SHANGRI-LA ASIA LIMITED
香格里拉(亞洲)有限公司
(Incorporated in Bermuda with limited liability)
website: www.ir.shangri-la.com
(Stock code: 00069)

2014 FINAL RESULTS ANNOUNCEMENT

The board of directors ("**Board**") of Shangri-La Asia Limited ("**Company**") wishes to announce the audited results of the Company and its subsidiaries ("**Group**"), and associates for the year ended 31 December 2014. 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 Group's audited consolidated financial results include all operating and non-operating items.

	2014 *US$ million*	2013 *US$ million*	% of change
Net profit before non-operating items	**89.8**	66.0	+36.1%
Net profit from non-operating items	**91.1**	326.3	-72.1%
Consolidated profit attributable to equity holders of the Company	**180.9**	392.3	-53.9%

The decrease in net profit from non-operating items in 2014 was mainly caused by the reduction of the share of net fair value gains of investment properties owned by the Group and associates. Net fair value gains on investment properties in 2014 was US$90.6 million compared to US$398.7 million in 2013.

The Board has recommended a final dividend of **HK6 cents** per share for 2014 (2013: HK4 cents per share) payable to the Company's shareholders whose names appear on the registers of members of the Company on Tuesday, 2 June 2015. With the interim dividend of HK6 cents per share (2013: HK8 cents per share) paid in October 2014, the total dividend for 2014 is HK12 cents per share (2013: HK12 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 Thursday, 11 June 2015.

GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

			Year ended 31 December	
			2014	2013
			Audited	Audited
Sales		*US$'000*	**2,111,584**	2,081,081
Profit attributable to the equity holders of the Company		*US$'000*	**180,889**	392,298
Earnings per share		*US cents*	**5.77**	12.57
	equivalent to	*HK cents*	**45**	97
Dividend per share		*HK cents*	**12**	12
Return on Equity			**2.7%**	6.4%

$$\left(\frac{\text{Profit attributable to equity holders of the Company}}{\text{Average equity attributable to equity holders of the Company}}\right)$$

Consolidated Statement of Financial Position

		As at 31 December	
		2014	2013
		Audited	Audited
Total equity	*US$'000*	**7,439,247**	6,867,344
Net assets attributable to the Company's equity holders	*US$'000*	**6,904,198**	6,312,581
Net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances)	*US$'000*	**3,663,631**	3,717,986
Net assets per share attributable to the Company's equity holders	*US$*	**1.93**	2.02
Net assets (total equity) per share	*US$*	**2.08**	2.19
Net borrowings to total equity ratio		**49.2%**	54.1%

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**6,465,821**	6,075,567
Investment properties		**1,071,038**	1,072,942
Leasehold land and land use rights		**615,898**	653,768
Intangible assets		**91,233**	93,065
Interest in associates		**3,584,567**	3,396,955
Deferred income tax assets		**553**	758
Available-for-sale financial assets		**4,906**	4,947
Derivative financial instruments		**342**	1,550
Other receivables		**13,099**	14,954
		11,847,457	11,314,506
Current assets			
Inventories		**46,433**	48,383
Properties for sale		**23,499**	24,439
Accounts receivable, prepayments and deposits	*4*	**283,396**	312,596
Amounts due from associates		**75,072**	41,688
Derivative financial instruments		**161**	443
Amounts due from non-controlling shareholders		**57**	160
Financial assets held for trading		**21,947**	20,952
Cash and bank balances		**1,442,257**	1,135,090
		1,892,822	1,583,751
Total assets		**13,740,279**	12,898,257
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*5*	**3,191,745**	2,554,222
Other reserves		**1,716,784**	1,904,254
Retained earnings			
– Proposed final dividend	*15*	**27,635**	16,113
– Others		**1,968,034**	1,837,992
		6,904,198	6,312,581
Non-controlling interests		**535,049**	554,763
Total equity		**7,439,247**	6,867,344

	Note	As at 31 December 2014 US$'000	2013 US$'000
LIABILITIES			
Non-current liabilities			
Bank loans		**3,277,663**	3,345,807
Convertible bonds	*6*	**527,305**	505,126
Fixed rate bonds	*7*	**597,787**	596,814
Derivative financial instruments		**2,500**	1,265
Amounts due to non-controlling shareholders		**27,579**	26,896
Deferred income tax liabilities		**304,957**	285,452
		4,737,791	4,761,360
Current liabilities			
Accounts payable and accruals	*8*	**829,245**	842,991
Amounts due to non-controlling shareholders		**8,605**	7,912
Current income tax liabilities		**21,280**	12,955
Bank loans		**703,133**	405,329
Derivative financial instruments		**978**	366
		1,563,241	1,269,553
Total liabilities		**6,301,032**	6,030,913
Total equity and liabilities		**13,740,279**	12,898,257
Net current assets		**329,581**	314,198
Total assets less current liabilities		**12,177,038**	11,628,704

AUDITED CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2014 US$'000	2013 US$'000
Sales	*3*	**2,111,584**	2,081,081
Cost of sales	*9*	**(912,646)**	(906,747)
Gross profit		**1,198,938**	1,174,334
Other gains – net	*10*	**19,342**	35,107
Marketing costs	*9*	**(84,858)**	(84,236)
Administrative expenses	*9*	**(203,959)**	(195,280)
Other operating expenses	*9*	**(704,889)**	(690,395)
Operating profit		**224,574**	239,530
Finance costs – net	*11*	**(117,294)**	(105,075)
Share of profit of associates	*12*	**207,286**	416,532
Profit before income tax		**314,566**	550,987
Income tax expense	*13*	**(107,071)**	(109,871)
Profit for the year		**207,495**	441,116
Attributable to:			
Equity holders of the Company		**180,889**	392,298
Non-controlling interests		**26,606**	48,818
		207,495	441,116
Earnings per share for profit attributable to the equity holders of the Company during the year *(expressed in US cents per share)*			
– basic	*14*	**5.77**	12.57
– diluted	*14*	**5.77**	12.56
Dividends	*15*	**51,805**	48,337

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	US$'000	*US$'000*
Profit for the year	**207,495**	441,116
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligation	**970**	(1,764)
Items that may be reclassified subsequently to profit or loss		
Fair value changes of interest-rate swap contracts – hedging	**(3,337)**	1,210
Currency translation differences – subsidiaries	**(161,765)**	(88,971)
Currency translation differences – associates	**(41,626)**	41,896
Other comprehensive loss for the year	**(205,758)**	(47,629)
Total comprehensive income for the year	**1,737**	393,487
Attributable to:		
Equity holders of the Company	**(5,578)**	363,446
Non-controlling interests	**7,315**	30,041
	1,737	393,487

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 2014	**2,554,222**	**1,904,254**	**1,854,105**	**6,312,581**	**554,763**	**6,867,344**
Remeasurements of post-employment benefit obligations	**–**	**–**	**958**	**958**	**12**	**970**
Fair value changes of interest-rate swap contracts – hedging	**–**	**(3,337)**	**–**	**(3,337)**	**–**	**(3,337)**
Currency translation differences	**–**	**(184,088)**	**–**	**(184,088)**	**(19,303)**	**(203,391)**
Other comprehensive income/(loss) for the year recognized directly in equity	**–**	**(187,425)**	**958**	**(186,467)**	**(19,291)**	**(205,758)**
Profit for the year	**–**	**–**	**180,889**	**180,889**	**26,606**	**207,495**
Total comprehensive income/(loss) for the year ended 31 December 2014	**–**	**(187,425)**	**181,847**	**(5,578)**	**7,315**	**1,737**
Rights issue	**637,308**	**–**	**–**	**637,308**	**–**	**637,308**
Exercise of share options – allotment of shares	**170**	**–**	**–**	**170**	**–**	**170**
Exercise of share options – transfer from share option reserve to share premium	**45**	**(45)**	**–**	**–**	**–**	**–**
Payment of 2013 final dividend	**–**	**–**	**(16,113)**	**(16,113)**	**–**	**(16,113)**
Payment of 2014 interim dividend	**–**	**–**	**(24,170)**	**(24,170)**	**–**	**(24,170)**
Dividend paid and payable to non-controlling shareholders	**–**	**–**	**–**	**–**	**(21,724)**	**(21,724)**
Net change in equity loans due to non-controlling shareholders	**–**	**–**	**–**	**–**	**(5,305)**	**(5,305)**
	637,523	**(45)**	**(40,283)**	**597,195**	**(27,029)**	**570,166**
Balance at 31 December 2014	**3,191,745**	**1,716,784**	**1,995,669**	**6,904,198**	**535,049**	**7,439,247**

	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	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)
Other comprehensive loss for the year 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 income/(loss) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Group owns/leases and operates hotels and associated properties; and provide 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.

