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)

2013 FINAL RESULTS ANNOUNCEMENT

The board of directors ("**Board**") of Shangri-La Asia Limited ("**Company**") is pleased to announce the audited results of the Company and its subsidiaries ("**Group**"), and associates for the year ended 31 December 2013. These results have been audited by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and reviewed by the audit committee of the Board.

The consolidated profit attributable to the equity holders of the Company for the year ended 31 December 2013 increased by 9.3% to US$392.3 million (US12.57 cents per share) from US$359.0 million (US11.50 cents per share) in the last year.

The Board has recommended a final dividend of **HK4 cents** per share for 2013 (2012: HK10 cents per share) payable to the Company's shareholders whose names appear on the registers of members of the Company on Wednesday, 4 June 2014. With the interim dividend of HK8 cents per share (2012: HK10 cents per share) paid in October 2013, the total dividend for 2013 is HK12 cents per share (2012: HK20 cents per share).

Subject to shareholders' approval of the payment of the final dividend at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on Friday, 13 June 2014.

GROUP FINANCIAL HIGHLIGHTS

Audited Consolidated Results

		Year ended 31 December	
		2013	2012 (Restated)
Sales	*US$'000*	**2,081,081**	2,057,249
Profit attributable to the equity holders of the Company	*US$'000*	**392,298**	358,986
Earnings per share	*US cents*	**12.57**	11.50
equivalent to	*HK cents*	**97**	89
Dividend per share	*HK cents*	**12**	20
Return on Equity $\left(\frac{\text{Profit attributable to equity holders of the Company}}{\text{Average equity attributable to equity holders of the Company}}\right)$		**6.4%**	6.2%
EBITDA (the Company and its subsidiaries)	*US$'000*	**571,788**	608,238
EBITDA Margin $\left(\frac{\text{EBITDA (the Company and its subsidiaries)}}{\text{Sales}}\right)$		**27.5%**	29.6%

EBITDA is defined as earnings before interest expenses on loans and bonds issued, tax, depreciation and amortization, gain or loss on disposal of fixed assets and interest in investee companies and excludes fair value gains on investment properties, fair value gains or losses on interest-rate swap contracts and financial assets held for trading, negative goodwill arising from acquisition of subsidiaries, impairment loss on goodwill and fixed assets; and stamp duty paid for acquisition of subsidiaries.

Audited Consolidated Statement of Financial Position

		As at 31 December	
		2013	2012 (Restated)
Total equity	*US$'000*	**6,867,344**	6,527,550
Net assets attributable to the Company's equity holders	*US$'000*	**6,312,581**	6,024,876
Net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances)	*US$'000*	**3,717,986**	3,526,443
Net assets per share attributable to the Company's equity holders	*US$*	**2.02**	1.92
Net assets (total equity) per share	*US$*	**2.19**	2.08
Net borrowings to total equity ratio		**54.1%**	54.0%

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2013 US$'000	As at 31 December 2012 US$'000 (Restated)	As at 1 January 2012 US$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**6,075,567**	5,908,344	4,659,689
Investment properties		**1,072,942**	956,412	884,907
Leasehold land and land use rights		**653,768**	686,093	739,099
Intangible assets		**93,065**	93,511	93,058
Interest in associates		**3,396,955**	2,956,495	2,381,770
Deferred income tax assets		**758**	3,188	2,235
Available-for-sale financial assets		**4,947**	4,412	4,364
Derivative financial instruments		**1,550**	–	–
Other receivables		**14,954**	18,133	19,998
		11,314,506	10,626,588	8,785,120
Current assets				
Inventories		**48,383**	50,012	49,373
Properties for sale		**24,439**	25,448	27,346
Accounts receivable, prepayments and deposits	*4*	**312,596**	289,839	225,117
Due from associates		**41,688**	63,386	30,433
Derivative financial instruments		**443**	–	–
Due from non-controlling shareholders		**160**	–	–
Financial assets held for trading		**20,952**	24,929	15,741
Cash and bank balances		**1,135,090**	838,918	838,786
		1,583,751	1,292,532	1,186,796
Total assets		**12,898,257**	11,919,120	9,971,916
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	*5*	**2,554,222**	2,553,647	2,551,789
Other reserves		**1,904,254**	1,923,620	1,782,763
Retained earnings				
– Proposed final dividend	*15*	**16,113**	40,280	40,270
– Others		**1,837,992**	1,507,329	1,229,723
		6,312,581	6,024,876	5,604,545
Non-controlling interests		**554,763**	502,674	421,587
Total equity		**6,867,344**	6,527,550	6,026,132

	Note	As at 31 December 2013 US$'000	As at 31 December 2012 US$'000 (Restated)	As at 1 January 2012 US$'000 (Restated)
LIABILITIES				
Non-current liabilities				
Bank loans		**3,345,807**	2,757,007	1,927,745
Convertible bonds	*6*	**505,126**	483,879	463,527
Fixed rate bonds	*7*	**596,814**	595,843	–
Derivative financial instruments		**1,265**	765	3,537
Due to non-controlling shareholders		**26,896**	25,900	24,904
Deferred income tax liabilities		**285,452**	249,777	233,944
		4,761,360	4,113,171	2,653,657
Current liabilities				
Accounts payable and accruals	*8*	**842,991**	720,681	709,703
Due to non-controlling shareholders		**7,912**	7,889	7,298
Current income tax liabilities		**12,955**	17,148	18,609
Bank loans		**405,329**	528,632	536,350
Derivative financial instruments		**366**	4,049	20,167
		1,269,553	1,278,399	1,292,127
Total liabilities		**6,030,913**	5,391,570	3,945,784
Total equity and liabilities		**12,898,257**	11,919,120	9,971,916
Net current assets/(liabilities)		**314,198**	14,133	(105,331)
Total assets less current liabilities		**11,628,704**	10,640,721	8,679,789

