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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)

2018 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 2018. 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 & risk committee of the Board.

The following table summarises the highlights of our financial results:

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

Notes:

1. EBITDA, which is a non-HKFRS financial measure, is defined as the earnings before finance costs, tax, depreciation and amortisation and non-recurring items such as gain/loss on disposal of fixed assets and interest in investee companies; fair value gains/losses on investment properties and financial assets at fair value through profit or loss; and impairment losses on fixed assets.

2. Effective share of EBITDA is the aggregate total of the Company's EBITDA and the Group's share of EBITDA of subsidiaries and associates based on percentage of equity interests.

3. Effective share of net borrowings (balance of bank loans and fixed rate bonds less short-term fund placement, cash and bank balance) is the aggregate total of the Company's net borrowings and the Group's share of net borrowings of subsidiaries and associates based on percentage of equity interests.

4. For information, effective share of depreciation and amortisation of the Company, subsidiaries and associates was USD384.6 million for the year ended 31 December 2018, an increase of 6.2%, compared to USD362.2 million for the year ended 31 December 2017.

The Board has recommended a final dividend of HK14 cents per share for 2018 (2017: HK11 cents per share) payable to the Company's shareholders whose names appear on the registers of members of the Company on Tuesday, 11 June 2019. With the interim dividend of HK8 cents per share (2017: HK6 cents per share) paid in October 2018, the total dividend for 2018 is HK22 cents per share (2017: HK17 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, 20 June 2019.

DISCUSSION AND ANALYSIS

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

- **Hotel Properties** – development, ownership and operations of hotel properties (including hotels under lease)

- **Hotel Management and Related Services** for Group-owned hotels and for hotels owned by third parties

- **Investment Properties** – development, ownership and operations of office properties, commercial properties and serviced apartments/residences

- **Property Development for Sale**

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

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

- **Shangri-La Hotels and Resorts**

- **Kerry Hotels**

- **Hotel Jen**

- **Traders Hotels**

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

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

Notes:

1) Other hotel refers to the Portman Ritz-Carlton Hotel, Shanghai (the Group has 30% equity interest)
2) No new hotel opened for business in 2018. Hotel Jen Brisbane in Australia ceased operations and was disposed of in December 2018 as requested by the local government authority to take the underlying land on which the hotel was built for redevelopment.

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

			Total GFA of the operating investment properties as at 31 December 2018		
(in square metres)		**Group's equity interest**	**Office spaces**	**Commercial spaces**	**Serviced apartments/ residential**
Mainland China	China World Trade Center				
	– Phase I	40.32%-50%	88,433	90,770	80,124
	– Phase II	43.23%	76,536	24,337	–
	– Phase IIIA	40.32%	143,088	45,851	–
	– Phase IIIB	40.32%	83,419	62,498	–
			391,476	223,456	80,124
	Century Tower, Beijing	50%	–	–	43,445
	Beijing Kerry Centre	23.75%	92,723	12,831	36,161
	Shanghai Centre	30%	40,819	12,057	50,988
	Jing An Kerry Centre – Phase I	24.75%	38,611	13,009	17,812
	Jing An Kerry Centre – Phase II	49%	117,823	80,967	–
	Kerry Parkside Shanghai Pudong	23.2%	94,995	49,319	34,907
	Shangri-La Centre, Chengdu	80%	41,519	4,097	–
	Shangri-La Residences, Dalian	100%	–	–	54,004
	Shangri-La Centre, Qingdao	100%	31,911	8,029	–
	Tianjin Kerry Centre	20%	–	82,494	–
	Hangzhou Kerry Centre	25%	12,583	98,886	–
	Jinan Enterprise Square	45%	32,944	5,681	–
			895,404	590,826	317,441

(in square metres)		Group's equity interest	Total GFA of the operating investment properties as at 31 December 2018 Office spaces	Commercial spaces	Serviced apartments/ residential
Malaysia	UBN Apartments, Malaysia	52.78%	–	–	17,356
	UBN Tower, Malaysia	52.78%	45,175	8,530	–
			45,175	8,530	17,356
Singapore	Shangri-La Apartments, Singapore	100%	–	–	13,794
	Shangri-La Residences, Singapore	100%	–	–	10,941
	Tanglin Mall, Singapore	44.6%	–	21,267	–
	Tanglin Place, Singapore	44.6%	3,291	1,666	–
			3,291	22,933	24,735
Australia	The Pier Retail Complex, Cairns	100%	515	11,370	–
Mongolia	Central Tower, Ulaanbaatar	51%	23,114	4,510	–
	Shangri-La Centre, Ulaanbaatar	51%	18,241	16,728	19,585
			41,355	21,238	19,585
Myanmar	Shangri-La Residences, Yangon	55.86%	–	–	56,834
	Sule Square, Yangon	59.28%	37,635	11,807	–
			37,635	11,807	56,834
TOTAL			1,023,375	666,704	435,951

RESULTS OF OPERATIONS

Revenue

Consolidated revenue consisted of the following:

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

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

– USD67.2 million of carry-over impact of opening of new hotels in 2017.

– USD27.0 million from Shangri La Hotel, Singapore's improvement after major renovations in 2017.

– USD22.3 million from a favourable foreign exchange rate from hotel properties operations.

– USD35.6 million (after inter-segment elimination) from change of accounting standards HKFRS 15 in treatment of revenue from contracts with customers.

– A net increase of USD94.2 million in property development for sale mainly driven by recognition of revenue from the sale of residences in Shangri-La's One Galle Face development in Colombo, Sri Lanka.

– Offset by a decrease of USD13.0 million due to temporary closure of Shangri-La's Boracay Resort & Spa (The Philippines), due to the government's order to completely close down the Boracay Island for six months commencing 26 April 2018 for environmental rehabilitation.

– With the remaining increase of USD94.8 million driven by the general improvement in operations in hotel and investment properties.