Amendments to standards and interpretation adopted by the Group

The following amendments to standards and interpretation effective in 2014 which are relevant to the Group's operations have been adopted by the Group for the first time for the financial year beginning on 1 January 2014:

Amendments to HKAS 32 – Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Amendments to HKAS 32 clarify that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also consider settlement mechanisms. The amendments did not have an impact on the financial statements.

Amendments to HKAS 36 – Impairment of assets – Recoverable Amount Disclosures for Non-Financial Assets

Amendments to HKAS 36 removed certain disclosures of the recoverable amount of cash generating units which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

HK(IFRIC) 21 – Levies

HK(IFRIC) 21 sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 "Provisions". The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised. The Group is not currently subjected to significant levies. The interpretation did not have a significant impact on the financial statements.

The following new standards and amendments to standards are relevant to the Group's operations but are not effective for the year 2014 and have not been early adopted:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 9	Financial Instruments
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 15	Revenue from Contracts with Customers
Annual improvements to HKFRSs 2010-2012 cycle	
Annual improvements to HKFRSs 2011-2013 cycle	
Annual improvements to HKFRSs 2012-2014 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:

	2014	2013
	US$'000	*US$'000*
Sales		
Hotel ownership:		
Room rentals	**1,029,154**	1,018,607
Food and beverage sales	**837,519**	828,511
Rendering of ancillary services	**116,311**	120,366
Hotel management and related service	**51,752**	46,761
Property rentals	**76,848**	66,836
	2,111,584	2,081,081

The Group is domiciled in Hong Kong. The sales revenue from external customers attributed to Hong Kong and other countries are US$318,367,000 (2013: US$311,369,000) and US$1,793,217,000 (2013: US$1,769,712,000), 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$605,728,000 (2013: US$574,469,000) and US$7,651,361,000 (2013: US$7,335,827,000), 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 ownership (including those under lease)

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

The operating result of the hotel in Turkey is included in "Other countries" in the current year while it was separately disclosed in the 2013 segment income statement.

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

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

iii. Hotel management services

The Group also engaged in other businesses including the sale of residential units, wines trading and golf course operation. These other businesses did not have a material impact on the Group's results.

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

Segment income statement

For year ended 31 December 2014 and 2013 (US$ million)

	2014		2013	
	Sales *(Note ii)*	**Profit/(Loss) after tax** *(Note i)*	Sales *(Note ii)*	Profit/(Loss) after tax *(Note i)*
Hotel ownership				
Hong Kong	**277.8**	**67.5**	275.7	65.6
Mainland China	**734.5**	**(15.1)**	772.3	11.0
Singapore	**204.4**	**39.4**	189.7	36.2
Malaysia	**149.0**	**16.5**	154.4	21.0
The Philippines	**202.3**	**13.4**	195.4	11.1
Japan	**56.6**	**(5.8)**	54.1	(9.6)
Thailand	**56.2**	**5.9**	70.5	6.3
Australia	**101.6**	**(1.4)**	103.5	3.3
France	**62.0**	**(27.0)**	54.6	(28.6)
United Kingdom	**28.7**	**(24.7)**	–	–
Other countries	**109.9**	**1.7**	97.3	(7.8)
	1,983.0	**70.4**	1,967.5	108.5
Property rentals				
Mainland China	**29.4**	**110.5**	26.8	81.3
Singapore	**14.6**	**10.9**	15.0	11.9
Malaysia	**7.3**	**1.9**	7.3	1.9
Other countries	**25.5**	**4.1**	17.7	2.2
	76.8	**127.4**	66.8	97.3
Hotel management services	**150.7**	**18.7**	131.7	11.2
Other business	**–**	**3.8**	–	1.5
Total	**2,210.5**	**220.3**	2,166.0	218.5
Less: Hotel management – Inter-segment sales	**(98.9)**		(84.9)	
Total external sales	**2,111.6**		2,081.1	
Net corporate finance costs (including foreign exchange gains and losses)		**(62.4)**		(56.0)
Land cost amortization and pre-opening expenses for projects		**(50.0)**		(71.4)
Corporate expenses		**(18.1)**		(25.1)
Profit before non-operating items		**89.8**		66.0

	2014 Profit/(Loss) after tax *(Note i)*	2013 Profit/(Loss) after tax *(Note i)*
Profit before non-operating items	**89.8**	66.0
Non-operating items		
Fair value gains on investment properties	**90.6**	398.7
Loss on major renovation of an investment property owned by an associate	**–**	(15.6)
Net unrealized gains/(losses) on financial assets held for trading	**1.0**	(4.1)
Fair value losses on interest-rate swap contracts – non-hedging	**–**	(0.1)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	**(0.9)**	(0.9)
Reversal of/(provision for) impairment losses on hotel properties and other properties	**5.0**	(62.2)
Provision for deferred tax on reversal of impairment losses	**(1.4)**	–
(Provision for)/reversal of impairment loss for a property under development	**(3.2)**	1.5
Reversal of impairment loss for a vacant land	**–**	4.0
Gain on disposal of a vacant land	**–**	1.3
Reversal of deferred tax credit on revaluation gain of investment properties owned by an associate	**–**	(0.5)
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)
Total non-operating items	**91.1**	326.3
Profit attributable to equity holders of the Company	**180.9**	392.3

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)	**2014 Share of profit of associates**	2013 Share of profit of associates
Hotel ownership		
Hong Kong	**(0.2)**	0.1
Mainland China	**(2.8)**	(5.6)
Singapore	**3.3**	2.8
Malaysia	**4.2**	4.6
The Philippines	**1.1**	1.0
Other countries	**1.1**	(5.2)
	6.7	(2.3)
Property rentals		
Mainland China	**106.5**	77.9
Singapore	**5.3**	5.9
	111.8	83.8
Other business	**4.4**	1.6
Total	**122.9**	83.1

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

(US$ million)	**2014** Depreciation and amortization	**2014** Income tax expense	2013 Depreciation and amortization	2013 Income tax expense
Hotel ownership				
Hong Kong	**14.7**	**15.3**	16.3	14.0
Mainland China	**130.6**	**27.0**	130.8	31.0
Singapore	**18.4**	**7.6**	18.8	6.3
Malaysia	**16.6**	**9.2**	17.6	6.2
The Philippines	**37.2**	**11.6**	37.9	2.4
Japan	**2.1**	**–**	2.7	–
Thailand	**14.5**	**1.8**	16.8	3.1
Australia	**15.4**	**–**	17.7	–
France	**28.2**	**–**	30.1	–
United Kingdom	**7.5**	**(0.1)**	–	–
Other countries	**20.8**	**3.0**	20.6	1.5
	306.0	**75.4**	309.3	64.5
Property rentals				
Mainland China	**–**	**5.8**	–	3.9
Singapore	**–**	**1.1**	–	1.2
Malaysia	**–**	**1.0**	–	1.2
Other countries	**–**	**3.0**	–	1.7
	–	**10.9**	–	8.0
Hotel management services	**4.0**	**10.3**	4.2	8.4
Other business	**–**	**0.5**	–	0.1
Total	**310.0**	**97.1**	313.5	81.0