AUDITED CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	**2013**	2012
		US$'000	*US$'000*
			(Restated)
Sales	*3*	**2,081,081**	2,057,249
Cost of sales	*9*	**(906,747)**	(881,325)
Gross profit		**1,174,334**	1,175,924
Other gains – net	*10*	**35,107**	58,139
Marketing costs	*9*	**(84,236)**	(80,953)
Administrative expenses	*9*	**(195,280)**	(182,696)
Other operating expenses	*9*	**(690,395)**	(668,264)
Operating profit		**239,530**	302,150
Finance costs – net	*11*	**(105,075)**	(79,427)
Share of profit of associates	*12*	**416,532**	261,576
Profit before income tax		**550,987**	484,299
Income tax expense	*13*	**(109,871)**	(102,002)
Profit for the year		**441,116**	382,297
Attributable to:			
Equity holders of the Company		**392,298**	358,986
Non-controlling interests		**48,818**	23,311
		441,116	382,297
Earnings per share for profit attributable to the equity holders of the Company during the year *(expressed in US cents per share)*			
– basic	*14*	**12.57**	11.50
– diluted	*14*	**12.56**	11.50
Dividends	*15*	**48,337**	80,554

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital *US$'000*	**Other reserves** *US$'000*	**Retained earnings** *US$'000*	**Total** *US$'000*	**Non-controlling interests** *US$'000*	**Total equity** *US$'000*
Balance at 1 January 2013, as previously reported	**2,553,647**	**1,923,738**	**1,549,898**	**6,027,283**	**502,794**	**6,530,077**
Opening adjustment for the adoption of revised HKAS 19	**–**	**(118)**	**(2,289)**	**(2,407)**	**(120)**	**(2,527)**
Balance at 1 January 2013, as restated	**2,553,647**	**1,923,620**	**1,547,609**	**6,024,876**	**502,674**	**6,527,550**
Remeasurements of post-employment benefit obligations	**–**	**–**	**(1,738)**	**(1,738)**	**(26)**	**(1,764)**
Fair value changes of interest-rate swap contracts – hedging	**–**	**1,210**	**–**	**1,210**	**–**	**1,210**
Currency translation differences	**–**	**(28,324)**	**–**	**(28,324)**	**(18,751)**	**(47,075)**
Net loss recognized directly in equity	**–**	**(27,114)**	**(1,738)**	**(28,852)**	**(18,777)**	**(47,629)**
Profit for the year	**–**	**–**	**392,298**	**392,298**	**48,818**	**441,116**
Total comprehensive (loss)/ income for the year ended 31 December 2013	**–**	**(27,114)**	**390,560**	**363,446**	**30,041**	**393,487**
Granting of share options – value of employee service	**–**	**7,870**	**–**	**7,870**	**–**	**7,870**
Exercise of share options – allotment of shares	**453**	**–**	**–**	**453**	**–**	**453**
Exercise of share options – transfer from share option reserve to share premium	**122**	**(122)**	**–**	**–**	**–**	**–**
Payment of 2012 final dividend	**–**	**–**	**(40,280)**	**(40,280)**	**–**	**(40,280)**
Payment of 2013 interim dividend	**–**	**–**	**(32,224)**	**(32,224)**	**–**	**(32,224)**
Difference between the consideration paid and the portion of the non-controlling interests arising from acquisition of partial equity interest in a subsidiary from a non-controlling shareholder	**–**	**–**	**(11,560)**	**(11,560)**	**–**	**(11,560)**
Equity interest in a subsidiary acquired from a non-controlling shareholder	**–**	**–**	**–**	**–**	**11,560**	**11,560**
Dividend paid and payable to non-controlling shareholders	**–**	**–**	**–**	**–**	**(19,686)**	**(19,686)**
Equity injected by non-controlling shareholders	**–**	**–**	**–**	**–**	**13,092**	**13,092**
Net change in equity loans due to non-controlling shareholders	**–**	**–**	**–**	**–**	**17,219**	**17,219**
Disposal of equity interest in a subsidiary	**–**	**–**	**–**	**–**	**(137)**	**(137)**
	575	**7,748**	**(84,064)**	**(75,741)**	**22,048**	**(53,693)**
Balance at 31 December 2013	**2,554,222**	**1,904,254**	**1,854,105**	**6,312,581**	**554,763**	**6,867,344**

