SHANGRI-LA ASIA LIMITED
香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)
website: www.ir.shangri-la.com
(Stock code: 00069)

2014 INTERIM RESULTS ANNOUNCEMENT

The board of directors ("**Board**") of Shangri-La Asia Limited ("**Company**") wishes to announce the unaudited interim results of the Company and its subsidiaries ("**Group**"), and associates for the six months ended 30 June 2014. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit Committee of the Board. The review report of the auditor will be included in the interim report sent to the shareholders of the Company.

For the six months ended 30 June 2014, the consolidated profit attributable to equity holders of the Company before inclusion of the fair value gains of investment properties amounted to US$35.8 million, as compared to US$25.7 million in 2013, representing an increase of 39%. Overall, the consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2014 decreased to US$76.2 million (US2.440 cents per share) from US$215.3 million (US6.896 cents per share) in the same period last year after accounting for the Group's share of net fair value gains of investment properties.

The Board has declared an interim dividend of **HK6 cents** per share for 2014 (2013: HK8 cents per share) payable on Tuesday, 7 October 2014, to shareholders whose names appear on the Registers of Members of the Company on Thursday, 25 September 2014.

GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

		Six months ended 30 June	
		2014	2013
		Unaudited	Unaudited
Sales	*US$'000*	**1,011,966**	1,006,587
Profit attributable to the equity holders of the Company			
– Profit before fair value gains of investment properties	*US$'000*	**35,827**	25,659
– Share of net fair value gains of investment properties	*US$'000*	**40,357**	189,607
– Total reported profit	*US$'000*	**76,184**	215,266
Earnings per share	*US cents*	**2.440**	6.896
equivalent to	*HK cents*	**18.910**	53.444
Dividend per share	*HK cents*	**6**	8
Annualized Return on Equity		**2.4%**	7.1%

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

Consolidated Statement of Financial Position

		As at	
		30 June	31 December
		2014	2013
		Unaudited	Audited
Total equity	*US$'000*	**6,804,724**	6,867,344
Net assets attributable to the Company's equity holders	*US$'000*	**6,258,563**	6,312,581
Net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances)	*US$'000*	**4,104,051**	3,717,986
Net assets per share attributable to the Company's equity holders	*US$*	**2.00**	2.02
Net assets (total equity) per share	*US$*	**2.17**	2.19
Net borrowings to total equity ratio		**60.3%**	54.1%

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in US dollar thousands)

	Note	As at 30 June 2014 Unaudited	31 December 2013 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**6,260,153**	6,075,567
Investment properties		**1,071,181**	1,072,942
Leasehold land and land use rights		**620,242**	653,768
Intangible assets		**92,464**	93,065
Interest in associates		**3,445,796**	3,396,955
Deferred income tax assets		**515**	758
Derivative financial instruments		**453**	1,550
Available-for-sale financial assets		**4,925**	4,947
Other receivables		**15,541**	14,954
		11,511,270	11,314,506
Current assets			
Inventories		**47,348**	48,383
Properties for sale		**24,056**	24,439
Accounts receivable, prepayments and deposits	*4*	**288,874**	312,596
Due from associates		**63,972**	41,688
Due from non-controlling shareholders		**161**	160
Derivative financial instruments		**170**	443
Financial assets held for trading		**21,639**	20,952
Cash and bank balances		**1,086,055**	1,135,090
		1,532,275	1,583,751
Total assets		**13,043,545**	12,898,257
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*5*	**2,554,380**	2,554,222
Other reserves		**1,790,007**	1,904,254
Retained earnings			
– Proposed interim/final dividend	*15*	**24,170**	16,113
– Others		**1,890,006**	1,837,992
		6,258,563	6,312,581
Non-controlling interests		**546,161**	554,763
Total equity		**6,804,724**	6,867,344

		As at	
		30 June	31 December
		2014	2013
	Note	**Unaudited**	Audited
LIABILITIES			
Non-current liabilities			
Bank loans		**3,380,400**	3,345,807
Convertible bonds	*6*	**516,096**	505,126
Fixed rate bonds	*7*	**597,301**	596,814
Derivative financial instruments		**2,904**	1,265
Due to non-controlling shareholders		**27,394**	26,896
Deferred income tax liabilities		**291,406**	285,452
		4,815,501	4,761,360
Current liabilities			
Accounts payable and accruals	*8*	**686,299**	842,991
Due to non-controlling shareholders		**12,851**	7,912
Current income tax liabilities		**26,911**	12,955
Bank loans		**696,309**	405,329
Derivative financial instruments		**950**	366
		1,423,320	1,269,553
Total liabilities		**6,238,821**	6,030,913
Total equity and liabilities		**13,043,545**	12,898,257
Net current assets		**108,955**	314,198
Total assets less current liabilities		**11,620,225**	11,628,704

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
(All amounts in US dollar thousands unless otherwise stated)

		Six months ended 30 June	
		2014	2013
	Note	**Unaudited**	Unaudited
Sales	*3*	**1,011,966**	1,006,587
Cost of sales	*9*	**(429,798)**	(438,938)
Gross profit		**582,168**	567,649
Other (losses)/gains – net	*10*	**(7,173)**	31,624
Marketing costs	*9*	**(40,163)**	(39,351)
Administrative expenses	*9*	**(94,336)**	(92,630)
Other operating expenses	*9*	**(336,738)**	(331,616)
Operating profit		**103,758**	135,676
Finance costs – net			
– Interest expense	*11*	**(55,447)**	(50,834)
– Foreign exchange (losses)/gains	*11*	**(10,557)**	7,496
Share of profit of associates	*12*	**99,079**	203,872
Profit before income tax		**136,833**	296,210
Income tax expense	*13*	**(50,482)**	(60,517)
Profit for the period		**86,351**	235,693
Profit attributable to:			
Equity holders of the Company		**76,184**	215,266
Non-controlling interests		**10,167**	20,427
		86,351	235,693
Earnings per share for profit attributable to the equity holders of the Company during the period *(expressed in US cents per share)*			
– basic	*14*	**2.440**	6.896
– diluted	*14*	**2.439**	6.893
Dividends	*15*	**24,170**	32,224