Segment assets

As at 31 December 2014 and 2013 (US$ million)

	As at 31 December	
	2014	2013
Hotel ownership		
Hong Kong	**288.9**	253.3
Mainland China	**3,298.1**	2,654.2
Singapore	**571.9**	602.3
Malaysia	**349.0**	367.7
The Philippines	**513.0**	512.5
Japan	**25.7**	28.5
Thailand	**252.4**	248.7
Australia	**364.2**	396.3
France	**379.8**	512.4
United Kingdom	**177.0**	–
Other countries	**312.1**	323.9
	6,532.1	5,899.8
Property rentals		
Mainland China	**359.2**	346.1
Singapore	**434.2**	458.4
Malaysia	**87.4**	94.6
Other countries	**257.3**	231.4
	1,138.1	1,130.5
Hotel management services	**209.9**	174.0
Elimination	**(57.6)**	(42.6)
Total segment assets	**7,822.5**	7,161.7
Assets allocated to projects	**1,797.7**	1,981.0
Unallocated assets	**444.3**	265.5
Intangible assets	**91.2**	93.1
Total assets of the Company and its subsidiaries	**10,155.7**	9,501.3
Interest in associates	**3,584.6**	3,397.0
Total assets	**13,740.3**	12,898.3

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

	2014	2013
	US$'000	*US$'000*
Trade receivables	**90,361**	96,702
Less: Provision for impairment of receivables	**(1,506)**	(4,467)
Trade receivables – net	**88,855**	92,235
Other receivables	**102,058**	93,407
Value-added-tax receivable under a reorganization scheme	**–**	67,568
Prepayments and other deposits	**92,483**	59,386
	283,396	312,596

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

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

(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:

	2014	2013
	US$'000	*US$'000*
0 – 3 months	**79,528**	82,603
4 – 6 months	**3,977**	3,670
Over 6 months	**5,350**	5,962
	88,855	92,235

5 SHARE CAPITAL

	No. of shares ('000)	Amount: Ordinary shares US$'000	Share premium US$'000	Total US$'000
Authorized				
– Ordinary shares of HK$1 each				
At 31 December 2013 and 31 December 2014	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid				
– Ordinary shares of HK$1 each				
At 1 January 2014	3,132,385	404,435	2,149,787	2,554,222
Exercise of share options				
– allotment of shares	110	14	156	170
– transfer from share option reserve	–	–	45	45
Rights issue	447,499	57,742	579,566	637,308
At 31 December 2014	**3,579,994**	**462,191**	**2,729,554**	**3,191,745**

On 22 December 2014, the Company completed a rights issue of ordinary shares in the proportion of one rights share for every seven shares in issue resulting in 447,499,257 new shares being issued at HK$11.10 per share. Gross proceeds on the issue were approximately HK$4,967,242,000 (equivalent to US$640,934,000) with issue expenses amounting to approximately US$3,626,000.

As at 31 December 2014, 10,501,055 ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognized in 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 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*
January	–	–	80,000	125
September	30,000	–	–	45
For the year ended 31 December 2014	**30,000**	**–**	**80,000**	**170**

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$14.18 (2013: HK$15.57).

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

	For the year ended 31 December 2014		For the year ended 31 December 2013	
	Weighted average exercise price in HK$ per option share	**Number of outstanding option shares**	Weighted average exercise price in HK$ per option share	Number of outstanding option shares
At 1 January	**12.32**	**26,591,000**	12.85	8,169,000
Granted	**–**	**–**	12.11	19,000,000
Exercised	**11.97**	**(110,000)**	12.17	(288,000)
Lapsed	**12.25**	**(2,002,500)**	13.31	(290,000)
At 31 December	**12.33**	**24,478,500**	12.32	26,591,000

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 2014	31 December 2013
Last exercisable date			
27 April 2015	11.60	**4,245,000**	4,575,000
15 June 2016	14.60	**3,045,500**	3,218,000
22 August 2023	12.11	**17,188,000**	18,798,000
		24,478,500	26,591,000

No options have been exercised subsequent to 31 December 2014 and up to the date of this announcement. Options on 50,000 shares, 20,000 shares and 180,000 shares with exercise price of HK$11.60, HK$14.60 and HK$12.11 per share, respectively have lapsed subsequent to 31 December 2014 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:

	2014	2013
	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	**76,223**	54,044
Liability component at 31 December	**527,305**	505,126

The face value of outstanding bonds at 31 December 2014 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 2014 and up to the date of this announcement. The carrying amount of the liability component which approximates to its fair value is calculated using cash flows discounted at an initial market interest rate of 4.34% per annum.

7 FIXED RATE BONDS

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

	2014	2013
	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	**2,646**	1,673
Carrying amount of fixed rate bonds at 31 December	**597,787**	596,814

As at 31 December 2014, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US$6,333,000 (31 December 2013: US$6,333,000). The carrying amount of the bonds approximates to its fair value.

8 ACCOUNTS PAYABLE AND ACCRUALS

	2014	2013
	US$'000	*US$'000*
Trade payables	**102,867**	94,958
Value-added-tax payable under a reorganization scheme	**–**	67,568
Construction cost payable, other payables and accrued expenses	**710,035**	680,465
Short term advance from an associate of the Company's controlling shareholder	**16,343**	–
	829,245	842,991

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

At 31 December 2014, the ageing analysis of the trade payables is as follows:

	2014	2013
	US$'000	*US$'000*
0 – 3 months	**91,167**	85,570
4 – 6 months	**5,434**	5,294
Over 6 months	**6,266**	4,094
	102,867	94,958

9 EXPENSES BY NATURE

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

	2014	2013
	US$'000	*US$'000*
Depreciation of property, plant and equipment (net of amount capitalized of US$232,000 (2013: US$374,000))	**300,238**	304,327
Amortization of leasehold land and land use rights	**16,858**	16,919
Amortization of trademark and website development	**777**	779
Employee benefit expenses excluding directors' emoluments (net of amount capitalized and amount grouped under pre-opening expenses)	**669,087**	656,711
Share options granted to directors and employees	**–**	7,870
Cost of inventories sold or consumed in operation	**280,410**	276,094
Loss on disposal of property, plant and equipment and partial replacement of investment properties	**3,305**	1,451
Discarding of property, plant and equipment due to renovation of hotels and resorts	**1,354**	2,397
Operating lease expenses	**55,824**	41,780
Pre-opening expenses	**29,342**	23,707
Auditors' remuneration	**1,687**	1,691

10 OTHER GAINS – NET

	2014	2013
	US$'000	*US$'000*
Fair value gains on investment properties	**1,537**	57,569
Net unrealized gains/(losses) on financial assets held for trading – equity securities	**996**	(3,977)
Fair value losses on interest-rate swap contracts – non-hedging	**–**	(55)
Reversal of/(provision for) impairment losses on hotel properties and other properties	**4,956**	(62,229)
(Provision of)/reversal of impairment provision for a property under development and the underlying land	**(3,275)**	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
Non-operating items	**4,214**	22,333
Interest income	**13,816**	11,698
Dividend income	**1,045**	1,026
Others	**267**	50
	19,342	35,107

11 FINANCE COSTS – NET

	2014	2013
	US$'000	*US$'000*
Interest expense:		
– bank loans	**113,104**	107,030
– convertible bonds	**22,179**	21,247
– fixed rate bonds	**29,476**	29,475
– other loans	**3,292**	2,464
	168,051	160,216
Less: amount capitalized	**(51,285)**	(49,697)
	116,766	110,519
Net foreign exchange losses/(gains)	**528**	(5,444)
	117,294	105,075

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 3.2% per annum (2013: 3.4%).