	Attributable to equity holders of the Company					
	Share capital *US$'000*	Other reserves *US$'000*	Retained earnings *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total equity *US$'000*
Balance at 1 January 2012, as previously reported	2,551,789	1,782,763	1,271,551	5,606,103	421,751	6,027,854
Opening adjustment for the adoption of revised HKAS 19	–	–	(1,558)	(1,558)	(164)	(1,722)
Balance at 1 January 2012, as restated	2,551,789	1,782,763	1,269,993	5,604,545	421,587	6,026,132
Remeasurements of post-employment benefit obligations	–	–	(822)	(822)	36	(786)
Fair value changes of an interest-rate swap contract – hedging	–	(848)	–	(848)	–	(848)
Currency translation differences, as restated	–	142,071	–	142,071	8,195	150,266
Net income/(loss) recognized directly in equity, as restated	–	141,223	(822)	140,401	8,231	148,632
Profit for the year, as restated	–	–	358,986	358,986	23,311	382,297
Total comprehensive income for the year ended 31 December 2012, as restated	–	141,223	358,164	499,387	31,542	530,929
Exercise of share options – allotment of shares	1,492	–	–	1,492	–	1,492
Exercise of share options – transfer from share option reserve to share premium	366	(366)	–	–	–	–
Payment of 2011 final dividend	–	–	(40,274)	(40,274)	–	(40,274)
Payment of 2012 interim dividend	–	–	(40,274)	(40,274)	–	(40,274)
Dividend paid and payable to non-controlling shareholders	–	–	–	–	(15,598)	(15,598)
Equity injected by non-controlling shareholders	–	–	–	–	19,872	19,872
Net change in equity loans due to non-controlling shareholders	–	–	–	–	45,271	45,271
	1,858	(366)	(80,548)	(79,056)	49,545	(29,511)
Balance at 31 December 2012	2,553,647	1,923,620	1,547,609	6,024,876	502,674	6,527,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied during the year unless otherwise stated.

Basis of preparation

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

New standards and amendments to standards adopted by the Group

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

HKAS 1 Revised (Amendment) – Presentation of Financial Statements

The amendment requires that the Statement of Other Comprehensive Income to present separately items of other comprehensive income that could be reclassified to profit or loss at a future point in time from items that will never be reclassified. The adoption of these amendments affected presentation of the financial statements only and had no impact on the Group's results of operations or financial position.

HKAS 19 (2011) – Employee Benefits

The standard introduces a number of amendments to the accounting for defined benefit schemes. Among them, HKAS 19 (2011) eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognized in income statement over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognized immediately in other comprehensive income. HKAS 19 (2011) also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not. The adoption of HKAS 19 (2011) has no material impact on the Group's financial statements for the year ended 31 December 2013. The standard has been applied retrospectively and the effects of its adoption on the consolidated financial statements for the year ended 31 December 2012 are set out below.

Effects on the Consolidated Income Statement

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

Effects on the Consolidated Statement of Comprehensive Income

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

Effects on the Consolidated Statement of Financial Position

	As at 31 December 2012 *US$'000*	As at 1 January 2012 *US$'000*
Increase in accounts payable and accruals	2,785	1,822
Decrease in accounts receivable, prepayments and deposits	816	610
Decrease in deferred tax assets	5	2
Decrease in deferred tax liabilities	1,079	712
Decrease in retained earnings	2,289	1,558
Decrease in non-controlling interests	120	164
Decrease in exchange fluctuation reserve	118	–

HKFRS 7 (Amendment) – Financial Instruments: Disclosures

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

HKFRS 10 – Consolidated Financial Statements

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

HKFRS 11 – Joint Arrangements

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

HKFRS 12 – Disclosure of Interests in Other Entities

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

HKFRS 13 – Fair Value Measurement

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

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

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

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

3 SALES AND SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

The chief operating decision-maker assesses the performance of the operating segments based on a measure of the share of profit after tax and non-controlling interests. This measurement basis excludes the effects of pre-opening expenses of projects, corporate expenses and other non-operating items such as fair value gains or losses on investment properties, fair value adjustments on monetary items and impairments for any isolated non-recurring event.

Segment income statement

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

	2013		2012	
	Sales	**Profit/(Loss) after tax**	Sales	Profit/(Loss) after tax (Restated)
	(Note ii)	***(Note i)***	*(Note ii)*	*(Note i)*
Hotel operations				
Hong Kong	**275.7**	**65.6**	270.5	65.8
Mainland China	**772.3**	**11.0**	853.3	50.9
Singapore	**189.7**	**36.2**	180.9	36.9
Malaysia	**154.4**	**21.0**	143.2	15.5
The Philippines	**195.4**	**11.1**	196.7	7.3
Japan	**54.1**	**(9.6)**	54.9	(15.6)
Thailand	**70.5**	**6.3**	63.6	2.2
Australia	**103.5**	**3.3**	46.4	(0.5)
France	**54.6**	**(28.6)**	49.8	(22.3)
Turkey	**–**	**(6.2)**	–	–
Other countries	**97.3**	**(1.6)**	84.8	(3.2)
	1,967.5	**108.5**	1,944.1	137.0
Property rentals				
Mainland China	**26.8**	**81.3**	25.4	63.8
Singapore	**15.0**	**11.9**	16.1	11.3
Malaysia	**7.3**	**1.9**	7.0	1.7
Other countries	**17.7**	**2.2**	18.9	4.7
	66.8	**97.3**	67.4	81.5
Hotel management	**131.7**	**11.2**	135.2	23.5
Other business	**–**	**1.5**	–	–
Total	**2,166.0**	**218.5**	2,146.7	242.0
Less: Hotel management – Inter-segment sales	**(84.9)**		(89.5)	
Total external sales	**2,081.1**		2,057.2	
Net corporate finance costs (including foreign exchange gains and losses)		**(56.0)**		(24.8)
Land cost amortization and pre-opening expenses for projects		**(71.4)**		(42.7)
Corporate expenses		**(25.1)**		(20.1)
Profit before non-operating items		**66.0**		154.4