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
Profit for the period	**86,351**	235,693
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss		
Fair value changes of interest-rate swap contracts – hedging	**(3,593)**	1,687
Currency translation differences – subsidiaries	**(48,028)**	(65,303)
Currency translation differences – associates	**(65,830)**	(15,850)
Other comprehensive loss for the period	**(117,451)**	(79,466)
Total comprehensive (loss)/income for the period	**(31,100)**	156,227
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(38,030)**	143,137
Non-controlling interests	**6,930**	13,090
	(31,100)	156,227

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(All amounts in US dollar thousands)

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

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	2,554,222	1,904,254	1,854,105	6,312,581	554,763	6,867,344
Fair value changes of interest-rate swap contracts – hedging	–	(3,593)	–	(3,593)	–	(3,593)
Currency translation differences	–	(110,621)	–	(110,621)	(3,237)	(113,858)
Net loss recognized directly in equity	–	(114,214)	–	(114,214)	(3,237)	(117,451)
Profit for the period	–	–	76,184	76,184	10,167	86,351
Total comprehensive (loss)/income for the six months ended 30 June 2014	–	(114,214)	76,184	(38,030)	6,930	(31,100)
Exercise of share options – allotment of shares	125	–	–	125	–	125
Exercise of share options – transfer from share option reserve to share premium	33	(33)	–	–	–	–
Payment of 2013 final dividend	–	–	(16,113)	(16,113)	–	(16,113)
Dividend paid and payable to non-controlling shareholders	–	–	–	–	(18,846)	(18,846)
Equity injected by non-controlling shareholders	–	–	–	–	3,314	3,314
	158	(33)	(16,113)	(15,988)	(15,532)	(31,520)
Balance at 30 June 2014	**2,554,380**	**1,790,007**	**1,914,176**	**6,258,563**	**546,161**	**6,804,724**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

1. General information

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

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

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

These condensed consolidated interim financial statements were approved by the Board for issue on 20 August 2014. These condensed consolidated interim financial statements have been reviewed by the Company's auditor.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013 with the addition of certain amendments to standards and new interpretations which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2014. These amendments to standards and new interpretations had no material impact on the Group's financial statements.

3. Segment information

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

i. Hotel ownership (including those under lease)

– Hong Kong

– Mainland China

– Singapore

– Malaysia

– The Philippines

– Japan

– Thailand

– Australia

– France

– United Kingdom

– Other countries (including Fiji, Myanmar, Maldives, Indonesia and Turkey)

ii. Property rentals (ownership and leasing of offices, commercial and serviced apartments/residences)

– Mainland China

– Singapore

– Malaysia

– Other countries (including Thailand, the Republic of Mongolia, Myanmar and Australia)

iii. Hotel management services

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

Segment income statement
For the six months ended 30 June 2014 and 2013 (US$ million)

	2014		2013	
	Sales *(Note b)*	**Profit/(Loss) after tax** *(Note a)*	Sales *(Note b)*	Profit/(Loss) after tax *(Note a)*
Hotel ownership				
Hong Kong	**136.9**	**36.3**	130.7	33.8
Mainland China	**342.8**	**(15.5)**	369.5	2.5
Singapore	**99.3**	**20.2**	93.5	17.4
Malaysia	**74.6**	**9.1**	75.4	8.3
The Philippines	**101.5**	**7.6**	103.1	8.8
Japan	**28.5**	**(3.2)**	26.1	(5.4)
Thailand	**26.1**	**1.1**	34.8	3.5
Australia	**49.9**	**(2.1)**	50.0	(1.2)
France	**32.2**	**(10.6)**	23.9	(13.2)
United Kingdom	**4.7**	**(6.2)**	–	–
Other countries *(Note c)*	**54.4**	**1.1**	44.1	(5.4)
	950.9	**37.8**	951.1	49.1
Property rentals				
Mainland China	**14.3**	**51.1**	13.2	38.6
Singapore	**7.3**	**5.8**	7.7	6.2
Malaysia	**3.7**	**1.0**	3.7	1.0
Other countries	**11.2**	**1.1**	9.4	1.6
	36.5	**59.0**	34.0	47.4
Hotel management services	**70.4**	**9.7**	63.3	5.3
Other businesses	**–**	**1.7**	–	–
Total	**1,057.8**	**108.2**	1,048.4	101.8
Less: Hotel management – Inter-segment sales	**(45.8)**		(41.8)	
Total external sales	**1,012.0**		1,006.6	

	2014 Sales (Note b)	2014 Profit/(Loss) after tax (Note a)	2013 Sales (Note b)	2013 Profit/(Loss) after tax (Note a)
Corporate finance costs (net)		**(30.7)**		(29.5)
Land cost amortization and pre-opening expenses for projects		**(29.0)**		(33.7)
Corporate expenses		**(7.9)**		(8.5)
Exchange (losses)/gains of corporate investment holding companies		**(1.9)**		3.5
Profit before non-operating items		**38.7**		33.6
Non-operating items				
Fair value gains on investment properties		**40.4**		189.6
Unrealized gains/(losses) on equity securities		**0.6**		(5.0)
Fair value losses on interest-rate swap contracts – non-hedging		**–**		(0.1)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises		**(0.4)**		(0.4)
(Provision)/reversal of provision for impairment loss for a property under development and leasehold land		**(3.1)**		1.5
Reversal of deferred tax credit of an associate in prior year		**–**		(0.5)
Provision for taxation relating to a rationalization of the ownership structure of an associate		**–**		(3.4)
Profit attributable to equity holders of the Company		**76.2**		215.3

Notes:

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

b. Sales exclude sales of associates.

c. The operating result of the hotel in Turkey is included in the segment "Other countries" in the current period while it was separately disclosed in the 2013 interim financial statements.

