SHANGRI-LA GROUP

Annual Report 2019

SHANGRI-LA ASIA LIMITED

Incorporated in Bermuda with Limited Liability

Stock Code: 69

Cover Photos:
1. Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu
2. Shangri-La's Fijian Resort & Spa, Yanuca Island, Fiji
3. Kerry Hotel, Hong Kong
4. Shangri-La Hotel, Singapore
5. Shangri-La Hotel, Colombo
6. One Galle Face, Colombo
7. Kerry Hotel, Hong Kong

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The Group's Business Presence

As at 31 December 2019
● Business in operation
● Projects under development / in planning

Asia

Bahrain ●

Cambodia
Phnom Penh ●

Hong Kong SAR

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
Shangri-La
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

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

Turkey
Istanbul

United Kingdom
London

Africa

Mauritius

North America

Canada
Toronto
Vancouver

Financial Highlights

The following table summarises the highlights of our financial results:

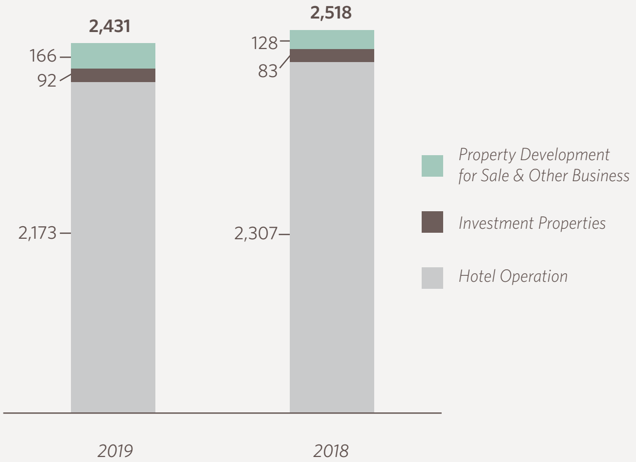
	2019 USD Million	2018 USD Million	2019/18 % Change
Total Revenue	**2,431.2**	2,517.9	-3.4%
EBITDA of the Company and its subsidiaries	**584.0**	664.5	-12.1%
Effective share of EBITDA of the Company, subsidiaries and associates	**864.9**	940.9	-8.1%
Profit attributable to owners of the Company			
– Operating items	**113.8**	197.3	-42.3%
– Non-operating items	**38.7**	(4.4)	N/M
Total	**152.5**	192.9	-20.9%
Earnings per share (US cents per share)	**4.27**	5.40	-20.9%
Net assets attributable to owners of the Company	**6,189.6**	6,289.0	-1.6%
Net assets per share attributable to owners of the Company (US$)	**1.73**	1.76	-1.7%

Year of challenges
- Trade war lingered, impacting Mainland China, Hong Kong and Singapore
- Prolonged demonstrations in Hong Kong
- Sri Lanka Easter tragic bombing incident

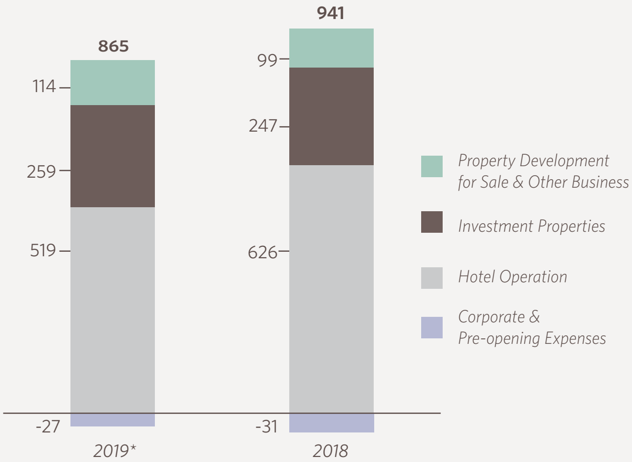
Mitigation actions
- Increased focus on Chinese domestic leisure market (family packages, catering and F&B promotions)
- Implemented cost control measures for Hong Kong
- Enhanced security for Sri Lanka sites. Achieved ~80% of original residential handover target despite challenges.

Results summary
- Hotels business declined due to highlighted challenges
- Investment properties continued to provide stable base
- Property development for sale – year-over-year growth but lower than originally anticipated

Segment Revenue by Category (USD Million)



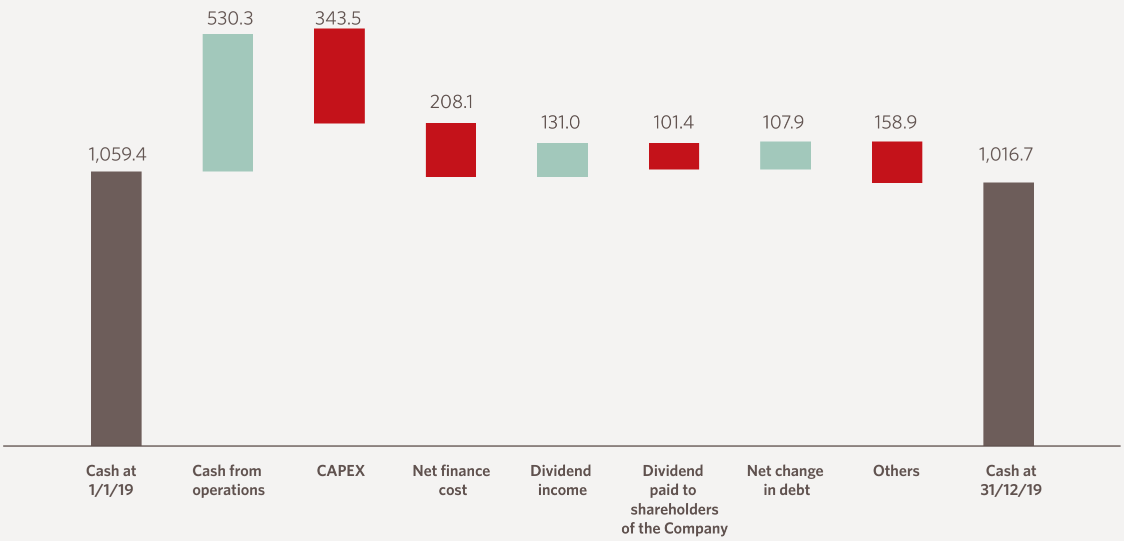
Effective Share of EBITDA by Category (USD Million)



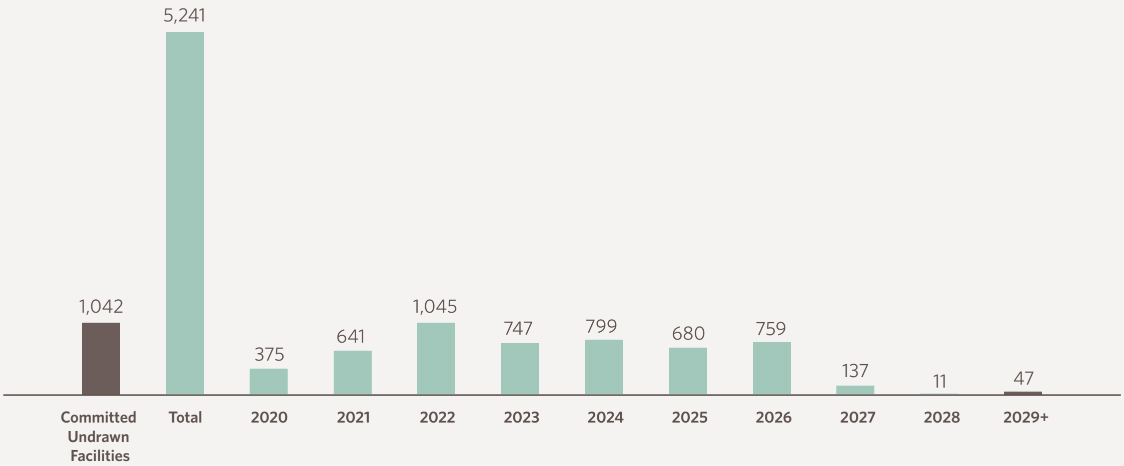
* Figures for FY2019 are prepared under the new accounting standard HKFRS 16 while the comparative figures for FY2018 are prepared under the former accounting standard HKAS 17 without restatement.

Financial Highlights

Movement of Cashflow
(USD million)



Debt refinancing schedule chart including undrawn facilities
(USD million)
Weighted Average Term: 4.21 years



Corporate Information

As at 27 March 2020

BOARD OF DIRECTORS
Executive Director(s)
Ms KUOK Hui Kwong *(Chairman)*
Mr LIM Beng Chee *(Group CEO)*

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

Independent Non-executive Director(s)
Professor LI Kwok Cheung Arthur
Mr YAP Chee Keong
Mr LI Xiaodong Forrest
Mr ZHUANG Chenchao *(from 1 December 2019)*

EXECUTIVE COMMITTEE
Ms KUOK Hui Kwong *(chairman)*
Mr LIM Beng Chee

NOMINATION COMMITTEE
Ms KUOK Hui Kwong *(chairman)*
Professor LI Kwok Cheung Arthur
Mr LI Xiaodong Forrest

REMUNERATION COMMITTEE
Professor LI Kwok Cheung Arthur *(chairman)*
Ms KUOK Hui Kwong
Mr YAP Chee Keong

AUDIT & RISK COMMITTEE
Mr YAP Chee Keong *(chairman)*
Mr HO Kian Guan (alternate – Mr HO Chung Tao)
Professor LI Kwok Cheung Arthur

COMPANY SECRETARY
Mr SEOW Chow Loong Iain

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest
Entity Auditor
22/F Prince's Building
Central
Hong Kong SAR

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
28/F Kerry Centre
683 King's Road
Quarry Bay
Hong Kong SAR

REGISTERED ADDRESS
Victoria Place
5/F, 31 Victoria Street
Hamilton HM10
Bermuda

PRINCIPAL SHARE REGISTRAR IN BERMUDA
MUFG Fund Services (Bermuda) Limited
4/F North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG
Tricor Abacus Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong SAR

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

KEY DATES
Closure of registers of members
for Annual General Meeting
2 June 2020 to 5 June 2020, both dates inclusive

Annual General Meeting
5 June 2020

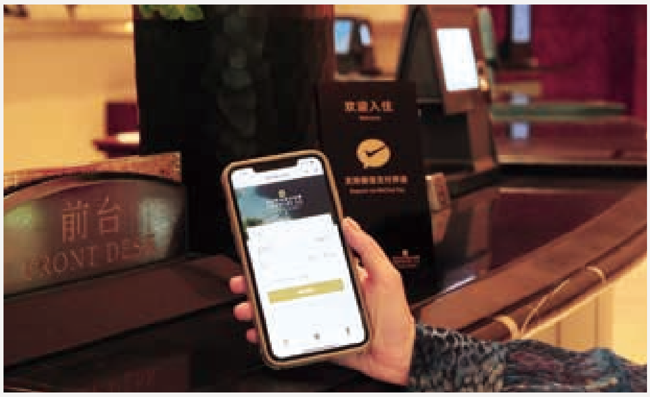
Announcement of 2020 interim results
August 2020

Year in Review

March
Shangri-La started construction for a new Mixed-Use Development Complex in Fuzhou, Mainland China. The development is scheduled for completion in 2022.

Shougang Group and Shangri-La signed a hotel management agreement for a hotel project at Shougang Park in Beijing. The hotel will be one of the Official Hotels of the Beijing 2022 Winter Olympics.

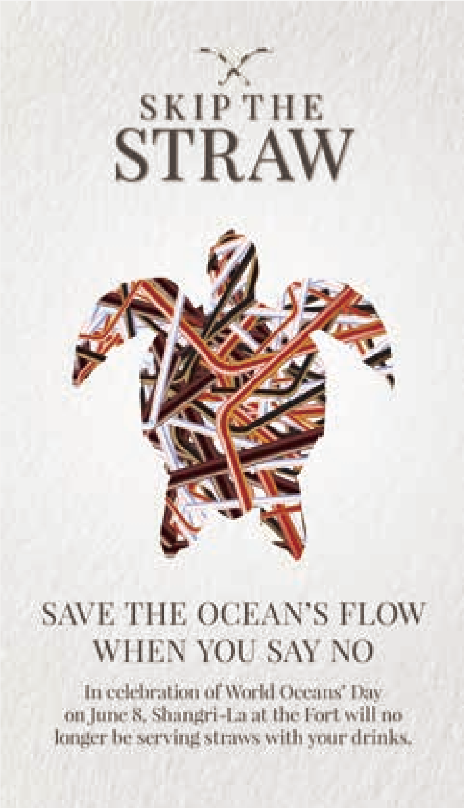
April
Shangri-La signed a hotel management agreement to manage Hotel Jen Qianhai, Mainland China. The hotel is scheduled to open in December 2021.



June
The Group launched the WeChat Mini Programme and WeChat online pay services for guests. Shangri-La becomes the first hotel group to offer a range of e-services under the WeChat eco-system.

New family-themed rooms and suites, unveiled at Shangri-La Hotel, Harbin and Shangri-La Hotel, Qinhuangdao along with child-friendly amenities and services.

Shangri-La is Ctrip's First Globally Certified Hotel Group under its China Preferred Hotel Programme. The programme aims to promote customised hospitality standard specifically for Chinese travellers going overseas.



July
Shangri-La bans single-use plastics straws and stirrers across its properties as the Group promotes more sustainability practices.

September
Launch of "Race for Hope" Campaign - a China-wide CSR initiative leveraging Alipay's Ant Forest programme to engage our employees and guests to adopt a low carbon lifestyle. Shangri-La is the first hotel group to participate in Ant Forest digital platform.

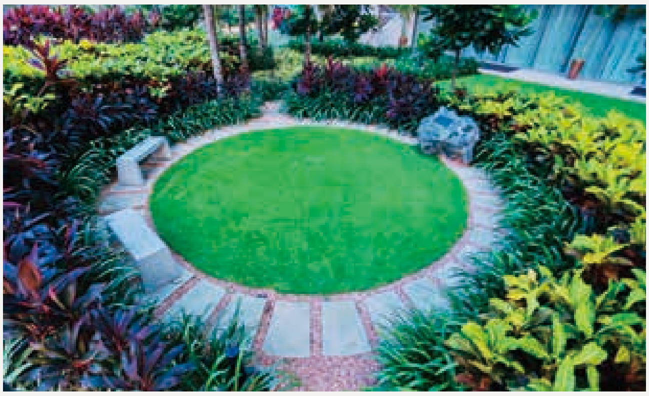
October
Launch of Shangri-La Academy Online, the Group's e-learning platform to facilitate individual learning and personalised content for our colleagues anytime, anywhere.

Opening of a new culinary R&D centre in Dalian, Mainland China to drive innovation and to explore new dining concepts. The centre aims to scale for success and to improve our F&B offerings across the Group's operations.

November
Opening of Shangri-La Hotel, Suzhou Yuanqu, Mainland China marking the Group's return to the historical water town since its first property 10 years ago. The 303-room hotel is located at the new commercial district.

The official opening of One Galle Face (OGF) Mall and office tower. Together with OGF Residences, this mixed-use integrated project is the Group's largest venture in South Asia to date.

Signing of a lease agreement between Shanghai Airport Authority and Shangri-La for a hotel project at Hongqiao Airport. The new airport hotel will combine elements of Shangri-La Hotel and Traders for a dual brand experience.



In Remembrance: A Garden Memorial erected in Shangri-La Hotel, Colombo, Sri Lanka on 7 November 2019 in memory of those who lost their lives on 21 April 2019.

Awards of the Year

Best Business Hotel Brand in Asia-Pacific
Business Traveller Asia-Pacific Awards

Best Hotel Brand in China
Business Traveller China Awards

Best Business Hotel Brand in Asia-Pacific
Business Traveller UK Awards 2019

Best Hotel by Region, Best Business Hotel Brand in Asia
Business Traveler Magazine (USA)

Top 60 Hotel Groups in China 2018
China Tourist Hotel Association

Top 20 Hotels in Asia
Conde Nast Traveler's Readers' Choice Awards

Best Business Hotel Brand
DestinAsian Readers' Choice Awards 2019

Best Leisure Hotel Brand
DestinAsian Readers' Choice Awards 2019

International Award
DHL/SCMP Hong Kong Business Awards

Recommended International Hotel Group
HOTELN

World's Best Hotel Group
Jie Mian x Quality

MSC Leadership in Sustainable Seafood Award
Marine Stewardship Council

Top 25 Hotel Brands
Travel + Leisure World's Best Awards 2019

Best Luxury Hotel Brand in Greater China
TTG China Travel Awards 2019

Best Luxury Hotel Brand
TTG Travel Awards 2019

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

Chairman's Statement

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

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 2019.

In 2019, consolidated revenues decreased by 3.4% to USD2,431.2 million. Aggregate effective share of EBITDA to the Group decreased by 8.1% to USD864.9 million, dropping at a rate faster than our revenues as fixed labour costs form a significant portion of operating expenses at our hotel operations. As a result, consolidated profit attributable to owners of the Company (before non-operating items) decreased by 42.3% to USD113.8 million. Consolidated profit attributable to owners of the Company (after non-operating items) decreased by 20.9% to USD152.5 million, partially helped by lower impairment charges compared to last year.

2019 proved to be a challenging year for the hotels business of the Group. Market sentiment was dampened by uncertainties arising from the extended Sino-US trade war that began in mid-2018. Our business was further impacted by the tragic bombing incident on 21 April 2019 in Colombo, Sri Lanka, which affected not only our hotel business, but also the handing over of our completed residential units and delayed the opening of our mall and office. Two months later, protests began sprouting around various areas of Hong Kong. As the unrests intensified over the following months, tourist arrivals into Hong Kong started to decline, with November 2019 posting the worst drop of 56%. Together, this has considerably affected the profitability of our business, where our effective share of EBITDA for hotel properties dropped by 9.8% to USD545.2 million.

Amidst such trying times, we continue to stay focused, fine-tuning and adjusting our strategies to help mitigate some of the fallout. For example, a number of hotels shifted their focus to family staycation packages and to promoting local F&B demand in efforts to reduce the impact from the sluggish MICE businesses. Learning from our success in Shangri-La Singapore, we have also continued to increase our product offerings catered to an enhanced family experience. During the year we launched our family-themed rooms and suites in Shangri-La Harbin and Shangri-La Qinhuangdao. These offerings have been receiving very positive reception from their respective local markets.

We continue to plan for sustainable growth of our businesses. During the year, we have concluded two land acquisitions for hotel developments in Bangkok (Thailand) and Kyoto (Japan), and signed a lease agreement with Shanghai Airport Authority for a dual brand hotel project at Hongqiao Airport. We also signed two hotel management agreements in Shougang Park (Beijing) and Qianhai (Shenzhen). We will continue to look for suitable opportunities and partners to enable us to go deeper in markets where we already have a presence to create even more synergies.

Our portfolio of investment properties provided us with a stable foundation of recurring income, where effective share of EBITDA for the segment increased by 5.2% to USD259.4 million. We continue to see a healthy rise in occupancy levels at the office and commercial units of our subsidiary property Shangri-La Centre, Ulaanbaatar (Mongolia). Our associate property at China World Trade Center also saw a sustained ramp of its Phase IIIB. Effective share of EBITDA from our property development increased by 14.2% to USD113.6 million, mainly due to handing over of residential units at Shangri-La's One Galle Face development in Colombo (Sri Lanka) which reached around 80% of our target set a year ago before the tragic incident.

To support our desire of a sustainable future for Shangri-La, we remain committed in investing and bringing out the best in our people. During the year we launched Shangri-La Academy Online, a new learning portal to facilitate our colleagues' growth and development. By enhancing our peoples' capabilities and professionalism, we aim to continue providing greater service excellence to our guests and customers. We also opened our culinary R&D centre in Dalian (China), allowing our chefs to drive innovation and explore new dining concepts to scale for business and improve our F&B offerings across the Group's operations. We are committed to training our people and to helping them build a successful and fulfilling career at Shangri-La.

I am also very heartened to see many of our colleagues passionately doing their part to protect our planet and in many instances, working tirelessly to help the less fortunate in their community. Under Shangri-La's "Race for Hope" campaign, our China hotels joined forces with AliPay's digital "Ant Forest" App to encourage our people, guests and the general public to change their habits and live a more low-carbon lifestyle. Lastly, from the RMB5.7 million raised in our "Ride for Hope" programme last year, in 2019 we deployed the funds and supported 240 orphaned and financially disadvantaged children to receive life-changing surgeries.

We believe in the principle of 3Rs of Reduce, Reuse and Recycle and have adopted a group-wide ban on single-use plastic straws and stirrers in our effort to reduce indiscriminate plastics consumption. To reduce food waste, our chefs in the Philippines created a cookie out of the extra trimmings and baking ingredients which is now one of our best sellers in the Bake shop. We stand committed to play our part in terms of ensuring responsible sourcing and practices and to helping promote a more sustainable mindset across our organisation.

In planning for the long term, we have also taken steps to safeguard the robustness of our balance sheet to help us weather through adverse externalities. After the launch of our maiden SGD825 million 7-year corporate bond in 2018, we rode on the momentum and launched two bonds totalling SGD300 million in mid-2019 and a SGD250 million 10-year bond in January 2020. This has effectively helped us extend our average loan maturity from 2.82 years at end of 2017 to 4.34 years after the issuance of our latest bond. This lessens our refinancing burdens in the coming years; providing us with more headroom to better ride the challenges ahead. As at end of 31 December 2019, our Group had cash and cash equivalents of USD1.0 billion and committed undrawn bank facilities of USD1.0 billion, with USD375 million of debt to be refinanced in 2020.

Chairman's Statement

As the COVID-19 global pandemic continues to develop, we are actively managing our costs to reduce the impact on our Group. We have reduced the operating costs of our hotels by lowering utilities, procurement, and labour costs. At the headquarters, we reduced staff costs by implementing voluntary wage reduction for our senior staff and applying voluntary no-pay-leave for others, while our Board has voluntarily reduced their fees for the year. As part of our prudent efforts to conserve our accessible cash reserve in the event of a prolonged period of uncertainties, we have revised our capital expenditure plans and put on hold for new projects. We have also proposed no final dividend for the year. As a result, total dividend for the year remains unchanged from interim dividend at HK8 cents.

I would like to take this opportunity to thank all our shareholders for their unending support and trust. I would also like to extend a warm welcome to our new Directors who have joined our Board this year. Mr. Li Xiaodong Forrest was appointed as an Independent Non-Executive Director and a member of Nomination Committee both effective from 1 May 2019, and Mr. Zhuang Chenchao was appointed as an Independent Non-Executive Director effective from 1 December 2019. They bring with them a wealth of experience in the technological sector that will undoubtedly help guide us to a new level of experience for our customers.

Last but not least, I remain truly grateful to our colleagues worldwide. Their resilience, can-do attitude and care for our guests and for each other are inspiring especially in the face of adversity as we have seen over the year. They truly embody the Shangri-La spirit of going beyond to looking after our guests with genuine warmth and hospitality. From the past crises we have faced, I am confident that we can tackle the challenges ahead together to come out even stronger on the other side.

KUOK Hui Kwong
Chairman

27 March 2020

Board of Directors, Company Secretary and Senior Management

EXECUTIVE DIRECTOR(S)

KUOK Hui Kwong
Aged 42, Malaysian
Executive Director
Chairman

Period of service with the Group

- Non-executive Director from October 2014 to June 2016
- Executive Director and Deputy Chairman from June 2016 to December 2016
- Executive Director 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 company(ies) 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; executive director since April 2018

Other current major appointment(s)

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

Other previous experience and major appointment(s)

- SCMP Group Limited (currently known as Great Wall Pan Asia Holdings Limited) (listed on HKSE with stock code 00583) – joined in October 2003; executive director from February 2004 to June 2016 (managing director and chief executive officer from January 2009 to June 2012)
- The Post Publishing Public Company Limited (listed on the Thailand stock exchange) – director from November 2012 to June 2016

Academic/professional qualification(s)

- Bachelor's degree in East Asian Studies – Harvard University, United States

Relationship with significant shareholder(s)

- **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 52, Singaporean
Executive Director
Group CEO

Period of service with the Group

- Non-executive Director from September 2016 to December 2016
- Executive Director and Group CEO since January 2017

Other current major position(s) held within the Group

- Executive Committee – member

Directorship of listed company(ies) in the past three years

- Raffles Medical Group Limited (listed on the Singapore stock exchange) – independent director from July 2015 to 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 previous experience and major appointment(s)

- CapitaMalls Asia Limited (currently known as CapitaLand Mall Asia Limited) (listed on the Singapore stock exchange, delisted in July 2014) – director and chief executive officer from November 2008 to September 2014
- Changi Airports International Pte Limited – non-executive director and audit committee member from May 2015 to June 2017

Academic/professional qualification(s)

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

Board of Directors, Company Secretary and Senior Management

NON-EXECUTIVE DIRECTOR(S)

HO Kian Guan
(alias: HO Kim Swee)
Aged 74, Singaporean
Non-executive Director

Period of service with the Group
- Non-executive director since May 1993

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

Directorship of listed company(ies) in the past three years
- Keck Seng (Malaysia) Berhad (listed on the Malaysia stock exchange) – executive director since September 1970; executive chairman since September 1987
- Keck Seng Investments (Hong Kong) Limited (listed on HKSE with stock code 00184) – executive director since December 1979; executive chairman since August 1988
- Parkway Life REIT (listed on the Singapore stock exchange) – independent director since October 2016; chairman since April 2017

Other previous experience and major appointment(s)
- Parkway Holdings Limited (listed on the Singapore stock exchange, delisted in November 2010) – director from June 1985 to October 2011
- Shangri-La Hotel Public Company Limited (listed on the Thailand stock exchange), a subsidiary of the Company – director from May 1994 to March 2010

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

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

HO Chung Tao
Aged 45, Singaporean
Alternate Director
to HO Kian Guan

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

Other current major position(s) held within the Group
- Audit & Risk Committee – alternate member (to HO Kian Guan)

Directorship of listed company(ies) 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 previous experience and major appointment(s)
- worked for a securities firm in Singapore, a venture capital firm in Japan and a major US investment bank based in Japan on real estate acquisitions

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

Relationship with Director(s) and Senior Management
- son of HO Kian Guan (Non-executive Director)

Board of Directors, Company Secretary and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTOR(S)

LI Kwok Cheung Arthur
Aged 74, Chinese
Independent Non-executive Director

Period of service with the Group

- Independent Non-executive Director 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 company(ies) 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 appointment(s)

- The Government of the Hong Kong Special Administrative Region, Executive Council – member since July 2002
- The Chinese University of Hong Kong, Department of Surgery – emeritus professor since 2005
- The Government of the Hong Kong Special Administrative Region, Council for Sustainable Development – chairman since March 2015
- The University of Hong Kong – council member since March 2015; council chairman since January 2016

Other previous experience and major appointment(s)

- The Chinese University of Hong Kong – dean of Faculty of Medicine from 1992 to 1996; vice-chancellor (president) from 1996 to 2002
- The National Committee of the Chinese People's Political Consultative Conference – member from 1998 to March 2018
- Hong Kong Applied Science and Technology Research Institute Company Limited – director from May 2000 to July 2002
- Hong Kong Science and Technology Parks Corporation – director from March 2001 to July 2002
- The Government of Hong Kong Special Administrative Region, Education and Manpower Bureau – secretary from August 2002 to June 2007
- Glaxo Wellcome Plc (currently known as GlaxoSmithKline Plc after merger) (listed on the London and the New York stock exchanges) – non-executive director from January 1997 to July 2002
- China Mobile (Hong Kong) Limited (listed on HKSE with stock code 00941) – independent non-executive director from September 1997 to July 2002
- The Wharf (Holdings) Limited (listed on HKSE with stock code 00004) – independent non-executive director from October 2001 to July 2002

Academic/professional qualification(s)

- Medical degree – University of Cambridge, United Kingdom

Board of Directors, Company Secretary and Senior Management

YAP Chee Keong
Aged 59, Singaporean
Independent Non-executive Director

Period of service with the Group
- Independent Non-executive Director since December 2017

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

Directorship of listed company(ies) in the past three years
- The Straits Trading Company Limited (listed on the Singapore stock exchange) – director from May 2009 to April 2018
- ARA Asset Management Limited (listed on the Singapore stock exchange, delisted in April 2017) – non-executive director from January 2014 to April 2017
- 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

Other current major appointment(s)
- Citibank Singapore Limited – independent non-executive director since December 2011
- Certis CISCO Security Pte Limited – independent non-executive director since December 2014
- MediaCorp Pte Limited – independent non-executive director since November 2015
- Ensign Infosecurity Pte Limited – independent non-executive director since September 2019

Other previous experience and major appointment(s)
- Singapore Power Limited – chief financial officer from September 2002 to January 2009
- The Straits Trading Company Limited – executive director from January 2013 to August 2014
- CapitaMalls Asia Limited (currently known as CapitaLand Mall Asia Limited) (listed on the Singapore stock exchange, delisted in July 2014) – independent non-executive director from October 2009 to April 2013
- Tiger Airways Holdings Limited (listed on the Singapore stock exchange, delisted in May 2016) – independent non-executive director from December 2009 to May 2016
- Hup Soon Global Corporation Limited (listed on the Singapore stock exchange, delisted in April 2013) – independent non-executive director from April 2010 to April 2013
- InterOil Corporation (listed on the New York stock exchange, delisted in February 2017) – independent non-executive director from March 2015 to February 2017

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

Board of Directors, Company Secretary and Senior Management

LI Xiaodong Forrest

Aged 42, Singaporean
Independent Non-executive Director (from 1 May 2019)

Period of service with the Group

- Independent Non-executive Director since May 2019

Other current major position(s) held within the Group

- Nomination Committee – member (from 1 May 2019)

Directorship of listed company(ies) in the past three years

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

Other current major appointment(s)

- Singapore Economic Development Board – board member since February 2020

Other previous experience and major appointment(s)

- 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

ZHUANG Chenchao

Aged 43, Singaporean
Independent Non-executive Director (from 1 December 2019)

Period of service with the Group

- Independent Non-executive Director since December 2019

Directorship of listed company(ies) in the past three years

- Jianpu Technology Inc (listed on the New York stock exchange) – director since February 2014

Other current major appointment(s)

- Zebra Global Capital – partner since March 2016

Other previous experience and major appointment(s)

- Shawei.com – chief technology officer from April 1999 to June 2001
- World Bank – system architect from September 2001 to January 2005
- Qunar.com – president from February 2005 to June 2011; chief executive officer from July 2011 to January 2016

Academic/professional qualification(s)

- Bachelor's degree in Electrical Engineering – Peking University, Mainland China

Board of Directors, Company Secretary and Senior Management

COMPANY SECRETARY

SEOW Chow Loong Iain

Aged 54, 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 company(ies) in the past three years

- CMON Limited (listed on HKSE with stock code 01792) – independent non-executive director from November 2016 to April 2020

Other previous experience and major appointment(s)

- 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 42, Malaysian

Chairman

- The biography is set out in the previous subsection.