12 SHARE OF PROFIT OF ASSOCIATES

	2014	2013
	US$'000	*US$'000*
Share of profit before tax and non-operating items	**155,269**	71,124
Share of net increase in fair value of investment properties	**120,395**	504,130
Share of loss on major renovation of an investment property	**–**	(20,880)
Share of profit before tax of associates	**275,664**	554,374
Share of tax before provision for taxation for non-operating items	**(39,015)**	(17,821)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(29,363)**	(125,241)
Share of deferred tax credit arising from the loss on major renovation of an investment property	**–**	5,220
Share of associates' taxation	**(68,378)**	(137,842)
Share of profit of associates	**207,286**	416,532

13 INCOME TAX EXPENSE

	2014	2013
	US$'000	*US$'000*
Current income tax		
– Hong Kong profits tax	**16,696**	14,793
– Overseas taxation	**67,430**	56,748
Deferred income tax	**22,945**	38,330
	107,071	109,871

Share of associates' taxation for the year ended 31 December 2014 of US$68,378,000 (2013: US$137,842,000) 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% (2013: 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 (including the effect of the rights issue) after adjustment of those issued ordinary shares of the Company held by a subsidiary.

	2014	2013
Profit attributable to equity holders of the Company *(US$'000)*	**180,889**	392,298
Weighted average number of ordinary shares in issue *(thousands)*	**3,134,231**	3,121,722
Basic earnings per share *(US cents per share)*	**5.77**	12.57

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 2014 and 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.

	2014	2013
Profit attributable to equity holders of the Company *(US$'000)*	**180,889**	392,298
Weighted average number of ordinary shares in issue *(thousands)*	**3,134,231**	3,121,722
Adjustments for – share options *(thousands)*	**366**	2,066
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**3,134,597**	3,123,788
Diluted earnings per share *(US cents per share)*	**5.77**	12.56

15 DIVIDENDS

	2014	2013
	US$'000	*US$'000*
Interim dividend paid of HK6 cents (2013: HK8 cents) per ordinary share	**24,170**	32,224
Proposed final dividend of HK6 cents (2013: HK4 cents) per ordinary share	**27,635**	16,113
	51,805	48,337

At a meeting held on 25 March 2015, the Board proposed a final dividend of HK6 cents per ordinary share for the year ended 31 December 2014. 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 2015.

The proposed final dividend of US$27,635,000 for the year ended 31 December 2014 is calculated based on 3,579,994,056 shares in issue as at 25 March 2015, after elimination on consolidation the amount of US$81,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (Note 5).

16 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

As at 31 December 2014, the Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilized amount of such facilities covered by the Group's guarantees for these associates amounts to US$420,897,000 (2013: US$387,724,000). 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 2014, the Group executed guarantees for securing standby documentary credit granted by banks in favour of certain building contractors relating to the execution of construction works for hotel buildings with the amount of US$17,977,000 (2013: US$9,897,000). These facilities were undrawn as at 31 December 2014.

(c) Charges over assets

As at 31 December 2014, bank loans of certain subsidiaries amounting to US$263,844,000 (2013: US$ 311,268,000) were secured by:

(i) Land lease rights and all immovable assets owned by a subsidiary with net book value of US$127,416,000 (2013: US$136,557,000) together with a pledge of all the equity shares of the subsidiary.

(ii) Legal mortgage over the property owned by five subsidiaries with an aggregate net book value of US$548,661,000 (2013: US$601,780,000).

17 COMMITMENTS

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

	2014 US$'000	2013 US$'000
Existing properties – Property, plant and equipment and investment properties		
Contracted but not provided for	**66,601**	40,524
Authorized but not contracted for	**124,780**	92,435
Development projects		
Contracted but not provided for	**285,402**	1,044,283
Authorized but not contracted for	**1,352,396**	1,245,047
	1,829,179	2,422,289

18 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

The Group executed three 5-year unsecured bank loan agreements totaling an equivalent of US$221,516,000, a 3-year unsecured bank loan agreement of US$100,000,000 and a 2-year unsecured bank loan agreement of US$100,000,000.

PERFORMANCE REVIEW

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

(i) Hotel ownership (including hotels under lease)

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

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

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

– Shangri-La Hotels are five-star luxury hotels characterized by extensive facilities and exceptional hospitality, located in premier cities.
– Shangri-La Resorts offer travelers and families relaxing and engaging holiday experiences in some of the world's most exotic destinations.
– Kerry Hotels are five-star hotels with unique contemporary designs and sincere, intuitive service.
– Hotel Jen is a new brand launched in 2014 that caters to an emerging generation of independently-minded business and leisure travelers with a friendly, technology-centric approach.
– Traders Hotels are four-star business hotels that also appeal to leisure travelers.

Mainland China continues to be the primary focus of the Group's principal business activities, accounting for half of the Group's hotel portfolio. The financial performance of the hotel ownership segment for the year has been adversely affected by a difficult operating environment in Mainland China as well as the start-up costs (including depreciation) of newly opened hotels. The weakening of most currencies relative to the US dollar also diluted Group hotels' revenues and profits. Overall, weighted average occupancies of Group-owned hotels improved by 2 percentage points to 62% in 2014, while the weighted Average Room Rate ("**ADR**") decreased by 3% to US$194. Weighted average Room Yields ("**RevPAR**") remained unchanged during the year.

In comparison, investment properties continued to perform well. With the full-year profit contribution from the Jing An Kerry Centre (Phase II) in Shanghai, which opened for business in June 2013, the property rentals segment has replaced the hotel ownership segment as the Group's main source of operating profits for the year.

The Group continued with its rollout plan for new hotels in 2014. In Mainland China, the 262-room and 17-suite Shangri-La Hotel, Lhasa (a 100%-owned hotel) and the 304-room Shangri-La Hotel, Tianjin (a 20%-owned hotel) opened for business on 17 April 2014 and 8 August 2014, respectively. Phase I of the 506-room Shangri-La's Sanya Resort & Spa, Hainan (a 100%-owned hotel), which comprises 340 rooms, and phase I of the 522-room Shangri-La Hotel, Nanjing (a 55%-owned hotel), which comprises 450 rooms, opened for business on 24 October 2014 and 25 October 2014, respectively.

Two new hotels under operating leases were also launched last year. The Group's first hotel in the United Kingdom – Shangri-La Hotel, At The Shard, London – opened on 6 May 2014. The 202-room property is the Group's third hotel in Europe and the city's first high-rise hotel. The 502-room Hotel Jen Orchardgateway Singapore opened for business on 15 September 2014, offering direct access to Singapore's main shopping strip.

The Group acquired a 26% equity interest in the 203-room Le Touessrok Resort in Mauritius, one of the most iconic properties in the Indian Ocean, on 4 August 2014. The resort will be closed from April to October 2015 for a major renovation and will be rebranded Shangri-La's Le Touessrok Resort & Spa, Mauritius.

In April 2014, the former Traders Hotel, Yangon in Myanmar was rebranded the Sule Shangri-La, Yangon following the completion of an extensive renovation of its facilities. Existing Traders hotels in Singapore, Hong Kong, Brisbane and Penang were rebranded Hotel Jen in late 2014.

In terms of investment properties, Phase II of Shangri-La Residences in Yangon, Myanmar (a 55.86% Group-owned serviced apartment complex) wholly opened for business in August 2014.

The Group has equity interests in certain joint venture companies which are also engaged in businesses other than the above-mentioned main business segments. These included:

– the sale of residential units in Phase I and II of Arcadia Court held by a project company in Tangshan City (a 35%-owned project) in Mainland China,

– the sale of residential units in Phase I of Tianjin Kerry Centre (a 20%-owned project) in Mainland China,

– the sale of residential units and rental of office spaces in Phase I of Shenyang Kerry Centre (a 25%-owned project) in Mainland China; and

– wine trading in Hong Kong and Mainland China (a 20%-owned business).