4. Accounts receivable, prepayments and deposits

	As at 30 June 2014	As at 31 December 2013
Trade receivables – net	**93,102**	92,235
Value-added tax receivable under a reorganization scheme	**–**	67,568
Prepayments and other deposits	**89,407**	59,386
Other receivables	**106,365**	93,407
	288,874	312,596

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

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

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

	As at **30 June 2014**	31 December 2013
0 – 3 months	**80,772**	82,603
4 – 6 months	**3,946**	3,670
Over 6 months	**8,384**	5,962
	93,102	92,235

5. Share capital

	No. of shares *('000)*	Amount: Ordinary shares	Amount: Share premium	Amount: Total
Authorized – Ordinary shares of HK$1 each				
At 1 January 2014 and 30 June 2014	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid – Ordinary shares of HK$1 each				
At 1 January 2014	3,132,385	404,435	2,149,787	2,554,222
Exercise of share options				
– allotment of shares	80	10	115	125
– transfer from option reserve	–	–	33	33
At 30 June 2014	**3,132,465**	**404,445**	**2,149,935**	**2,554,380**

As at 30 June 2014, 10,501,055 ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognized to equity as in prior years.

Share options

The shareholders of the Company approved the adoption of a new share option scheme on 28 May 2012 ("**2012 Option Scheme**") to replace the expired share option scheme adopted on 24 May 2002 ("**2002 Option Scheme**"). The subsisting option shares granted in the past years under the 2002 Option Scheme prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the scheme. The options granted on 23 August 2013 under the 2012 Option Scheme are immediately exercisable on the grant date and have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Certain share options granted to option holders of the Company were exercised and the following new shares were issued:

	Number of option shares issued			
	At HK$11.60 per option share	**At HK$14.60 per option share**	**At HK$12.11 per option share**	**Total consideration** *US$'000*
In year 2014				
January	–	–	80,000	125
For the six months ended 30 June 2014	**–**	**–**	**80,000**	**125**

The closing price of the shares immediately before the date on which the options were exercised for the six months ended 30 June 2014 was HK$15.00 (weighted average for the six months ended 30 June 2013: HK$16.75).

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

	For the six months ended 30 June 2014		For the year ended 31 December 2013	
	Weighted average exercise price in HK$ per option share	**Number of outstanding option shares**	Weighted average exercise price in HK$ per option share	Number of outstanding option shares
At 1 January	**12.32**	**26,591,000**	12.85	8,169,000
Granted	**–**	**–**	12.11	19,000,000
Exercised	**12.11**	**(80,000)**	12.17	(288,000)
Lapsed	**12.36**	**(522,500)**	13.31	(290,000)
At 30 June/31 December	**12.32**	**25,988,500**	12.32	26,591,000

As at 30 June 2014 and 31 December 2013, outstanding option shares are as follows:

		Number of outstanding option shares as at	
Last exercisable date	**Exercise price in HK$ per option share**	**30 June 2014**	31 December 2013
27 April 2015	11.60	**4,575,000**	4,575,000
15 June 2016	14.60	**3,165,500**	3,218,000
22 August 2023	12.11	**18,248,000**	18,798,000
		25,988,500	26,591,000

No new option was granted during the six months ended 30 June 2014 and 2013.

Options on 80,000 shares with exercise price of HK$12.11 per share have lapsed subsequent to 30 June 2014 and up to the approval date of the financial statements.

6. Convertible bonds

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 ("**Maturity Date**"), in the aggregate principal amount of US$500 million. Each bond will, at the option of the holder, be convertible on or after 22 June 2011 up to the close of business on the business day immediately prior to 2 May 2016 into fully paid ordinary shares of the Company with a par value of HK$1.00 each at an initial conversion price of HK$29.03 per ordinary share of the Company (subject to adjustment) and the conversion price has been adjusted to HK$28.02 per ordinary share of the Company on 7 October 2013. Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at 111.84% of their principal amount on the Maturity Date.

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

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

	As at	
	30 June 2014	31 December 2013
Face value of convertible bonds issued on 12 May 2011	**500,000**	500,000
Issuing expenses	**(4,400)**	(4,400)
Equity component credited to the equity	**(44,518)**	(44,518)
Liability component on initial recognition at 12 May 2011	**451,082**	451,082
Accumulated interest expense	**65,014**	54,044
Liability component	**516,096**	505,126

The face value of outstanding bonds at 30 June 2014 amounted to US$500,000,000. No convertible bonds were converted to ordinary shares of the Company during the period or subsequent to 30 June 2014 and up to the date of this announcement. The carrying amount of the liability component which approximates to its fair value is calculated using cash flows discounted at an initial market interest rate of 4.34% per annum.

7. Fixed rate bonds

On 10 April 2012, a wholly owned subsidiary of the Company issued fixed rate bonds in the aggregate principal amount of US$600,000,000 which carry a coupon rate of 4.75% per annum and have a maturity term of 5 years. The fixed rate bonds recognized in the statement of financial position is calculated as follows:

	As at	
	30 June 2014	31 December 2013
Face value of fixed rate bonds issued on 10 April 2012	**600,000**	600,000
Issuing expenses	**(4,859)**	(4,859)
Net bonds proceeds received	**595,141**	595,141
Accumulated amortization of issuing expenses	**2,160**	1,673
Carrying value of fixed rate bonds	**597,301**	596,814

As at 30 June 2014, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US$6,333,000. The carrying amount of the bonds approximates to its fair value.