(i) Hotel Properties

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

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

Details of these 82 hotels are as follows:

	Group's equity interest	Available rooms
(A) Hotels owned by the Group		
Hong Kong		
Kowloon Shangri-La, Hong Kong	100%	682
Island Shangri-La, Hong Kong	80%	565
Hotel Jen Hong Kong	30%	283
Kerry Hotel, Hong Kong	100%	546
Mainland China		
Shangri-La Hotel, Beijing	38%	670
China World Hotel, Beijing	50%	584
China World Summit Wing, Beijing	40.32%	278
Hotel Jen Beijing	40.32%	450
Kerry Hotel, Beijing	23.75%	486
Pudong Shangri-La, East Shanghai	100%	946
Jing An Shangri-La, West Shanghai	49%	508
Kerry Hotel Pudong, Shanghai	23.2%	574
Portman Ritz-Carlton Hotel, Shanghai	30%	593
Shangri-La Hotel, Shenzhen	72%	522
Futian Shangri-La, Shenzhen	100%	528
Shangri-La Hotel, Xian	100%	393
Shangri-La Hotel, Hangzhou	45%	380
Shangri-La Hotel, Beihai	100%	362
Shangri-La Hotel, Changchun	100%	382
Hotel Jen Shenyang	100%	407
Shangri-La Hotel, Shenyang	25%	383
Shangri-La Hotel, Qingdao	100%	702
Shangri-La Hotel, Dalian	100%	560
Shangri-La Hotel, Wuhan	92%	442

	Group's equity interest	Available rooms
Shangri-La Hotel, Harbin	100%	403
Shangri-La Hotel, Fuzhou	100%	414
Shangri-La Hotel, Guangzhou	80%	690
Shangri-La Hotel, Chengdu	80%	593
Shangri-La Hotel, Wenzhou	75%	409
Shangri-La Hotel, Ningbo	95%	562
Shangri-La Hotel, Guilin	100%	439
Shangri-La Hotel, Baotou	100%	360
Shangri-La Hotel, Huhhot	100%	365
Shangri-La Hotel, Manzhouli	100%	235
Shangri-La Hotel, Yangzhou	100%	360
Shangri-La Hotel, Qufu	100%	322
Shangri-La Hotel, Lhasa	100%	289
Shangri-La's Sanya Resort & Spa, Hainan	100%	496
Shangri-La Hotel, Nanjing	55%	450
Shangri-La Hotel, Qinhuangdao	100%	328
Shangri-La Hotel, Hefei	100%	400
Shangri-La Resort, Shangri-La	100%	228
Shangri-La Hotel, Tianjin	20%	304
Shangri-La Hotel, Nanchang	20%	473
Shangri-La Hotel, Tangshan	35%	301
Midtown Shangri-La, Hangzhou	25%	414
Songbei Shangri-La, Harbin	100%	344
Shangri-La Hotel, Xiamen	100%	325
Shangri-La Hotel, Jinan	45%	364
Singapore		
Shangri-La Hotel, Singapore	100%	792
Shangri-La's Rasa Sentosa Resort & Spa, Singapore	100%	454
Hotel Jen Tanglin Singapore	44.6%	565
Malaysia		
Shangri-La Hotel, Kuala Lumpur	52.78%	655
Shangri-La's Rasa Sayang Resort & Spa, Penang	52.78%	303
Golden Sands Resort, Penang	52.78%	387
Hotel Jen Penang	31.67%	443
Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu	64.59%	499
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu	40%	492
The Philippines		
Makati Shangri-La, Manila	100%	696
Edsa Shangri-La, Manila	100%	630
Shangri-La's Mactan Resort & Spa, Cebu	93.95%	530
Shangri-La's Boracay Resort & Spa	100%	219
Shangri-La at the Fort, Manila	40%	576

	Group's equity interest	Available rooms
Thailand		
Shangri-La Hotel, Bangkok	73.61%	802
Shangri-La Hotel, Chiang Mai	73.61%	277
Australia		
Shangri-La Hotel, Sydney	100%	565
Shangri-La Hotel, The Marina, Cairns	100%	255
France		
Shangri-La Hotel, Paris	100%	100
Maldives		
Shangri-La's Villingili Resort & Spa, Maldives	70%	132
Hotel Jen Malé, Maldives	100%	114
Other areas		
Shangri-La Bosphorus, Istanbul, Turkey	50%	186
Shangri-La's Fijian Resort & Spa, Yanuca, Fiji	71.64%	442
Sule Shangri-La, Yangon, Myanmar	59.16%	474
Shangri-La Hotel, Jakarta, Indonesia	25%	619
Shangri-La Hotel, Surabaya, Indonesia	11.34%	365
Shangri-La Hotel, Ulaanbaatar, Mongolia	51%	290
Shangri-La's Le Touessrok Resort & Spa, Mauritius	26%	203
Shangri-La's Hambantota Golf Resort & Spa, Sri Lanka	90%	274
Shangri-La Hotel, Colombo, Sri Lanka	90%	500
Total of 79 owned hotels		34,933
(B) Hotels under operating lease agreements		
Shangri-La Hotel, Tokyo, Japan		200
Shangri-La Hotel, At The Shard, London, United Kingdom		202
Hotel Jen Orchardgateway Singapore		499
Total of 3 leased hotels		901
Grand total		35,834

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

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

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

– New hotel openings in 2017, including Kerry Hotel, Hong Kong (Hong Kong), Songbei Shangri-La, Harbin (Mainland China), Shangri-La Hotel, Xiamen (Mainland China), and Shangri-La Hotel, Colombo (Sri Lanka).

– Improvement in hotel performances after major renovation of Shangri-La Hotel, Singapore completed in May 2017.

– Favourable foreign exchange rates.

– General improvement in hotel operations environment on a like-for-like basis.

– Offset by temporary closure of Shangri-La's Boracay Resort & Spa (The Philippines), due to the government's order to completely close down the Boracay Island for six months commencing 26 April 2018 for environmental rehabilitation.

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

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

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

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

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

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

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

The People's Republic of China

Hong Kong

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

Mainland China

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

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

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

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

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

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

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

Singapore

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

The Philippines

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

Australia

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

Sri Lanka

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

(ii) Hotel Management & Related Services

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

– 78 Group-owned hotels (Portman Ritz-Carlton Hotel, Shanghai is the only exception)

– 3 hotels under lease agreements

– 20 hotels owned by third parties

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

– Canada: Toronto and Vancouver

– The Philippines: Manila

– Oman: Muscat (2 hotels)

– Qatar: Doha

– UAE: Abu Dhabi (2 hotels) and Dubai

– Malaysia: Johor and Kuala Lumpur

– India: New Delhi and Bengaluru

– Taiwan: Taipei and Tainan

– Mainland China: Changzhou (2 hotels), Haikou, Suzhou and Yiwu

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

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

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

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

After eliminating inter-segment revenue with subsidiaries, the net revenues from SLIM was USD100.1 million for the year ended 31 December 2018, an increase of 53.3% (or USD34.8 million) compared to USD65.3 million for the year ended 31 December 2017. The increase of revenue was mainly driven by changes of the accounting standards HKFRS15 in treatment of revenue from contracts with customers. This included a recognition of USD34.3 million in Golden Circle fees and USD5.2 million from the Brand Fund for the year ended 31 December 2018, compared to USD3.9 million and nil, respectively, for the year ended 31 December 2017.