These other businesses did not have a material impact on the Group's consolidated results for the year ended 31 December 2014.

(a) Revenues

(i) Hotel Ownership

As at 31 December 2014, the Group had equity interest in 67 operating hotels including the Portman Ritz-Carlton Hotel, Shanghai ("Portman") (2013: 62) and 3 hotels under operating lease (2013: 1), representing a room inventory of 30,883 (2013: 28,592) across Asia Pacific and Europe.

On an unconsolidated basis, as in 2013, room revenues for the year accounted for around 51% of the total revenues from hotel operation while food and beverage revenues accounted for around 43%. Benefiting from additional contributions from newly-opened hotels, room revenues and food and beverage revenues increased by 5% and 6% in 2014, respectively.

Comments on performance by geography:

The People's Republic of China

Hong Kong

The two Shangri-La hotels recorded a 5% increase in weighted average RevPAR in the first half of the year, but there was no gain on a full-year basis as a result of the political developments in the city in the last quarter of the year. Likewise, the Hotel Jen Hong Kong (formerly the Traders Hotel, Hong Kong, rebranded on 6 October 2014) only recorded a 4% increase in RevPAR for the year compared to a 17% rise in the first half. Weighted average occupancies of the three hotels increased from 80% to 82% in 2014 while the weighted ADR decreased marginally from US$331 to US$327.

Mainland China

Three new Shangri-La hotels (in Lhasa, Tianjin and Nanjing) and one resort (in Sanya) opened for business during the year.

As at 31 December 2014, the Group has equity interest in 37 operating hotels in Mainland China. The challenging business environment confronting the luxury hotel segment persists in a market that has been characterized by weak demand and the emergence of additional competitive supply in most cities. While demand in key cities like Beijing and Shanghai is gradually improving, intense price competition continues for some hotels in cities with supply concerns. This led to a decrease in the weighted ADR of 8%. However overall weighted average occupancies increased by 4 percentage points to 55%. Overall weighted average RevPAR decreased marginally by 2%. The Pudong Shangri-La, East Shanghai, the Kerry Hotel Pudong, Shanghai and the Kerry Hotel, Beijing registered increases in RevPAR of 2%, 11% and 19%, respectively. Supported by higher occupancy, the

Shangri-La hotels in Futian, Manzhouli, Xian and Yangzhou also recorded gains in RevPAR of 5%, 8%, 10% and 33%, respectively. Among new hotels opened in 2013, the Shangri-La hotels in Qufu, Jing An (Shanghai) and Shenyang registered increases in RevPAR of 6%, 53% and 64%, respectively in 2014.

Singapore

The Hotel Jen Orchardgateway Singapore opened for business on 15 September 2014.

The Shangri-La Hotel, Singapore recorded a marginal increase in RevPAR of 3% on the back of a 3 percentage-point increase in occupancy. The Shangri-La's Rasa Sentosa Resort & Spa, Singapore continued to benefit from robust demand from leisure travelers and registered a 10% rise in RevPAR, mainly supported by a 7 percentage-point increase in occupancy. However, a 6% decline in the ADR of the Hotel Jen Tanglin Singapore (the former Traders Hotel, Singapore, rebranded on 25 September 2014) resulted in the overall weighted ADR of the Singapore hotel portfolio decreasing by 3% for the year and a marginal decrease in the weighted average RevPAR of 1%. Weighted average occupancies of the hotels increased 1 percentage point to 76%.

The Philippines

Overall, the Group's hotels in the country recorded weighted average occupancies of 72% (2013: 67%) and an increase in weighted average RevPAR of 2%. Weighted ADR declined 5% to US$199 due to a 5% depreciation of the Philippine peso relative to the US dollar.

Malaysia

The Malaysia Airlines tragedies in 2014 resulted in a decline in visitor arrivals to the country. Occupancies at the Shangri-La's Rasa Sayang Resort & Spa, Penang were also adversely affected by the renovation programme of all the guestrooms in the Garden Wing from April to December 2014. All hotels recorded decreases in occupancy of between 4 and 13 percentage points with the exception of the Hotel Jen Penang (the former Traders Hotel, Penang, rebranded on 4 November 2014) and the Golden Sands Resort, Penang. Overall, weighted average RevPAR and weighted average occupancies decreased by 4% and 3 percentage points to 74%, respectively. Weighted ADR remained unchanged at US$148.

Thailand

Affected by the political environment in the city for much of the year, the Shangri-La Hotel, Bangkok recorded a 27% decline in RevPAR, mainly due to occupancy decreasing from 65% in 2013 to 48%. Since December 2014, occupancy rates at the hotel have improved. The performance of the Shangri-La Hotel, Chiang Mai improved, registering increases in ADR and RevPAR of 9% and 6%, respectively. Weighted average occupancies of the two hotels were 54% (2013: 66%). Weighted ADR decreased marginally from US$157 in 2013 to US$154.

Japan

With the weakening of the Japanese yen, foreign visitor arrivals continued to increase. The Shangri-La Hotel, Tokyo registered an increase in RevPAR of 11%, supported by a 6 percentage-point gain in occupancy to 86% and an increase in ADR of 4% to US$460. This operating performance has helped reduce the cash losses caused by the burden of the rental of the property.

Australia

Overall, weighted average occupancies of the three hotels remained at 81%. Both weighted average RevPAR and ADR decreased marginally by 3%, mainly due to the sharp depreciation of the Australian dollar against the US dollar.

France

Supported by a rise in occupancy of 5 percentage points to 75% and of 1% in the ADR, the Shangri-La Hotel, Paris recorded an increase in RevPAR of 9% for the year.

The United Kingdom

The Shangri-La Hotel, At The Shard, London recorded an ADR of US$619 with 60% occupancy since opening in May 2014. The financial performance of the hotel in its opening year was weighed down by the burden of rental and depreciation charges.

Other Countries

The performance of the Shangri-La Bosphorus, Istanbul in Turkey improved substantially during the year. The hotel recorded a 52% gain in RevPAR, led by a significant increase in occupancy of 23 percentage points from 2013 to 62%.

The resort in Fiji registered a 9% increase in RevPAR as a result of a 10 percentage-point increase in occupancy.

The RevPAR of the Shangri-La Hotel, Jakarta decreased by 10% as a result of a 7% fall in ADR linked to the depreciation of the Indonesian rupiah and a 2 percentage-point decline in occupancy.

The total room inventory of the Sule Shangri-La, Yangon increased from 320 to 472 following the completion of a phased major renovation in April 2014. RevPAR decreased by 12% as a result of a 10 percentage-point decline in occupancy to 61% during the year, albeit on a substantially higher inventory base.

The performance of the two hotels in the Maldives continued to improve, registering an increase in weighted average RevPAR of 5%, led by a 7 percentage-point gain in weighted average occupancies.

The resort in Mauritius recorded an occupancy rate of 76% and ADR of US$283 in the post-acquisition period.

Note: The RevPAR of hotels under renovation has been calculated by including the rooms under renovation in the number of available rooms, in line with industry practice.

(ii) Hotel Management

In August 2014, the Group took over the hotel management of Le Touessrok Resort in Mauritius following the completion of the Group's acquisition of a 26% equity interest in the resort. Except for the Portman, all the other 66 hotels (2013: 61) in which the Group has equity interest and 3 hotels under lease (2013: 1) are managed by the hotel management subsidiary, SLIM International Limited and its subsidiaries ("**SLIM**") as at 31 December 2014.

As at 31 December 2014, SLIM also managed 19 operating hotels (6,213 available rooms) owned by third parties located in Toronto, Vancouver, New Delhi, Muscat (Oman), Manila, Abu Dhabi (2 hotels), Dubai (2 hotels); Putrajaya, Johor and Kuala Lumpur (Malaysia); Taipei and Tainan (Taiwan); and Beijing, Changzhou (2 hotels), Haikou and Suzhou (Mainland China).