	2013 Profit/(Loss) after tax (Note i)	2012 Profit/(Loss) after tax (Restated) (Note i)
Profit before non-operating items	**66.0**	154.4
Non-operating items		
Fair value gains on investment properties	**398.7**	185.0
Loss on major renovation of an investment property owned by an associate	**(15.6)**	–
Net unrealized (losses)/gains on financial assets held for trading	**(4.1)**	9.0
Fair value losses on interest-rate swap contracts – non-hedging	**(0.1)**	(0.9)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	**(0.9)**	(0.9)
Provision for impairment losses on hotel properties and other properties	**(62.2)**	(5.0)
Reversal of impairment provision for a property under development	**1.5**	–
Reversal of impairment provision for a vacant land	**4.0**	–
Gain on disposal of a vacant land	**1.3**	–
Reversal of deferred tax (credit)/provision on revaluation gain of investment properties owned by an associate	**(0.5)**	6.2
Provision for taxation relating to a rationalization of the ownership structure of an associate	**(3.3)**	–
Gain on disposal of interests in a subsidiary which owns a hotel and associates which own properties under development	**23.0**	–
Exchange losses arising from the refinancing of Australian dollars shareholder's loan	**(15.5)**	–
Negative goodwill arising from acquisition of subsidiaries and an associate	**–**	22.6
Realized loss on disposal of long term investment	**–**	(1.7)
Stamp duty expenses relating to acquisition of subsidiaries	**–**	(18.8)
Realized gains on fixed rate bonds investment	**–**	9.1
Total non-operating items	**326.3**	204.6
Profit attributable to equity holders of the Company	**392.3**	359.0

Notes:

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

ii. Sales exclude sales of associates.

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

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

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

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

Segment assets

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

	As at 31 December	
	2013	2012 (Restated)
Hotel operations		
Hong Kong	**253.3**	245.3
Mainland China	**2,654.2**	2,559.6
Singapore	**602.3**	644.1
Malaysia	**367.7**	381.8
The Philippines	**512.5**	553.5
Japan	**28.5**	34.1
Thailand	**248.7**	229.0
Australia	**396.3**	493.8
France	**512.4**	433.0
Other countries	**323.9**	328.6
	5,899.8	5,902.8
Property rentals		
Mainland China	**346.1**	322.4
Singapore	**458.4**	473.7
Malaysia	**94.6**	92.2
Other countries	**231.4**	103.1
	1,130.5	991.4
Hotel management	**174.0**	148.7
Elimination	**(42.6)**	(58.2)
Total segment assets	**7,161.7**	6,984.7
Assets allocated to projects	**1,981.0**	1,747.4
Unallocated assets	**265.5**	137.0
Intangible assets	**93.1**	93.5
Total assets of the Company and its subsidiaries	**9,501.3**	8,962.6
Interest in associates	**3,397.0**	2,956.5
Total assets	**12,898.3**	11,919.1

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

4 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

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

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

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

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

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

5 SHARE CAPITAL

		Amount		
	No. of shares	**Ordinary shares**	**Share premium**	**Total**
	('000)	*US$'000*	*US$'000*	*US$'000*
Authorized – Ordinary shares of HK$1 each				
At 31 December 2012 and 31 December 2013	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid – Ordinary shares of HK$1 each				
At 1 January 2013	3,132,097	404,398	2,149,249	2,553,647
Exercise of share options				
– allotment of shares	288	37	416	453
– transfer from option reserve	–	–	122	122
At 31 December 2013	**3,132,385**	**404,435**	**2,149,787**	**2,554,222**

As at 31 December 2013, 10,501,055 ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognized to equity in prior years.

Share options

The 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. On 23 August 2013, the Company granted a total of 19,000,000 option shares under the 2012 Option Scheme at an exercise price of HK$12.11 per share to the directors and key employees of the Group. The options under the 2012 Option Scheme are immediately exercisable on the grant date and have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The fair value of the option shares granted on 23 August 2013 determined using the Black-Scholes valuation model was HK$3.21 per option share. The Group recognized an option expense of US$7,870,000 for the year ended 31 December 2013 due to the new option shares granted by the Company during the year.

The movements in option shares granted on 23 August 2013 pursuant to the 2012 Option Scheme during the year are as follows:

	Number of option shares issued at HK$12.11 per option share
Balance as at 1 January 2013	**–**
Granted during the year	**19,000,000**
Lapsed during the year	**(150,000)**
Exercised during the year	**(52,000)**
Balance as at 31 December 2013	**18,798,000**

The following option shares at various exercise prices granted to option holders of the Company under the 2002 Option Scheme and 2012 Option Scheme were exercised:

	Number of option shares issued			
	At HK$11.60 per option share	**At HK$14.60 per option share**	**At HK$12.11 per option share**	**Total consideration** *US$'000*
February	50,000	16,000	–	105
March	–	20,000	–	38
April	50,000	–	–	75
November	40,000	–	50,000	138
December	50,000	10,000	2,000	97
For the year ended 31 December 2013	**190,000**	**46,000**	**52,000**	**453**

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$15.57 (2012: HK$16.62).