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

(iii) Investment Properties

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

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

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

Comments on subsidiary investment properties by geography:

Mainland China

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

Singapore

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

Malaysia

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

Mongolia

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

Other countries

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

(iv) Property Development for Sale

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

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

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

EBITDA AND AGGREGATE EFFECTIVE SHARE OF EBITDA

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

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

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

Hotel Properties

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

Hotel Management and Related Services

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

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

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

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

Investment Properties

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

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

Property Development for Sale & Other Business

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

Corporate and Pre-opening Expenses

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

Consolidated Profit Attributable to Owners of the Company

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

		Year ended 31 December		**2018/17**
		2018	2017	% change
		USD Mil	*USD Mil*	
Hotel Properties	Hong Kong	**58.7**	55.0	6.7%
	Mainland China	**19.9**	17.1	16.4%
	Singapore	**35.3**	16.3	116.6%
	Malaysia	**17.1**	13.9	23.0%
	The Philippines	**9.6**	7.2	33.3%
	Japan	**3.5**	1.5	133.3%
	Thailand	**14.2**	10.7	32.7%
	France	**(13.4)**	(16.1)	16.8%
	Australia	**0.6**	4.3	-86.0%
	United Kingdom	**(16.0)**	(15.2)	-5.3%
	Mongolia	**(7.7)**	(4.5)	-71.1%
	Sri Lanka	**(18.8)**	(12.0)	-56.7%
	Other countries	**(13.1)**	(9.7)	-35.1%
		89.9	68.5	31.2%
Hotel Management and Related Services		**8.4**	32.7	-74.3%
Sub-total Hotel Operations		**98.3**	101.2	-2.9%

		Year ended 31 December		2018/17
		2018	2017	% change
		USD Mil	*USD Mil*	
Investment Properties	Mainland China	**142.9**	125.8	13.6%
	Singapore	**9.1**	8.0	13.8%
	Malaysia	**1.7**	1.5	13.3%
	Mongolia	**(3.2)**	(2.5)	28.0%
	Other countries	**3.7**	3.9	–5.1%
Sub-total Investment Properties		**154.2**	136.7	12.8%
Property Development for Sale & Other Business		**84.0**	30.9	171.8%
Consolidated profit from operating properties		**336.5**	268.8	25.2%
Net corporate finance costs (including foreign exchange gains and losses)		**(104.2)**	(77.5)	34.5%
Land cost amortisation & pre-opening expenses for projects & corporate expenses		**(35.0)**	(50.6)	-30.8%
Consolidated profit attributable to owners of the Company before non-operating items		**197.3**	140.7	40.2%
Non-operating items		**(4.4)**	17.3	N/M
Consolidated profit attributable to owners of the Company after non-operating items		**192.9**	158.0	22.1%

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

Hotel Properties

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

Hotel Management and Related Services

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

Investment Properties

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

Property Development for Sale & Other Business

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

Others

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

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

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

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

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

iii) Fair value losses on financial assets of USD4.7 million for the year ended 31 December 2018 compared to gains of USD8.6 million for the year ended 31 December 2017

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

Details of all the non-operating items are disclosed in the segment profit or loss of Note 3 to the consolidated financial statements included in this announcement.

CORPORATE DEBT AND FINANCIAL CONDITIONS

In 2018, we have improved our capital structure:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note: Cash and bank balances as stated included short-term fund placements in Malaysian ringgit amounted to US$49.7 million.

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

Details of financial guarantees, contingencies and charges over assets as at 31 December 2018 are disclosed in Note 15 to the consolidated financial statements included in this announcement.

TREASURY POLICIES

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

(A) Minimising Interest Risks

The majority of the Group's borrowings are in US dollars and arranged at the corporate level. Anticipating the onset of an increasing interest rate cycle, the Group has closely monitored the cash flow forecasts of all its subsidiaries and arranged to transfer any surplus cash to the corporate to reduce corporate debts. In order to minimise the overall interest cost, the Group also arranged intra-group loans to utilise the surplus cash of certain subsidiaries to meet the funding requirements of other group companies. The Group reviews the intra-group loan arrangements from time to time in response to changes in currency exchange rates and bank loan interest rates.

The Group has endeavoured to hedge its medium term interest rate risks by entering into interest-rate swap contracts. In November 2018, the Group has executed a new USD260.0 million LIBOR five-year term interest-rate swap contract at a fixed rate of 3.045% per annum in order to hedge a newly signed floating rate bank loan executed by a subsidiary.

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

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

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

(B) Minimising Currency Risks

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

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

– the Group pays fixed interest rate of 4.25% per annum and SGD48.4 million upon maturity

– the Group receives fixed interest rate of 5.23% per annum and USD35.0 million upon maturity

It is the Group's practice, wherever and to the extent possible, to quote tariffs in the stronger currency and maintain bank balances in that currency, if legally permitted.

INVESTMENT PROPERTIES VALUATION

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed semi-annually (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). The fair values of investment properties are based on opinions from independent professional valuers as obtained by the Group and the relevant associates which own the investment properties. All changes in the fair value of investment properties (including those under construction) are recorded in the statement of profit or loss. For the year ended 31 December 2018, the Group recorded an overall effective share of net fair value gains of USD111.1 million for its investment properties.

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

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

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

Crowe Horwath First Trust Appraisal Pte Ltd, Cushman & Wakefield Limited and Savills Valuation and Professional Services Limited	:	For properties in Mainland China
Crowe Horwath First Trust Appraisal Pte Ltd	:	For properties in Mongolia
Colliers International Consultancy & Valuation (Singapore) Pte Ltd	:	For properties in Singapore
W. M. Malik & Kamaruzaman	:	For properties in Malaysia
Jones Lang LaSalle Advisory Services Pty Ltd	:	For properties in Australia
Knight Frank Chartered (Thailand) Company Limited	:	For properties in Myanmar
Sunil Fernando & Associates (Pvt) Ltd.	:	For properties in Sri Lanka

IMPAIRMENT PROVISION

The Group assesses the carrying value of a group-owned operating hotel when there is any indication that the asset may be impaired. Indicative criteria include continuing adverse changes in the local market conditions in which the hotel operates or will operate, or when the hotel continues to operate at a loss position and its financial performance is worse than expected. Professional valuations have been carried out by independent professional firms for those properties for which the internal assessment results need independent confirmation. Based on the Group's internal assessments and/or professional valuations at 31 December 2018, the Group provided a total of USD112.9 million for three hotels which are owned/leased by subsidiaries (2017: nil).

FINANCIAL ASSETS – TRADING SECURITIES

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

DEVELOPMENT PROGRAMMES

Construction work on the following projects is on-going:

(A) Hotel Developments

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

* TBD: To be determined

(B) Composite Developments and Investment Property Developments

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

* Being developed in phases

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

Hotel development

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

– Rome, Italy (wholly owned by the Group)

– Lakeside Shangri-La, Yangon, Myanmar (55.86% equity interest owned by the Group)

Composite development

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

– Tianjin Kerry Centre – Phase II, Mainland China (20% equity interest owned by the Group)

– Accra, the Republic of Ghana (45% equity interest owned by the Group)

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

The estimated incremental funding required directly by subsidiaries and the Group's share of the funding obligations of associates for all projects and other renovations involving fund commitments as at 31 December 2018 is estimated at USD439.6 million, including USD202.8 million payable in the next 12 months which is expected to be sourced from operating cashflow, available and new bank facilities and cash balances.

