natural hedging of its assets. In 2018, the Group has arranged new local bank borrowings in Renminbi to refinance bank borrowings in foreign currency in order to reduce exchange risk.

The Group has also executed a seven-year term cross currency swap contract between Singapore dollar and US dollar in November 2018 in order to hedge the new seven-year USD35 million fixed rate bonds issued by a wholly owned subsidiary:

- the Group pays fixed interest rate of 4.25% per annum and SGD48.4 million upon maturity
- the Group receives fixed interest rate of 5.23% per annum and USD35.0 million upon maturity

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.

INVESTMENT PROPERTIES VALUATION

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). The fair values of investment properties are based on opinions from independent professional valuers as obtained by the Group and the relevant associates which own the investment properties. All changes in the fair value of investment properties (including those under construction) are recorded in the statement of profit or loss. For the year ended 31 December 2018, the Group recorded an overall effective share of net fair value gains of USD111.1 million for its investment properties.

The following table shows the fair value gains and losses of the investment properties held by the Group's subsidiaries and associates for the year ended 31 December 2018:

	Subsidiaries		**Associates**		**Total**	
(USD million)	**100%**	**Effective Share**	**100%**	**Effective Share**	**100%**	**Effective Share**
Gains/(Losses)	(26.0)	(15.1)	430.6	164.7	404.6	149.6
Deferred tax	3.4	2.2	(106.8)	(40.7)	(103.4)	(38.5)
Net gains/(losses)	(22.6)	(12.9)	323.8	124.0	301.2	111.1

Investment properties are stated at professional valuations carried out by the following independent firms of professional valuers engaged by the Group or the relevant associates as at 31 December 2018:

Crowe Horwath First Trust Appraisal Pte Ltd, Cushman & Wakefield Limited and Savills Valuation and Professional Services Limited	:	For properties in Mainland China
Crowe Horwath First Trust Appraisal Pte Ltd	:	For properties in Mongolia
Colliers International Consultancy & Valuation (Singapore) 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
Sunil Fernando & Associates (Pvt) Ltd.	:	For properties in Sri Lanka

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, or when the hotel continues to operate at a loss position and its financial performance is worse than expected. Professional valuations have been carried out by independent professional firms for those properties for which the internal assessment results need independent confirmation. Based on the Group's internal assessments and/or professional valuations at 31 December 2018, the Group provided a total of USD112.9 million for three hotels which are owned/leased by subsidiaries (2017: nil).

FINANCIAL ASSETS – TRADING SECURITIES

At 31 December 2018, the market value of the Group's investment portfolio was USD18.8 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited amounting to USD15.5 million, and 2,241,725 ordinary shares in Kerry Logistics Network Limited amounting to USD3.4 million. The Group recorded an unrealised net fair value loss of USD4.7 million and dividend income of USD0.9 million during the year.

DEVELOPMENT PROGRAMMES

Construction work on the following projects is on-going:

(A) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Long Stay Apartments	Projected Opening
Hotels in Mainland China				
Shangri-La Hotel, Zhoushan	100%	204	–	Q4 2019
Shangri-La Hotel, Putian	40%	253	4	2021
Traders Hotel, Kunming	45%	279	–	2021
Shangri-La Hotel, Kunming (part of a composite development project in Kunming City)	45%	81	–	TBD*
Shangri-La Hotel, Zhengzhou	45%	211	–	2023

* TBD: To be determined

(B) Composite Developments and Investment Property Developments

	Group's Equity Interest	Total gross floor area upon completion (excluding hotel component) *(approximate in square metres)* Residential	Office	Commercial	Scheduled Completion
In Mainland China					
Shenyang Kerry Centre – Phase II	25%	67,196	–	2,408	2019 onwards*
Phase II of Shangri-La Hotel, Wuhan	92%	–	42,953	340	2019
Kunming City Project	45%	21,141	–	–	2021
Phase II of Shangri-La Hotel, Fuzhou	100%	–	35,112	46,977	2022
Shenyang Kerry Centre – Phase III	25%	308,113	85,201	65,501	2022 onwards*
Composite development project in Zhengzhou	45%	94,222	58,946	3,993	2022 onwards*
In other countries					
Composite development project in Colombo, Sri Lanka	90%	–	59,866	79,518	2019
		490,672	282,078	198,737	

* Being developed in phases

The Group is currently reviewing the development plans of the following projects:

Hotel development

- Wolong Bay in Dalian, Mainland China (wholly owned by the Group)
- Rome, Italy (wholly owned by the Group)
- Lakeside Shangri-La, Yangon, Myanmar (55.86% equity interest owned by the Group)

Composite development

- Nanchang city project – Phase II, Mainland China (20% 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 (45% equity interest owned by the Group)

The Group continues to review its asset portfolio and may sell assets 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 2018 is estimated at USD439.6 million, including USD202.8 million payable in the next 12 months which is expected to be sourced from operating cashflow, available and new bank facilities and cash balances.

DISPOSAL OF A HOTEL

In November 2018, the Group entered into a resumption agreement with a local authority for it to take the land on which the Hotel Jen Brisbane in Australia was built at a compensation amount of AUD44.4 million (approximately USD31.3 million). The Group closed the hotel in December 2018 and the agreement was completed before the end of the year. The Group recorded a gain of USD2.9 million from this transaction during the year.

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

In 2018, SLIM signed a new management agreement with a third party for the management of a Shangri-La hotel in Manama, Bahrain scheduled to open in 2022.

As at the date of this report, the Group has management agreements for 20 operating hotels owned by third parties. In addition, the Group also has agreements on hand for the development of nine new hotels currently under development and owned by third parties. The development projects are located in Nanning, Qiantan and Suzhou (Mainland China); Kota Kinabalu (Malaysia), Bali (Indonesia), Jeddah (Saudi Arabia), Phnom Penh (Cambodia), Melbourne (Australia) and Manama (Bahrain).

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 commitment in locations/cities which it considers to be of long-term strategic interest.

PROSPECTS

2018 started off strongly, carrying the momentum we saw at the end of 2017. Performance of our newly opened hotels in 2017 and the re-opening of hotels after major renovations have tracked well according to our expectations. The hotel markets in Tier 1 and Tier 2 cities of Mainland China, where a significant portion of the Group's inventory is located, continued to show signs where demand growth is outstripping that of supply. As a result we were able to take the opportunity to improve the profitability of such hotels.

During the second half of 2018, we began witnessing headwinds caused by the depreciation of the Renminbi, as well as a weakened market sentiment caused by uncertainties arising from the trade war between China and the US. Although our businesses continued to show growth on a year-on-year basis, it was clear that such growth was beginning to wane. Looking into 2019, we anticipate the global economic and political environment to remain challenging. Risks to our businesses could arise from continued volatility in foreign exchange rates, impact from events such as the escalation of SINO-US trade war, Brexit, general elections in countries where we operate in, to name a few.

However, we remain focused on our long term opportunities where we see structural growth from the rising middle class consumers in Asia. Specifically, despite the headwinds, China's GDP still grew a healthy 6.6% in 2018, exceeding the government's target of 6.5%. Furthermore, the government expects domestic consumption to remain the largest contributor to the country's growth in 2019. As outbound and domestic tourism are part of this consumption growth, our Group's businesses will be well positioned to benefit from such developments.

We currently plan to open several new properties in our various businesses in the second half of 2019. For our Hotel Properties business, we look forward to the opening of our hotel in Zhoushan (Mainland China). Our Hotel Management Service should commence operations in Suzhou (Mainland China) and Bali (Indonesia). Our Investment Properties business targets to complete the office of our composite sites in Wuhan (Mainland China), as well as office and shopping mall in Colombo (Sri Lanka). Finally, we anticipate another positive contribution from sales of residences in One Galle Face development in Colombo, Sri Lanka in the year as we continue to hand over most of the remaining pre-sold units to buyers, amounting to approximately USD100 million of operating profit.

HUMAN RESOURCES

As at 31 December 2018, the number of people employed by the Company and its subsidiaries was approximately 30,500. Salaries and benefits, including provident fund contributions, insurance and medical coverage, housing and share option scheme, were maintained at competitive levels. Bonuses were awarded based on contract terms and individual performance as well as the financial performance of business units. The Group introduced the Balance Scorecard to measure the performance of business units in the areas of financial performance, guest satisfaction, people development, corporate initiatives, community responsibility and compliance.

Details of the share option scheme and share award scheme adopted by the shareholders on 28 May 2012 are provided in the section headed "Share Option Scheme" and "Share Award Scheme" of the Directors' Report, respectively. The Group has granted shares under the share award scheme in order to attract, retain and motivate key talents to achieve long term growth and to align management with shareholders' value creation. The details of shares granted under the share award scheme in 2018 are provided in the Directors' Report. The Group has not granted any new share option under the share option scheme in 2018.

The Group's total employee benefit expenses (excluding directors' emoluments) amounted to USD812.7 million (2017: USD723.2 million).

Average turnover remained at 25% and is consistent to reflect the challenges faced by the hospitality industry. Much effort is focused on attracting, retaining, developing and engaging the young workforce.

The Group continues to focus on strengthening our talent bench strength and in building organisational capabilities to drive business growth. We reviewed our leadership competency framework to sharpen the focus on developing leaders who drive business performance and lead with a people-first mindset. Our leadership development programmes were recalibrated in tandem with these revised leadership competencies. To accelerate the development of leaders, we are also building on our digital learning platform and have repositioned and rebranded Shangri-La Academy as a global initiative to drive all learnings across the Group, delivered using innovative, experiential and blended approaches.

Properties Under Development


One Galle Face, Colombo, Sri Lanka

(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)	Number of projected rooms
Hotels in Mainland China						
1.	Zhoushan, China	Shangri-La Hotel	100%	28,541	85,623	204
2.	Putian, China	Shangri-La Hotel	40%	50,258	30,899	253
3 & 4.	Kunming, China	Shangri-La Hotel & Traders Hotel (part of composite development)	45%	N/A	43,540	360
5.	Zhengzhou, China	Shangri-La Hotel (part of composite development)	45%	N/A	38,234	211
		Total				1,028

Number of apartments	Stage of completion	Projected opening	Address
–	Main building structure completed. Curtain Wall, MEP & Architectural substantially complete, and Interior Design work in progress.	2019	LKC 1-3 Block of Lincheng Street, Dinghai District, Zhoushan, Zhejiang Province, China
4	Superstructure work in progress	2021	666 Jiuhua Road, Chengxiang District, Putian, Fujian Province, China
–	Piling work completed and Earthwork and lateral support work in progress	Traders Hotel: 2021 Shangri-La Hotel: to be determined	88-96 Dong Feng Road, Panlong District, Kunming, Yunnan Province, China
–	Excavation work in progress	2023	East of Huayuan Road, South of Weier Road, Zhengzhou, Henan Province, China
4			

(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 Mainland China					
1.	Shenyang, China	Shenyang Kerry Centre	25%	81,032	
		- Residential			375,309
		- Office			85,201
		- Commercial			67,909
2.	Wuhan, China	Composite development	92%	3,667	
		- Office			42,953
		- Commercial			340
3.	Kunming, China	Composite development	45%	15,446	
		- Residential			21,141
4.	Fuzhou, China	Composite development	100%	17,315	
		- Office			35,115
		- Commercial			46,977
5.	Zhengzhou, China	Composite development	45%	44,573	
		- Residential			94,222
		- Office			58,946
		- Commercial			3,993
In other countries					
1.	Colombo, Sri Lanka	Composite Development	90%	27,066	
		- Office			59,866
		- Commercial			79,518

(C) PROPERTIES UNDER CONCEPT PLANNING

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 Mainland China					
1.	Nanchang, China (Phase II)	Composite Development	20%	6,568	60,009
2.	Dalian Wolong Bay, China	Hotel	100%	47,615	151,094
3.	Tianjin, China (Phase II)	Composite Development	20%	28,413	119,581
In other countries					
1.	Accra, The Republic of Ghana	Composite Development	45%	49,874	35,545
2.	Rome, Italy	Hotel	100%	1,489	8,840
3.	Yangon, Myanmar	Hotel	55.86%	36,038	75,035

Stage of completion	Projected opening	Address
Phase II: Interior decoration work in progress Phase III: Excavation work in progress	Phase II: In phases from 2019 onward Phase III: In phases from 2022 onward	Lot No. 2007-053, No. 8 Golden Corridor, 113 Qingnian Da Street, Shenhe District, Shenyang, Liaoning Province, China
Structure Top Off work in progress	2019	700 Jianshe Avenue, Jiangan, Wuhan, Hubei Province, China
Piling work completed and Earthwork and lateral support work in progress	2021	88-96 Dong Feng Road, Panlong District, Kunming, Yunnan Province, China
Piling & Foundation work in progress	2022	9 Xinquan Nan Road, Fuzhou, Fujian Province, China
Residential: Excavation work in progress	In phases from 2022 onwards	East of Huayuan Road, South of Weier Road, Zhengzhou, Henan Province, China
MEP, Architectural & Interior Decoration substantially complete	2019	1 Galle Road, Colombo, Sri Lanka

Address
667 Cui Lin Road, Honggutan New District, Nanchang, Jiangxi Province, China
Zhong Yang Chuang Zhi District, Xiao Yao Bay, Jin Zhou Xin District, Dalian, Liaoning Province, China
Junction of Liuwei Road and Liujin Road, Hedong District, Tianjin, China
Airport North on Spintex Road, City of Accra, The Republic of Ghana
Roma via Vittorio Veneto 90, 92, 94, 96, 98, 98A, 100, 102 and Roma via Lombardia 4, 6, 8, Rome, Italy
No. 150/150 (A), Kan Yeik Thar Road, Between Upper Pansodan Road and Thein Phyu Road, Mingalar Tuang Nyunt Township, Yangon, Myanmar

Responsible Business

Shangri-La's Villingili Resort & Spa, Maldives

Group-wide commitment to sustainability

At Shangri-La, we operate our business responsibly with the aim of improving people's lives while caring for the environment. In 2018, we introduced a Balance Scorecard to assess the performance of our hotels across six dimensions – guest experience, people development, financial performance, corporate initiatives, compliance and community engagement. This holistic evaluation forms the basis of our performance incentive structure and is designed to reward and recognise our colleagues for promoting sustainable development across the Group.

SUSTAINABILITY REPORTING

We report on the social and environmental impact of Group-owned hotels, hotels under lease agreements, and hotels owned by third parties. Reflecting our commitment to transparency and accountability, we have prepared this report with reference to several GRI Standards[1] published by the Global Reporting Initiative, and we disclose our climate and water impact annually through Carbon Disclosure Project (CDP), the global environmental disclosure system.

In 2018, Shangri-La Asia Limited was listed on the Hang Seng Corporate Sustainability Index and Dow Jones Sustainability Asia Pacific Index. We are also a signatory to the UN Global Compact.

Hang Seng Corporate Sustainability Indexes

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

CDP DISCLOSURE INSIGHT ACTION

THE GLOBAL COMPACT Network Nordic Countries

Scope of ESG disclosures

The scope of our ESG data for 2018 includes 102 properties[2] that were in operation for at least one full calendar year before 31 December 2018, including Group-owned hotels, hotels under lease agreements, and hotels owned by third parties. Investment and development projects, property rentals and property sales, which are under the management control of the Group, are not currently within the scope of our ESG disclosures.

HKEX ESG Content Index

This report complies with applicable provisions set out in The Hong Kong Exchange (HKEX) Main Board Listing Rule 13.91 and ESG Reporting Guide. For direction to the location of all relevant disclosures, please refer to the HKEX ESG Content Index at the end of this chapter.

Stakeholder Engagement And Materiality

We proactively engage our internal and external stakeholders to understand their needs and guide the sustainability focus of our work. For the purposes of sustainability reporting, a comprehensive materiality assessment of our business was conducted in 2012 and updated in 2016. We plan to conduct another materiality study in 2019-2020.

In 2018, the focus of our internal engagement was the new Balance Scorecard (BSC). During the year, senior hotel and corporate office managers created actionable strategies and targets for each dimension of the scorecard.

As a result, all hotels launched new Leadership Competencies guidelines that align our expectations for effective behaviours of Shangri-La leaders across the Group. We also rolled out enhanced Core Learning programmes for all hotel employees focused on the Group's commitment on hotel security, Fire Life Safety, information security and the Shangri-La Food Safety Management System.

[1] Refer to our GRI Content Index at: http://www.shangri-la.com/corporate/about-us/corporate-social-responsibility/sustainability/reports/

[2] The scope of ESG disclosures includes 101 operating hotels and the Aberdeen Marina Club, Hong Kong.

PEOPLE

To ensure the long-term success of our business, we must attract, retain and develop talented people from diverse backgrounds and experiences. We strive to provide fair and inclusive workplaces where all colleagues are treated with courtesy and respect.

Profile of our Employees

In 2018, the number of people directly employed by Shangri-La was 44,418, including all employees of 102 properties within the scope of this report, together with our head office Shangri-La International Hotel Management Limited (SLIM) and our regional offices.

Full Time Employment[3]

		Number	Percentage of total
By Age Group	Under 20 years	869	2%
	20-40 years	29,147	66%
	Over 40 years	14,402	32%
By Region	Mainland China & Hong Kong	20,729	47%
	Rest of the world	23,689	53%
By Gender	Male	18,828	42%
	Female	25,590	58%

Turnover of Full Time Permanent Employee[4]

		Turnover rate[3]
By Age group	Under 20 years	1%
	20-40 years	21%
	Over 40 years	4%
By Region	Mainland China & Hong Kong	16%
	Rest of the world	10%

Employment Practices

We support and uphold human rights throughout our business by ensuring that our operations and suppliers do not participate in any form of forced, coerced or bonded labour, and that the legal minimum age requirements for employment are strictly observed in every jurisdiction where we operate. Our hotels do not provide work to any person below 16 years of age, including suppliers of goods and services, unless he or she is participating in a recognised professional apprenticeship programme.

Ethical Conduct

Our Code of Conduct and Ethics sets out the core values— humility, courtesy, sincerity, respect and helpfulness—and high standards of behaviour that we expect every employee to uphold. Our colleagues have a duty of care to report any violations of our Code of Conduct and Ethics. We have a whistleblowing and whistle-blower protection policy in place to support anyone who wishes to come forward with a query or complaint.

During the reporting period, we are not aware of any instances of non-compliance with relevant laws and regulations that have a significant impact on the Group regarding our employment practices (including compensation, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare), providing a safe working environment or preventing child and forced labour. We are also not aware of any breach of laws and regulations regarding bribery, extortion, fraud and money laundering. Furthermore, there were no legal cases regarding corrupt practices brought against SLIM or its employees during the reporting period.

Diversity & Inclusion

We embrace diversity in our workplace, while striving to eliminate all forms of discrimination based on gender, race, religion, disability, marital status, sexual orientation, family status or any other personal characteristics as prohibited by local laws. We do not condone any form of harassment or behaviour that may embarrass or cause our colleagues or guests to feel uncomfortable. Our hotels are strongly encouraged to employ people from their local communities, and in particular to provide opportunities for People with Disabilities (PWDs). We have partnered with local organisations to offer training and employment for PWDs, and in 2018, we employed 773 PWDs, which represents an average of 1.74% of our workforce.

3 Employees are defined as workers who are in an employment relationship with the organisation according to local law or its application.

4 Turnover rate: Number of leavers during 2018 divided by the average headcount between December 2017 and December 2018.

Employee Experience and Wellbeing

We regularly engage with our colleagues to understand how we can support and empower them to pursue their personal and professional goals.

Training & Development

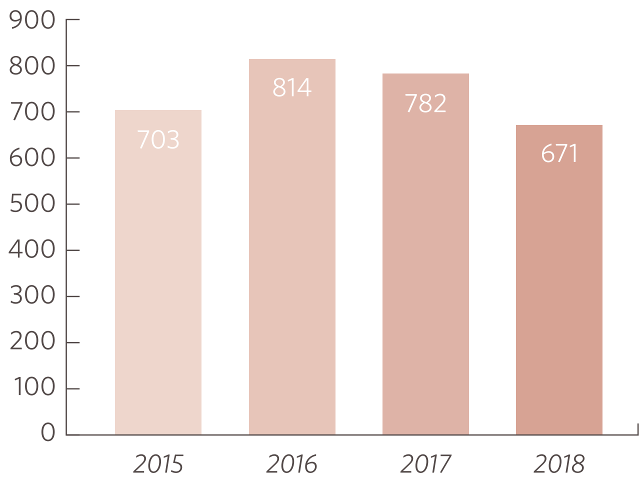
Shangri-La Academy was set up in 2004 with a focus on nurturing talented colleagues, developing hospitality leaders, and building organisational capabilities. In 2018, we made a strategic decision to reposition and rebrand Shangri-La Academy as a global provider of blended and experiential learning opportunities that will empower people from across the Group to take responsibility for their own learning journeys. In addition to piloting an online digital learning platform that is freely accessible to our colleagues via their mobile devices, we have started to curate our in-house learning content comprising over 200 videos and 100 other learning materials and have begun to leverage opportunities for social learning through sharing of best practices.

Occupational Health & Safety

Every hotel has an Occupational Health and Safety (OHS) management system in place to identify and control potential health and safety hazards in the workplace. In 2018, 54 hotels were OHSAS 18001: Occupational Health and Safety Assessment Series certified, and two hotels achieved certification in compliance with the most recently released standard, ISO 45001.

We collect data on accidents, lost time injuries and absenteeism through our Security and Safety Reporting System that has been in place since 2015. In 2018, we maintained a record of zero workplace fatalities, and recorded 671 and 30 workplace accidents and injuries from our employees and contractors, respectively. The decline in employee accidents and injuries from 782 during the previous reporting period, reflects the effectiveness of increased safety efforts and initiatives across the Group. We are also vigilant in combating the spread of infectious diseases, for example, by providing training to minimise the threat of disease transmission.

Number of Recorded Employee Accidents and Injuries



GUEST EXPERIENCE

Our mission is to delight our guests every time by creating engaging experiences straight from our heart.

Guest Satisfaction

TrustYou is our third-party vendor who helps to monitor guest satisfaction in our hotels with reference to internal post-stay and post-event survey results, combined with ratings from external travel and hotel review sources such as TripAdvisor and Booking.com. Each hotel receives a TrustYou Performance Score, which is an average of its overall experience ratings. In 2018, the year-end TrustYou Performance Score for Shangri-La Group was 89.4, within the "Excellent" range of 86–100. During the year, data coverage for our internal survey (i.e. the percentage of survey invitations responded to by guests who provided an email address upon check out) was 13.6% compared with 8.2% in 2017.

Every guest complaint is entered into our tracking system known as DR³, which stands for Defect Reporting, Recording and Resolution. Our hotels monitor defect trends so they can implement action plans to address recurring defects. In 2018, our system recorded 138,221 guest feedback, with the most common complaints concerning guest room air-conditioning malfunction, poor food taste and guest rooms being unavailable for 2 pm check-in. In line with our "Recover to Gain Loyalty" approach, every guest query and complaint will be handled appropriately by our hotel colleagues who have received training in "One-Stop-Shop" problem recovery.

Customer Data Security & Data Privacy Protection Highlights

We are continuously improving our security to safeguard our customers' data:

- Employee Personal Information Collection Statement and updated policies are internally available to all employees
- Online Privacy Policy and Cookies Policy are publicly available on our corporate website[5]
- Mobile app and IT environment have undergone independent review, including penetration testing and remediation of gaps
- IT fraud detection systems are in place, including captcha and 24x7 monitoring of "robot" activities
- Feedback loops for handling of security incidents directly involving the Chief Risk Officer and General Counsel
- Contingency plans are in place
- Internal security awareness training is mandatory for all employees

Guest Safety & Security

Shangri-La has several group policies in place concerning guest security, including but not limited to, conflict resolution, crime, medical emergencies and emergency evacuations. The Security division of SLIM is responsible for the oversight of these policies in line with our corporate values, including our commitment to anti-corruption and protecting human rights. Our security staff receives training to deal with emergencies of all types. We conduct comprehensive annual security audits at each hotel. All properties are equipped with closed-circuit televisions and recording technology, and are monitored 24 x 7 by trained security officers.

In 2018, we are not aware of any instances of non-compliance with relevant laws and regulations that have a significant impact on the Group concerning health and safety or any other aspects of product/service responsibility including but not limited to data privacy, Fire Life Safety, food safety and indoor air quality.

Data Security & Protection

We take data security protection very seriously. Our new Group Policy on Corporate Data Protection was launched in January 2018. It provides guidance on consistent application of robust data protection and data security standards for processing personal data, including that of our colleagues, guests, loyalty programme members, strategic partners, vendors and business contacts. It also sets out our framework for global exchange of data among members of the Shangri-La Group, which is designed to ensure an adequate level of data protection for cross-border data flow in compliance with all applicable laws.

We are committed to comply with data protection laws in the jurisdictions where we are listed – Hong Kong, Singapore, Thailand, Malaysia – as well as with the European Union's General Data Protection Regulation. In 2018, we experienced a cyber-security breach involving the loss of personal data belonging to a limited number of Golden Circle members. We immediately investigated and contained the breach. We also notified all affected individuals and regulatory authorities in the relevant jurisdictions.

Our Turtle Ranger casting a watchful eye as the turtle hatchlings head out to sea

Oman Sanctuary

Turtle Care

Each year about 100 mother turtles return to the private beach cove of **Shangri-La Al Husn Resort & Spa** in the Sultanate of Oman to lay their eggs. This is one of only five nesting sites in Oman. The resort therefore plays a crucial role in the protection and conservation of two species of turtle - the Hawksbill turtle and the Green turtle – both indigenous to the area.

We have a dedicated turtle ranger who protects the nests and helps raise awareness through educational activities at the Eco Centre located in our sister property, the **Shangri-La Barr Al Jissah Resort & Spa**. During hatching season between March and August, guests at both hotels are invited to witness turtle hatchlings emerging from their nests to venture on their first journey out to sea.

[5] http://www.shangri-la.com/corporate/shangrila-centre/privacy-policy/

Fire Life Safety

We have zero tolerance for non-compliance with our Fire Life Safety standards and procedures. In addition to conducting annual inspections in all hotels, we have dedicated Fire Life Safety Officers in each property who are responsible for monitoring and maintaining Fire Life Safety systems on an ongoing basis. Our internal standards for Fire Life Safety reference the USA National Fire Protection Association's regulations, China Green Building codes and other relevant codes in the countries where we operate.

Food Safety

Food Safety is governed by Shangri-La's comprehensive food safety management system, in addition to which all hotels are expected to obtain certification for compliance with relevant local and international food safety standards. In 2018, 69 hotels were Hazard Analysis and Critical Control Points (HACCP) and/or ISO 22000 Food Safety Management certified. We have recently updated our food safety programme to incorporate changes to several policies. In addition to introducing more targeted training for food handlers, including casual workers in our food and beverage outlets, we have also launched a centralised assurance programme for food safety involving third-party audits for designated high-risk suppliers.

Indoor Air Quality

Indoor air quality (IAQ) is a topic of increasing concern for our guests and colleagues given the growing awareness on the health effects of indoor air pollutants. Our Engineering division ensures that each hotel makes adequate provisions for ventilation and air filtration in accordance with our mechanical and engineering design standard. Continual monitoring of IAQ is mandated under each hotel's Environmental Management Systems (EMS). It is also our policy to measure the IAQ of each hotel every three years, or as often as required by local authorities.

ENVIRONMENT

Environmental protection is part of Shangri-La's guiding principles and Code of Conduct and Ethics. Our colleagues are expected to uphold this principle and to help improve the environmental stewardship in the properties. More than half the guests who responded to our surveys consider it important for our hotels to demonstrate sustainable environmental practices, including but not limited to energy efficiency, reducing emissions and conserving water.

Environmental Management Systems

Environmental considerations have been fully integrated into the daily operations of our hotels through Environmental Management Systems (EMS) and policies that serve to create a robust framework for planning, managing and controlling our environmental impact. In 2018, 57 of our hotels obtained EMS: ISO14001 certification. We strive to achieve continual improvement in environmental performance through more efficient use of resources and waste reduction.

During the reporting period, we are not aware of any instances of non-compliance with relevant laws and regulations that have a significant impact on the Group concerning air emissions, water discharges or disposal of hazardous and non-hazardous waste.

Green building certification

We invest in green buildings by integrating sustainable design features, construction techniques and operational processes in the development of our hotels. In 2018, 17 hotels obtained Leadership in Energy and Environmental Design (LEED) certification from the United States Green Building Council, the most widely used green building rating system globally. Another 18 hotels were certified under schemes such as the China Hotel Association's China Green Hotel rating system, the National Australian Built Environment Rating System (NABERS), Green Mark in Singapore, and the Building Research Establishment Environmental Assessment Method (BREEAM) in the United Kingdom.

Climate Change, Energy And Emissions

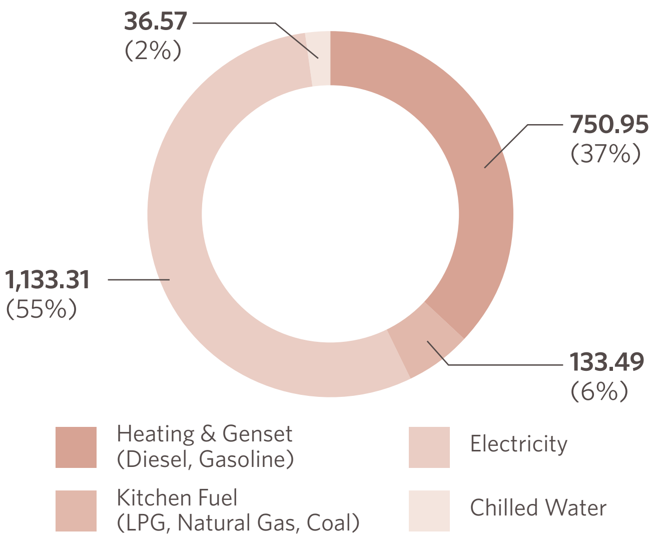
The impact of climate change around the world has led to calls for stronger global action. Greenhouse gas (GHG) emissions - commonly referred to as carbon emissions - exacerbate global warming and contribute to ecological damage of our planet. At Shangri-La, we continually assess the risks and opportunities associated with climate change for our business so that we can develop appropriate mitigation and adaption measures. Our efforts include conducting Environmental Impact Assessments for new hotels under development, and running responsible resource management initiatives in our existing portfolio. For additional information, refer to our 2018 CDP Climate Change[6] response.

Energy consumption and GHG emissions

The main driver of energy consumption and GHG emissions across our portfolio is purchased electricity for lighting, air-conditioning and other general purposes in our hotels. Within the scope of this report, our total energy consumption in 2018 was equivalent to 2,054.32 GWh, and we produced scope 1 and scope 2 GHG emissions amounting to 176,341 and 919,805 tonnes of carbon dioxide equivalent (CO_2e), respectively.

[6] https://www.cdp.net/en/responses?utf8=%E2%9C%93&queries%5Bname%5D=shangri-la

Total Energy Consumption by Type (GWh)[7]



Target setting

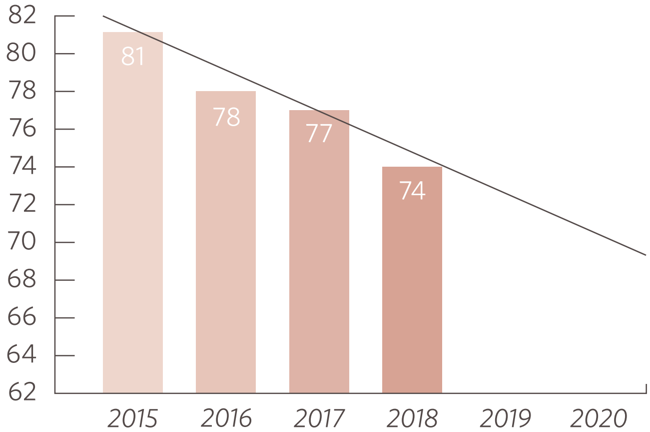
We aim to achieve a 15% reduction in the energy, GHG and water footprints of our properties by 2020 compared with their baselines[8]. To achieve this, each property is expected to meet annual intensity reduction targets. Our intensity metric reflects a measure of the number of overnight guests and other guests in each hotel during the year, referred to as a business unit (BU).