As mentioned earlier, the Group launched its new brand Hotel Jen with the opening of the Hotel Jen Orchardgateway Singapore on 15 September 2014. Existing Traders hotels in Singapore, Hong Kong, Brisbane and Penang were rebranded Hotel Jen before the end of 2014. Progressively, most other Traders hotels will be rebranded Hotel Jen by April 2015.

Consolidated revenues of SLIM, after elimination of revenue earned from fellow subsidiaries, recorded an increase of 11%, mainly due to the opening of new hotels during the year and higher project management fees on hotel projects under development.

The management agreement for a hotel under development in Doha, Qatar was terminated during the year. As at 31 December 2014, SLIM had management agreements on hand for 4 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 are owned by associates. Principal assets include China World Trade Center in Beijing. The Group entered into an agreement on 15 July 2014 with China Shimao Investment Co. Limited, the joint venture shareholder of the development, to extend the joint venture term to 29 August 2052. The extension of the joint venture term was approved by the relevant authorities on 26 September 2014.

Investment properties in Mainland China generally experienced continuous growth in yields during the year.

In Beijing, the China World Trade Center registered 97% occupancy for office spaces and 98% for commercial spaces. Yields of office and commercial spaces recorded increases of 11% and 6%, respectively. In comparison, yields of both the serviced apartments in the Center and in the Century Towers, Beijing recorded a marginal decrease of 2%. Major renovations to the Center's exhibition hall and its connecting area are on-going. The existing spaces will be converted into a shopping mall with higher rental yields and the total lettable area will be increased by approximately 21,500 square meters upon completion. The Beijing Kerry Centre registered remarkable gains in yields of office spaces (20%) and commercial spaces (361%). The serviced apartments in the Centre re-opened for business in April 2014 after the completion of major renovations, and registered 61% occupancy.

In Shanghai, the newly opened Jing An Kerry Centre (Phase II) registered occupancy of 71% for office spaces and 94% for commercial spaces. Yields of both office spaces and commercial spaces climbed 92%. Yields of the serviced apartments of Jing An Kerry Centre Phase I registered further growth of 257% during the year following the completion of major renovations in 2013, while yields of office spaces in the Center declined by 11%. The Kerry Parkside, Pudong also recorded further growth in yields for serviced apartments (3%), office spaces (6%) and commercial spaces (17%). Yields of serviced apartments in the Shanghai Centre recorded an increase of 8%, while yields of commercial spaces and office spaces saw marginal declines of 1% and 3%, respectively.

In other cities in Mainland China, the office spaces of the Chengdu Shangri-La Centre and Shangri-La Centre, Qingdao recorded growth in yields of 1% and 8%, respectively. Yields of the commercial spaces in these centers however recorded declines of 10% and 9%, respectively. Yields of Shangri-La Residences, Dalian gained 48% during the year after completion of phased renovations in January 2014. Yields of the office and commercial spaces in the Shangri-La Hotel, Changchun recorded increases of 5% and 10%, respectively while yields of the serviced apartments in the hotel decreased 6%.

In Singapore, the Group recorded an increase of 9% in yields for the Shangri-La Apartments but a decline of 20% for the Shangri-La Residences. Commercial spaces, however, recorded steady improvements in yields of 3% and 5% for Tanglin Mall and Tanglin Place, respectively. Yields of office spaces in Tanglin Place registered a marginal decrease of 1%.

In Kuala Lumpur, the UBN Apartments and the office spaces of the UBN Tower recorded decreases in yields of 7% and 2%, respectively. Yields of the commercial spaces of UBN Tower however recorded a marginal 2% gain.

In Bangkok, yields for the serviced apartments in the Shangri-La Hotel, Bangkok gained 3% while yields of the commercial spaces and office spaces in the Chao Phya Tower recorded decreases of 6% and 21%, respectively.

In Myanmar, the Shangri-La Residences, Yangon registered a remarkable 789% jump in yields with Phase II opening for business.

In other countries, yields of commercial spaces in the Central Tower, Ulaanbaatar in Mongolia recorded an increase of 3% while the office spaces in the tower registered a 15% decline. Commercial spaces in the Pier Retail Complex, Cairns in Australia also saw yields decrease 19%.

(b) Segment Results

Details of the segment information are provided in Note 3 to the consolidated financial statements included in this announcement. The increase in net profit from property rentals (US$30.1 million) and hotel management (US$7.5 million) together with the decline of pre-opening expenses for projects under development (US$21.4 million) have offset the reduction in net profit from hotel ownership of US$38.1 million. Net profit before non-operating items in 2014 increased substantially by 36.1% to US$89.8 million.

The overall results of the hotel ownership segment were adversely affected by the net losses of the Mainland China portfolio and the new hotel in London. Hotels in Hong Kong and Singapore continued to be the key profit contributors for this segment. Overall results of the hotels in Hong Kong and Singapore recorded marginal growth of US$1.9 million and US$3.2 million, respectively. The Mainland China hotel portfolio recorded a net loss of US$15.1 million during the year as a result of lower weighted average RevPAR, start-up losses of newly opened hotels due to high depreciation charges and exchange losses on foreign currency borrowings. Hotels have to contend with a relatively high fixed cost base by the nature of their business, resulting in a disproportionately greater negative impact on financial results in the context of lower revenues. The hotels in the Philippines performed relatively well, recording an increase in net profit of US$2.3 million. Net profit from the hotels in Thailand decreased marginally by US$0.4 million while net profit from the hotels in Malaysia recorded a decline of US$4.5 million as a result of reduced foreign visitor arrivals to both countries. The performance of the hotels in Tokyo and Istanbul continued to improve, with operating losses reduced by US$3.8 million and US$5.0 million, respectively. In contrast, the increase in revenue of the hotel in Paris was entirely offset by the full-year depreciation effect of Phase II, opened in June 2013. The hotel recorded a reduction in net loss of US$1.6 million. The hotels in Australia posted a net loss of US$1.4 million for the year mainly caused by additional loan interest recorded at the subsidiary level following the refinancing of shareholder loans by Australian dollar bank borrowings in the second half of 2013. The new hotel in London recorded a net loss of US$24.7 million in its post-opening period due to start-up costs and the impact of minimum rental under the lease agreement.

The hotel management services segment, benefiting from the opening of new hotels and increased project management services revenues, improved its contribution by US$7.5 million.

The property rentals segment, especially the investment properties in Mainland China, became the key profit contributor to the Group. The incremental net profit from property rentals was contributed mainly by the Jing An Kerry Centre (Phase II) in Shanghai (US$20.1 million) and the China World Trade Center in Beijing (US$4.6 million). The performance of the Shangri-La Residences, Yangon has been very encouraging, registering a net profit of US$2.0 million in 2014 compared to a loss of US$0.4 million the prior year.

(c) EBITDA and Consolidated Profits

In line with the slide in the profitability of the hotel ownership segment, EBITDA in respect of the Company and its subsidiaries decreased by US$29.7 million to US$542.1 million in 2014 and the EBITDA to consolidated sales ratio also declined to 25.7% from 27.5%. In contrast, the Group's share of EBITDA of its associates increased substantially by US$103.2 million to US$244.8 million, representing a year-on-year gain of 72.8%. Some of these associates, including the Jing An Kerry Centre in Shanghai, are also substantially owned by subsidiaries of the controlling shareholder of the Company. Aggregate EBITDA (EBITDA of the Company and its subsidiaries and effective share of EBITDA of its associates) increased by US$73.5 million during the year to US$786.9 million.

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; and impairment loss on fixed assets.