DISPOSAL OF A HOTEL

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

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

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

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

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

PROSPECTS

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

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 December 2018 *US$'000***	2017 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**5,537,840**	6,281,592
Investment properties		**1,478,672**	1,448,853
Leasehold land and land use rights		**484,441**	498,417
Intangible assets		**100,058**	89,947
Interest in associates		**3,911,801**	3,870,057
Deferred income tax assets		**7,507**	8,138
Financial assets at fair value through other comprehensive income		**4,164**	–
Financial assets at fair value through profit or loss		**10,391**	–
Available-for-sale financial assets		–	13,343
Derivative financial instruments		**8,102**	5,067
Other receivables		**14,720**	14,254
		11,557,696	12,229,668
Current assets			
Inventories		**36,528**	38,028
Properties for sale		**153,097**	46,208
Accounts receivable, prepayments and deposits	4	**270,888**	323,648
Amounts due from associates		**70,742**	90,450
Derivative financial instruments		**3,472**	1,738
Amounts due from non-controlling shareholders		–	37
Financial assets at fair value through profit or loss		**18,836**	–
Financial assets held for trading		–	23,534
Short-term deposits with original maturities over 3 months		**88,979**	124,584
Cash and cash equivalents		**970,410**	797,278
		1,612,952	1,445,505
Total assets		**13,170,648**	13,675,173

	Note	As at 31 December 2018 US$'000	2017 US$'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital and premium	5	**3,201,995**	3,198,420
Shares held for share award scheme	5	**(4,996)**	–
Other reserves		**693,368**	1,117,763
Retained earnings		**2,398,584**	2,286,373
		6,288,951	6,602,556
Non-controlling interests		**387,937**	439,440
Total equity		**6,676,888**	7,041,996
LIABILITIES			
Non-current liabilities			
Bank loans		**4,066,686**	4,949,844
Fixed rate bonds	6	**636,933**	–
Derivative financial instruments		**6,261**	–
Deferred income tax liabilities		**331,076**	329,257
		5,040,956	5,279,101
Current liabilities			
Accounts payable and accruals	7	**677,642**	876,384
Deposits received on sales of properties		–	199,313
Contract liabilities		**286,890**	–
Amounts due to non-controlling shareholders		**35,050**	27,942
Current income tax liabilities		**20,425**	15,118
Bank loans		**431,220**	234,831
Derivative financial instruments		**1,577**	488
		1,452,804	1,354,076
Total liabilities		**6,493,760**	6,633,177
Total equity and liabilities		**13,170,648**	13,675,173

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Year ended 31 December** **2018** ***US$'000***	2017 *US$'000*
Revenue	3	**2,517,857**	2,189,823
Cost of sales	8	**(1,113,268)**	(955,118)
Gross profit		**1,404,589**	1,234,705
Other losses – net	9	**(126,427)**	(16,164)
Marketing costs	8	**(99,039)**	(89,341)
Administrative expenses	8	**(254,811)**	(220,548)
Other operating expenses	8	**(743,804)**	(730,751)
Operating profit		**180,508**	177,901
Finance costs – net	10	**(195,505)**	(131,419)
Share of profit of associates	11	**305,393**	203,684
Profit before income tax		**290,396**	250,166
Income tax expense	12	**(106,658)**	(106,120)
Profit for the year		**183,738**	144,046
Profit/(Loss) attributable to:			
Owners of the Company		**192,905**	157,997
Non-controlling interests		**(9,167)**	(13,951)
		183,738	144,046
Earnings per share for profit attributable to owners of the Company during the year *(expressed in US cents per share)*			
– basic	13	**5.40**	4.43
– diluted	13	**5.40**	4.42
Dividends	14	**101,393**	78,383

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The principal activities of the Group are the development, ownership and operation of hotel properties, the provision of hotel management and related services, the development, ownership and operations of investment properties and property development for sale.

The 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 are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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

New accounting standards, amendments and interpretation to accounting standards adopted by the Group

The following new accounting standards, amendments and interpretation to accounting standards effective in 2018 which are relevant to the Group's operations have been adopted by the Group for the first time for the financial year beginning on 1 January 2018:

HKFRS 9 – Financial Instruments

HKFRS 15 – Revenue from Contracts with Customers

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

Amendments to HKAS 40 – Transfer to Investment Property

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

Annual Improvements 2014-2016 cycle

All these new accounting standards, amendments and interpretation to accounting standards adopted by the Group did not have any significant impact on the Group's financial statements except for the following impacts as a result of the adoption of HKFRS 9 and HKFRS 15.

a) HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact of adoption

The adoption of HKFRS 9 does not have material impact to the Group, except for the club debentures which were reclassified from available-for-sale ("**AFS**") financial assets measured at fair value as previously reported to financial assets at fair value through profit or loss ("**FVPL**"). The cumulative fair value gains of US$6,842,000 were transferred from the AFS financial assets reserve to retained earnings on 1 January 2018. For the year ended 31 December 2018, net fair value gains of US$1,216,000 relating to these club debentures were recognised in profit or loss.

The other financial assets held by the Group include:

- equity and loan instruments which were reclassified from AFS financial assets measured at fair value to financial assets at fair value through other comprehensive income ("**FVOCI**"); and

- equity investments of listed securities which were previously classified as financial assets held for trading measured at fair value would continue to be measured on the same basis under HKFRS 9.

Gains or losses realised on the sale of equity interests at FVOCI in the future will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. In addition, gains or losses realised on the sale of debt instruments at FVOCI in the future will be transferred to profit or loss on sale.

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVPL and the Group does not have any such liabilities.

The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group's interest-rate swap contracts aimed at hedging the Group's bank borrowing interests would continue to qualify as effective hedges upon the adoption of HKFRS 9 and there was no impact on the Group's accounting for the interest-rate swap contracts.

The Group adopted the simplified version of the expected credit loss model on trade receivables, which involves assessing lifetime expected credit losses on all balances. To estimate the required impairment provision, management will assess historical collection rates of each operating entity and will consider adjustments for future expectations. There was no material impact on the financial statements from the application of the expected credit loss model on trade receivables.