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

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Weighted average exercise price in HK$ per option share	**Number of outstanding option shares**	Weighted average exercise price in HK$ per option share	Number of outstanding option shares
At 1 January	**12.85**	**8,169,000**	12.71	9,456,500
Granted	**12.11**	**19,000,000**	–	–
Exercised	**12.17**	**(288,000)**	11.31	(1,022,500)
Lapsed	**13.31**	**(290,000)**	13.69	(265,000)
At 31 December	**12.32**	**26,591,000**	12.85	8,169,000

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

	Exercise price in HK$ per option share	**Number of outstanding option shares as at 31 December 2013**	31 December 2012
Last exercisable date			
27 April 2015	11.60	**4,575,000**	4,765,000
15 June 2016	14.60	**3,218,000**	3,404,000
22 August 2023	12.11	**18,798,000**	–
		26,591,000	8,169,000

Options on 80,000 shares with exercise price of HK$12.11 per share have been exercised subsequent to 31 December 2013 and up to the date of this announcement. Options on 7,500 shares and 250,000 shares with exercise price of HK$14.60 and HK$12.11 per share, respectively have lapsed subsequent to 31 December 2013 and up to the date of this announcement.

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:

	2013	2012
	US$'000	*US$'000*
Face value of convertible bonds issued on 12 May 2011	**500,000**	500,000
Issuing expenses	**(4,400)**	(4,400)
Equity component credited to the equity	**(44,518)**	(44,518)
Liability component on initial recognition at 12 May 2011	**451,082**	451,082
Accumulated interest expense	**54,044**	32,797
Liability component at 31 December	**505,126**	483,879

The face value of outstanding bonds at 31 December 2013 amounted to US$500,000,000. No convertible bonds were converted to ordinary shares of the Company during the year or subsequent to 31 December 2013 and up to the date of this 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:

	2013	2012
	US$'000	*US$'000*
Face value of fixed rate bonds issued on 10 April 2012	**600,000**	600,000
Issuing expenses	**(4,859)**	(4,859)
Net bonds proceeds received	**595,141**	595,141
Accumulated amortization of issuing expenses	**1,673**	702
Carrying amount of fixed rate bonds at 31 December	**596,814**	595,843

As at 31 December 2013, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US$6,333,000. The carrying amount of the bonds approximates to its fair value.

8 ACCOUNTS PAYABLE AND ACCRUALS

	2013	2012
	US$'000	*US$'000*
		(Restated)
Trade payables	**94,958**	103,145
Value-added-tax payable under a reorganization scheme	**67,568**	–
Construction cost payable, payable for land use rights and accrued expenses	**680,465**	617,536
	842,991	720,681

At 31 December 2013, the ageing analysis of the trade payables is as follows:

	2013	2012
	US$'000	*US$'000*
0 – 3 months	**85,570**	95,613
4 – 6 months	**5,294**	4,025
Over 6 months	**4,094**	3,507
	94,958	103,145

9 EXPENSES BY NATURE

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

	2013	2012
	US$'000	*US$'000*
		(Restated)
Depreciation of property, plant and equipment (net of amount capitalized of US$374,000 (2012: US$181,000))	**304,327**	283,708
Amortization of leasehold land and land use rights	**16,919**	20,230
Amortization of trademark and website development	**779**	731
Employee benefit expenses excluding directors' emoluments (net of amount capitalized and amount grouped under pre-opening expenses)	**656,711**	618,182
Share options granted to directors and employees	**7,870**	–
Cost of inventories sold or consumed in operation	**276,094**	282,024
Stamp duty expenses for acquisition of subsidiaries	**–**	18,842
Loss on disposal of property, plant and equipment and partial replacement of investment properties	**1,451**	3,842
Discarding of property, plant and equipment due to renovation of hotels and resorts	**2,397**	3,826
Operating lease expenses	**41,780**	39,177
Pre-opening expenses	**23,707**	8,032
Auditors' remuneration	**1,691**	1,543

10 OTHER GAINS – NET

	2013	2012
	US$'000	*US$'000*
Fair value gains on investment properties	**57,569**	16,516
(Losses)/gains on financial assets held for trading		
– net unrealized (losses)/gains on equity securities	**(3,977)**	9,188
– realized gains on fixed rate bonds	**–**	9,118
Fair value losses on interest-rate swap contracts – non-hedging	**(55)**	(924)
Provision for impairment losses on hotel properties and other properties	**(62,229)**	(8,634)
Reversal of impairment provision for a property under development	**2,759**	–
Reversal of impairment provision for a vacant land	**4,000**	–
Gain on disposal of a vacant land	**1,305**	–
Gain on disposal of interests in a subsidiary which owns a hotel	**20,398**	–
Gain on disposal of interests in associates which own properties under development	**2,563**	–
Negative goodwill arising from acquisition of subsidiaries	**–**	16,040
Non-operating items	**22,333**	41,304
Interest income		
– fixed rate bonds	**–**	4,929
– bank deposit and others	**11,698**	10,926
Dividend income	**1,026**	927
Others	**50**	53
	35,107	58,139

11 FINANCE COSTS – NET

	2013	2012
	US$'000	*US$'000*
Interest expense:		
– bank loans	**107,030**	83,918
– convertible bonds *(Note 6)*	**21,247**	20,352
– fixed rate bonds	**29,475**	21,285
– other loans	**2,464**	1,988
	160,216	127,543
Less: amount capitalized	**(49,697)**	(31,850)
	110,519	95,693
Net foreign exchange gains	**(5,444)**	(16,266)
	105,075	79,427

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 3.4% per annum (2012: 3.3%).