2018 Energy, GHG and Water Footprint Reduction Targets

Group-wide: 9% reduction from 2015 baseline
Opened in 2015: 6% reduction from 2016 baseline
Opened in 2016: 3% reduction from 2017 baseline
Opened in 2017 & 2018: Not included in the Group performance evaluation

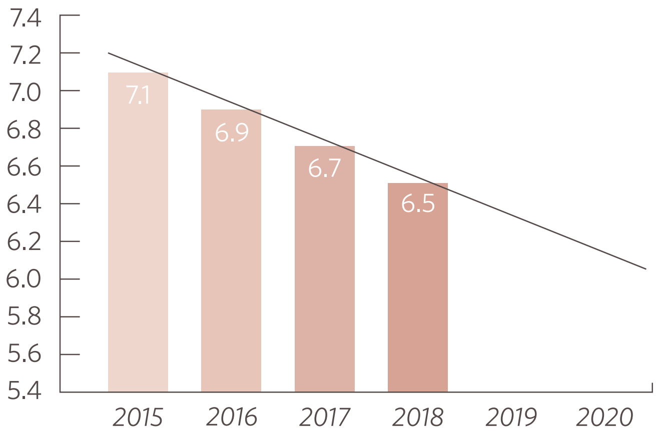
Average Energy Consumption Intensity and Group-wide Reduction Targets

(kilowatt hours / BU)



Average GHG Emissions (Scope 1 & Scope 2) Intensity and Group-wide Reduction Targets

(kilograms of CO_2e per / BU)



Serving Shangri-La bottled water from our bottling plants

Reducing Single Use Plastics

In 2018, we conducted a group-wide plastic consumption baseline study to identify our top 10 Single Use Plastic (SUP) items by usage. Eighty-nine hotels took part in a follow up survey, indicating their readiness to switch to more sustainable alternatives and to reduce plastic waste. In 2019, we plan to introduce a Group-wide policy to eliminate SUP straws and stirrers, and to reduce consumption of SUP bottles in rooms and banquet areas.

We operate water bottling plants at our resorts in the Maldives, Mauritius, Kota Kinabalu, Penang, Cebu and Boracay to help reduce the number of SUP bottles consumed and disposed of in these relatively remote and ecologically sensitive areas. In 2018, we filled up over 1.1 million bottles of water across these plants, thereby reducing our consumption of SUPs by an equivalent amount.

[7] Please refer to our GRI Content Index for information on the basis of calculation of our reported energy data.

[8] For properties opened before 2015, the baseline is each property's performance in 2015. For properties opened in 2015 or 2016, the baseline is each property's performance in 2016 or 2017, respectively. During the reporting period, environmental targets and performance evaluations were not applicable for properties opened after 2016.

In 2018, 50 properties achieved their reduction targets for energy intensity and 48 properties achieved their reduction targets for GHG intensity. The average energy intensity of 102 properties included in our Group performance evaluation was 74 kWh per BU, which represents an 8% decrease from the baseline. Average Scope 1 & 2 GHG emissions intensity decreased 9% from the baseline to 6.5 kilograms of CO_2e per BU.

Renewable energy
In addition to the energy consumption reported above, 11 hotels generated small amounts of renewable energy using photovoltaic systems to convert sunlight into hot water or electricity. In 2018, these systems produced 2.29 GWh of renewable energy, all of which was consumed within the hotels.

Energy savings
Across the Group, we have implemented various energy saving technologies such as centralised heat pumps that are three times more efficient at transferring energy than using boilers or heaters to generate heat; and vacuum boilers that are 15–30% more efficient than conventional steam and hot water boiler systems. In 2018, these technologies helped us to achieve estimated energy savings of 39.69 GWh per year. Reducing the temperature at which laundry is washed also has a considerable impact on energy use. In 2018, our low temperature laundry programme was implemented in 82 hotels.

Summary of energy saving technologies

Technology	Number of hotels	Estimated Energy Savings (GWh)
Centralised heat pumps	16 (including 8 implemented in 2018)	37.60
Vacuum boilers	3	2.09

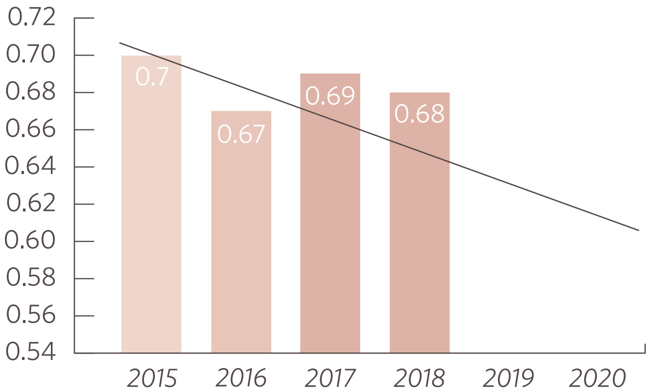
We have two major initiatives in place to further enhance the energy performance of our portfolio: (i) improving the efficiency of chillers that provide cooling energy in our hotels' central air conditioning systems, and (ii) upgrading older lighting systems with LEDs up to 80% more efficient. In 2019, we plan to initiate chiller optimisation projects in our top 20 hotels ranked by total energy consumption, and to undertake comprehensive LED lighting replacement in 42 hotels.

WATER

In 2018, a total of 18.4 million cubic metres (m^3) of water was consumed by properties within the scope of this report, comprising mostly freshwater from municipal supplies for drinking, cooking, cleaning, irrigation, and recreational amenities. During the reporting period, 35 hotels achieved their reduction targets for water consumption intensity. At 0.68 cubic meters per BU, overall water intensity in 2018 declined 3% from the baseline.

We recognise that responsible water management is an increasingly important issue for our planet and our business. Through our BSC management approach, hotels are incentivised to make concerted efforts to achieve our 2020 water intensity reduction target. During 2018, we completed tests on new water-saving showerheads that can reduce water consumption by 15 – 40% without compromising the showering experience. In 2019, we plan to progressively rollout a Group-wide showerhead replacement programme.

Average Potable Water Consumption Intensity and Group-wide Reduction Targets
(cubic metres / BU)



Effluents
Forty eight of our hotels operate aerobic, anaerobic or septic wastewater treatment systems in accordance with their local circumstances and requirements. In 2018, these hotels discharged 8.28 million m^3 of treated effluents, mostly to municipal wastewater management services. In order to ensure compliance with local regulations and provide data for accurate calculation of scope 1 GHG emissions, our Engineering division monitors the BOD (Biological Oxygen Demand) content of effluents from the hotels.

Water stress
To reduce the burden of our operations on scarce freshwater supplies in remote and ecologically sensitive locations, our resorts in Cebu, Boracay, the Maldives and Mauritius operate desalination plants using groundwater or seawater to produce freshwater. Six properties, including our resorts in the Sultanate of Oman, Maldives and Mauritius, help to conserve local supplies of freshwater by operating Sewage Treatment Plants (STPs) that produce recycled water for irrigation, washing of external surfaces and other suitable purposes.

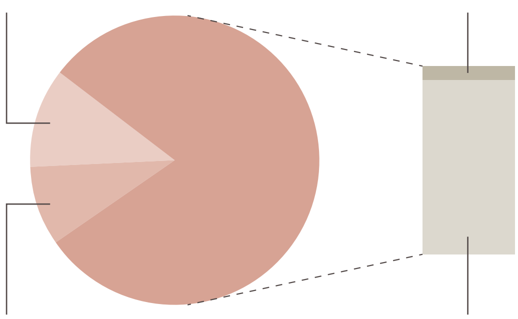
Summary of impact in areas of water stress

Hotels	Total water withdrawal (m^3)	Water source(s)	On-site water desalination (m^3)	On-site water recycling (m^3)	Discharge of treated effluent (m^3)
Shangri-La's Mactan Resort and Spa, Cebu	382,230	Municipal supply and groundwater	247,323	-	305,651
Shangri-La's Boracay Resort and Spa	260,992	Municipal supply and groundwater	51,676	-	34,616
Shangri-La Barr Al Jissah Resort & Spa, Sultanate of Oman	495,682	Third-party supplier of desalinated seawater	-	170,943	168,564
Shangri-La's Villingili Resort & Spa, Maldives	206,132	Seawater	206,132	1,819	57,362
Sule Shangri-La, Yangon	169,520	Groundwater	169,520	-	224,239
Shangri-La's Le Touessrok Resort & Spa, Mauritius	75,513	Municipal supply and groundwater	64,509	46,424	46,424

WASTE

We are working to improve our data collection system to facilitate more effective monitoring and management of waste. In 2018, our hotels recorded approximately 171,550 metric tonnes of non-hazardous waste, including food waste, paper and cardboard, plastics, metals, glass and others such as garden waste. During the year, over 137,700 tonnes of non-hazardous waste were diverted from landfill, representing an overall diversion rate of 80%. This level of waste diversion was achieved largely through recycling by licensed contractors, as well as food donation and food waste conversion. Furthermore, to reduce the production of paper waste at source, paperless check-in has been implemented in 78 hotels.

Disposal and Diversion of Non-Hazardous Waste (tonnes)[9]



Food Waste

Reduction of food waste is a strategic priority for our hotels. In 2018, our hotels donated over 733 tonnes of food to third parties, such as non-profit organisations who then re-distribute food to the needy; collected over 330 tonnes of used cooking oil for resale to reputable service providers. We estimate that we upcycled over 10,300 tonnes of food waste, including composting it for use in our hotel gardens and providing it to authorised agents for conversion into energy or animal fodder.

We have recently completed a baseline study on waste arising from food preparation, spoilage and guest plates in our all-day dining outlets, colleagues' cafes and banquets. The aim is to identify the main causes and locations of waste production in order to explore opportunities for waste reduction. By 2020, we intend to establish targets for our hotels to eliminate over-production of food, in particular, buffet waste.

Hazardous Waste

The relatively small amount of hazardous waste produced by our hotels is handled responsibly in accordance with locally applicable regulations and procedures. In 2018, our hotels disposed of approximately 23.4 tonnes of scheduled waste, including cleaning chemicals, retired light fittings and electrical equipment.

[9] Compared with 2017, the scope of our waste data disclosure for 2018 has increased from 94 to 102 properties.

SANCTUARY

We operate in some of the most beautiful and ecologically diverse areas of the world. We are committed to help conserve and protect the biodiversity of these locations for future generations. This is the philosophy underpinning Sanctuary, Shangri-La's *Care for Nature* Project.

In 2018, 16 hotels and resorts throughout Asia, Oceania and the Middle East had Sanctuary projects in place which helped to conserve up to 66 endangered species on the International Union for the Conservation of Nature Red List. All Sanctuary projects involve partnerships with local organisations who have specialised knowledge and skills. Most of these projects also support the Shangri-La Eco-Centre initiative which seeks to engage staff, guests and local communities on the importance of conservation by providing interactive learning experiences.

Conserving, Overseeing, Restoring, Admiring and Loving (CORAL)

The C.O.R.A.L. Nature Project at **Shangri-La's Boracay Resort and Spa,** epitomises our balanced approach to looking after the environment by protecting both land and the sea. Our Eco Centre gives guests first-hand experiences of the island's extraordinary flora and fauna—including Golden-Crowned Flying foxes *(Acerodon jubatus)*, Panay Monitor Lizards (*Varanus mabitang*), Staghorn Corals *(Acropora cervicornis)* and Hawksbill Turtles *(Eretmochelys imbricata)*—as well as the rich cultural history of the indigenous Ati tribe.

Reef restoration has been ongoing at this resort since 2013. We worked with local partners to deploy fish houses and coral nursery units that supply high quality coral nubbins for growth.

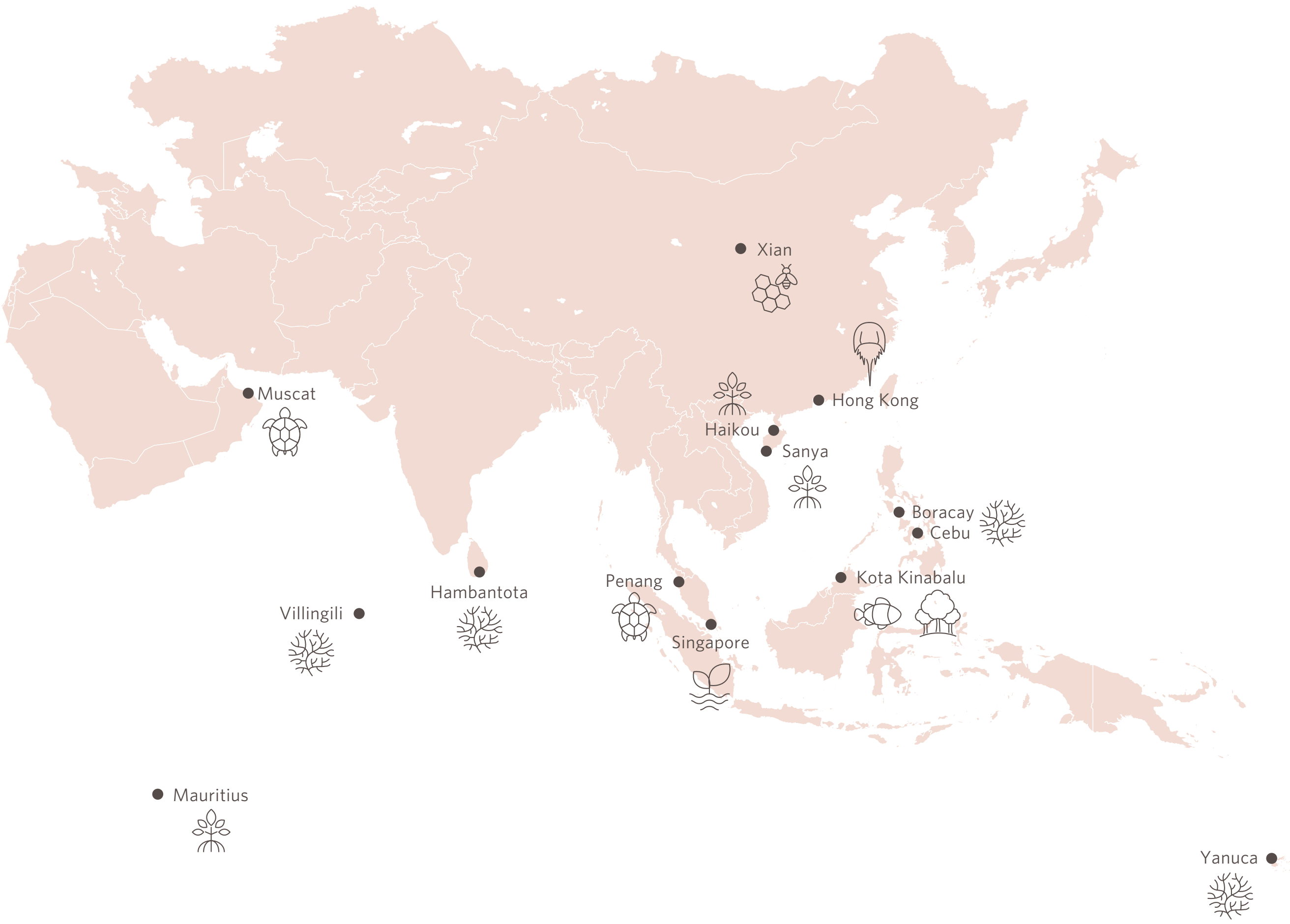

Staghorn Corals growing on specially constructed coral nursery units


Coko, showing a wounded upper right flipper, when first rescued

In 2018, when there was a temporary six-month closure of Boracay Island by the government to facilitate environmental rehabilitation, we made the most of this time and deployed over 430 fish houses and propagated over 160 corals. We also rescued a young hawksbill turtle, affectionately named "Coko," at Punta Bunga beach. Under the guidance of the Municipal Environmental and Natural Resources Office (MENRO), we nursed Coko back to health and released him on World Wildlife Day (3 March 2019).

Sanctuary Projects at a Glance

In 2018, we donated USD87,400 and 2,824 colleagues volunteered their time to our Sanctuary projects.



Key Initiatives

- Coral planting
- Clownfish Care
- Hydroponics
- Nature reserve
- Bee hives
- Mangrove planting
- Turtle Care
- Care for Horseshoe Crab

21,949 Guest Engagement	1,116 Student Engagement	3,715 Mangrove Sapplings Planted
3,126 Turtle Hatchlings	721 Corals Planted*	529 Fish Houses Dropped*

* Several of our Sanctuary projects create artificial reefs to support natural recruitment of corals. We transplant coral fragments to aid the recovery of specific coral species and drop fish houses to help increase the abundance and diversity of fish species.

Colleagues planting mangroves at the Sanya Tielu Mangrove Wetland Reserve

Restoring Mangrove Habitats

To celebrate national Arbor Day, a day where individuals and groups are encouraged to plant trees, a team of volunteers from **Shangri-La's Sanya Resort & Spa, Hainan, China,** helped to transplant over 3,000 mangrove samplings at the Sanya Tielu Mangrove Wetland Reserve, a government restoration project covering 1.68 sqkm in Haitang Bay.

Mangrove forests are one of the most precious natural resources of Hainan Island. These trees live halfway between the land and sea, creating a unique ecosystem that conserves biodiversity and actively protects coastal areas from erosion.

SUPPLY CHAIN

We proactively engage and partner with our suppliers to help us uphold our commitment to corporate social responsibility throughout our value chain. In 2018, we worked with over 22,000 suppliers of our food and beverage, rooms, engineering and IT divisions to ensure they meet our requirements for goods and services.

Supplier Code of Conduct

Our comprehensive Supplier Code of Conduct (the "Code")[10] was updated in January 2018. It sets out our expectations for suppliers concerning compliance with laws and regulations, product quality and

> *We want to offer guests the best sustainable seafood from our culinary team while helping to raise public awareness on eating healthy and being more environmentally conscious. It's about making sustainable food choices.*
>
> **GAEL MOUREAU**
> Corporate Executive Chef,
> *Shangri-La International Hotels Management Limited*

The Tingo people on Olango Island, Philippines, being trained to make new items from discarded towels and linens

Soap for Hope and Linens for Life

We have partnered with Diversey, one of our key global suppliers, to recycle and upcycle our used soaps and hotel linens.

"Soap for Hope" is an international initiative to support at-risk communities by salvaging used soap slivers and turning them into new soap bars. "Linens for Life" provides training for low-income families to improve their livelihoods by converting discarded linens into new and useful items they can sell. In 2018, Shangri-La hotels donated over 145 tonnes of used soap and 16 tonnes of used linen to Diversey for these causes.

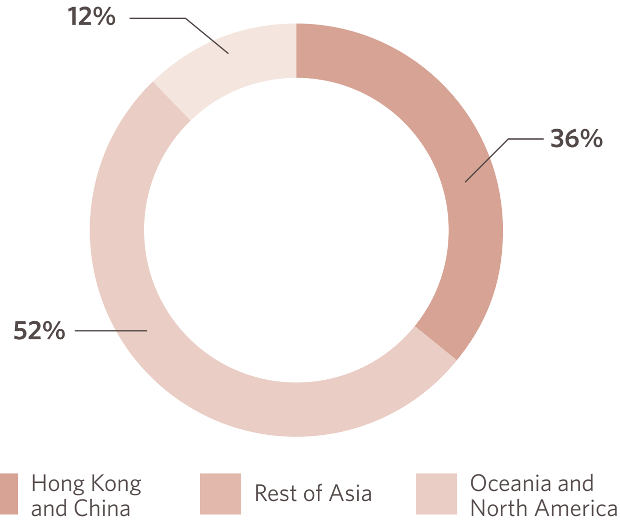
[10] http://www.shangri-la.com/corporate/about-us/supplier-code-of-conduct/

safety, business integrity and ethics, labour standards and practices, the environment, anti-corruption, record-keeping, confidentiality, data protection and intellectual property rights. We aim to do business with partners whose operations exceed the basic stipulations of the Code. All suppliers are required to declare their compliance with the Code and to report any violations or suspected violations to Shangri-La via a dedicated link on our website.

Responsible Procurement

Since 2010, we have prohibited the serving of shark fin in all our food and beverage outlets. As part of our on-going commitment to sustainable seafood, we source products certified by the Marine Stewardship Council (MSC) wherever possible.

Location of Suppliers by Geographical Region



Commitment of Shangri-La's partnership with MSC to promote Sustainable Seafood

Leadership in Sustainable Seafood

In 2018, our company received full seafood Chain of Custody certification from the MSC for 53 hotels across Mainland China and Hong Kong. MSC certification means the seafood is fully traceable from a legal fishery; has proven minimal impact on the marine environment and other species, including threatened or endangered species and juvenile fish.

We are the first hotel group in Asia to partner with the MSC as part of our commitment to protect future seafood supplies. We have since introduced the trusted MSC ecolabel in our restaurant menus.

In August 2018, culinary teams from 19 hotels created over 180 sustainable seafood dishes for guests to enjoy in our Chinese restaurants. In November 2018, we received the MSC "**Leadership in Sustainable Seafood Award"** and **Shangri-La Hotel Qingdao** received the **MSC China Hotel of the Year Award** in recognition of its creative efforts to provide MSC certified seafood choices.


A new dish created with sustainably-sourced Australian Rock Lobster

Local sourcing
Launched in 2014, our "Rooted in Nature" initiative aims to promote the finest locally and ethically sourced ingredients as part of our unique culinary offerings to our guests. In 2018, we offered over 500 such dishes in our restaurants. To qualify they had to meet at least one of several criteria, such as being locally grown, chemical-free, sustainably sourced, or certified organic or fair trade.

COMMUNITY

Our hospitality and care for people extends not only to our guests, but to the local communities where we operate.

Embrace

Through Embrace, Shangri-La's *Care for People* Project, our hotels have formed long-standing partnerships with their local communities to achieve specific and measurable outcomes. In 2018, there were 100 active Embrace projects in place: 34 hotels worked with children and young adults with special needs; 16 hotels invested in health services to help people with acute medical needs; and the remaining 50 hotels provided educational support for children. In total, our hotels spent over USD2.4 million to reach an estimated 46,000 beneficiaries.

Embrace ++
We aim to contribute to the social and economic development of local communities by providing employment and training opportunities through Embrace ++. Introduced in 2012, this programme encourages hotels to provide skills training to disadvantaged members of their communities with a view to helping them gain permanent employment within the Group. Training includes, but is not limited to, housekeeping, administration, kitchen and service skills, engineering and carpentry. In 2018, we provided 775 traineeships and 36 work placements under this scheme.


Some of the riders in "Ride for Hope" cycling to one of the participating cities

Ride for Hope 3

In November 2018, over 5,000 local riders participated in "Ride for Hope 3", a charity fund-raising event organised by Shangri-La in support of children with hip disabilities under China's Ai You Foundation's Morning Star Project.

The riders covered a 5,000 km course spanning 68 cities and four different routes across Mainland China and Hong Kong. Preparation for the event involved over 1,000 colleagues from 30 Shangri-La hotels. Through the collaboration and support of partners, colleagues, sponsors, guests and riders, we succeeded in raising nearly RMB 5.7 million to benefit at least 150 such special needs children.

"We appreciate the innovative way of using a cycling event to raise public awareness around a social cause. It is heart-warming to see the close partnership with companies and the public to solve social problems together."

ZHENZHEN LUO
Assistant Secretary General,
Ai You Foundation

Golden Circle Donation Scheme

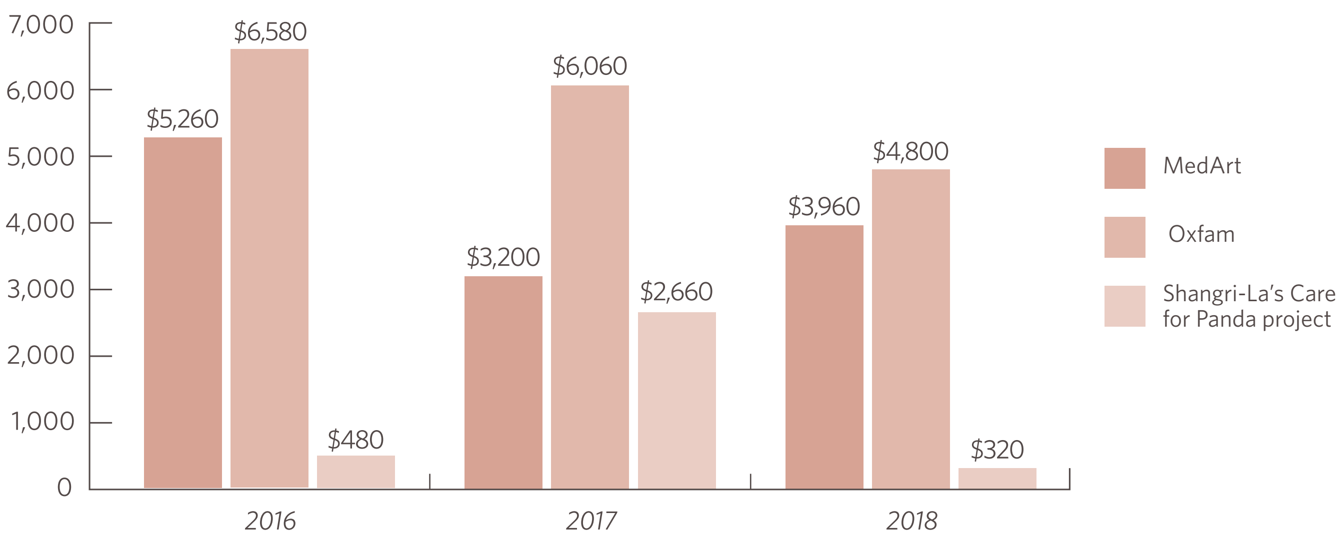
Golden Circle, Shangri-La Hotels and Resorts' guest loyalty programme, operates a Points Donation initiative allowing members to donate their Award Points in support of designated charities and projects. For every 1,000 GC Award Points given by a member, we donate USD20 on the member's behalf. Over the past three years, over USD33,300 have been donated to the scheme's beneficiary organisations. Oxfam is an international development and humanitarian organisation, and MedArt is a Hong Kong registered charity bringing care and comfort to people in long-term confinement. Shangri-La's Care for Panda project was launched in 2012 to support a 1.6-hectare bamboo plantation in Sichuan province to ensure food security for local pandas.

Volunteering

We encourage every permanent employee and trainee to participate in corporate social responsibility activities by offering them paid volunteer leave on an annual basis. Our goal is to provide opportunities for our colleagues to combine their talents and skills to benefit society and the local community.

In 2018, over 38,000 volunteers, representing about 80% of the permanent headcount in our hotels, dedicated over 138,000 volunteer hours to Embrace and Sanctuary, as well as other activities such as tree planting and beach clean-ups.

Golden Circle Donations (USD)




Students on campus receiving hands-on training from our staff at a simulated hotel guestroom

Kowloon Shangri-La works closely with the Yan Oi Tong Chan Wong Suk Fong Memorial Secondary School in Tuen Mun, Hong Kong, to provide opportunities for young people from low income families. Colleagues from the hotel mentor students as part of a two-year programme.

To raise awareness about opportunities in the hospitality sector, the hotel provides training videos and facilitates site-visits. In 2018, it went a step further by creating a simulated hotel guestroom on the school campus -complete with king-size bed, lamps, a closet with robes and hangers, and a bathroom stocked with amenities – so students can gain hands-on experience of hotel operations.

HKEX ESG CONTENT INDEX

Shangri-La Asia Limited has complied with all "Comply or Explain" provisions in accordance with Hong Kong Exchange Main Board Listing Rule 13.91 and ESG Reporting Guide. This index summarises the location of relevant disclosures, including General Disclosures and Key Performance Indicators ("KPIs"), and provides some additional information.

Comply or Explain Provisions	Location of Disclosures and Additional Information
Aspect A1: Emissions and waste GENERAL DISCLOSURE on policies and regulatory compliance KPIs: A1.1, A1.2, A1.3, A1.4, A1.5 and A1.6	ENVIRONMENT: Climate change, Energy and Emissions, Waste KPI A1.1 (Emissions of NOx, SOx and Particulate Matter): We do not monitor emissions of these gases from our hotels. This data is not available.
Aspect A2: Use of resources GENERAL DISCLOSURE on policies KPIs: A2.1, A2.2, A2.3, A2.4 and A2.5	ENVIRONMENT: Climate change, Energy and Emissions, Water KPI A2.5 (Total packaging materials used): Other than our work on Single Use Plastics, which has been disclosed in our report, we do not systematically collect data on packaging materials used in our hotels. This data is not available.
Aspect A3: Environment and natural resources GENERAL DISCLOSURE on policies KPI: A3.1	ENVIRONMENT: Sanctuary
Aspect B1: Employment GENERAL DISCLOSURE on policies and regulatory compliance	PEOPLE: Employment Practices
Aspect B2: Health and safety GENERAL DISCLOSURE on policies and regulatory compliance	PEOPLE: Occupational Health & Safety
Aspect B3: Development and training GENERAL DISCLOSURE on policies	PEOPLE: Training & Development
Aspect B4: Labour standards GENERAL DISCLOSURE on policies and regulatory compliance	PEOPLE: Employment Practices
Aspect B5: Supply chain management GENERAL DISCLOSURE on policies	SUPPLY CHAIN: Supplier Code of Conduct, Responsible Procurement
Aspect B6: Product responsibility GENERAL DISCLOSURE on policies and regulatory compliance	GUEST EXPERIENCE: Guest Safety & Security
Aspect B7: Anti-corruption GENERAL DISCLOSURE on policies and regulatory compliance	PEOPLE: Employment Practices
Aspect B8: Community investment GENERAL DISCLOSURE on policies	COMMUNITY: Embrace, Golden Circle Donation Scheme, Volunteering

The HKEX ESG Guide also contains a number of Recommended Disclosures for KPIs that have been reported on a voluntary basis as summarised below.

Recommended Disclosures	Location of Disclosures
Aspect B1 Employment KPIs: B1.1 and B1.2	PEOPLE: Profile of our Employees KPI B1.2 (Employee turnover rate by gender): This data is not available.
Aspect B2 Health and safety KPIs: B2.1 and B2.3	PEOPLE: Occupational Health & Safety KPI B2.2 (Lost days due to work injury): This data is not available.
Aspect B4 Labour standards KPIs: B4.1 and B4.2	PEOPLE: Employment Practices
Aspect B5 Supply chain management KPIs: B5.1 and B5.2	SUPPLY CHAIN: Supply Chain Code of Conduct
Aspect B6 Product responsibility	GUEST EXPERIENCE: Guest Safety & Security KPI B6.1 (Percentage of products sold or shipped subject to recalls for safety and health reasons) and KPI B6.3 (Practices relating to observing and protecting intellectual property rights): These KPIs are not applicable to our business.
Aspect B7 Anti-corruption KPIs: B7.1 and B7.2	PEOPLE: Employment Practices
Aspect B8 Community investment KPIs: B8.1 and B8.2	COMMUNITY: Embrace, Golden Circle Donation Scheme, Volunteering

Directors' Report

Shangri-La Hotel, Sydney, Australia

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 development, ownership and operation of hotel properties, the provision of hotel management and related services, the development, ownership and operations of investment properties and property development for sale. The Group operates its business under various brand names including "Shangri-La", "Kerry Hotel", "Hotel Jen", "Traders Hotel", "Rasa", "Summer Palace", "Shang Palace" and "CHI, The Spa at Shangri-La".

The principal activities of the Group's associates are the development, ownership and operations of investment properties and property development for sale as well as the development, ownership and operations of hotel properties.

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.

Dividends

The Board has declared an interim dividend of HK8 cents per Share and proposes a final dividend of HK14 cents per Share for the Financial Year.

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

Reserves

The details of movements in reserves during the Financial Year are set out in Notes 18 and 20 to the Financial Statements.

Donations

Charitable donations and other donations made by the Group during the Financial Year amounted to USD116,000.

Pre-emptive Rights

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

Share Capital

The details of the Company's share capital are set out in Note 18 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, amongst 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.

Major Customers and Suppliers

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

DIRECTORS

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

Executive Director(s)

Ms KUOK Hui Kwong *(Chairman)*
Mr LIM Beng Chee *(CEO)*
Mr LUI Man Shing

Non-executive Director(s)

Mr HO Kian Guan (alternate – Mr HO Chung Tao)

Independent Non-executive Director(s)

Mr Alexander Reid HAMILTON
Professor LI Kwok Cheung Arthur
Dr LEE Kai-Fu
Mr YAP Chee Keong
Mr LI Xiaodong Forrest *(appointment will be effective on 1 May 2019)*

At the Annual General Meeting, (1) Mr Alexander Reid HAMILTON, Professor LI Kwok Cheung Arthur and Dr LEE Kai-Fu will retire by rotation in accordance with Bye-Law 99, and (2) Mr LI Xiaodong Forrest will retire in accordance with Bye-Law 102(B). Mr Alexander Reid HAMILTON and Dr LEE Kai-Fu have informed the Board that they will not offer themselves for re-election. Save as above-mentioned, all other retiring Directors, being eligible, have offered themselves for re-election.