The Group has applied the transitional provisions set out in HKFRS 9 without restating comparative information.

b) *HKFRS 15 Revenue from Contracts with Customers*

The HKFRS 15 replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Impact of adoption

Certain operating expenses charged by the Group to its managed hotels on a net basis as reimbursement previously would be recognised on a gross basis in the consolidated statement of profit or loss (i.e. income and expense of the same amount will be recognised) on adoption of the new standard as the Group is regarded as having controls over these operating activities. As a result, for the year ended 31 December 2018, both the revenue and operating expenses of the Group's consolidated statement of profit or loss were increased by US$39,571,000 while the consolidated retained earnings at 1 January 2018 were unaffected.

The Group recognises contract liabilities when a customer pays consideration, or is contractually required to pay consideration, before the Group recognises the related revenue. These contract liabilities, including receipts in advance from customers, unredeemed loyalty points liabilities and refund liabilities, are required to be separately presented following the adoption of HKFRS 15.

The Group has adopted the modified retrospective approach set out in HKFRS 15 without restating comparative information.

c) *Impact on the consolidated financial statements*

The following table shows the reclassifications and adjustments recognised for each individual line item in the consolidated statement of financial position on 1 January 2018. Financial numbers as at 31 December 2017 are not restated. Line items that were not affected by the changes are not shown.

Consolidated statement of financial position (extract)	**31 Dec 2017 as previously reported**	**Impact from adoption of**		**1 Jan 2018 as restated**
		HKFRS 9	**HKFRS 15**	
Assets				
AFS financial assets (non-current)	13,343	(13,343)	–	–
Financial assets at FVPL (non-current)	–	9,198	–	9,198
Financial assets at FVOCI (non-current)	–	4,145	–	4,145
Financial assets held for trading (current)	23,534	(23,534)	–	–
Financial assets at FVPL (current)	–	23,534	–	23,534
Liabilities				
Accounts payable and accruals	876,384	–	(150,505)	725,879
Deposits received on sales of properties	199,313	–	(199,313)	–
Contract liabilities	–	–	349,818	349,818
Equity				
Other reserves	1,117,763	(6,842)	–	1,110,921
Retained earnings	2,286,373	6,842	–	2,293,215

The following tables show the impact on each individual line item of the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2018 and the consolidated statement of financial position as of 31 December 2018 following the adoption of the HKFRS 9 and HKFRS 15. Line items that were not affected by the changes are not shown.

	For the year ended 31 December 2018			
	Before adoption of new standards	**Impact from adoption of HKFRS 9**	**Impact from adoption of HKFRS 15**	**As reported**
Consolidated statement of profit or loss (extract)				
Revenue	2,478,286	–	39,571	2,517,857
Other losses – net	(127,643)	1,216	–	(126,427)
Other operating expenses	(704,233)	–	(39,571)	(743,804)
Operating profit	179,292	1,216	–	180,508
Profit before income tax	289,180	1,216	–	290,396
Profit for the year	182,522	1,216	–	183,738
Profit attributable to owners of the Company	191,689	1,216	–	192,905
Consolidated statement of comprehensive income (extract)				
Profit for the year	182,522	1,216	–	183,738
Other comprehensive income:				
Fair value changes of AFS financial assets	1,216	(1,216)	–	–
Other comprehensive loss for the year	(431,029)	(1,216)	–	(432,245)
Total comprehensive income for the year	(248,507)	–	–	(248,507)

Consolidated statement of financial position (extract)	As at 31 December 2018			
	Before adoption of new standards	Impact from adoption of HKFRS 9	HKFRS 15	As reported
Assets				
AFS financial assets (non-current)	14,555	(14,555)	–	–
Financial assets at FVPL (non-current)	–	10,391	–	10,391
Financial assets at FVOCI (non-current)	–	4,164	–	4,164
Financial assets held for trading (current)	18,836	(18,836)	–	–
Financial assets at FVPL (current)	–	18,836	–	18,836
Liabilities				
Accounts payable and accruals	820,435	–	(142,793)	677,642
Deposits received on sales of properties	144,097	–	(144,097)	–
Contract liabilities	–	–	286,890	286,890
Equity				
Other reserves	694,584	(1,216)	–	693,368
Retained earnings	2,397,368	1,216	–	2,398,584

The adoption of HKFRS 9 and HKFRS 15 has insignificant impact to the earnings per share and has no impact on the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows for the year ended 31 December 2018 and 2017.

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

Certain new accounting standards, amendments and interpretation to standards have been published that are not mandatory for the year 2018 and have not been early adopted by the Group. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position, except for the new HKFRS16 Lease which will affect primarily the accounting for the Group's operating leases in the statement of financial position and will affect the Group's profit. Additional information for the new accounting standards and amendments to standards which are effective for the year 2019 will be disclosed in the consolidated financial statements included in the Annual Report.

3 Revenue and segment information

The Group owns/leases and operates hotels and associated properties; and provides hotel management and related services. The Group also owns investment properties for property rentals and engages in property sales business. Most of the associates are engaged in hotel ownership, property rentals and property sales businesses and these revenues of the associates are not included in the consolidated revenue of the Group. Revenue recognised in the consolidated financial statements during the year are as follows:

	2018	2017
	US$'000	*US$'000*
Revenue		
Hotel properties		
Revenue from rooms	**1,143,405**	1,042,504
Food and beverage sales	**941,322**	861,130
Rendering of ancillary services	**122,268**	114,378
Hotel management and related services	**100,051**	65,345
Property development for sale	**127,659**	33,463
Other business	**580**	–
Revenue from contracts with customers within the scope of HKFRS 15	**2,435,285**	2,116,820
Investment properties	**82,572**	73,003
Total consolidated revenue	**2,517,857**	2,189,823

The Group is domiciled in Hong Kong. The revenue from external customers attributed to Hong Kong and other countries are US$454,108,000 (2017: US$358,872,000) and US$2,063,749,000 (2017: US$1,830,951,000), respectively.

The total of non-current assets other than financial assets at FVOCI and FVPL, derivative financial instruments, deferred income tax assets and interest in associates located in Hong Kong and other countries are US$868,933,000 (2017: US$898,817,000) and US$6,746,798,000 (2017: US$7,434,246,000), 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 revenue is derived from various external customers in which there is no significant revenue derived from a single external customer of the Group. The Group's management considers the business from both a geographic and business perspective.

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

i. ***Hotel properties*** – development, ownership and operations of hotel properties (including hotels under lease)
- Hong Kong
- Mainland China
- Singapore
- Malaysia
- The Philippines
- Japan
- Thailand
- France
- Australia
- United Kingdom
- Mongolia
- Sri Lanka
- Other countries (including Fiji, Myanmar, Maldives, Indonesia, Turkey and Mauritius)

ii. ***Hotel management and related services*** for Group-owned hotels and for hotels owned by third parties

iii. ***Investment properties –*** development, ownership and operations of office properties, commercial properties and serviced apartments/residences
- Mainland China
- Singapore
- Malaysia
- Mongolia
- Other countries (including Australia and Myanmar)

iv. ***Property development for sale***

The Group is also engaged in other businesses including wines trading and restaurant operation outside hotel. These other businesses did not have a material impact on the Group's results.