12 SHARE OF PROFIT OF ASSOCIATES

	2013	2012
	US$'000	*US$'000*
Share of profit before tax and non-operating items of associates	**71,124**	101,343
Share of net increase in fair value of investment properties	**504,130**	233,649
Share of loss on major renovation of an investment property	**(20,880)**	–
Negative goodwill arising from acquisition of an associate	**–**	6,609
Share of profit before tax of associates	**554,374**	341,601
Share of associates' taxation before provision for taxation for non-operating items	**(17,821)**	(29,645)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(125,241)**	(50,380)
Share of deferred tax credit arising from the loss on major renovation of an investment property	**5,220**	–
Share of associates' taxation	**(137,842)**	(80,025)
Share of profit of associates	**416,532**	261,576

13 INCOME TAX EXPENSE

	2013	2012
	US$'000	*US$'000*
		(Restated)
Current income tax		
– Hong Kong profits tax	**14,793**	15,543
– Overseas taxation	**56,748**	72,557
Deferred income tax	**38,330**	13,902
	109,871	102,002

Share of associates' taxation for the year ended 31 December 2013 of US$137,842,000 (2012: US$80,025,000) is included in the consolidated income statement as share of profit of associates.

Hong Kong profits tax is provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profits of group companies operating in Hong Kong.

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.

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 year after adjustment of those issued ordinary shares of the Company held by a subsidiary.

	2013	2012 (Restated)
Profit attributable to equity holders of the Company *(US$'000)*	**392,298**	358,986
Weighted average number of ordinary shares in issue *(thousands)*	**3,121,722**	3,121,119
Basic earnings per share *(US cents per share)*	**12.57**	11.50

Diluted

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

For the year ended 31 December 2013, share options of HK$11.60 issued under the 2002 Option Scheme and HK$12.11 issued under the 2012 Option Scheme have the greatest dilution effect. For the year ended 31 December 2012, all share options issued under the 2002 Option Scheme have the greatest dilution effect.

	2013	2012 (Restated)
Profit attributable to equity holders of the Company *(US$'000)*	**392,298**	358,986
Weighted average number of ordinary shares in issue *(thousands)*	**3,121,722**	3,121,119
Adjustments for – share options *(thousands)*	**2,066**	1,654
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**3,123,788**	3,122,773
Diluted earnings per share *(US cents per share)*	**12.56**	11.50

15 DIVIDENDS

	2013	2012
	US$'000	*US$'000*
Interim dividend paid of HK8 cents (2012: HK10 cents) per ordinary share	**32,224**	40,274
Proposed final dividend of HK4 cents (2012: HK10 cents) per ordinary share	**16,113**	40,280
	48,337	80,554

At a meeting held on 19 March 2014, the Board proposed a final dividend of HK4 cents per ordinary share for the year ended 31 December 2013. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2014.

The proposed final dividend of US$16,113,000 for the year ended 31 December 2013 is calculated based on 3,132,464,799 shares in issue as at 19 March 2014, after elimination on consolidation the amount of US$54,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company *(Note 5)*.

16 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The Group also provided suretyship in favour of an associate in relation to the payment obligations under its banking facility which in return provided counter guarantee to the Company such that any amounts paid by the Company under the suretyship agreement should be proportionate to its respective shareholding in the associate. The utilized amount of such facilities covered by the Group's guarantees for these associates amounts to US$387,724,000 (2012: US$342,966,000). Guarantees are stated at their respective contracted amounts. The Board is of the opinion that it is not probable that the above guarantees will be called upon.

(b) Contingent liabilities

As at 31 December 2013, the Group executed guarantees for securing standby documentary credit granted by banks in favour of certain building contractors relating to the execution of construction works for hotel buildings with the amount of US$9,897,000 (2012: US$26,052,000). The Group also executed a bank guarantee of US$3,148,000 (2012: US$3,010,000) in favour of the government authorities for the purpose of value added tax refund. These facilities were undrawn as at 31 December 2013.

(c) Charges over assets

As at 31 December 2013, bank loans of certain subsidiaries amounting to US$311,268,000 (2012: US$240,671,000) were secured by:

(i) Land lease rights and all immovable assets owned by a subsidiary together with a pledge of all the equity shares of the subsidiary with net book value of US$136,557,000 (2012: US$140,735,000).

(ii) Legal mortgage over the property owned by five subsidiaries with an aggregate net book value of US$601,780,000 (2012: US$270,975,000).