LIM Beng Chee

Aged 52, Singaporean

Group CEO

- The biography is set out in the previous subsection.

Sven Oliver BONKE

Aged 55, American

Regional CEO (Middle East, Europe, India and Americas)

Period of service with the Group

- joined the Group in September 2017 as President & Chief Operating Officer
- Regional CEO since January 2020

Other previous experience and major appointment(s)

- Starwood Hotels & Resorts group – senior vice president, sales & marketing in Asia Pacific, Europe, Middle East and Africa
- InterContinental Hotels group – chief commercial officer
- Loews Hotels group – chief commercial officer
- over 30 years of experience in the hospitality industry

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

Board of Directors, Company Secretary and Senior Management

SENIOR MANAGEMENT (CONTINUED)

CHAN Kong Leong
Aged 47, Singaporean
Regional CEO (Southeast Asia & Australasia)

Period of service with the Group
- joined the Group in January 2019 as Regional CEO

Directorship of listed company(ies) in the past three years
- Suntec Real Estate Investment Trust (Suntec REIT, listed on the 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 previous experience and major appointment(s)
- CapitaLand Limited – senior vice president, head of regional investment, assets and fund management and regional general manager, West China
- over 20 years of private and public sector experience in managing investment, project development, asset management, operations, strategic planning and different corporate functions

Academic/professional qualification(s)
- Bachelor's degree in Building – National University of Singapore
- Charter holder – Chartered Financial Analyst

KOH Yat Chung
Aged 55, Singaporean
Regional CEO (Hong Kong & Taiwan)

Period of service with the Group
- joined the Group in January 2020 as Regional CEO

Other previous experience and major appointment(s)
- American Express International, Inc – president (Asia)

Academic/professional qualification(s)
- Bachelor's degree in Arts and Social Sciences – National University of Singapore
- Member – Yale Asia Development Council

TAN Lay Beng
Aged 53, Malaysian
CFO

Period of service with the Group
- joined the Group in March 2019 as CFO Designate
- CFO since April 2019

Other previous experience and major appointment(s)
- 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

Board of Directors, Company Secretary and Senior Management

SENIOR MANAGEMENT (CONTINUED)

CHONG Kwang Cheong Robert

Aged 57, Singaporean

CCHRO (until 7 February 2020)

Period of service with the Group

- joined the Group in May 2018 as CCHRO

Other previous experience and major appointment(s)

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

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

TAN Chen Kiong George

Aged 53, Singaporean

CHRO (from 3 February 2020)

Period of service with the Group

- joined the Group in February 2020 as CHRO

Other previous experience and major appointment(s)

- AIA group – regional director (group human resources)

Academic/professional qualification(s)

- Bachelor's degree in Behavioural Science (Hons) – La Trobe University, Australia
- Master of Philosophy in Industrial and Organisational Psychology – The University of Hong Kong

CHUA Chee Wui

Aged 53, Singaporean

CIO

Period of service with the Group

- joined the Group in February 2018 as Executive Vice President of Special Projects
- Head of Investment and Asset Management from January 2019 to August 2019
- CIO since September 2019

Other previous experience and major appointment(s)

- Keppel Integrated Engineering – chief executive officer
- Keppel Group Strategic Development – general manager
- Singbridge – executive vice president

Academic/professional qualification(s)

- Bachelor's degree in Engineering Science – University of Oxford, United Kingdom

YANG Jian Cheng

Aged 35, Chinese

CTO

Period of service with the Group

- joined the Group in January 2017 as CTO

Other previous experience and major appointment(s)

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

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

Discussion and Analysis

Discussion and Analysis

The principal activities of the Group remained the same as in 2018. 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 hotels 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**
- **JEN by Shangri-La**
- **Traders Hotels**

The following table summarises the hotels and rooms of the Group as at 31 December 2019:

	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	30.6	15	4.7	86	35.3	4	8
KERRY HOTELS	3	1.6	—	—	3	1.6	—	—
JEN	7	2.8	2	0.6	9	3.4	—	2
TRADERS HOTELS	—	—	3	1.2	3	1.2	1	—
Total	**81**	**35.0**	**20**	**6.5**	**101**	**41.5**	**5**	**10**

Notes:

1) Shangri-La Hotel, Suzhou Yuanqu (a managed hotel owned by a third party) in Mainland China opened for business in June 2019.

2) The management agreement for the Shangri-La hotel in Doha was ended in May 2019.

3) The Portman Ritz-Carlton Hotel, Shanghai (the Group originally has 30% equity interest) was disposed in August 2019.

4) The Shangri-La Hotel, Zhoushan (wholly owned by the Group) in Mainland China opened for business in January 2020.

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

(in square metres)		Group's equity interest	Total GFA of the operating investment properties as at 31 December 2019 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
	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	—
			854,585	578,769	266,453
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%	29,487	8,480	—
	Shangri-La Centre, Ulaanbaatar	51%	28,500	31,130	30,012
			57,987	39,610	30,012
Myanmar	Shangri-La Residences, Yangon	55.86%	—	—	56,834
	Sule Square, Yangon	59.28%	37,635	11,807	—
			37,635	11,807	56,834
Sri Lanka	One Galle Face, Colombo	90%	58,166	74,746	3,733
TOTAL			1,057,354	747,765	399,123

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table shows the Group's profit or loss for the year ended 31 December 2019 and 2018 presented in the conventional financial statement format and the effective share format. Amounts presented in the conventional financial statement format refer to the aggregate total of the Company and its subsidiaries at 100% basis less non-controlling interests and add share of profit of associates to come up with the Group's final reported profit attributable to owners of the Company. The alternative presentation of the Group's profit or loss at effective share is a non-HKFRS financial presentation format and the amounts presented at effective share are the aggregate total of the Company and the Group's share of subsidiaries and associates based on percentage of equity interests. Financials for 2019 are prepared in accordance with the new accounting standard HKFRS 16 Leases while the 2018 comparative figures are not restated and presented in accordance with the former accounting standard HKAS 17.

	Profit or loss for the year ended 31 December 2019		**Profit or loss for the year ended 31 December 2018**		**2019/18 % change**	
(USD million)	**Financial statement format**	**Effective share**	**Financial statement format**	**Effective share**	**Financial statement format**	**Effective share**
Revenue	**2,431.2**	**2,916.0**	2,517.9	3,026.8	-3.4%	-3.7%
Cost of sales	**(1,108.6)**	**(1,253.2)**	(1,113.3)	(1,282.1)	0.4%	2.3%
Gross profit	**1,322.6**	**1,662.8**	1,404.6	1,744.7	-5.8%	-4.7%
Operating expenses	**(739.8)**	**(799.1)**	(742.9)	(806.1)	0.4%	0.9%
Other gains – operating items	**1.2**	**1.2**	2.8	2.3	-57.1%	-47.8%
EBITDA	**584.0**	**864.9**	664.5	940.9	-12.1%	-8.1%
Depreciation and amortisation	**(340.0)**	**(376.2)**	(352.6)	(384.6)	3.6%	2.2%
Loss on disposal of fixed assets	**(2.5)**	**(2.4)**	(2.1)	(2.0)	-19.0%	-20.0%
Interest income	**22.2**	**26.5**	21.3	26.2	4.2%	1.1%
Other gains/(losses) – non-operating items	**31.1**	**53.8**	(150.6)	34.2	N/M	57.3%
Operating profit	**294.8**	**566.6**	180.5	614.7	63.3%	-7.8%
Finance costs – net	**(233.5)**	**(233.7)**	(195.5)	(205.8)	-19.4%	-13.6%
Share of profit of associates	**220.4**	**—**	305.4	—	-27.8%	N/A
Profit before income tax	**281.7**	**332.9**	290.4	408.9	-3.0%	-18.6%
Income tax expense						
– Operating items	**(114.2)**	**(165.2)**	(108.9)	(177.4)	-4.9%	6.9%
– Non-operating items	**2.2**	**(15.2)**	2.2	(38.6)	—	60.6%
Profit for the year	**169.7**	**152.5**	183.7	192.9	-7.6%	-20.9%
(Less)/Add: (Profit)/Loss attributable to non-controlling interests	**(17.2)**	**—**	9.2	—	N/A	N/A
Profit attributable to owners of the Company	**152.5**	**152.5**	192.9	192.9	-20.9%	-20.9%

SUMMARY OF NET ASSET VALUE ("NAV") (Note 1)
AS AT 31 DECEMBER 2019

(USD million)	Carrying value of hotel properties (effective share) (Note 2)	Replacement cost (Note 3) of hotel properties (effective share) (Note 2)	
The People's Republic of China			
Hong Kong	764.3	1,013.6	
Mainland China	2,822.4	4,918.0	
Singapore	555.9	619.8	
Malaysia	147.4	365.4	
The Philippines	362.0	872.5	
Thailand	119.4	315.4	
Australia	229.0	391.1	
Others (Note 4)	826.9	1,366.6	
Total	5,827.3 (A)	9,862.4 (B)	
Effective share of surplus value of hotel properties (B)-(A)			4,035.1
Reported NAV (based on carrying value)			6,189.6
Adjusted NAV based on replacement cost			10,224.7
Reported NAV per share			
– USD			1.73
– HKD equivalent			13.40
Adjusted NAV per share			
– USD			2.86
– HKD equivalent			22.13

Notes:

(1) Net asset value ("NAV") refers to the Group's total assets less total liabilities (i.e. equity) attributable to owners of the Company.

(2) The effective share of the carrying value and replacement cost of hotel properties refer to the Group's share of subsidiaries and associates based on percentage of equity interests. The carrying value of hotel properties is stated at historical cost less accumulated depreciation and impairment losses, if any.

(3) Replacement cost is based on the estimated redevelopment cost, excludes land cost and is generally accepted by our insurers for coverage on property damage.

(4) Others include France, Maldives, Turkey, Fiji, Myanmar, Indonesia, Mongolia, Mauritius, Sri Lanka, Japan and United Kingdom.

RESULTS OF OPERATIONS

Revenue

Consolidated revenue consisted of the following:

(USD million)	Year ended 31 December **2019**	2018	2019/18 % change
Hotel Properties			
Revenue from rooms	**1,067.3**	1,143.3	-6.6%
Food and beverage sales	**881.2**	941.3	-6.4%
Rendering of ancillary services	**117.9**	122.3	-3.6%
Sub-total of hotel properties	**2,066.4**	2,206.9	-6.4%
Hotel Management and Related Services			
Gross revenue (including revenue earned from subsidiaries)	**231.8**	229.9	0.8%
Less: Inter-segment revenue elimination with subsidiaries	**(124.9)**	(129.8)	3.8%
Net amount after elimination	**106.9**	100.1	6.8%
Investment Properties	**91.7**	82.6	11.0%
Property Development for Sale	**160.8**	127.7	25.9%
Other Business	**5.4**	0.6	800%
Consolidated Revenue	**2,431.2**	2,517.9	-3.4%

Consolidated revenue was USD2,431.2 million for the year ended 31 December 2019, a decrease of 3.4% (or USD86.7 million), compared to USD2,517.9 million for the year ended 31 December 2018. The decrease was mainly driven by:

- USD74.1 million drop from Hong Kong hotels due to weak sentiment caused by prolonged protests and Sino-US trade war uncertainties
- USD60.2 million drop from Mainland China hotels due to Sino-US trade war
- USD13.1 million drop from Sri Lanka due to bombing incident
- Partially offset by an increase of USD33.1 million in recognition of revenue mainly from the sale of residences in Shangri-La's One Galle Face development in Colombo, Sri Lanka
- Our portfolio of investment properties continued to steadily grow, contributing to an increase of USD9.1 million
- Overall negative impact of strong USD on our recurring operations at approximately USD47.1 million

(i) Hotel Properties

At 31 December 2019, the Group had equity interest in 78 operating hotels (2018: 79) and 3 hotels under operating lease (2018: 3), representing a room inventory of 34,996 (2018: 35,834) across Asia Pacific, Europe and Africa.

Details of these 81 hotels are as follows:

		Group's equity interest	Available rooms
(A)	**Hotels owned by the Group**		
	The People's Republic of China		
	Hong Kong		
	Kowloon Shangri-La, Hong Kong	100%	679
	Island Shangri-La, Hong Kong	80%	565
	Hotel Jen Hong Kong	30%	283
	Kerry Hotel, Hong Kong	100%	546
	Sub-total Hong Kong		2,073
	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%	950
	Jing An Shangri-La, West Shanghai	49%	508
	Kerry Hotel Pudong, Shanghai	23.2%	574
	Shangri-La Hotel, Shenzhen	72%	522
	Futian Shangri-La, Shenzhen	100%	528
	Shangri-La Hotel, Xian	100%	393
	Shangri-La Hotel, Hangzhou	45%	212
	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%	383
	Shangri-La Hotel, Harbin	100%	396
	Shangri-La Hotel, Fuzhou	100%	414
	Shangri-La Hotel, Guangzhou	80%	690
	Shangri-La Hotel, Chengdu	80%	593
	Shangri-La Hotel, Wenzhou	100%	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%	323
	Shangri-La Hotel, Hefei	100%	400
	Shangri-La Resort, Shangri-La	100%	228

	Group's equity interest	Available rooms
Shangri-La Hotel, Tianjin	20%	304
Shangri-La Hotel, Nanchang	20%	473
Shangri-La Hotel, Tangshan	35%	301
Midtown Shangri-La, Hangzhou	25%	414
Songbei Shangri-La, Harbin	100%	344
Shangri-La Hotel, Xiamen	100%	325
Shangri-La Hotel, Jinan	45%	364
Sub-total Mainland China		19,190
Singapore		
Shangri-La Hotel, Singapore	100%	792
Shangri-La's Rasa Sentosa Resort & Spa, Singapore	100%	454
Hotel Jen Tanglin Singapore	44.6%	565
Sub-total Singapore		1,811
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
Sub-total Malaysia		2,779
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
Sub-total The Philippines		2,651
Thailand		
Shangri-La Hotel, Bangkok	73.61%	802
Shangri-La Hotel, Chiang Mai	73.61%	277
Sub-total Thailand		1,079
Australia		
Shangri-La Hotel, Sydney	100%	564
Shangri-La Hotel, The Marina, Cairns	100%	255
Sub-total Australia		819

	Group's equity interest	Available rooms
Other areas		
Shangri-La Hotel, Paris	100%	101
Shangri-La's Villingili Resort & Spa, Maldives	70%	132
Hotel Jen Malé, Maldives	100%	114
Shangri-La Bosphorus, Istanbul, Turkey	50%	186
Shangri-La's Fijian Resort & Spa, Yanuca Island, Fiji	71.64%	443
Sule Shangri-La, Yangon, Myanmar	59.16%	466
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
Sub-total other areas		3,693
Total of 78 owned hotels		34,095
(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		34,996

Revenue from our consolidated hotel properties for the year ended 31 December 2019 was USD2,066.4 million, a decrease of 6.4% (or USD140.5 million), compared to USD2,206.9 million for the year ended 31 December 2018.

	Year ended 31 December		**2019/18**
	2019 ***USD Million***	2018 *USD Million*	% change
The People's Republic of China			
Hong Kong	**296.0**	370.1	-20.0%
Mainland China	**781.9**	842.1	-7.1%
Singapore	**236.7**	237.0	-0.1%
Malaysia	**119.2**	129.3	-7.8%
The Philippines	**189.9**	171.7	10.6%
Japan	**66.7**	67.2	-0.7%
Thailand	**81.2**	78.2	3.8%
France	**46.2**	50.1	-7.8%
Australia	**85.1**	92.2	-7.7%
United Kingdom	**52.9**	50.7	4.3%
Mongolia	**17.4**	15.2	14.5%
Sri Lanka	**27.1**	40.2	-32.6%
Other countries	**66.1**	62.9	5.1%
Consolidated revenue from Hotel Properties business	**2,066.4**	2,206.9	-6.4%

The key performance indicators of the Group-owned hotels (including hotels under lease) on an unconsolidated basis (including both subsidiaries and associates) for the year ended 31 December 2019 and 2018 are as follows:

	2019 Weighted Average			2018 Weighted Average		
	Occupancy (%)	**Room Rate (USD)**	**RevPAR (USD)**	Occupancy (%)	Room Rate (USD)	RevPAR (USD)
The People's Republic of China						
Hong Kong	**69**	**266**	**183**	84	295	249
Mainland China	**67**	**120**	**81**	67	126	85
Tier 1 Cities	**79**	**165**	**130**	79	173	137
Tier 2 Cities	**67**	**94**	**63**	67	100	67
Tier 3+4 cities	**51**	**86**	**44**	52	92	48
Singapore	**82**	**218**	**179**	80	220	175
Malaysia	**73**	**131**	**96**	75	139	104
The Philippines	**71**	**197**	**140**	67	182	121
Japan	**78**	**654**	**511**	86	586	502
Thailand	**71**	**168**	**119**	71	163	116
France	**62**	**1,219**	**751**	63	1,293	816
Australia	**87**	**229**	**200**	79	227	180
United Kingdom	**83**	**581**	**480**	79	548	435
Mongolia	**40**	**204**	**81**	30	219	66
Sri Lanka	**30**	**147**	**44**	42	161	68
Other countries	**57**	**179**	**102**	52	193	100
Weighted Average	**68**	**162**	**110**	68	169	115

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 2019, unchanged compared to 68% for the year ended 31 December 2018. The RevPAR was USD110 for the year ended 31 December 2019, a decrease of 4%, compared to USD115 for the year ended 31 December 2018.

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 69% for the year ended 31 December 2019, a decrease of fifteen percentage points, compared to 84% for the year ended 31 December 2018. The RevPAR was USD183 for the year ended 31 December 2019, a decrease of 27%, compared to USD249 for the year ended 31 December 2018. During the first half of the year, the hotels continued to see the negative impact from the uncertainties arising from the Sino-US trade war. The region's challenges were then exacerbated by the prolonged demonstrations that impacted both tourist arrivals and domestic sentiment. Total revenue from Hong Kong hotel properties for the year ended 31 December 2019 decreased by 20.0% to USD296.0 million.

Mainland China
The Group had equity interest in 44 operating hotels in Mainland China as at 31 December 2019.

For Mainland China, the occupancy was 67% for the year ended 31 December 2019, unchanged compared to 67% for the year ended 31 December 2018. The RevPAR was USD81 for the year ended 31 December 2019, a decrease of 5%, compared to USD85 for the year ended 31 December 2018. The China hotel market was largely impacted by the drawn-out Sino-US trade war that began in mid-2018.

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 2019, unchanged compared to 79% for the year ended 31 December 2018. The RevPAR was USD130 for the year ended 31 December 2019, a decrease of 5%, compared to USD137 for the year ended 31 December 2018. If adjusted for the exchange rate impact, the RevPAR would have been USD135 for the year ended 31 December 2019, a decrease of 1%, compared to last year.

- In Tier 2 cities, the occupancy was 67% for the year ended 31 December 2019, unchanged compared to 67% for the year ended 31 December 2018. The RevPAR was USD63 for the year ended 31 December 2019, a decrease of 6%, compared to USD67 for the year ended 31 December 2018. If adjusted for the exchange rate impact, the RevPAR would have been USD65 for the year ended 31 December 2019, a decrease of 3%, compared to last year.

- In Tier 3 and Tier 4 cities, the occupancy was 51% for the year ended 31 December 2019, a decrease of one percentage point, compared to 52% for the year ended 31 December 2018. The RevPAR was USD44 for the year ended 31 December 2019, a decrease of 8%, compared to USD48 for the year ended 31 December 2018. If adjusted for the exchange rate impact, the RevPAR would have been USD46 for the year ended 31 December 2019, a decrease of 4%, compared to last year.

Total revenue from Mainland China hotel properties for the year ended 31 December 2019 decreased by 7.1% to USD781.9 million.

Singapore
For Singapore, the occupancy was 82% for the year ended 31 December 2019, an increase of two percentage points, compared to 80% for the year ended 31 December 2018. The RevPAR was USD179 for the year ended 31 December 2019, an increase of 2%, compared to USD175 for the year ended 31 December 2018. We increased promotion efforts to keep occupancies up after 2018's high base set by the Trump-Kim summit. Total revenue from Singapore hotel properties for the year ended 31 December 2019 decreased by 0.1% to USD236.7 million.

Malaysia
For Malaysia, the occupancy was 73% for the year ended 31 December 2019, a decrease of two percentage points, compared to 75% for the year ended 31 December 2018. The RevPAR was USD96 for the year ended 31 December 2019, a decrease of 8%, compared to USD104 for the year ended 31 December 2018. We witnessed a general weakness across the country as political uncertainties lingered. Total revenue from Malaysia hotel properties for the year ended 31 December 2019 decreased by 7.8% to USD119.2 million.

The Philippines
For The Philippines, the occupancy was 71% for the year ended 31 December 2019, an increase of four percentage points, compared to 67% for the year ended 31 December 2018. The RevPAR was USD140 for the year ended 31 December 2019, an increase of 16%, compared to USD121 for the year ended 31 December 2018. This was mostly helped by the reopening of our resort in Boracay in October 2018 after a six-month closure by the government's order for environmental rehabilitation. Total revenue from The Philippines hotel properties for the year ended 31 December 2019 increased by 10.6% to USD189.9 million.

Sri Lanka
For Sri-Lanka, the occupancy was 30% for the year ended 31 December 2019, a decrease of twelve percentage points, compared to 42% for the year ended 31 December 2018. The RevPAR was USD44 for the year ended 31 December 2019, a decrease of 35%, compared to USD68 for the year ended 31 December 2018. The decrease was mainly due to the negative tourism impact created by the bombing incident in April. Total revenue from Sri-Lanka hotel properties for the year ended 31 December 2019 decreased by 32.6% to USD27.1 million.

(ii) Hotel Management & Related Services

As at 31 December 2019, the Group's wholly owned subsidiary, SLIM International Limited, together with its subsidiaries and certain fellow subsidiaries ("SLIM") managed a total of 101 hotels and resorts:

- 78 Group-owned hotels
- 3 hotels under lease agreements
- 20 hotels owned by third parties

The 20 operating hotels (6,499 available rooms) owned by third parties are located in the following destinations:

- Canada: Toronto and Vancouver
- The Philippines: Manila
- Oman: Muscat (2 hotels)
- 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 (2 hotels) and Yiwu

The key performance indicators of managed hotels owned by third parties for the year ended 31 December 2019 and 2018 are as follows:

	2019 Weighted Average			2018 Weighted Average		
	Occupancy (%)	**Room Rate (USD)**	**RevPAR (USD)**	Occupancy (%)	Room Rate (USD)	RevPAR (USD)
Canada	**71**	**348**	**247**	74	339	250
The Philippines	**72**	**68**	**49**	56	68	38
Oman	**55**	**270**	**149**	61	294	178
UAE	**67**	**165**	**111**	67	168	112
Malaysia	**67**	**93**	**62**	71	102	73
India	**67**	**134**	**91**	64	136	87
Taiwan	**72**	**164**	**118**	68	169	116
Mainland China	**58**	**73**	**43**	59	76	45
Weighted Average	**64**	**140**	**90**	64	148	94

For the year ended 31 December 2019, the overall weighted average occupancy of the hotels under third-party hotel management agreements remained largely flat at 64%. The RevPAR was USD90 for the year ended 31 December 2019, a decrease of 4%, compared to USD94 for the year ended 31 December 2018.

Gross revenues from SLIM was USD231.8 million for the year ended 31 December 2019, an increase of 0.8% (or USD1.9 million) compared to USD229.9 million for the year ended 31 December 2018.

After eliminating inter-segment sales with subsidiaries, the net revenues from SLIM was USD106.9 million for the year ended 31 December 2019, an increase of 6.8% (or USD6.8 million) compared to USD100.1 million for the year ended 31 December 2018. The increase of revenue was mainly driven by an increased promotion of Golden Circle program, which was partially offset by lower hotel management fees due to weakness in hotel operations.

During the year, SLIM commenced new hotel management for Shangri-La Hotel, Suzhou Yuanqu, Mainland China. SLIM has also signed new management agreements with a third party for the management and operation of two hotels, in Shougang Park (Beijing) and Qianhai (Shenzhen), both in Mainland China. As at 31 December 2019, SLIM had management agreements on hand for ten new hotel projects which were owned by third parties.

(iii) Investment Properties

Consolidated revenue from our investment properties for the year ended 31 December 2019 stood at USD91.7 million, an increase of 11% (or USD9.1 million), compared to USD82.6 million for the year ended 31 December 2018.

	Year ended 31 December		**2019/18**
	2019 USD Million	2018 USD Million	% change
Mainland China	**20.3**	20.2	0.5%
Singapore	**13.6**	13.6	0.0%
Malaysia	**6.4**	6.2	3.2%
Mongolia	**22.9**	16.8	36.3%
Sri Lanka	**2.0**	—	N/A
Other countries	**26.5**	25.8	2.7%
Consolidated revenue from Investment Properties business	**91.7**	82.6	11.0%

In 2019, 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 China for the year ended 31 December 2019 increased by 0.5% to USD20.3 million. This was mainly driven by improvement in occupancy rates of our offices in Chengdu Shangri-La Centre.

Singapore
Revenue generated from our serviced apartments in Singapore for the year ended 31 December 2019 remained flat at USD13.6 million. This improvement in occupancy rates for Shangri-La Apartments was offset by the drop in occupancy rates for Shangri-La Residences.

Malaysia
Revenue generated from our subsidiary investment properties in Malaysia for the year ended 31 December 2019 increased by 3.2% to USD6.4 million. This was mainly driven by the improvement in occupancy rates for our serviced apartments at UBN Tower.