Mr LUI Man Shing has also informed the Board that he would retire from the Board at close of the Annual General Meeting.

Independence of Independent Non-executive Directors

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

Changes in Directors' Information

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

(1) Mr LIM Beng Chee ceased to act as a non-executive director of SCPG Holdings Co, Limited in January 2019.

(2) Mr Alexander Reid HAMILTON ceased to act as an independent non-executive director of Octopus Cards Limited in February 2019.

(3) As part of the regular annual salary review, the Remuneration Committee has reviewed and approved the proposed monthly salary of the Executive Directors for 2019. Change(s) in monthly salary was/were in the range of 0% to 3%.

SIGNIFICANT SHAREHOLDERS' INTERESTS

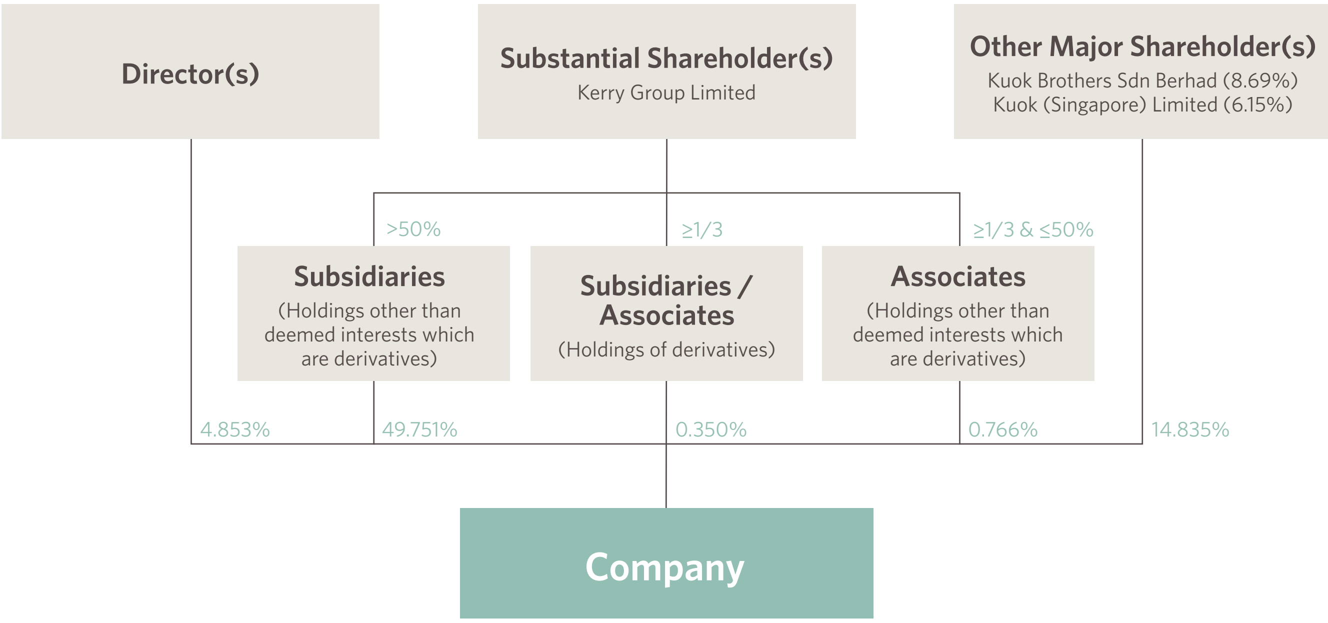
As at Year End, the interests and short positions of those persons (other than the Directors) in Shares and underlying Shares as recorded in the register that is required to be kept by the Company under Section 336 of the SFO or as ascertained by the Company after reasonable enquiry were as follows:

Name	Capacity	Number of Shares held	Approximate % of total issued Shares
Substantial Shareholders			
KGL *(Note 1)*	Interest of controlled corporation(s)	1,823,862,508	50.867
KHL *(Notes 1 and 2)*	Beneficial owner	87,237,052	2.433
	Interest of controlled corporation(s)	1,555,203,039	43.375
Caninco Investments Limited ("**Caninco**") *(Note 2)*	Beneficial owner	568,568,684	15.857
	Interest of controlled corporation(s)	157,280,233	4.387
Paruni Limited ("**Paruni**") *(Note 2)*	Beneficial owner	382,904,547	10.679
	Interest of controlled corporation(s)	36,667,449	1.023
Other Major Shareholders			
Darmex Holdings Limited ("**Darmex**") *(Note 2)*	Beneficial owner	267,068,070	7.449
Kuok Brothers Sdn Berhad	Beneficial owner	84,441,251	2.355
	Interest of controlled corporation(s)	227,043,761	6.332
Kuok (Singapore) Limited ("**KSL**") *(Note 3)*	Interest of controlled corporation(s)	220,444,907	6.148
Baylite Company Limited ("**Baylite**") *(Note 3)*	Beneficial owner	220,444,907	6.148

Notes:

1. KHL is a wholly owned subsidiary of KGL and accordingly, the Shares in which KHL is shown as interested are also included in the Shares in which KGL is shown as interested. The number of Shares shown were the holdings as at Year End and might be different from the latest public record having been filed by the relevant Shareholder(s) before Year End as required under SFO.
2. Caninco, Paruni and Darmex are wholly owned subsidiaries of KHL and accordingly, the Shares in which Caninco, Paruni and Darmex are shown as interested are also included in the Shares in which KHL is shown as interested. The number of Shares shown were the holdings as at Year End and might be different from the latest public record having been filed by the relevant Shareholder(s) before Year End as required under SFO.
3. Baylite is a wholly owned subsidiary of KSL and accordingly, the Shares in which Baylite is shown as interested are also included in the Shares in which KSL is shown as interested.

Deemed interests of Director(s), Substantial Shareholder(s) and Other Major Shareholder(s) (as at Year End)



DIRECTORS' INTERESTS

Director's Interest in Securities of the Company and its Associated Corporation(s)

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

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

			Number of shares held					Approximate % of total issued shares in the relevant company
Name of company	Name of Director	Class of shares	Personal interests	Family interests	Corporate interests	Other interests	Total	
The Company	KUOK Hui Kwong	Ordinary	(1) 490,833	(2) 1,038,000	(3) 2,000,000	(4) 21,930,170	25,459,003	0.710
	LIM Beng Chee	Ordinary	506,000	-	-	-	506,000	0.014
	LUI Man Shing	Ordinary	902,777	-	-	-	902,777	0.025
	HO Kian Guan	Ordinary	1,251,116	-	(5) 145,887,718	-	147,138,834	4.104
	Total		3,150,726	1,038,000	147,887,718	21,930,170	174,006,614	4.853
Associated Corporation								
Shangri-La Hotel Public Company Limited	LUI Man Shing	Ordinary	10,000	-	-	-	10,000	0.008

Notes:
1. 32,000 shares were held jointly by Ms KUOK Hui Kwong and her spouse.
2. These shares were the deemed interest of Ms KUOK Hui Kwong's spouse.
3. These shares were held through the company which was owned by Ms KUOK Hui Kwong.
4. These shares were held through discretionary trusts of which Ms KUOK Hui Kwong is a discretionary beneficiary.
5. 95,537,377 shares were held through companies that were owned as to 33.33% by Mr HO Kian Guan.
   11,083,411 shares were held through companies that were owned as to 31.34% by Mr HO Kian Guan.
   39,266,930 shares were held through companies that were owned as to 6.79% by Mr HO Kian Guan.

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

As at Year End, there were share options and/or share awards held by Directors with rights to Shares. Details of such underlying shares are set out in the sections entitled "Share Option Scheme" and "Share Award Scheme" of this Directors' Report.

Directors' Dealings

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

Director	Dealing entity/Capacity	Date of dealing	Number of Shares bought/(sold)	Average dealing price per Share (HKD)
KUOK Hui Kwong	Discretionary Trust(s)	3 October 2018	12,000,000	11.480
		11 October 2018	3,000,000	10.700
HO Kian Guan	Personal Interest	26 March 2018	10,000	15.820
		27 March 2018	20,000	15.800
		28 March 2018	10,000	15.500
		4 April 2018	20,000	15.450
		6 April 2018	10,000	15.772
		9 April 2018	20,000	15.790
		10 April 2018	10,000	15.820
		12 April 2018	20,000	15.606
		13 April 2018	10,000	15.300
		23 April 2018	10,000	14.900
		29 August 2018	10,000	11.980
		30 August 2018	10,000	11.800

Directors' Interests in Contracts

Save as disclosed, if any, in the section entitled "Continuing Connected Transaction(s)", no contract of significance in relation to the Group's business to which any member of the Group was a party and in which any Director had a material interest subsisted at Year End or at any time during the Financial Year.

Directors' Service Contracts

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

Directors' Interests in Competing Business

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

(1) Mr LUI Man Shing is a director of some of the subsidiaries of KPL. The principal businesses of KPL include (a) property development in Hong Kong, China and the Asia Pacific region, and/or (b) hotel ownership and operations in Hong Kong and China.

The business activity of the said subsidiaries of which Mr LUI Man Shing is a director is property development. Each such company and the Group do not compete directly in the same business activity in the same geographical location.

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

(2) Mr HO Kian Guan and Mr HO Chung Tao are substantial shareholders and/or directors of companies that hold various hotels and commercial/office investment properties across different territories.

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

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

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

(c) the investment properties as interested by the above Directors are situated in territories/locations in which the Group maintains no similar business operations.

The above-mentioned competing businesses are operated and managed by companies with independent management and administration. The Board is independent of the board of each of the above-mentioned companies operating the competing businesses.

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

SHARE OPTION SCHEME

A share option scheme of the Company was adopted by Shareholders on 28 May 2012 ("**Option Scheme**").

The major terms of the Option Scheme are as follows:

(1) Purpose of the Option Scheme

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

(2) Eligible participants of the Option Scheme

The eligible participants of the Option Scheme include:

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

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

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

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

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

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

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

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

(i) any person approved by Shareholders; and

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

(3) Life of the Option Scheme

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

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

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

As at the date of this Directors' Report, right to subscribe for a total of 299,544,679 Shares (representing about 8.35% of the issued Shares thereby) were available for grant under the Option Scheme.

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

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

(6) Exercise period

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

(7) Exercise price for Shares under the Option Scheme

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

(a) the nominal value of a Share;

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

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

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

			Number of option shares							
Grantees		Date of grant	Held as at 1 Jan 2018	Granted during the year	Transferred from other category during the year	Transferred to other category during the year	Exercised during the year (2)	Lapsed during the year	Held as at 31 Dec 2018	Exercise price per option share (HKD)	Exercise period
1.	**Directors**										
	LUI Man Shing	23 Aug 2013	350,000	-	-	-	-	-	350,000	12.11	23 Aug 2013 - 22 Aug 2023
	Alexander Reid HAMILTON	23 Aug 2013	100,000	-	-	-	-	-	100,000	12.11	23 Aug 2013 - 22 Aug 2023
	LI Kwok Cheung Arthur	23 Aug 2013	100,000	-	-	-	-	-	100,000	12.11	23 Aug 2013 - 22 Aug 2023
2.	**Employees**	23 Aug 2013	6,713,000	-	-	(630,000)	(915,000)	(80,000)	5,088,000	12.11	23 Aug 2013 - 22 Aug 2023
3.	**Other participants**	23 Aug 2013	1,920,000	-	630,000	-	-	-	2,550,000	12.11	23 Aug 2013 - 22 Aug 2023
		23 Aug 2013	350,000	-	-	-	(350,000)	-	-	12.11	23 Aug 2013 - 31 Dec 2019
		23 Aug 2013	80,000	-	-	-	-	(80,000)	-	12.11	23 Aug 2013 - 31 Dec 2018
		23 Aug 2013	200,000	-	-	-	(200,000)	-	-	12.11	23 Aug 2013 - 23 Feb 2018
Total			9,813,000	-	630,000	(630,000)	(1,465,000)	(160,000)	8,188,000		

Notes:

1. No options were cancelled during the Financial Year.
2. The weighted average closing price of the Shares immediately before the dates on which the options were exercised (if any) is set out in Note 18 to the Financial Statements.

SHARE AWARD SCHEME

A share award scheme of the Company was adopted by Shareholders on 28 May 2012 and was revised on 10 August 2012 and 31 May 2018 with further restraints/limits/changes imposed ("**Award Scheme**").

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

(1) Purpose of the Award Scheme

The purpose of the Award Scheme is to support the long-term growth of the Group and enhance its reputation as an employer-of-choice in the industry. In particular, the Award Scheme is intended to attract suitable personnel for the further development of the Group, to recognise contributions by qualified participants and incentivise them to continue making contributions to the Group and to retain talent. The Award Scheme will also help to align the interests of Directors and senior management of the Group with the Group's long-term performance.

(2) Qualified participants of the Award Scheme

The qualified participants of the Award Scheme include:

(a) a director;

(b) an employee; or

(c) an officer,

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

(3) Life of the Award Scheme

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

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

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

As at the date of this Directors' Report, a maximum of 103,183,751 Shares (representing 2.88% of the issued Shares thereby) were available for grant under the Award Scheme.

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

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

(6) Vesting

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

(7) Consideration for Shares granted under the Award Scheme

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

(8) Operation and administration of the Award Scheme

The Board may select and grant to any qualified participant Shares under the Award Scheme for free or at a price/consideration per Share. A trust has been set up for the operation of the Award Scheme. The Board may from time to time (i) pay to the trustee monies to enable the trustee to purchase Shares on HKSE and/or (ii) allot new Shares to the trustee pursuant to specific/general mandate, in accordance with all applicable laws and regulations, and pay to the trustee such monetary amount for the purpose of subscribing to such new Shares, and in each case, such Shares will be held upon trust pending the making of grants to or acceptance by qualified participants under the Award Scheme. A trustee has been appointed for the purpose of the trust and the trustee will hold and deal with the assets of the trust for the benefit of the qualified participants.

Details and movements of award shares that were granted under the Award Scheme and remained outstanding during the Financial Year are as follows:

		Number of granted award shares									
Grantees	Date of grant	Held as at 1 Jan 2018	Granted during the year	Accepted during the year	Lapsed during the year	Held as at 31 Dec 2018	Max upside adjustment	Change to upside adjustment during the year	Max deliverable award shares as at 31 Dec 2018	Consideration per award share (HKD)	Vesting date
1. Directors											
KUOK Hui Kwong	11 Apr 2018	-	364,000	(364,000)	-	-	-	-	-	Nil	11 Apr 2018
	30 Aug 2018	-	63,609	-	-	63,609	32,091	-	95,700	Nil	1 Apr 2019
	30 Aug 2018	-	63,609	-	-	63,609	32,091	-	95,700	Nil	1 Apr 2020
	30 Aug 2018	-	306,520	-	-	306,520	274,080	-	580,600	Nil	1 Apr 2021
LIM Beng Chee	11 Apr 2018	-	456,000	(456,000)	-	-	-	-	-	Nil	11 Apr 2018
	30 Aug 2018	-	79,509	-	-	79,509	39,951	-	119,460	Nil	1 Apr 2019
	30 Aug 2018	-	79,509	-	-	79,509	39,951	-	119,460	Nil	1 Apr 2020
	30 Aug 2018	-	383,137	-	-	383,137	341,943	-	725,080	Nil	1 Apr 2021
2. Employees	11 Apr 2018	-	598,000	(598,000)	-	-	-	-	-	Nil	11 Apr 2018
	20 Jul 2018	-	40,000	(40,000)	-	-	-	-	-	Nil	20 Jul 2018
	20 Jul 2018	-	97,917	-	-	97,917	49,263	-	147,180	Nil	1 Apr 2019
	20 Jul 2018	-	97,917	-	-	97,917	49,263	-	147,180	Nil	1 Apr 2020
	20 Jul 2018	-	471,844	-	-	471,844	421,796	-	893,640	Nil	1 Apr 2021
Total		-	3,101,571	(1,458,000)	-	1,643,571	1,280,429	-	2,924,000		

Notes:

1. Prior to the Financial Year, there were no Shares granted under the Award Scheme.
2. During the Financial Year, there were no new Shares allotted or planned for allotment under any special/general mandate for the purpose of the Award Scheme.

CONTINUING CONNECTED TRANSACTION(S)

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

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

On 28 August 2017, the Company announced that the lease had been renewed for another three-year term that would expire on 27 August 2020. Upon expiry of the initial three-year term and thereafter, Edsa Co has the right to decide whether the term shall be renewed for succeeding terms of three years each provided that the entirety of the Renewal Term shall not be longer than 25 years from 28 August 2017.

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

Based on the terms of the said lease, the expected occupancy of the hotel, possible inflation, reasonable increase in occupancy and reasonable allowance for unexpected increase in occupancy and/or room rate of the hotel (as further revised on 2 October 2018), the Company has set an annual cap for each of the following financial years:

Financial year	Annual cap (USD)
2018	2,800,000
2019	3,100,000
2020 (for the entire year assuming the lease will be renewed upon expiry in the year)	3,400,000

For the Financial Year, the actual aggregate transaction amount with SPI under the said lease was USD1,876,000 (2017: USD1,900,000).

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

(a) Hotel Jen Tanglin Singapore

Hotel Jen Tanglin Singapore (previously known as Traders Hotel, Singapore) is owned by Cuscaden Properties Pte Limited ("**Cuscaden Co**") which is owned as to 44.6% by the Company and 55.4% by Allgreen Properties Limited ("**Allgreen**"). Cuscaden Co is a subsidiary of Allgreen which in turn is an associate of KHL (Substantial Shareholder). Accordingly, Cuscaden Co is regarded as a connected person of the Company at holding level.

(b) Kerry Hotel, Beijing

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

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

Hotel	Date of transaction	Nature of agreement	Counter party	Actual aggregate transaction amount with SLIM (USD)	
				2018	2017
(a) Hotel Jen Tanglin Singapore	1 March 1994 (as supplemented)	Management agreement	Cuscaden Co	**1,470,000**	2,227,000
(b) Kerry Hotel, Beijing	30 June 1998 (as supplemented)	Management and marketing services agreement	Beijing Kerry Co	**2,767,000**	2,742,000

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

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

(3) On 2 June 2010, SLIM-HK and Shanghai Pudong Kerry City Properties Co, Limited ("**Pudong Kerry Co**", a company owned as to 23.2% by the Company, 40.8% by KPL, 16% by Allgreen and 20% by a third party) entered into a hotel management agreement pursuant to which SLIM-HK was appointed the manager to provide Hotel Management Services to Kerry Hotel Pudong, Shanghai, a hotel owned by Pudong Kerry Co. The agreement has a three-year term commencing from the date of approval of the said agreement by the Mainland China government. Upon expiry of the initial three-year term and thereafter, SLIM-HK has the right to decide whether the term shall be renewed for succeeding terms of three years each provided that the entire term of the agreement as renewed shall not be longer than 20 years. On 11 June 2013, the Company announced that the said agreement was renewed.

On 26 January 2017, the Company announced that the said agreement had been further renewed for another consecutive three-year term that would expire on 5 January 2020.

Pudong Kerry Co is an associate of KPL which in turn is a subsidiary of KHL (Substantial Shareholder). Accordingly, Pudong Kerry Co is a connected person of the Company at holding level, and the agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement, the expected occupancy of the hotel, possible inflation, and reasonable increases in occupancy and reasonable allowance for unexpected increases in occupancy and/or room rates, the Company has set an annual cap for each of the following financial years:

Financial year	Annual cap (USD)
2018	4,800,000
2019	5,000,000

For the Financial Year, the actual aggregate transaction amount with Pudong Kerry Co was USD3,645,000 (2017: USD3,582,000). The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(b) to the Financial Statements.

(4) Since 18 November 2010, SLIM-HK has been leasing/licensing from Ubagan Limited ("**Ubagan**"), a subsidiary of KHL (Substantial Shareholder), various office premises and car parking spaces at Kerry Centre.

Thereafter, various new tenancy offer letter(s), supplemental agreement(s) and partial surrender agreement(s) were entered into in respect of the tenancy's renewal(s), variation(s) or surrender(s) of tenancy units. On 25 October 2013, the Company made announcement in relation to the relevant agreements.

On 18 October 2016, SLIM-HK and Ubagan (a) entered into a new tenancy offer letter to renew the tenancies in respect of various office premises at Kerry Centre for another three-year term that would expire on 18 November 2019, and (b) agreed to continue the licences of the car parking spaces.

As of Year End, the monthly rental/fee(s) for (a) the tenancy of the office premises was HKD3,900,690.90 (excluding the management fee and air-conditioning charge of HKD514,622.70); and (b) each floating car parking space and each fixed car parking space were HKD3,000 and HKD3,800, respectively.

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

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

Financial year	Annual cap (HKD)
2018	62,000,000
2019 (up to expiry of the lease)	56,000,000

For the Financial Year, the actual aggregate transaction amount with Ubagan was HKD53,932,000 (equivalent to USD6,959,000) (2017: USD6,959,000). The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the payment of office rental, management fees and rates under Note 40(a) to the Financial Statements.

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

Jing An Co is a subsidiary of KPL which in turn is a subsidiary of KHL (Substantial Shareholder). Accordingly, Jing An Co is a connected person of the Company at holding level, and the agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement and the expected occupancy of the hotel, and taking into account possible inflation and possible reasonable increases in occupancy and the prevailing Renminbi to US dollar exchange rate, the annual cap for each financial year throughout the duration of the said agreement ending 31 December 2033 will not exceed USD14,000,000.

For the Financial Year, the actual aggregate transaction amount with Jing An Co was USD4,453,000 (2017: USD4,682,000). The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) to the Financial Statements.

(6) On 26 June 2014, SLIM-HK and Shangri-La Hotel (Nanjing) Co, Limited (previously known as Ji Xiang Real Estate (Nanjing) Co, Limited) ("**Nanjing Co**", a company owned as to 55% by the Company and 45% by KPL) entered into a hotel management agreement pursuant to which SLIM-HK would provide Hotel Management Services to Shangri-La Hotel, Nanjing ("**Nanjing Hotel**") which is owned by Nanjing Co. The said agreement has a three-year term commencing from the opening date of Nanjing Hotel. Upon expiry of the initial three-year term and thereafter, SLIM-HK has the right to decide whether the term shall be renewed for succeeding terms of three years each provided that the entire term of the said agreement shall not be longer than 20 years.

On 23 October 2017, the Company announced that the said agreement had been renewed for another consecutive three-year term that would expire on 25 October 2020.

Nanjing Co is an associate of KPL which in turn is a subsidiary of KHL (Substantial Shareholder). Accordingly, Nanjing Co is a connected person of the Company at holding level, and the agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement and the expected occupancy of the hotel, and taking into account possible inflation and a reasonable buffer to allow for increases in room rates and occupancy, the Company has set annual cap for each of the following financial years:

Financial year	Annual cap (USD)
2018	3,800,000
2019	3,900,000
2020 (for the entire year assuming the hotel management agreement will be renewed upon expiry in the year)	4,000,000

For the Financial Year, the actual aggregate transaction amount with Nanjing Co was USD1,899,000 (2017: USD1,823,000).

(7) On 17 July 2015, SLIM-HK and Ruihe Real Estate (Tangshan) Co, Limited ("**Tangshan Co**", a company owned as to 35% by the Company, 40% by KPL and 25% by Allgreen) entered into a hotel management agreement pursuant to which SLIM-HK would provide Hotel Management Services to Shangri-La Hotel, Tangshan ("**Tangshan Hotel**"), a hotel owned by Tangshan Co. The agreement has a 20-year term commencing from the opening date of Tangshan Hotel. The Company has obtained an independent financial adviser's opinion confirming that it is normal business practice for the agreement to be of such duration.

Tangshan Co is an associate of KPL which in turn is a subsidiary of KHL (Substantial Shareholder). Accordingly, Tangshan Co is a connected person of the Company at holding level, and the agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement and the expected occupancy of the hotel, and taking into account possible inflation, the annual cap for each financial year throughout the duration of the said agreement ending 31 December 2035 will not exceed RMB39,000,000.

For the Financial Year, the actual aggregate transaction amount with Tangshan Co was USD515,000 (equivalent to RMB3,419,000) (2017: USD484,000). The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(b) to the Financial Statements.

(8) On 4 March 2016, each of SLIM-HK and Shangri-La Hotel Management (Shanghai) Co, Limited ("**SLIM-PRC**", a wholly owned subsidiary of the Company), and Kerry Real Estate (Hangzhou) Co, Limited ("**Hangzhou Co**", a company owned as to 25% by the Company and 75% by KPL) entered into a hotel management agreement and a marketing services agreement, respectively, pursuant to which SLIM-HK and SLIM-PRC would provide Hotel Management Services to Midtown Shangri-La Hotel, Hangzhou ("**Hangzhou Midtown Hotel**") which is owned by Hangzhou Co. Each of the said agreements has a 20-year term commencing from the opening date of Hangzhou Midtown Hotel. The Company has obtained an independent financial adviser's opinion confirming that it is normal business practice for the agreements to be of such duration.

Hangzhou Co is a subsidiary of KPL which in turn is a subsidiary of KHL (Substantial Shareholder). Accordingly, Hangzhou Co is a connected person of the Company at holding level, and the agreements as described above constitute continuing connected transactions for the Company.

Based on the terms of the said agreements and the expected occupancy of the hotel, and taking into account possible inflation, the annual cap for each financial year throughout the duration of the said agreements ending 31 December 2036 will not exceed RMB93,000,000.

For the Financial Year, the actual aggregate transaction amount with Hangzhou Co was USD2,014,000 (equivalent to RMB13,363,000) (2017: USD1,916,000). The transactions also constitute related party transactions in accordance with HKFRS and the amount of the transactions for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) to the Financial Statements.

(9) On 2 October 2018, the Company announced that certain subsidiaries of the Group order wines from wine suppliers on an ongoing basis for the food and beverage segments of the Group's hotel operations. The Group has maintained a wine programme with various wine suppliers including Kerry Wines Limited ("**Kerry Wines**", a company owned as to 20% by the Company, 60% by KHL and 20% by a company which is an associate of Ms KUOK Hui Kwong, being a Director, under the Listing Rules). Throughout the Financial Year, certain subsidiaries of the Group respectively placed purchase orders with Kerry Wines or its subsidiary(ies) ("**KW Member(s)**") in connection with the purchase of wines under the wine programme. Under the wine programme, the KW Member(s) offer such subsidiaries of the Group certain stock wines listed under the wine programme at agreed unit prices, subject to revision from time to time, and/or other specific types of wines at prices to be agreed between them when the purchase orders are placed. The unit prices offered by KW Members have been and/or are independently verified, reviewed and negotiated by wine experts and purchasing divisions from the hotel operations unit(s) of the Group to ensure the offered prices are reasonable and competitive compared to other suppliers in the market. In addition, the Group may, if it considers appropriate and necessary, also purchase wines en primeur from KW Member(s). All wines purchased from KW Member(s) were/will be effected by purchase orders in written form.

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

Based on (i) the value of the wine orders recognised during the period from 1 January 2018 to 30 June 2018, and (ii) the business plans of the Group for the remaining months of 2018, the Group has set the annual cap of the wine orders to be placed with the KW Members for the Financial Year at USD5,000,000.

For the Financial Year, the actual aggregate value of such purchases amounted to USD3,122,000 (2017: USD3,268,000). The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the purchase of wine under Note 40(a) to the Financial Statements.

(10) On 24 January 2018, the Company announced that Shang Global City Properties, Inc ("**Fort Manila Co**", a company owned as to 40% by the Company and 60% by SPI) entered into hotel agreements, being (a) the marketing and reservations agreement dated 10 December 2014 (as varied) with SLIM-HK, (b) the licence agreement dated 10 December 2014 (as varied) with Shangri-La International Hotel Management Limited, incorporated in the British Virgin Islands, ("**SLIM-BVI**", the head-licensor of the intellectual property in relation to the brand of Shangri-La ("**IP**")) and (c) the licence agreement dated 10 December 2014 (as varied) with Shangri-La International Hotel Management BV ("**SLIM-Netherlands**", the IP sub-licensor) in relation to the provision of (i) the Hotel Management Services for Shangri-La at the Fort, Manila ("**Fort Manila Hotel**" a hotel owned by Fort Manila Co), and (ii) the licence of the IP to Fort Manila Co enabling it to operate its hotel bearing the name of Shangri-La.

Each of the said agreements lists the operating term which commenced from the opening date of Fort Manila Hotel (being 1 March 2016) and ended on 31 December of the first anniversary of such opening date (ie, 31 December 2017). Each of SLIM-HK, SLIM-BVI and SLIM-Netherlands under its respective agreement has the right to decide whether the term shall be renewed for another consecutive three-year term (or part thereof of the remaining term) provided that the entire initial term of each agreement shall not be longer than 10 years from the opening date of the said hotel. Upon expiry of the said initial term of 10 years, the relevant parties may elect to extend the term for consecutive three-year term each (or part thereof) provided that the aggregate term of the renewal period shall not exceed a further 10 years.

At the time of entering into the said agreements in 2014, the said agreements constituted de minimis continuing connected transactions for the Company under the Listing Rules and were not subject to announcement, reporting and independent shareholders' approval requirements.

Based on the information available to the Company and the preliminary assessment of the unaudited management financial statements of SLIM-HK, SLIM-BVI and SLIM-Netherlands on the date of the announcement, the Company anticipated that the fees for the Financial Year would collectively exceed the above-mentioned exemption threshold. The Company was therefore required to re-comply with the requirements under the Listing Rules with the said announcement.

Fort Manila Co is a subsidiary of SPI, an associate of KPL which in turn is a subsidiary of KHL (Substantial Shareholder). Accordingly, Fort Manila Co is a connected person of the Company at holding level, and the agreements as described above constitute continuing connected transactions for the Company.

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

Financial year	Annual cap (USD)
2018	5,200,000
2019	5,500,000
2020	5,800,000

For the Financial Year, the actual aggregate transaction amount with Fort Manila Co was USD3,552,000 (2017: USD3,025,000). The transactions also constitute related party transactions in accordance with HKFRS and the amounts of the transactions for the Financial Year are included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(b) to the Financial Statements.

The continuing connected transactions mentioned in (1) to (10) above have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the transactions have been entered into:

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

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

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

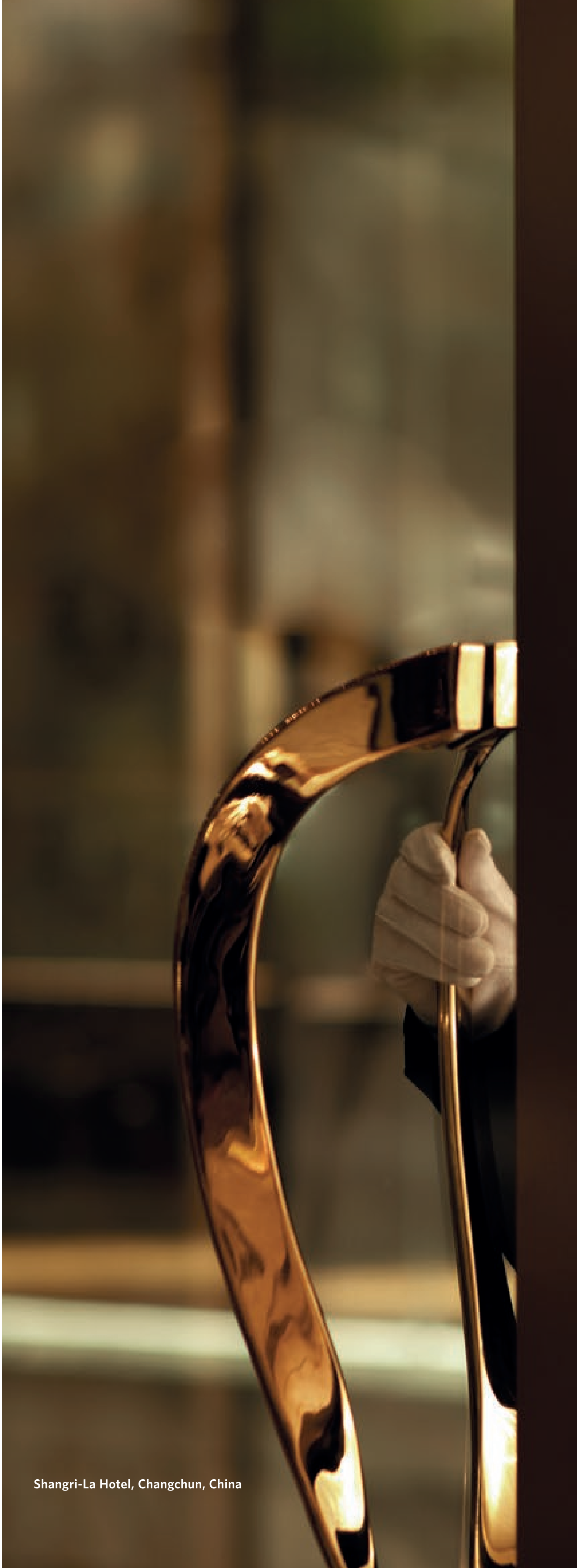
The Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to HKSE.