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

Segment profit or loss
For the year ended 31 December 2018 and 2017 (US$ million)

	2018		2017	
	Revenue ***(Note ii)***	**Profit/ (Loss) after tax** ***(Note i)***	Revenue *(Note ii)*	Profit/ (Loss) after tax *(Note i)*
Hotel properties				
Hong Kong	**370.1**	**58.7**	312.5	55.0
Mainland China	**842.1**	**19.9**	794.9	17.1
Singapore	**237.0**	**35.3**	184.6	16.3
Malaysia	**129.3**	**17.1**	121.3	13.9
The Philippines	**171.7**	**9.6**	184.9	7.2
Japan	**67.2**	**3.5**	63.7	1.5
Thailand	**78.2**	**14.2**	70.1	10.7
France	**50.1**	**(13.4)**	42.6	(16.1)
Australia	**92.2**	**0.6**	101.9	4.3
United Kingdom	**50.7**	**(16.0)**	47.4	(15.2)
Mongolia	**15.2**	**(7.7)**	13.4	(4.5)
Sri Lanka	**40.2**	**(18.8)**	12.6	(12.0)
Other countries	**62.9**	**(13.1)**	68.1	(9.7)
	2,206.9	**89.9**	2,018.0	68.5
Hotel management and related services	**229.9**	**8.4**	159.7	32.7
Investment properties				
Mainland China	**20.2**	**142.9**	17.1	125.8
Singapore	**13.6**	**9.1**	13.3	8.0
Malaysia	**6.2**	**1.7**	5.9	1.5
Mongolia	**16.8**	**(3.2)**	12.4	(2.5)
Other countries	**25.8**	**3.7**	24.3	3.9
	82.6	**154.2**	73.0	136.7
Property development for sale	**127.7**	**84.2**	33.5	31.1
Other business	**0.6**	**(0.2)**	–	(0.2)
Total	**2,647.7**	**336.5**	2,284.2	268.8
Less: Hotel management – Inter-segment revenue	**(129.8)**		(94.4)	
Total external revenue	**2,517.9**		2,189.8	
Net corporate finance costs (including foreign exchange gains and losses)		**(104.2)**		(77.5)
Land cost amortisation and pre-opening expenses for projects		**(5.4)**		(26.6)
Corporate expenses		**(29.6)**		(24.0)
Profit before non-operating items		**197.3**		140.7

	2018 **Profit/(Loss) after tax** ***(Note i)***	2017 Profit/(Loss) after tax *(Note i)*
Profit before non-operating items	**197.3**	140.7
Non-operating items		
Share of net fair value gains on investment properties	**111.1**	4.9
Net unrealised (losses)/gains on financial assets at fair value through profit or loss	**(3.5)**	8.6
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	**0.1**	(0.9)
Provision for impairment losses on hotel properties	**(112.9)**	–
Losses on major renovation of operating properties	**(2.1)**	(10.2)
Gain on disposal of a hotel	**2.9**	–
Gain on disposal of equity interests in a subsidiary and an associate	**–**	14.9
Total non-operating items	**(4.4)**	17.3
Profit attributable to owners of the Company	**192.9**	158.0

Notes:

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

ii. Revenue excludes revenue of associates.

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

	2018 Share of profit/(loss) of associates	2017 Share of profit/(loss) of associates
(US$ Million)		
Hotel properties		
Hong Kong	**0.5**	(0.1)
Mainland China	**9.3**	11.4
Singapore	**(0.2)**	–
Malaysia	**4.9**	4.2
The Philippines	**0.1**	(1.6)
Other countries	**(0.5)**	(1.1)
	14.1	12.8
Investment properties		
Mainland China	**146.2**	127.8
Singapore	**3.8**	4.0
	150.0	131.8
Property development for sale	**23.3**	33.5
Other business	**0.3**	(0.2)
Total	**187.7**	177.9

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

	2018		2017	
	Depreciation and amortisation	**Income tax expense**	Depreciation and amortisation	Income tax expense
(US$ Million)				
Hotel properties				
Hong Kong	**32.9**	**14.2**	25.1	10.7
Mainland China	**153.7**	**40.7**	150.2	39.3
Singapore	**20.4**	**6.0**	17.9	4.1
Malaysia	**15.9**	**3.2**	14.8	5.2
The Philippines	**31.9**	**5.3**	35.4	7.9
Japan	**0.7**	**0.3**	0.4	–
Thailand	**7.0**	**7.3**	7.8	6.7
France	**13.6**	**–**	14.7	–
Australia	**13.5**	**–**	13.9	2.5
United Kingdom	**8.7**	**–**	8.7	–
Mongolia	**13.3**	**–**	9.3	–
Sri Lanka	**16.3**	**1.2**	7.3	1.4
Other countries	**19.9**	**(0.5)**	18.7	0.4
	347.8	**77.7**	324.2	78.2
Investment properties				
Mainland China	**–**	**10.7**	–	10.0
Singapore	**–**	**1.4**	–	0.8
Malaysia	**–**	**0.9**	–	0.9
Mongolia	**–**	**5.4**	–	4.3
Other countries	**–**	**3.4**	–	3.7
	–	**21.8**	–	19.7
Hotel management and related services	**2.9**	**8.6**	2.2	13.2
Property development for sale	**–**	**1.5**	–	1.8
Total	**350.7**	**109.6**	326.4	112.9

Segment assets
As at 31 December 2018 and 2017 (US$ million)

	As at 31 December	
	2018	2017
Hotel properties		
Hong Kong	**872.5**	881.1
Mainland China	**3,088.2**	3,399.4
Singapore	**565.9**	563.2
Malaysia	**316.8**	328.9
The Philippines	**349.2**	379.3
Japan	**15.8**	11.2
Thailand	**296.4**	281.4
France	**289.7**	316.7
Australia	**287.2**	310.6
United Kingdom	**63.7**	134.0
Mongolia	**173.9**	217.1
Sri Lanka	**261.0**	382.3
Other countries	**244.1**	271.0
	6,824.4	7,476.2
Investment properties		
Mainland China	**356.4**	375.3
Singapore	**441.7**	428.6
Malaysia	**80.5**	71.5
Mongolia	**335.1**	332.9
Other countries	**269.5**	300.1
	1,483.2	1,508.4
Property development for sale		
Mainland China	**38.1**	46.2
Sri Lanka	**115.0**	–
	153.1	46.2
Hotel management and related services	**162.6**	146.8
Elimination	**(60.0)**	(51.1)
Total segment assets	**8,563.3**	9,126.5
Assets allocated to projects	**448.6**	448.7
Unallocated assets	**146.8**	140.0
Intangible assets	**100.1**	89.9
Total assets of the Company and its subsidiaries	**9,258.8**	9,805.1
Interest in associates	**3,911.8**	3,870.1
Total assets	**13,170.6**	13,675.2

Unallocated assets mainly comprise other assets of the Company and non-properties holding companies of the Group as well as the financial assets at FVOCI and FVPL and deferred income tax assets.