Mongolia
Revenue generated from our subsidiary investment properties in Mongolia for the year ended 31 December 2019 increased by 36.3% to USD22.9 million. This was mainly driven by the improvements in occupancies for our offices, retail spaces, as well as serviced apartments of Shangri-La Centre, Ulaanbaatar.

Sri Lanka
Revenue generated from our investment properties in Sri Lanka for the year ended 31 December 2019 was USD2.0 million, compared to nil last year. The increase was due to the opening of our One Galle Face office and shopping mall in November 2019.

Other countries
Revenue generated from our subsidiary investment properties in other countries for the year ended 31 December 2019 increased by 2.7% to USD26.5 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 in Q4 2018.

(iv) Property Development for Sale

Property development for sale by subsidiaries for the year ended 31 December 2019 were USD160.8 million, an increase of 25.9%, compared to USD127.7 million for the year ended 31 December 2018. During the year we continued recognising sales of residential units of One Galle Face, Colombo (Sri Lanka), as well as the residential tower of the Shangri-La Hotel, Dalian Phase II project (Yavis), Mainland China.

In 2019, 18 units of Yavis were sold and a total 18 units (including 4 units sold in 2018) have been handed over to the buyers. 4 sold units will be handed over to the buyers in 2020. As at 31 December 2019, Yavis had a remaining inventory of 65 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 square metres. At 31 December 2019, an accumulated total of 283 apartments (76% of total) have been sold of which 238 apartments (84% 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)		**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Hotel Properties	Hong Kong	**62.6**	120.0	**56.9**	109.0	**0.8**	1.5	**57.7**	110.5
	Mainland China	**201.7**	232.6	**186.5**	213.6	**58.2**	66.7	**244.7**	280.3
	Singapore	**57.7**	67.1	**57.9**	67.1	**5.7**	6.1	**63.6**	73.2
	Malaysia	**31.0**	39.0	**17.9**	22.1	**7.8**	7.9	**25.7**	30.0
	The Philippines	**55.9**	47.3	**54.6**	46.0	**11.3**	9.3	**65.9**	55.3
	Japan	**4.9**	4.6	**4.9**	4.6	**—**	—	**4.9**	4.6
	Thailand	**32.5**	31.3	**24.1**	23.1	**—**	—	**24.1**	23.1
	France	**(3.1)**	2.4	**(3.1)**	2.4	**—**	—	**(3.1)**	2.4
	Australia	**13.8**	16.6	**13.8**	16.6	**—**	—	**13.8**	16.6
	United Kingdom	**(2.6)**	(6.3)	**(2.6)**	(6.3)	**—**	—	**(2.6)**	(6.3)
	Mongolia	**2.3**	3.0	**1.3**	1.6	**—**	—	**1.3**	1.6
	Sri Lanka	**(0.3)**	7.0	**(0.3)**	6.3	**—**	—	**(0.3)**	6.3
	Other countries	**(1.5)**	(0.7)	**(0.9)**	(0.8)	**8.4**	7.5	**7.5**	6.7
		454.9	563.9	**411.0**	505.3	**92.2**	99.0	**503.2**	604.3
Hotel Management and Related Services		**(36.0)**	21.4	**(36.0)**	21.4	**—**	—	**(36.0)**	21.4
Sub-total Hotel Operations		**418.9**	585.3	**375.0**	526.7	**92.2**	99.0	**467.2**	625.7
Investment Properties	Mainland China	**10.4**	8.9	**9.5**	8.1	**223.0**	213.9	**232.5**	222.0
	Singapore	**5.6**	6.7	**5.6**	6.7	**4.3**	4.7	**9.9**	11.4
	Malaysia	**4.3**	4.1	**2.3**	2.1	**—**	—	**2.3**	2.1
	Mongolia	**12.5**	7.8	**6.4**	4.0	**—**	—	**6.4**	4.0
	Sri Lanka	**(0.9)**	—	**(0.8)**	—	**—**	—	**(0.8)**	—
	Other countries	**14.4**	11.9	**8.3**	7.0	**—**	—	**8.3**	7.0
Sub-total Investment Properties		**46.3**	39.4	**31.3**	27.9	**227.3**	218.6	**258.6**	246.5
Property Development for Sale & Other Business		**92.3**	69.3	**83.2**	62.4	**28.8**	37.0	**112.0**	99.4
Sub-total		**557.5**	694.0	**489.5**	617.0	**348.3**	354.6	**837.8**	971.6
Corporate and pre-opening expenses		**(28.0)**	(29.5)	**(26.9)**	(29.7)	**(0.5)**	(1.0)	**(27.4)**	(30.7)
Grand total presented under HKAS 17		**529.5**	664.5	**462.6**	587.3	**347.8**	353.6	**810.4**	940.9
Grand total presented under HKFRS 16		**584.0**		**514.7**		**350.2**		**864.9**	

Under new accounting standard HKFRS 16, aggregate effective share of EBITDA was USD864.9 million for the year ended 31 December 2019, a decrease of 8.1% (or USD76.0 million), compared to USD940.9 million for the year ended 31 December 2018. Adjusting back to accounting standard HKAS 17, aggregate effective share of EBITDA was USD810.4 million for the year ended 31 December 2019, a decrease of 13.9% (or USD130.5 million), compared to USD940.9 million for the year ended 31 December 2018. Commentaries of results by business segments are as follows based on HKAS 17 accounting standard:

Hotel Properties

Effective share of EBITDA from Hotel Properties business for the year ended 31 December 2019 was USD503.2 million, a decrease of 16.7% (or USD101.1 million), compared to USD604.3 million for the year ended 31 December 2018. This was mainly driven by the drag of Hong Kong, Mainland China and Sri Lanka, as explained in the revenue discussion. Together they led to a USD95.0 million drop in effective share of EBITDA.

Hotel Management and Related Services

SLIM effective share of EBITDA for the year ended 31 December 2019 was a loss of USD36.0 million, compared to a profit of USD21.4 million for the year ended 31 December 2018. This was mainly due to a decrease in hotel management fees, as well as an increase in expenses. The increase in expenses were mainly due to investments in the near term to drive future efficiency as well as business development for sustainable growth, where part of the costs for such projects have yet to be charged out during the development phase.

Investment Properties

Effective share of EBITDA from Investment Properties business for the year ended 31 December 2019 was USD258.6 million, an increase of 4.9% (or USD12.1 million), compared to USD246.5 million for the year ended 31 December 2018. 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 12.2% to USD31.3 million.

Aside from our subsidiary investment properties, we also saw strong growth in effective share of EBITDA from our associated investment properties, growing 4.0% to USD227.3 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 2019 was USD112.0 million, an increase of 12.7% (or USD12.6 million), compared to USD99.4 million for the year ended 31 December 2018. The increase was mainly driven by 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 2019 were USD27.4 million, a decrease of 10.7% (or USD3.3 million), compared to USD30.7 million for the year ended 31 December 2018. The decrease in expenses was mainly due to lowering of staff cost and share awards at headquarters compared to last year.

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			
		2019 USD Mil Under HKFRS 16	**2019 USD Mil Under HKAS 17**	2018 USD Mil Under HKAS 17	**2019/18** % change Under HKAS 17
Hotel Properties	Hong Kong	**21.3**	**21.3**	58.7	-63.7%
	Mainland China	**8.7**	**9.7**	19.9	-51.3%
	Singapore	**32.4**	**32.5**	35.3	-7.9%
	Malaysia	**12.4**	**12.3**	17.1	-28.1%
	The Philippines	**16.3**	**17.5**	9.6	82.3%
	Japan	**3.3**	**3.7**	3.5	5.7%
	Thailand	**14.6**	**14.6**	14.2	2.8%
	France	**(14.6)**	**(14.6)**	(13.4)	-9.0%
	Australia	**(0.8)**	**(0.2)**	0.6	N/M
	United Kingdom	**(10.0)**	**(6.1)**	(16.0)	61.9%
	Mongolia	**(4.1)**	**(4.1)**	(7.7)	46.8%
	Sri Lanka	**(15.3)**	**(15.3)**	(18.8)	18.6%
	Other countries	**(4.1)**	**(5.0)**	(13.1)	61.8%
		60.1	**66.3**	89.9	-26.3%
Hotel Management and Related Services		**(48.3)**	**(47.7)**	8.4	N/M
Sub-total Hotel Operations		**11.8**	**18.6**	98.3	-81.1%
Investment Properties	Mainland China	**153.5**	**153.5**	142.9	7.4%
	Singapore	**7.8**	**7.8**	9.1	-14.3%
	Malaysia	**1.8**	**1.8**	1.7	5.9%
	Mongolia	**2.4**	**2.4**	(3.2)	N/M
	Sri Lanka	**(4.8)**	**(4.8)**	—	N/A
	Other countries	**6.0**	**6.0**	3.7	62.2%
Sub-total Investment Properties		**166.7**	**166.7**	154.2	8.1%
Property Development for Sale & Other Business		**101.1**	**101.5**	84.0	20.8%
Consolidated profit from operating properties*		**279.6**	**286.8**	336.5	-14.8%
Net corporate finance costs (including foreign exchange gains and losses)		**(134.6)**	**(134.6)**	(104.2)	-29.2%
Land cost amortisation & pre-opening expenses for projects & corporate expenses		**(31.2)**	**(31.1)**	(35.0)	11.1%
Consolidated profit attributable to owners of the Company before non-operating items		**113.8**	**121.1**	197.3	-38.6%
Non-operating items		**38.7**	**38.7**	(4.4)	N/M
Consolidated profit attributable to owners of the Company after non-operating items		**152.5**	**159.8**	192.9	-17.2%
* Consolidated profit from operating properties:					
Effective share of profit before tax		**444.4**		513.4	
Effective share of income tax expense		**(164.8)**		(176.9)	
Effective share of profit after tax		**279.6**		336.5	
Effective tax rate for profit from operating properties		**37%**		34%	

Under new accounting standard HKFRS 16, consolidated profit attributable to owners of the Company after non-operating items was USD152.5 million for the year ended 31 December 2019, a decrease of 20.9% (or USD40.4 million), compared to USD192.9 million for the year ended 31 December 2018. If applying accounting standard HKAS 17, consolidated profit attributable to owners of the Company after non-operating items was USD159.8 million for the year ended 31 December 2019, a decrease of 17.2% (or USD33.1 million), compared to USD192.9 million for the year ended 31 December 2018. Commentaries of results by business segments are as follows based on HKAS 17 accounting standard:

Hotel Properties

Hotel ownership profit for the year ended 31 December 2019 was USD66.3 million, a decrease of 26.3% (or USD23.6 million), compared to USD89.9 million for the year ended 31 December 2018. The decrease was mainly due to the weaknesses in the hotel operating environment as highlighted in our revenue discussion of our Hotel Properties business.

Hotel Management and Related Services

SLIM loss for the year ended 31 December 2019 was USD47.7 million, a decrease of USD56.1 million, compared to profit of USD8.4 million for the year ended 31 December 2018. 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 USD166.7 million for the year ended 31 December 2019, an increase of 8.1% (or USD12.5 million), compared to USD154.2 million for the year ended 31 December 2018. The growth was primarily driven by our investment properties in Mainland China and Mongolia, as discussed in previous sections.

Property Development for Sale & Other Business

Property Development for Sale & Other Business profit for the year ended 31 December 2019 was USD101.5 million, an increase of 20.8% (or USD17.5 million), compared to USD84.0 million for the year ended 31 December 2018. 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 2019 totalled a net credit of USD38.7 million compared to a net charge of USD4.4 million for the year ended 31 December 2018. Major components included:

i) Effective share of net fair value gains on investment properties was USD53.6 million for the year ended 31 December 2019 compared to USD111.1 million for the year ended 31 December 2018. Main fair value changes for this year include:

   - Fair value gains for the investment properties in Mainland China of USD36.5 million as a result of the general increase in rental rates, as well as the opening of Wuhan Shangri-La Centre

   - Fair value gains for our investment property in Colombo, Sri Lanka of USD6.5 million due to opening of our One Galle Face office and shopping mall in November 2019.

ii) Impairment losses for Hotel Jen Maldives and project in Rome totalled USD20.4 million for the year ended 31 December 2019 compared to USD112.9 million for the year ended 31 December 2018 for hotels Shangri-La Hotel, At the Shard, London, Shangri-La Resort, Shangri-La and Shangri-La Hotel, Ulaanbaatar.

iii) A gain of USD7.0 million on the disposal of the Portman Ritz-Carlton Hotel, Shanghai and Shanghai Centre (China) recognised for the year ended 31 December 2019 compared to a total gain of USD2.9 million on the disposal of Hotel Jen Brisbane (Australia) recognised for the year ended 31 December 2018.

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 2019, the Group's capital structure recorded unfavourable change:

- Net Borrowings to EBITDA ratio was 7.2x as at 31 December 2019, compared to 6.1x as at 31 December 2018.

- Aggregate Effective Share of Net Borrowings to Aggregate Effective Share of EBITDA ratio was 4.8x as at 31 December 2019, compared to 4.2x as at 31 December 2018.

- EBITDA to Interest Expenses (gross amount before capitalised expenses) ratio was 2.5x for the year ended 31 December 2019, compared to 3.7x for 2018.

The unfavourable change in these ratios was driven by the increase in net borrowings and interest expenses and the decrease in EBITDA. As at 31 December 2019, our Group's net borrowings (total bank loans and fixed rate bonds less cash and bank balances and short-term fund placements) was USD4,223.9 million, an increase of USD148.4 million, compared to USD4,075.5 million as at 31 December 2018. As at 31 December 2019, our aggregate effective share of net borrowings of subsidiaries and associates based on percentage of equity interests was USD4,170.7 million, an increase of USD187.5 million, compared to USD3,983.2 million as at 31 December 2018.

The Group's net borrowings to total equity ratio, i.e. the gearing ratio, increased to 64.9% as at 31 December 2019 from 61.0% as at 31 December 2018. This increase was mainly driven by the decrease of total equity of USD95.2 million due to the adoption of the new accounting standard HKFRS 16 and the increase in net borrowings during the year. If the former accounting standard HKAS 17 was adopted, the Group's gearing ratio as at 31 December 2019 would be adjusted down to 64.0%.

In June 2019, the Group issued the following fixed rate bonds in order to reduce the refinancing cycle of its bank loans and to hedge its medium-term borrowing interest rate:

- 5-year term principal amount of SGD135 million at 3.70% per annum
- 8-year term principal amount of SGD165 million at 4.10% per annum

Most of the net proceeds from the bonds were used to repay corporate bank loans.

In 2019, the Group also executed the following unsecured bank loan agreements for refinancing maturing loans, adjusting the refinancing cycle of its bank loans and for financing project development:

Corporate level

- 4-year term principal amount of HKD3,500 million
- 5-year term principal amount of HKD5,600 million
- 7-year term principal amount of HKD5,570 million and JPY8,000 million

Subsidiary level

- 3-year term principal amount of RMB1,208.5 million
- 4-year term principal amount of RMB120 million
- 5-year term principal amount of AUD80 million
- 7-year term principal amount of EUR75 million
- 10-year term principal amount of RMB240 million
- 15-year term principal amount of RMB580 million

The Group has not encountered any difficult when drawing loans from committed banking facilities. None of the bank loan facilities were cancelled by the banks during or after the close of the 2019 financial year.

The Group has satisfactory complied with all covenants under its borrowing agreements. The analysis of borrowings outstanding as at 31 December 2019 is as follows:

	Maturities of Borrowings Contracted as at 31 December 2019				
(USD million)	**Within 1 year**	**In the 2nd year**	**Repayment In the 3rd to 5th year**	**After 5 years**	**Total**
Borrowings					
Corporate borrowings					
– unsecured bank loans	—	405.0	1,795.7	647.6	2,848.3
– fixed rate bonds	—	—	100.3	767.9	868.2
Bank loans of subsidiaries					
– secured	7.0	7.1	3.5	—	17.6
– unsecured	368.3	228.4	691.7	218.1	1,506.5
Total outstanding balance	375.3	640.5	2,591.2	1,633.6	5,240.6
% of total outstanding balance	7.2%	12.2%	49.4%	31.2%	100.0%
Undrawn but committed facilities					
Bank loans and overdrafts	20.4	233.4	636.8	151.0	1,041.6

Subsequent to the year end of 2019, the Group issued 10-year term principal amount of SGD250 million fixed rate bonds at 3.50% per annum in January 2020 as part of its on-going process to reduce the refinancing cycle of its outstanding loans and to hedge its medium-term borrowing interest rate.

The currency mix of consolidated borrowings and cash and bank balances as at 31 December 2019 is as follows:

(USD million)	**Borrowings**	**Cash and Bank Balances** (Note)
In United States dollars	2,069.9	169.7
In Hong Kong dollars	1,394.6	70.7
In Singapore dollars	833.4	116.5
In Renminbi	545.7	426.2
In Euros	213.8	1.8
In Australian dollars	56.0	14.0
In Japanese yen	120.7	15.4
In Fiji dollars	6.5	3.5
In Philippines pesos	—	30.8
In Thai baht	—	70.2
In Malaysian ringgit	—	69.3
In British pounds	—	1.3
In Mongolian tugrik	—	13.5
In Sri Lankan rupee	—	12.7
In Myanmar kyat	—	0.1
In Maldivian rufiyaa	—	0.3
In other currencies	—	0.7
	5,240.6	1,016.7

Note: Cash and bank balances as stated included short-term fund placements.

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 2019 are disclosed in Note 39 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 corporate bonds are issued at fixed rates. Most of the Group's borrowings are in US dollars, HK dollars and SG dollars and arranged at the corporate level. Subsidiaries in Mainland China also have material bank loans contracted in Renminbi which carry interest at rates specified by the People's Bank of China from time to time. 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 loans. 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-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 interest rate risk by entering into fixed HIBOR, LIBOR and SHIBOR interest-rate swap contracts to hedge the newly signed bank loans agreements. All these interest-rate swap contracts qualify for hedge accounting.

In 2019, the Group has executed the following interest-rate swap contracts at fixed rates in order to hedge the newly signed bank loan agreements:

- USD405 million LIBOR 5-year term interest rate swap contract at fixed rate 1.365% per annum
- HKD1,250 million HIBOR 4-year term interest rate swap contracts at fixed rates ranging between 1.580% and 1.700% per annum
- HKD1,300 million HIBOR 5-year term interest rate swap contracts at fixed rates ranging between 1.540% and 1.550% per annum
- HKD3,620 million HIBOR 7-year term interest rate swap contracts at fixed rates ranging between 1.505% and 1.855% per annum
- RMB464 million SHIBOR 3-year term interest rate swap contracts at fixed rates ranging between 3.370% and 3.550% per annum

As at 31 December 2019, the outstanding interest-rate swap contracts are:

- USD1,265 million at fixed rates ranging between 1.365% and 3.045% per annum maturing during April 2022 to July 2024
- HKD6,170 million at fixed rates ranging between 1.505% and 1.855% per annum maturing during July 2023 to August 2026
- RMB464 million at fixed rates ranging between 3.370% and 3.550% per annum maturing during June 2022 to October 2022

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 66.3% of its outstanding borrowings as at 31 December 2019, compared to 38% as at 31 December 2018.

(B) Minimising Currency Risks

The Group aims at using bank loans 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 2019, the Group has arranged new local bank loans in local currencies (Renminbi, Euros, Australian dollar and Japanese Yen) to refinance maturing bank loans in local currencies and/or foreign currency and to meet new funding requirements in order to reduce exchange risk. The Group has executed a 7-year term cross currency swap contract between Japanese Yen and Hong Kong dollar in order to fix the repayment exchange rate and the interest rate of the newly signed 7-year term JPY8,000 million floating rate bank loan agreement. The funds from this loan was used to repay maturing HK dollar bank loans and the Group expects to use its HK dollar operating surplus cash or HK bank loans to repay this loan upon maturity.

As at 31 December 2019, the Group has the following cross currency swap contracts:

- 7-year term USD35 million between Singapore dollar and US dollar to hedge the US dollar fixed rate bonds at fixed interest rate of 4.25% per annum maturing November 2025
- 7-year term JPY8,000 million between Japanese Yen and HK dollar in order to hedge the Japanese Yen bank borrowings at fixed interest rate of 3.345% per annum maturing July 2026.

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 values of investment properties (including those under construction) are recorded in the statement of profit or loss. For the year ended 31 December 2019, the Group recorded an overall effective share of net fair value gains of USD53.6 million for its investment properties.

The following table shows the fair value gains of the investment properties held by the Group's subsidiaries and associates for the year ended 31 December 2019:

	Subsidiaries		**Associates**		**Total**	
(USD million)	**100%**	**Effective Share**	**100%**	**Effective Share**	**100%**	**Effective Share**
Gains	52.6	39.4	83.3	29.3	135.9	68.7
Deferred tax	(10.1)	(7.8)	(20.7)	(7.3)	(30.8)	(15.1)
Net gains	42.5	31.6	62.6	22.0	105.1	53.6

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 2019:

Crowe Horwath First Trust Appraisals Pte Ltd, Cushman & Wakefield Limited and Savills Valuation and Professional Services Limited	:	For properties in Mainland China
Crowe Horwath First Trust Appraisals 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 during the year 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 or materially behind budget. At year end, the Group assesses the carrying value of all group-owned operating hotels and a property pending re-development. Professional valuations have been carried out by independent professional firms for those properties for which the internal assessment results need independent confirmation. Based on professional valuations at 31 December 2019, the Group provided USD5.3 million for a wholly owned hotel and USD15. 1 million for a wholly owned property pending for re-development (2018: USD112.9 million for three hotels which are owned/leased by subsidiaries).

FINANCIAL ASSETS — TRADING SECURITIES

As at 31 December 2019, the market value of the Group's investment portfolio was USD18.2 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited amounting to USD14.3 million, and 2,241,725 ordinary shares in Kerry Logistics Network Limited amounting to USD3.9 million. The Group recorded an unrealised net fair value loss of USD0.6 million and dividend income of USD1.0 million during the year.

DEVELOPMENT PROGRAMMES

In 2019, the Group acquired land sites in Bangkok of Thailand and Kyoto of Japan for the development of hotels.

In January 2020, the Shangri-La Hotel, Zhoushan (wholly owned by the Group) in Mainland China opened for business.

Construction work on the following projects is on-going:

(A) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Projected Opening
In Mainland China			
Shangri-La Hotel, Putian	40%	260	Q4 2020
Traders Hotel, Kunming	45%	273	2021
Shangri-La Hotel, Kunming (part of a composite development project in Kunming City)	45%	81	TBD*
Shangri-La Hotel, Zhengzhou	45%	211	2024

* 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%	36,149	—	—	2H 2020
Kunming City Project	45%	21,141	—	—	2021
Phase II of Shangri-La Hotel, Fuzhou	100%	—	34,319	50,447	2022
Shenyang Kerry Centre – Phase III	25%	308,102	85,201	65,502	2022 onwards*
Composite development project in Zhengzhou	45%	94,222	58,946	3,993	2023 onwards*
		459,614	178,466	119,942	

* 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.

ACQUISITION

In 2019, the Group acquired land sites in Bangkok of Thailand and Kyoto of Japan for the development of hotels.

In June 2019, the Group acquired the remaining 25% equity interest in an original 75% owned subsidiary which owns the Shangri-La Hotel, Wenzhou in Mainland China at a consideration of RMB250 million (approximately USD35.8 million). A total amount of approximately USD33.6 million was paid during the year and the remaining balance of RMB15 million approximately USD2.2 million will be payable subject to certain conditions.

DISPOSAL

In August 2019, a 30% owned associate disposed its ownership in the Portman Ritz-Carlton Hotel, Shanghai and Shanghai Centre under a cooperative joint venture agreement expiring 2020 and the Group recorded its share of net profit on disposal of USD7.0 million.

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

In 2019, the Group signed two new management agreements with third parties for the management of a Shangri-La hotel at Shougang Park in Beijing and the Hotel Jen, Qianhai in Shenzhen scheduled to open in 2021.

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 10 new hotels currently under development and owned by third parties. The development projects are located in Nanning, Qiantan, Beijing and Shenzhen (Mainland China), Kota Kinabula (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.

HUMAN RESOURCES

As at 31 December 2019, the Company and its subsidiaries had approximately 29,400 employees. The number of people employed at Shangri-La, including all operating hotels, was 46,400. 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, 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 2019 is provided in Directors' Report. The Group has not granted any new share option under the share option scheme in 2019.

The Group's total employee benefit expenses (excluding directors' emoluments) amounted to USD842.0 million (2018: USD812.7 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. 2019 was a year of transformation for learning with the introduction of Shangri-La Academy Online. This bespoke virtual platform facilitates learning anytime and anywhere; providing our colleagues with dynamic, engaging and relevant content that they can also review at their own pace. We foster a culture of active learning throughout our organisation. This includes learning and development initiatives, including essential, functional and leadership programmes, subscriptions for digital content from the Shangri-La Academy Learning Management System, on-the-job learning, and participation in internal/external workshops. In 2019, we conducted a group-wide Employee Experience Programme Survey complemented by focus group sessions at which colleagues worked together on co-owning any issues for problems they experience at work and finding solutions.

Since the onset of the global pandemic triggered by COVID-19, our top priority has been the health and safety of our guests and colleagues. We have instituted regular rigorous deep cleaning and disinfection routines in all our offices and hotel premises to minimise the risk of infection. Our corporate offices have implemented working patterns to ensure the safety of all colleagues, as well as the continuity of business. Where required, colleagues have gone into home quarantine and deep cleaning has taken place of their workplace. While we are following or exceeding government advice for our health and safety measures, we are also focused on doing the right thing wherever possible and going the extra mile.

Our colleagues across the world have also come together for their respective communities during this time. Apart from hosting local medical professionals and delivering hot meals to support them, our colleagues have also volunteered in community activities to give out amenities and food supplies to families in need.

During this period, our colleagues are also encouraged to enrol on our online learning programmes through our Shangri-La Academy. The programmes which aim to enhance professional skillsets, business knowledge, and language skills, have been especially helpful for those who are on quarantine or working on shortened weeks. Besides knowledge acquisition, the online interactive programmes also support their mental, emotional and physical well-being. In China, 99% of our colleagues have completed an average of 14 courses. Colleagues are able to share pictures or videos on the Clock In platform of them practicing their new skills. This was a great way for our colleagues to stay connected with their teams and to ensure they are prepared for business recovery.

PROSPECTS

The prolonged lingering political risks in Hong Kong and the on-off trade negotiations between US and China were already significant challenges to our Group when we kicked off 2020. The challenges then escalated as COVID-19 quickly became a global pandemic, impeding global corporate and leisure travel, as well as the MICE segment in the short to medium term. More recent events such as the triggering of oil price war between Russia and Saudi Arabia have caused the commodity to plunge by as much as 30%. Together these factors will continue to unnerve markets in the near term, as reflected by the Volatility Index (VIX) shooting to levels not seen since the 2008 Global Financial Crisis, creating yet more uncertainties and disruptions for businesses worldwide.

In the midst of uncertainties, we are actively planning and rolling out a number of initiatives to reduce the impact. While adhering to utmost safety and hygiene protocols, our colleagues in affected areas have been tireless in finding new avenues of business, such as introducing new F&B products to cater to the increased demand for healthier foods, as well as promoting home deliveries and takeaways. We have also taken this slowdown to increase skills training and learning opportunities for our colleagues; we will be ready to bring our customer service to a new level when the market returns.

The impact and scale of such unprecedented external factors are beyond our control, but reinforce the Group's approach of being extra prudent in our cost discipline. We have since embarked on a number of cost-reduction initiatives such as lowering utilities, procurement, and labour costs. For February, we were able to lower our costs in China by around 50%. At the headquarters, starting April we will reduce staff costs by implementing wage reduction of our senior staff by up to 30% and apply voluntary no-pay-leave for others. We have also revised our capital expenditure plans, conserving our accessible cash reserve in the event of a prolonged period of uncertainties.

While we plan with downside in mind, we continue to keep our eyes on the horizon especially when the COVID-19 outbreak has been contained and businesses can return to normalcy. A number of events can still help us achieve limited yet certain growth during the year. In November 2019, we opened our offices and shopping mall in Colombo (Sri Lanka); this is the largest retail mall and newest Grade A office tower in town. We also opened a hotel in Zhoushan (Mainland China) in January 2020. For the remainder of the year, we plan to open our new hotel in Putian (Mainland China), investment property in Wuhan (Mainland China), as well as two hotels under management agreements in Jeddah (Saudi Arabia) and Bali (Indonesia), subject to the development of the COVID-19 outbreak.