8. Accounts payable and accruals

	As at 30 June 2014	31 December 2013
Trade payables	**101,468**	94,958
Value-added tax payable under a reorganization scheme	**–**	67,568
Construction cost payable and accrued expenses	**584,831**	680,465
	686,299	842,991

The ageing analysis of the trade payables is as follows:

	As at 30 June 2014	31 December 2013
0 – 3 months	**83,829**	85,570
4 – 6 months	**12,587**	5,294
Over 6 months	**5,052**	4,094
	101,468	94,958

9. Expenses by nature

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

	For the six months ended 30 June 2014	30 June 2013
Depreciation of property, plant and equipment (net of amount capitalized of US$98,000 (2013: US$95,000))	**145,092**	153,639
Amortization of leasehold land and land use rights	**8,380**	8,270
Amortization of trademark and website development	**389**	390
Employee benefit expenses	**321,858**	318,665
Cost of inventories sold or consumed in operation	**130,009**	132,482
Loss/(gain) on disposal of property, plant and equipment and partial replacement of investment properties	**600**	(86)
Discarding of property, plant and equipment and investment properties due to renovation	**2,952**	1,304

10. Other (losses)/gains – net

	For the six months ended 30 June 2014	30 June 2013
Net unrealized gains/(losses) on financial assets held for trading	**687**	(4,711)
Fair value losses on interest-rate swap contracts – non-hedging	**–**	(82)
Interest income	**6,618**	5,342
Fair value (loss)/gain of an investment property	**(12,078)**	27,718
(Provision)/reversal of provision for impairment loss for a property under development and leasehold land	**(3,208)**	2,759
Dividend income	**658**	589
Others	**150**	9
	(7,173)	31,624

11. Finance costs – net

	For the six months ended	
	30 June 2014	30 June 2013
Interest expense		
– bank loans	**50,643**	48,237
– interest-rate swap contracts – hedging	**3,140**	195
– convertible bonds	**10,970**	10,509
– fixed rate bonds	**14,740**	14,740
– other loans	**1,294**	1,294
	80,787	74,975
Less: amount capitalized	**(25,340)**	(24,141)
	55,447	50,834
Net foreign exchange losses/(gains)	**10,557**	(7,496)
	66,004	43,338

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 3.18% per annum for the period (2013: 3.26%).

12. Share of profit of associates

	For the six months ended	
	30 June 2014	30 June 2013
Share of profit before tax of associates before share of net fair value gains of investment properties	**70,179**	40,857
Share of net fair value gains of investment properties	**60,558**	237,325
Share of profit before tax of associates	**130,737**	278,182
Share of associates' taxation before provision for deferred tax liabilities on fair value gains of investment properties	**(16,519)**	(14,979)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(15,139)**	(59,331)
Share of associates' taxation	**(31,658)**	(74,310)
Share of profit of associates	**99,079**	203,872

13. Income tax expense

Income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong includes withholding tax paid and payable on dividends from subsidiaries and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

	For the six months ended	
	30 June 2014	30 June 2013
Current income tax		
– Hong Kong profits tax	**8,906**	7,482
– overseas taxation	**34,214**	32,735
Deferred income tax	**7,362**	20,300
	50,482	60,517

14. Earnings per share

Basic

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

	For the six months ended	
	30 June 2014	30 June 2013
Profit attributable to equity holders of the Company *(US$'000)*	**76,184**	215,266
Weighted average number of ordinary shares in issue *(thousands)*	**3,121,961**	3,121,680
Basic earnings per share *(US cents per share)*	**2.440**	6.896

Diluted

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

For the six months ended 30 June 2014, share options of HK$11.60 issued under the 2002 Option Scheme and HK$12.11 issued under the 2012 Option Scheme have the greatest dilution effect. For the six months ended 30 June 2013, all the share options issued under the 2002 Option Scheme have the greatest dilution effect.

	For the six months ended 30 June 2014	30 June 2013
Profit attributable to equity holders of the Company *(US$'000)*	**76,184**	215,266
Weighted average number of ordinary shares in issue *(thousands)*	**3,121,961**	3,121,680
Adjustments for share options *(thousands)*	**1,720**	1,486
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**3,123,681**	3,123,166
Diluted earnings per share *(US cents per share)*	**2.439**	6.893

15. Dividends

	For the six months ended 30 June 2014	30 June 2013
Interim dividend of **HK6** cents (2013: HK8 cents) per ordinary share	**24,170**	32,224

Notes:

(a) At a meeting held on 19 March 2014, the Board proposed a final dividend of HK4 cents per ordinary share for the year ended 31 December 2013, which was paid on 13 June 2014, and has been reflected as a charge against retained earnings for the six months ended 30 June 2014.

(b) At a meeting held on 20 August 2014, the Board declared an interim dividend of HK6 cents per ordinary share for the year ending 31 December 2014. This declared dividend is not reflected as a dividend payable in these financial statements but reflected as an appropriation of retained earnings for the year ending 31 December 2014. The declared interim dividend of US$24,170,000 for the six months ended 30 June 2014 is calculated based on 3,132,464,799 shares of the Company in issue as at 20 August 2014 after elimination on consolidation the amount of US$81,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (Note 5).

16. Financial guarantees, contingencies and charges over assets

(a) Financial guarantees

As at 30 June 2014, the Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The Group also provided suretyship in favour of an associate in relation to the payment obligations under its banking facility which in return provided counter guarantee to the Company such that any amounts paid by the Company under the suretyship agreement should be proportionate to its respective shareholding in the associate. The utilized amount of such facilities covered by the Group's guarantees for these associates amounts to US$389,298,000 (31 December 2013: US$387,724,000). The Board is of the opinion that it is not probable that such guarantees will be called upon.

(b) Contingent liabilities

As at 30 June 2014, the Group executed guarantees for securing standby documentary credit granted by banks in favour of certain building contractors relating to the execution of construction works for hotel buildings with the amount of US$9,657,000 (31 December 2013: US$9,897,000). The Group also executed a bank guarantee of US$3,103,000 (31 December 2013: US$3,148,000) in favour of the government authorities for the purpose of value-added tax refund and a bank guarantee of US$408,000 (31 December 2013: nil) in favour of a business partner relating to a marketing sponsorship program. These facilities were undrawn as at 30 June 2014.