4 Accounts receivable, prepayments and deposits

	2018	2017
	US$'000	*US$'000*
Trade receivables	**111,890**	118,442
Less: Provision for impairment of receivables	**(3,576)**	(1,763)
Trade receivables – net	**108,314**	116,679
Other receivables	**78,842**	110,110
Prepayments and other deposits	**82,682**	93,359
Short term advance to a third party *(note (c))*	**1,050**	3,500
	270,888	323,648

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

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

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

	2018	2017
	US$'000	*US$'000*
0 – 3 months	**96,656**	92,998
4 – 6 months	**4,584**	15,998
Over 6 months	**7,074**	7,683
	108,314	116,679

(c) A short term advance of US$3,500,000 bearing interest at a fixed rate of 6.25% per annum was provided to the purchaser under the sale and purchase transaction in relation to the disposal of equity interest in an associate incorporated in Indonesia. The maturity date of the advance was firstly extended from June 2018 to December 2018 and was further extended to end of March 2019 at the same terms. A principal amount of US$2,450,000 was repaid during the year. The maximum exposure to credit risk at the reporting date is the fair value of the advance.

5 Share capital and premium and shares held for share award scheme

	Number of shares	Amount		
		Ordinary shares	Share premium	Total
	('000)	*US$'000*	*US$'000*	*US$'000*
Share capital and premium				
Authorised				
– Ordinary shares of HK$1 each				
At 31 December 2017 and 31 December 2018	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid				
– Ordinary shares of HK$1 each				
At 1 January 2017	3,580,024	462,195	2,729,606	3,191,801
Exercise of share options				
– allotment of shares	4,036	520	5,786	6,306
– transfer from share option reserve	–	–	313	313
At 31 December 2017 and 1 January 2018	3,584,060	462,715	2,735,705	3,198,420
Exercise of share options				
– allotment of shares	1,465	189	2,100	2,289
– transfer from share option reserve	–	–	1,286	1,286
At 31 December 2018	**3,585,525**	**462,904**	**2,739,091**	**3,201,995**
Shares held for share award scheme				
At 31 December 2017 and 1 January 2018	–	–	–	–
Share purchase for share award scheme	(4,690)	(605)	(7,319)	(7,924)
Vesting of shares under share award scheme	1,458	188	2,740	2,928
At 31 December 2018	**(3,232)**	**(417)**	**(4,579)**	**(4,996)**

As at 31 December 2018, 10,501,055 (2017: 10,501,055) ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognised in equity in prior years.

Share awards

During the year ended 31 December 2018, the share award scheme of the Group acquired 4,690,000 ordinary shares in the Company through purchases on the open market and 1,458,000 shares were transferred to the awardees upon vesting of the awarded shares. The remaining 3,232,000 shares were held in trust under the share award scheme as at 31 December 2018.

Share options

The shareholders of the Company approved the adoption of a share option scheme on 28 May 2012 ("**2012 Option Scheme**"). The options granted on 23 August 2013 under the 2012 Option Scheme are immediately exercisable on the grant date and have a contractual option term of ten years with 22 August 2023 being the last exercisable date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Number of option shares issued at HK$12.11 per option share	**Total consideration** *US$'000*
For the year ended 31 December 2018	**1,465,000**	**2,289**
For the year ended 31 December 2017	4,036,000	6,306

The weighted average closing price of the shares immediately before the dates on which the options were exercised for the year ended 31 December 2018 was HK$17.26 (year ended 31 December 2017: HK$15.53).

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

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	Weighted average exercise price per option share *(HK$)*	**Number of outstanding option shares**	Weighted average exercise price per option share *(HK$)*	Number of outstanding option shares
At 1 January	**12.11**	**9,813,000**	12.11	14,603,000
Exercised	**12.11**	**(1,465,000)**	12.11	(4,036,000)
Lapsed	**12.11**	**(160,000)**	12.11	(754,000)
At 31 December	**12.11**	**8,188,000**	12.11	9,813,000

No new option was granted during the year ended 31 December 2018 and 2017.

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

	Exercise price per option share *(HK$)*	Number of outstanding option shares as at	
		31 December 2018	31 December 2017
Last exercisable date			
23 February 2018	12.11	–	200,000
31 December 2018	12.11	–	80,000
31 December 2019	12.11	–	350,000
22 August 2023	12.11	**8,188,000**	9,183,000
		8,188,000	9,813,000

No option was exercised subsequent to 31 December 2018 and up to the approval date of the financial statements.

6 Fixed rate bonds

In November 2018, a wholly owned subsidiary of the Company issued fixed rate bonds in the aggregate principal amount of S$825,000,000 (equivalent to US$605,371,000) which carry a coupon rate of 4.50% per annum and have a maturity term of 7 years. In the same month, another wholly owned subsidiary of the Company also issued fixed rate bonds in the aggregate principal amount of US$35,000,000 which carry a coupon rate of 5.23% per annum and have a maturity term of 7 years. The fixed rate bonds recognised in the statement of financial position is calculated as follows:

	US$'000
Face value of fixed rate bonds issued in November 2018	640,371
Discount and issuing expenses	(3,519)
Net bonds proceeds received	636,852
Accumulated amortisation of issuing expenses	81
Carrying amount of fixed rate bonds at 31 December 2018	636,933

7 Accounts payable and accruals

	2018	2017
	US$'000	*US$'000*
Trade payables	**104,037**	119,984
Construction cost payable, other payables and accrued expenses	**573,605**	756,400
	677,642	876,384

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

	2018	2017
	US$'000	*US$'000*
0 – 3 months	**85,231**	98,405
4 – 6 months	**8,931**	9,804
Over 6 months	**9,875**	11,775
	104,037	119,984

8 Expenses by nature

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

	2018	2017
	US$'000	*US$'000*
Depreciation of property, plant and equipment (net of amount capitalised of US$16,000 (2017: US$53,000))	**336,273**	312,852
Amortisation of leasehold land and land use rights	**14,837**	14,477
Amortisation of trademark; and website and system development	**1,526**	1,394
Employee benefit expenses excluding directors' emoluments (net of amount capitalised and amount grouped under pre-opening expenses)	**811,432**	717,800
Cost of sales of properties	**54,874**	33,073
Cost of inventories sold or consumed in operation	**318,364**	284,336
Loss on disposal of property, plant and equipment; and partial replacement of investment properties	**2,136**	1,430
Discarding of property, plant and equipment due to renovation of hotels and resorts	**–**	10,208
Operating lease expenses	**74,106**	69,138
Pre-opening expenses	**2,162**	17,356
Auditors' remuneration		
– audit services	**2,009**	1,828
– non-audit services	**430**	637