Properties Under Development

(A) HOTELS OWNED AND MANAGED BY THE GROUP

Location		Properties	Group's equity interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)	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	260
3 & 4.	Kunming, China	Shangri-La Hotel & Traders Hotel (part of composite development)	45%	N/A	43,540	354
5.	Zhengzhou, China	Shangri-La Hotel (part of composite development)	45%	N/A	38,234	211
		Total				1,029

Stage of completion	Projected opening	Address
Interior design work completed, landscaping completed, opened in Jan 2020.	Jan 2020	LKC 1-3 Block of Lincheng Street, Dinghai District, Zhoushan, Zhejiang Province, China
Curtain wall installation, mechanical engineering and interior decoration work in progress	2020	88 Jiuhua West Road, Chengxiang District, Putian, Fujian Province, China
Earth work & lateral support work completed. Basement structural work in progress	Traders Hotel: 2021 Shangri-La: to be determined	88-96 Dong Feng Road, Panlong District, Kunming, Yunnan Province, China
Piling work in progress	2024	East of Huayuan Road, South of Weier Road, Zhengzhou, Henan Province, China

(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%	74,018	
		- Residential			344,251
		- Office			85,201
		- Commercial			65,502
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			34,319
		- Commercial			50,447
5.	Zhengzhou, China	Composite development	45%	44,573	
		- Residential			94,222
		- Office			58,946
		- Commercial			3,993

(C) PROPERTIES UNDER CONCEPT PLANNING

	Location	Purpose	Group's equity interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)
In Mainland China					
1.	Nanchang, China (Phase II)	Composite Development	20%	6,568	61,804
2.	Dalian Wolong Bay, China	Hotel	100%	47,615	151,094
3.	Tianjin, China (Phase II)	Composite Development	20%	28,413	139,721
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
4.	Kyoto, Japan	Hotel	100%	5,800	12,000
5.	Bangkok, Thailand	Hotel	100%	2,820	27,000

Stage of completion	Projected opening	Address
Phase II: Interior decoration work in progress Phase III: Foundation pit support work in progress	Phase II: 2020 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
Planning to be opened in Q2 2020.	2020	700 Jianshe Avenue, Jiangan, Wuhan, Hubei Province, China
Earthwork and lateral support work in progress	2021	88-96 Dong Feng Road, Panlong District, Kunming, Yunnan Province, China
Piling & Foundation work completed	2022	9 Xinquan Nan Road, Fuzhou, Fujian Province, China
Residential: Piling work in progress	In phases from 2023 onwards	East of Huayuan Road, South of Weier Road, Zhengzhou, Henan Province, China

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
536-71, Maruta-machidori Kuromon Higashiiru Waraya-cho, Kamigyo-ku, Kyoto
Soi Sukhumvit 55 (Thonglor) Sukhumvit Road , Klongton Nua, Vadhana, Bangkok, Thailand

Responsible Business

People

People are at the centre of everything we do. We are committed to safeguarding the wellbeing of our guests, colleagues and local communities. We work collaboratively to benefit local people by helping to promote their produce and protect their culture because when our communities thrive, so do we.

2019 Highlights

CARING FOR OUR GUESTS

6 in **10** guests rated us **5** out of **5** for **Overall Stay Experience**

87 hotels are certified to international standards for food safety management (ISO 22000/ HACCP)

100% of high and medium-risk product suppliers assessed for compliance through our comprehensive supplier management programme

EMPOWERING OUR COLLEAGUES

Shangri-La Academy Online launched worldwide

100+ e-learning modules in the pipeline for 2020

260k+ volunteer hours served in community projects

749 People with Disabilities employed (**1.85%** of permanent headcount in our hotels)

Shangri-La's CSR Vision/ Mission Statement

- We commit to operating in an economically, socially and environmentally responsible manner whilst balancing the interests of our diverse stakeholders.
- We strive to be a leader in corporate citizenship and sustainable development, caring for our colleagues and guests, seeking to enrich the quality of life for the communities in which we do business and serving as good stewards of society and environment.

Disclosure on Environmental, Social and Governance Topics

We aim to disclose meaningful and timely information about our sustainability performance and management approaches. Our focus is on material environmental, social and governance (ESG) impacts of the Group's hotel management services. For 2019, the scope of key performance data disclosed includes 99 operating hotels that had been in operation for at least one full calendar year and the Aberdeen Marina Club in Hong Kong SAR.

Leadership for Sustainable Development

Hang Seng Corporate Sustainability Index Series Member 2019-2020

MEMBER OF Dow Jones Sustainability Indices In collaboration with RobecoSAM

CDP DISCLOSURE INSIGHT ACTION

UN Global Compact COMMUNICATION ON PROGRESS

Marine Stewardship Council

By harnessing new technology, we strive to enhance our communication with stakeholders on the issues that matter to them most.

Download our **2019 Sustainability Report** here:

PARTNERING WITH LOCAL COMMUNITIES

42,000+ sponsored meals for children-in-need during Ramadan through our **"Share the Flavour" campaign**

Ride for Hope 3 funded 240 operations for under-privileged children with hip disabilities or congenital heart diseases

Inaugural group-wide fire drill and evacuation exercises in partnership with local civil defense forces

EMBRACE, SHANGRI-LA'S *CARE FOR PEOPLE* PROJECT

111 projects worldwide help improve education and health services for children

US$2.1M invested

31,600+ beneficiaries

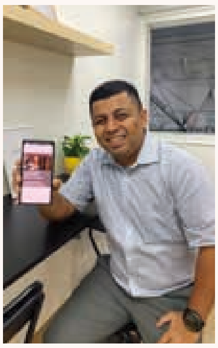
1,142 EMBRACE++ internships and apprenticeships support young people to gain skills and experience

Leveraging the Power of the Digital Age: Shangri-La Academy Online

2019 was a year of transformation for learning with the introduction of Shangri-La Academy Online. This bespoke virtual platform facilitates learning anytime and anywhere covering a range of content:

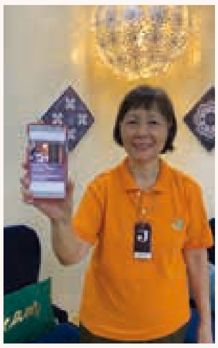
- **Essential Learning** to know more about our brand, or comply with legal requirements
- **Functional Learning** to enhance skills based on job functions
- **Leadership Learning** to develop high potentials in line with our Leadership Competencies

As the Fire Life Safety (FLS) Manager at Hotel Jen Tanglin Singapore, Zul embraces the new Global Fire Life Safety e-learning course from Shangri-La Academy Online because it empowers his colleagues to take charge of their own learning process.



"This new tool caters for people of all ages, backgrounds and experiences."

At first, Alice from housekeeping found it challenging to adjust to the new way of learning but she quickly got up to speed and now goes online daily to keep herself updated on all the latest content.



"Every day is the start of a new learning journey!"

Planet

We operate in some of the most beautiful and ecologically rich locations on Earth. It is our responsibility to conserve and protect the biodiversity of these pristine places for future generations to enjoy. Environmental protection and preservation are key components of Shangri-La's business principles. We have targets to reduce our environmental footprint by 15% in 2020 compared with 2015.

2019 Highlights

GREEN BUILDINGS

36 certified green buildings

91 hotels with paperless check-in

82 hotels use low temperature laundry

90 GWh/year of energy savings from various green initiatives, including centralised heat pumps, low temperature laundries and LED replacement programme

120 CBM/year of freshwater savings from our showerhead replacement programme implemented in the staff facilities of 53 hotels

REDUCING ENVIRONMENTAL IMPACT

2019 vs 2018

↓**4%** total carbon emissions

↓**4%** total energy use

2019 vs 2018

↓**19%** waste sent to landfills

↓**17%** total kitchen waste

COMMUNITY-BASED RECYCLING

Recycling programmes with our partners

149 tonnes of soap

12 tonnes of linen

Plastics Reduction

6m Single-use straws & stirrers eliminated/year

11 Hotels serving in-room water in glass bottles

11 Tonnes of plastic packaging saved/year by switching to paper wrapping for in-room slippers

In 2019, we implemented a group-wide ban on single-use plastic straws and stirrers, switched to glass bottled water for more venues and outlets, and introduced greener packaging for in-room slippers as part of our plastic reduction roadmap. We plan to tackle more items such as bathroom amenities packaging and takeaway containers and utensils.

We are working closely with our suppliers to achieve the right balance in order to have a meaningful impact on plastic waste reduction without compromising the quality of our guest experience.

Collaborative Sustainable Efforts
We believe that everyone can work together for a healthier planet. We were the first hotel group to ban shark fin from being served in 2010 and the first Asian hotel group to receive full Marine Stewardship Council Seafood Chain of Custody certification for 53 properties across Mainland China and Hong Kong SAR in 2018.

SANCTUARY, SHANGRI-LA'S *CARE FOR NATURE* PROJECT

15 projects build on partnerships with local communities to promote conservation through active intervention and educational initiatives

12 Eco Centers

2,275 School students engaged

3,009 Colleagues volunteered

>65 Endangered species protected

4,020 Turtle hatchlings released

1,541 Corals planted

1,318 Mangroves planted

684 Fish houses dropped

RESPONSIBLE CHOICES

Marine Stewardship Council (MSC) award for "**Leadership in Sustainable Seafood**"

MSC "China Hotel of the Year Gold Award" received by Futian Shangri-La, Shenzhen

Achieving Shared Goals

Shangri-La's Race for Hope programme brings together 50 hotels in Mainland China to promote daily participation from guests, colleagues and local communities in support of environmental protection.

Everyone is encouraged to contribute green points through Alipay's Ant Forest App by engaging in eco-friendly activities, such as walking or using public transport. The points are converted into actual trees to help combat deforestation in China.

"We want to instill a sense of urgency that all of us must start doing our part now to save our planet."

Victor Vazquez, EVP, Operations, East China

1st Hospitality Group to partner with Alipay Ant Forest App

Target to plant
5,000
trees by 2021

>120k
People have contributed to "Shangri-La Ant Forest"

Directors' Report

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

GENERAL DISCLOSURE ITEMS

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding.

The principal activities of the Group are the development, ownership and operations 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", "JEN by Shangri-La", "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 hotel properties, the development, ownership and operations of investment properties as well as property development for sale.

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 recommended no final dividend for the Financial Year.

The details of dividends paid for the Financial Year are set out in Note 37 to the Financial Statements.

Reserves

The details of movements in reserves during the Financial Year are set out in Notes 19 and 21 to the Financial Statements.

Donations

Charitable donations and other donations made by the Group during the Financial Year amounted to USD818,000.

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 19 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 *(Group CEO)*
Mr LUI Man Shing *(retired on 5 June 2019)*

Non-executive Director(s)

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

Independent Non-executive Director(s)

Professor LI Kwok Cheung Arthur
Mr YAP Chee Keong
Mr LI Xiaodong Forrest *(appointment effective on 1 May 2019)*
Mr ZHUANG Chenchao *(appointment effective on 1 December 2019)*
Mr Alexander Reid HAMILTON *(retired on 5 June 2019)*
Dr LEE Kai-Fu *(retired on 5 June 2019)*

At the Annual General Meeting, (1) Mr LIM Beng Chee and Mr HO Kian Guan will retire by rotation in accordance with Bye-Law 99, and (2) Mr ZHUANG Chenchao will retire in accordance with Bye-Law 102(B). All retiring Directors, being eligible, have offered themselves for re-election.

Independence of Independent Non-executive Directors

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

Changes in Directors' Information

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

(1) On 1 December 2019, Mr ZHUANG Chenchao was appointed an Independent Non-executive Director.
(2) Mr YAP Chee Keong was appointed an independent non-executive director of Ensign Infosecurity Pte Limited in September 2019.
(3) Mr LI Xiaodong Forrest was appointed a board member of Singapore Economic Development Board in February 2020.

SIGNIFICANT SHAREHOLDERS' INTERESTS

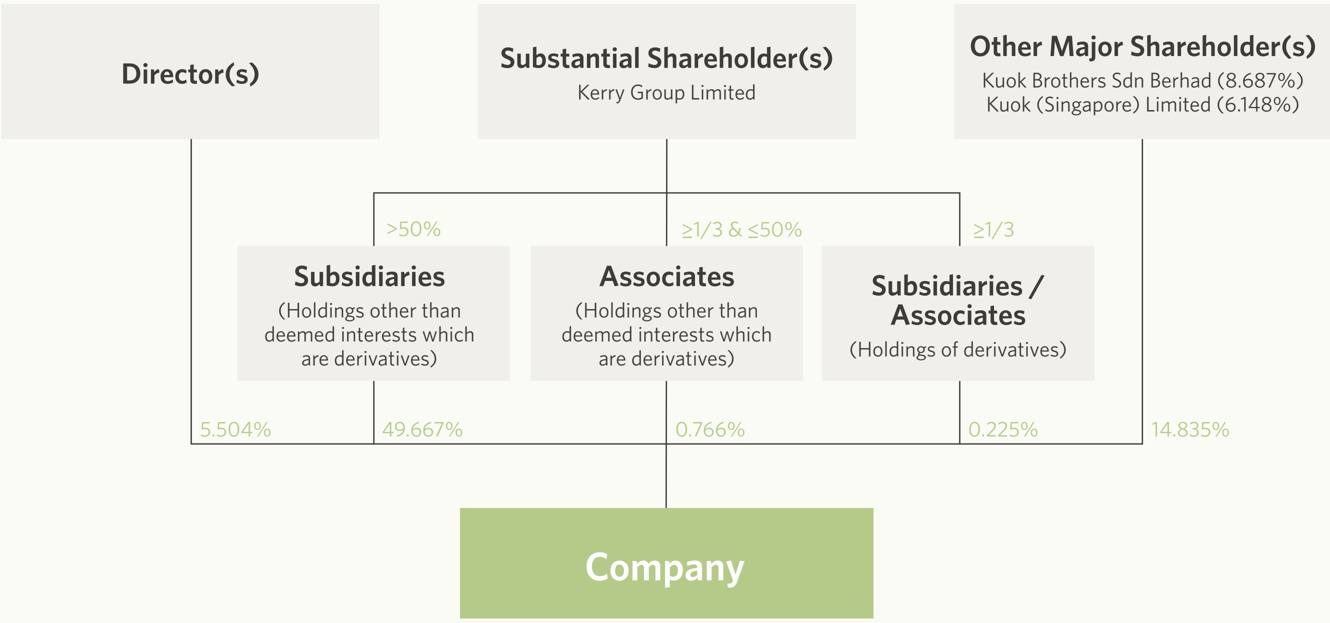
As at Year End, the interests and short positions of those persons (other than the Directors) in Shares and underlying Shares as recorded in the register that is required to be kept by the Company under Section 336 of the SFO or as ascertained by the Company after reasonable enquiry were as follows:

Name	Capacity	Number of Shares held	Approximate % of total issued Shares
Substantial Shareholders			
KGL *(Note 1)*	Interest of controlled corporation(s)	1,816,353,208	50.658
KHL (Notes 1 and 2)	Beneficial owner	87,237,052	2.433
	Interest of controlled corporation(s)	1,555,263,039	43.376
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) 578,833	(2) 1,038,000	(3) 2,000,000	(4) 45,930,170	49,547,003	1.382
	LIM Beng Chee	Ordinary	614,000	-	-	-	614,000	0.017
	HO Kian Guan	Ordinary	1,301,116	-	(5) 145,887,718	-	147,188,834	4.105
	Total		2,493,949	1,038,000	147,887,718	45,930,170	197,349,837	5.504

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. 106,620,788 shares were held through companies that were owned as to 33.33% 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 May 2019	15,000,000	11.100
		6 September 2019	9,000,000	8.050
HO Kian Guan	Personal Interest	28 March 2019	10,000	10.860
		11 April 2019	10,000	11.200
		12 April 2019	10,000	11.040
		16 April 2019	10,000	10.900
		23 April 2019	10,000	10.800

Directors' Interests in Contracts

Save as disclosed, if any, in the section entitled "Connected Transaction(s)" and "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 HO Kian Guan and Mr HO Chung Tao are substantial shareholders and/or directors of companies that hold various hotels, investment properties and development properties for sale, and such properties are situated 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 the Group's renowned position in the hotel industry worldwide built on its strong brand recognition and high-quality services; and/or

(c) the investment properties and the development properties held for sale as interested by the above Directors either (i) are situated in territories/locations in which the Group maintains no similar business operations, or (ii) do not have direct competition with those of the Group.

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 299,969,679 Shares (representing about 8.37% 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 2019	Granted during the year	Transferred from other category during the year	Transferred to other category during the year	Exercised during the year	Lapsed during the year	Held as at 31 Dec 2019	Exercise price per option share (HKD)	Exercise period
1.	**Directors**										
	LUI Man Shing[(2)]	23 Aug 2013	350,000	-	-	(350,000)	-	-	-	12.11	23 Aug 2013 - 22 Aug 2023
	Alexander Reid HAMILTON[(2)]	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	5,088,000	-	-	(120,000)	-	(625,000)	4,343,000	12.11	23 Aug 2013 - 22 Aug 2023
3.	**Other participants**	23 Aug 2013	2,550,000	-	570,000	-	-	-	3,120,000	12.11	23 Aug 2013 - 22 Aug 2023
Total			8,188,000	-	570,000	(570,000)	-	(625,000)	7,563,000		

Notes:

1. No options were cancelled during the Financial Year.
2. Mr LUI Man Shing and Mr Alexander Reid HAMILTON retired as Directors on 5 June 2019 and their options have been re-categorised.

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 97,065,787 Shares (representing 2.71% 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 2019	Granted during the year	Accepted during the year	Lapsed during the year	Held as at 31 Dec 2019	Max upside adjustment	Change to upside adjustment during the year	Upside delivered during the year	Max deliverable award shares as at 31 Dec 2019	Consideration per award share (HKD)	Vesting date/period
1. Directors												
KUOK Hui Kwong	30 Aug 2018	63,609	-	(63,609)	-	-	32,091	(7,700)	(24,391)	-	Nil	1 Apr 2019
	30 Aug 2018	63,609	-	-	-	63,609	32,091	(7,700)	-	88,000	Nil	1 Apr 2020
	30 Aug 2018	306,520	-	-	-	306,520	274,080	(10,600)	-	570,000	Nil	1 Apr 2021
	15 Jun 2019	-	658,605	-	-	658,605	513,395	-	-	1,172,000	Nil	1 Apr 2020 - 1 Apr 2022
LIM Beng Chee	30 Aug 2018	79,509	-	(79,509)	-	-	39,951	(11,460)	(28,491)	-	Nil	1 Apr 2019
	30 Aug 2018	79,509	-	-	-	79,509	39,951	(11,460)	-	108,000	Nil	1 Apr 2020
	30 Aug 2018	383,137	-	-	-	383,137	341,943	(11,116)	-	713,964	Nil	1 Apr 2021
	15 Jun 2019	-	888,595	-	-	888,595	693,405	-	-	1,582,000	Nil	1 Apr 2020 - 1 Apr 2022
2. Employees	20 Jul 2018	97,917	-	(97,917)	-	-	49,263	(13,180)	(36,083)	-	Nil	1 Apr 2019
	20 Jul 2018	97,917	-	-	-	97,917	49,263	(35,180)	-	112,000	Nil	1 Apr 2020
	20 Jul 2018	471,844	-	-	-	471,844	421,796	(157,640)	-	736,000	Nil	1 Apr 2021
	1 Apr 2019	-	1,477,169	(285,000)	-	1,192,169	860,831	-	-	2,053,000	Nil	1 Apr 2019 - 1 Apr 2021
	30 Jun 2019	-	751,515	(60,000)	-	691,515	540,485	-	-	1,232,000	Nil	30 Jun 2019 - 1 Apr 2022
	1 Nov 2019	-	494,000	-	-	494,000	-	-	-	494,000	Nil	1 Apr 2020 - 1 Apr 2022
Total		1,643,571	4,269,884	(586,035)	-	5,327,420	3,888,545	(266,036)	(88,965)	8,860,964		

Note:

1. 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.

CONNECTED TRANSACTION(S)

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

(1) On 15 November 2019, SLIM-HK and Ubagan Limited ("**Ubagan**"), a subsidiary of KHL (Substantial Shareholder) entered into a tenancy offer letter to renew the tenancy of various levels of office premises at Kerry Centre for a term of three years commencing on 19 November 2019 ("**Renewal**"), and continued the licences of the car parking spaces at Kerry Centre.

The monthly rental for (a) the tenancy of the office premises is HKD4,498,157.70 (excluding the management fee and air-conditioning charge of HKD577,057.50, subject to revision); and (b) each floating car parking space and each fixed car parking space are HKD3,000 and HKD3,800, respectively, subject to revision.

Ubagan is a subsidiary of KHL (Substantial Shareholder). Accordingly, Ubagan is a connected person of the Company at holding level.

The above lease was previously reported as a continuing connected transaction. In accordance with the newly implemented HKFRS 16 "Leases" which came into effect on 1 January 2019, the lease had been regarded as an acquisition of asset by the Group and the Renewal constituted a one-off connected transaction for the Company under the Listing Rules. The value of the right-of-use asset recognised based on the rent payable by SLIM-HK under the Renewal was HKD153,543,000.

The Company confirms that it has, in respect of the above Renewal, complied with all relevant requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION(S)

During the Financial Year, there were also 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 disclosable 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 was 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 and the expected occupancy of the hotel, taking into account of possible inflation and fluctuation in currency exchange rates, as well as buffer for reasonable increases in occupancy and room rates, the Company has set an annual cap (as further revised on 2 October 2018) for each of the following financial year(s):

Financial year	Annual cap (USD)
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 USD1,955,000 (2018: USD1,876,000).

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

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.

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

		Actual aggregate transaction amount with SLIM (USD)	
Date of transaction	Nature of agreement	2019	2018
1 March 1994 (as supplemented)	Management agreement	**1,945,000**	1,470,000

The transaction 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 41(b) 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 on 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. The said agreement was renewed on 11 June 2013 and on 26 January 2017, and the Company had made timely announcements accordingly.

On 23 December 2019, the Company announced that the said agreement had been further renewed for another consecutive three-year term that would expire on 5 January 2023.

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 and the expected occupancy of the hotel, taking into account of possible inflation and fluctuation in currency exchange rates, as well as buffer for reasonable increases in occupancy and room rates, the Company has set an annual cap for each of the following financial year(s):

Financial year	Annual cap (USD)
2019	5,000,000
2020	5,900,000
2021	6,100,000
2022	6,200,000

For the Financial Year, the actual aggregate transaction amount with Pudong Kerry Co was USD4,508,000 (2018: USD3,645,000). 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 41(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.

During the Financial Year and up to the expiry of the lease, 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 HKD559,372.50); 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 year(s):

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

During the Financial Year and up to the expiry date of the lease, the actual aggregate transaction amount with Ubagan was HKD47,805,000 (equivalent to USD6,168,000) (2018: 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 41(a) to the Financial Statements.

The lease expired in November 2019 and was renewed accordingly. In accordance with the newly implemented HKFRS 16 "Leases" which came into effect on 1 January 2019, the lease had been regarded as an acquisition of asset by the Group. Accordingly, the renewal thereof had been considered as a connected transaction for the Company and reported under the section entitled "Connected Transaction(s)" above.

(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 on 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, taking into account of possible inflation and fluctuation in currency exchange rates, as well as buffer for reasonable increases in occupancy and room rates, 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 USD5,808,000 (2018: USD4,453,000). 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 41(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 on 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, taking into account of possible inflation and fluctuation in currency exchange rates, as well as buffer for reasonable increases in occupancy and room rates, the Company has set annual cap for each of the following financial year(s):

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

For the Financial Year, the actual aggregate transaction amount with Nanjing Co was USD2,245,000 (2018: USD1,899,000).

(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 on 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, taking into account of possible inflation and fluctuation in currency exchange rates, as well as buffer for reasonable increases in occupancy and room rates, 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 USD788,000 (equivalent to RMB5,432,000) (2018: USD515,000). 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 41(b) to the Financial Statements.

(8) On 4 March 2016, each of SLIM-HK and SLIM-PRC, 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 on 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, taking into account of possible inflation and fluctuation in currency exchange rates, as well as buffer for reasonable increases in occupancy and room rates, 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 USD2,443,000 (equivalent to RMB16,840,000) (2018: USD2,014,000). 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 41(a) to the Financial Statements.

(9) On 17 October 2019, 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 Co(s)**") in connection with the purchase of wines under the wine programme. Under the wine programme, the KW Co(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 Cos 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 Co(s). All wines purchased from KW Co(s) are effected by purchase orders in written form.

Each KW Co is a subsidiary of KHL (Substantial Shareholder). Accordingly, the KW Cos 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 2019 to 30 June 2019, and (ii) the business plans of the Group for the remaining months of 2019, the Company has set the annual cap of the wine orders to be placed with the KW Cos for the Financial Year at USD5,000,000.

For the Financial Year, the actual aggregate value of such purchases amounted to USD2,800,000 (2018: USD3,122,000). 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 41(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 on 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 that 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 and the expected occupancy of the hotel, taking into account of possible inflation and fluctuation in currency exchange rates, as well as buffer for reasonable increases in occupancy and room rates, the Company has set an annual cap for each of the following financial year(s):

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

For the Financial Year, the actual aggregate transaction amount with Fort Manila Co was USD4,178,000 (2018: USD3,552,000). 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 41(b) to the Financial Statements.

(11) On 24 April 2019, each of SLIM-HK and SLIM-PRC, and Million Fortune Development (Shenzhen) Co, Limited ("**Qianhai Co**", a company owned as to 50% by KHL, 25% by KPL and 25% by The Bank of East Asia, Limited) entered into a hotel management agreement and a sales and marketing services agreement, respectively, pursuant to which SLIM-HK and SLIM-PRC would provide Hotel Management Services to Hotel Jen Qianhai, Shenzhen ("**Qianhai Hotel**") which is owned by Qianhai Co. Each of the said agreements has a 20-year term commencing on the date of agreements.

Qianhai Co is an associate of KHL (Substantial Shareholder). Accordingly, Qianhai 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, taking into account of possible inflation and fluctuation in currency exchange rates, as well as buffer for reasonable increases in occupancy and room rates, the Company has set up annual cap for each of the following financial year(s):

Financial year	Annual cap (RMB)
2019	Nil
2020	Nil
2021	3,000,000
2022	17,300,000
2023	24,200,000
2024 (for the entire year assuming the relevant agreement(s) will be renewed upon expiry in the year)	28,700,000

As the Qianhai Hotel is expected to commence business on or about 1 December 2021, no fees are payable under the agreements during the Financial Year.

(12) SLIM-HK and Beijing Kerry Hotel Co, Limited ("**Beijing Co**", a company owned as to 23.75% by the Company, 71.25% by KPL and 5% by Beijing Beiao Group Corp, Limited) had entered into a management and marketing services agreement, pursuant to which SLIM-HK managed and operated Kerry Hotel, Beijing ("**Beijing Kerry Hotel**") which is owned by Beijing Co. Such agreement expired on 27 August 2019.

On 26 August 2019, each of SLIM-HK and SLIM-PRC, and Beijing Co entered into a hotel management agreement and a marketing and training services agreement, respectively, pursuant to which SLIM-HK and SLIM-PRC would continue to provide Hotel Management Services to Beijing Kerry Hotel. Each of the said agreements has a 20-year term commencing on 28 August 2019. 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.

Beijing Co is an associate of KPL which in turn is a subsidiary of KHL (Substantial Shareholder). Accordingly, Beijing 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, taking into account of possible inflation and fluctuation in currency exchange rates, as well as buffer for reasonable increases in occupancy and room rates, the annual cap for each financial year up to expiry will not exceed RMB110,000,000.