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:

	2013	2012
	US$'000	*US$'000*
Existing properties – Property, plant and equipment and investment properties		
Contracted but not provided for	**40,524**	66,435
Authorized but not contracted for	**92,435**	39,059
Development projects		
Contracted but not provided for	**1,044,283**	1,402,503
Authorized but not contracted for	**1,245,047**	1,843,994
	2,422,289	3,351,991

18 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

The Group executed a 5-year unsecured bank loan agreement of HK$1,000,000,000 (equivalent to US$129,032,000), a 5-year unsecured bank loan agreement of RMB300,000,000 (equivalent to US$49,489,000) and a 5-year unsecured bank loan agreement of US$32,000,000. The Group cancelled an undrawn bank loan facility of US$70,000,000.

PERFORMANCE REVIEW

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

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

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

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

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

– Shangri-La Hotels are five-star luxury hotels offering gracious hospitality and located in premier cities
– Shangri-La Resorts offer travelers and families a relaxing and engaging vacation in some of the world's most exotic destinations
– Kerry Hotels are five-star hotels with contemporary, unique, functional designs and enthusiastic, intuitive service
– Traders Hotels are four-star business hotels which also appeal to leisure travelers

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

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

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

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

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

(a) Revenues

(i) Hotel Operations

As at 31 December 2013, the Group had equity interest in 62 operating hotels (2012: 59) comprising 28,392 available guest rooms (2012: 27,524) including the Portman Ritz-Carlton Hotel, Shanghai ("**Portman**"). The 200-room Shangri-La Hotel, Tokyo ("**Shangri-La Tokyo**") is operating under a medium term operating lease.

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

Comments on performance by geography:

*The People's Republic of China **("PRC")***

Hong Kong

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

Mainland China

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

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

Singapore

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

The Philippines

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

Malaysia

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

Thailand

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

Japan

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

Australia

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

France

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

Turkey

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

Other Countries

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

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

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

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

Note: The RevPAR of hotels under renovation has been computed by including the rooms under renovation in the number of available rooms in line with industry practice. The 2012 comparatives have been restated accordingly. RevPAR disclosed in 2012 has excluded the hotel rooms under renovation in the computation.

(ii) Hotel Management

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

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

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

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

(iii) Property Rentals

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

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

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

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

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

(b) Segment Results

Details of the segment information are provided in Note 3 to the consolidated financial statements included in this announcement. Net profit before non-operating items in 2013 decreased substantially by 57.3% to US$66.0 million.

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

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

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

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

(c) EBITDA and Consolidated Profits

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

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

In line with the decrease in profit from the hotel operation segment, the consolidated operating profit before finance costs for 2013 decreased from US$302.2 million to US$239.5 million after inclusion of the net credit of non-operating items (before tax and share of non-controlling interests) of US$35.1 million (2012: US$58.1 million) recorded under "Other gains – net" as detailed in Note 10 of the consolidated financial statements included in this announcement. The key non-operating items in the income statement of the Group in 2013 were the net fair value gains before tax on investment properties of US$57.6 million, dividend and interest income of US$12.7 million, gain on disposal of the hotel in Zhongshan of US$20.4 million, gain on disposal of associates (Yingkou City project in Mainland China) of US$2.6 million, gain on disposal of a vacant land in Malé, the Republic of Maldives of US$1.3 million, net impairment provision for hotel and other properties and properties under development of US$55.5 million (which mainly caused by an operating hotel in Mainland China); and net unrealized losses on financial assets held for trading of US$4.0 million.

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

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

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

CORPORATE DEBT AND FINANCIAL CONDITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Details of financial guarantees, contingencies and charges over assets as at 31 December 2013 are disclosed in Note 16 to the consolidated financial statements included in this announcement.

TREASURY POLICIES

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

(a) Minimize Interest Risk

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

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

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

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

Taking into account these interest-rate swap contracts, convertible bonds, fixed rate bonds and the Renminbi bank loans, the Group has fixed its interest liability on 43% of its borrowings outstanding as at 31 December 2013.

(b) Minimize Currency Risk

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

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

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

INVESTMENT PROPERTIES VALUATIONS

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

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

FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

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

DEVELOPMENT PROGRAMMES

Construction work on the following projects is on-going:

(a) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Serviced Apartments/ Villas	Projected Opening
Hotels in the People's Republic of China				
Shangri-La Hotel, Lhasa	100%	289	–	17 April 2014
Shangri-La's Sanya Resort & Spa, Hainan	100%	506	–	2014
Shangri-La Hotel, Nanjing	55%	522	40	2014
Shangri-La Hotel, Tianjin (part of Tianjin Kerry Centre)	20%	471	39	2014
Shangri-La Hotel, Qinhuangdao	100%	331	–	2014
Shangri-La Hotel, Tangshan (part of composite development project in Tangshan City)	35%	398	38	2014
Shangri-La Hotel, Hefei	100%	402	–	2015
Shangri-La Hotel, Nanchang (part of composite development project in Nanchang City)	20%	474	–	2015
Shangri-La Hotel, Diqing	100%	226	–	2015
Shangri-La Hotel, Hangzhou (part of Kerry Central, Hangzhou)	25%	417	–	2015
Shangri-La Hotel, Xiamen	100%	425	15	2016
Shangri-La Harbin, Songbei District	100%	451	33	2016
Shangri-La Hotel, Jinan (part of composite development project in Jinan City)	45%	411	–	2016
Shangri-La Hotel, Hunghom Bay, Hong Kong	100%	572	–	2016