(c) Charges over assets

As at 30 June 2014, bank borrowings of certain subsidiaries amounting to US$301,787,000 (31 December 2013: US$311,268,000) are secured by:

(i) Land use rights and all immovable assets owned by a subsidiary together with a pledge of all the equity shares of the subsidiary with net book value of US$131,546,000 (31 December 2013: US$136,557,000).

(ii) Legal mortgage over the property owned by five subsidiaries with an aggregate net book value of US$607,414,000 (31 December 2013: US$601,780,000).

17. Commitments

The Group's commitment for capital expenditure at the date of the consolidated statement of financial position but not yet incurred is as follows:

	As at 30 June 2014	As at 31 December 2013
Existing properties – Property, plant and equipment and investment properties		
– contracted but not provided for	**66,202**	40,524
– authorized but not contracted for	**79,442**	92,435
Development projects		
– contracted but not provided for	**712,649**	1,044,283
– authorized but not contracted for	**1,410,321**	1,245,047
	2,268,614	2,422,289

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

(a) In June 2014, the Group entered into a shareholders' agreement with an independent third party to establish a joint venture company in Mauritius for the acquisition of an operating resort in that country in which the Group would have 26% equity interest. Pursuant to the shareholders' agreement, the Group's share of the investment amount in this joint venture company is US$28,600,000. The Group completed the transaction on 4 August 2014.

(b) Subsequent to 30 June 2014 and up to the approval date of the financial statements, the Group executed a 5-year bank loan agreement of RMB133,000,000 (equivalent to US$21,407,000).

OPERATIONS REVIEW

(Performance compared to the corresponding period last year)

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

(a) Hotel ownership (including those under lease)

(b) Hotel management services for Group-owned hotels and for hotels owned by third parties

(c) Property rentals from ownership and leasing of office properties, commercial properties and serviced apartments/residences

The Group has equity interests in certain companies which are engaged in businesses other than the above-mentioned three main business segments. These included the sale of the residential units, wines trading business and operation of a golf course by associates. These other businesses did not have a material impact on the Group's consolidated results for the six months ended 30 June 2014.

Revenues

(a) Hotel ownership

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

- As at 30 June 2014, the Group has equity interest in 63 operating hotels (including the Portman Ritz Carlton Hotel, Shanghai) and 2 hotels under operating lease, representing a room inventory of 29,100 across Asia Pacific and Europe. The Group has a substantial development pipeline with upcoming projects in Hong Kong, Mainland China, Indonesia, Mongolia, Myanmar, the Philippines, Sri Lanka and Ghana.

- The Group's first hotel in United Kingdom – Shangri-La Hotel, At The Shard, London (under operating lease) opened on 6 May 2014. The 202-room hotel is the Group's third hotel in Europe, following the openings of Shangri-La Hotel, Paris and Shangri-La Bosphorus, Istanbul in 2010 and 2013, respectively.

- The 262-room and 17-suite Shangri-La Hotel, Lhasa (a 100% owned hotel) in Mainland China opened on 17 April 2014.

- In April 2014, the former Traders Hotel, Yangon in Myanmar was rebranded as the Sule Shangri-La, Yangon following the completion of an extensive renovation programme to its facilities.

- As at 30 June 2014, the total number of Group-owned operating hotels in Mainland China was 34. The challenging business environment confronting the luxury hotel segment in Mainland China continues. The overall weighted average room yields ("**RevPAR**") for this segment registered a 4% decrease when compared to the same period last year. This was largely due to a decline in the weighted average room rate of 7%.

- Hotels in Hong Kong, Singapore and Malaysia generally benefited from the continuing robust demand from both leisure and business travel and registered improvements in weighted average RevPAR of 6%, 5% and 1%, respectively.

- Affected by the political environment in the country, the two hotels in Thailand recorded a decrease in weighted average RevPAR and weighted average occupancies of 26% and 16 percentage points, respectively.

- Room rates of the hotels in the Philippines were affected by the 7% depreciation of the Philippines Peso. Consequently, the overall weighted average RevPAR expressed in US dollars decreased by 4% as compared to the same period last year.

- The performance of the hotel in Tokyo continued to improve. Supported by both increase in occupancy and room rate, the hotel registered a remarkable increase in RevPAR of 19% as compared to the same period last year.

- With an increase of 13 percentage points in occupancy, the hotel in Paris registered an increase in RevPAR of 18% as compared to the same period last year.

- The three hotels in Australia recorded a marginal decrease in weighted average RevPAR of 1% as a result of a 4% decline in weighted average room rate in US dollar terms following a 9% depreciation of the Australian dollar against the US dollar.

- The overall weighted average RevPAR for the six months ended 30 June 2014 increased by a modest 1% as compared to the same period last year.

(b) Hotel management services

- As at 30 June 2014, the Group's wholly owned subsidiary, SLIM International Limited and its subsidiaries ("**SLIM**"), managed 83 properties including 19 operating hotels with room inventory of 6,200 under third parties' hotel management agreements in Asia Pacific, North America and the Middle East.

- Overall weighted average RevPAR of those hotels under third parties' hotel management agreements registered an increase of 7%.

- Revenue of SLIM on consolidation, after elimination of revenue earned from fellow subsidiaries, recorded an increase of 14%.

- In August 2014, SLIM took over the hotel management of Le Touessrok Resort in Mauritius following the completion of the Group's acquisition of a 26% equity interest in this resort. Upon completion of its extensive renovations around September 2015, the resort will be rebranded as Shangri-La's Le Touessrok Resort & Spa, Mauritius.