On behalf of the Board

KUOK Hui Kwong
Chairman

Hong Kong, 20 March 2019

Corporate Governance Report



Shangri-La Hotel, Changchun, China


Emilie Zhang

The Company recognises the importance of transparency in governance and accountability to Shareholders and that Shareholders benefit from good corporate governance. The Company reviews its corporate governance framework on an ongoing basis to ensure compliance and best practice.

DIRECTORS HANDBOOK AND CORPORATE GOVERNANCE FUNCTIONS

Directors Handbook

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

The Directors Handbook incorporates (amongst other things):

(1) Securities Principles

(a) restrictions on Directors' dealings in relation to the Company's securities;

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

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

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

(2) CG Principles

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

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

(c) the terms of the corporate governance functions;

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

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

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

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

Code on Securities Transactions

The Company has made specific enquiry of each of the Directors, and all the Directors have confirmed compliance with the Securities Principles throughout the Financial Year.

The Securities Principles also apply to certain employees ("**Relevant Employees**") in respect of their dealings in the securities of the Company for the Financial Year. The code with which the Relevant Employees are obliged to comply is similar to that with which the Directors are obliged to comply except that the Relevant Employees are not required to fulfil the public filing requirement.

Code on Corporate Governance
The Company has complied with the CG Principles and the CG Model Code throughout the Financial Year.

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

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

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

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

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

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

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

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

The Audit & Risk Committee had duly performed its duties relating to the corporate governance functions and it was not aware of any terms of corporate governance being violated during the Financial Year.

BOARD

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

The list of the members of the Board and their designations during the Financial Year and up to the date of the Annual Report has been set out in the Directors' Report.

Members, Meetings Held and Attendance
During the Financial Year, the Board held four board meetings. The Directors during the Financial Year, along with the attendance of each of them at the meetings, are as follows:

Name of Director	Meeting(s) attended/ eligible to attend
Executive Director(s)	
KUOK Hui Kwong	4/4
LIM Beng Chee	4/4
LUI Man Shing	4/4
Non-executive Director(s)	
HO Kian Guan (alternate – HO Chung Tao)	1 (3)/4
Independent Non-executive Director(s)	
Alexander Reid HAMILTON	4/4
LI Kwok Cheung Arthur	4/4
LEE Kai-Fu	3/4
YAP Chee Keong	4/4

Other than the above full Board meetings, the Chairman also held an annual meeting in August 2018 with the Directors without the presence of the other Executive Directors. The attendance of the Directors at the meeting was as follows:

Name of Director	Attendance
Chairman	
KUOK Hui Kwong	✔
Non-executive Director(s)	
HO Kian Guan (alternate – HO Chung Tao)	✔ (X)
Independent Non-executive Director(s)	
Alexander Reid HAMILTON	✔
LI Kwok Cheung Arthur	✔
LEE Kai-Fu	✔
YAP Chee Keong	✔
Total attendance	6/6

The relationship between members of the Board, if any, is set out in the section entitled "Board of Directors, Company Secretary and Senior Management" in the Annual Report.

Term of Appointment of Directors

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

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

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

(3) at each annual general meeting, not less than one-third (or otherwise the number nearest one-third) of the Directors for the time being shall retire from office by rotation.

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

Directors' Training

The Directors participate in continuous professional development to enhance and refresh their skills and knowledge for their role as Directors. The Company also organises presentations and training sessions that help update Directors on the latest corporate governance and regulatory/legal issues as well as other current topics (including the Group's business developments/operations). In addition to these activities, some Directors also attend external training sessions and presentations.

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

	Category of training topics	
	Risk Management, Regulatory and Corporate Governance	**Others**
Executive Director(s)		
KUOK Hui Kwong	✔	–
LIM Beng Chee	✔	–
LUI Man Shing	✔	–
Non-executive Director(s)		
HO Kian Guan (alternate – HO Chung Tao)	✔ (✔)	✔ (✔)
Independent Non-executive Director(s)		
Alexander Reid HAMILTON	✔	✔
LI Kwok Cheung Arthur	✔	✔
LEE Kai-Fu	✔	–
YAP Chee Keong	✔	–

EXECUTIVE COMMITTEE

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

(1) constitution and share capital

(2) corporate objectives and strategy

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

(4) interim and annual results

(5) significant investments

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

(7) corporate governance and internal controls

(8) risk management

(9) major acquisitions and disposals

(10) material contracts

(11) Board members and Auditor

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

During the Financial Year, the majority of the Executive Committee's material decisions were recorded by written resolutions. The members of the Executive Committee during the Financial Year and up to the date of the Annual Report were as follows:

Member	Board capacity during committee membership
KUOK Hui Kwong *(chairman)*	ED & Chairman
LIM Beng Chee	ED & CEO
LUI Man Shing *(as member with effect from 1 March 2018)*	ED

NOMINATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

During the Financial Year, the majority of the Nomination Committee's material decisions were recorded by written resolutions. The members of the Nomination Committee during the Financial Year and up to the date of the Annual Report were as follows:

Member	Board capacity during committee membership
KUOK Hui Kwong *(chairman)*	ED & Chairman
Alexander Reid HAMILTON	INED
LI Kwok Cheung Arthur	INED

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

(i) For the purpose of re-election of the retiring Directors at the 2018 annual general meeting of the Company, the Nomination Committee had:

- assessed and confirmed the independence of all Independent Non-executive Directors;
- evaluated and confirmed the contribution of each of the retiring Directors who offered themselves for re-election; and
- recommended to the Board to propose the re-election of each of the retiring Directors who offered themselves for re-election at the 2018 annual general meeting of the Company.

(ii) The Nomination Committee had, on an annual and regular basis, assessed the Board's composition and the Directors' particulars against the parameters set in the nomination policy (including board size, board diversity policy, skills/knowledge/experience, Directors' performance review) and recommended that the structure, size and composition of the Board was satisfactory.

Nomination Policy

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

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

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

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

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

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

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

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

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

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

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

Members, Meetings Held and Attendance

During the Financial Year, the Remuneration Committee held one meeting in March 2018. The members of the Remuneration Committee during the Financial Year and up to the date of the Annual Report and the attendance of each of them at the meeting held during the Financial Year are as follows:

Member	Board capacity during committee membership	Meeting(s) attended/ eligible to attend
Alexander Reid HAMILTON *(chairman)*	INED	1/1
KUOK Hui Kwong	ED & Chairman	1/1
LI Kwok Cheung Arthur	INED	1/1

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

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

(ii) approving the terms of remuneration and/or bonus of the Executive Directors and Senior Management (including the annual salary review), having considered the financial results of the Group, its growth plans, the competitive environment in the hotel industry for obtaining competent management talent, and the need to adequately reward outstanding performances;

(iii) recommending to the Board the fees payable to the Non-executive Directors and the members of the Board committees; and

(iv) considering and approving grant(s) of share awards under the Company's share award scheme to qualified participants.

Remuneration Policy for Executive Directors and Senior Management

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

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

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

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

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

Remuneration of Directors and Senior Management

The Non-executive Directors (including Independent Non-executive Directors) and the members of the Board committees (other than Executive Director(s)) were entitled to annual fees that were approved by Shareholders at the annual general meeting prior to payment. Such annual fees are determined with reference to the level of fees payable by listed companies in Hong Kong and the respective level of responsibilities, skills and commitments required of the Non-executive Directors, and the amount for the Financial Year and the previous year are as follows:

Annual fee	Amount (HKD)		
	2018	2017	
As NED/INED	**230,000**	230,000	per year of directorship
As Nomination Committee member	**50,000**	50,000	per year of membership
As Remuneration Committee member	**50,000**	50,000	per year of membership
As Audit & Risk Committee chairman/member	**180,000/ 150,000**	130,000	per year of chairmanship/ membership
	100,000	100,000	for attendance at all meetings of the committee held during the year

Details of the remuneration paid to each of the Directors for the Financial Year and the previous year are set out in Note 31 to the Financial Statements.

The remuneration (including bonus, allowances and other benefits) paid to the current Senior Management (which included certain current Executive Directors) for the Financial Year are set out below (by band):

Range of remuneration (HKD)	Number of members of Senior Management
5,000,001 to 6,000,000	1
12,000,001 to 13,000,000	1
14,000,001 to 15,000,000	2
15,000,001 to 16,000,000	1
19,000,001 to 20,000,000	1
	6

Note: Two members of the Senior Management joined the Group after the Financial Year. Therefore, the remuneration of such members are not included above.

AUDIT & RISK COMMITTEE

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

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

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

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

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

(5) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;

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

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

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

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

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

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

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

The whistleblowing and whistleblower protection policy (for external users) has also been posted on the Company's corporate website for external users' use.

Members, Meetings Held and Attendance

During the Financial Year, the Audit & Risk Committee held four meetings. The members of the Audit & Risk Committee during the Financial Year and up to the date of the Annual Report and the attendance of each of them at the meetings held during the Financial Year are as follows:

Member	Board capacity during committee membership	Meeting(s) attended/ eligible to attend
YAP Chee Keong *(as member and chairman with effect from 21 March 2018)*	INED	3/3
HO Kian Guan	NED	4/4
Alexander Reid HAMILTON *(as chairman until 21 March 2018)*	INED	4/4
LI Kwok Cheung Arthur	INED	4/4

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

(i) reviewing the Group's financial controls, internal controls and risk management systems, and the conducting of the internal audit of the Group;

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

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

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

Improvement to our corporate governance on an ongoing basis is crucial in enhancing long-term shareholder's value. The Board believes that a sound and effective system of risk management and internal control system is the cornerstone for good corporate governance. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

The Board has overall responsibility for the governance of risk and exercises oversight of material risks in the Group's business. The Board's Audit & Risk Committee ("**ARC**") assists the Board in overseeing the Group's risk profile and policies, adequacy and effectiveness of the Group's risk management system including the framework and process for the identification and management of material risks.

The ARC reports to the Board on material matters, findings and recommendations pertaining to risk management. In addition, the ARC reviews the effectiveness of the Group's internal control and compliance systems on an ongoing basis as required by the revised corporate governance code released by the HKSE and in accordance to the risk appetite as defined by the Board.

The Group is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance established by the Board. Material risks are proactively identified, addressed and reviewed on an on-going basis.

Integrated Assurance Framework

In December 2018, ARC adopted the integrated assurance framework ("**IAF**") with the following guiding principles:

- apply a consistent methodology and approach to properties worldwide which are consistent with the Company's defined risk appetite.

- support the Group's strategic focus and growing business needs.

- promote risk culture and awareness with the use of key risk indicators, risk escalation procedures, management control assessment and reporting dashboard.

- develop common language for risks and controls across regions and properties.

This framework will be implemented progressively to our properties across the region. Key development to date includes:

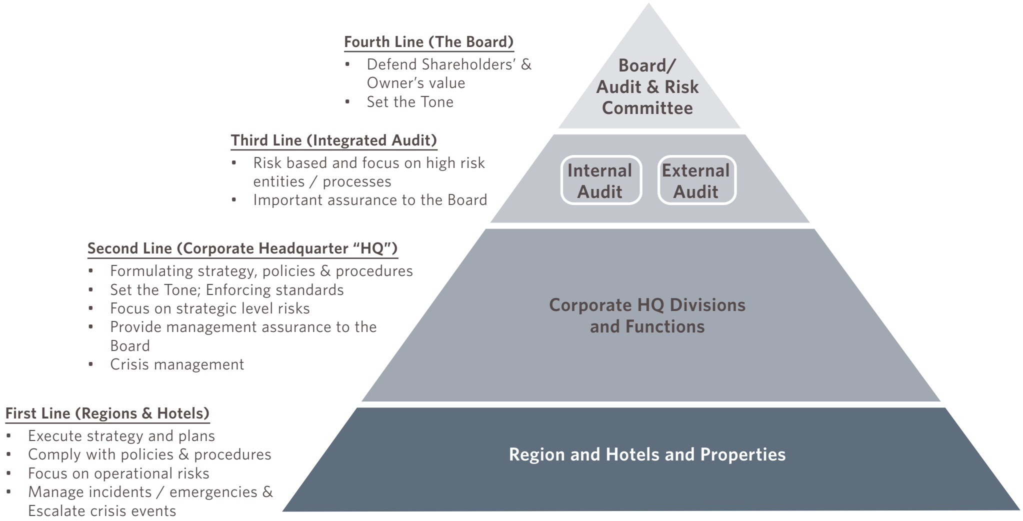
- Realignment of respective divisional audits of Security, Cyber Security, Food Safety Management, Fire and Life Safety and Engineering.

- Introduction of a formal enterprise risk management ("**ERM**") process as a common tool for risk assessment and communication for the front-line operations and corporate functions.

- Implementing management control assessment ("**MCA**") as part of the Management Assurance process within the Integrated Assurance Framework.

- Formalising an improved Integrated Audit Plan.

Risk Management Governance Structure



With the adoption of the IAF, the Company has structured its risk management governance into four Lines of Defence with the following roles and responsibilities:

- The First Line of Defence is where the Regions and Properties are empowered to manage day-to-day operational risks of their businesses. In addition, the Regions are to assist the Corporate HQ in ensuring Hotels to implement and comply with the Group's global strategies, policies, programmes and initiatives. Hotel and Properties General Managers together with their executive committee are collectively responsible to the Regional Leaders in the management of their respective Hotel risks and in compliance with Group-wide policies and procedures. They are required to report to the Regions and Corporate HQ on any risk change and any deviation from existing controls on an on-going basis.

- The Second Line of Defence comprises the Corporate HQ divisions and functions. Their primary responsibility is to formulate strategy and policies. In addition, they are to ensure the standardisation and consistency of policies and procedures and the effective monitoring of their compliance across the Regions, Hotels and Properties. The respective Heads of Corporate Functions are appointed Risk Owners of the Group's material risks. The Risk Owners are responsible to ensure that the material risks identified by the Group are being reviewed and managed effectively as part of the management assurance process. The review of Group material risks is to be conducted on an annual basis.

- The Third Line of Defence provides independent assurance through the Internal Audit Team of the Company and the External Auditor of the company. The Internal Audit Team reports the results of integrated internal audit to the ARC and the External Auditor of the Company reports the results of the statutory audit to the ARC. From time to time, external professionals are engaged to perform IT system penetration test and to refresh key policies (eg Food Safety Management, etc.), processes and governance framework.

- The Fourth Line of Defence represents the Board's commitment and overall responsibility to define the risk appetite and tolerance of the Company and to ensure that the Company has maintained adequate and effective risk management and internal control systems. The Board, through the ARC, provides supervision to the Management on the assessment of the adequacy and effectiveness of the risk management and internal control systems. The Board considers the works, findings and advice of the ARC in forming its own view on the effectiveness of the systems. The ARC members report to the Board of Directors in the quarterly Board meetings.

- The CFO was also appointed as the Chief Risk Officer in 2018. In that role, he oversees the risk governance structure and process, reviews regularly the risk profile of the Group and ensures that all risks faced by the Company are properly identified.

Policies and Guidelines

Throughout 2018, reviews and updates to key corporate policy, manuals, procedural guidelines and delegation of authority are being performed to ensure relevance which provide adequate and effective controls for the Regions and Hotels/Properties owned and/or managed by the Group. These policies and guidelines are communicated via electronic circulars and are posted on the Group's intranet. In addition, the respective Corporate HQ divisions and functions conduct periodic divisional audits to ensure compliance at the Region and Hotel levels. Audit findings and results are being shared as lessons learnt and for performance management.

Code of Conduct, Handling and Dissemination of Inside Information

- The Group has a Code of Conduct and Ethics setting out the Group's integrity and ethical values with fundamental principles and guidelines. This code applies to all officers, employees and directors of the Company, its subsidiaries, business units and controlled affiliates as well as employees of properties managed by the Company. Employees are also obliged to maintain and protect the confidentiality of all non-public information relating to the Company's affairs ("**Confidential Information**"). Employees must not disclose Confidential Information to outside parties unless authorised to do so by the Company or unless such disclosure is required by law. Employees may not use Confidential Information for any other purpose other than work-related matters. Employees must at all times take reasonable precautions to safeguard inadvertent disclosure of Confidential Information. All employees have been provided with a copy of the Code when hired and are required to confirm compliance with the Code.

- The Company has standard procedures to handle the reporting of financial and operating performance to its shareholders, the issuing of public announcements and addressing the inquiries of its Shareholders and investors. These procedures are detailed under the heading "Shareholders' and Investors' Communications" of this report.

- The Directors and relevant executives of the Company are required to observe the Securities Principles.

- The Company has provided a Directors Handbook to all Directors. Key responsibilities and legal obligations under the Listing Rules and the SFO have been included in this handbook. They are reminded to take reasonable measures to ensure that proper safeguards exist to prevent a breach of the rules.

Whistleblowing Policy

The Group has posted on the Company's corporate website a Whistleblowing and Whistleblower Protection Policy which aims:

- to encourage business associates to report suspected wrongdoings as soon as possible with the confidence that their concerns will be taken seriously and investigated as appropriate, and that their confidentially will be respected;

- to provide avenues for business associates to raise concerns and define a way to handle these concerns;

- to enable the Company's management to be informed at an early stage about acts of misconduct;

- to reassure business associates that they can raise genuine concerns in good faith without fear of reprisals, even if they turn out to be mistaken;

- to help develop a culture of openness, accountability and integrity;

- to ensure all reported cases will be properly documented including initial investigation result, undertaking of detailed investigation (if any) and result; and the final action taken.

- to ensure all reported cases will be forwarded to the VP Internal Audit for investigation. A working committee comprising CEO, CFO, COO, CCHRO, General Counsel and VP Internal Audit will review the investigation process and outcome. The working committee will provide an annual summary of all reported cases and their investigation results to the ARC.

Annual Review Cycle

For FY 2018, four ARC meetings were held with attendance by all ARC members and the Management team comprising, the CEO, CFO and General Counsel who were also invited. The ARC also held private sessions with the Internal and External Auditors,

Periods	Key Activities
1st Quarter	1. Review report from External Auditor 2. Approval of the audited financial statements of the previous financial year 3. Approval of internal audit plan for current year
2nd Quarter	1. Review results from Internal Audit
3rd Quarter	1. Review report from External Auditor 2. Approval of first half interim results 3. Review results from Internal Audit
4th Quarter	1. Review results from Internal Audit 2. Update on Integrated Assurance Framework implementation

The Group's Material Risks

The Company has reviewed the Group's material risks and re-classified them into five categories:

Risk Category	Material Risks
Strategic	1. Country and Political 2. Adverse External Events 3. Competition and Disruption
Operational	4. Health and Safety 5. Food Safety
Financial	6. Investment and Financing
Compliance	7. Regulatory 8. Internal Compliance
Information Technology	9. Cyber Security and Data Privacy

Internal Audit

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

Internal Controls

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

2018 Effectiveness of the Company's risk management and internal control systems

The ARC has received the management's annual confirmation that the Company's risk and management and internal control systems are effective and adequate for the Financial Year. The annual review of the ARC has not identified any significant control failings or weaknesses during the Financial Year, and it concurred with the management's confirmation.

The ARC has also reviewed and ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. Based on the duties performed by the ARC and its recommendation, the Board confirmed that the Company's risk and management and internal control systems were effective and adequate for the Financial Year; and the Company's processes for financial reporting and Listing Rule compliance were effective.

EXTERNAL AUDITORS

The Company's Auditor is PricewaterhouseCoopers, Hong Kong.

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

Services	Fees charged (USD'000)
PricewaterhouseCoopers	
Audit services (including interim review)	1,356
Non-audit services	
(a) tax services	139
(b) other advisory services	138
Total	1,633
Other auditor(s)	
Audit services	653
Non-audit services	
(a) tax services	117
(b) other advisory services	36
Total	806

Auditor

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

Responsibility for Financial Statements

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

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

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

GENERAL MEETING(S)

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

- annual general meeting held on 31 May 2018 at 10:30 am in Hong Kong
- special general meeting held on 31 May 2018 at 10:45 am in Hong Kong

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

The Auditor has attended the general meetings. The attendance of the members of the Board and/or each Board committee at the general meetings is as follows:

	Attended in the capacity of a member of				
Meetings date: 31 May 2018	**Board**	**Designation on meeting date**	**Nomination Committee**	**Remuneration Committee**	**Audit & Risk Committee**
KUOK Hui Kwong	✔	ED & Chairman	✔	✔	
LIM Beng Chee	✔	ED & CEO			
LUI Man Shing	✔	ED			
HO Kian Guan (alternate – HO Chung Tao)	✔ (✔)	NED			✔
Alexander Reid HAMILTON	✔	INED	✔	✔	✔
LI Kwok Cheung Arthur	✔	INED	✔	✔	✔
LEE Kai-Fu	✔	INED			
YAP Chee Keong	✔	INED			✔
Total attendance	8/8		3/3	3/3	4/4

GENERAL MANDATES GRANTED TO DIRECTORS

New Issue Mandate

At the Company's annual general meeting in 2018, Shareholders granted to the Directors a general mandate to issue new Shares (subject to the requirements of the Listing Rules) representing not more than 20% of the issued Shares as at the date of the general meeting.

Up to the date of the Annual Report, the general mandate has not been exercised. The general mandate will expire not later than the conclusion of the Annual General Meeting.

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

Share Repurchase Mandate

At the Company's annual general meeting in 2018, Shareholders granted to the Directors a general mandate to repurchase Shares (subject to the requirements of the Listing Rules) representing not more than 10% of the issued Shares as at the date of the general meeting.

Up to the date of the Annual Report, the general mandate has not been exercised. The general mandate will expire not later than the conclusion of the Annual General Meeting.

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

Repurchase, Sale or Redemption of the Company's Listed Securities

During the Financial Year, save for the purchase of shares in the Company for the purpose of the Company's share award scheme as disclosed in Note 18 to the Financial Statements, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the listed securities of the Company.

DIVIDEND POLICY

The Board considered that the Company's dividend policy should be based on the profits of the Group that were not affected by exceptional items (ie, based on operating/recurring profits). Given the capital expenditure requirements to support the Group's expansion plans, the Board was of the view that 50% to 55% of operating/recurring profits could be a general yet non-mandatory yardstick/benchmark for the Board's consideration as payment of dividends to Shareholders.

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

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

INVESTOR RELATIONS

Shareholders' Right to Propose a Person for Election as a Director

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

Shareholders' Right to Request to Convene a General Meeting

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

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

(2) The Requisition must:

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

(b) state the full name of each Requisitionist;

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

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

(e) be signed by each Requisitionist;

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

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

(3) If the Board receives a due Requisition:

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

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

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

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

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

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

Shareholder and Investor Communications

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

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

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

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

Key Dates for Shareholders in 2019

The key dates are set out in the section entitled "Corporate Information" in the Annual Report.

PUBLIC FLOAT

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

(1) as at Year End, the public float of the Shares made up 44.28% or a capitalisation of approximately HKD18.42 billion based on the closing price of the Shares as at Year End; and

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

Independent Auditor's Report

pwc 羅兵咸永道

To the Shareholders of Shangri-La Asia Limited

(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Shangri-La Asia Limited (the "Company") and its subsidiaries (the "Group") set out on pages 115 to 239, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of loss-making hotels
- Valuation of investment properties

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter

Key Audit Matter

Impairment assessment of loss-making hotels

Refer to note 2.10 (Summary of significant accounting policies), note 4.1(a) (Critical accounting estimates and assumptions), note 7 (Property, plant and equipment), note 9 (Leasehold land and land use rights), note 12 (Interest in associates and amounts due from associates), note 29 (Other losses – net) and note 33 (Share of profit of associates) to the consolidated financial statements.

The Group, through its subsidiaries and associates, holds equity interests in a number of hotel properties across Asia Pacific, Europe and Africa. The carrying values of these hotel properties included in Property, plant and equipment ("PPE") and Leasehold land and land use rights amounted to USD5,538 million and USD484 million and the Group's proportionate share of the carrying value of hotel properties included in the Interest in associates amounted to USD1,091 million respectively on the consolidated statement of financial position at 31 December 2018. Given the different political and economic environments in which the Group operates, the trading performance of the Group's hotels varies with some recording losses. There is a risk that the carrying amounts of the loss-making hotels are higher than their recoverable amounts.

Management performs impairment assessments on the loss-making hotels with impairment indicators, and considers each hotel as a separate cash-generating unit ("CGU"). The recoverable amount is determined as the higher of the CGU's value-in-use and fair value less costs to sell. External valuations by independent professional valuers are obtained when the internal assessments need independent confirmation.

Based on the impairment assessments carried out by management during the year ended 31 December 2018 and the reports of the independent professional valuers as at 31 December 2018, a total amount of USD123.2 million was charged against the consolidated statement of profit or loss during the year ended 31 December 2018.

We focused on this area as the impairment assessments involve significant judgements and estimation uncertainty about future business performance with key assumptions including sales growth rate, occupancy rate, and discount rate.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to management's impairment assessments included:

- Assessing how management identified impairment indicators including their conclusion as to which hotel properties required impairment testing;
- Evaluating management's future cash flow forecasts and the processes by which they were drawn up, including testing the underlying calculations and comparing them to the latest Board approved budgets and the actual results of the prior period;
- Assessing the appropriateness of methodologies used by management or external valuers;
- Assessing the revenue growth rate and occupancy rate assumptions applied in the forecasts by comparing them to historic results and economic and industry forecasts;
- Assessing the country-specific discount rates with reference to market data or our in-house valuation experts;
- Considering the potential impact of reasonably possible downside changes of the key assumptions on management's impairment assessments;
- Assessing external professional valuers' competence, capabilities and objectivity, and reading the valuation reports prepared by the external valuers;
- Checking, on a sample basis, the accuracy and relevance of the input data used by the external valuers.

Based on our work and the evidence obtained, we found the significant judgements and estimates adopted by management in the value-in-use and fair value less costs to sell calculations were supportable in light of the current market environments.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to note 2.6 (Summary of significant accounting policies), note 4.1(c) (Critical accounting estimates and assumptions), note 8 (Investment properties) and note 12 (Interest in associates and amounts due from associates) to the consolidated financial statements. Investment properties held by the Group's subsidiaries were carried at fair value of USD1,479 million and the Group's proportionate share of fair value of Investment properties were carried at USD3,893 million in the Interest in associates respectively at 31 December 2018. The Group's share of the net fair value changes in investment properties held by subsidiaries and associates amounting to loss of USD26.0 million and gain of USD164.7 million respectively were recorded in the consolidated statement of profit or loss during the year ended 31 December 2018. The fair values of investment properties were supported by property valuations carried out by independent firms of professional valuers engaged by the Group or the relevant associates at 31 December 2018. For completed properties, the valuation methods were based on the income capitalisation approach and direct comparison approach, which required judgement and estimates on open market rents, capitalisation rates and occupancy rates. For properties under construction, the residual approach was used and significant judgement and estimates applied in the valuations also included the estimated costs to completion and allowance for contingencies. The existence of significant judgement and estimates in the property valuations, and the size of the Group's investment property portfolio warrant specific audit attention to this area.	Our audit procedures in relation to valuation of investment properties held by the Group's subsidiaries and associates included: – Evaluating the external valuers' competence, capabilities and objectivity by considering their independence, professional qualifications and relevant experience in the markets where the Group's investment properties are located, and reading their valuation reports prepared for financial reporting purposes; – Considering the appropriateness and consistency of methodologies used in the property valuations based on our knowledge of the industry and market practice; – Assessing the reasonableness of the key assumptions adopted in the property valuations by comparing them to recent lettings of the Group's investment properties, actual occupancy rates achieved, recent market transactions, industry reports, the Group's budgets and actual costs incurred for properties under construction, key assumptions used in the prior year and with reference to our in-house valuation experts; – Checking, on a sample basis, the accuracy and relevance of the valuation input data on existing leases by agreeing the rental income and lease terms to the signed lease agreements. Based on our work and the evidence obtained, we found the methodologies used and key assumptions adopted in the valuation of investment properties were supportable and in line with the industry and the relevant markets.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT & RISK COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit & Risk Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with the Audit & Risk Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHAN Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2019

Consolidated Statement of Financial Position

	Note	As at 31 December 2018 USD'000	2017 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	5,537,840	6,281,592
Investment properties	8	1,478,672	1,448,853
Leasehold land and land use rights	9	484,441	498,417
Intangible assets	10	100,058	89,947
Interest in associates	12	3,911,801	3,870,057
Deferred income tax assets	25	7,507	8,138
Financial assets at fair value through other comprehensive income	13	4,164	–
Financial assets at fair value through profit or loss	13	10,391	–
Available-for-sale financial assets	13	–	13,343
Derivative financial instruments	23	8,102	5,067
Other receivables	14	14,720	14,254
		11,557,696	12,229,668
Current assets			
Inventories		36,528	38,028
Properties for sale	16	153,097	46,208
Accounts receivable, prepayments and deposits	15	270,888	323,648
Amounts due from associates	12	70,742	90,450
Derivative financial instruments	23	3,472	1,738
Amounts due from non-controlling shareholders	24	–	37
Financial assets at fair value through profit or loss	13	18,836	–
Financial assets held for trading	13	–	23,534
Short-term deposits with original maturities over 3 months	17	88,979	124,584
Cash and cash equivalents	17	970,410	797,278
		1,612,952	1,445,505
Total assets		13,170,648	13,675,173
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital and premium	18	3,201,995	3,198,420
Shares held for share award scheme	18	(4,996)	–
Other reserves	20	693,368	1,117,763
Retained earnings		2,398,584	2,286,373
		6,288,951	6,602,556
Non-controlling interests	24	387,937	439,440
Total equity		6,676,888	7,041,996

Consolidated Statement of Financial Position

	Note	As at 31 December 2018 USD'000	2017 USD'000
LIABILITIES			
Non-current liabilities			
Bank loans	21	4,066,686	4,949,844
Fixed rate bonds	22	636,933	–
Derivative financial instruments	23	6,261	–
Deferred income tax liabilities	25	331,076	329,257
		5,040,956	5,279,101
Current liabilities			
Accounts payable and accruals	26	677,642	876,384
Deposits received on sales of properties		–	199,313
Contract liabilities	27	286,890	–
Amounts due to non-controlling shareholders	24	35,050	27,942
Current income tax liabilities		20,425	15,118
Bank loans	21	431,220	234,831
Derivative financial instruments	23	1,577	488
		1,452,804	1,354,076
Total liabilities		6,493,760	6,633,177
Total equity and liabilities		13,170,648	13,675,173

The notes on pages 123 to 239 are an integral part of these consolidated financial statements.

The financial statements on pages 115 to 239 were approved by the Board of Directors on 20 March 2019 and were signed on its behalf.