9 Other losses – net

	2018	2017
	US$'000	*US$'000*
Fair value losses on investment properties	**(25,987)**	(57,880)
Net unrealised (losses)/gains on listed securities	**(4,698)**	8,571
Provision for impairment losses on hotel properties	**(123,185)**	–
Gain on disposal of equity interests in a subsidiary and an associate	**–**	14,886
Gain on disposal of a hotel property	**2,883**	–
Fair value changes of club debentures	**1,216**	–
Fair value changes of cross currency swap contracts	**(710)**	–
Others	**2**	801
Non-operating items	**(150,479)**	(33,622)
Interest income	**21,303**	15,969
Dividend income	**2,749**	1,489
	(126,427)	(16,164)

10 Finance costs – net

	2018	2017
	US$'000	*US$'000*
Interest expense:		
– bank loans	**171,861**	137,310
– fixed rate bonds	**4,038**	8,189
– other loans	**3,579**	4,179
	179,478	149,678
Less: amount capitalised	**(9,405)**	(16,796)
	170,073	132,882
Net foreign exchange losses/(gains)	**25,432**	(1,463)
	195,505	131,419

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.4% per annum (2017: 2.8%).

11 Share of profit of associates

	2018	2017
	US$'000	*US$'000*
Share of profit before tax of associates before share of net fair value gains of investment properties	**261,733**	239,587
Share of net fair value gains of investment properties	**164,702**	40,120
Share of profit before tax of associates	**426,435**	279,707
Share of tax before provision for deferred tax liabilities on fair value gains of investment properties	**(80,252)**	(66,802)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(40,790)**	(9,221)
Share of associates' taxation	**(121,042)**	(76,023)
Share of profit of associates	**305,393**	203,684

12 Income tax expense

	2018	2017
	US$'000	*US$'000*
Current income tax		
– Hong Kong profits tax	**14,455**	2,243
– overseas taxation	**86,656**	94,881
Deferred income tax	**5,547**	8,996
	106,658	106,120

Share of associates' taxation for the year ended 31 December 2018 of US$121,042,000 (2017: US$76,023,000) is included in the consolidated statement of profit or loss as share of profit of associates.

Hong Kong profits tax is provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profits of group companies operating in Hong Kong.

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.

13 Earnings per share

Basic

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

	2018	2017
Profit attributable to owners of the Company (US$'000)	**192,905**	157,997
Weighted average number of ordinary shares in issue (thousands)	**3,573,425**	3,570,417
Basic earnings per share (US cents per share)	**5.40**	4.43

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company only has the potential dilutive effect of the outstanding share options for the year ended 31 December 2018 and 2017. For the share options, a calculation is done to determine the number of shares that would be issued at fair value (determined as the average annual market share price of the Company's shares for the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is increased by the number of shares that would have been issued assuming the exercise of the share options.

The dilution effect on the earnings per share for the year ended 31 December 2018 and 2017 are as follows:

	2018	2017
Profit attributable to owners of the Company (US$'000)	**192,905**	157,997
Weighted average number of ordinary shares in issue (thousands)	**3,573,425**	3,570,417
Adjustments (thousands)	**1,194**	579
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,574,619**	3,570,996
Diluted earnings per share (US cents per share)	**5.40**	4.42

14 Dividends

	Group		Company	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
Interim dividend paid of HK8 cents (2017: HK6 cents) per ordinary share	**36,870**	27,647	**36,978**	27,727
Proposed final dividend of HK14 cents (2017: HK11 cents) per ordinary share	**64,523**	50,736	**64,713**	50,885
	101,393	78,383	**101,691**	78,612

At a meeting held on 20 March 2019, the Board proposed a final dividend of HK14 cents per ordinary share for the year ended 31 December 2018. This proposed dividend is not reflected as a dividend payable in these financial statements.

The proposed final dividend of US$64,523,000 for the year ended 31 December 2018 is calculated based on 3,585,525,056 shares in issue as at 20 March 2019, after elimination on consolidation the amount of US$248,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company and 3,232,000 ordinary shares held by the share award trust for the share award scheme (Note 5).

15 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 utilised amount of such facilities covered by the Group's guarantees for these associates amounted to US$129,195,000 (2017: US$178,664,000).

Guarantees are stated at their respective contracted amounts. The Board is of the opinion that it is not probable that the above guarantees will be called upon.

(b) Contingent liabilities

As at 31 December 2018, the Group executed guarantees for securing standby documentary credit granted by banks in favour of certain building contractors relating to the execution of construction works for hotel buildings with the amount of US$334,000 (2017: US$7,652,000). These facilities were undrawn as at 31 December 2018.

(c) Charges over assets

As at 31 December 2018, bank loans of certain subsidiaries amounting to US$108,999,000 (2017: US$129,264,000) were secured by legal mortgage over the property owned by two subsidiaries with an aggregate net book value of US$319,565,000 (2017: US$356,293,000).

16 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:

	2018	2017
	US$'000	*US$'000*
Existing properties – Property, plant and equipment and investment properties		
– contracted but not provided for	**41,742**	75,088
– authorised but not contracted for	**82,082**	43,143
Development projects		
– contracted but not provided for	**121,867**	176,106
– authorised but not contracted for	**193,950**	368,225
	439,641	662,562

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

During the year ended 31 December 2018, save for the purchase of shares in the Company for the purpose of the Company's share award scheme as disclosed in Note 5 to the consolidated financial statements, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

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

The Board has adopted a composite handbook ("**Directors Handbook**") comprising (among other principles) a set of corporate governance principles of the Company ("**CG Principles**"), whose terms 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 in the Directors Handbook 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 complied with the CG Principles and the CG Model Code throughout the year ended 31 December 2018.

QUALIFICATION FOR PROPOSED FINAL DIVIDEND

The proposed final dividend of HK14 cents per share in the Company for 2018 (subject to shareholders' approval at the forthcoming annual general meeting of the Company) will be payable on 20 June 2019 to shareholders whose names appear on the registers of members of the Company on 11 June 2019.

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 11 June 2019.

On behalf of the Board of
Shangri-La Asia Limited
KUOK Hui Kwong
Chairman

Hong Kong, 20 March 2019

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

Executive director(s)
Ms KUOK Hui Kwong (Chairman)
Mr LIM Beng Chee (CEO)
Mr LUI Man Shing

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

Independent non-executive director(s)
Mr Alexander Reid HAMILTON
Professor LI Kwok Cheung Arthur
Dr LEE Kai-Fu
Mr YAP Chee Keong