In terms of the consolidated financial results, both the consolidated gross profit margin of the hotels owned by subsidiaries and the overall consolidated gross profit margin improved marginally as a result of the Group's cost control efforts. The consolidated gross profit margin of the hotels owned by subsidiaries improved from 58.2% in 2013 to 58.3% while the overall consolidated gross profit margin climbed from 56.4% in 2013 to 56.8%. The consolidated labour cost increased only marginally by 1.8% during the year. The adjusted comparative labour cost (on a like-for-like basis) actually decreased 2.1% after excluding the cost of new hotels and apartments owned or leased by subsidiaries that opened in 2014 in Lhasa, Sanya, Nanjing, London, Singapore and Yangon; the Shangri-La Hotel, Qufu (opened on 1 August 2013) and the Shangri-La Hotel, Zhongshan (disposed in 2013).

Consolidated operating profit before finance costs for 2014 decreased by 6.2% to US$224.6 million after inclusion of the net credit of non-operating items (before tax and share of non-controlling interests) of US$4.2 million (2013: net credit of US$22.3 million) recorded under "Other gains – net" as detailed in Note 10 to the consolidated financial statements included in this announcement. The key non-operating items included under "Other gains – net" in 2014 were the net fair value gain before tax of investment properties of US$1.5 million; impairment provisions for a property under development and leasehold land of US$3.3 million; reversal of impairment provisions for other buildings of US$5.0 million and net unrealized gains on financial assets held for trading of US$1.0 million.

Consolidated finance costs for 2014 increased by US$12.2 million on account of the increase in bank loans during the year to fund new project developments.

The Group's share of profit after tax of associates decreased from US$416.5 million in 2013 to US$207.3 million. This balance included the share of operating profit after tax of US$116.3 million for the year (2013: US$53.3 million). The incremental operating profit after tax mainly arose from the additional US$24.7 million contribution from Jingan An Kerry Centre (Phase II) and the China World Trade Center together with the reduction in share of pre-opening expenses of US$18.0 million. In terms of the share of non-operating items of associates, the Group's net share of fair value gains of investment properties fell from US$378.9 million in 2013 to US$91.0 million. In 2013, the Group recorded a total US$361.3 million share of fair value gains for China World Trade Centre and the newly opened Jing An Kerry Centre, and this net credit declined to US$64.4 million for the year. The Group also recorded a US$15.7 million share of losses on the major renovation of China World Trade Centre in 2013.

The Group's share of the net increase in fair value change of investment properties owned by subsidiaries and associates in 2014 was only US$90.6 million compared to US$398.7 million in the previous year. Accordingly, the Group recorded a 53.9% decrease in consolidated profits attributable to the equity holders of the Company in 2014, despite a 36.1% increase in net profit before non-operating items.

CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Company completed a rights issue of ordinary shares on 22 December 2014 resulting in 447,499,257 new shares being issued at HK$11.10 per share. Gross proceeds from the issue were HK$4,967.2 million (approximately US$640.9 million) with issue expenses amounting to approximately US$3.6 million. As planned, the Group used a substantial part of the net proceeds from the rights issue to repay corporate bank borrowings totaling an equivalent of US$387.9 million in December 2014 and a further US$114.5 million in January 2015, to save interest costs. US$29.6 million was applied to project funding in January and February 2015, with the remaining balance retained as general working capital and for capital expenditure in 2015.

The Group executed two 5-year unsecured bank loan agreements of HK$1,000 million (approximately US$129.0 million) and US$50 million respectively at the corporate level during the year to secure project funding. The Group cancelled an undrawn corporate bank loan facility of US$70 million due to its relatively high interest margin.

At the subsidiary level, the Group executed the following unsecured bank loan agreements in 2014:

– two 3-year agreements totaling US$29 million, three 3-year agreements totaling RMB210 million (approximately US$34.3 million), one 5-year agreement of US$32 million, one 5-year agreement of RMB274 million (approximately US$44.8 million) and one 7-year agreement of RMB429 million (approximately US$70.1 million) to refinance outstanding bank loans that matured in 2014

– four 5-year agreements totaling RMB1,113 million (approximately US$181.9 million), one 8-year agreement of RMB450 million (approximately US$73.5 million), one 5-year agreement of HK$2,000 million (approximately US$258.1 million), one 3-year agreement of US$50 million and two 8-year agreements totaling US$80 million to fund capital expenditures for on-going development projects

The Group has also extended the maturity of an outstanding bank loan of US$7 million by two years to end of 2016.

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

The Group's net borrowings (total bank loans, convertible bonds and fixed-rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, improved from 54.1% as at 31 December 2013 to 49.2% as at 31 December 2014.

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

The analysis of borrowings outstanding as at 31 December 2014 is as follows:

	Maturities of Borrowings Contracted as at 31 December 2014				
			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	**504.8**	**711.3**	**1,001.5**	**–**	**2,217.6**
– convertible bonds	**–**	**527.3**	**–**	**–**	**527.3**
– fixed-rate bonds	**–**	**–**	**597.8**	**–**	**597.8**
Project bank loans					
– secured	**25.4**	**180.6**	**38.4**	**19.4**	**263.8**
– unsecured	**172.9**	**312.5**	**869.3**	**144.7**	**1,499.4**
Total	**703.1**	**1,731.7**	**2,507.0**	**164.1**	**5,105.9**
Undrawn but committed facilities					
Bank loans and overdrafts	**174.0**	**142.2**	**522.2**	**1.6**	**840.0**

Subsequent to the year-end, the Group executed two 5-year unsecured corporate bank loan agreements totaling an equivalent of US$171.5 million. The corporate together with certain subsidiaries also jointly executed a 2-year bank loan agreement of US$100 million. A 3-year local bank loan facility of US$100 million and a 5-year local bank loan facility of US$50 million for project financing were executed by subsidiaries. In addition, the Group is finalizing a 5-year corporate bank loan facility of US$448 million, a 4-year bank loan facility of S$100 million (approximately US$76.0 million) for the hotel renovation of a subsidiary and a 3-year bank loan facility of RMB30 million (approximately US$4.9 million) for the refinancing of a maturing loan of a subsidiary.

The currency mix of borrowings and cash and bank balances as at 31 December 2014 is as follows:

(US$ million)	**Borrowings**	**Cash and Bank Balances**
In United States dollars	2,442.6	220.8
In Hong Kong dollars	1,319.1	451.7
In Renminbi	715.5	538.7
In Euros	243.1	5.7
In Australian dollars	162.8	28.7
In Singapore dollars	78.2	65.3
In British pounds	70.2	2.2
In Japanese yen	41.5	5.5
In Philippine pesos	32.9	28.4
In Thai baht	–	38.3
In Malaysian ringgit	–	16.4
In Fiji dollars	–	16.0
In Mongolian tugrik	–	11.6
In Sri Lankan rupee	–	12.5
In Maldivian rufiyaa	–	0.2
In other currencies	–	0.3
	5,105.9	1,442.3

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

Details of financial guarantees, contingencies and charges over assets as at 31 December 2014 are disclosed in Note 16 to the consolidated financial statements included in this announcement.

TREASURY POLICIES

The group consistently follows treasury policies aimed at minimizing interest and currency risks:

(a) Minimizing Interest Risks

Intra-group financing between subsidiaries in Mainland China by way of entrusted loan agreements through local banks increased to RMB1,122.5 million (approximately US$183.4 million) as at 31 December 2014. The Group will continue to arrange entrusted loans, utilizing the cash surplus of operating hotels to finance the development of its new projects and operating cash requirements in Mainland China.

The Group is now arranging further shareholder loan and equity contributions to certain subsidiaries in Mainland China to repay their Renminbi bank borrowings in order to reduce interest costs.

The Group has endeavoured to hedge its medium-term interest rate risks by entering into interest-rate swap contracts. No new contracts were executed during the year. As at 31 December 2014, the Group has the following outstanding HIBOR and LIBOR interest-rate swap contracts:

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

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

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

Taking into account these interest-rate swap contracts, convertible bonds, fixed-rate bonds and Renminbi bank loans, the Group has fixed its interest liability on 46% of its borrowings outstanding as at 31 December 2014.