KUOK Hui Kwong
Director

LIM Beng Chee
Director

Consolidated Statement of Profit or Loss

	Note	Year ended 31 December 2018 USD'000	2017 USD'000
Revenue	5	2,517,857	2,189,823
Cost of sales	28	(1,113,268)	(955,118)
Gross profit		1,404,589	1,234,705
Other losses – net	29	(126,427)	(16,164)
Marketing costs	28	(99,039)	(89,341)
Administrative expenses	28	(254,811)	(220,548)
Other operating expenses	28	(743,804)	(730,751)
Operating profit		180,508	177,901
Finance costs – net	32	(195,505)	(131,419)
Share of profit of associates	33	305,393	203,684
Profit before income tax		290,396	250,166
Income tax expense	34	(106,658)	(106,120)
Profit for the year		183,738	144,046
Profit/(Loss) attributable to:			
Owners of the Company		192,905	157,997
Non-controlling interests		(9,167)	(13,951)
		183,738	144,046
Earnings per share for profit attributable to owners of the Company during the year *(expressed in US cents per share)*			
– basic	35	5.40	4.43
– diluted	35	5.40	4.42

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2018	2017
	USD'000	USD'000
Profit for the year	183,738	144,046
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligation	53	171
Items that may be reclassified subsequently to profit or loss		
Fair value changes of interest-rate swap contracts – hedging	(1,871)	8,730
Fair value changes of available-for-sale financial assets	–	1,632
Currency translation differences – subsidiaries	(236,241)	316,974
Currency translation differences – associates	(194,186)	214,137
Other comprehensive (loss)/income for the year	(432,245)	541,644
Total comprehensive (loss)/income for the year	(248,507)	685,690
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(223,910)	669,916
Non-controlling interests	(24,597)	15,774
	(248,507)	685,690

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company						
		Share capital and premium USD'000	Shares held for share award scheme USD'000	Other reserves USD'000	Retained earnings USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
Balance at 1 January 2018, as previously reported		3,198,420	-	1,117,763	2,286,373	6,602,556	439,440	7,041,996
Change in accounting policy - HKFRS 9		-	-	(6,842)	6,842	-	-	-
Balance at 1 January 2018, as restated		3,198,420	-	1,110,921	2,293,215	6,602,556	439,440	7,041,996
Remeasurements of post-employment benefit obligations		-	-	-	41	41	12	53
Fair value changes of interest-rate swap contracts - hedging		-	-	(1,871)	-	(1,871)	-	(1,871)
Currency translation differences		-	-	(414,985)	-	(414,985)	(15,442)	(430,427)
Other comprehensive income/(loss) for the year recognised directly in equity		-	-	(416,856)	41	(416,815)	(15,430)	(432,245)
Profit/(Loss) for the year		-	-	-	192,905	192,905	(9,167)	183,738
Total comprehensive income/(loss) for the year ended 31 December 2018		-	-	(416,856)	192,946	(223,910)	(24,597)	(248,507)
Exercise of share options - allotment of shares	18	2,289	-	-	-	2,289	-	2,289
Exercise of share options - transfer from share option reserve to share premium	20	1,286	-	(1,286)	-	-	-	-
Shares purchase for share award scheme	18	-	(7,924)	-	-	(7,924)	-	(7,924)
Granting of shares under share award scheme		-	-	3,550	-	3,550	-	3,550
Vesting of shares under share award scheme	18	-	2,928	(2,961)	33	-	-	-
Payment of 2017 final dividend		-	-	-	(50,740)	(50,740)	-	(50,740)
Payment of 2018 interim dividend		-	-	-	(36,870)	(36,870)	-	(36,870)
Dividend paid and payable to non-controlling shareholders		-	-	-	-	-	(20,056)	(20,056)
Equity injected by non-controlling shareholders		-	-	-	-	-	765	765
Net change in equity loans due to non-controlling shareholders		-	-	-	-	-	(7,615)	(7,615)
		3,575	(4,996)	(697)	(87,577)	(89,695)	(26,906)	(116,601)
Balance at 31 December 2018		3,201,995	(4,996)	693,368	2,398,584	6,288,951	387,937	6,676,888

Consolidated Statement of Changes in Equity

	Note	Share capital and premium USD'000	Other reserves USD'000	Retained earnings USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
		Attributable to owners of the Company					
Balance at 1 January 2017		3,191,801	606,320	2,192,707	5,990,828	421,606	6,412,434
Remeasurements of post-employment benefit obligations		-	-	163	163	8	171
Fair value changes of interest-rate swap contracts – hedging		-	8,730	-	8,730	-	8,730
Fair value changes of available-for-sale financial assets		-	1,632	-	1,632	-	1,632
Currency translation differences		-	501,394	-	501,394	29,717	531,111
Other comprehensive income for the year recognised directly in equity		-	511,756	163	511,919	29,725	541,644
Profit/(Loss) for the year		-	-	157,997	157,997	(13,951)	144,046
Total comprehensive income for the year ended 31 December 2017		-	511,756	158,160	669,916	15,774	685,690
Exercise of share options – allotment of shares	18	6,306	-	-	6,306	-	6,306
Exercise of share options – transfer from share option reserve to share premium	20	313	(313)	-	-	-	-
Payment of 2016 final dividend		-	-	(36,847)	(36,847)	-	(36,847)
Payment of 2017 interim dividend		-	-	(27,647)	(27,647)	-	(27,647)
Dividend paid and payable to non-controlling shareholders		-	-	-	-	(21,393)	(21,393)
Equity injected by non-controlling shareholders		-	-	-	-	488	488
Net change in equity loans due to non-controlling shareholders		-	-	-	-	(2,806)	(2,806)
Transfer from amounts due to non-controlling shareholders		-	-	-	-	25,771	25,771
		6,619	(313)	(64,494)	(58,188)	2,060	(56,128)
Balance at 31 December 2017		3,198,420	1,117,763	2,286,373	6,602,556	439,440	7,041,996

Included in the retained earnings are statutory funds of approximately USD75,301,000 (2017: USD71,207,000). These funds are set up by way of appropriation from the profit after taxation of the respective companies, established and operating in Mainland China, in accordance with the relevant laws and regulations.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2018 USD'000	2017 USD'000
Cash flows from operating activities			
Cash generated from operations	37(a)	707,888	727,426
Interest paid		(172,396)	(152,077)
Hong Kong profits tax paid		(3,790)	(11,461)
Overseas tax paid		(85,384)	(90,228)
Net cash generated from operating activities		446,318	473,660
Cash flows from investing activities			
Purchase of property, plant and equipment		(61,478)	(231,261)
Capital expenditure on properties under development		(92,862)	(143,379)
Addition of leasehold land and land use rights		(23,196)	(387)
Capital expenditure on investment properties		(113,925)	(54,997)
Capital expenditure on intangible assets		(7,017)	–
Proceeds from disposal of property, plant and equipment; and partial replacement of investment properties		32,664	1,264
Proceeds from disposal of controlling interests in a subsidiary		–	7,826
Proceeds from disposal of equity interests in and equity loan to an associate		–	53,300
Acquisition of interests in a restaurant company (net of cash acquired)		(4,096)	–
Capital injection to associates		(1,730)	–
Net (increase)/decrease in loans to associates		(12,106)	6,150
Interest received		18,557	13,057
Dividends received from associates		96,092	105,768
Dividends received from listed securities		2,749	1,489
Addition of available-for-sale financial assets		–	(1,300)
Short term advance repaid from/(provided to) a third party		2,450	(3,500)
Decrease in short-term bank deposits with original maturities over 3 months		35,605	42,057
Net cash used in investing activities		(128,293)	(203,913)

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2018 USD'000	2017 USD'000
Cash flows from financing activities			
Dividends paid to owners of the Company		(87,610)	(64,494)
Dividends paid to non-controlling shareholders		(19,778)	(21,403)
Net proceeds from issuance of ordinary shares		2,289	6,306
Purchase of shares for share award scheme		(7,924)	–
Net decrease in loans from non-controlling shareholders		(3,261)	(5,905)
Capital injection from non-controlling shareholders		765	488
Net proceeds from issuance of fixed rate bonds		636,852	–
Redemption of fixed rate bonds		–	(600,000)
Repayment of bank loans		(1,620,686)	(1,106,510)
Bank loans drawn down		980,437	1,523,810
Net cash used in financing activities		(118,916)	(267,708)
Net increase in cash and cash equivalents		199,109	2,039
Cash and cash equivalents at beginning of the year		797,278	777,577
Exchange (losses)/gains on cash and cash equivalents		(25,977)	17,662
Cash and cash equivalents at end of the year	17	970,410	797,278

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The principal activities of Shangri-La Asia Limited ("**Company**") and its subsidiaries (together, "**Group**") are the development, ownership and operation of hotel properties, the provision of hotel management and related services, the development, ownership and operations of investment properties and property development for sale.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 New accounting standards, amendments and interpretation to accounting standards adopted by the Group

The following new accounting standards, amendments and interpretation to accounting standards effective in 2018 which are relevant to the Group's operations have been adopted by the Group for the first time for the financial year beginning on 1 January 2018:

HKFRS 9 – Financial Instruments
HKFRS 15 – Revenue from Contracts with Customers
Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 40 – Transfer to Investment Property
HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014-2016 cycle

All these new accounting standards, amendments and interpretation to accounting standards adopted by the Group did not have any significant impact on the Group's financial statements except for the following impacts as a result of the adoption of HKFRS 9 and HKFRS 15.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New accounting standards, amendments and interpretation to accounting standards adopted by the Group (continued)

a) HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact of adoption

The adoption of HKFRS 9 does not have material impact to the Group, except for the club debentures which were reclassified from available-for-sale ("**AFS**") financial assets measured at fair value as previously reported to financial assets at fair value through profit or loss ("**FVPL**"). The cumulative fair value gains of USD6,842,000 were transferred from the AFS financial assets reserve to retained earnings on 1 January 2018. For the year ended 31 December 2018, net fair value gains of USD1,216,000 relating to these club debentures were recognised in profit or loss.

The other financial assets held by the Group include:

- equity and loan instruments which were reclassified from AFS financial assets measured at fair value to financial assets at fair value through other comprehensive income ("**FVOCI**"); and

- equity investments of listed securities which were previously classified as financial assets held for trading measured at fair value would continue to be measured on the same basis under HKFRS 9

Gains or losses realised on the sale of equity interests at FVOCI in the future will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. In addition, gains or losses realised on the sale of debt instruments at FVOCI in the future will be transferred to profit or loss on sale.

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVPL and the Group does not have any such liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New accounting standards, amendments and interpretation to accounting standards adopted by the Group (continued)

a) *HKFRS 9 Financial Instruments (continued)*

Impact of adoption (continued)

The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group's interest-rate swap contracts aimed at hedging the Group's bank borrowing interests would continue to qualify as effective hedges upon the adoption of HKFRS 9 and there was no impact on the Group's accounting for the interest-rate swap contracts.

The Group adopted the simplified version of the expected credit loss model on trade receivables, which involves assessing lifetime expected credit losses on all balances. To estimate the required impairment provision, management will assess historical collection rates of each operating entity and will consider adjustments for future expectations. There was no material impact on the financial statements from the application of the expected credit loss model on trade receivables.

The Group has applied the transitional provisions set out in HKFRS 9 without restating comparative information.

b) *HKFRS 15 Revenue from Contracts with Customers*

The HKFRS 15 replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Impact of adoption

Certain operating expenses charged by the Group to its managed hotels on a net basis as reimbursement previously would be recognised on a gross basis in the consolidated statement of profit or loss (i.e. income and expense of the same amount will be recognised) on adoption of the new standard as the Group is regarded as having controls over these operating activities. As a result, for the year ended 31 December 2018, both the revenue and operating expenses of the Group's consolidated statement of profit or loss were increased by USD39,571,000 while the consolidated retained earnings at 1 January 2018 were unaffected.

The Group recognises contract liabilities when a customer pays consideration, or is contractually required to pay consideration, before the Group recognises the related revenue. These contract liabilities, including receipts in advance from customers and unredeemed loyalty points liabilities, are required to be separately presented following the adoption of HKFRS 15.

The Group has adopted the modified retrospective approach set out in HKFRS 15 without restating comparative information.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New accounting standards, amendments and interpretation to accounting standards adopted by the Group (continued)

c) *Impact on the consolidated financial statements*

The following table shows the reclassifications and adjustments recognised for each individual line item in the consolidated statement of financial position on 1 January 2018. Financial numbers as at 31 December 2017 are not restated. Line items that were not affected by the changes are not shown.

Consolidated statement of financial position (extract)	31 Dec 2017 as previously reported	Impact from adoption of		1 Jan 2018 as restated
		HKFRS 9	HKFRS 15	
Assets				
AFS financial assets (non-current)	13,343	(13,343)	–	–
Financial assets at FVPL (non-current)	–	9,198	–	9,198
Financial assets at FVOCI (non-current)	–	4,145	–	4,145
Financial assets held for trading (current)	23,534	(23,534)	–	–
Financial assets at FVPL (current)	–	23,534	–	23,534
Liabilities				
Accounts payable and accruals	876,384	–	(150,505)	725,879
Deposits received on sales of properties	199,313	–	(199,313)	–
Contract liabilities	–	–	349,818	349,818
Equity				
Other reserves	1,117,763	(6,842)	–	1,110,921
Retained earnings	2,286,373	6,842	–	2,293,215

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New accounting standards, amendments and interpretation to accounting standards adopted by the Group (continued)

c) *Impact on the consolidated financial statements (continued)*

The following tables show the impact on each individual line item of the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2018 and the consolidated statement of financial position as of 31 December 2018 following the adoption of the HKFRS 9 and HKFRS 15. Line items that were not affected by the changes are not shown.

	For the year ended 31 December 2018			
Consolidated statement of profit or loss (extract)	Before adoption of new standards	Impact from adoption of HKFRS 9	Impact from adoption of HKFRS 15	As reported
Revenue	2,478,286	–	39,571	2,517,857
Other losses – net	(127,643)	1,216	–	(126,427)
Other operating expenses	(704,233)	–	(39,571)	(743,804)
Operating profit	179,292	1,216	–	180,508
Profit before income tax	289,180	1,216	–	290,396
Profit for the year	182,522	1,216	–	183,738
Profit attributable to owners of the Company	191,689	1,216	–	192,905

	For the year ended 31 December 2018			
Consolidated statement of comprehensive income (extract)	Before adoption of new standards	Impact from adoption of HKFRS 9	Impact from adoption of HKFRS 15	As reported
Profit for the year	182,522	1,216	–	183,738
Other comprehensive income:				
Fair value changes of AFS financial assets	1,216	(1,216)	–	–
Other comprehensive loss for the year	(431,029)	(1,216)	–	(432,245)
Total comprehensive income for the year	(248,507)	–	–	(248,507)

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New accounting standards, amendments and interpretation to accounting standards adopted by the Group (continued)

c) Impact on the consolidated financial statements (continued)

Consolidated statement of financial position (extract)	As at 31 December 2018			
	Before adoption of new standards	Impact from adoption of		As reported
		HKFRS 9	HKFRS 15	
Assets				
AFS financial assets (non-current)	14,555	(14,555)	–	–
Financial assets at FVPL (non-current)	–	10,391	–	10,391
Financial assets at FVOCI (non-current)	–	4,164	–	4,164
Financial assets held for trading (current)	18,836	(18,836)	–	–
Financial assets at FVPL (current)	–	18,836	–	18,836
Liabilities				
Accounts payable and accruals	820,435	–	(142,793)	677,642
Deposits received on sales of properties	144,097	–	(144,097)	–
Contract liabilities	–	–	286,890	286,890
Equity				
Other reserves	694,584	(1,216)	–	693,368
Retained earnings	2,397,368	1,216	–	2,398,584

The adoption of HKFRS 9 and HKFRS 15 has insignificant impact to the earnings per share and has no impact on the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows for the year ended 31 December 2018 and 2017.

2.1.2 New accounting policy for the share award scheme

The Group operates the share award scheme during the year ended 31 December 2018. Details of the accounting policies are set out in Note 2.27.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 New standards, amendments and interpretation to standards not yet adopted by the Group

Certain new accounting standards, amendments and interpretation to standards have been published that are not mandatory for the year 2018 and have not been early adopted by the Group. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position, except for the following set out below:

HKFRS 16 Lease

Nature of change

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires almost all leases being recognised by the lessee on the statement of financial position, as the distinction between operating and finance lease is removed. Lessor accounting is substantially unchanged and lessors will continue to classify all leases using the same classification between operating and finance lease.

Impact

At the commencement date of a lease, a lessee will recognise a financial liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The only exceptions are short-term and low-value leases. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset instead of the lease expense. The new standard will affect primarily the accounting for the Group's operating leases. The financials in relation to the Group's leasehold land and leasehold premises which are required to pay scheduled lease payments will be most affected by the new standard. The Group is quantifying to what extent these changes will result in the recognition of the right-of-use asset and the lease liability and how this will affect the Group's profit and classification of cash flows. Based on the current assessment, it is estimated that the change in accounting for the Group's operating lease would have caused the profit attributable to owners of the Company and total equity decreases by approximately 5% and 2%, respectively for the year ended 31 December 2018 if HKFRS 16 has been adopted from 1 January 2018.

Date of adoption by the Group

The new standard is mandatory for financial years commencing on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate the comparative amounts for the year prior to first adoption. Right-of-use assets for the leases will be measured on transition as if the new rules had always been applied.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

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

(a) Subsidiaries

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets.

The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss as negative goodwill.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(b) Transactions with non-controlling interests

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

(c) Disposal of subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests and no gain or loss is recognised.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (see Note 2.8).

If the ownership interest in an associate is reduced but significant influence is retained, only the proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except those arising from qualifying cash flow hedges and qualifying net investment hedges which would be recognised in other comprehensive income.

Foreign exchange gains and losses including those relate to borrowings and cash and bank balances are presented in the consolidated statement of profit or loss within "Finance costs – net".

Translation differences on monetary items, such as financial assets at FVPL, are reported as part of the fair value gain or loss. Translation differences on non-monetary items are included in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(c) Group companies

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

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

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

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

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

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

2.5 Property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

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

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

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

Properties under development and freehold land for hotel properties are not subject to depreciation and are stated at cost less accumulated impairment, if any. Leasehold land classified as finance lease commences depreciation from the time when the land is available for its intended use.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating expenses in the statement of profit or loss if the disposal is arising from normal operation of the business.

2.6 Investment properties

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

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

Investment property is measured initially at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value, representing open market value determined by external professional valuers. Property under construction that is being classified as investment property is revalued to fair value when it becomes reliably determinable on a continuing basis. The valuations performed by the independent valuers for financial reporting purposes would be reviewed by the Group's management and discussions of valuation processes and results are held with the valuers at least once every six months to be in line with the Group's interim and annual reporting requirements. Changes in fair values are recognised in the statement of profit or loss.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leasehold land and land use rights

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

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in interest in associates. Goodwill on acquisitions is tested for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 20 to 50 years.

(c) Website and system development costs

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

2.9 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Intangible assets that have an indefinite useful life, for example goodwill, or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the impairment assessment for hotel properties, these indications include continuing adverse changes in the local market conditions in which the hotel operates or will operate, or when the hotel continues to operate at a loss position and its financial performance is worse than expected. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.11 Financial assets

The Group classifies its investments in the following categories: financial assets at amortised cost, FVPL and FVOCI. The classification depends on the Group's business model for managing the investments. Management determines the classification of its investments at initial recognition.

(a) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(b) Measurement

Subsequent to initial recognition, debt instruments financial assets are measured as follows.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses which are significant are presented as separate line item in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(b) Measurement (continued)

FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other gains/(losses) using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

For equity instruments, the Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(d) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. Until 31 December 2017, the Group classifies its financial assets in the following categories: financial assets held for trading, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this classification at every reporting date.

(i) Financial assets held for trading

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the date of the statement of financial position which are classified as non-current assets. Loans and receivables included trade and other receivables in the statement of financial position (Note 2.15).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the date of the statement of financial position.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(d) Accounting policies applied until 31 December 2017 (continued)

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

2.12 Derivative financial instruments (hedging and non-hedging)

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

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

(a) Hedging

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

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

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

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

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

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the statement of profit or loss within “Other gains/(losses) – net”.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) Non-hedging

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

2.13 Inventories

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

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

2.14 Properties for sale

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

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a short period of time and therefore are all classified as current.

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses. The Group's policies on the recognition of credit losses are set out in Note 3.1(b) to this consolidated financial statements.

Before 1 January 2018, the provision for impairment of trade and other receivable is made using the incurred loss model when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

2.16 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Share capital

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

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the consolidated equity attributable to owners of the Company until the shares are resold. Where such shares are subsequently resold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, will increase the consolidated equity attributable to owners of the Company. The dividends on these own shares held are excluded from the dividend distribution to owners of the Company recognised in the consolidated financial statements.

2.18 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.19 Borrowings

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

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

2.20 Pre-operating expenditure

Pre-operating expenditure is charged to the statement of profit or loss in the year in which it is incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted for the year, and any adjustment to tax payable in respect of previous years in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profit is not recognised.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Employee leave entitlements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (continued)

(b) Pension obligations

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

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

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

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

(c) Bonus plans

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

2.23 Provisions

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

2.24 Revenue recognition

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

(i) Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is generally recognised at the point in time when the services are rendered.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (continued)

(ii) The Group operates the Golden Circle, a loyalty programme where customers mainly accumulate points from hotel stays and dinning at the Group's hotel. A contract liability for the award points is recognised at the time of sales. Revenue is subsequently recognised when the points are redeemed or when they are expired.

(iii) Revenue in respect of hotel management and related services is recognised over time during the period when management services are delivered to the hotels.

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

(v) Revenue from sales of properties is recognised when control over the properties are transferred to the purchasers. An enforceable right to payment does not arise until legal title has passed to the purchasers and revenue is recognised at a point in time when the legal title has passed to the purchasers. Payments received from purchasers prior to this stage are recorded as deposits received on sales of properties, which are included in contract liabilities.

(vi) Interest income on financial assets at amortised cost and financial assets at FVOCI is recognised using the effective interest method as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(vii) Dividend income is recognised when the right to receive payment is established.

2.25 Operating leases

(a) As the lessee

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

(b) As the lessor

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Dividend distribution

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

2.27 Share-based compensation

The Group operates two equity-settled, share-based compensation plans.

(a) Share option scheme

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets) and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each date of the statement of financial position, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

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

(b) Share award scheme

The Group operates the share award scheme under which awarded shares of the Company can be granted to the employees of the Group and the Company's directors as part of their remuneration package.

When shares are acquired for the share award scheme from the market, the total consideration of shares acquired is deducted from the share capital and premium.

Upon granting of shares, share-based compensation expenses is charged to the statement of profit or loss and the amount of which is determined by reference to the fair value of the awarded shares granted, taking into account all non-vesting conditions associated with the grants on grant date. The total expense is recognised on a straight-line basis over the relevant vesting periods (or on the grant date if the shares vest immediately), with a corresponding credit to the share award reserve under equity. For those awarded shares which are amortised over the vesting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to employee share-based compensation expense in the current period, with a corresponding adjustment to the share award reserve.

Upon vesting of shares, the related total consideration of the vested awarded shares when acquired are credited to the share capital and share premium, with a corresponding decrease in share award reserve for awarded shares.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are charged to the statement of profit or loss in the year in which they are incurred.

2.29 Financial guarantee contracts

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

After initial recognition, an issuer of financial guarantee contracts shall subsequently measure it at the higher of the amount of the loss allowance and the amount initially recognised less, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

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

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

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

The Group analyses its exchange exposure based on the financial position at year end. The Group's exchange risk mainly arises from long-term bank loans and shareholders' loans and the Group calculates such impact on the statement of profit or loss. The Group also calculates the impact on the exchange fluctuation reserve of the exchange risk on consolidation arising from the translation of the net investment in foreign entities. At 31 December 2018, if US dollar has weakened/strengthened by 5% (2017: 5%) against all other currencies (except Hong Kong dollar) with all other variables held constant, the Group's profit attributable to owners of the Company and exchange fluctuation reserve would have increased/decreased by USD12,782,000 (2017: USD10,281,000) and USD414,339,000 (2017: USD434,004,000), respectively. The exchange rate between US dollar and Hong Kong dollar is only allowed to fluctuate in a narrow range under the Hong Kong's linked exchange rate system.

(ii) Equity securities price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position as financial assets at FVPL. Financial assets at FVOCI are mainly investments in unquoted shares which are not subject to price risk. The Group is not exposed to commodity price risk.

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

For every 5% increase/decrease in the fair value of the trading securities classified under financial assets at FVPL, the carrying value of the trading securities will increase/decrease by USD942,000 (2017: USD1,177,000) while the Group's profit attributable to owners of the Company will increase/decrease by USD942,000 (2017: USD1,177,000).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Equity securities price risk (continued)

Based on the market value of all the trading securities under financial assets at fair value through profit or loss as at 31 December 2018, 100% (2017: 100%) of the Group's trading securities are listed on The Stock Exchange of Hong Kong Limited ("**HKSE**") and are valued at closing market bid prices at the date of the statement of financial position. The market equity index for the HKSE, at the close of business of the nearest trading day in the year to the date of the statement of financial position, and the highest and lowest points during the year were as follows:

	31 December 2018	High/low 2018	31 December 2017	High/low 2017
Hong Kong - Hang Seng Index	25,846	33,484/ 24,541	29,919	30,200/ 21,884

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

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

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

Bank loans issued at variable rates expose the Group to cash flow interest-rate risk. Group policy is to maintain an optimal portion of its borrowings at fixed rate, considering fixed rate bonds and Renminbi bank loans are fixed rate in nature and taking into account the principal amount of all interest-rate swap contracts executed. As at 31 December 2018, 38% (31 December 2017: 28%) of borrowings were at fixed rates on that basis.

The Group analyses its interest rate exposure on bank loans not hedged by interest-rate swap contracts based on the assumption that the loan position at year end could be wholly refinanced and/or renewed. The Group calculates the impact on statement of profit or loss of a defined interest rate shift. The same interest rate shift is used for all currencies. The sensitivity test is running only for all bank loans not hedged by interest-rate swap contracts that present the major interest bearing portion. Based on the simulation performed, the impact on statement of profit or loss of one percentage point increase would be a decrease of the Group's profit attributable to owners of the Company of USD34,324,000 (2017: USD34,177,000) after interest capitalisation for properties under development.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, at FVOCI and FVPL, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

In the prior year, the impairment of trade and other receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables and other financial assets.

The Group applies the HKFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables which have been grouped based on shared credit risk characteristics and the days past due. Historical default rate is calculated based on historical loss patterns and customer bases.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sale of rooms to wholesalers are made to customers with an appropriate credit history. Sales to retail customers are made via credit cards to a significant extent. Sales to corporate customers are made to customers with good credit history. The Group has policies that limit the amount of global credit exposure to any customer. Cash and bank deposits are mainly placed in major international and local banks. Since the Group's historical credit loss experience for its trade receivable was minimal, the loss allowance for trade receivables as a result of applying the expected credit loss model was therefore immaterial.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

The analysis of the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date is as follows. The Group's estimated and actual financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

	Less than 3 months USD'000	Between 3 months and 1 year USD'000	Between 1 and 2 years USD'000	Over 2 years USD'000
At 31 December 2018				
Bank loans	161,751	269,469	1,056,483	3,010,203
Fixed rate bonds	–	–	–	640,371
Interest payable for bank loans	36,789	108,143	126,215	126,499
Interest payable for fixed rate bonds	–	29,073	29,073	145,363
Derivative financial instruments	394	1,183	1,578	4,683
Due to non-controlling shareholders	35,050	–	–	–
Accounts payable and accruals	85,231	592,411	–	–
Financial guarantee contracts for bank loans granted to associates	4,727	21,885	62,277	40,305
At 31 December 2017				
Bank loans	117,332	117,499	1,014,804	3,935,040
Interest payable for bank loans	31,467	93,751	106,651	121,145
Derivative financial instruments	182	306	–	–
Due to non-controlling shareholders	–	27,942	–	–
Accounts payable and accruals	98,405	777,979	–	–
Financial guarantee contracts for bank loans granted to associates	4,967	15,986	48,255	168,548

The amounts disclosed in the table are the contractual undiscounted cash flows which are equal to their carrying balances in the respective consolidated statement of financial position except that the fixed rate bonds included in the consolidated statement of financial position as at 31 December 2018 are USD636,933,000; and that the estimated amount of interest payable for bank loans and fixed rate bonds are arrived at based on the principal loan balance and prevailing interest rates at year end date up to the final maturity date of the loan agreements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

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

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

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

The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 USD'000	2017 USD'000
Total borrowings	5,134,839	5,184,675
Less: Cash and bank balances and short-term fund placements (Note 17)	(1,059,389)	(921,862)
Net debt	4,075,450	4,262,813
Total equity	6,676,888	7,041,996
Gearing ratio (net debt over total equity)	61.0%	60.5%

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

3.3 Accounting for interest-rate swap contracts

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

As at 31 December 2018, the Group had interest-rate swap contracts with a total principal amount of USD860,000,000 (2017: HKD1,600,000,000 (equivalent to USD206,452,000) and USD806,000,000 totaling USD1,012,452,000), all these contracts qualify for hedge accounting. Under the accounting treatment of interest-rate swap contracts, the effective portion of the change in the fair value of the contracts is recognised in "Hedging reserve" in equity while the gain or loss relating to the ineffective portion is recognised immediately in "Other gains/(losses) – net" of statement of profit or loss and the related cash flows arising from these interest-rate swap contracts in the period is classified as interest expenses in the statement of profit or loss.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value estimation of financial instruments

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

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

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

Level 3 – Fair value measured using significant unobservable inputs

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

(a) Financial instruments in Level 1

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

(b) Financial instruments in Level 2

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

Specific valuation techniques used to value financial instruments include:

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

(c) Financial instruments in Level 3

Fair value is determined by using valuation techniques principally based on discounted cash flow analysis with reference to inputs of cash flow payback and other specific input relevant to the financial assets. Changing unobservable inputs used in level 3 valuation to reasonable alternate assumptions would not have significant impact on the Group's profit or loss.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value estimation of financial instruments (continued)

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018. See Note 8 for disclosures of the investment properties that are measured at fair value.

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Financial assets at fair value through profit or loss (Note 13)				
– Club debentures	10,391	–	–	10,391
– Listed shares	18,836	–	–	18,836
Financial assets at fair value through other comprehensive income (Note 13)				
– Equity and loan instruments	–	–	4,164	4,164
Derivative financial instruments (Note 23)				
– Interest-rate swap contracts	–	11,574	–	11,574
Total assets	29,227	11,574	4,164	44,965
Liabilities				
Derivative financial instruments				
– Interest-rate swap contracts (Note 23)	–	7,129	–	7,129
– Cross currency swap contracts (Note 23)	–	709	–	709
Total liabilities	–	7,838	–	7,838

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value estimation of financial instruments (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2017. Details regarding the restatement as a result of the change in accounting policy are set out in Note 2.1.1 to this consolidated financial statements.

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Available-for-sale financial assets (Note 13)				
– Club debentures	9,198	–	–	9,198
Financial assets held for trading (Note 13)				
– Equity securities	23,534	–	–	23,534
Derivative financial instruments (Note 23)				
– Interest-rate swap contracts	–	6,805	–	6,805
Total assets	32,732	6,805	–	39,537
Liabilities				
Derivative financial instruments (Note 23)				
– Interest-rate swap contracts	–	488	–	488

The financial assets at fair value through other comprehensive income – equity and loan instruments of USD4,164,000 grouped under level 3 as at 31 December 2018 was previously classified as available-for-sale financial assets in the statement of financial position as at 31 December 2017.

The following table presents the changes in level 3 instruments of the Group for the year ended 31 December 2018:

	Financial assets at fair value through other comprehensive income – equity and loan instruments USD'000
At 31 December 2017	–
Transfer from available-for-sale financial assets	4,145
Exchange differences	19
At 31 December 2018	4,164

Other than the transfer of equity and loan instruments from available-for-sale financial assets, and the classification of these instruments under level 3 for current year, there was no other transfer between the levels of the fair value hierarchy of the Group's financial assets and liabilities during the year.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

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

The Group tests whether goodwill, investments in subsidiaries and associates and non-financial assets have suffered any impairment in accordance with the accounting policies stated in Note 2.8 and Note 2.10, respectively. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts of cash-generating units are predominantly determined based on value-in-use calculations which require the use of estimates. The Group assesses the fair value of some of its property, plant and equipment based on valuations determined by independent professional qualified valuers on an open market for existing use basis or sales basis.

(b) Income taxes

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

(c) Estimate of fair value of investment properties

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

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for these portions separately. If the portions cannot be sold separately, the entire property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

5 REVENUE AND SEGMENT INFORMATION

The Group owns/leases and operates hotels and associated properties; and provides hotel management and related services. The Group also owns investment properties for property rentals and engages in property sales business. Most of the associates are engaged in hotel ownership, property rentals and property sales businesses and these revenues of the associates are not included in the consolidated revenue of the Group. Revenue recognised in the consolidated financial statements during the year are as follows:

	2018 USD'000	2017 USD'000
Revenue		
Hotel properties		
Revenue from rooms	1,143,405	1,042,504
Food and beverage sales	941,322	861,130
Rendering of ancillary services	122,268	114,378
Hotel management and related services	100,051	65,345
Property development for sale	127,659	33,463
Other business	580	–
Revenue from contracts with customers within the scope of HKFRS 15	2,435,285	2,116,820
Investment properties	82,572	73,003
Total consolidated revenue	2,517,857	2,189,823

The Company is domiciled in Hong Kong. The revenue from external customers attributed to Hong Kong and other countries are USD454,108,000 (2017: USD358,872,000) and USD2,063,749,000 (2017: USD1,830,951,000), respectively.