(c) Property rentals

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

- The investment properties in Mainland China generally experienced continuous growth in yields as compared to the same period last year. In Shanghai, the newly opened Jing An Kerry Centre (Phase II) registered an average occupancy of 61% for office spaces and 93% for commercial spaces. The Kerry Parkside, Pudong in Shanghai recorded further growth in yields for commercial spaces (21%), office spaces (2%) and serviced apartments (9%) as compared to the same period last year. Most properties of the China World Trade Center in Beijing recorded improvement in yields ranging from 2% to 16% as compared to the same period last year. The Beijing Kerry Centre registered occupancies of 87% and 98% for its commercial spaces and office spaces, respectively. The serviced apartments in this Centre re-opened for business in April 2014 after completion of major renovations. The office spaces of the Chengdu Shangri-La Centre and Shangri-La Centre, Qingdao recorded an increase in yields of 2% and 4%, respectively. The yields of the commercial spaces in these two centres however recorded a 4% decline. The yield of Shangri-La Residences, Dalian also recorded an increase of 42% as compared to the same period last year upon completion of its phased renovations in January 2014.

- The yield of the Group's serviced apartments in Singapore recorded a marginal increase of 3% for the Shangri-La Apartments but a decrease of 17% for the Shangri-La Residences. The commercial spaces in Singapore however recorded steady improvement in yields of 5% and 7% for Tanglin Mall and Tanglin Place, respectively.

- In Malaysia, the UBN Apartments and the office spaces of the UBN Tower recorded a marginal decrease in yields of 5% and 3%, respectively. The yield of the office spaces of the Central Tower in Ulaanbaatar, the Republic of Mongolia was negatively impacted by the depreciation of Mongolian Tugrik resulting in a significant decrease of 22% as compared to the same period last year in US dollar terms.

- The Phase II of Shangri-La Residences in Yangon, Myanmar (a 55.86% Group-owned serviced apartments) opened for business in August 2014.

Consolidated Profits

– Owing to weak market conditions in Mainland China as well as the additional start-up losses of the new hotels, the net profit attributable to equity holders of the Company from the hotel ownership segment decreased by US$11.3 million from US$49.1 million in 2013 to US$37.8 million. The reduction in net profit was largely attributable to the decrease in profits of US$18.0 million from the Mainland China hotels mainly caused by the startup losses of the new hotels that opened in 2013 and 2014 (US$13.4 million) and the increase in exchange losses arising from foreign currency borrowings (US$11.9 million) due to recent weakening of the Renminbi. The improved operating results of Shangri-La Hotel, Tokyo and Shangri-La Hotel, Paris were offset by the startup loss of US$6.2 million recorded by the newly opened Shangri-La Hotel, At The Shard, London. After a year of operation, the Shangri-La Bosphorus, Istanbul in Turkey registered encouraging operating results and had turned from a loss of US$4.1 million in the same period last year to a profit of US$0.6 million in the current period. The investment properties rental segment, especially the properties in Mainland China, continued to be the key profit contributor. The incremental net profit during the period from property rental was US$11.6 million, mainly contributed by the newly opened Jing An Kerry Centre (Phase II) in Shanghai (US$9.3 million). All the principal properties in Mainland China recorded an increase in net profit during the period. The hotel management services segment, benefiting from the opening of new hotels and increased project management services revenues, improved its contribution by US$4.4 million. Details of the segment information are provided in Note 3 to the condensed consolidated interim financial statements included in this announcement.

– In line with the decrease in the profit contribution from the Mainland China hotel ownership segment, the earnings before interest expenses, tax, depreciation, amortization and non-operating items ("**EBITDA**") of the Group for the current period decreased by US$15.9 million to US$265.1 million due to additional pre-opening expenses of US$6.0 million and additional net foreign exchange losses of US$18.1 million as compared to the same period last year. The EBITDA to Consolidated Sales ratio of the Group was 26.2% as compared to 27.9% for the same period last year. The Group's share of EBITDA of its associates for the current period however increased by US$42.7 million to US$113.8 million due to improved performance from its investment properties portfolio.

– The consolidated finance costs for the current period increased by US$4.6 million on account of the increase in bank loans and the additional interest expenses arising from the new interest-rate swap contracts – hedging executed in the second half of 2013. The Group recorded a consolidated net exchange loss of US$10.6 million in the current period, due mainly to the exchange losses arising from foreign currency borrowings of its Mainland China properties, as compared to a net gain of US$7.5 million in the same period last year.

– The Group's share of fair value gains on investment properties (net of tax) substantially decreased to US$40.4 million during the current period from US$189.6 million in the same period last year. The amount of fair value gains in 2013 included US$182.3 million contributed by the newly opened Jing An Kerry Centre (Phase II) in Shanghai. Consequently, net credit from non-operating items during the current period decreased to US$37.5 million from US$181.7 million in the same period last year.

CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Group executed a 5-year unsecured bank loan agreement of HK$1,000 million (approximately US$129.0 million) during the current period. The Group cancelled an undrawn corporate bank loan facility of US$70 million due to its relatively high interest margin. The Group is currently negotiating with certain banks for additional long term loan facilities for refinancing maturing loans as well as meeting project funding requirements.

At the subsidiary level, the Group executed the following bank loan agreements during the six months ended 30 June 2014:

– one 5-year agreement of US$32 million, two 3-year agreements totaling US$29 million and two 3-year agreements totaling RMB180 million (approximately US$29.0 million) to refinance outstanding bank loans that matured in 2014

– three 5-year agreements totaling RMB980 million (approximately US$157.7 million), one 7-year agreement of RMB429 million (approximately US$69.0 million), one 8-year agreement of RMB450 million (approximately US$72.4 million), one 5-year agreement of HK$2,000 million (approximately US$258.1 million) and two 8-year agreements totaling US$80 million to finance project developments and hotel renovations

Subsequent to the period end and up to the date of this announcement, the Group executed a 5-year agreement of RMB133 million (approximately US$21.4 million) to finance project developments.

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

The net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, increased from 54.1% as at 31 December 2013 to 60.3% as at 30 June 2014.