	Group's Equity Interest	Hotel Rooms	Serviced Apartments/ Villas	Projected Opening
Hotels in other countries				
Shangri-La Hotel, At The Shard, London, the United Kingdom	Operating lease	202	–	6 May 2014
Shangri-La Hotel, Ulaanbaatar, the Republic of Mongolia	51%	290	–	2014
Traders Orchard Gateway, Singapore	Operating lease	502	–	2014
Extension of the Ocean Wing of Shangri-La's Rasa Ria Resort, Kota Kinabalu, Malaysia	64.59%	83	–	2015
Shangri-La at the Fort, Manila (part of composite development project in Bonifacio Global City, Metro Manila, the Philippines)	40%	576	–	2015
Shangri-La's Hambantota Resort & Spa, Sri Lanka	90%	300	–	2015
Shangri-La's Nusa Dua Resort & Spa, Bali, Indonesia (Note 1)	53.3%	323	26 Villas	2017
Shangri-La Hotel, Colombo, Sri Lanka (part of composite development project in Colombo)	90%	503	41	2017
Lakeside Shangri-La, Yangon, Myanmar	55.86%	350	–	2017

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

(b) Composite Developments and Investment Properties Developments

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

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

Hotel development (wholly owned by the Group)

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

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

– Zhengzhou, Mainland China
– Kunming, Mainland China

The Group acquired the entire equity interest in a local company which owns a very well located building in Rome in May 2012. The Group intends to convert the building into a Shangri-La hotel after all the existing tenants are vacated. The seller is still negotiating with the remaining tenants in order to deliver vacant possession of the premises in accordance with the terms of the sale and purchase agreement. The balance of the cash consideration of EUR29.8 million (approximately US$41.1 million based on exchange rate at year end 2013) is not payable until then.

The Group adjusts its development plans and investment strategy from time to time in response to the changing market conditions and the financial position of the Group. The Group has executed a termination agreement with the local government in relation to the acquisition of a piece of land adjacent to the Shangri-La Hotel, Fuzhou and received a refund of all of the land cost of RMB481 million (approximately US$79.3 million).

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

ACQUISITIONS

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

On 28 March 2013, the Group completed the acquisition of the remaining 45% equity interest in a former 55% owned subsidiary which owns the Shangri-La Hotel, The Marina, Cairns and the associated properties in Cairns, Australia at a cash consideration of A$1 (equivalent to US$1) according to the terms of the shareholders' agreement as the non-controlling shareholder was not able to provide the proportionate funding and/or bank guarantee to meet the funding requirements for the hotel. The Group's shareholding in the subsidiary has increased to 100%.

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

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

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

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

DISPOSALS

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

On 19 December 2012, the Group entered into sale and purchase agreements with a subsidiary of Kerry Properties Limited to dispose of its entire equity interest of 25% in two project companies which own the land use rights of two land sites in Bayuquan, Yingkou City, Liaoning Province in Mainland China for a high-end composite development for an aggregate cash consideration of RMB100.3 million (approximately US$16.2 million). The disposal was completed in July 2013. The Group recorded a net profit of US$2.6 million on the disposal.

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

On 1 February 2013, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest of 51% in a hotel company which owns the Shangri-La Hotel, Zhongshan in Mainland China. The final cash consideration calculated in accordance with the terms of the agreement was RMB119.1 million (approximately US$19.0 million). The disposal was completed in September 2013 and the Group recorded a net profit of US$20.4 million.

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

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

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

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

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

PROSPECTS

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

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

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

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

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

During the year ended 31 December 2013, 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, among other principles, a set of corporate governance principles for the Group ("**CG Principles**") terms of which align with or are stricter than the requirements set out in 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 ("**CEO**") of the Company may be served by the same person. The Directors Handbook serves as a comprehensive guidebook for all directors as well as a good orientation set for any new director of the Company.

During the year ended 31 December 2013, the CG Principles were the code for the Company's corporate governance and the Company has met the CG Principles and the CG Model Code except for the deviation summarized below:

CG Model Code		**Deviation and reason**
A.2.1	The roles of the chairman and the CEO should be separate and should not be performed by the same individual	Mr KUOK Khoon Chen and Mr KUOK Khoon Ean respectively serves/served as both the chairman and the CEO of the Company for the period after and before 22 August 2013. The Company believes that the non-separation of the two roles is not significant given that Mr Gregory Allan DOGAN, an executive director and the 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.
E.1.2	The chairman should attend the annual general meeting	Mr KUOK Khoon Ean, the then chairman of the Company, had taken an unpaid sabbatical commencing on 1 April 2013 and was absent from the 2013 annual general meeting of the Company. Mr LUI Man Shing, the then acting chairman during such sabbatical period, represented the chairman at such meeting.

QUALIFICATION FOR PROPOSED FINAL DIVIDEND

The proposed final dividend of HK4 cents per share in the Company for 2013 (subject to shareholders' approval at the forthcoming annual general meeting of the Company) will be payable on 13 June 2014 to shareholders whose names appear on the registers of members of the Company on 4 June 2014.

To qualify for the proposed final dividend, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited of 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), for registration no later than 4:30 pm on 4 June 2014.

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

Hong Kong, 19 March 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

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

Non-executive directors
Mr KUOK Khoon Ean
Mr HO Kian Guan
Mr Roberto V ONGPIN
Mr HO Kian Hock (alternate to Mr HO Kian Guan)