The total of non-current assets other than financial assets at FVOCI and FVPL, derivative financial instruments, deferred income tax assets and interest in associates located in Hong Kong and other countries are USD868,933,000 (2017: USD898,817,000) and USD6,746,798,000 (2017: USD7,434,246,000), respectively.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

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

i. **Hotel properties** – development, ownership and operations of hotel properties (including hotels under lease)

- Hong Kong
- Mainland China
- Singapore
- Malaysia
- The Philippines
- Japan
- Thailand
- France
- Australia
- United Kingdom
- Mongolia
- Sri Lanka
- Other countries (including Fiji, Myanmar, Maldives, Indonesia, Turkey and Mauritius)

ii. **Hotel management and related services** for Group-owned hotels and for hotels owned by third parties

iii. **Investment properties** – development, ownership and operations of office properties, commercial properties and serviced apartments/residences

- Mainland China
- Singapore
- Malaysia
- Mongolia
- Other countries (including Australia and Myanmar)

iv. **Property development for sale**

The Group is also engaged in other businesses including wines trading and restaurant operation outside hotel. These other businesses did not have a material impact on the Group's results.

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

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment profit or loss

For the year ended 31 December 2018 and 2017 (USD million)

	2018		2017	
	Revenue (Note ii)	Profit/(Loss) after tax (Note i)	Revenue (Note ii)	Profit/(Loss) after tax (Note i)
Hotel properties				
Hong Kong	370.1	58.7	312.5	55.0
Mainland China	842.1	19.9	794.9	17.1
Singapore	237.0	35.3	184.6	16.3
Malaysia	129.3	17.1	121.3	13.9
The Philippines	171.7	9.6	184.9	7.2
Japan	67.2	3.5	63.7	1.5
Thailand	78.2	14.2	70.1	10.7
France	50.1	(13.4)	42.6	(16.1)
Australia	92.2	0.6	101.9	4.3
United Kingdom	50.7	(16.0)	47.4	(15.2)
Mongolia	15.2	(7.7)	13.4	(4.5)
Sri Lanka	40.2	(18.8)	12.6	(12.0)
Other countries	62.9	(13.1)	68.1	(9.7)
	2,206.9	89.9	2,018.0	68.5
Hotel management and related services	229.9	8.4	159.7	32.7
Investment properties				
Mainland China	20.2	142.9	17.1	125.8
Singapore	13.6	9.1	13.3	8.0
Malaysia	6.2	1.7	5.9	1.5
Mongolia	16.8	(3.2)	12.4	(2.5)
Other countries	25.8	3.7	24.3	3.9
	82.6	154.2	73.0	136.7
Property development for sale	127.7	84.2	33.5	31.1
Other business	0.6	(0.2)	–	(0.2)
Total	2,647.7	336.5	2,284.2	268.8
Less: Hotel management – Inter-segment revenue	(129.8)		(94.4)	
Total external revenue	2,517.9		2,189.8	
Net corporate finance costs (including foreign exchange gains and losses)		(104.2)		(77.5)
Land cost amortisation and pre-opening expenses for projects		(5.4)		(26.6)
Corporate expenses		(29.6)		(24.0)
Profit before non-operating items		197.3		140.7

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment profit or loss (continued)

For year ended 31 December 2018 and 2017 (USD million) (continued)

	2018	2017
	Profit/(Loss) after tax (Note i)	Profit/(Loss) after tax (Note i)
Profit before non-operating items	197.3	140.7
Non-operating items		
Share of net fair value gains on investment properties	111.1	4.9
Net unrealised (losses)/gains on financial assets at fair value through profit or loss	(3.5)	8.6
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	0.1	(0.9)
Provision for impairment losses on hotel properties	(112.9)	–
Losses on major renovation of operating properties	(2.1)	(10.2)
Gain on disposal of a hotel	2.9	–
Gain on disposal of equity interests in a subsidiary and an associate	–	14.9
Total non-operating items	(4.4)	17.3
Profit attributable to owners of the Company	192.9	158.0

Notes:

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

ii. Revenue excludes revenue of associates.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment profit or loss (continued)

For year ended 31 December 2018 and 2017 (USD million) (continued)

The Group's share of profit of associates (excluding projects under development) by operating segments included in profit before non-operating items in the segment profit or loss is analysed as follows:

	2018 Share of profit/(loss) of associates	2017 Share of profit/(loss) of associates
Hotel properties		
Hong Kong	0.5	(0.1)
Mainland China	9.3	11.4
Singapore	(0.2)	–
Malaysia	4.9	4.2
The Philippines	0.1	(1.6)
Other countries	(0.5)	(1.1)
	14.1	12.8
Investment properties		
Mainland China	146.2	127.8
Singapore	3.8	4.0
	150.0	131.8
Property development for sale	23.3	33.5
Other business	0.3	(0.2)
Total	187.7	177.9

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment profit or loss (continued)

For year ended 31 December 2018 and 2017 (USD million) (continued)

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

	2018		2017	
	Depreciation and amortisation	Income tax expense	Depreciation and amortisation	Income tax expense
Hotel properties				
Hong Kong	32.9	14.2	25.1	10.7
Mainland China	153.7	40.7	150.2	39.3
Singapore	20.4	6.0	17.9	4.1
Malaysia	15.9	3.2	14.8	5.2
The Philippines	31.9	5.3	35.4	7.9
Japan	0.7	0.3	0.4	–
Thailand	7.0	7.3	7.8	6.7
France	13.6	–	14.7	–
Australia	13.5	–	13.9	2.5
United Kingdom	8.7	–	8.7	–
Mongolia	13.3	–	9.3	–
Sri Lanka	16.3	1.2	7.3	1.4
Other countries	19.9	(0.5)	18.7	0.4
	347.8	77.7	324.2	78.2
Investment properties				
Mainland China	–	10.7	–	10.0
Singapore	–	1.4	–	0.8
Malaysia	–	0.9	–	0.9
Mongolia	–	5.4	–	4.3
Other countries	–	3.4	–	3.7
	–	21.8	–	19.7
Hotel management and related services	2.9	8.6	2.2	13.2
Property development for sale	–	1.5	–	1.8
Total	350.7	109.6	326.4	112.9

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets

As at 31 December 2018 and 2017 (USD million)

	As at 31 December	
	2018	2017
Hotel properties		
Hong Kong	872.5	881.1
Mainland China	3,088.2	3,399.4
Singapore	565.9	563.2
Malaysia	316.8	328.9
The Philippines	349.2	379.3
Japan	15.8	11.2
Thailand	296.4	281.4
France	289.7	316.7
Australia	287.2	310.6
United Kingdom	63.7	134.0
Mongolia	173.9	217.1
Sri Lanka	261.0	382.3
Other countries	244.1	271.0
	6,824.4	7,476.2
Investment properties		
Mainland China	356.4	375.3
Singapore	441.7	428.6
Malaysia	80.5	71.5
Mongolia	335.1	332.9
Other countries	269.5	300.1
	1,483.2	1,508.4
Property development for sale		
Mainland China	38.1	46.2
Sri Lanka	115.0	–
	153.1	46.2
Hotel management and related services	162.6	146.8
Elimination	(60.0)	(51.1)
Total segment assets	8,563.3	9,126.5
Assets allocated to projects	448.6	448.7
Unallocated assets	146.8	140.0
Intangible assets	100.1	89.9
Total assets of the Company and its subsidiaries	9,258.8	9,805.1
Interest in associates	3,911.8	3,870.1
Total assets	13,170.6	13,675.2

Unallocated assets mainly comprise other assets of the Company and non-properties holding companies of the Group as well as the financial assets at FVOCI and FVPL and deferred income tax assets.

6 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	As at 31 December 2018 USD'000	2017 USD'000
Financial assets			
Financial assets at amortised cost			
– Other receivables	14	14,720	14,254
– Accounts receivable	15	187,156	226,789
– Short term advance to a third party	15	1,050	3,500
– Due from associates	12	204,878	205,994
– Due from non-controlling shareholders	24	–	37
– Short term fund placements	17	49,655	–
– Cash and bank balances	17	1,009,734	921,862
Financial assets at fair value through profit & loss			
– Listed security	13	18,836	–
– Club debentures	13	10,391	–
Financial assets held for trading	13	–	23,534
Financial assets at fair value through other comprehensive income			
– Equity and loan instruments	13	4,164	–
Available-for-sale financial assets	13	–	13,343
Derivate financial instruments			
– Interest-rate swap contracts	23	11,574	6,805
Total		1,512,158	1,416,118
Financial liabilities			
Financial liabilities at amortised cost			
– Bank loans	21	4,497,906	5,184,675
– Fixed rate bonds	22	636,933	–
– Due to non-controlling shareholders	24	35,050	27,942
– Accounts payable and accruals	26	677,642	876,384
Derivate financial instruments			
– Interest-rate swap contracts	23	7,129	488
– Cross currency swap contracts	23	709	–
Total		5,855,369	6,089,489

Notes to the Consolidated Financial Statements

7 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings USD'000	Vehicles and machinery USD'000	Furniture, fixtures and equipment USD'000	Properties under development USD'000	Total USD'000
At 1 January 2017					
Cost	6,361,023	678,080	1,297,786	834,815	9,171,704
Accumulated depreciation and impairment provision	(1,818,845)	(403,143)	(947,026)	–	(3,169,014)
Net book amount	4,542,178	274,937	350,760	834,815	6,002,690
Year ended 31 December 2017					
Opening net book amount	4,542,178	274,937	350,760	834,815	6,002,690
Exchange differences	247,853	13,229	17,894	268	279,244
Additions	138,033	14,213	79,015	204,169	435,430
Disposals	(10,943)	(667)	(729)	(308)	(12,647)
Transfer	657,878	55,605	28,080	(741,563)	–
Transfer to investment properties (Note 8)	(36,566)	–	–	(31,713)	(68,279)
Transfer to properties for sale	–	–	–	(41,941)	(41,941)
Depreciation	(165,314)	(48,476)	(99,115)	–	(312,905)
Closing net book amount	5,373,119	308,841	375,905	223,727	6,281,592
At 31 December 2017					
Cost	7,438,301	778,139	1,464,410	223,727	9,904,577
Accumulated depreciation and impairment provision	(2,065,182)	(469,298)	(1,088,505)	–	(3,622,985)
Net book amount	5,373,119	308,841	375,905	223,727	6,281,592
Year ended 31 December 2018					
Opening net book amount	5,373,119	308,841	375,905	223,727	6,281,592
Exchange differences	(201,200)	(16,561)	(16,942)	(12,972)	(247,675)
Additions	12,584	5,873	43,021	67,390	128,868
Acquisition of a subsidiary	–	–	178	–	178
Disposals	(19,660)	(843)	(3,976)	(1,113)	(25,592)
Transfer	24,874	1,183	6,686	(32,743)	–
Transfer to properties for sale	(22,294)	–	–	(117,763)	(140,057)
Depreciation	(182,514)	(50,917)	(102,858)	–	(336,289)
Impairment provision	(100,371)	(8,721)	(14,093)	–	(123,185)
Closing net book amount	4,884,538	238,855	287,921	126,526	5,537,840
At 31 December 2018					
Cost	7,142,318	747,069	1,424,691	126,526	9,440,604
Accumulated depreciation and impairment provision	(2,257,780)	(508,214)	(1,136,770)	–	(3,902,764)
Net book amount	4,884,538	238,855	287,921	126,526	5,537,840

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) All depreciation expenses (net of amount capitalised of USD16,000 in 2018 (2017: USD53,000)) have been included as part of the other operating expenses.

(b) For year 2018, bank loans of USD108,999,000 (2017: USD129,264,000) are secured on certain fixed assets as disclosed under Note 38(c).

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

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

(e) The Group assesses the carrying value of property, plant and equipment; and leasehold land and land use rights when there is any indication that the assets may be impaired. These indications include continuing adverse changes in the local market conditions in which the hotel operates or will operate, or 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. During the year, the Group recognised impairment losses for hotels owned by the Group in Mainland China and Mongolia and for a hotel operated under operating lease in United Kingdom in the consolidated statement of profit or loss under "Other (losses)/gains – net", to write down their carrying values of property, plant and equipment to their recoverable amount. Details of the impairment loss and recoverable amount (for the hotel property as a whole including the leasehold land where the hotel situated) of each hotel are shown below.

	Impairment loss		
Hotels in	At 100% USD '000	Attributable to owners of the Company USD '000	Recoverable amount USD '000
Diqing, Mainland China	39,987	39,987	47,791
Ulaanbaatar, Mongolia	21,000	10,710	161,917
London, United Kingdom	62,198	62,198	52,076
Total	123,185	112,895	261,784

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 professional firms obtained by the Group using the market comparison approach and income approach. The discount rate in the range of 7.5% to 13% and a long term growth rate of 2.7% to 4.8% per annum were used in the valuation. The fair value on which the recoverable amount is based on is categorised as a Level 3 measurement (based on significant unobservable inputs).

If a higher discount rate is used in the calculation of the recoverable amount of each hotel the Group would have had to recognise additional impairment charges against property, plant and equipment.

Notes to the Consolidated Financial Statements

8 INVESTMENT PROPERTIES

	2018 USD'000	2017 USD'000
At 1 January	1,448,853	1,328,352
Exchange differences	(57,223)	55,359
Additions	113,925	54,997
Disposals	(896)	(254)
Transferred from property, plant and equipment (Note 7)	–	68,279
Fair value losses (Note 29)	(25,987)	(57,880)
At 31 December	1,478,672	1,448,853

(a) As at 31 December 2018, all investment properties are recorded at fair value which were revalued by independent professionally qualified valuers on the basis of their market value as fully operational entities for existing use which equates to the highest and best use of the assets. The fair value gains or losses on revaluation are included in "Other losses – net" in the statement of profit or loss (Note 29).

(b) The carrying values of investment properties comprised:

	2018 USD'000	2017 USD'000
Outside Hong Kong, held on:		
Freehold	654,985	584,601
Leases of over 50 years	206,600	212,000
Leases of between 10 and 50 years	617,087	652,252
	1,478,672	1,448,853

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

8 INVESTMENT PROPERTIES (CONTINUED)

The following table presents the investment properties of the Company's subsidiaries that are measured at fair value at 31 December 2018.

	Fair value measurements at 31 December 2018 using		
	Quoted prices in active markets for identical assets (Level 1) USD'000	Significant other observable inputs (Level 2) USD'000	Significant unobservable inputs (Level 3) USD'000
Recurring fair value measurements			
Investment properties:			
– Office, serviced apartments and commercial complex in Mainland China	–	–	318,222
– Serviced apartments in Singapore	–	–	404,313
– Office, serviced apartments and commercial complex in Mongolia	–	–	267,499
– Office, serviced apartments and commercial complex in other regions	–	–	488,638
	–	–	1,478,672

	Fair value measurements at 31 December 2017 using		
	Quoted prices in active markets for identical assets (Level 1) USD'000	Significant other observable inputs (Level 2) USD'000	Significant unobservable inputs (Level 3) USD'000
Recurring fair value measurements			
Investment properties:			
– Office, serviced apartments and commercial complex in Mainland China	–	–	334,685
– Serviced apartments in Singapore	–	–	412,024
– Office, serviced apartments and commercial complex in Mongolia	–	–	276,000
– Office, serviced apartments and commercial complex in other regions	–	–	426,144
	–	–	1,448,853

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

Notes to the Consolidated Financial Statements

8 INVESTMENT PROPERTIES (CONTINUED)

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

	Office, serviced apartments and commercial complex in Mainland China USD'000	Serviced apartments in Singapore USD'000	Office, serviced apartments and commercial complex in Mongolia USD'000	Office, serviced apartments and commercial complex in other regions USD'000	Total USD'000
At 1 January 2018	334,685	412,024	276,000	426,144	1,448,853
Additions	2,947	148	1,477	109,353	113,925
Disposals	(565)	(289)	(16)	(26)	(896)
Changes in fair value	(2,393)	141	(7,392)	(16,343)	(25,987)
Exchange differences	(16,452)	(7,711)	(2,570)	(30,490)	(57,223)
At 31 December 2018	318,222	404,313	267,499	488,638	1,478,672

	Office, serviced apartments and commercial complex in Mainland China USD'000	Serviced apartments in Singapore USD'000	Office, serviced apartments and commercial complex in Mongolia USD'000	Office, serviced apartments and commercial complex in other regions USD'000	Total USD'000
At 1 January 2017	309,500	375,261	308,898	334,693	1,328,352
Transferred from property, plant and equipment	–	–	–	68,279	68,279
Additions	17,079	594	869	36,455	54,997
Disposals	(29)	(76)	(146)	(3)	(254)
Changes in fair value	(10,930)	7,459	(34,457)	(19,952)	(57,880)
Exchange differences	19,065	28,786	836	6,672	55,359
At 31 December 2017	334,685	412,024	276,000	426,144	1,448,853

8 INVESTMENT PROPERTIES (CONTINUED)

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

Description	Fair value at 31 December 2018 USD'000	Valuation technique	Unobservable inputs	
Mainland China				
– Office, serviced apartments and commercial complex	318,222	Direct comparison approach and income capitalisation approach	Rental rate from USD9 to USD39 per sq.m. per month and occupancy from 80% to 95%	Capitalisation rate in the range of 4.25% to 9%
Singapore				
– Serviced apartments	404,313	Direct comparison approach and income capitalisation approach	Rental rate at USD240 per room per day and occupancy at 83%	Capitalisation rate of 3.1%
Mongolia				
– Office, serviced apartments and commercial complex	267,499	Direct comparison approach and income capitalisation approach	Rental rate from USD8 to USD25 per sq.m. per month and occupancy from 90% to 95%	Capitalisation rate in the range of 7.25% to 9%
Other regions				
– Office, serviced apartments and commercial complex	488,638	Direct comparison approach and income capitalisation approach	Rental rate from USD13 to USD82 per sq.m. per month	Capitalisation rate in the range of 6% to 8.85%

Notes to the Consolidated Financial Statements

8 INVESTMENT PROPERTIES (CONTINUED)

Description	Fair value at 31 December 2017 USD'000	Valuation technique	Unobservable inputs	
Mainland China				
– Office, serviced apartments and commercial complex	334,685	Direct comparison approach and income capitalisation approach	Rental rate from USD9 to USD42 per sq.m. per month and occupancy from 88% to 95%	Capitalisation rate in the range of 4% to 9%
Singapore				
– Serviced apartments	412,024	Direct comparison approach and income capitalisation approach	Rental rate at USD241 per room per day and occupancy at 80%	Capitalisation rate of 3%
Mongolia				
– Office, serviced apartments and commercial complex	276,000	Direct comparison approach and income capitalisation approach	Rental rate from USD8 to USD28 per sq.m. per month and occupancy from 85% to 95%	Capitalisation rate in the range of 5% to 10%
Other regions				
– Office, serviced apartments and commercial complex	426,144	Direct comparison approach and income capitalisation approach	Rental rate from USD12 to USD86 per sq.m. per month	Capitalisation rate in the range of 6% to 9.25%

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

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

9 LEASEHOLD LAND AND LAND USE RIGHTS

	2018 USD'000	2017 USD'000
At 1 January		
Cost	691,607	669,330
Accumulated amortisation and impairment provision	(193,190)	(169,989)
Net book amount	498,417	499,341
Opening net book amount	498,417	499,341
Exchange differences	(22,335)	27,376
Additions	23,196	387
Transfer to properties for sale	–	(14,210)
Amortisation of prepaid operating lease payment	(14,837)	(14,477)
Closing net book value	484,441	498,417
At 31 December		
Cost	684,680	691,607
Accumulated amortisation	(200,239)	(193,190)
Net book amount	484,441	498,417

All amortisation expenses (net of amount capitalised) have been included as part of the other operating expenses.

	2018 USD'000	2017 USD'000
Outside Hong Kong, held on:		
Leases of over 50 years	89,944	73,615
Leases of between 10 and 50 years	394,497	424,802
	484,441	498,417

Notes to the Consolidated Financial Statements

10 INTANGIBLE ASSETS

	Goodwill USD'000	Trademark and licences USD'000	Website and system development USD'000	Total USD'000
At 1 January 2017				
Cost	82,878	11,958	5,160	99,996
Accumulated amortisation	–	(6,244)	(3,385)	(9,629)
Net book amount	82,878	5,714	1,775	90,367
Year ended 31 December 2017				
Opening net book amount	82,878	5,714	1,775	90,367
Exchange difference	974	–	–	974
Amortisation expenses	–	(568)	(826)	(1,394)
Closing net book amount	83,852	5,146	949	89,947
At 31 December 2017				
Cost	83,852	11,958	5,160	100,970
Accumulated amortisation	–	(6,812)	(4,211)	(11,023)
Net book amount	83,852	5,146	949	89,947
Year ended 31 December 2018				
Opening net book amount	83,852	5,146	949	89,947
Exchange difference	(334)	–	33	(301)
Additions	4,921	–	7,017	11,938
Amortisation expenses	–	(568)	(958)	(1,526)
Closing net book amount	88,439	4,578	7,041	100,058
At 31 December 2018				
Cost	88,439	11,958	12,179	112,576
Accumulated amortisation	–	(7,380)	(5,138)	(12,518)
Net book amount	88,439	4,578	7,041	100,058

The principal component of goodwill represented the excess of cost of acquisition of the hotel management group, SLIM International Limited, over the fair value of the identified net assets acquired. Due to the synergies of the combination of the hotel operation and hotel management sub-groups, the goodwill impairment assessment is based on the future cashflow generated from the hotel management group. The future cashflow is based on the recent forecasts taking into account the terms and final maturities of all existing management agreements, the past performance of the hotels and the prevailing market conditions. A growth rate of 5% per annum (2017: 5% per annum) on net cash inflow from 2018 and a discount rate of 5% (2017: 5%) have been applied to the cashflow projection. In view of the cashflow projection, provision for impairment losses is not considered necessary.

11 SUBSIDIARIES

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

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2018 is USD387,937,000 (2017: USD439,440,000), of which USD190,371,000 (2017: USD190,992,000) is attributable to Shangri-La Hotels (Malaysia) Berhad Group, USD-65,002,000 (2017: USD-32,081,000) is attributable to Intense Power Limited and USD6,114,000 (2017: USD4,302,000) is attributable to Shangri-La International Hotels (Pacific Place) Limited. The remaining non-controlling interests in respect of other subsidiaries are not material in terms of profit contribution.

Summarised financial information of subsidiaries with material non-controlling interests

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

Summarised statement of financial position as at 31 December

	Shangri-La Hotels (Malaysia) Berhad		Intense Power Limited		Shangri-La International Hotels (Pacific Place) Limited	
	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000
Current						
Assets	64,938	53,399	74,017	67,150	41,392	28,677
Liabilities	(66,643)	(66,489)	(101,314)	(84,223)	(20,930)	(18,979)
Total net current (liabilities)/assets	(1,705)	(13,090)	(27,297)	(17,073)	20,462	9,698
Non-current						
Assets	377,403	391,364	368,350	407,298	61,355	62,939
Liabilities	(11,865)	(11,730)	(341,110)	(323,096)	(51,248)	(51,124)
Total non-current net assets	365,538	379,634	27,240	84,202	10,107	11,815
Net assets	363,833	366,544	(57)	67,129	30,569	21,513
Attributable to:						
Owners of the Company	173,462	175,552	64,945	99,210	24,455	17,211
Non-controlling interests	190,371	190,992	(65,002)	(32,081)	6,114	4,302
	363,833	366,544	(57)	67,129	30,569	21,513

Notes to the Consolidated Financial Statements

11 SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised statement of comprehensive income for the year ended 31 December

	Shangri-La Hotels (Malaysia) Berhad		Intense Power Limited		Shangri-La International Hotels (Pacific Place) Limited	
	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000
Revenue	135,146	127,157	26,229	20,208	154,805	148,832
Profit/(Loss) before income tax	27,560	27,103	(55,710)	(51,225)	49,794	49,274
Income tax expense	(5,679)	(6,165)	(4,348)	(3,311)	(8,479)	(8,254)
Other comprehensive (loss)/income	(7,928)	32,941	(7,128)	–	–	–
Total comprehensive income/(loss)	13,953	53,879	(67,186)	(54,536)	41,315	41,020
Attributable to:						
Owners of the Company	6,241	27,255	(34,265)	(27,813)	33,052	32,816
Non-controlling interests	7,712	26,624	(32,921)	(26,723)	8,263	8,204
	13,953	53,879	(67,186)	(54,536)	41,315	41,020
Dividends paid to non-controlling interests	7,647	6,663	–	–	6,452	9,032

Summarised cash flow for the year ended 31 December

	Shangri-La Hotels (Malaysia) Berhad		Intense Power Limited		Shangri-La International Hotels (Pacific Place) Limited	
	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000
Net cash generated from/ (used in) operating activities	37,394	41,618	(2,559)	392	49,019	48,093
Net cash generated from/ (used in) investing activities	4,503	(19,262)	(1,807)	(851)	(2,679)	(1,861)
Net cash generated from/ (used in) financing activities	(16,357)	(14,354)	18,497	(7,222)	(32,258)	(45,162)
Net increase/(decrease) in cash and cash equivalents	25,540	8,002	14,131	(7,681)	14,082	1,070
Cash and cash equivalents at beginning of the year	32,302	21,530	50,488	58,169	15,106	14,036
Exchange (losses)/gains on cash and cash equivalents	(1,300)	2,770	–	–	–	–
Cash and cash equivalent at end of the year	56,542	32,302	64,619	50,488	29,188	15,106

12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

	2018 USD'000	2017 USD'000
Interest in associates		
At 1 January	3,624,180	3,373,164
Share of profit of associates (Note 33)		
– profit before taxation	426,435	279,707
– taxation	(121,042)	(76,023)
	305,393	203,684
Exchange difference	(190,155)	209,982
Dividends declared by associates	(96,466)	(127,345)
Equity injection to an associate	1,730	–
Capitalisation of equity loan	34,103	–
Disposal of interests in an associate	–	(35,305)
Investment in associates under equity method	3,678,785	3,624,180
Equity loans (Note (a))	98,880	130,333
Other long term shareholder loans (Note (b))	134,136	115,544
	3,911,801	3,870,057
Amounts due from associates (Note (c))	70,742	90,450

Notes:

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

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

	2018 USD'000	2017 USD'000
– HIBOR plus 1.5% per annum and wholly repayable on 17 November 2019 (in Hong Kong dollars)	–	3,250
– HIBOR plus 1% per annum and wholly repayable on 17 July 2023 (in Hong Kong dollars)	22,374	22,374
– LIBOR plus 2% per annum and wholly repayable on 31 December 2020 (in United States dollars)	12,250	12,250
– Fixed rate at 1% per annum and wholly repayable on 21 April 2026 (in Renminbi)	10,928	11,478
– HIBOR plus 1.5% per annum and wholly repayable on 15 May 2021 (in Hong Kong dollars)	36,982	36,982
– HIBOR plus 2% per annum and wholly repayable on 31 Dec 2020 (in Hong Kong dollars)	29,210	29,210
– HIBOR plus 2% per annum and wholly repayable on 21 Nov 2020 (in Hong Kong dollars)	7,312	–
– PBOC rate per annum and wholly repayable on 5 January 2020 (in Renminbi)	15,080	–
	134,136	115,544

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

Notes to the Consolidated Financial Statements

12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(c) Amounts due from associates are unsecured and with the following terms:

	2018 USD'000	2017 USD'000
– HIBOR plus 1.5% per annum and wholly repayable on 17 November 2019 (in Hong Kong dollars)	3,250	–
– PBOC rate per annum and wholly repayable on 15 March 2018 (in Renminbi)	–	5,633
– interest-free and repayable within one year	67,492	84,817
	70,742	90,450

(d) The maximum exposure to credit risk at the reporting date is the fair value of the long term shareholder loans of USD134,136,000 (2017: USD115,544,000) and amounts due from associates of USD70,742,000 (2017: USD90,450,000).

(e) The Group's proportionate share of the carrying value of hotel properties (including properties, plant and equipment; and leasehold land and land use rights) owned by the Group's associates amounted to USD1,091,158,000 (2017: USD1,051,983,000). The Group's proportionate share of the fair value of investment properties owned by the Group's associates amounted to USD3,893,393,000 (2017: USD3,766,142,000).

(f) Set out below are the associates of the Group as at 31 December 2018, which, in the opinion of the directors, are material to the Group. The associates as listed below are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Nature of investment in the associates as at 31 December 2018 and 2017:

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

Note: Both China World Trade Center Limited and Shanghai Ji Xiang Properties Co, Limited own and operate hotels and investment properties.

12 INTEREST IN ASSOCIATES AND DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(f) (continued)

Summarised financial information for associates

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

	China World Trade Center Limited		Shanghai Ji Xiang Properties Co, Limited	
	As at 31 December		As at 31 December	
	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000
Current				
Assets	228,139	331,971	39,125	67,715
Liabilities	(357,458)	(491,707)	(112,522)	(110,658)
Net current liabilities	(129,319)	(159,736)	(73,397)	(42,943)
Non-current				
Assets	5,636,614	5,545,885	1,856,808	1,931,354
Liabilities	(2,130,611)	(2,097,907)	(489,026)	(585,264)
Net non-current assets	3,506,003	3,447,978	1,367,782	1,346,090
Net assets	3,376,684	3,288,242	1,294,385	1,303,147

Summarised statement of comprehensive income

	China World Trade Center Limited		Shanghai Ji Xiang Properties Co, Limited	
	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000
Revenue	581,302	517,700	225,962	217,332
Profit before tax (including fair value gains on investment properties)	406,394	233,532	156,172	114,522
Income tax expense	(101,328)	(57,668)	(39,710)	(32,910)
Other comprehensive (loss)/income	(160,704)	180,163	(68,536)	76,477
Total comprehensive income	144,362	356,027	47,926	158,089
Dividends received from associates (net of tax)	26,929	22,019	24,999	7,819

Notes to the Consolidated Financial Statements

12 INTEREST IN ASSOCIATES AND DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(f) (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associates.

	China World Trade Center Limited		Shanghai Ji Xiang Properties Co, Limited	
	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000
Closing net assets	3,376,684	3,288,242	1,294,385	1,303,147
Respective equity interest	50%	50%	49%	49%
Interest in associates	1,688,342	1,644,121	634,249	638,542
Goodwill	–	–	290	290
Carrying amount	1,688,342	1,644,121	634,539	638,832

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

	2018 USD'000	2017 USD'000
Aggregate carrying amount of individually immaterial associates	1,588,920	1,587,104
Aggregate amounts of the Group's share of		
Profit after tax	95,794	75,762
Other comprehensive income/(loss)	(76,791)	83,560
Total comprehensive income	19,003	159,322

There were no contingent liabilities relating to the Group's interest in associates as at 31 December 2018 and 2017.

13 FINANCIAL ASSETS

	2018 USD'000	2017 USD'000
Non-current		
Financial assets at fair value through other comprehensive income		
– Equity and loan instruments	4,164	–
Financial assets at fair value through profit and loss		
– Club debentures	10,391	–
Available-for-sale financial assets		
– Overseas unlisted shares, at cost	–	4,145
– Club debentures, at fair value	–	9,198
Total	14,555	13,343
Current		
Financial assets at fair value through profit and loss		
– Share listed in Hong Kong	18,836	–
Financial assets held for trading		
– Share listed in Hong Kong	–	23,534
Total	18,836	23,534

There were no disposals of financial assets in 2018 and 2017.

Notes to the Consolidated Financial Statements

14 OTHER RECEIVABLES

	2018 USD'000	2017 USD'000
Security deposit on leased premises	14,720	14,254

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to USD15,957,000) (31 December 2017: JPY1,751,000,000 (equivalent to USD15,541,000)) was paid to the lessor of the leased premises and will only be recoverable after expiry of the lease. The effective interest rate applied to calculate the fair value upon initial recognition of the deposit is 0.556% per annum.

The fair values of these other receivables are not materially different from their carrying values.