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

The analysis of borrowings outstanding as at 30 June 2014 is as follows:

	Maturities of Borrowings Contracted as at 30 June 2014				
(US$ 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	422.9	645.2	1,350.3	–	2,418.4
– convertible bonds	–	516.1	–	–	516.1
– fixed rate bonds	–	–	597.3	–	597.3
Project bank loans					
– secured	52.3	16.0	207.9	25.6	301.8
– unsecured	221.1	372.4	694.4	68.6	1,356.5
Total	696.3	1,549.7	2,849.9	94.2	5,190.1
Undrawn but committed facilities					
Bank loans and overdrafts	231.0	25.2	728.1	94.8	1,079.1

The currency-mix of the borrowings and cash and bank balances as at 30 June 2014 is as follows:

(US$ million)	**Borrowings**	**Cash and Bank Balances**
In United States dollars	2,273.1	164.9
In Hong Kong dollars	1,513.0	133.2
In Renminbi	698.0	555.1
In Euros	272.2	5.3
In Australian dollars	182.3	28.8
In Singapore dollars	84.2	72.2
In British Pound	76.9	21.3
In Japanese Yen	49.4	8.1
In Philippines Pesos	41.0	33.8
In Malaysian Ringgit	–	18.9
In Thai Baht	–	22.4
In Mongolian Tugrik	–	3.9
In Fiji dollars	–	16.5
In Maldive Rufiyaa	–	1.0
In other currencies	–	0.7
	5,190.1	1,086.1

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

Details of financial guarantees, contingencies and charges over assets as at 30 June 2014 are disclosed in Note 16 to the condensed consolidated interim financial statements included in this announcement.

TREASURY POLICIES

The Group has consistently followed all treasury policies aimed at minimizing interest and currency risk as disclosed in the 2013 Annual Report.

Intra-group financing between subsidiaries in Mainland China by way of entrusted loan agreements through local banks increased from RMB605 million (approximately US$99.8 million) as at 31 December 2013 to RMB726.5 million (approximately US$116.9 million) as at 30 June 2014. The Group will continue to arrange entrusted loans utilizing the cash surplus of operating hotels to finance the development of its new projects in Mainland China.

The Group has endeavoured to hedge its medium term interest rate risk by entering into interest-rate swap contracts. No new contract was executed during the current period. As at 30 June 2014, the outstanding HIBOR and LIBOR interest-rate swap contracts are:

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

– US$206 million at fixed rates ranging between 1.42% and 1.785% per annum maturing during August 2018 to October 2018

Taking into account these interest-rate swap contracts, convertible bonds, fixed rate bonds and the Renminbi bank loans, the Group has fixed its interest liability on 44% of its borrowings outstanding as at 30 June 2014.

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

INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value (including those properties being constructed for future use as investment properties of which fair value becomes reliably determinable at 30 June 2014). All changes in the fair value are recorded in the income statement. For the six months ended 30 June 2014, the Group's share of the net fair value gains on investment properties (including those under construction) being owned by a subsidiary and certain associates (net of deferred taxation) amounted to US$40.4 million based on the opinion from independent professional valuers as obtained by the Group and the major shareholder of certain associates.

FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The equity securities within the investment portfolio remained unchanged during the period. The Group recorded net unrealized fair value gains of US$0.7 million (US$0.6 million after share of non-controlling interests) and dividend income of US$0.7 million (US$0.6 million after share of non-controlling interests) for these equity securities.

DEVELOPMENT PROGRAMMES

On 8 August 2014, the 304-room Shangri-La Hotel, Tianjin (part of Tianjin Kerry Centre in which the Group has 20% equity interest) in Mainland China opened for business.

Construction work on the following projects is on-going:

(i) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Serviced Apartments/ Villas	Projected Opening
Hotels in the People's Republic of China				
Shangri-La Hotel, Qinhuangdao	100%	331	–	2014
Shangri-La's Sanya Resort & Spa, Hainan	100%	506	8 Villas	2014
Shangri-La Hotel, Nanjing	55%	522	40	2014
Shangri-La Hotel, Nanchang (part of composite development project in Nanchang City)	20%	474	–	2015
Shangri-La Hotel, Tangshan (part of composite development project in Tangshan City)	35%	398	38	2015
Shangri-La Hotel, Hefei	100%	402	–	2015
Shangri-La Hotel, Diqing	100%	226	–	2015
Midtown Shangri-La, Hangzhou (part of Kerry Central, Hangzhou)	25%	417	–	2015
Shangri-La Hotel, Jinan (part of composite development project in Jinan City)	45%	411	–	2016
Shangri-La Hotel, Xiamen	100%	425	15	2016
Shangri-La Harbin, Songbei District	100%	451	33	2016
Shangri-La Hotel, Hunghom Bay, Hong Kong	100%	544	–	2016
Hotels in other countries				
Hotel Jen Orchardgateway, Singapore	Operating lease	502	–	17 Sep 2014
Shangri-La Hotel, Ulaanbaatar, the Republic of Mongolia	51%	290	–	2014
Extension of the Ocean Wing of Shangri-La's Rasa Ria Resort, Kota Kinabalu, Malaysia	64.59%	83	–	2015
Shangri-La Hotel, At The Fort, Manila (part of composite development project in Bonifacio Global City, Metro Manila, the Philippines)	40%	576	–	2015
Shangri-La's Hambantota Resort & Spa, Sri Lanka	90%	300	–	2015
Lakeside Shangri-La, Yangon, Myanmar	55.86%	373	24	2016
Shangri-La Hotel, Colombo, Sri Lanka (part of composite development project in Colombo)	90%	503	41	2017

(ii) Composite Developments and Investment Properties Developments

	Group's Equity Interest	Total gross floor area upon completion (excluding hotel component) *(approximate in square meters)* Residential	Office	Commercial	Serviced Apartments	Projected Opening
In Mainland China						
Shenyang Kerry Centre	25%	731,701	195,732	389,199	–	2014-2022*
Phase II of Arcadia Court, Tangshan City	35%	109,178	–	22,808	–	2014
Tianjin Kerry Centre	20%	149,165	70,015	117,985	31,420	2014
Nanchang City Project	20%	81,998	70,545	9,144	–	2014
Phase II of Shangri-La Hotel, Dalian	100%	18,631	–	4,600	12,150	2015
Kerry Central, Hangzhou	25%	–	11,670	103,341	33,512	2015
Jinan City Project	45%	–	35,983	4,705	–	2016
Putian City Project	40%	263,675	–	6,945	–	2016
In other countries						
Bonifacio Global City, Metro Manila, The Philippines	40%	37,522	–	4,405	17,554	2015
Traders Square in Yangon, Myanmar	59.28%	–	37,779	11,808	–	2016
Composite development project in Colombo, Sri Lanka	90%	111,100	60,176	74,607	–	2016-2017
		1,502,970	481,900	749,547	94,636	

* Being developed in phases. First phase opened in 2014. All phases are expected to be completed by 2022.