For the Financial Year, the actual aggregate transaction amount with Beijing Co was USD3,979,000 (equivalent to RMB27,430,000) (2018: USD2,767,000). 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 41(a) to the Financial Statements

The continuing connected transactions mentioned in (1) to (12) 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, 27 March 2020

Corporate Governance Report

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, Meeting(s) 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 *(retired on 5 June 2019)*	1/1
Non-executive Director(s)	
HO Kian Guan (alternate – HO Chung Tao)	0 (4)/4
Independent Non-executive Director(s)	
LI Kwok Cheung Arthur	4/4
YAP Chee Keong	4/4
LI Xiaodong Forrest *(appointment effective on 1 May 2019)*	2/3
ZHUANG Chenchao *(appointment effective on 1 December 2019)*	1/1
Alexander Reid HAMILTON *(retired on 5 June 2019)*	1/1
LEE Kai-Fu *(retired on 5 June 2019)*	1/1

Other than the above full Board meetings, the Chairman also held an annual meeting in August 2019 with the Independent Non-executive Directors without the presence of the other Directors. The attendance of the Directors at the meeting was as follows:

Name of Director	Attendance
Chairman	
KUOK Hui Kwong	✔
Independent Non-executive Director(s)	
LI Kwok Cheung Arthur	✔
YAP Chee Keong	✔
LI Xiaodong Forrest *(appointment effective on 1 May 2019)*	✔
ZHUANG Chenchao *(appointment effective on 1 December 2019)*	N/A
Alexander Reid HAMILTON *(retired on 5 June 2019)*	N/A
LEE Kai-Fu *(retired on 5 June 2019)*	N/A
Total attendance	4/4

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.

On 4 December 2019, the Directors attended a presentation by a luxury industry expert on the development of the luxury market in Asia and China as part of the professional development training for Directors.

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 & Group CEO
LUI Man Shing *(as member until 1 May 2019)*	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 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.

Members, Meeting(s) Held and Attendance

During the Financial Year, the Nomination Committee held one meeting in March 2019. The members of the Nomination 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
KUOK Hui Kwong *(chairman)*	ED & Chairman	1/1
LI Kwok Cheung Arthur	INED	1/1
LI Xiaodong Forrest *(as member with effect from 1 May 2019)*	INED	N/A
Alexander Reid HAMILTON *(as member until 1 May 2019)*	INED	1/1

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 2019 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 2019 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.

(iii) In relation to the proposed new appointments to the Board, the Nomination Committee had:

- assessed the record and personal particulars of Mr LI Xiaodong Forrest and Mr ZHUANG Chenchao; and
- considered the structure, size and composition of the Board assuming the appointments were effected.

(iv) In relation to the changes and/or re-designations of the Board members proposed during the Financial Year, the Nomination Committee had, after due assessment and/or consideration, recommended to the Board the approval/acceptance of:

- Mr LI Xiaodong Forrest's appointment to the Board as Independent Non-executive Director in May 2019;
- the retirement of Mr LUI Man Shing, Mr Alexander Reid HAMILTON and Dr LEE Kai-Fu as Directors with effect from the close of the 2019 annual general meeting of the Company held in June 2019; and
- Mr ZHUANG Chenchao's appointment to the Board as Independent Non-executive Director in December 2019.

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 (has been dispensed with, effective from May 2019) 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, Meeting(s) Held and Attendance

During the Financial Year, the Remuneration Committee held one meeting in March 2019. 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
LI Kwok Cheung Arthur *(as chairman with effect from 1 May 2019)*	INED	1/1
KUOK Hui Kwong	ED & Chairman	1/1
YAP Chee Keong *(as member with effect from 1 May 2019)*	INED	N/A
Alexander Reid HAMILTON *(as chairman and member until 1 May 2019)*	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)**		
	2019	2018	
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**	180,000/ 150,000	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 32 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
1,000,001 to 5,000,000	2
5,000,001 to 10,000,000	3
15,000,001 to 20,000,000	2
20,000,001 to 25,000,000	1
	8

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, Meeting(s) 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 *(chairman)*	INED	4/4
HO Kian Guan (alternate – HO Chung Tao)	NED	3 (1)/4
LI Kwok Cheung Arthur	INED	4/4
Alexander Reid HAMILTON *(as member until 1 May 2019)*	INED	1/1

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;

(ii) overseeing and supervising the internal audit functions and programs of the Group;

(iii) reviewing the financial and accounting policies and practices of the Group;

(iv) verifying and confirming the Auditor's independence and objectivity;

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

(vi) reviewing financial and audit issues with the Auditor;

(vii) reviewing interim and annual financial statements for approval by the Board;

(viii) reviewing the reports issued by the Group's internal audit and risk management teams and discussing the same with the Group's management;

(ix) reviewing significant legal matters and litigation cases of the Group;

(x) reviewing connected transaction(s) and continuing connected transaction(s) involving the Group; and

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

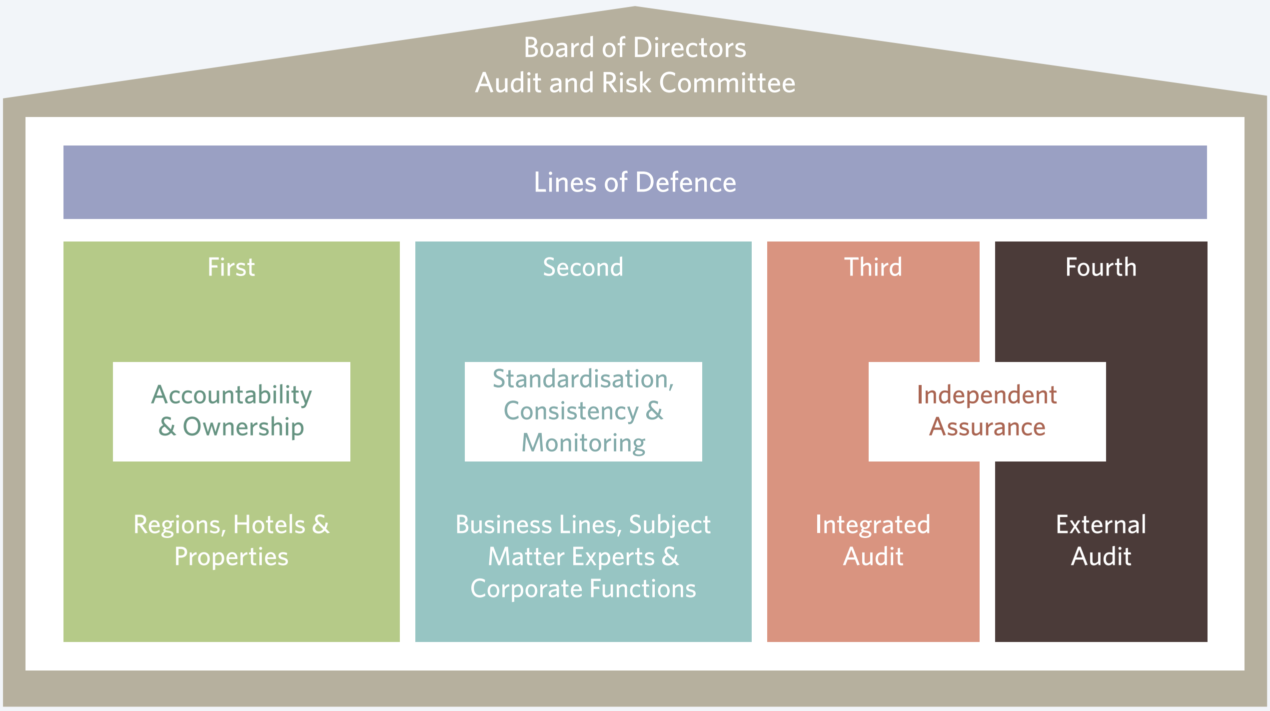
The Board has overall responsibility for the governance of risk and exercises oversight of material risks in the Group's business. The Board's Audit & Risk Committee ("**ARC**") assists the Board in overseeing the Group's risk profile and policies; adequacy and effectiveness of the Group's risk management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

Shangri-La's Integrated Assurance Framework

To facilitate the effective execution of both our internal processes and business needs, we are progressively implementing the integrated assurance framework ("**IAF**") to provide a more holistic and robust basis of assurance for the adequacy and effectiveness of our risk management and internal control system. The process identifies risk from a top-down strategic perspective and a bottom-up perspective from each markets and business lines.



With the adoption of the IAF, the Group has structured its risk management governance into four Lines of Defence ("**LOD**") with the following roles and responsibilities:

- The First Line of Defence ("**1st LOD**") 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 that Hotels implement and comply with the Group's global strategies, policies, programmes and initiatives. Hotel and Property General Managers together with their executive committees 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 deviation from existing controls on an on-going basis.

- The Second Line of Defence ("**2nd LOD**") 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 ("**3rd LOD**") is formed by the Group's Integrated Audit ("**IA**") department. The IA Department reports results of integrated audits to the ARC. IA department is responsible to assess the robustness of the controls at Group's 1st and 2nd LOD and to make recommendation to the Senior Management and ARC to improve the Group's overall internal control process.

- The Fourth Line of Defence ("**4th LOD**") is the Group's External Auditors. The Group's External Auditor reports the results of the statutory audit and provides an independent view on the status of Internal Controls of the Group to the ARC. From time to time, external professionals are engaged to perform system penetration tests, Food Safety audits and advisory services.

- Beyond the four lines of defence, the Board remains ultimately responsible for the adequate and effective risk management and internal control systems. The Board, through the ARC provides guidance to the Management to define the risk appetite and tolerance of the Group and to ensure that the Group's Risk Management and Internal Controls are align with its strategy. The Board considers the works, findings and advice of the ARC in forming its own view on the effectiveness of the respective 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 management and governance 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 2019, 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 SharePoint folders. 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 which emphasises the Group's integrity and ethical values set against its fundamental business principles and guidelines. This code applies to all officers, employees and directors of the Group, its subsidiaries, business units and controlled affiliates as well as employees of properties managed by the Group. Employees are also obliged to maintain and protect the confidentiality of all non-public information relating to the Group's affairs ("**Confidential Information**"). Employees must not disclose Confidential Information to outside parties unless authorised to do so by the Group 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 precaution 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 Group 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 Group are required to observe the Securities Principles.

- The Group 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 Whistleblowing Policy is administered by the IA Department. The Group has posted on the Group'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 Group'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 who is also the Head of the IA Department for investigation. A working committee comprising CEO, CFO, COO, CHRO, General Counsel and VP Internal Audit will review the investigation process and outcome. The working committee will provide a quarterly summary of all reported cases and their investigation results to the ARC.

Annual Review Cycle

For FY 2019, four (4) ARC meetings were held with attendance by all ARC members and the Management team comprising the CEO, CFO, CTO, CIO and the General Counsel who were also invited. The ARC also held private sessions with the Internal and External Auditors and the General Counsel.

Periods	Key Activates
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 2. Update on Integrated Assurance Framework
3rd Quarter	1. Review report from External Auditor 2. Approval of first half interim results 3. Review results from Internal Audit 4. Update on Integrated Assurance Framework
4th Quarter	1. Review results from Internal Audit 2. Update on Integrated Assurance Framework

The Group's Material Risks

The Group has reviewed and updated the risk categories and material risks of the Group as part of the annual review exercise as follows:

Safety & Security	Legal, Regulatory & Compliance	Human Capital	Procurement	Systems & Cyber Security
• Engineering risk • Fire Life Safety risk • Security risk • Food Safety risk	• Non-compliance to prevailing Laws risk • Operating Licenses risk • Intellectual Property Rights risk	• Succession risk • Key man risk	• Supply Chain disruption risk • Fraud & Collusion risk	• New technology disruptions risk • Cyber Security risk

Commercial & Economics	Reputation	Concentration	Investment & Geopolitics	Finance
• Distribution risk • Revenue risk	• Branding risk • Crisis risk	• Risk of over-reliance on single source of market and supplier	• Geopolitical risk • Investment risk	• Treasury risk • Financial Reporting risk • Counterparty risk

Internal Audit

The Group 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.

2019 Effectiveness of the Group'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 Group'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)	1,480
Non-audit services	
(a) tax services	162
(b) other advisory services	187
Total	1,829
Other auditor(s)	
Audit services	555
Non-audit services	
(a) tax services	120
(b) other advisory services	73
Total	748

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 meeting(s) of Shareholders was/were held:

- annual general meeting held on 5 June 2019 at 10:30 am in Hong Kong

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

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

	Attended in the capacity of a member of				
Meetings date: 5 June 2019	**Board**	**Designation on meeting date**	**Nomination Committee**	**Remuneration Committee**	**Audit & Risk Committee**
KUOK Hui Kwong	✔	ED & Chairman	✔	✔	
LIM Beng Chee	✔	ED & Group CEO			
LUI Man Shing *(retired on 5 June 2019)*	✔	ED			
HO Kian Guan (alternate – HO Chung Tao)	✘ (✔)	NED			✔
LI Kwok Cheung Arthur	✔	INED	✔	✔	✔
YAP Chee Keong	✔	INED		✔	✔
LI Xiaodong Forrest *(appointment effective on 1 May 2019)*	✘	INED	✘		
ZHUANG Chenchao *(appointment effective on 1 December 2019)*	N/A	N/A			
Alexander Reid HAMILTON *(retired on 5 June 2019)*	✔	INED			
LEE Kai-Fu *(retired on 5 June 2019)*	✘	INED			
Total attendance	7/9		2/3	3/3	3/3

GENERAL MANDATES GRANTED TO DIRECTORS

New Issue Mandate

At the Company's annual general meeting in 2019, 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 2019, 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 19 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 for the Financial Year represents 32% 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 meeting(s) 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 2020

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 44.06% or a capitalisation of approximately HKD12.86 billion based on the closing price of the Shares as at Year End; and

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

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Shangri-La Asia Limited

(incorporated in Bermuda with limited liability)

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 243, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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 2019, 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 hotels
- Valuation of investment properties

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of 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 10 (Leases), note 13 (Interest in associates and due from associates), note 30 (Other gains/losses – net) and note 34 (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 around the world. The carrying values of these hotel properties included in Property, plant and equipment ("PPE") and Rights-of-use assets amounted to USD5,092 million and USD1,318 million respectively and the Group's proportionate share of the carrying value of hotel properties included in the Interest in associates amounted to USD1,037 million on the consolidated statement of financial position at 31 December 2019. Given the different economic environments in which the Group operates, the trading performance of the Group's hotels varies. There is a risk that the carrying amounts of the hotel properties are higher than their recoverable amounts. Management considers each hotel as a separate cash-generating unit ("CGU") and has carried out assessments on each of the hotels' carrying amounts to identify whether there are indicators for impairment or reversal of impairment. The recoverable amount is determined as the higher of the CGU's value-in-use and fair value less costs of disposal. External valuations on hotels with impairment indicators by independent professional valuers are obtained when the internal assessments indicate impairment indicators. Based on the impairment assessments carried out by management during the year ended 31 December 2019 and the reports of the independent professional valuers as at 31 December 2019, a total amount of USD20.4 million was charged against the consolidated statement of profit or loss during the year ended 31 December 2019. 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.	Our audit procedures in relation to management's impairment assessments included: – Assessing how management identified indicators for impairment or reversal of impairment; – 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; and – 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 of disposal calculations were supportable.

Key Audit Matter	How our audit addressed the Key Audit Matter

Valuation of investment properties as at 31 December 2019

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 13 (Interest in associates and due from associates) to the consolidated financial statements.

Investment properties held by the Group's subsidiaries were carried at fair value of USD1,659 million and the Group's proportionate share of fair value of Investment properties were carried at USD3,912 million in the Interest in associates respectively at 31 December 2019. Net fair value changes in investment properties held by subsidiaries and associates amounting to gain of USD52.6 million and USD29.3 million respectively were recorded in the consolidated statement of profit or loss during the year ended 31 December 2019.

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 2019. 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 method was used and significant judgement and estimates applied in the valuations 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; and

- 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2019 USD'000	2018 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	5,092,022	5,537,840
Investment properties	8	1,658,560	1,478,672
Leasehold land and land use rights	9	–	484,441
Right-of-use assets	10	1,318,451	–
Intangible assets	11	108,363	100,058
Interest in associates	13	3,912,827	3,911,801
Deferred income tax assets	26	27,694	7,507
Financial assets at fair value through other comprehensive income	14	4,357	4,164
Financial assets at fair value through profit or loss	14	9,866	10,391
Derivative financial instruments	24	8,979	8,102
Other receivables	15	14,963	14,720
		12,156,082	11,557,696
Current assets			
Inventories		33,951	36,528
Properties for sale	17	90,569	153,097
Accounts receivable, prepayments and deposits	16	291,661	270,888
Amounts due from associates	13	112,788	70,742
Derivative financial instruments	24	2,157	3,472
Financial assets at fair value through profit or loss	14	18,188	18,836
Short-term deposits with original maturities over 3 months	18	107,181	88,979
Cash and cash equivalents	18	909,496	970,410
		1,565,991	1,612,952
Total assets		13,722,073	13,170,648
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital and premium	19	3,201,995	3,201,995
Shares held for share award scheme	19	(5,985)	(4,996)
Other reserves	21	653,684	693,368
Retained earnings		2,339,885	2,398,584
		6,189,579	6,288,951
Non-controlling interests	25	314,454	387,937
Total equity		6,504,033	6,676,888

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2019 USD'000	2018 USD'000
LIABILITIES			
Non-current liabilities			
Bank loans	22	3,997,098	4,066,686
Fixed rate bonds	23	868,137	636,933
Derivative financial instruments	24	15,668	6,261
Amounts due to non-controlling shareholders	25	46,550	–
Long term lease liabilities	10	588,530	–
Deferred income tax liabilities	26	357,971	331,076
		5,873,954	5,040,956
Current liabilities			
Accounts payable and accruals	27	666,377	677,642
Contract liabilities	28	175,001	286,890
Short term lease liabilities	10	51,603	–
Amounts due to non-controlling shareholders	25	39,528	35,050
Current income tax liabilities		30,105	20,425
Bank loans	22	375,329	431,220
Derivative financial instruments	24	6,143	1,577
		1,344,086	1,452,804
Total liabilities		7,218,040	6,493,760
Total equity and liabilities		13,722,073	13,170,648

The notes on pages 122 to 243 are an integral part of these consolidated financial statements.

The financial statements on pages 115 to 243 were approved by the Board of Directors on 27 March 2020 and were signed on its behalf.

KUOK Hui Kwong
Director

LIM Beng Chee
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2019	2018
	Note	USD'000	USD'000
Revenue	5	2,431,216	2,517,857
Cost of sales	29	(1,108,647)	(1,113,268)
Gross profit		1,322,569	1,404,589
Other gains/(losses) – net	30	54,508	(126,427)
Marketing costs	29	(96,149)	(99,039)
Administrative expenses	29	(285,292)	(254,811)
Other operating expenses	29	(700,871)	(743,804)
Operating profit		294,765	180,508
Finance costs – net	33	(233,524)	(195,505)
Share of profit of associates	34	220,423	305,393
Profit before income tax		281,664	290,396
Income tax expense	35	(111,944)	(106,658)
Profit for the year		169,720	183,738
Profit/(Loss) attributable to:			
Owners of the Company		152,485	192,905
Non-controlling interests		17,235	(9,167)
		169,720	183,738
Earnings per share for profit attributable to the owners of the Company during the year *(expressed in US cents per share)*			
– basic	36	4.27	5.40
– diluted	36	4.27	5.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2019 USD'000	2018 USD'000
Profit for the year	169,720	183,738
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	(1,270)	53
Items that may be reclassified subsequently to profit or loss		
Fair value changes of interest-rate swap and cross-currency swap contracts – hedging	(15,146)	(1,871)
Currency translation differences – subsidiaries	20,731	(236,241)
Currency translation differences – associates	(67,373)	(194,186)
Revaluation of a property held by an associate upon reclassification from property, plant and equipment to investment properties	20,577	–
Other comprehensive loss for the year	(42,481)	(432,245)
Total comprehensive income/(loss) for the year	127,239	(248,507)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	110,548	(223,910)
Non-controlling interests	16,691	(24,597)
	127,239	(248,507)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Note	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 2019, as previously reported		3,201,995	(4,996)	693,368	2,398,584	6,288,951	387,937	6,676,888
Change in accounting policy - HKFRS 16		-	-	-	(89,575)	(89,575)	(5,608)	(95,183)
Balance at 1 January 2019, as restated		3,201,995	(4,996)	693,368	2,309,009	6,199,376	382,329	6,581,705
Remeasurements of post-employment benefit obligations		-	-	-	(1,200)	(1,200)	(70)	(1,270)
Fair value changes of interest-rate swap and cross-currency swap contracts - hedging	21	-	-	(7,790)	-	(7,790)	(7,356)	(15,146)
Currency translation differences	21	-	-	(53,524)	-	(53,524)	6,882	(46,642)
Revaluation of a property held by an associate upon reclassification from property, plant and equipment to investment properties	21	-	-	20,577	-	20,577	-	20,577
Other comprehensive loss for the year recognised directly in equity		-	-	(40,737)	(1,200)	(41,937)	(544)	(42,481)
Profit for the year		-	-	-	152,485	152,485	17,235	169,720
Total comprehensive income/(loss) for the year ended 31 December 2019		-	-	(40,737)	151,285	110,548	16,691	127,239
Shares purchase for share award scheme	19	-	(2,129)	-	-	(2,129)	-	(2,129)
Granting of shares under share award scheme	21	-	-	2,077	-	2,077	-	2,077
Vesting of shares under share award scheme	19, 21	-	1,140	(1,024)	(116)	-	-	-
Payment of 2018 final dividend		-	-	-	(64,531)	(64,531)	-	(64,531)
Payment of 2019 interim dividend		-	-	-	(36,856)	(36,856)	-	(36,856)
Dividend paid and payable to non-controlling shareholders		-	-	-	-	-	(18,219)	(18,219)
Difference between the consideration and the portion of the non-controlling interests arising from acquisition of partial equity interest in a subsidiary from a non-controlling shareholder		-	-	-	(18,906)	(18,906)	-	(18,906)
Equity interest in a subsidiary acquired from a non-controlling shareholder		-	-	-	-	-	(16,914)	(16,914)
Net change in equity loans due to non-controlling shareholders		-	-	-	-	-	(49,433)	(49,433)
		-	(989)	1,053	(120,409)	(120,345)	(84,566)	(204,911)
Balance at 31 December 2019		3,201,995	(5,985)	653,684	2,339,885	6,189,579	314,454	6,504,033

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		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	21	-	-	(1,871)	-	(1,871)	-	(1,871)
Currency translation differences	21	-	-	(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	19	2,289	-	-	-	2,289	-	2,289
Exercise of share options - transfer from share option reserve to share premium	19, 21	1,286	-	(1,286)	-	-	-	-
Shares purchase for share award scheme	19	-	(7,924)	-	-	(7,924)	-	(7,924)
Granting of shares under share award scheme	21	-	-	3,550	-	3,550	-	3,550
Vesting of shares under share award scheme	19, 21	-	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

Included in the retained earnings are statutory funds of approximately USD81,850,000 (2018: USD75,301,000). 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 2019 USD'000	2018 USD'000
Cash flows from operating activities			
Cash generated from operations	38(a)	530,275	707,888
Interest paid		(227,129)	(172,396)
Hong Kong profits tax paid		–	(3,790)
Overseas tax paid		(72,726)	(85,384)
Net cash generated from operating activities		230,420	446,318
Cash flows from investing activities			
Purchase of property, plant and equipment		(183,086)	(61,478)
Capital expenditure on properties under development		(48,187)	(92,862)
Addition of leasehold land and land use rights		–	(23,196)
Payments for right-of-use assets		(1,175)	–
Capital expenditure on investment properties		(99,669)	(113,925)
Capital expenditure on intangible assets		(11,408)	(7,017)
Proceeds from disposal of property, plant and equipment; and investment properties		378	32,664
Acquisition of interests in a restaurant company (net of cash acquired)		–	(4,096)
Capital injection to associates		(4,096)	(1,730)
Net increase in loans to associates		(5,891)	(12,106)
Interest received		19,046	18,557
Dividends received from associates		129,803	96,092
Dividends received from listed securities		1,228	2,749
Short term advance repaid from a third party		–	2,450
(Increase)/Decrease in short-term bank deposits with original maturities over 3 months		(18,202)	35,605
Net cash used in investing activities		(221,259)	(128,293)
Cash flows from financing activities			
Dividends paid to owners of the Company		(101,387)	(87,610)
Dividends paid to non-controlling shareholders		(18,139)	(19,778)
Net proceeds from issuance of ordinary shares		–	2,289
Purchase of shares for share award scheme		(2,129)	(7,924)
Net decrease in loans from non-controlling shareholders		(3,060)	(3,261)
Capital injection from non-controlling shareholders		–	765
Consideration paid for acquisition of equity interest in a subsidiary from a non-controlling shareholder		(33,580)	–
Principal elements of lease payments		(22,155)	–
Net proceeds from issuance of fixed rate bonds		221,653	636,852
Repayment of bank loans		(2,319,910)	(1,620,686)
Bank loans drawn down		2,206,161	980,437
Net cash used in financing activities		(72,546)	(118,916)
Net (decrease)/increase in cash and cash equivalents		(63,385)	199,109
Cash and cash equivalents at beginning of the year		970,410	797,278
Exchange gains/(losses) on cash and cash equivalents		2,471	(25,977)
Cash and cash equivalents at end of the year	18	909,496	970,410

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 Victoria Place, 5/F, 31 Victoria Street, Hamilton HM10, 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 2019 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 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Payment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvement 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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 16.

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)

HKFRS 16 Leases

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 under the same classification between operating and finance lease.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and the comparative information for 2018 was not restated and continues to be reported under the former HKAS 17.

Impact of adoption

The Group has lease contracts for various items including leasehold land and land use rights, leasehold premises and equipment. As a lessee, the Group previously classified each of its lease at the inception date as operating leases before the adoption of HKFRS 16. The lease payments were recognised as expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and other payables, respectively.

Under adoption of HKFRS 16, the Group applied a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for short-term leases (that at the commencement date have a lease term of 12 months or less) which are exempted by the standard. Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. Incremental borrowing rate is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group has used the practical expedients permitted by the standard of using a single discount rate to a portfolio of leases. Right-of-use assets (representing the right to use the underlying assets during the lease term) were measured at their carrying amounts as if the standard had been applied since the commencement date, but discounted using the incremental borrowing rate at 1 January 2019. The leasehold land in Hong Kong (previously included in property, plant and equipment) together with the leasehold land and land use rights in other areas would be reclassified to the right-of-use assets. Right-of-use assets that forms part of the investment properties are classified as investment properties and applied the accounting standard same as investment properties. Interest expense on the lease liability and depreciation expense on the right-of-use asset would be recognised in the profit or loss instead of the operating lease expense. The Group elected to present the right-of-use assets and lease liabilities separately in the statement of financial position. In terms of the presentation of the consolidated cash flow statement, cash payments under operating leases made by the Group as a lessee were previously classified as operating activities under the former HKAS 17. Under HKFRS 16, except for short-term lease payments and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into interest element and principal element classified as financing cash outflow. Details of the accounting policies are set out in Note 2.25 to this consolidated financial statements.

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)

HKFRS 16 Leases (continued)

Impact on the consolidated financial statements

The following table shows the reclassification and adjustments recognised for each individual line item in the consolidated statement of financial position on 1 January 2019. Line items that were not affected by the changes are not shown.

Consolidated statement of financial position (extract)	31 Dec 2018 as previously reported	Impact from adoption of HKFRS 16	1 Jan 2019 as restated
Assets			
Property, plant and equipment	5,537,840	(350,592)	5,187,248
Investment properties	1,478,672	14,100	1,492,772
Leasehold land and land use rights	484,441	(484,441)	–
Right-of-use assets	–	1,353,638	1,353,638
Interest in associate	3,911,801	(805)	3,910,996
Deferred income tax assets	7,507	17,374	24,881
Liabilities			
Lease liabilities (current)	–	48,705	48,705
Lease liabilities (non-current)	–	594,972	594,972
Accounts payable and accruals	677,642	(117)	677,525
Deferred income tax liabilities	331,076	897	331,973
Equity			
Retained earnings	2,398,584	(89,575)	2,309,009
Non-controlling interests	387,937	(5,608)	382,329

The lease commitments as at 31 December 2018 reconciled to the lease liabilities as at 1 January 2019 is as follows. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.08%.