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

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2018 USD'000	2017 USD'000
Trade receivables	111,890	118,442
Less: Provision for impairment of receivables	(3,576)	(1,763)
Trade receivables – net	108,314	116,679
Other receivables	78,842	110,110
Prepayments and other deposits	82,682	93,359
Short term advance to a third party (note (c))	1,050	3,500
	270,888	323,648

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

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

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

	2018 USD'000	2017 USD'000
0 – 3 months	96,656	92,998
4 – 6 months	4,584	15,998
Over 6 months	7,074	7,683
	108,314	116,679

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

(b) (continued)

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

	2018 USD'000	2017 USD'000
Hong Kong dollars	35,892	37,491
United States dollars	8,092	12,307
Renminbi	51,551	59,804
Singapore dollars	24,341	16,409
Malaysian Ringgit	5,256	6,749
Thai Baht	4,487	5,393
Philippines Pesos	17,745	16,216
Japanese Yen	4,175	4,159
Euros	6,348	5,294
Australian dollars	5,006	5,047
British Pounds	3,838	3,192
Mongolian Tugrik	6,098	14,120
Sri Lankan Rupee	10,304	35,748
Other currencies	4,023	4,860
	187,156	226,789

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

	2018 USD'000	2017 USD'000
At 1 January	1,763	1,975
Exchange differences	(53)	83
Provision for receivables impairment	3,154	1,918
Receivables written off during the year as uncollectible	(39)	(188)
Unused amounts reversed	(1,249)	(2,025)
At 31 December	3,576	1,763

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

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

Notes to the Consolidated Financial Statements

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

(c) A short term advance of USD3,500,000 bearing interest at a fixed rate of 6.25% per annum was provided to the purchaser under the sale and purchase transaction in relation to the disposal of equity interest in an associate incorporated in Indonesia. The maturity date of the advance was firstly extended from June 2018 to December 2018 and was further extended to end of March 2019 at the same terms. A principal amount of USD2,450,000 was repaid during the year. The maximum exposure to credit risk at the reporting date is the carrying value of the advance.

16 PROPERTIES FOR SALE

	2018 USD'000	2017 USD'000
Located in		
– Mainland China	38,064	46,208
– Sri Lanka	115,033	–
	153,097	46,208

These properties held for sale include the cost of the underlying land on which the properties are developed.

17 CASH, BANK BALANCES AND OTHER LIQUID FUNDS

	2018 USD'000	2017 USD'000
Short-term fund placements (note)	49,655	–
Cash at bank and in hand	618,234	503,962
Short-term bank deposits	391,500	417,900
Cash and bank balances	1,009,734	921,862
Cash and bank balances and short-term fund placements	1,059,389	921,862
Maximum exposure to credit risk for all balances at bank and short-term fund placements	1,054,521	915,718

Note: Short-term fund placements represent investment in highly liquid money market instruments. This investment is readily convertible to cash and has insignificant risk of changes in value.

The effective interest rate on short-term bank deposits was 1.96% per annum (2017: 1.74% per annum); these deposits have an average maturity of 3.3 months (2017: 4.0 months).

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

	2018 USD'000	2017 USD'000
Cash and bank balances and short-term fund placements (as above)	1,059,389	921,862
Less: Short-term bank deposits with original maturities over 3 months	(88,979)	(124,584)
Cash and cash equivalents	970,410	797,278

18 SHARE CAPITAL AND PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME

	No. of shares ('000)	Amount: Ordinary shares USD'000	Amount: Share premium USD'000	Amount: Total USD'000
Share capital and premium				
Authorised – Ordinary shares of HKD1 each				
At 31 December 2017 and 31 December 2018	5,000,000	646,496	–	646,496
Issued and fully paid - Ordinary shares of HKD1 each				
At 1 January 2017	3,580,024	462,195	2,729,606	3,191,801
Exercise of share options				
– allotment of shares	4,036	520	5,786	6,306
– transfer from share option reserve	–	–	313	313
At 31 December 2017 and 1 January 2018	3,584,060	462,715	2,735,705	3,198,420
Exercise of share options				
- allotment of shares	1,465	189	2,100	2,289
– transfer from share option reserve	–	–	1,286	1,286
At 31 December 2018	3,585,525	462,904	2,739,091	3,201,995
Shares held for share award scheme				
At 31 December 2017 and 1 January 2018	–	–	–	–
Share purchase for share award scheme	(4,690)	(605)	(7,319)	(7,924)
Vesting of shares under share award scheme	1,458	188	2,740	2,928
At 31 December 2018	(3,232)	(417)	(4,579)	(4,996)

As at 31 December 2018, except for shares held for share award scheme shown as above, 10,501,055 (2017: 10,501,055) ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognised in equity in prior years.

Share awards

During the year ended 31 December 2018, the share award scheme of the Group acquired 4,690,000 ordinary shares in the Company through purchases on the open market and 1,458,000 shares were transferred to the awardees upon vesting of the awarded shares. The remaining 3,232,000 shares were held in trust under the share award scheme as at 31 December 2018. Details of the share award scheme were disclosed in Note 19 to this consolidated financial statements.

Share options

The shareholders of the Company approved the adoption of a share option scheme on 28 May 2012 ("**2012 Option Scheme**"). The options granted on 23 August 2013 under the 2012 Option Scheme are immediately exercisable on the grant date and have a contractual option term of ten years with 22 August 2023 being the last exercisable date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Notes to the Consolidated Financial Statements

18 SHARE CAPITAL AND PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME (CONTINUED)

Share options (continued)

Certain share options granted to option holders of the Company were exercised and the following new shares were issued.

	Number of option shares issued at HKD12.11 per option share	Total consideration USD'000
In year 2018		
January	40,000	63
February	506,000	790
March	549,000	858
April	75,000	117
June	220,000	344
July	75,000	117
For the year ended 31 December 2018	1,465,000	2,289
For the year ended 31 December 2017	4,036,000	6,306

The weighted average closing price of the shares immediately before the dates on which the options were exercised for the year ended 31 December 2018 was HKD17.26 (year ended 31 December 2017: HKD15.53).

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

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	Weighted average exercise price in HKD per option share	Number of outstanding option shares	Weighted average exercise price in HKD per option share	Number of outstanding option shares
At 1 January	12.11	9,813,000	12.11	14,603,000
Exercised	12.11	(1,465,000)	12.11	(4,036,000)
Lapsed	12.11	(160,000)	12.11	(754,000)
At 31 December	12.11	8,188,000	12.11	9,813,000

No new option was granted during the year ended 31 December 2018 and 2017.

18 SHARE CAPITAL AND PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME (CONTINUED)

Share options (continued)

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

	Exercise price in HKD per option share	Number of outstanding option shares as at 31 December 2018	31 December 2017
Last exercisable date			
23 February 2018	12.11	–	200,000
31 December 2018	12.11	–	80,000
31 December 2019	12.11	–	350,000
22 August 2023	12.11	8,188,000	9,183,000
		8,188,000	9,813,000

No option was exercised subsequent to 31 December 2018 and up to the approval date of the financial statements.

19 SHARE AWARD SCHEME

The Group operates the share award scheme as part of the benefits for its employees and the Company's directors which allows shares of the Company to be granted to the awardees. The awarded shares can either be purchased on the open market or newly issued by the Company.

For the year ended 31 December 2018, a total of 3,101,571 shares with an average fair value of HKD13.91 per share were granted to the qualified awardees. Out of these, 1,458,000 shares were immediately vested and the remaining 1,643,571 shares will be vested from year 2019 to 2021 (subject to a maximum upside adjustment of 1,280,429 shares depending on performance and a maximum total of 2,924,000 shares can be vested). A total of 3,232,000 shares were held in trust under the share award scheme as at 31 December 2018. During the year, an expense of USD3,550,000 for the award shares granted was charged to the consolidated statement of profit or loss.

Further details of the Share Award Scheme are set out under the section headed "Share Award Scheme" of the Company's 2018 annual report.

Notes to the Consolidated Financial Statements

20 OTHER RESERVES

	Share option reserve USD'000	Share award reserve USD'000
Balance at 1 January 2017	7,815	–
Currency translation differences	–	–
Exercise of share options – Transfer to share premium	(313)	–
Fair value changes of interest-rate swap contracts	–	–
Fair value changes of available-for-sale financial assets	–	–
Balance at 31 December 2017	7,502	–
Change in accounting policy – HKFRS 9 (Transfer to retained earnings)	–	–
Balance at 1 January 2018, as restated	7,502	–
Currency translation differences	–	–
Exercise of share options – Transfer to share premium	(1,286)	–
Fair value changes of interest-rate swap contracts	–	–
Granting of shares under share award scheme	–	3,550
Vesting of shares under share award scheme	–	(2,961)
Balance at 31 December 2018	6,216	589

Notes:

(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.

Hedging reserve USD'000	Capital redemption reserve USD'000	Exchange fluctuation reserve USD'000	Capital reserve USD'000	Available-for-sale financial assets reserve USD'000	Other reserve USD'000 (Note (a))	Contributed surplus USD'000 (Note (b))	Total USD'000
(2,413)	10,666	(407,557)	601,490	5,210	1,368	389,741	606,320
–	–	501,394	–	–	–	–	501,394
–	–	–	–	–	–	–	(313)
8,730	–	–	–	–	–	–	8,730
–	–	–	–	1,632	–	–	1,632
6,317	10,666	93,837	601,490	6,842	1,368	389,741	1,117,763
–	–	–	–	(6,842)	–	–	(6,842)
6,317	10,666	93,837	601,490	–	1,368	389,741	1,110,921
–	–	(414,985)	–	–	–	–	(414,985)
–	–	–	–	–	–	–	(1,286)
(1,871)	–	–	–	–	–	–	(1,871)
–	–	–	–	–	–	–	3,550
–	–	–	–	–	–	–	(2,961)
4,446	10,666	(321,148)	601,490	–	1,368	389,741	693,368

Notes to the Consolidated Financial Statements

21 BANK LOANS

	2018 USD'000	2017 USD'000
Bank loans – secured (Note 38(c))	108,999	129,264
Bank loans – unsecured	4,388,907	5,055,411
Total	4,497,906	5,184,675
Less: Non-current portion	(4,066,686)	(4,949,844)
Current portion	431,220	234,831

The maturity of bank loans is as follows:

	2018 USD'000	2017 USD'000
Within 1 year	431,220	234,831
Between 1 and 2 years	1,056,483	1,014,804
Between 2 and 5 years	2,940,849	3,895,162
Repayable within 5 years	4,428,552	5,144,797
Over 5 years	69,354	39,878
	4,497,906	5,184,675

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

	31 December 2018						
	HKD	RMB	USD	JPY	Euros	AUD	FJD
Bank loans	3.26%	4.89%	3.47%	0.60%	0.96%	3.14%	3.75%

	31 December 2017							
	HKD	RMB	USD	JPY	Euros	AUD	GBP	SGD
Bank loans	2.17%	4.84%	2.50%	0.60%	0.98%	2.93%	1.58%	1.61%

21 BANK LOANS (CONTINUED)

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

	2018 USD'000	2017 USD'000
Hong Kong dollars	1,513,265	1,717,135
Renminbi	442,850	452,943
United States dollars	2,184,210	2,471,940
Euros	225,292	243,887
Japanese Yen	45,567	44,379
Singapore dollars	–	98,295
Australian dollars	83,844	95,334
British pounds	–	60,762
Fiji dollars	2,878	–
	4,497,906	5,184,675

The Group has the following undrawn borrowing facilities:

	2018 USD'000	2017 USD'000
Floating rate		
– expiring within one year	21,265	62,581
– expiring beyond one year	898,762	1,088,607
Fixed rate		
– expiring within one year	583	765
– expiring beyond one year	48,646	49,868
	969,256	1,201,821

Notes to the Consolidated Financial Statements

22 FIXED RATE BONDS

In November 2018, a wholly owned subsidiary of the Company issued fixed rate bonds in the aggregate principal amount of SGD825,000,000 (equivalent to USD605,371,000) which carry a coupon rate of 4.50% per annum and have a maturity term of 7 years. In the same month, another wholly owned subsidiary of the Company also issued fixed rate bonds in the aggregate principal amount of USD35,000,000 which carry a coupon rate of 5.23% per annum and have a maturity term of 7 years. The fixed rate bonds recognised in the statement of financial position is calculated as follows:

	USD'000
Face value of fixed rate bonds issued in November 2018	640,371
Discount and issuing expenses	(3,519)
Net bonds proceeds received	636,852
Accumulated amortisation of issuing expenses	81
Carrying amount of fixed rate bonds at 31 December 2018	636,933

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 USD'000	2017 USD'000
Non-current liabilities		
Interest-rate swap contracts	5,654	–
Cross currency swap contract	607	–
Current liabilities		
Interest-rate swap contracts	1,475	488
Cross currency swap contract	102	–
Total	7,838	488
Non-current assets		
Interest-rate swap contracts	8,102	5,067
Current assets		
Interest-rate swap contracts	3,472	1,738
Total	11,574	6,805

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 2018 were as follows:

- HKD Nil (31 December 2017: HKD1,600,000,000 with fixed interest rates of 1.395% to 1.635% per annum).

- USD860,000,000 (31 December 2017: USD806,000,000) with fixed interest rates of 1.825% to 3.045% per annum (31 December 2017: 1.420% to 1.850% per annum) maturing during April 2022 to November 2023.

During the year ended 31 December 2018, a wholly-owned subsidiary of the Company entered into a cross currency contract amounting to USD35,000,000, under which the principal amount was exchanged at inception to SGD48,377,000 at an exchange rate of USD1 to SGD1.3822 and will be re-exchanged on expiry date in November 2025 at the same exchange rate. Under the contract, a fixed interest rate of 4.25% per annum on the exchanged Singapore dollar principal amounts would be paid and a fixed interest rate of 5.23% per annum on the United States dollar principal amount would be received. The cross currency swap contract does not qualify for hedge accounting.

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

	2018 USD'000	2017 USD'000
Non-controlling interests		
Share of equity	235,830	276,321
Equity loans (Note (a))	152,107	163,119
	387,937	439,440

Notes:

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

	2018 USD'000	2017 USD'000
– LIBOR per annum	8,724	8,724
– LIBOR plus 1% per annum	100,425	104,375
– fixed rate of 2.5% per annum	18,497	21,789
– interest-free	24,461	28,231
	152,107	163,119

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

	2018 USD'000	2017 USD'000
Amounts due to non-controlling shareholders		
– interest-free with no fixed repayment terms	35,050	27,942
Amounts due from non-controlling shareholders		
– interest-free with no fixed repayment terms	–	(37)
	35,050	27,905

The fair values of the amounts due to/(from) non-controlling shareholders 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% (2017: 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:

	2018 USD'000	2017 USD'000
At 1 January	321,119	303,931
Exchange differences	(3,123)	8,085
Deferred taxation charged to consolidated statement of profit or loss (Note 34)	5,547	8,996
Deferred taxation charged to other comprehensive income	26	107
At 31 December	323,569	321,119

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.

	2018 USD'000	2017 USD'000
Deferred income tax assets	(7,507)	(8,138)
Deferred income tax liabilities	331,076	329,257
	323,569	321,119

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 2018, the Group has the following unrecognised tax losses to carry forward against future taxable income.

	2018 USD'000	2017 USD'000
With no expiry date	236,562	122,071
Lapsed within the next five years	659,243	621,495
Lapsed within the next ten years	3,719	9,133
	899,524	752,699

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	
	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000
At 1 January	211,049	189,622	39,487	47,091	85,778	79,674	373	1,127	336,687	317,514
Charged/(credited) to statement of profit or loss	10,233	15,160	(3,430)	(8,924)	(670)	4,309	77	(754)	6,210	9,791
Exchange differences	(2,256)	6,267	(1,014)	1,320	(445)	1,795	-	-	(3,715)	9,382
At 31 December	219,026	211,049	35,043	39,487	84,663	85,778	450	373	339,182	336,687

Deferred income tax assets	Provision of assets		Tax losses		Others		Total	
	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000
At 1 January	(3,471)	(3,182)	(36)	(31)	(12,061)	(10,370)	(15,568)	(13,583)
(Credited)/charged to statement of profit or loss	(149)	166	(256)	-	(258)	(961)	(663)	(795)
Charged to other comprehensive income	-	-	-	-	26	107	26	107
Exchange differences	172	(455)	(50)	(5)	470	(837)	592	(1,297)
At 31 December	(3,448)	(3,471)	(342)	(36)	(11,823)	(12,061)	(15,613)	(15,568)

Notes to the Consolidated Financial Statements

26 ACCOUNTS PAYABLE AND ACCRUALS

	2018 USD'000	2017 USD'000
Trade payables	104,037	119,984
Construction cost payable, other payables and accrued expenses	573,605	756,400
	677,642	876,384

The ageing analysis of the trade payables based on invoice date is as follows:

	2018 USD'000	2017 USD'000
0 – 3 months	85,231	98,405
4 – 6 months	8,931	9,804
Over 6 months	9,875	11,775
	104,037	119,984

27 CONTRACT LIABILITIES

	At 31 December 2018 USD'000	At 1 January 2018 USD'000
Guest loyalty programme	69,278	63,219
Hotel operation	73,515	87,286
Property sale	144,097	199,313
	286,890	349,818

	2018 USD'000
Balance at 1 January	349,818
Recognized as revenue during the current year	(198,774)
Cancellation for prior years' balance during the current year	(1,229)
Net increase for new transactions during the current year	166,341
Exchange differences	(29,266)
Balance at 31 December	286,890

Contract liabilities for hotel operation mainly comprise deposit receipts in advance from customers and unredeemed loyalty points liabilities for hotel guests while those of property sale refer to the deposits received from the properties buyers.

28 EXPENSES BY NATURE

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

	2018 USD'000	2017 USD'000
Depreciation of property, plant and equipment (net of amount capitalised of USD16,000 (2017: USD53,000)) (Note 7)	336,273	312,852
Amortisation of leasehold land and land use rights (Note 9)	14,837	14,477
Amortisation of trademark; and website and system development (Note 10)	1,526	1,394
Employee benefit expenses excluding directors' emoluments (net of amount capitalised and amount grouped under pre-opening expenses) (Note 30)	811,432	717,800
Cost of sales of properties	54,874	33,073
Cost of inventories sold or consumed in operation	318,364	284,336
Loss on disposal of property, plant and equipment; and partial replacement of investment properties	2,136	1,430
Discarding of property, plant and equipment due to renovation of hotels and resorts	–	10,208
Operating lease expenses	74,106	69,138
Pre-opening expenses	2,162	17,356
Auditors' remuneration		
– audit services	2,009	1,828
– non-audit services	430	637

Notes to the Consolidated Financial Statements

29 OTHER LOSSES – NET

	2018 USD'000	2017 USD'000
Fair value losses on investment properties (Note 8)	(25,987)	(57,880)
Net unrealised (losses)/gains on listed securities	(4,698)	8,571
Provision for impairment losses on hotel properties (Note 7)	(123,185)	–
Gain on disposal of equity interests in a subsidiary and an associate	–	14,886
Gain on disposal of a hotel property	2,883	–
Fair value changes of club debentures	1,216	–
Fair value changes of cross currency swap contracts	(710)	–
Others	2	801
Non-operating items	(150,479)	(33,622)
Interest income	21,303	15,969
Dividend income	2,749	1,489
	(126,427)	(16,164)

30 EMPLOYEE BENEFIT EXPENSES

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

	2018 USD'000	2017 USD'000
Wages and salaries (including unutilised annual leave)	635,464	558,034
Pension costs – defined contribution plans	46,271	40,258
Pension costs – defined benefit plans	1,412	1,556
Other welfare	129,519	123,359
	812,666	723,207
Less: Amount included in pre-opening expenses	(1,234)	(5,407)
	811,432	717,800

Total pension cost including charges for Directors charged to the statement of profit or loss for the year under all pension schemes was USD47,729,000 (2017: USD41,966,000).

30 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

Pension scheme arrangement

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

(a) Defined contribution retirement 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 HKD1,500 (equivalent to USD194). 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 HKD10,000) 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 statement of profit or loss 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 20%, of the employee's salaries and bonuses, as applicable, and are charged to the statement of profit or loss as incurred. The maximum contributions by the subsidiaries for each employee for the Group's subsidiaries in Singapore are fixed by the government at SGD1,020 (equivalent to USD748) per month for monthly salaries and bonus payment. The employees of the Group's subsidiaries in Singapore and Malaysia are also required to contribute 20% and 11%, respectively of their gross salaries and bonus, if applicable, to 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 statement of profit or loss as incurred.

(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 2018 using the Projected Unit Credit Actuarial Cost Method.

Notes to the Consolidated Financial Statements

30 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

Pension Scheme Arrangement (continued)

(b) Defined benefit retirement plan (continued)

Movements in the present value of the defined benefit obligations:

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000
Balance at 1 January	17,124	16,821	(7,169)	(7,157)	9,955	9,664
Exchange difference	(673)	443	355	50	(318)	493
Included in statement of profit or loss						
Current service cost	920	1,045	–	–	920	1,045
Interest cost/(interest income)	905	874	(413)	(363)	492	511
	1,825	1,919	(413)	(363)	1,412	1,556
Included in other comprehensive income						
Actuarial gain	(863)	(502)	–	–	(863)	(502)
Loss on assets excluding amount included in net interest cost	–	–	784	224	784	224
	(863)	(502)	784	224	(79)	(278)
Other						
Contributions	–	–	(1,943)	(1,356)	(1,943)	(1,356)
Benefits paid	(1,156)	(1,557)	818	1,433	(338)	(124)
	(1,156)	(1,557)	(1,125)	77	(2,281)	(1,480)
Balance at 31 December	16,257	17,124	(7,568)	(7,169)	8,689	9,955

Net defined benefit liability of USD8,689,000 (2017: USD9,955,000) was recorded as accounts payable and accruals under current liabilities.

31 BENEFIT AND INTERESTS OF DIRECTORS

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2018 is set out below:

Name of Director	Fees USD'000	Salary USD'000	Discretionary bonuses USD'000	Inducement fees USD'000	Allowances and benefits in kind[9] USD'000	Employer's Contribution to retirement benefit schemes USD'000	Remunerations paid or receivable in respect of accepting office as director USD'000	Compensation paid or receivable in respect of loss office as director USD'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 USD'000	Total USD'000
KUOK Hui Kwong[7][10]	-	558	1,257	-	19	15	-	-	-	1,849
LIM Beng Chee[8][10]	-	797	1,471	-	170	16	-	-	-	2,454
LUI Man Shing	5	418	774	-	13	15	-	-	-	1,225
HO Kian Guan	62	-	-	-	-	-	-	-	-	62
Alexander Reid HAMILTON	76	-	-	-	-	-	-	-	-	76
LI Kwok Cheung Arthur	75	-	-	-	-	-	-	-	-	75
LEE Kai Fu	30	-	-	-	-	-	-	-	-	30
YAP Chee Keong	57	-	-	-	-	-	-	-	-	57
HO Chung Tao	-	-	-	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2017 is set out below:

Name of Director	Fees USD'000	Salary USD'000	Discretionary bonuses USD'000	Inducement fees USD'000	Allowances and benefits in kind[9] USD'000	Employer's Contribution to retirement benefit schemes USD'000	Remunerations paid or receivable in respect of accepting office as director USD'000	Compensation paid or receivable in respect of loss office as director USD'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 USD'000	Total USD'000
KUOK Hui Kwong[7]	-	542	1,935	-	26	15	-	-	-	2,518
LIM Beng Chee[1][8]	-	774	2,323	-	164	16	-	-	-	3,277
LUI Man Shing	5	418	774	-	18	15	-	-	-	1,230
KUOK Khoon Chen[2]	12	-	-	-	2	-	-	-	-	14
LIU Kung Wei, Christopher[3]	-	153	-	-	23	4	-	-	-	180
Madhu Rama Chandra RAO[4]	-	542	1,290	-	290	54	-	-	-	2,176
HO Kian Guan	59	-	-	-	-	-	-	-	-	59
Alexander Reid HAMILTON	72	-	-	-	-	-	-	-	-	72
Timothy David DATTELS[5]	12	-	-	-	-	-	-	-	-	12
LI Kwok Cheung Arthur	72	-	-	-	-	-	-	-	-	72
LEE Kai Fu	30	-	-	-	-	-	-	-	-	30
YAP Chee Keong[6]	2	-	-	-	-	-	-	-	-	2
HO Chung Tao	-	-	-	-	-	-	-	-	-	-

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Notes:

(1) Mr LIM Beng Chee was appointed as Non-executive Director on 26 September 2016 and re-designated as Executive Director on 1 January 2017.

(2) Mr KUOK Khoon Chen was re-designated as Non-executive Director on 1 January 2017 and retired as Director on 2 June 2017.

(3) Mr LIU Kung Wei, Christopher was appointed as Director on 5 April 2016 and resigned as Director on 31 March 2017.

(4) Mr Madhu Rama Chandra RAO retired as Director on 31 December 2017.

(5) Mr Timothy David DATTELS was resigned as Director on 29 May 2017.

(6) Mr YAP Chee Keong was appointed as Director on 11 December 2017.

(7) Discretionary bonus for Ms KUOK Hui Kwong for the year ended 31 December 2017 includes a portion amounting to USD743,000 being granted in the form of the Company's shares in 2018.

(8) Discretionary bonus for Mr LIM Beng Chee for the year ended 31 December 2017 includes a portion amounting to USD929,000 being granted in the form of the Company's shares in 2018.

(9) 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 the past years were included in the total expenses on share options granted in the same year.

(10) For the year ended 31 December 2018, award shares were granted to certain Executive Directors under the share award scheme. Ms KUOK Hui Kwong was granted 433,738 award shares (with a maximum upside adjustment of 338,262 shares which comes up to a total maximum of 772,000 shares) being vested in the years from 2019 to 2021. Mr LIM Beng Chee was granted 542,155 award shares (with a maximum upside adjustment of 421,845 shares which comes up to a total maximum of 964,000 shares) being vested in the years from 2019 to 2021. The remuneration on the awarded shares will be included in the disclosure when the vesting condition has been met.

Notes to the Consolidated Financial Statements

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2018 are as follows:

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HKD	No. of option shares held as at 1 January 2018	No. of option shares granted during the year
LUI Man Shing	23 Aug 2013	–	11.92	350,000	–
Alexander Reid HAMILTON	23 Aug 2013	–	11.92	100,000	–
LI Kwok Cheung Arthur	23 Aug 2013	–	11.92	100,000	–

Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2018	Exercise price per option share HKD	Excess of weighted average closing price per share on exercise date over exercise price HKD	Exercise period
–	–	–	–	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

Notes to the Consolidated Financial Statements

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2017 are as follows:

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HKD	No. of option shares held as at 1 January 2017	No. of option shares granted during the year
KUOK Khoon Chen	23 Aug 2013	–	11.92	350,000	–
LUI Man Shing	23 Aug 2013	–	11.92	350,000	–
Madhu Rama Chandra RAO	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	23 Aug 2013	–	11.92	100,000	–
LI Kwok Cheung Arthur	23 Aug 2013	–	11.92	100,000	–
LIU Kung Wei Christopher	23 Aug 2013	–	11.92	350,000	–

Transfer from other category during the year	Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2017	Exercise price per option share HKD	Excess of weighted average closing price per share on exercise date over exercise price HKD	Exercise period
–	(350,000)	–	–	–	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	–	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
–	–	–	–	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
–	(350,000)	–	–	–	12.11	–	23 Aug 2013 – 22 Aug 2023

Notes to the Consolidated Financial Statements

31 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 two (2017: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals in 2018 are as follows:

	2018 USD'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,064
Employer's contribution to pension scheme	40
Discretionary bonuses	1,651
Inducement fee to join the Group	663
Compensation for loss of office:	
– contractual payments	–
– other payment	–
	5,418

For the year ended 31 December 2018, the three individuals were also granted a total of 667,678 award shares in the Company (subject to upside and downside adjustment) being vested in the years from 2019 to 2021 pursuant to the Company's share award scheme.

The emoluments of the five highest paid individuals fell within the following bands:

	Number of individuals	
Emolument bands (in HK dollar)	2018	2017
HKD9,500,001 – HKD10,000,000	–	1
HKD12,500,001 – HKD13,000,000	1	–
HKD14,000,001 – HKD14,500,000	2	–
HKD15,000,001 – HKD15,500,000	1	–
HKD16,500,001 – HKD17,000,000	–	1
HKD17,000,001 – HKD17,500,000	–	1
HKD19,000,001 – HKD19,500,000	1	–
HKD19,500,001 – HKD20,000,000	–	1
HKD25,000,001 – HKD25,500,000	–	1

32 FINANCE COSTS – NET

	2018 USD'000	2017 USD'000
Interest expense:		
– bank loans	171,861	137,310
– fixed rate bonds	4,038	8,189
– other loans	3,579	4,179
	179,478	149,678
Less: amount capitalised	(9,405)	(16,796)
	170,073	132,882
Net foreign exchange losses/(gains)	25,432	(1,463)
	195,505	131,419

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.4% per annum (2017: 2.8%).

33 SHARE OF PROFIT OF ASSOCIATES

	2018 USD'000	2017 USD'000
Share of profit before tax of associates before share of net fair value gains of investment properties	261,733	239,587
Share of net fair value gains of investment properties	164,702	40,120
Share of profit before tax of associates	426,435	279,707
Share of tax before provision for deferred tax liabilities on fair value gains of investment properties	(80,252)	(66,802)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(40,790)	(9,221)
Share of associates' taxation	(121,042)	(76,023)
Share of profit of associates	305,393	203,684

34 INCOME TAX EXPENSE

	2018 USD'000	2017 USD'000
Current income tax		
– Hong Kong profits tax	14,455	2,243
– overseas taxation	86,656	94,881
Deferred income tax (Note 25)	5,547	8,996
	106,658	106,120

Share of associates' taxation for the year ended 31 December 2018 of USD121,042,000 (2017: USD76,023,000) is included in the consolidated statement of profit or loss as share of profit of associates.

Notes to the Consolidated Financial Statements

34 INCOME TAX EXPENSE (CONTINUED)

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

	2018 USD'000	2017 USD'000
Profit before income tax	290,396	250,166
Calculated at a taxation rate of 16.5% (2017: 16.5%)	47,915	41,277
Effect of different taxation rates of subsidiaries operating in other countries	19,191	16,066
Income not subject to taxation	(78,896)	(64,369)
Tax effect on unrecognised tax losses	39,601	28,767
Expenses not deductible for taxation purposes	59,205	57,876
Utilisation of previously unrecognised tax losses	(610)	(2,432)
Under/(Over) provision in prior year	(2,484)	450
Withholding tax	23,182	28,703
Tax incentive	(446)	(218)
Taxation charge	106,658	106,120

(a) Hong Kong profits tax is provided at a rate of 16.5% (2017: 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.

35 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners 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.

	2018	2017
Profit attributable to owners of the Company (USD'000)	192,905	157,997
Weighted average number of ordinary shares in issue (thousands)	3,573,425	3,570,417
Basic earnings per share (US cents per share)	5.40	4.43

35 EARNINGS PER SHARE (CONTINUED)

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 only has the potential dilutive effect of the outstanding share options for the year ended 31 December 2018 and 2017. 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.

The dilution effect on the earnings per share for the year ended 31 December 2018 and 2017 are as follows:

	2018	2017
Profit attributable to owners of the Company (USD'000)	192,905	157,997
Weighted average number of ordinary shares in issue (thousands)	3,573,425	3,570,417
Adjustments (thousands)	1,194	579
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,574,619	3,570,996
Diluted earnings per share (US cents per share)	5.40	4.42

36 DIVIDENDS

	Group		Company	
	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000
Interim dividend paid of HK8 cents (2017: HK6 cents) per ordinary share	36,870	27,647	36,978	27,727
Proposed final dividend of HK14 cents (2017: HK11 cents) per ordinary share	64,523	50,736	64,713	50,885
	101,393	78,383	101,691	78,612

At a meeting held on 20 March 2019, the Board proposed a final dividend of HK14 cents per ordinary share for the year ended 31 December 2018. This proposed dividend is not reflected as a dividend payable in these financial statements.

The proposed final dividend of USD64,523,000 for the year ended 31 December 2018 is calculated based on 3,585,525,056 shares in issue as at 20 March 2019, after elimination on consolidation the amount of USD248,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company and 3,232,000 ordinary shares held by the share award trust for the share award scheme (Note 18).