(b) Minimizing Currency Risks

There is a natural economic hedge to the extent that most Group-owned hotels derive their revenues (and most of the expenses associated therewith) in local currencies. Most of the Group's hotels quote room tariffs in the local currency. From time to time, the Group reviews its policy on quoting room tariffs. It is the Group's practice, wherever and to the extent possible, to quote tariffs in the stronger currency and maintain bank balances in that currency, if legally permitted.

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

INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed semi-annually (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). All changes in the fair value of investment properties (including those under construction) are recorded in the income statement. 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$90.6 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 relevant associates as at 31 December 2014.

FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The equity securities within the investment portfolio remained unchanged during the year. As at 31 December 2014, the market value of the Group's investment portfolio was US$21.9 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited and 2,241,725 ordinary shares in Kerry Logistics Network Limited. The Group recorded net unrealized fair value gains of US$1.0 million (US$1.0 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

On 8 February 2015, the 473-room Shangri-La Hotel, Nanchang (part of a composite development project in Nanchang City in which the Group has 20% equity interest) in Mainland China opened for business.

Construction work on the following projects is on-going:

(a) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Long Stay Apartments/ Villas	Projected Opening
Hotels in the People's Republic of China				
Shangri-La Hotel, Qinhuangdao	100%	331	–	May 2015
Shangri-La Hotel, Hefei	100%	401	–	May 2015
Shangri-La Hotel, Tangshan (part of composite development project in Tangshan City)	35%	398	38	2nd half 2015
Shangri-La Hotel, Diqing	100%	223	3	2nd half 2015
Midtown Shangri-La, Hangzhou (part of Kerry Central, Hangzhou)	25%	417	–	2nd half 2015
Shangri-La Hotel, Xiamen	100%	434	15	2016
Shangri-La Harbin, Songbei District	100%	455	33	2016
Shangri-La Hotel, Jinan (part of composite development project in Jinan City)	45%	359	32	2016
Shangri-La Hotel, Hunghom Bay, Hong Kong	100%	550	–	2016
Hotels in other countries				
Shangri-La Hotel, Ulaanbaatar, Mongolia	51%	290	–	June 2015
Extension of the Ocean Wing of Shangri-La's Rasa Ria Resort, Kota Kinabalu, Malaysia	64.59%	81	–	2nd half 2015
Shangri-La Hotel, At The Fort, Manila (part of composite development project in Bonifacio Global City, Metro Manila, the Philippines)	40%	576	97	2nd half 2015
Shangri-La's Hambantota Resort & Spa, Sri Lanka	90%	300	–	2nd half 2015
Shangri-La Hotel, Colombo, Sri Lanka (part of composite development project in Colombo)	90%	500	41	2017
Lakeside Shangri-La, Yangon, Myanmar	55.86%	332	15	2017

(b) Composite Developments and Investment Properties Developments

	Group's Equity Interest	Total gross floor area under development and completed for sale (excluding hotel component) *(approximate in square meters)* Residential	Office	Commercial	Serviced Apartments	Projected Opening
In Mainland China						
Shenyang Kerry Centre	25%	594,152	205,183	228,978	–	2015-2018*
Arcadia Court, Tangshan City	35%	114,511	–	22,808	–	2015*
Tianjin Kerry Centre	20%	124,369	70,016	117,986	31,420	2015*
Nanchang City Project	20%	82,144	70,546	9,144	–	2015
Phase II of Shangri-La Hotel, Dalian	100%	18,650	–	4,600	12,150	2015
Kerry Central, Hangzhou	25%	–	12,651	108,001	33,512	2016
Jinan City Project	45%	–	35,983	4,705	–	2016
Putian City Project	40%	263,677	–	6,945	–	2016
In other countries						
Bonifacio Global City, Metro Manila, the Philippines	40%	37,522	–	4,405	–	2015
Sule Square, Yangon, Myanmar	59.28%	–	36,135	9,247	–	2016
Composite development project in Colombo, Sri Lanka	90%	111,100	55,500	68,000	–	2016
Composite development project in Ulaanbaatar, Mongolia	51%	–	40,902	46,372	32,328	2016
		1,346,125	526,916	631,191	109,410	

* Being developed in phases. First phase opened in 2014.

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

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

Composite development

– Zhengzhou, Mainland China (45% equity interest owned by the Group)
– Kunming, Mainland China (45% equity interest owned by the Group)
– Accra, the Republic of Ghana (wholly owned by the Group)

The Group acquired the entire equity interest in a local company which owns a very well-located building in Rome in May 2012. The Group intends to convert the building into a Shangri-La hotel after all existing tenants are vacated. It is expected that vacant possession of the premises can be obtained by the end of 2015. The balance of the cash consideration of EUR29.8 million (approximately US$36.7 million) is not payable until then.

The Group has executed a termination agreement in 2014 with the local government in relation to the acquisition of a piece of land in Zhuhai, Mainland China. Pursuant to the agreement, 10% of the land cost representing RMB6.2 million (approximately US$1.0 million) was forfeited and the Group has already received the refund of the remaining 90% of the land cost of RMB55.5 million (approximately US$9.0 million) from the local government.

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

The estimated incremental funding required directly by subsidiaries and the Group's share of the funding obligations of associates for all projects and other renovations involving fund commitments as at 31 December 2014 is estimated at US$1,829.2 million, including US$923.0 million payable in the next 12 months which is expected to be sourced from operating cashflow, available and new bank facilities and cash balances.

NEW INVESTMENT

In June 2014, the Group entered into a shareholders' agreement with an independent third party to establish a joint venture company in Mauritius for the acquisition of an operating resort in that country in which the Group has 26% equity interest. Pursuant to the shareholders' agreement, the Group's share of the investment in this joint venture company is US$28.6 million. The Group completed the transaction on 4 August 2014.

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 4 new hotels owned by third parties. The development projects are located in Bengaluru, India (2 hotels), Doha (Qatar) and Shaoxing (Mainland China). During the year, the Group decided to terminate its management agreement with respect to the Traders Hotel project in Doha based on mutual consent.

The Traders Upper East Hotel, Beijing was rebranded the Hotel Jen Upper East Beijing on 4 March 2015. 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 outlook for the global economy remains challenging. While the US economy is showing signs of a slow recovery the economies of the Eurozone are in recession. The Mainland Chinese economy which has been a major focus of the Group's investment and operations is also expected to register lower rates of growth. Oversupply of hotel rooms in the Group's competitive set in many of the secondary cities in Mainland China will continue to exert a pressure on the Group's profits. Finally, given linkages that exist amongst the major economies of the world and the continuing global political tensions in the Middle East and Russia, the overall prospects for the Group's hotel business for 2015 do not appear encouraging.

However, on the positive side, the recurring post-tax profits from the Group's investment properties portfolio have shown impressive increases in 2014. These are expected to grow steadily in 2015 and should provide a vital underpinning to the Group's profitability in 2015 and beyond.

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

During the year ended 31 December 2014, 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.

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

The Company has met the CG Principles and the CG Model Code for the year ended 31 December 2014 except for the deviations summarized below:

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

QUALIFICATION FOR PROPOSED FINAL DIVIDEND

The proposed final dividend of HK6 cents per share in the Company for 2014 (subject to shareholders' approval at the forthcoming annual general meeting of the Company) will be payable on 11 June 2015 to shareholders whose names appear on the registers of members of the Company on 2 June 2015.

To qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 pm on 2 June 2015.

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

Hong Kong, 25 March 2015

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
Professor LI Kwok Cheung Arthur

Non-executive directors
Mr HO Kian Guan
Ms KUOK Hui Kwong
Mr HO Kian Hock (alternate to Mr HO Kian Guan)