Operating lease commitments as at 31 December 2018	1,424,524
Less: Commitments relating to short term leases as exempted	(627)
Add: Adjustments relating to the extension and termination options	328,256
Undiscounted future lease payments within the scope of HKFRS 16	1,752,153
Less: Discount factor for the present value of the future lease payments	(1,108,476)
Lease liabilities as at 1 January 2019	643,677

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)

HKFRS 16 Leases (continued)

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, consolidated statement of comprehensive income and consolidated cash flow statement for the year ended 31 December 2019 and the consolidated statement of financial position as of 31 December 2019 following the adoption of the HKFRS 16. Line items that were not affected by the changes are not shown.

	For the year ended 31 December 2019		
Consolidated statement of profit or loss (extract)	Before adoption of HKFRS 16	Impact from adoption of HKFRS 16	As reported
Other operating expenses	(724,575)	23,704	(700,871)
Operating profit	271,061	23,704	294,765
Finance costs – net	(202,006)	(31,518)	(233,524)
Share of profit of associates	221,240	(817)	220,423
Profit before income tax	290,295	(8,631)	281,664
Income tax expense	(112,924)	980	(111,944)
Profit for the year	177,371	(7,651)	169,720
Profit attributable to the owners of the Company	159,812	(7,327)	152,485
Profit attributable to non-controlling interests	17,559	(324)	17,235
Earnings per share for profit attributable to owners of the Company			
– basic (US cents per share)	4.47	(0.20)	4.27
– diluted (US cents per share)	4.47	(0.20)	4.27

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)

HKFRS 16 Leases (continued)

Impact on the consolidated financial statements (continued)

Consolidated statement of comprehensive income (extract)	For the year ended 31 December 2019 Before adoption of HKFRS 16	Impact from adoption of HKFRS 16	As reported
Profit for the year	177,371	(7,651)	169,720
Other comprehensive income/(loss):			
Currency translation differences – subsidiaries	22,164	(1,433)	20,731
Currency translation differences – associates	(67,401)	28	(67,373)
Other comprehensive loss for the year	(41,076)	(1,405)	(42,481)
Total comprehensive income for the year	136,295	(9,056)	127,239
Total comprehensive income attributable to:			
Owners of the Company	119,278	(8,730)	110,548
Non-controlling interests	17,017	(326)	16,691
	136,295	(9,056)	127,239

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)

HKFRS 16 Leases (continued)

Impact on the consolidated financial statements (continued)

Consolidated cash flow statement (extract)	For the year ended 31 December 2019 Before adoption of HKFRS 16	Impact from adoption of HKFRS 16	As reported
Cash flows from operating activities	476,603	53,672	530,275
Interest paid	(195,612)	(31,517)	(227,129)
Net cash generated from operating activities	208,265	22,155	230,420
Cash flows from financing activities			
Principal elements of lease payments	–	(22,155)	(22,155)
Net cash used in financing activities	(50,391)	(22,155)	(72,546)

Consolidated statement of financial position (extract)	As at 31 December 2019 Before adoption of HKFRS 16	Impact from adoption of HKFRS 16	As reported
Assets			
Property, plant and equipment	5,435,226	(343,204)	5,092,022
Investment properties	1,644,460	14,100	1,658,560
Leasehold land and land use rights	464,123	(464,123)	–
Right-of-use assets	–	1,318,451	1,318,451
Interest in associate	3,914,423	(1,596)	3,912,827
Deferred income tax assets	9,174	18,520	27,694
Liabilities			
Lease liabilities (current)	–	51,603	51,603
Lease liabilities (non-current)	–	588,530	588,530
Accounts payable and accruals	661,019	5,358	666,377
Deferred income tax liabilities	357,075	896	357,971
Equity			
Retained earnings	2,436,787	(96,902)	2,339,885
Other reserves	655,087	(1,403)	653,684
Non-controlling interests	320,388	(5,934)	314,454

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 New standards, amendments and interpretation to existing standards not yet adopted by the Group

Certain new accounting standards, amendments and interpretations to standards have been published that are not mandatory for the year 2019 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contract	1 January 2021
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Conceptual Framework to Financial reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group is currently assessing the potential impact of these standards and amendments but expects their adoption will not have significant effect on the Group's consolidation financial statements.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, qualifying net investment hedges or are attributable to part of the net investment in a foreign operation 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 fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items are included in equity.

(c) Group companies

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

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

(ii) income and expenses for each 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(c) Group companies (continued)

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.

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:

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 $33\frac{1}{3}$%
Motor vehicles	20% to 25%

Before the adoption of HKFRS 16 on 1 January 2019, certain leasehold land classified as finance lease is included in property, plant and equipment and subject to depreciation over the underlying land lease term. After the adoption of HKFRS 16, such leasehold land is reclassified as rights-of-use assets and subject to depreciation. The accounting policies for the rights-of-use assets are set out in Note 2.25 to this consolidated financial statements.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leasehold land and land use rights

Before the adoption of HKFRS 16 on 1 January 2019, 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. After the adoption of HKFRS 16, such leasehold land and land use rights are reclassified as rights-of-use assets and subject to depreciation. The accounting policies for the rights-of-use assets are set out in Note 2.25 to this consolidated financial statements.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 of disposal 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, fair value through profit or loss ("**FVPL**") and fair value through other comprehensive income ("**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expended in profit or loss.

Financial assets are classified as current assets if expected to be settled within 12 months or in the normal operating cycle of the business, otherwise, they are classified as non-current.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(b) Measurement (continued)

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 gains 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(a) Hedging (continued)

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".

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2.17 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 the 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 the owners of the Company. The dividends on these own shares held are excluded from the dividend distribution to the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Income tax (continued)

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.

(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 has a present or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(ii) The Group operates the Golden Circle, a loyalty programme where customers mainly accumulate points from hotel stays and dinning at the Group's hotels. A contract liability for the award points expected to be redeemed 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 gains. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases

(a) 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.

(b) As the lessee

The Group has changed its accounting policy for leases where the Group is the lessee since 1 January 2019.

Until 31 December 2018, 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.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding lease liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease to come up with the lease liabilities. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (continued)

(b) As the lessee (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases with a lease term of 12 months or less are recognised on a straight-line basis as an expense in profit or loss.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Share-based compensation (continued)

(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 share 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.

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 determined in accordance with the expected credit loss model under HKFRS 9 and the amount initially recognised less, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

(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, Sri Lanka, 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 2019, if US dollar has weakened/strengthened by 5% (2018: 5%) against all other currencies (except Hong Kong dollar) with all other variables held constant, the Group's profit attributable to the owners of the Company and exchange fluctuation reserve would have increased/decreased by USD15,375,000 (2018: USD12,782,000) and USD389,520,000 (2018: USD414,339,000), 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Equity securities price risk

The Group is exposed to equity securities price risk arising from the listed equity investments held by the Group. 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 USD909,000 (2018: USD942,000) while the Group's profit attributable to the owners of the Company will increase/decrease by USD909,000 (2018: USD942,000).

Based on the market value of all the trading securities under financial assets at FVPL as at 31 December 2019, 100% (2018: 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 2019	High/low 2019	31 December 2018	High/low 2018
Hong Kong – Hang Seng Index	28,190	30,280/ 24,897	25,846	33,484/ 24,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 2019, 66% (31 December 2018: 38%) 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 the owners of the Company of USD19,588,000 (2018: USD34,324,000) 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.

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. The Group applies the HKFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Credit losses for trade receivables are assessed on both individual and collective basis. Lifetime expected credit loss 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. The Group manages its deposits with banks and financial institutions by monitoring credit ratings and places deposits with banks and financial institutions with no recent history of default. The management also considers the credit risk of other receivables and amounts due from associates is low, as counterparties are expected to be capable of meeting their contractual cash flow obligation in the near term. Since the Group's historical credit loss experience for these receivable balances were minimal, the loss allowance for these receivable balances 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 2019				
Bank loans	75,907	299,422	640,493	3,356,605
Fixed rate bonds	–	–	–	871,120
Interest payable for bank loans	35,356	101,659	121,523	264,952
Interest payable for fixed rate bonds	–	38,163	38,163	154,624
Derivative financial instruments	1,536	4,607	6,143	9,525
Lease liabilities	13,138	39,415	48,762	1,622,487
Due to non-controlling shareholders	39,528	–	–	–
Loan from non-controlling shareholders	–	–	–	46,550
Accounts payable and accruals	85,316	581,061	–	–
Financial guarantee contracts for bank loans granted to associates	4,803	65,109	25,396	1,601
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

The amounts disclosed in the table are the contractual undiscounted cash flows. 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 2019 and 2018 were as follows:

	2019 USD'000	2018 USD'000
Total borrowings	5,240,564	5,134,839
Less: Cash and bank balances and short-term fund placements (Note 18)	(1,016,677)	(1,059,389)
Net debt	4,223,887	4,075,450
Total equity	6,504,033	6,676,888
Gearing ratio (net debt over total equity)	64.9%	61.0%

The Group's bank loan facilities require it to meet certain ratios based on adjusted consolidated capital and reserves attributable to the 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 2019, the Group had interest-rate swap contracts with a total principal amount of USD2,128,000,000 (2018: USD860,000,000), 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 tables present the Group's assets and liabilities that are measured at fair value at 31 December 2019 and 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
At 31 December 2019				
Assets				
Financial assets at fair value through profit or loss (Note 14)				
- Club debentures	9,866	–	–	9,866
– Listed shares	18,188	–	–	18,188
Financial assets at fair value through other comprehensive income (Note 14)				
– Equity and loan instruments	–	–	4,357	4,357
Derivative financial instruments (Note 24)				
– Interest-rate swap contracts	–	11,111	–	11,111
– Cross-currency swap contracts	–	25	–	25
Total assets	28,054	11,136	4,357	43,547
Liabilities				
Derivative financial instruments (Note 24)				
– Interest-rate swap contracts	–	19,857	–	19,857
– Cross-currency swap contracts	–	1,954	–	1,954
Total liabilities	–	21,811	–	21,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value estimation of financial instruments (continued)

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
At 31 December 2018				
Assets				
Financial assets at fair value through profit or loss (Note 14)				
– Club debentures	10,391	–	–	10,391
– Listed shares	18,836	–	–	18,836
Financial assets at fair value through other comprehensive income (Note 14)				
– Equity and loan instruments	–	–	4,164	4,164
Derivative financial instruments (Note 24)				
– Interest-rate swap contracts	–	11,574	–	11,574
Total assets	29,227	11,574	4,164	44,965
Liabilities				
Derivative financial instruments (Note 24)				
– Interest-rate swap contracts	–	7,129	–	7,129
– Cross-currency swap contracts	–	709	–	709
Total liabilities	–	7,838	–	7,838

There was no 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 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; right-of-use assets; and investments in subsidiaries, associates and non-financial assets

The Group tests whether goodwill and investments in subsidiaries, associates and non-financial assets have suffered any impairment in accordance with the accounting policies stated in Note 2.8 and Note 2.10, 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 use cash flow projections as at 31 December 2019. The cash flow projections are derived from the approved business plan and/or updated projections. Projection for a period of greater than five years and not more than ten years in general may be used on the basis that a longer projection period represents the long-dated nature of the Group's hotel properties and is a more appropriate reflection of the future cash flows generated from the hotel operations. The Group assesses the fair value of some of its property, plant and equipment and right-of-use assets 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:

	2019 USD'000	2018 USD'000
Revenue		
Hotel properties		
Revenue from rooms	1,067,308	1,143,405
Food and beverage sales	881,214	941,322
Rendering of ancillary services	117,921	122,268
Hotel management and related services	106,873	100,051
Property development for sale	160,758	127,659
Other business	5,367	580
Revenue from contracts with customers	2,339,441	2,435,285
Investment properties	91,775	82,572
Total consolidated revenue	2,431,216	2,517,857

The Group is domiciled in Hong Kong. The revenue from external customers attributed to Hong Kong and other countries are USD382,041,000 (2018: USD454,108,000) and USD2,049,175,000 (2018: USD2,063,749,000), 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 USD883,276,000 (2018: USD868,933,000) and USD7,309,083,000 (2018: USD6,746,798,000), 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)
   - The People's Republic of China
     - 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
   - Sri Lanka
   - 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 2019 and 2018 (USD million)

The Group adopted the new accounting standard HKFRS 16 Leases for the current year. The Group applied the simplified transition approach and did not restate the comparative figures for 2018. For comparative purpose, the profit or loss after tax for 2019 adjusted to the former accounting standard HKAS 17 is also presented.

	2019			2018	
		Profit/(Loss) after tax			Profit/(Loss)
	Revenue (Note b)	Adjusted to HKAS 17 (Note a)	Under new HKFRS 16 (Note a)	Revenue (Note b)	after tax (HKAS 17) (Note a)
Hotel properties					
The People's Republic of China					
Hong Kong	296.0	21.3	21.3	370.1	58.7
Mainland China	781.9	9.7	8.7	842.1	19.9
Singapore	236.7	32.5	32.4	237.0	35.3
Malaysia	119.2	12.3	12.4	129.3	17.1
The Philippines	189.9	17.5	16.3	171.7	9.6
Japan	66.7	3.7	3.3	67.2	3.5
Thailand	81.2	14.6	14.6	78.2	14.2
France	46.2	(14.6)	(14.6)	50.1	(13.4)
Australia	85.1	(0.2)	(0.8)	92.2	0.6
United Kingdom	52.9	(6.1)	(10.0)	50.7	(16.0)
Mongolia	17.4	(4.1)	(4.1)	15.2	(7.7)
Sri Lanka	27.1	(15.3)	(15.3)	40.2	(18.8)
Other countries	66.1	(5.0)	(4.1)	62.9	(13.1)
	2,066.4	66.3	60.1	2,206.9	89.9
Hotel management and related services	231.8	(47.7)	(48.3)	229.9	8.4
Sub-total hotel operation	2,298.2	18.6	11.8	2,436.8	98.3
Investment properties					
Mainland China	20.3	153.5	153.5	20.2	142.9
Singapore	13.6	7.8	7.8	13.6	9.1
Malaysia	6.4	1.8	1.8	6.2	1.7
Mongolia	22.9	2.4	2.4	16.8	(3.2)
Sri Lanka	2.0	(4.8)	(4.8)	–	–
Other countries	26.5	6.0	6.0	25.8	3.7
	91.7	166.7	166.7	82.6	154.2
Property development for sale	160.8	103.3	103.3	127.7	84.2
Other businesses	5.4	(1.8)	(2.2)	0.6	(0.2)
Total operating segment results	2,556.1	286.8	279.6	2,647.7	336.5
Less: Hotel management – Inter-segment revenue	(124.9)			(129.8)	
Total external revenue	2,431.2			2,517.9	
Corporate finance costs (net)		(130.9)	(130.9)		(98.7)
Land cost amortisation and pre-opening expenses for projects		(9.0)	(9.1)		(5.4)
Corporate expenses		(22.1)	(22.1)		(29.6)
Exchange losses of corporate investment holding companies		(3.7)	(3.7)		(5.5)
Profit before non-operating items		121.1	113.8		197.3

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment profit or loss (continued)

For year ended 31 December 2019 and 2018 (USD million)

	2019		2018
	Profit/(Loss) after tax		Profit/(Loss)
	Adjusted to HKAS 17 (Note a)	Under new HKFRS 16 (Note a)	after tax (HKAS 17) (Note a)
Profit before non-operating items	121.1	113.8	197.3
Non-operating items			
Share of net fair value gains on investment properties	53.6	53.6	111.1
Net unrealised losses on financial assets at fair value through profit or loss	(1.4)	(1.4)	(3.5)
Fair value adjustments on security deposit on leased premises	0.1	0.1	0.1
Provision for impairment losses on properties	(20.4)	(20.4)	(112.9)
Discarding of property, plant and equipment and associated expenses spent due to a bombing incident	(3.6)	(3.6)	–
Insurance claim recovered from a bombing incident	4.5	4.5	–
Losses on major renovation of operating properties	–	–	(2.1)
Gain on disposal of properties	7.0	7.0	2.9
Others	(1.1)	(1.1)	–
Total non-operating items	38.7	38.7	(4.4)
Consolidated profit attributable to owners of the Company	159.8	152.5	192.9

Notes:

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

b. 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 2019 and 2018 (USD million)

The Group's share of profit of associates (excluding projects under development) by operating segments included in profit before non-operating items in the segment profit or loss is analysed as follows:

	2019 Share of profit/(loss) of associates (Under new HKFRS 16)	2018 Share of profit/(loss) of associates (Under HKAS 17)
Hotel properties		
The People's Republic of China		
Hong Kong	(0.2)	0.5
Mainland China	6.1	9.3
Singapore	(0.3)	(0.2)
Malaysia	4.9	4.9
The Philippines	1.5	0.1
Other countries	3.1	(0.5)
	15.1	14.1
Investment properties		
Mainland China	153.8	146.2
Singapore	3.4	3.8
	157.2	150.0
Property development for sale	20.1	23.3
Other business	0.2	0.3
Total	192.6	187.7

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment profit or loss (continued)

For year ended 31 December 2019 and 2018 (USD million)

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:

	2019 (under new HKFRS 16)		2018 (under HKAS 17)	
	Depreciation and amortisation	Income tax expense	Depreciation and amortisation	Income tax expense
Hotel properties				
The People's Republic of China				
Hong Kong	33.2	4.3	32.9	14.2
Mainland China	144.4	36.5	153.7	40.7
Singapore	20.0	7.6	20.4	6.0
Malaysia	15.2	4.1	15.9	3.2
The Philippines	28.8	11.5	31.9	5.3
Japan	6.7	0.3	0.7	0.3
Thailand	7.3	7.3	7.0	7.3
France	9.7	–	13.6	–
Australia	12.9	0.2	13.5	–
United Kingdom	8.1	(0.4)	8.7	–
Mongolia	6.7	–	13.3	–
Sri Lanka	14.6	1.1	16.3	1.2
Other countries	14.3	(0.9)	19.9	(0.5)
	321.9	71.6	347.8	77.7
Hotel management and related services	14.4	6.1	2.9	8.6
Sub-total hotel operations	336.3	77.7	350.7	86.3
Investment properties				
Mainland China	–	11.7	–	10.7
Singapore	–	1.2	–	1.4
Malaysia	0.1	1.0	–	0.9
Mongolia	–	5.2	–	5.4
Sri Lanka	0.2	1.2	–	–
Other countries	0.1	2.0	–	3.4
	0.4	22.3	–	21.8
Property development for sale	–	1.2	–	1.5
Other business	1.4	0.1	–	–
Total	338.1	101.3	350.7	109.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets

As at 31 December 2019 and 2018 (USD million)

	As at 31 December	
	2019	2018
Hotel properties		
The People's Republic of China		
Hong Kong	833.6	872.5
Mainland China	3,033.3	3,088.2
Singapore	588.9	565.9
Malaysia	318.4	316.8
The Philippines	388.1	349.2
Japan	100.0	15.8
Thailand	270.3	296.4
France	273.8	289.7
Australia	333.8	287.2
United Kingdom	289.3	63.7
Mongolia	153.8	173.9
Sri Lanka	243.1	261.0
Other countries	248.7	244.1
	7,075.1	6,824.4
Investment properties		
Mainland China	361.6	356.4
Singapore	450.6	441.7
Malaysia	84.3	80.5
Mongolia	337.7	335.1
Sri Lanka	287.9	–
Other countries	307.8	269.5
	1,829.9	1,483.2
Property development for sale		
Mainland China	33.8	38.1
Sri Lanka	56.8	115.0
	90.6	153.1
Hotel management and related services	203.0	162.6
Elimination	(59.0)	(60.0)
Total segment assets	9,139.6	8,563.3
Assets allocated to projects	411.1	448.6
Unallocated assets	150.2	146.8
Intangible assets	108.4	100.1
Total assets of the Company and its subsidiaries	9,809.3	9,258.8
Interest in associates	3,912.8	3,911.8
Total assets	13,722.1	13,170.6

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 2019 USD'000	2018 USD'000
Financial assets			
Financial assets at amortised cost			
– Other receivables	15	14,963	14,720
– Accounts receivable	16	202,967	187,156
– Short term advance to a third party	16	1,050	1,050
– Due from associates	13	186,145	204,878
– Short term fund placements	18	62,316	49,655
– Cash and bank balances	18	954,361	1,009,734
Financial assets at fair value through profit & loss			
– Listed security	14	18,188	18,836
– Club debentures	14	9,866	10,391
Financial assets at fair value through other comprehensive income			
– Equity and loan instruments	14	4,357	4,164
Derivate financial instruments			
– Interest-rate swap contracts	24	11,111	11,574
– Cross-currency swap contracts	24	25	–
Total		1,465,349	1,512,158
Financial liabilities			
Financial liabilities at amortised cost			
– Bank loans	22	4,372,427	4,497,906
– Fixed rate bonds	23	868,137	636,933
– Due to non-controlling shareholders	25	39,528	35,050
– Loan from non-controlling shareholders	25	46,550	–
– Accounts payable and accruals	27	666,377	677,642
– Lease liabilities	10	640,133	–
Derivate financial instruments			
– Interest-rate swap contracts	24	19,857	7,129
– Cross-currency swap contracts	24	1,954	709
Total		6,654,963	5,855,369

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 2018					
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
Year ended 31 December 2019					
Opening net book amount as at 1 January 2019, as previously reported	4,884,538	238,855	287,921	126,526	5,537,840
Change in accounting policy – HKFRS 16	(350,592)	-	-	-	(350,592)
Balance at 1 January 2019, as restated	4,533,946	238,855	287,921	126,526	5,187,248
Exchange differences	(7,816)	(119)	(727)	(1,179)	(9,841)
Additions	138,773	9,366	43,733	48,187	240,059
Disposals	(3,739)	(1,509)	(1,201)	(3)	(6,452)
Transfer	10,162	1,028	427	(11,617)	-
Transfer to investment properties	(554)	-	-	(14,720)	(15,274)
Depreciation	(153,278)	(43,503)	(86,470)	-	(283,251)
Impairment provision	(20,293)	(96)	(78)	-	(20,467)
Closing net book amount	4,497,201	204,022	243,605	147,194	5,092,022
At 31 December 2019					
Cost	6,850,813	757,497	1,462,600	147,194	9,218,104
Accumulated depreciation and impairment provision	(2,353,612)	(553,475)	(1,218,995)	-	(4,126,082)
Net book amount	4,497,201	204,022	243,605	147,194	5,092,022

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) All depreciation expenses (net of amount capitalised of USD14,000 in 2019 (2018: USD16,000)) have been included as part of the other operating expenses.

(b) For year 2019, bank loans of USD17,613,000 (2018: USD108,999,000) are secured on certain fixed assets as disclosed under Note 39(c).

(c) Buildings comprise mainly hotel properties. Details of the hotel properties of the Company's subsidiaries are summarised in Note 43(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 as per accounting policies. 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 a hotel and a property in the consolidated statement of profit or loss under "Other gains/(losses) – net", to write down their carrying values of property, plant and equipment to their recoverable amount. Details of the impairment loss and recoverable amount of each property are shown below.

	Impairment loss		
	At 100% USD'000	Attributable to owners of the Company USD'000	Recoverable amount USD'000
A hotel	5,324	5,324	14,700
A property	15,143	15,143	100,000
Total	20,467	20,467	114,700

The recoverable amount of each property is the higher of its fair value less costs of disposal and its value in use based on the opinion of independent professional valuers obtained by the Group using the market comparison approach and income approach respectively. The capitalisation rate of 5.5% and 12% were used in the valuation.

If a higher capitalisation 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

	2019 USD'000	2018 USD'000
At 1 January, as previously reported	1,478,672	1,448,853
Change in accounting policy – HKFRS 16	14,100	–
At 1 January, as restated	1,492,772	1,448,853
Exchange differences	(1,385)	(57,223)
Additions	99,669	113,925
Disposals	(385)	(896)
Transferred from property, plant and equipment (Note 7)	15,274	–
Fair value gains/(losses) (Note 30)	52,615	(25,987)
At 31 December	1,658,560	1,478,672

(a) As at 31 December 2019, 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 gains/(losses) – net" in the consolidated statement of profit or loss (Note 30).

(b) The carrying values of investment properties comprised:

	2019 USD'000	2018 USD'000
Outside Hong Kong, held on:		
Freehold	741,375	654,985
Leases of over 50 years	275,388	206,600
Leases of between 10 and 50 years	641,797	617,087
	1,658,560	1,478,672

(c) Details of investment properties of the Company's subsidiaries are summarised in Note 44(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 2019.

	Fair value measurements at 31 December 2019 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	–	–	373,700
– Serviced apartments in Singapore	–	–	409,513
– Office, serviced apartments and commercial complex in Mongolia	–	–	278,491
– Office, serviced apartments and commercial complex in Sri Lanka	–	–	261,342
– Office, serviced apartments and commercial complex in other regions	–	–	335,514
	–	–	1,658,560

	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 Sri Lanka	–	–	180,910
– Office, serviced apartments and commercial complex in other regions	–	–	307,728
	–	–	1,478,672

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 Sri Lanka USD'000	Office, serviced apartments and commercial complex in other regions USD'000	Total USD'000
At 1 January 2019, as previously reported	318,222	404,313	267,499	180,910	307,728	1,478,672
Change in accounting policy – HKFRS 16	–	–	–	–	14,100	14,100
At 1 January 2019, as restated	318,222	404,313	267,499	180,910	321,828	1,492,772
Transferred from property, plant and equipment	15,274	–	–	–	–	15,274
Additions	24,691	276	3,164	71,907	(369)	99,669
Disposals	(38)	(167)	(174)	–	(6)	(385)
Changes in fair value	21,384	(108)	9,959	7,986	13,394	52,615
Exchange differences	(5,833)	5,199	(1,957)	539	667	(1,385)
At 31 December 2019	373,700	409,513	278,491	261,342	335,514	1,658,560

	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 Sri Lanka 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	101,361	324,783	1,448,853
Additions	2,947	148	1,477	107,809	1,544	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)	(28,260)	(2,230)	(57,223)
At 31 December 2018	318,222	404,313	267,499	180,910	307,728	1,478,672

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 2019 USD'000	Valuation technique	Unobservable inputs	
Mainland China				
- Office, serviced apartments, commercial complex and investment property under development	373,700	Direct comparison approach and income capitalisation approach	Rental rate from USD14 to USD39 per sq.m. per month and occupancy from 85% to 97.5%	Capitalisation rate in the range of 4.25% to 9%
Singapore				
- Serviced apartments	409,513	Direct comparison approach and income capitalisation approach	Rental rate at USD248 per room per day and occupancy at 83%	Capitalisation rate of 3.2%
Mongolia				
- Office, serviced apartments and commercial complex	278,491	Direct comparison approach and income capitalisation approach	Rental rate from USD8 to USD27 per sq.m. per month and occupancy from 85% to 95%	Capitalisation rate in the range of 5.5% to 9%
Sri Lanka				
- Office, serviced apartments and commercial complex	261,342	Direct comparison approach and income capitalisation approach	Rental rate from USD12 to USD39 per sq.m. per month and occupancy from 75% to 90%	Capitalisation rate in the range of 7.5% to 8%
Other regions				
- Office, serviced apartments and commercial complex	335,514	Direct comparison approach and, income capitalisation approach	Rental rate from USD9 to USD87 per sq.m. per month	Capitalisation rate in the range of 6% to 8.86%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 INVESTMENT PROPERTIES (CONTINUED)

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 88% 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%
Sri Lanka				
- Office, serviced apartments and commercial complex	180,910	Direct comparison approach and income capitalisation approach	Rental rate from USD27 to USD38 per sq.m. per month and occupancy from 75% to 80%	Capitalisation rate in the range of 7% to 8%
Other regions				
- Office, serviced apartments and commercial complex	307,728	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%

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.

For valuation of investment properties under development, estimated cost to completion together with developer's profit and risk margins are deducted from the estimated capital value of the proposed development by reference to its development potential assuming completed as at the date of valuation.

9 LEASEHOLD LAND AND LAND USE RIGHTS

	2019 USD'000	2018 USD'000
At 1 January		
Cost	684,680	691,607
Accumulated amortisation and impairment provision	(200,239)	(193,190)
Net book amount	484,441	498,417
Opening net book amount, as previously reported	484,441	498,417
Change in accounting policy – HKFRS 16	(484,441)	–
Opening net book amount, as restated	–	498,417
Exchange differences	–	(22,335)
Additions	–	23,196
Amortisation of prepaid operating lease payment	–	(14,837)
Closing net book value	–	484,441
At 31 December		
Cost	–	684,680
Accumulated amortisation	–	(200,239)
Net book amount	–	484,441

All amortisation expenses (net of amount capitalised) have been included as part of the other operating expenses.