Notes to the Consolidated Financial Statements

37 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2018 USD'000	2017 USD'000
Profit before income tax	290,396	250,166
Share of profit of associates	(305,393)	(203,684)
Fair value losses on investment properties	25,987	57,880
Provision for impairment losses on hotel properties	123,185	–
Gain on disposal of a hotel	(2,883)	–
Gain on disposal of equity interests in a subsidiary and an associate	–	(14,886)
Depreciation	336,273	312,852
Amortisation of leasehold land and land use rights, trademark; and website and system development	16,363	15,871
Interest on fixed rate bonds, bank loans and overdrafts	170,073	132,882
Interest income	(21,303)	(15,969)
Dividend income	(2,749)	(1,489)
Loss on disposal of fixed assets and discarding of fixed assets due to properties renovations	2,136	11,638
Net unrealised losses/(gains) on financial assets at fair value through profit or loss	3,482	(8,571)
Share award scheme expenses	3,551	–
Fair value loss of a cross currency swap contract	710	–
Net foreign exchange losses/(gains)	25,432	(1,464)
Operating profit before working capital changes	665,260	535,226
Decrease in inventories	1,505	3,762
Decrease/(Increase) in accounts receivable, prepayments and deposits	38,590	(19,410)
Decrease in amounts due from associates	2,637	1,821
Increase in accounts payable and accruals	25,079	70,952
Increase in deposits received from property sales	–	106,517
Decrease in contract liabilities	(33,659)	–
Decrease in properties for sale	8,476	28,558
Net cash generated from operations	707,888	727,426

37 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Bank loans USD'000	Fixed rate bonds USD'000	Amounts due to non-controlling shareholders USD'000	Total USD'000
Balance as at 31 December 2017	5,184,675	–	27,942	5,212,617
Cash flows	(640,249)	636,852	(15,817)	(19,214)
Foreign exchange movement	(46,520)	–	(614)	(47,134)
Finance cost charged to profit or loss	–	81	3,623	3,704
Reclassed to non-controlling interests	–	–	(140)	(140)
Dividends declared to non-controlling shareholders	–	–	20,056	20,056
Balance as at 31 December 2018	4,497,906	636,933	35,050	5,169,889

38 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

As at 31 December 2018, 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 amounted to USD3,692,221,000 (2017: USD4,313,969,000) for the subsidiaries and USD129,195,000 (2017: USD178,664,000) for associates.

(ii) The Company executed guarantees in favour of banks for securing certain banking facilities granted to four non-wholly owned subsidiaries. The non-controlling shareholders of four non-wholly owned subsidiaries provided proportionate counter guarantees to the Company under the joint venture agreements. The 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 amounted to USD397,411,000 (2017: USD352,610,000).

(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 amounted to USD129,195,000 (2017: USD178,664,000).

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 2018, 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 USD334,000 (2017: USD7,652,000). These facilities were undrawn as at 31 December 2018.

Notes to the Consolidated Financial Statements

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

(c) Charges over assets

As at 31 December 2018, bank loans of certain subsidiaries amounting to USD108,999,000 (2017: USD129,264,000) were secured by legal mortgage over the property owned by two subsidiaries with an aggregate net book value of USD319,565,000 (2017: USD356,293,000).

39 COMMITMENTS

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

	2018 USD'000	2017 USD'000
Existing properties - Property, plant and equipment and investment properties		
– contracted but not provided for	41,742	75,088
– authorised but not contracted for	82,082	43,143
Development projects		
– contracted but not provided for	121,867	176,106
– authorised but not contracted for	193,950	368,225
	439,641	662,562

(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:

	2018 USD'000	2017 USD'000
Not later than one year	55,420	71,882
Later than one year and not later than five years	175,485	232,356
Later than five years	1,193,619	1,279,221
	1,424,524	1,583,459

(c) At 31 December 2018, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2018 USD'000	2017 USD'000
Not later than one year	61,454	50,285
Later than one year and not later than five years	45,565	40,693
Later than five years	860	1,741
	107,879	92,719

40 RELATED PARTY TRANSACTIONS

Kerry Holdings Limited ("**KHL**"), a substantial shareholder and a related party of the Company, has significant influence over the Company.

The following transactions were carried out with related parties:

		2018 USD'000	2017 USD'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) 14,590	13,465
	Reimbursement of office expenses and payment of administration and related expenses	2,808	2,483
	Reimbursement of office rental, management fees and rates	131	276
	Payment of office rental, management fees and rates	6,959	6,959
	Purchase of wine	3,122	3,268
(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	24,465	23,393
	Receipt for laundry services	(Note i) 500	532
(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	175,902	161,372
	Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	95,557	114,682
(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	44,064	77,821
	Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to an associate of the Group	33,647	63,982
There are no material changes to the terms of the above transactions during the year.			
(e)	Key management compensation		
	Fees, salaries and other short-term employee benefits of executive directors	5,482	9,277
	Post employment benefits of executive directors	46	104

Notes to the Consolidated Financial Statements

40 RELATED PARTY TRANSACTIONS (CONTINUED)

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 USD5,356,000 which are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) At 31 December 2018, 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	HKD578,083,745	100	-	Investment holding	1
Shangri-La Asia Treasury Limited	The British Virgin Islands	HKD8,530	100	-	Group financing	1
Shangri-La China Limited	Hong Kong	HKD1,162,500,000	-	100	Investment holding	1
Shangri-La Hotels (Europe)	Luxembourg	EUR206,600,000	100	-	Investment holding	
Kerry Industrial Company Limited	Hong Kong	HKD10,000,002	-	100	Investment holding	1
Shangri-La Hotel (Kowloon) Limited	Hong Kong	HKD10,000,002	-	100	Hotel ownership and operation	1
Shangri-La International Hotels (Pacific Place) Limited	Hong Kong	HKD10,005,000	-	80	Hotel ownership and operation	1
Shenzhen Shangri-La Hotel Limited	The People's Republic of China	USD32,000,000	-	72	Hotel ownership and operation	2,6,8
Beihai Shangri-La Hotel Limited	The People's Republic of China	USD16,000,000	-	100	Hotel ownership and operation	7,8
Shanghai Pudong New Area Shangri-La Hotel Co, Limited	The People's Republic of China	USD47,000,000	-	100	Hotel ownership and operation	2,5,8
Shenyang Hotel Jen Limited	The People's Republic of China	USD39,040,470	-	100	Hotel ownership and operation	7,8
Changchun Shangri-La Hotel Co, Limited	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 Limited	The People's Republic of China	RMB25,000,000	-	100	Real estate development and operation	7,8
Qingdao Shangri-La Hotel Co, Limited	The People's Republic of China	USD79,000,000	-	100	Hotel ownership and operation and real estate development and operation	7,8

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2018, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Percentage holding in the voting shares Indirect	Nature of business	Notes
Dalian Shangri-La Hotel Co, Limited	The People's Republic of China	USD149,000,000	-	100	Hotel ownership and operation and real estate development and operation	7,8
Harbin Shangri-La Hotel Co, Limited	The People's Republic of China	USD20,767,000	-	100	Hotel ownership and operation	7,8
Wuhan Shangri-La Hotel Co, Limited	The People's Republic of China	USD48,333,333	-	92	Hotel ownership and operation	4,6,8
Fujian Kerry World Trade Centre Co, Limited	The People's Republic of China	HKD700,000,000	-	100	Real estate development	3,7,8
Fuzhou Shangri-La Hotel Co, Limited	The People's Republic of China	USD22,200,000	-	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Chengdu) Co, Limited	The People's Republic of China	USD53,340,000	-	80	Hotel ownership and operation and real estate development and operation	7,8
Shangri-La Hotel (Guangzhou Pazhou) Co, Limited	The People's Republic of China	USD60,340,000	-	80	Hotel ownership and operation	7,8
Shangri-La Hotel (Shenzhen Futian) Co, Limited	The People's Republic of China	USD71,000,000	-	100	Hotel ownership and operation	2,7,8
Shangri-La Hotel (Ningbo) Co, Limited	The People's Republic of China	USD83,000,000	-	95	Hotel ownership and operation	7,8
Shangri-La Hotel (Wenzhou) Co, Limited	The People's Republic of China	USD46,250,000	-	75	Hotel ownership and operation	7,8
Shangri-La Hotel (Xian) Co, Limited	The People's Republic of China	USD42,800,000	-	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Guilin) Co, Limited	The People's Republic of China	USD70,150,000	-	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Baotou) Co, Limited	The People's Republic of China	USD24,400,000	-	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Huhhot) Co, Limited	The People's Republic of China	USD43,670,000	-	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Manzhouli) Co, Limited	The People's Republic of China	USD84,615,000	-	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Zhoushan) Co, Limited	The People's Republic of China	RMB120,000,000	-	100	Hotel ownership and operation	3,7,8

Notes to the Consolidated Financial Statements

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2018, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Shangri-La Hotel (Hefei) Co, Limited	The People's Republic of China	USD90,000,000	-	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Qinhuangdao) Co, Limited	The People's Republic of China	RMB880,000,000	-	100	Hotel ownership and operation	7,8
Sanya Shangri-La Hotel Co, Limited	The People's Republic of China	RMB1,775,614,140	-	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Lhasa) Co, Limited	The People's Republic of China	USD132,000,000	-	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Qufu) Co, Limited	The People's Republic of China	RMB844,000,000	-	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Nanjing) Co, Limited	The People's Republic of China	RMB750,000,000	-	55	Hotel ownership and operation	7,8
Shangri-La Hotel (Diqing) Co, Limited	The People's Republic of China	RMB610,000,000	-	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Xiamen) Co, Limited	The People's Republic of China	RMB640,000,000	-	100	Hotel ownership and operation	2,7,8
Dalian Wolong Bay Shangri-La Hotel Co, Limited	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, Limited	The People's Republic of China	USD102,600,000	-	100	Hotel ownership and operation and real estate development	7,8
Harbin Songbei Shangri-La Hotel Co, Limited	The People's Republic of China	RMB658,000,000	-	100	Hotel ownership and operation	7,8
Shangri-La Ulaanbaatar LLC	Mongolia	USD5,000,000	-	51	Office ownership and operation	
Shangri-La Ulaanbaatar Hotel LLC	Mongolia	USD20,000,000	-	51	Hotel, serviced apartments and office ownership and operation	
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	

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2018, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Percentage holding in the voting shares Indirect	Nature of business	Notes
Mactan Shangri-La Hotel & Resort, Inc	The Philippines	Common 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	
Yanuca Island Pte Limited	Fiji	FJD1,262,196	-	71.64	Hotel ownership and operation	2
Shangri-La Hotel Limited	Singapore	SGD165,433,560	-	100	Investment holding, hotel ownership and operation and leasing of residential and serviced apartments	2
Sentosa Beach Resort Pte Limited	Singapore	SGD30,000,000	-	100	Hotel ownership and operation	2
Traders Hotel Management Pte Limited	Singapore	SGD1	-	100	Hotel operation	2
Shangri-La Hotels (Malaysia) Berhad	Malaysia	RM544,501,853	-	52.78	Investment holding and hotel ownership and operation	
Shangri-La Hotel (KL) Sdn Berhad	Malaysia	RM150,000,000	-	52.78	Hotel ownership and operation	
Golden Sands Beach Resort Sdn Berhad	Malaysia	RM6,000,000	-	52.78	Hotel ownership and operation	
Pantai Dalit Beach Resort Sdn Berhad	Malaysia	RM135,000,000	-	64.59	Hotel and golf club ownership and operation	
Komtar Hotel Sdn Berhad	Malaysia	RM6,000,000	-	31.67	Hotel ownership and operation	
UBN Tower Sdn Berhad	Malaysia	RM500,000	-	52.78	Property investment and office management	

Notes to the Consolidated Financial Statements

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2018, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
UBN Holdings Sdn Berhad	Malaysia	RM45,186,400	-	52.78	Investment holding and property investment	
Traders Yangon Company Limited	Myanmar	Kyat 21,600,000	-	59.16	Hotel ownership and operation	
Shangri-La Yangon Company Limited	Myanmar	Kyat 11,880,000	-	55.86	Serviced apartments and hotel ownership and operation	
Traders Square Company Limited	Myanmar	Kyat 522,000	-	59.28	Real estate development and operation	
Shangri-La Hotel Public Company Limited	Thailand	Baht1,300,000,000	-	73.61	Hotel, serviced apartments and office ownership and operation	
Shangri-La Hotels (Paris)	France	EUR13,772,210	-	100	Hotel ownership and operation	2
Shangri-La Hotels Japan KK	Japan	YEN100,000,000	-	100	Hotel operation	2
Shangri-La Hotels Pte Limited	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 Limited	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	4
Shangri-La Investments Lanka (Private) Limited	Sri Lanka	LKR1,214,245,300	-	90	Hotel ownership and operation	

41 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2018, 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		
Turati Properties Srl	Italy	EUR10,000	-	100	Hotel ownership and operation	3
SLIM International Limited	Cook Islands	USD1,000	100	-	Investment holding	1
Shangri-La International Hotel Management Limited	Hong Kong	HKD10,000,000	-	100	Hotel management, marketing, consultancy and reservation services	1
Shangri-La Hotel Management (Shanghai) Co, Limited	The People's Republic of China	USD7,340,000	-	100	Hotel management, marketing and consultancy services	7,8
Shangri-La International Hotel Management BV	The Netherlands	EUR18,151	-	100	Sub-licensing use of intellectual property rights	

Notes:

1 Subsidiaries audited by PricewaterhouseCoopers, Hong Kong.

2 Subsidiaries audited by other member firms of PricewaterhouseCoopers.

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

4 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 (Australian) 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 Piers 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. A Revocation Deed was entered in October 2017 between Shangri-La Asia Limited and its wholly owned Australian subsidiaries for the purpose of removing Langley Terrace Hotel Pty Limited from the Deed of Cross Guarantee.

Notes to the Consolidated Financial Statements

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) At 31 December 2018, 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 Limited	The People's Republic of China	50	Hotel ownership and operation and property investment	2
Beijing Shangri-La Hotel Co, Limited	The People's Republic of China	38	Hotel ownership and operation	
Hangzhou Shangri-La Hotel Limited	The People's Republic of China	45	Hotel ownership and operation	
Seacliff Limited	The People's Republic of China	30	Hotel ownership and operation and property investment	1
Beijing Jia Ao Real Estate Development Co, Limited	The People's Republic of China	23.75	Real estate development and operation	2
Beijing Kerry Hotel Co, Limited	The People's Republic of China	23.75	Hotel ownership and operation	2
Shanghai Xin Ci Hou Properties Co, Limited	The People's Republic of China	24.75	Real estate development and operation	2
Shanghai Ji Xiang Properties Co, Limited	The People's Republic of China	49	Hotel ownership and operation and property investment	2
Shanghai Pudong Kerry City Properties Co, Limited	The People's Republic of China	23.20	Hotel ownership and operation and property investment	2
Tianjin Kerry Real Estate Development Co, Limited	The People's Republic of China	20	Hotel ownership and operation and property investment	4
Kerry Real Estate (Nanchang) Co, Limited	The People's Republic of China	20	Hotel ownership and operation and property investment	4
Hengyun Real Estate (Tangshan) Co, Limited	The People's Republic of China	35	Property investment	
Ruihe Real Estate (Tangshan) Co, Limited	The People's Republic of China	35	Hotel ownership and operation	
Xiang Heng Real Estate (Jinan) Co, Limited	The People's Republic of China	45	Hotel ownership and operation and property investment	
Kerry (Shenyang) Real Estate Development Co, Limited	The People's Republic of China	25	Property investment	4
Sheng Xiang Real Estate (Shenyang) Co, Limited	The People's Republic of China	25	Property investment	3
Shangri-La Hotel (Shenyang) Co, Limited	The People's Republic of China	25	Hotel ownership and operation	
Kerry Real Estate (Hangzhou) Co Limited	The People's Republic of China	25	Hotel ownership and operation and property investment	
Full Fortune Real Estate (Putian) Co, Limited	The People's Republic of China	40	Property investment	3

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) At 31 December 2018, 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, Limited	The People's Republic of China	40	Hotel ownership and operation	3
Zhengzhou Yuheng Real Estate Co, Limited	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Jian'an Real Estate (Kunming) Co, Limited	The People's Republic of China	45	Hotel ownership and operation	3
Cuscaden Properties Pte Limited	Singapore	44.60	Hotel ownership and operation and property investment	
Tanjong Aru Hotel Sdn Berhad	Malaysia	40	Hotel ownership and operation	
Komtar Hotel Sdn Berhad	Malaysia	31.67	Hotel ownership and operation	
PT Swadharma Kerry Satya	Indonesia	25	Hotel ownership and operation	2
Fine Winner Holdings Limited	Hong Kong	30	Hotel ownership and operation	1
Shang Global City Properties, Inc	The Philippines	40	Hotel ownership and operation and property investment	
SRL Touessrok Hotel Limited	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 Limited	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.

(c) The above tables list out the subsidiaries and associates of the Company as at 31 December 2018 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.

Notes to the Consolidated Financial Statements

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

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

Address	Existing use	Lease term
Kowloon Shangri-La, Hong Kong 64 Mody Road, Tsim Sha Tsui 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
Kerry Hotel, Hong Kong 38 Hung Luen Road, Hung Hom Bay, Kowloon, 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 Road, Pudong, 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

42 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, Qingdao 9 Xianggang Middle Road, 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
Shangri-La Hotel, Harbin 555 You Yi Road, Harbin 150018, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Wuhan No. 700, Jianshe Avenue, Hankou, Wuhan 430015, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Fuzhou 9 Xin Quan Nan Road, Fuzhou, Fujian 350005, The People's Republic of China	Hotel operation	Medium 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

Notes to the Consolidated Financial Statements

42 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, 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, Yangzhou, Hanjiang District, 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
Shangri-La Hotel, Wenzhou 1 Xiangyuan Road, Wenzhou 325000, Zhejiang Province, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Ningbo 88 Yuyuan Road, Jiangdong District, Ningbo 315040, Zhejiang, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Guilin 111 Huan Cheng Bei Er Lu, Guilin 541004, Guangxi, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Manzhouli 99 Liudao Street, Manzhouli, Inner Mongolia 021400, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

Address	Existing use	Lease term
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
Shangri-La Resort, Shangri-La No.1, Chicika Street, Shangri-La City, Yunnan Province, The People's Republic of China	Hotel operation	Medium lease
Songbei Shangri-La, Harbin No. 1 Songbei Avenue, Songbei District, Harbin 150028, The People's Republic of China	Hotel operation	Medium lease

Notes to the Consolidated Financial Statements

42 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, Xiamen Guanyinshan International Business Centre, No. 168 Taidong Road, Siming District, Fujian, The People's Republic of China	Hotel operation	Medium lease
Makati Shangri-La, Manila Ayala Avenue corner Makati Avenue, Makati City 1200, The Philippines	Hotel operation	Medium lease
Edsa Shangri-La, Manila 1 Garden Way, Ortigas Centre, Mandaluyong City 1650, The Philippines	Hotel operation	Medium lease
Shangri-La's Mactan Resort & Spa, Cebu Punta Engano Road, Lapu-Lapu, Cebu 6015, The Philippines	Hotel operation	Medium lease
Shangri-La's Boracay Resort & Spa Barangay Yapak, Boracay Island, Malay, Aklan 5608, The Philippines	Hotel operation	Medium lease
Shangri-La's Fijian Resort & Spa, Yanuca Yanuca Island, Coral Coast, Fiji Islands, Fiji	Hotel operation	Medium lease
Shangri-La Hotel, Singapore 22 Orange Grove Road, 258350 Singapore	Hotel operation	Freehold

42 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 Sentosa Resort & Spa, Singapore 101 Siloso Road, Sentosa, Singapore 098970	Hotel operation	Long lease
Hotel Jen Orchardgateway Singapore 277 Orchard Road, Singapore 238858	Hotel operation	Short lease for building
Shangri-La Hotel, Kuala Lumpur 11 Jalan Sultan Ismail, Kuala Lumpur 50250, Malaysia	Hotel operation	Freehold
Shangri-La's Rasa Sayang Resort & Spa, Penang Batu Feringgi Beach, Penang 11100, Malaysia	Hotel operation	Freehold
Hotel Jen Penang Magazine Road, George Town, Penang 10300, Malaysia	Hotel operation	Long lease
Golden Sands Resort, Penang Batu Feringgi Beach, Penang 11100, Malaysia	Hotel operation	Freehold
Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu Pantai Dalit, PO Box 600, Tuaran, Kota Kinabalu, Sabah 89208, Malaysia	Hotel and golf club operation	Long lease
Sule Shangri-La, Yangon 223 Sule Pagoda Road, Yangon, Myanmar	Hotel operation	Medium lease

Notes to the Consolidated Financial Statements

42 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, 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
Shangri-La Hotel, At The Shard, London 31 St Thomas Street, London SE1 9QU, United Kingdom	Hotel operation	Medium lease for building
Shangri-La Hotel, Paris 10 Avenue d'Iena, Paris 75116, France	Hotel operation	Freehold

42 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, The Marina, Cairns Pierpoint Road, Cairns, Queensland 4870, Australia	Hotel operation	Medium lease
Shangri-La Hotel, Sydney 176 Cumberland Street, The Rocks, Sydney NSW 2000, Australia	Hotel operation	Long lease
Shangri-La Hotel, Ulaanbaatar 19 Olympic Street, Sukhbaatar District-1, Ulaanbaatar 14241, Mongolia	Hotel operation	Medium lease
Shangri-La's Hambantota Golf Resort & Spa, Sri Lanka Sittrakala Estate, Chithragala, Ambalantota, Sri Lanka	Hotel operation	Medium lease
Shangri-La Hotel, Colombo 1 Galle Face, Colombo 2, Sri Lanka	Hotel operation	Freehold

Notes to the Consolidated Financial Statements

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

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

42 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
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
Shangri-La Hotel, Jinan No. 106 Luoyuan Street, Lixia District, Jinan, Shandong Province 250011, The People's Republic of China	Hotel operation	Medium lease
The Portman Ritz-Carlton, Shanghai Shanghai Centre, 1376 West Nanjing Road, Shanghai 200040, The People's Republic of China	Hotel operation	Short 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
Midtown Shangri-La, Hangzhou 6 Changshou Road, Kerry Centre, Yan'an Roan, Hangzhou 310006, The People's Republic of China	Hotel operation	Medium lease
Hotel Jen Tanglin Singapore 1A Cuscaden Road, 249716 Singapore	Hotel operation	Long lease

Notes to the Consolidated Financial Statements

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

Address	Existing use	Lease term
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu 20 Jalan Aru, Tanjung Aru, Kota Kinabalu, Sabah 88100, Malaysia	Hotel operation	Long lease
Shangri-La Hotel, Jakarta Kota BNI Jalan Jend. Sudirman Kav. 1, Jakarta 10220, Indonesia	Hotel operation	Medium lease
Hotel Jen Hong Kong 508 Queen's Road West, 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
Shangri-La at the Fort, Manila 30th Street corner 5th Avenue, Bonifacio Global City, Taguig City, Philippines	Hotel operation	Freehold

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

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

Address	Existing use	Lease term
Shangri-La Residences, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Residential rental	Medium lease
Shangri-La Centre, Chengdu 9 Binjiang Dong Road, Chengdu 610021, The People's Republic of China	Office and commercial rental	Medium lease
Shangri-La Centre, Qingdao 9 Xianggang Middle Road, Qingdao 266071, The People's Republic of China	Office and commercial rental	Medium lease
Central Tower, Ulaanbaatar 2 Great Chinggis, Khaan's Square, Mongolia	Office and commercial rental	Medium lease
Shangri-La Centre, Ulaanbaatar 19A-C Olympic Street, Sukhbaatar District 1, Ulaanbaatar 14241, Mongolia	Office, commercial and residential rental	Medium 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

Notes to the Consolidated Financial Statements

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

Address	Existing use	Lease term
UBN Tower, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, Kuala Lumpur 50250, Malaysia	Office and commercial rental	Freehold
UBN Apartments, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, Kuala Lumpur 50250, Malaysia	Residential rental	Freehold
Sule Square 221, Sule Pagoda Road, Yangon, Myanmar	Office and commercial rental	Medium lease
Shangri-La Residences, Yangon Kan Yeik Tha Street, Yangon, Myanmar	Residential rental	Medium lease
The Pier Retail Complex, Cairns 1 Pierpoint Road, Cairns, Queensland 4870, Australia	Office and commercial rental	Long lease

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

Address	Existing use	Lease term
China World Trade Center 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Office, commercial and residential rental	Medium lease
Century Towers, Beijing 18 Guang Qu Men Wai Avenue, Beijing 100022, The People's Republic of China	Residential rental	Medium lease
Shanghai Centre 1376 West Nanjing Road, 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, 1515, 1539, 1551 and 1563, 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. 1155 Fangdian Road, No. 1378, 1398 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Office, commercial and residential rental	Medium lease

Notes to the Consolidated Financial Statements

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

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

Address	Existing use	Lease term
Tianjin Kerry Centre Liuwei Road, Hedong District, Tianjin 300171, The People's Republic of China	Office, commercial and residential rental	Medium lease
Hangzhou Kerry Centre 385 Yan'an Road, Xiacheng District, Hangzhou, The People's Republic of China	Office and commercial rental	Medium lease
Jinan Enterprise Square 102 Luoyuan Street, Lixia District, Jinan 250000 The People's Republic of China	Office and commercial rental	Medium lease
Shenyang Kerry Centre 123, 125 and 125-1 Qingnian Avenue, Shenhe District, Shenyang 110200 The People's Republic of China	Office and commercial rental	Medium lease
Tanglin Mall, Singapore 163 Tanglin Road, Singapore 247933	Commercial rental	Long lease
Tanglin Place, Singapore 91 Tanglin Road, Singapore 247918	Office and commercial rental	Freehold

44 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2018	2017
	USD'000	USD'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,527	1,215
Investments in subsidiaries	4,352,311	4,538,365
Financial assets at FVPL – Club debentures	1,746	–
Available-for-sale financial assets – Club debentures	–	1,635
	4,357,584	4,541,215
Current assets		
Amounts due from subsidiaries	613,106	14,791
Dividends receivable, prepayments and deposits	890,001	740,700
Cash and cash equivalents	9,481	10,666
	1,512,588	766,157
Total assets	5,870,172	5,307,372
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital and premium	3,201,995	3,198,420
Shares held for share award scheme	(4,996)	–
Other reserves	1,541,702	1,543,157
Retained earnings	133,272	103,643
Total equity	4,871,973	4,845,220
LIABILITIES		
Current liabilities		
Accounts payable and accruals	10,359	9,253
Amounts due to subsidiaries	987,840	452,899
	998,199	462,152
Total liabilities	998,199	462,152
Total equity and liabilities	5,870,172	5,307,372
Net current assets	514,389	304,005
Total assets less current liabilities	4,871,973	4,845,220

The statement of financial position of the Company was approved by the Board of Directors on 20 March 2019 and was signed on its behalf.

KUOK Hui Kwong
Director

LIM Beng Chee
Director

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 USD'000	Share award reserve USD'000	Capital redemption reserve USD'000	Available-for-sale financial assets reserve USD'000	Contributed surplus USD'000 (Note)	Total USD'000
Balance at 1 January 2017	7,815	–	10,666	485	1,524,231	1,543,197
Exercise of share options – transfer from share option reserve to share premium	(313)	–	–	–	–	(313)
Fair value changes of available-for-sale financial assets	–	–	–	273	–	273
Balance at 31 December 2017 and 1 January 2018	7,502	–	10,666	758	1,524,231	1,543,157
Change in accounting policy – HKFRS 9 (Transfer to retained earnings)	–	–	–	(758)	–	(758)
	7,502	–	10,666	–	1,524,231	1,542,399
Exercise of share options – transfer from share option reserve to share premium	(1,286)	–	–	–	–	(1,286)
Granting of shares under share award scheme	–	3,550	–	–	–	3,550
Vesting of shares under share award scheme	–	(2,961)	–	–	–	(2,961)
Balance at 31 December 2018	6,216	589	10,666	–	1,524,231	1,541,702

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.

44 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement of retained earnings of the Company:

	As at 31 December	
	2018	2017
	USD'000	USD'000
Balance at 1 January	103,643	47,899
Vesting of shares under share award scheme	33	–
Transfer AFS financial assets reserve balance for effective of HKFRS 9	758	–
Profit for the year	116,705	120,426
2017/2016 final dividend paid	(50,889)	(36,955)
2018/2017 interim dividend paid (Note 36)	(36,978)	(27,727)
Balance at 31 December	133,272	103,643
Representing:		
2018/2017 final dividend proposed (Note 36)	64,713	50,885
Others	68,559	52,758
Balance at 31 December	133,272	103,643

45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 20 March 2019.

Five Year Summary

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

	Year ended 31 December				
	2018	2017	2016	2015	2014
	USD'000	USD'000	USD'000	USD'000	USD'000
Results					
Profit/(Loss) attributable to:					
Owners of the Company	192,905	157,997	106,054	140,131	180,889
Non-controlling interests	(9,167)	(13,951)	(44,022)	29,847	26,606

	As at 31 December				
	2018	2017	2016	2015	2014
	USD'000	USD'000	USD'000	USD'000	USD'000
Assets and liabilities					
Total assets	13,170,648	13,675,173	12,993,784	13,285,413	13,740,279
Total liabilities	6,493,760	6,633,177	6,581,350	6,395,728	6,301,032
Total equity	6,676,888	7,041,996	6,412,434	6,889,685	7,439,247

Abbreviations

In this Annual Report (except for the independent Auditor's report and the Financial Statements), the following expressions have the following meanings:

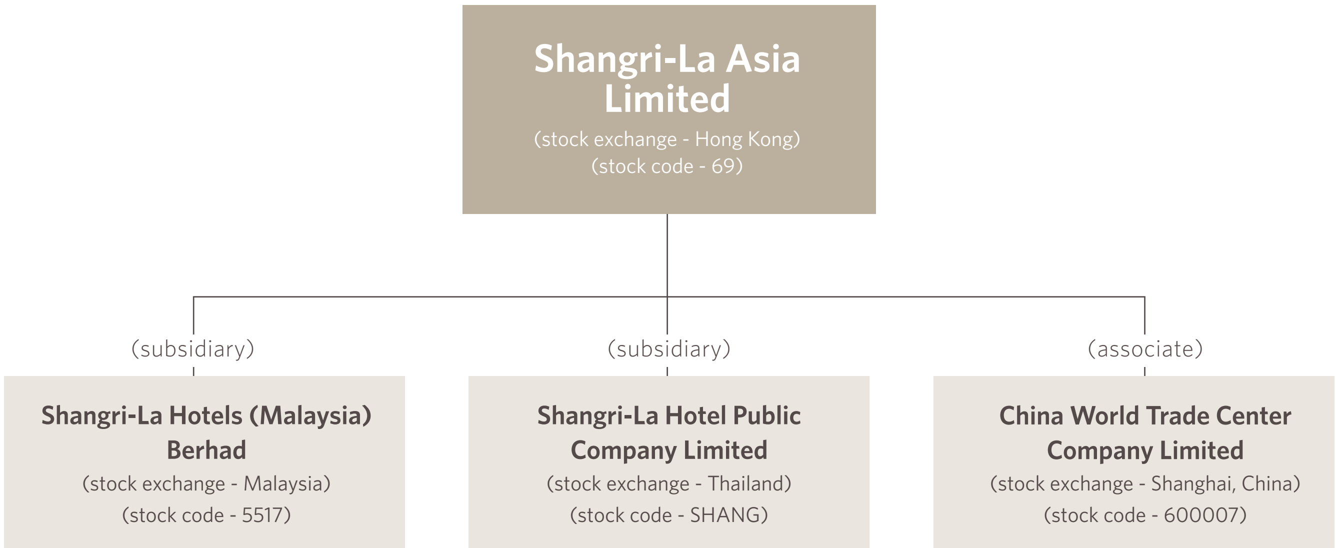
"Annual General Meeting"	forthcoming 2019 annual general meeting of the Company
"Annual Report"	this 2018 annual report of the Company
"Audit & Risk Committee"	audit & risk committee of the Company (formerly known as audit committee and was re-designated as audit & risk committee on 21 March 2018)
"Auditor"	statutory auditor of the Company, currently being PricewaterhouseCoopers, Hong Kong
"Board"	board of Directors
"Bye-Laws"	bye-laws of the Company
"CEO", "CFO", "COO", "CCHRO" and "CTO"	chief executive officer, chief financial officer, chief operating officer, chief corporate and human resources officer and chief technology 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
"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 (if any) in the corporate governance report in this Annual Report
"Chairman" or "Deputy Chairman"	chairman and deputy chairman (if any), 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 finance costs, tax, depreciation and amortisation and non-recurring items such as gain/loss on disposal of fixed assets and interest in investee companies; fair value gains/losses on investment properties and financial assets; and impairment losses on fixed assets
"Executive Committee"	executive committee of the Company
"Executive Director(s)" or "ED(s)"	executive Director(s)

Abbreviations

"Financial Statements"	consolidated financial statements of the Group for the Financial Year as set out on pages 115 to 239 of this Annual Report
"Financial Year"	financial year ended 31 December 2018
"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
"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
"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 HKD1.00 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 a company, and "Substantial Shareholder(s)" shall mean substantial shareholder(s) of the Company
"Year End"	31 December 2018

The Group's Listed Members



SHANGRI-LA GROUP

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