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

Hotel development

– Zhoushan, Mainland China (wholly owned by the Group)

– Wolong Bay in Dalian, Mainland China (wholly owned by the Group)

– Kunming, Mainland China (45% equity interest owned by the Group)

– Accra, the Republic of Ghana (wholly owned by the Group)

– Bali, Indonesia (53.3% equity interest owned by the Group)

Composite development

– Zhengzhou, Mainland China (45% equity interest owned by the Group)

The Group acquired the entire equity interest in a local company which owns a very well located building in Rome in May 2012. The Group intends to convert the building into a Shangri-La hotel after the existing tenants are vacated. The seller is still negotiating with the remaining tenants in order to deliver vacant possession of the premises in accordance with the terms of the sale and purchase agreement. The balance of the cash consideration of EUR29.8 million (approximately US$40.5 million) is not payable until then.

The Group has executed a termination agreement with the local government in relation to the acquisition of a piece of land in Zhuhai, Mainland China. Pursuant to the agreement, 10% of the land cost representing RMB6.2 million (approximately US$1.0 million) was forfeited and the Group has already received the refund of the remaining 90% of the land cost of RMB55.5 million (approximately US$9.0 million) from the local government.

NEW INVESTMENT

In June 2014, the Group entered into a shareholders' agreement with an independent third party to establish a joint venture company in Mauritius for the acquisition of an operating resort in that country in which the Group would have 26% equity interest. Pursuant to the shareholders' agreement, the Group's share of the investment amount in this joint venture company is US$28.6 million. The Group completed the transaction on 4 August 2014. The resort will be renovated and rebranded thereafter as a Shangri-La resort.

HOTEL MANAGEMENT

Effective 1 August 2014, the Group has completed all the preparatory work to launch an exciting new brand "Hotel Jen". The first hotel under this brand will open for business on 17 September 2014 (Hotel Jen Orchardgateway) in Singapore. It is envisaged that progressively many of the Traders hotels in the Group's portfolio will be rebranded as Hotel Jen. It is the Group's intent to add to the portfolio of this brand of hotels by pursuing suitable management contract opportunities with third party owners/developers.

As at the date of this announcement, the Group has 19 management agreements in respect of operating hotels owned by third parties.

In addition, the Group has agreements on hand for the management of 5 new hotels. The new hotel projects are located in Shaoxing (Mainland China), Bengaluru, India (2 hotels) and Doha, Qatar (2 hotels).

PROSPECTS

The Group's financial performance this year has been weighted down by the difficult operating environment faced by our hotels in Mainland China where the market has been characterized by weak demand and emergence of additional competitive supply in most cities. The political uncertainties in Thailand and a weakening of key currencies such as the Renminbi, Australian dollar and the Philippines Peso relative to the US dollar have also been important contributory factors. These market weaknesses and political factors are expected to continue to be a drag on the Group's profitability for the rest of this year. Besides, start-up costs of newly opened hotels will also erode the Group's profit contribution.

The Group is conscientiously pursuing opportunities to optimize operating costs to protect its profit margins while driving for increased market share. Newly opened hotels are being closely monitored to ramp up performance and attain stable operating conditions within the shortest possible time. The recurring profit contribution from its portfolio of investment properties is expected to show a steady growth. Overall, however, the operating performance of the Group is not expected to show any remarkable improvement for the remainder of this year.

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

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

CORPORATE GOVERNANCE

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

On 19 March 2012, the Board adopted a composite handbook ("**Directors Handbook**") comprising (amongst other things) a set of corporate governance principles of the Company ("**CG Principles**") terms of which align with or are stricter than the requirements set out in, the code provisions under the Corporate Governance Code and Corporate Governance Report ("**CG Model Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited save for the positions of the Chairman and the Chief Executive Officer of the Company may be served by the same person. The Directors Handbook serves as a comprehensive guidebook for all Directors.

During the underlying six-month period, the CG Principles were the codes for the Company's corporate governance.

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

CG Model Code		Deviation and reason
A.2.1	The roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual	Mr KUOK Khoon Chen serves as both the Chairman and the Chief Executive Officer of the Company. The Company believes that the non-separation of the two roles is not significant given that Mr Gregory Allan DOGAN, an Executive Director and the Chief Operating Officer of the Company, is also the president and chief executive officer of Shangri-La International Hotel Management Limited (the hotel management subsidiary of the Company) which is entrusted with the primary responsibility of operating the assets of the Group.

QUALIFICATION FOR INTERIM DIVIDEND

In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 pm on 25 September 2014.

On behalf of the board of
Shangri-La Asia Limited
KUOK Khoon Chen
Chairman

Hong Kong, 20 August 2014

As at the date hereof, the directors of the Company are:

Executive directors
Mr KUOK Khoon Chen (Chairman)
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO
Mr Gregory Allan DOGAN

Non-executive directors
Mr HO Kian Guan
Mr HO Kian Hock (alternate to Mr HO Kian Guan)

Independent non-executive directors
Mr Alexander Reid HAMILTON
Mr Timothy David DATTELS
Mr WONG Kai Man
Professor LI Kwok Cheung Arthur