	2019 USD'000	2018 USD'000
Outside Hong Kong, held on:		
Leases of over 50 years	–	89,944
Leases of between 10 and 50 years	–	394,497
	–	484,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following carrying amounts relating to leases:

	31 December 2019 USD'000	1 January 2019 USD'000
Right-of-use assets		
Leasehold land and land use rights	971,534	994,285
Buildings	334,048	345,866
Equipment	7,580	7,992
Motor vehicles	1,694	1,658
Others	3,595	3,837
	1,318,451	1,353,638
Lease liabilities		
Current	51,603	48,705
Non-current	588,530	594,972
	640,133	643,677

Additions to the right-of-use assets during the year ended 31 December 2019 were USD17,525,000.

(ii) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following expenses relating to leases:

	2019 USD'000	2018 USD'000
Depreciation charge of right-of-use assets		
Leasehold land and land use rights	26,282	–
Buildings	23,222	–
Equipment	1,925	–
Motor vehicles	992	–
Others	1,322	–
	53,743	–
Interest expenses on lease liability (included in finance cost)	31,517	–
Expense relating to short-term leases and variable lease payments not included in lease liabilities	32,849	–

Total cash outflow for leases in 2019 was USD53,672,000.

11 INTANGIBLE ASSETS

	Goodwill USD'000	Trademark and licences USD'000	Website and system development USD'000	Total USD'000
At 1 January 2018				
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
Year ended 31 December 2019				
Opening net book amount	88,439	4,578	7,041	100,058
Exchange difference	(88)	–	13	(75)
Additions	–	–	11,408	11,408
Amortisation expenses	–	(568)	(2,460)	(3,028)
Closing net book amount	88,351	4,010	16,002	108,363
At 31 December 2019				
Cost	88,351	11,958	23,600	123,909
Accumulated amortisation	–	(7,948)	(7,598)	(15,546)
Net book amount	88,351	4,010	16,002	108,363

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. In view of the cashflow projection, provision for impairment losses is not considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 SUBSIDIARIES

(a) Details of principal subsidiaries are set out in Note 42(a).

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2019 is USD314,454,000 (2018: USD387,937,000), of which USD191,985,000 (2018: USD190,371,000) is attributable to Shangri-La Hotels (Malaysia) Berhad Group, USD-127,792,000 (2018: USD-65,002,000) is attributable to Intense Power Limited and USD7,367,000 (2018: USD6,114,000) 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	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Current						
Assets	74,667	64,938	61,852	74,017	43,288	41,392
Liabilities	(70,956)	(66,643)	(107,416)	(101,314)	(66,437)	(20,930)
Total net current assets/(liabilities)	3,711	(1,705)	(45,564)	(27,297)	(23,149)	20,462
Non-current						
Assets	372,900	377,403	360,421	368,350	64,556	61,355
Liabilities	(11,607)	(11,865)	(575,656)	(341,110)	(4,574)	(51,248)
Total net non-current assets/(liabilities)	361,293	365,538	(215,235)	27,240	59,982	10,107
Net assets/(liabilities)	365,004	363,833	(260,799)	(57)	36,833	30,569
Attributable to:						
Owners of the Company	173,019	173,462	(133,007)	64,945	29,466	24,455
Non-controlling interests	191,985	190,371	(127,792)	(65,002)	7,367	6,114
	365,004	363,833	(260,799)	(57)	36,833	30,569

12 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	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Revenue	125,093	135,146	34,267	26,229	118,630	154,805
Profit/(Loss) before income tax	20,886	27,560	(21,312)	(55,710)	22,666	49,794
Income tax expense	(5,114)	(5,679)	(3,946)	(4,348)	(3,495)	(8,479)
Other comprehensive income/(loss)	3,427	(7,928)	(7,884)	(7,128)	-	-
Total comprehensive income/(loss)	19,199	13,953	(33,142)	(67,186)	19,171	41,315
Attributable to:						
Owners of the Company	9,200	6,241	(16,902)	(34,265)	15,337	33,052
Non-controlling interests	9,999	7,712	(16,240)	(32,921)	3,834	8,263
	19,199	13,953	(33,142)	(67,186)	19,171	41,315
Dividends paid to non-controlling interests	7,675	7,647	-	-	2,581	6,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised cash flow for the year ended 31 December

	Shangri-La Hotels (Malaysia) Berhad		Intense Power Limited		Shangri-La International Hotels (Pacific Place) Limited	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Net cash generated from/ (used in) operating activities	31,862	37,394	(1,722)	(2,559)	23,863	49,019
Net cash generated from/ (used in) investing activities	(5,277)	4,503	(2,132)	(1,807)	(6,797)	(2,679)
Net cash generated from/ (used in) financing activities	(16,353)	(16,357)	(3,000)	18,497	(13,005)	(32,258)
Net increase/(decrease) in cash and cash equivalents	10,232	25,540	(6,854)	14,131	4,061	14,082
Cash and cash equivalents at beginning of the year	56,542	32,302	64,619	50,488	29,188	15,106
Exchange gains/(losses) on cash and cash equivalents	701	(1,300)	–	–	–	–
Cash and cash equivalent at end of the year	67,475	56,542	57,765	64,619	33,249	29,188

13 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

	2019 USD'000	2018 USD'000
Interest in associates		
Balance at 1 January, as previously reported	3,678,785	3,624,180
Change in accounting policy – HKFRS 16	(805)	–
Balance at 1 January, as restated	3,677,980	3,624,180
Share of profit of associates (Note 34)		
– profit before taxation	302,094	426,435
– taxation	(81,671)	(121,042)
	220,423	305,393
Revaluation of a property held by an associate upon reclassification from property, plant and equipment to investment properties	20,577	–
Exchange difference	(67,086)	(190,155)
Dividends declared by associates	(115,400)	(96,466)
Equity injection to an associate	4,096	1,730
Capitalisation of equity loan	–	34,103
Investment in associates under equity method	3,740,590	3,678,785
Equity loans (Note (a))	98,880	98,880
Other long term shareholder loans (Note (b))	73,357	134,136
	3,912,827	3,911,801
Amounts due from associates (Note (c))	112,788	70,742

Notes:

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

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

	2019 USD'000	2018 USD'000
– 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
– Fixed rate at 1% per annum and wholly repayable on 21 April 2026 (in Renminbi)	10,751	10,928
– HIBOR plus 1.5% per annum and wholly repayable on 15 May 2021 (in Hong Kong dollars)	36,982	36,982
– HIBOR plus 1.5% per annum and wholly repayable on 15 May 2024 (in Hong Kong dollars)	3,250	–
– HIBOR plus 2% per annum and wholly repayable on 31 Dec 2020 (in Hong Kong dollars)	–	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
	73,357	134,136

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

13 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(c) Amounts due from associates are unsecured and with the following terms:

	2019 USD'000	2018 USD'000
– HIBOR plus 1.5% per annum and wholly repayable on 17 November 2019 (in Hong Kong dollars)	–	3,250
– LIBOR plus 2% per annum and wholly repayable on 31 December 2020 (in United States dollars)	12,250	–
– HIBOR plus 2% per annum and wholly repayable on 31 Dec 2020 (in Hong Kong dollars)	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)	21,287	–
– interest-free and repayable within one year	42,729	67,492
	112,788	70,742

(d) The maximum exposure to credit risk at the reporting date is the fair value of the long term shareholder loans of USD73,357,000 (2018: USD134,136,000) and amounts due from associates of USD112,788,000 (2018: USD70,742,000).

(e) The Group's proportionate share of the carrying value of hotel properties (including properties, plant and equipment; leasehold land and land use rights; and right-of-use assets) owned by the Group's associates amounted to USD1,036,883,000 (2018: USD1,091,158,000). The Group's proportionate share of the fair value of investment properties owned by the Group's associates amounted to USD3,911,690,000 (2018: USD3,893,393,000).

(f) Set out below are the associates of the Group as at 31 December 2019, 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 2019 and 2018:

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.

13 INTEREST IN ASSOCIATES AND AMOUNTS 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	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Current				
Assets	299,075	228,139	78,331	39,125
Liabilities	(311,854)	(357,458)	(149,125)	(112,522)
Net current liabilities	(12,779)	(129,319)	(70,794)	(73,397)
Non-current				
Assets	5,664,220	5,636,614	1,826,021	1,856,808
Liabilities	(2,143,897)	(2,130,611)	(444,671)	(489,026)
Net non-current assets	3,520,323	3,506,003	1,381,350	1,367,782
Net assets	3,507,544	3,376,684	1,310,556	1,294,385

Summarised statement of comprehensive income

	China World Trade Center Limited		Shanghai Ji Xiang Properties Co, Limited	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Revenue	627,363	581,302	210,054	225,962
Profit before tax (including fair value gains on investment properties)	261,385	406,394	123,739	156,172
Income tax expense	(64,778)	(101,328)	(32,086)	(39,710)
Other comprehensive loss	(12,258)	(160,704)	(22,994)	(68,536)
Total comprehensive income	184,349	144,362	68,659	47,926
Dividends received from associates (net of tax)	49,707	26,929	14,015	24,999

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTEREST IN ASSOCIATES AND AMOUNTS 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	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Closing net assets	3,507,544	3,376,684	1,310,556	1,294,385
Respective equity interest	50%	50%	49%	49%
Interest in associates	1,753,772	1,688,342	642,172	634,249
Goodwill	–	–	290	290
Carrying amount	1,753,772	1,688,342	642,462	634,539

(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:

	2019 USD'000	2018 USD'000
Aggregate carrying amount of individually immaterial associates	1,516,593	1,588,920
Aggregate amounts of the Group's share of		
Profit after tax	77,210	95,794
Other comprehensive loss	(29,290)	(76,791)
Total comprehensive income	47,920	19,003

There were no contingent liabilities relating to the Group's interest in associates as at 31 December 2019 and 2018.

14 FINANCIAL ASSETS

	2019 USD'000	2018 USD'000
Non-current		
Financial assets at fair value through other comprehensive income		
– Equity and loan instruments	4,357	4,164
Financial assets at fair value through profit and loss		
– Club debentures	9,866	10,391
Total	14,223	14,555
Current		
Financial assets at fair value through profit and loss		
– Share listed in Hong Kong	18,188	18,836
Total	18,188	18,836

There were no disposals on financial assets in 2019 and 2018.

15 OTHER RECEIVABLES

	2019 USD'000	2018 USD'000
Security deposit on leased premises	14,963	14,720

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to USD16,132,000) (31 December 2018: JPY1,751,000,000 (equivalent to USD15,957,000)) 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.

16 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2019 USD'000	2018 USD'000
Trade receivables	101,442	111,890
Less: Provision for impairment of receivables	(5,341)	(3,576)
Trade receivables – net	96,101	108,314
Other receivables	106,866	78,842
Prepayments and other deposits	87,644	82,682
Short term advance to a third party (note (c))	1,050	1,050
	291,661	270,888

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

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

	2019 USD'000	2018 USD'000
0 – 3 months	85,604	96,656
4 – 6 months	3,768	4,584
Over 6 months	6,729	7,074
	96,101	108,314

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

	2019 USD'000	2018 USD'000
Hong Kong dollars	49,852	35,892
United States dollars	5,206	8,092
Renminbi	60,440	51,551
Singapore dollars	20,538	24,341
Malaysian Ringgit	4,124	5,256
Thai Baht	5,009	4,487
Philippines Pesos	16,957	17,745
Japanese Yen	4,141	4,175
Euros	7,000	6,348
Australian dollars	2,937	5,006
British Pounds	4,718	3,838
Mongolian Tugrik	470	6,098
Sri Lankan Rupee	20,378	10,304
Other currencies	1,197	4,023
	202,967	187,156

16 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

(b) (continued)

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

	2019 USD'000	2018 USD'000
At 1 January	3,576	1,763
Exchange differences	(8)	(53)
Provision for receivables impairment	2,782	3,154
Receivables written off during the year as uncollectible	(162)	(39)
Unused amounts reversed	(847)	(1,249)
At 31 December	5,341	3,576

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 carrying value of each class of receivables mentioned above.

(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 the Republic of Indonesia in 2017 and an aggregate principal of USD2,450,000 was repaid in 2018. During the current year, the maturity date of the outstanding advance was extended from March 2019 to July 2020 at the same terms. The maximum exposure to credit risk at the reporting date is the carrying value of the advance.

17 PROPERTIES FOR SALE

	2019 USD'000	2018 USD'000
Located in		
- Mainland China	56,795	38,064
- Sri Lanka	33,774	115,033
	90,569	153,097

These properties held for sale include the cost of the underlying land on which the properties are developed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 CASH, BANK BALANCES AND OTHER LIQUID FUNDS

	2019 USD'000	2018 USD'000
Cash at bank and in hand	532,258	618,234
Short-term bank deposits	422,103	391,500
Cash and bank balances	954,361	1,009,734
Short-term fund placements (note)	62,316	49,655
Cash and bank balances and short-term fund placements	1,016,677	1,059,389
Maximum exposure to credit risk for all balances at bank and short-term fund placements	1,011,490	1,054,521

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 2.00% per annum (2018: 1.96% per annum); these deposits have an average maturity of 2.8 months (2018: 3.3 months).

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

	2019 USD'000	2018 USD'000
Cash and bank balances and short-term fund placements (as above)	1,016,677	1,059,389
Less: Short-term bank deposits with original maturities over 3 months	(107,181)	(88,979)
Cash and cash equivalents	909,496	970,410

19 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 2018 and 31 December 2019	5,000,000	646,496	–	646,496
Issued and fully paid – Ordinary shares of HKD1 each				
At 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 and 1 January 2019	3,585,525	462,904	2,739,091	3,201,995
Exercise of share options				
- allotment of shares	–	–	–	–
– transfer from share option reserve	–	–	–	–
At 31 December 2019	3,585,525	462,904	2,739,091	3,201,995
Shares held for share award scheme				
At 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 and 1 January 2019	(3,232)	(417)	(4,579)	(4,996)
Share purchase for share award scheme	(2,000)	(258)	(1,871)	(2,129)
Vesting of shares under share award scheme	675	87	1,053	1,140
At 31 December 2019	(4,557)	(588)	(5,397)	(5,985)

As at 31 December 2019, except for shares held for share award scheme as shown above, 10,501,055 (2018: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SHARE CAPITAL AND PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME (CONTINUED)

Share awards

During the year ended 31 December 2019, the share award scheme of the Group acquired 2,000,000 ordinary shares in the Company through purchases on the open market and 675,000 shares were transferred to the awardees upon vesting of the awarded shares. The remaining 4,557,000 shares were held in trust under the share award scheme as at 31 December 2019. Details of the share award scheme were disclosed in Note 20 to this consolidated financial statements.

Share options

The shareholders of the Company approved the adoption of a share option scheme on 28 May 2012 ("**Share Option Scheme**"). The options granted on 23 August 2013 under the Share 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.

No share option was exercised during the year ended 31 December 2019 (2018: 1,465,000 shares were exercised with a total consideration of USD2,289,000 was received).

Movements in the number of outstanding option shares with exercise price of HKD12.11 per option share and their related weighted average exercise prices are as follows:

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	Weighted average exercise price in HKD per option share (HKD)	Number of outstanding option Shares	Weighted average exercise price in HKD per option share (HKD)	Number of outstanding option shares
At 1 January	12.11	8,188,000	12.11	9,813,000
Exercised	12.11	–	12.11	(1,465,000)
Lapsed	12.11	(625,000)	12.11	(160,000)
At 31 December	12.11	7,563,000	12.11	8,188,000

No new option was granted during the year ended 31 December 2019 and 2018.

No option was exercised subsequent to 31 December 2019 and up to the approval date of the financial statements.

20 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.

Most of the awarded shares vest progressively over the vesting period after the awards are granted and the ultimate number of shares being vested is conditional on the satisfaction of performance conditions set by the management of the Group.

For the year ended 31 December 2019, a total of 4,269,884 shares and 675,000 shares were granted and vested to the qualified awardees, respectively. A total of 4,557,000 shares were held in trust under the share award scheme as at 31 December 2019. During the year, an expense of USD2,077,000 (2018: USD3,550,000) for the award shares granted was charged to the consolidated statement of profit or loss.

Details of the awarded shares granted and vested during 2019 and 2018 are as follows:

Grant date	Fair value per share	Number of awarded shares granted	Maximum deliverable awarded shares on grant date subject to adjustment	Number of awarded shares vested		Vesting period
				2018	2019	
In year 2018						
11 Apr 2018	HKD15.82	1,418,000	1,418,000	1,418,000	-	Nil
20 Jul 2018	HKD13.00	707,678	1,228,000	40,000	134,000	20 Jul 2018 to 1 Apr 2021
30 Aug 2018	HKD11.78	975,893	1,736,000	-	196,000	30 Aug 2018 to 1 Apr 2021
Total		3,101,571	4,382,000	1,458,000		
In year 2019						
1 Apr 2019	HKD11.56	1,477,169	2,338,000		285,000	1 Apr 2019 to 1 Apr 2021
15 Jun 2019	HKD9.45	1,547,200	2,754,000		-	15 Jun 2019 to 1 Apr 2022
30 Jun 2019	HKD9.85	751,515	1,292,000		60,000	30 Jun 2019 to 1 Apr 2022
1 Nov 2019	HKD8.41	494,000	494,000		-	1 Nov 2019 to 1 Apr 2022
Total		4,269,884	6,878,000		675,000	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 OTHER RESERVES

	Share option reserve USD'000	Share award reserve USD'000
Balance at 1 January 2018	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 and 1 January 2019	6,216	589
Currency translation differences	–	–
Fair value changes of interest-rate swap and cross-currency swap contracts – hedging	–	–
Revaluation of a property held by an associate upon reclassification from property, plant and equipment to investment properties	–	–
Granting of shares under share award scheme	–	2,077
Vesting of shares under share award scheme	–	(1,024)
Balance at 31 December 2019	6,216	1,642

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 arose when the Group issues shares in exchange for the shares of companies being acquired, and represented 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	Asset revaluation reserve USD'000	Other reserve USD'000 (Note (a))	Contributed surplus USD'000 (Note (b))	Total USD'000
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
–	–	(53,524)	–	–	–	–	(53,524)
(7,790)	–	–	–	–	–	–	(7,790)
–	–	–	–	20,577	–	–	20,577
–	–	–	–	–	–	–	2,077
–	–	–	–	–	–	–	(1,024)
(3,344)	10,666	(374,672)	601,490	20,577	1,368	389,741	653,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 BANK LOANS

	2019 USD'000	2018 USD'000
Bank loans – secured (Note 39(c))	17,613	108,999
Bank loans – unsecured	4,354,814	4,388,907
Total	4,372,427	4,497,906
Less: Non-current portion	(3,997,098)	(4,066,686)
Current portion	375,329	431,220

The maturity of bank loans is as follows:

	2019 USD'000	2018 USD'000
Within 1 year	375,329	431,220
Between 1 and 2 years	640,493	1,056,483
Between 2 and 5 years	2,490,960	2,940,849
Repayable within 5 years	3,506,782	4,428,552
Over 5 years	865,645	69,354
	4,372,427	4,497,906

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

	31 December 2019						
	HKD	RMB	USD	EUR	JPY	AUD	FJD
Bank loans	3.74%	4.85%	2.86%	1.02%	0.65%	2.19%	3.75%

	31 December 2018						
	HKD	RMB	USD	EUR	JPY	AUD	FJD
Bank loans	3.26%	4.89%	3.47%	0.96%	0.60%	3.14%	3.75%

22 BANK LOANS (CONTINUED)

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

	2019 USD'000	2018 USD'000
Hong Kong dollars (HKD)	1,394,555	1,513,265
Renminbi (RMB)	545,657	442,850
United States dollars (USD)	2,035,223	2,184,210
Euros (EUR)	213,801	225,292
Japanese Yen (JPY)	120,744	45,567
Australian dollars (AUD)	55,960	83,844
Fiji dollars (FJD)	6,487	2,878
	4,372,427	4,497,906

The Group has the following undrawn borrowing facilities:

	2019 USD'000	2018 USD'000
Floating rate		
– expiring within one year	18,783	21,265
– expiring beyond one year	1,014,023	898,762
Fixed rate		
– expiring within one year	1,620	583
– expiring beyond one year	7,127	48,646
	1,041,553	969,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 FIXED RATE BONDS

In June 2019, a wholly owned subsidiary of the Company issued 5-year fixed rate bonds in an aggregated amount of SGD135,000,000 (equivalent to USD99,771,000) at 100% of the face value with a coupon rate of 3.70% per annum and 8-year fixed rate bonds in an aggregated amount of SGD165,000,000 (equivalent to USD121,942,000) at 100% of the face value with a coupon rate of 4.10% per annum. The fixed rate bonds recognised in the consolidated statement of financial position are as follows:

	Coupon rate per annum	Maturity	Balance as at 31 December 2018 USD'000	New issuance during the year USD'000	Exchange differences USD'000	Balance as at 31 December 2019 USD'000
Bonds issued in 2018						
SGD825,000,000	4.50%	November 2025	605,371	–	7,784	613,155
USD35,000,000	5.23%	November 2025	35,000	–	–	35,000
Bonds issued in 2019						
SGD135,000,000	3.70%	June 2024	–	99,771	563	100,334
SGD165,000,000	4.10%	June 2027	–	121,942	689	122,631
Face value			640,371	221,713	9,036	871,120
Unamortised discount and issuing expenses			(3,438)			(2,983)
Carrying amount			636,933			868,137

24 DERIVATIVE FINANCIAL INSTRUMENTS

	2019 USD'000	2018 USD'000
Non-current liabilities		
Interest-rate swap contracts	14,011	5,654
Cross-currency swap contracts	1,657	607
Current liabilities		
Interest-rate swap contracts	5,846	1,475
Cross-currency swap contracts	297	102
Total	21,811	7,838
Non-current assets		
Interest-rate swap contracts	8,958	8,102
Cross-currency swap contracts	21	–
Current assets		
Interest-rate swap contracts	2,153	3,472
Cross-currency swap contracts	4	–
Total	11,136	11,574

The Group has endeavoured to hedge its medium term interest rate risk by entering into fixed HIBOR, LIBOR and SHIBOR interest-rate swap contracts and all interest-rate swap contracts qualify for hedge accounting.

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

During the year ended 31 December 2019, the following new interest-rate swap contracts were executed:

- seven 7-year term interest-rate swap contracts totalling HKD3,620,000,000 (equivalent to USD467,097,000) with fixed interest rates of 1.505% to 1.855% per annum to hedge against 1-month HIBOR

- two 5-year term interest rate swap contracts totalling HKD1,300,000,000 (equivalent to USD167,742,000) with fixed interest rates of 1.540% to 1.550% per annum to hedge against 1-month HIBOR

- three 4-year term interest rate swap contracts totalling HKD1,250,000,000 (equivalent to USD161,290,000) with fixed interest rates of 1.580% to 1.700% per annum to hedge against 1-month HIBOR

- a 5-year term interest rate swap contract of USD405,000,000 with a fixed interest rate of 1.365% per annum to hedge against 1-month LIBOR

- four 3-year term interest-rate swap contracts totalling RMB464,000,000 (equivalent to USD66,512,000) with fixed interest rates of 3.370% to 3.550% per annum to hedge against 3-month SHIBOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The notional principal amounts of the outstanding HIBOR, LIBOR and SHIBOR interest-rate swap contracts at 31 December 2019 are as follows:

- HKD6,170,000,000 (equivalent to USD796,129,000) (2018: Nil) with fixed interest rates vary from 1.505% to 1.855% per annum maturing during July 2023 to August 2026.

- USD1,265,000,000 (2018: USD860,000,000) with fixed interest rates vary from 1.365% to 3.045% per annum (2018: 1.825% to 3.045% per annum) maturing during April 2022 to July 2024.

- RMB464,000,000 (equivalent to USD66,512,000) (2018: Nil) with fixed interest rates vary from 3.370% to 3.550% per annum.

During the year ended 31 December 2019, a wholly-owned subsidiary of the Company entered into a Cross-currency contract amounting to JPY8,000,000,000 to hedge the JPY bank borrowings of the same amount, under which the principal amount was exchanged at inception to HKD578,754,000 at an exchange rate of JPY 13.8228 to HKD1 and will be re-exchanged on expiry date in July 2026 at the same exchange rate. Under the contract, a fixed interest rate of 3.345% per annum on the exchanged Hong Kong dollar principal amounts would be paid and a floating interest rate of JPY LIBOR+0.675% per annum on the JPY principal amount would be received. The Cross-currency swap contract qualifies for hedge accounting.

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.

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

	2019 USD'000	2018 USD'000
Non-controlling interests		
Share of equity	223,757	235,830
Equity loans (Note (a))	90,697	152,107
	314,454	387,937

Notes:

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

	2019 USD'000	2018 USD'000
– LIBOR per annum	8,724	8,724
– LIBOR plus 1% per annum	53,875	100,425
– fixed rate of 2.5% per annum	17,647	18,497
– interest-free	10,451	24,461
	90,697	152,107

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

	2019 USD'000	2018 USD'000
Amounts due to non-controlling shareholders - interest-free with no fixed repayment terms	39,528	35,050

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

	2019 USD'000	2018 USD'000
- LIBOR plus 5% per annum	46,550	–

The fair values of the amounts due to non-controlling shareholders and loan from non-controlling shareholders are not materially different from their carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 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% (2018: 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:

	2019 USD'000	2018 USD'000
At 1 January, as previously reported	323,569	321,119
Change in accounting policy – HKFRS 16	(16,477)	–
At 1 January, as restated	307,092	321,119
Exchange differences	(64)	(3,123)
Deferred taxation charged to consolidated statement of profit or loss (Note 35)	23,759	5,547
Deferred taxation charged to other comprehensive income	(510)	26
At 31 December	330,277	323,569

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.

	2019 USD'000	2018 USD'000
Deferred income tax assets	(27,694)	(7,507)
Deferred income tax liabilities	357,971	331,076
	330,277	323,569

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 2019, the Group has the following unrecognised tax losses to carry forward against future taxable income.

	2019 USD'000	2018 USD'000
With no expiry date	251,623	236,562
Lapsed within the next five years	674,555	659,243
Lapsed within the next ten years	1,542	3,719
	927,720	899,524

26 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	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
At 1 January, as previously reported	219,026	211,049	35,043	39,487	84,663	85,778	450	373	339,182	336,687
Change in accounting policy - HKFRS 16	-	-	897	-	-	-	-	-	897	-
At 1 January, as restated	219,026	211,049	35,940	39,487	84,663	85,778	450	373	340,079	336,687
Charged/(credited) to statement of profit or loss	14,804	10,233	4,104	(3,430)	7,235	(670)	50	77	26,193	6,210
Exchange differences	841	(2,256)	(501)	(1,014)	58	(445)	-	-	398	(3,715)
At 31 December	234,671	219,026	39,543	35,043	91,956	84,663	500	450	366,670	339,182

Deferred income tax assets	Provision of assets		Tax losses		Others		Total	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
At 1 January, as previously reported	(3,448)	(3,471)	(342)	(36)	(11,823)	(12,061)	(15,613)	(15,568)
Change in accounting policy - HKFRS 16	-	-	-	-	(17,374)	-	(17,374)	-
At 1 January, as restated	(3,448)	(3,471)	(342)	(36)	(29,197)	(12,061)	(32,987)	(15,568)
Charged/(credited) to statement of profit or loss	(49)	(149)	(789)	(256)	(1,596)	(258)	(2,434)	(663)
Charged to other comprehensive income	-	-	-	-	(510)	26	(510)	26
Exchange differences	56	172	(7)	(50)	(511)	470	(462)	592
At 31 December	(3,441)	(3,448)	(1,138)	(342)	(31,814)	(11,823)	(36,393)	(15,613)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 ACCOUNTS PAYABLE AND ACCRUALS

	2019 USD'000	2018 USD'000
Trade payables	94,432	104,037
Other payables and accrued expenses	571,945	573,605
	666,377	677,642

The ageing analysis of the trade payables based on invoice date is as follows:

	2019 USD'000	2018 USD'000
0 – 3 months	85,316	85,231
4 – 6 months	2,834	8,931
Over 6 months	6,282	9,875
	94,432	104,037

28 CONTRACT LIABILITIES

	2019 USD'000	2018 USD'000
Guest loyalty programme	62,966	69,278
Hotel operation	89,403	73,515
Property sale	22,632	144,097
	175,001	286,890

	2019 USD'000	2018 USD'000
Balance at 1 January	286,890	349,818
Recognised as revenue during the current year	(217,594)	(198,774)
Cancellation for prior years' balance during the current year	(1,091)	(1,229)
Net increase for new transactions during the current year	104,582	166,341
Exchange differences	2,214	(29,266)
Balance at 31 December	175,001	286,890

Contract liabilities for guest loyalty programme refer to unredeemed loyalty points liabilities for hotel guests, those for hotel operation mainly comprise deposit receipts in advance from customers and those for property sale refer to the deposits received from the properties buyers.

29 EXPENSES BY NATURE

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

	2019 USD'000	2018 USD'000
Depreciation of property, plant and equipment (net of amount capitalised of USD14,000 (2018: USD16,000)) (Note 7)	283,237	336,273
Amortisation of leasehold land and land use rights (Note 9)	–	14,837
Amortisation of trademark; and website and system development (Note 11)	3,028	1,526
Depreciation of right-of-use assets (Note 10)	53,743	–
Employee benefit expenses excluding directors' emoluments (net of amount capitalised and amount grouped under pre-opening expenses) (Note 31)	840,179	811,432
Cost of sales of properties	65,450	54,874
Cost of inventories sold or consumed in operation	299,479	318,364
Loss on disposal of property, plant and equipment; and partial replacement of investment properties	2,515	2,136
Operating lease expenses	32,849	74,106
Pre-opening expenses	4,882	2,162
Auditors' remuneration for audit services	2,035	2,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 OTHER GAINS/(LOSSES) – NET

	2019 USD'000	2018 USD'000
Fair value gains/(losses) on investment properties (Note 8)	52,615	(25,987)
Net unrealised losses on listed securities	(648)	(4,698)
Provision for impairment losses on properties (Note 7)	(20,467)	(123,185)
Gain on disposal of a hotel property	–	2,883
Fair value changes of club debentures	(519)	1,216
Fair value changes of cross-currency swap contracts	734	(710)
Discarding of property, plant and equipment and associated expenses spent due to a bombing incident	(3,964)	–
Insurance claim recovered from a bombing incident	5,036	–
Others	(1,654)	2
Non-operating items	31,133	(150,479)
Interest income	22,147	21,303
Dividend income	1,228	2,749
	54,508	(126,427)

31 EMPLOYEE BENEFIT EXPENSES

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

	2019 USD'000	2018 USD'000
Wages and salaries (including unutilised annual leave)	654,363	635,464
Pension costs – defined contribution plans	47,384	46,271
Pension costs – defined benefit plans	1,750	1,412
Other welfare	138,458	129,519
	841,955	812,666
Less: Amount included in pre-opening expenses	(1,776)	(1,234)
	840,179	811,432

Total pension cost including charges for Directors charged to the statement of profit or loss for the year under all pension schemes was USD49,172,000 (2018: USD47,729,000).

31 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 12%, respectively of their gross salaries and bonus, if applicable, to the respective local fund.

The Group also operates a global defined contribution scheme for senior expatriates employed by the Group which requires the employers to contribute 6% to 10% (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 2019 using the Projected Unit Credit Actuarial Cost Method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 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	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Balance at 1 January	16,257	17,124	(7,568)	(7,169)	8,689	9,955
Exchange difference	477	(673)	(423)	355	54	(318)
Included in statement of profit or loss						
Current service cost	831	920	-	-	831	920
Past service cost	399	-	-	-	399	-
Interest cost/(interest income)	989	905	(469)	(413)	520	492
	2,219	1,825	(469)	(413)	1,750	1,412
Included in other comprehensive income						
Actuarial loss/(gain)	2,526	(863)	-	-	2,526	(863)
(Gain)/loss on assets excluding amount included in net interest cost	-	-	(746)	784	(746)	784
	2,526	(863)	(746)	784	1,780	(79)
Other						
Contributions	-	-	(2,939)	(1,943)	(2,939)	(1,943)
Benefits paid	(1,079)	(1,156)	741	818	(338)	(338)
	(1,079)	(1,156)	(2,198)	(1,125)	(3,277)	(2,281)
Balance at 31 December	20,400	16,257	(11,404)	(7,568)	8,996	8,689

Net defined benefit liability of USD8,996,000 (2018: USD8,689,000) was recorded as accounts payable and accruals under current liabilities.

32 BENEFIT AND INTERESTS OF DIRECTORS

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2019 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[4] 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 cash remuneration received for the year USD'000	Less: Deferral payout of cash bonuses belong to 2018[7] USD'000	Total attributable to the year ended 31 December 2019 USD'000
KUOK Hui Kwong[6]	-	720	1,686	-	20	15	-	-	-	2,441	(542)	1,899
LIM Beng Chee[6]	-	852	1,948	-	178	16	-	-	-	2,994	(671)	2,323
LUI Man Shing[1]	6	180	-	-	16	7	-	-	-	209	-	209
HO Kian Guan	62	-	-	-	-	-	-	-	-	62	-	62
Alexander Reid HAMILTON[1]	27	-	-	-	-	-	-	-	-	27	-	27
LI Kwok Cheung Arthur	75	-	-	-	-	-	-	-	-	75	-	75
LEE Kai Fu[1]	13	-	-	-	-	-	-	-	-	13	-	13
YAP Chee Keong	70	-	-	-	-	-	-	-	-	70	-	70
LI Xiaodong Forrest[2]	24	-	-	-	-	-	-	-	-	24	-	24
ZHUANG Chenchao[3]	3	-	-	-	-	-	-	-	-	3	-	3
HO Chung Tao	-	-	-	-	-	-	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

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[4] 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 cash remuneration received for the year USD'000	Add: Deferral payout of cash bonuses in 2019[7] USD'000	Total attributable to the year ended 31 December 2018 USD'000
KUOK Hui Kwong[5]	-	558	1,257	-	19	15	-	-	-	1,849	542	2,391
LIM Beng Chee[5]	-	797	1,471	-	170	16	-	-	-	2,454	671	3,125
LUI Man Shing	5	418	774	-	13	15	-	-	-	1,225	-	1,225
HO Kian Guan	62	-	-	-	-	-	-	-	-	62	-	62
Alexander Reid HAMILTON	76	-	-	-	-	-	-	-	-	76	-	76
LI Kwok Cheung Arthur	75	-	-	-	-	-	-	-	-	75	-	75
LEE Kai Fu	30	-	-	-	-	-	-	-	-	30	-	30
YAP Chee Keong	57	-	-	-	-	-	-	-	-	57	-	57
HO Chung Tao	-	-	-	-	-	-	-	-	-	-	-	-

32 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Notes:

(1) Mr LUI Man Shing, Mr. Alexander Reid HAMILTON and Mr. LEE Kai Fu retired as Directors on 5 June 2019.

(2) Mr LI Xiaodong Forrest was appointed as Director on 1 May 2019.

(3) Mr ZHUANG Chenchao was appointed as Director on 1 December 2019.

(4) Other benefits include housing, holiday warrant, medical expenses and insurance premium. Pursuant to the existing option scheme of the Company (Note 19), 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.

(5) 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.

(6) For the year ended 31 December 2019, award shares were granted and vested to certain Executive Directors under the share award scheme. Award shares of 88,000 shares (amounting to USD134,000 based on the market price of the vesting date) and 108,000 shares (amounting to USD164,000 based on the market price of the vesting date) were vested to Ms KUOK Hui Kwong and Mr LIM Beng Chee on 1 April 2019, respectively. Ms KUOK Hui Kwong was granted 658,605 award shares (with a maximum upside adjustment of 513,395 shares which comes up to a total maximum of 1,172,000 shares) being vested in the years from 2020 to 2022. Mr LIM Beng Chee was granted 888,595 award shares (with a maximum upside adjustment of 693,405 shares which comes up to a total maximum of 1,582,000 shares) being vested in the years from 2020 to 2022. The remuneration on the awarded shares will be included in the disclosure when the vesting condition has been met.

(7) The deferral payout of the cash bonuses for year 2018 was approved after the approval date of the financial statements for the year ended 31 December 2018 and was paid in 2019. It is therefore accounted for in the financial year ended 31 December 2019 instead of the financial year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2019 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 2019	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 2019	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

32 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

32 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 (2018: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals in 2019 are as follows:

	2019 USD'000
Basic salaries, housing allowances, other allowances and benefits in kind	2,650
Employer's contribution to pension scheme	38
Discretionary bonuses	3,119
Inducement fee to join the Group	567
Compensation for loss of office:	
- contractual payments	–
- other payment	–
	6,374

The emoluments of the five highest paid individuals fell within the following bands:

Emolument bands (in HK dollar)	Number of individuals 2019	2018
HKD7,000,001 – HKD7,500,000	1	–
HKD9,000,001 – HKD9,500,000	1	–
HKD12,500,001 – HKD13,000,000	–	1
HKD14,000,001 – HKD14,500,000	–	2
HKD15,000,001 – HKD15,500,000	1	1
HKD18,500,001 – HKD19,000,000	1	–
HKD19,000,001 – HKD19,500,000	–	1
HKD23,000,001 – HKD23,500,000	1	–

33 FINANCE COSTS – NET

	2019 USD'000	2018 USD'000
Interest expense:		
– bank loans	161,662	171,861
– fixed rate bonds	34,318	4,038
– other loans	5,618	3,579
– interest on lease liability	31,517	–
	233,115	179,478
Less: amount capitalised	(8,849)	(9,405)
	224,266	170,073
Net foreign exchange losses	9,258	25,432
	233,524	195,505

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.6% per annum (2018: 3.4%).

34 SHARE OF PROFIT OF ASSOCIATES

	2019 USD'000	2018 USD'000
Share of profit before tax of associates before share of net fair value gains of investment properties and share of disposal gain	265,841	261,733
Share of net fair value gains of investment properties	29,270	164,702
Share of disposal gain of a subsidiary held by an associate	6,983	–
Share of profit before tax of associates	302,094	426,435
Share of tax before provision for deferred tax liabilities on fair value gains of investment properties	(74,404)	(80,252)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(7,267)	(40,790)
Share of associates' taxation	(81,671)	(121,042)
Share of profit of associates	220,423	305,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 INCOME TAX EXPENSE

	2019 USD'000	2018 USD'000
Current income tax		
– Hong Kong profits tax	4,693	14,455
– overseas taxation	83,492	86,656
Deferred income tax (Note 26)	23,759	5,547
	111,944	106,658

Share of associates' taxation for the year ended 31 December 2019 of USD81,671,000 (2018: USD121,042,000) is included in the consolidated statement of profit or loss as share of profit of associates.

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

	2019 USD'000	2018 USD'000
Profit before income tax	281,664	290,396
Calculated at a taxation rate of 16.5% (2018: 16.5%)	46,475	47,915
Effect of different taxation rates of subsidiaries operating in other countries	26,472	19,191
Income not subject to taxation	(69,431)	(78,896)
Tax effect on unrecognised tax losses	31,094	39,601
Expenses not deductible for taxation purposes	56,878	59,205
Utilisation of previously unrecognised tax losses	(179)	(610)
Under/(Over) provision in prior year	1,747	(2,484)
Withholding tax	19,397	23,182
Tax incentive	(509)	(446)
Taxation charge	111,944	106,658

(a) Hong Kong profits tax is provided at a rate of 16.5% (2018: 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.

36 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.

	2019	2018
Profit attributable to owners of the Company (USD'000)	152,485	192,905
Weighted average number of ordinary shares in issue (thousands)	3,571,564	3,573,425
Basic earnings per share (US cents per share)	4.27	5.40

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 2019 and 2018. 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 2019 and 2018 are as follows:

	2019	2018
Profit attributable to owners of the Company (USD'000)	152,485	192,905
Weighted average number of ordinary shares in issue (thousands)	3,571,564	3,573,425
Adjustments (thousands)	–	1,194
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,571,564	3,574,619
Diluted earnings per share (US cents per share)	4.27	5.40

37 DIVIDENDS

	Group		Company	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Interim dividend paid of HK8 cents (2018: HK8 cents) per ordinary share	36,856	36,870	36,965	36,978
No final dividend has been proposed (2018: HK14 cents per ordinary share)	–	64,523	–	64,713
	36,856	101,393	36,965	101,691

At a meeting held on 27 March 2020, the Board proposed no final dividend for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2019 USD'000	2018 USD'000
Profit before income tax	281,664	290,396
Share of profit of associates	(220,423)	(305,393)
Fair value (gains)/losses on investment properties	(52,615)	25,987
Provision for impairment losses on properties	20,467	123,185
Gain on disposal of a hotel	–	(2,883)
Depreciation of property, plant and equipment	283,237	336,273
Depreciation of right-of-use assets	53,743	–
Amortisation of leasehold land and land use rights, trademark; and website and system development	3,028	16,363
Interest on fixed rate bonds, lease liability, bank loans and overdrafts	224,266	170,073
Interest income	(22,147)	(21,303)
Dividend income	(1,228)	(2,749)
Loss on disposal of fixed assets and discarding of fixed assets due to a bombing incident	5,888	2,136
Net unrealised losses on financial assets at fair value through profit or loss	1,167	3,482
Share award scheme expenses	2,077	3,551
Fair value (gain)/loss of a Cross-currency swap contract	(734)	710
Net foreign exchange losses	9,258	25,432
Operating profit before working capital changes	587,648	665,260
Decrease in inventories	2,577	1,505
(Increase)/Decrease in accounts receivable, prepayments and deposits	(20,262)	38,590
Decrease in amounts due from associates	6,162	2,637
Increase in accounts payable and accruals	2,962	25,079
Decrease in contract liabilities	(112,596)	(33,659)
Decrease in properties for sale	63,784	8,476
Net cash generated from operations	530,275	707,888

(b) Acquisition of interest in a subsidiary

In June 2019, the Group acquired the remaining 25% equity interest in an original 75% owned subsidiary which owns the Shangri-La Hotel, Wenzhou at a consideration of RMB250,000,000 (equivalent to USD35,762,000). A total equivalent amount of USD33,580,000 was paid during the period and the remaining balance of RMB15,000,000 (equivalent to USD2,182,000) would be payable subject to certain conditions. The total consideration less attributable net assets of USD18,906,000 between the consideration and the amount of the non-controlling interests acquired was recognised in the Group's equity.

38 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

	Bank loans USD'000	Fixed rate bonds USD'000	Loan and amounts due to non-controlling shareholders USD'000	Lease liabilities USD'000
Balance as at 1 January 2018	5,184,675	-	27,942	-
Cash flows	(640,249)	636,852	(15,817)	-
Foreign exchange movement	(46,520)	-	(614)	-
Finance cost charged to profit or loss	-	81	3,623	-
Reclassed to non-controlling interests	-	-	(140)	-
Dividends declared to non-controlling shareholders	-	-	20,056	-
Balance as at 31 December 2018	4,497,906	636,933	35,050	-
Change in accounting policy – HKFRS 16	-	-	-	643,677
Balance as at 1 January 2019, as restated	4,497,906	636,933	35,050	643,677
Cash flows	(113,749)	221,653	(19,108)	(53,672)
Foreign exchange movement	(11,730)	9,048	(156)	9,340
Finance cost charged	-	503	5,701	31,517
Additions of lease liabilities	-	-	-	9,271
Transfer from non-controlling interests	-	-	46,373	-
Dividends declared to non-controlling shareholders	-	-	18,218	-
Balance as at 31 December 2019	4,372,427	868,137	86,078	640,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

As at 31 December 2019, 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 USD3,670,612,000 (2018: USD3,692,221,000) for the subsidiaries and USD96,909,000 (2018: USD129,195,000) 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 USD389,318,000 (2018: USD397,411,000).

(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 USD96,909,000 (2018: USD129,195,000).

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 2019, 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 USD333,000 (2018: USD334,000). These facilities were undrawn as at 31 December 2019.

(c) Charges over assets

As at 31 December 2019, bank loan of a subsidiary amounting to USD17,613,000 (2018: USD108,999,000) was secured by legal mortgage over the property owned by the subsidiary (2018: two subsidiaries) with a net book value of USD113,923,000 (2018: USD319,565,000).

40 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:

	2019 USD'000	2018 USD'000
Existing properties - Property, plant and equipment and investment properties		
– contracted but not provided for	44,914	41,742
– authorised but not contracted for	98,291	82,082
Development projects		
– contracted but not provided for	53,143	121,867
– authorised but not contracted for	221,984	193,950
	418,332	439,641

(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
Not later than one year	55,420
Later than one year and not later than five years	175,485
Later than five years	1,193,619
	1,424,524

From 1 January 2019, the Group has recognised right-of-use assets and lease liabilities for leases (see Note 10 for further information).

(c) At 31 December 2019, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2019 USD'000	2018 USD'000
Not later than one year	70,198	61,454
Later than one year and not later than five years	73,848	45,565
Later than five years	21,798	860
	165,844	107,879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 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:

		2019 USD'000	2018 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) 17,876	14,590
	Reimbursement of office expenses and payment of administration and related expenses	1,070	2,808
	Reimbursement of office rental, management fees and rates	132	131
	Payment of office rental, management fees and rates	6,282	6,959
	Purchase of wine	2,805	3,122
(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	31,263	24,465
	Receipt for laundry services	(Note i) 468	500
(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	184,435	175,902
	Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	78,996	95,557
(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	47,314	44,064
	Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to an associate of the Group	17,913	33,647

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	5,598	5,482
	Post-employment benefits of executive directors	38	46

41 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 USD5,647,000 which are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

42 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) At 31 December 2019, 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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2019, 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		
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	-	100	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
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

42 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2019, 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
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	2
Makati Shangri-La Hotel & Resort, Inc	The Philippines	Peso 1,100,000,000	-	100	Hotel ownership and operation	
Edsa Shangri-La Hotel & Resort, Inc	The Philippines	Peso 792,128,700	-	100	Hotel ownership and operation	
Mactan Shangri-La Hotel & Resort, Inc	The Philippines	Common Peso 272,630,000 Preferred Peso 170,741,500 Redeemable Common Peso 285,513,000	-	93.95	Hotel ownership and operation	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2019, 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
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	
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	

42 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2019, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Shangri-La 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 Kyoto Nijojo TMK	Japan	YEN8,145,100,000	-	100	Hotel ownership and operation	2,3
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
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	2
Shangri-La Investments Lanka (Private) Limited	Sri Lanka	LKR1,214,245,300	-	90	Hotel ownership and operation	2
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 Pte Ltd	Singapore	SGD2,000,000	-	100	Hotel management, marketing and consultancy services	2
Shangri-La International Hotel Management BV	The Netherlands	EUR18,151	-	100	Sub-licensing use of intellectual property rights	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2019, the Company held interests in the following principal subsidiaries: (continued)

Notes:

1 Subsidiaries audited by PricewaterhouseCoopers, Hong Kong.

2 Subsidiaries audited by other member firms of PricewaterhouseCoopers.

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

4 Subsidiaries which are under various stages of real estate and hotel development and have partially commenced business operations as at the date of the statement of financial position.

5 Co-operative Joint Venture.

6 Equity Joint Venture.

7 Wholly Foreign Owned Enterprise.

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

9 A Deed of Cross Guarantee was entered on 24 December 2015 between Shangri-La Asia Limited and its wholly owned Australian subsidiaries for the purpose of obtaining the benefit of the Class Order to relieve the entities from the requirement to lodge reports with ASIC (Australian Securities and Investments Commission). Apart from the stated principal subsidiaries, this deed also includes Shangri-La Investments (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), Abelian Pty Ltd (dormant), Roma Hotel Pty Ltd (dormant) and The Pier Cairns Management Services Pty Ltd (dormant). 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.

42 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) At 31 December 2019, 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	
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
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	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) At 31 December 2019, the Group held interests in the following principal associates: (continued)

Name	Place of establishment/ operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
Tanjong Aru Hotel Sdn Berhad	Malaysia	40	Hotel ownership and operation	
PT Swadharma Kerry Satya	Indonesia	25	Hotel ownership and operation	2
Fine Winner Holdings Limited	Hong Kong	30	Hotel ownership and operation	1
Shang Global City Properties, Inc	The Philippines	40	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 2019 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.

43 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
Shangri-La Hotel, Qingdao 9 Xianggang Middle Road, Qingdao 266071, The People's Republic of China	Hotel operation	Medium lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 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, 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
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

43 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, 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
Shangri-La Hotel, Qufu 3 Chunqiu Road, Qufu, Shandong, 273100, The People's Republic of China	Hotel operation	Medium lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 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 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
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

43 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
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 Island, Coral Coast, Fiji Islands, Fiji	Hotel operation	Medium lease
Shangri-La Hotel, Singapore 22 Orange Grove Road, Singapore 258350	Hotel operation	Freehold
Shangri-La's Rasa Sentosa Resort & Spa, Singapore 101 Siloso Road, Sentosa, Singapore 098970	Hotel operation	Long lease
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)

(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La's Rasa Sayang Resort & Spa, Penang Batu Feringgi Beach, 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
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

43 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, 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
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 NSW2000, 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 Centre Road, Colombo 2, Sri Lanka	Hotel operation	Freehold

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 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

43 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
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 Central, Yan'an Roan, Hangzhou, 310006, The People's Republic of China	Hotel operation	Medium lease
Hotel Jen Tanglin Singapore 1A Cuscaden Road, Singapore 249716	Hotel operation	Long lease
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu 20 Jalan Aru, TanjungAru, Kota Kinabalu, Sabah 88100, Malaysia	Hotel operation	Long lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 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, 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

44 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 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Office and commercial rental	Medium lease
Central Tower, Ulaanbaatar 2 Sukhbaatar Square, SBD -8, Ulaanbaatar 210620a, Mongolia	Office rental 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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of principal investment properties of the subsidiaries are as follows: (continued)

(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
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 Pierpoint Road, Cairns, Queensland 4870, Australia	Office and commercial rental	Long lease
One Galle Face, Colombo 1 Galle Face Centre Road, Colombo 2, Sri Lanka	Office, commercial and residential rental	Freehold

(b) Details of investment properties of the operating associates are as follows:

(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
China World Trade Center 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Office, commercial 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
Beijing Kerry Centre 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Office, commercial and residential rental	Medium lease

44 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
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. 1378 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Office, commercial and residential rental	Medium lease
Tianjin Kerry Centre Liuwei Road, Hedong District, Tianjin 300171, The People's Republic of China	Office, commercial and residential rental	Medium lease
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 EVENTS AFTER THE REPORTING PERIOD

The outbreak of the COVID-19 since January 2020 led to a significant decline in travel volumes and hotel occupancies throughout Mainland China and Hong Kong. With more countries being affected and the increase in number of countries imposed travel restrictions, performance of most of the hotels were materially adversely affected since January 2020. The year-to-date March 2020 occupancy of the Group's owned hotels dropped significantly as compared to the same period last year. The Group's shopping malls in Mainland China also offered rental reduction to tenants. As the situation is still unfolding, it is not able to foresee when business will return to normalcy at this stage. The Group expects to record a significant decline in its 2020 interim and annual operating profits. In 2020, hotels impairment review and investment properties revaluation exercise may also affect the Group's financial results. In response to the market situation, the Group took immediate actions to minimise operating costs, revise capital expenditure plans, conserve cash resources and maintain sufficient banking facilities to fund capital commitments and working capital needs.

The Group would monitor the liquidity position. As at 31 December 2019, the Group's cash and bank balance (including short-term fund placement) was USD1,016,677,000 and the undrawn but committed banking facilities balance was USD1,041,553,000. The Group also issued 10-year term fixed rate bonds of SGD250,000,000 (equivalent to USD185,805,000) in January 2020.

46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2019	2018
	USD'000	USD'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,056	3,527
Investments in subsidiaries	4,141,940	4,352,311
Financial assets at FVPL - Club debentures	2,306	1,746
	4,148,302	4,357,584
Current assets		
Amounts due from subsidiaries	612,199	613,106
Dividends receivable, prepayments and deposits	571,191	890,001
Cash and cash equivalents	11,495	9,481
	1,194,885	1,512,588
Total assets	5,343,187	5,870,172
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital and premium	3,201,995	3,201,995
Shares held for share award scheme	(5,985)	(4,996)
Other reserves	1,542,755	1,541,702
Retained earnings	465,806	133,272
Total equity	5,204,571	4,871,973
LIABILITIES		
Current liabilities		
Accounts payable and accruals	7,446	10,359
Amounts due to subsidiaries	131,170	987,840
	138,616	998,199
Total liabilities	138,616	998,199
Total equity and liabilities	5,343,187	5,870,172
Net current assets	1,056,269	514,389
Total assets less current liabilities	5,204,571	4,871,973

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2020 and was signed on its behalf.

KUOK Hui Kwong
Director

LIM Beng Chee
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 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	Contributed surplus USD'000 (Note)	Total USD'000
Balance at 1 January 2018	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 and 1 January 2019	6,216	589	10,666	1,524,231	1,541,702
Granting of shares under share award scheme	–	2,077	–	–	2,077
Vesting of shares under share award scheme	–	(1,024)	–	–	(1,024)
Balance at 31 December 2019	6,216	1,642	10,666	1,524,231	1,542,755

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.

46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement of retained earnings of the Company:

	2019 USD'000	2018 USD'000
Balance at 1 January	133,272	103,643
Vesting of shares under share award scheme	(116)	33
Transfer AFS reserve balance for effective of HKFRS 9	–	758
Profit for the year	434,335	116,705
2018/2017 final dividend paid	(64,720)	(50,889)
2019/2018 interim dividend paid (Note 37)	(36,965)	(36,978)
Balance at 31 December	465,806	133,272
Representing:		
2019/2018 final dividend proposed (Note 37)	–	64,713
Others	465,806	68,559
Balance at 31 December	465,806	133,272

47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 27 March 2020.

FIVE YEAR SUMMARY

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

	Year ended 31 December				
	2019	2018	2017	2016	2015
Results	USD'000	USD'000	USD'000	USD'000	USD'000
Profit/(Loss) attributable to:					
Owners of the Company	152,485	192,905	157,997	106,054	140,131
Non-controlling interests	17,235	(9,167)	(13,951)	(44,022)	29,847

	As at 31 December				
	2019	2018	2017	2016	2015
Assets and liabilities	USD'000	USD'000	USD'000	USD'000	USD'000
Total assets	13,722,073	13,170,648	13,675,173	12,993,784	13,285,413
Total liabilities	7,218,040	6,493,760	6,633,177	6,581,350	6,395,728
Total equity	6,504,033	6,676,888	7,041,996	6,412,434	6,889,685

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 2020 annual general meeting of the Company
"Annual Report"	this 2019 annual report of the Company
"Audit & Risk Committee"	audit and risk committee of the Company
"Auditor"	statutory auditor of the Company, currently being PricewaterhouseCoopers, Hong Kong
"Board"	board of Directors
"Bye-Laws"	bye-laws of the Company
"CEO", "CFO", "CCHRO/CHRO", "CIO" and "CTO"	chief executive officer, chief financial officer, chief corporate and human resources officer/chief human resources officer, chief investment officer and chief technology officer, respectively, of the Company/Group
"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)
"Financial Statements"	consolidated financial statements of the Group for the Financial Year as set out on pages 115 to 243 of this Annual Report

ABBREVIATIONS

"Financial Year"	financial year ended 31 December 2019
"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, training, 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 and its subsidiaries (including SLIM-HK and SLIM-PRC) and certain fellow subsidiary(ies), and 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 whose principal business is the provision of Hotel Management Services
"SLIM-PRC"	Shangri-La Hotel Management (Shanghai) Co, Limited, a wholly owned subsidiary of the Company incorporated in Mainland China, 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 2019

THE GROUP'S LISTED MEMBERS

Shangri-La Asia Limited
(stock exchange - Hong Kong)
(stock code - 69)

(subsidiary)

Shangri-La Hotels (Malaysia) Berhad
(stock exchange - Malaysia)
(stock code - 5517)

(subsidiary)

Shangri-La Hotel Public Company Limited
(stock exchange - Thailand)
(stock code - SHANG)

(associate)

China World Trade Center Company Limited
(stock exchange - Shanghai, China)
(stock code - 600007)

SHANGRI-LA GROUP

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