# INTERIM REPORT 2015

SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

*(Incorporated in Bermuda with limited liability)*

Stock code: 69

# CORPORATE INFORMATION

*As at 26 August 2015*

## Board of Directors

**Executive Directors**

Mr KUOK Khoon Chen
(Chairman and Chief Executive Officer)
Mr LUI Man Shing (Deputy Chairman)
Mr Madhu Rama Chandra RAO
(Chief Financial Officer)
Mr Gregory Allan DOGAN
(Chief Operating Officer)

**Non-executive Directors**

Mr HO Kian Guan
Ms KUOK Hui Kwong
Mr HO Kian Hock
(alternate to Mr HO Kian Guan)

**Independent Non-executive Directors**

Mr Alexander Reid HAMILTON
Mr Timothy David DATTELS
Professor LI Kwok Cheung Arthur

## Executive Committee

Mr KUOK Khoon Chen (chairman)
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO

## Remuneration Committee

Mr Alexander Reid HAMILTON (chairman)
Mr KUOK Khoon Chen
Professor LI Kwok Cheung Arthur

## Nomination Committee

Mr KUOK Khoon Chen (chairman)
Mr Alexander Reid HAMILTON
Professor LI Kwok Cheung Arthur

## Audit Committee

Mr Alexander Reid HAMILTON (chairman)
Mr HO Kian Guan
Professor LI Kwok Cheung Arthur

## Company Secretary

Ms TEO Ching Leun

## Independent Auditor

PricewaterhouseCoopers
*Certified Public Accountants*
22/F Prince's Building
Central
Hong Kong

## Head Office and Principal Place of Business

28/F Kerry Centre
683 King's Road
Quarry Bay
Hong Kong

## Registered Address

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

## Branch Share Registrar in Hong Kong

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## Principal Share Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

## Stock Codes

| | |
|---|---|
| 00069 | Hong Kong |
| S07 | Singapore |
| SHALY | American Depositary Receipt |

## Websites

| | |
|---|---|
| Corporate | www.ir.shangri-la.com |
| Business | www.shangri-la.com |

## Key Dates

**Record date for 2015 interim dividend**
30 September 2015

**Payment of 2015 interim dividend**
9 October 2015

The board of directors ("**Board**") of Shangri-La Asia Limited ("**Company**") wishes to announce the unaudited interim results of the Company and its subsidiaries ("**Group**"), and associates for the six months ended 30 June 2015. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the audit committee of the Board. The review report of the auditor is set out on page 3.

For the six months ended 30 June 2015, the consolidated profit attributable to equity holders of the Company before inclusion of the fair value gains of investment properties and impairment losses for hotel properties/development project amounted to US$41.1 million, as compared to US$39.0 million in 2014, representing an increase of 5%. Overall, the consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2015 increased by 29% to US$98.4 million (US2.756 cents per share) from US$76.2 million (US2.440 cents per share) in the same period last year after accounting for the Group's share of net fair value gains of investment properties and impairment losses for hotel properties/development project.

The Board has declared an interim dividend of **HK5 cents** per share for 2015 (2014: HK6 cents per share) payable on Friday, 9 October 2015, to shareholders whose names appear on the registers of members of the Company on Wednesday, 30 September 2015.

## GROUP FINANCIAL HIGHLIGHTS

### Consolidated Results

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2015** | 2014 |
| | | **Unaudited** | Unaudited |
| Sales | *US$'000* | **1,023,729** | 1,011,966 |
| Profit attributable to the equity holders of the Company | | | |
| – Profit before fair value gains of investment properties and impairment losses of hotel properties/ development project | *US$'000* | **41,104** | 39,035 |
| – Share of net fair value gains of investment properties | *US$'000* | **126,225** | 40,357 |
| – Share of impairment losses for leasehold land; properties, plant and equipment of hotel properties/development project | *US$'000* | **(68,948)** | (3,208) |
| – Total reported profit | *US$'000* | **98,381** | 76,184 |
| Earnings per share | *US cents* | **2.756** | 2.440 |
| equivalent to | *HK cents* | **21.359** | 18.910 |
| Dividend per share | *HK cents* | **5** | 6 |
| Annualized Return on Equity | | **2.9%** | 2.4% |

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

### Consolidated Financial Position

| | | **As at** | |
|---|---|---|---|
| | | **30 June 2015** | 31 December 2014 |
| | | **Unaudited** | Audited |
| Total equity | *US$'000* | **7,394,082** | 7,439,247 |
| Net assets attributable to the Company's equity holders | *US$'000* | **6,873,768** | 6,904,198 |
| Net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances) | *US$'000* | **3,982,669** | 3,663,631 |
| Net assets per share attributable to the Company's equity holders | *US$* | **1.92** | 1.93 |
| Net assets (total equity) per share | *US$* | **2.07** | 2.08 |
| Net borrowings to total equity ratio | | **53.9%** | 49.2% |

羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF SHANGRI-LA ASIA LIMITED**
*(incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 4 to 30, which comprises the interim condensed consolidated statement of financial position of Shangri-La Asia Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2015 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 26 August 2015

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

*(All amounts in US dollar thousands)*

| | | As at | |
|---|---|---|---|
| | | **30 June 2015** | 31 December 2014 |
| | *Note* | **Unaudited** | Audited |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *5* | **6,426,382** | 6,465,821 |
| Investment properties | *5* | **1,121,627** | 1,071,038 |
| Leasehold land and land use rights | *5* | **590,601** | 615,898 |
| Intangible assets | *5* | **90,081** | 91,233 |
| Interest in associates | | **3,731,154** | 3,584,567 |
| Deferred income tax assets | | **1,961** | 553 |
| Derivative financial instruments | *15* | **26** | 342 |
| Available-for-sale financial assets | *6* | **4,853** | 4,906 |
| Other receivables | *7* | **12,927** | 13,099 |
| | | **11,979,612** | 11,847,457 |
| **Current assets** | | | |
| Inventories | | **46,143** | 46,433 |
| Properties for sale | | **23,095** | 23,499 |
| Accounts receivable, prepayments and deposits | *8* | **311,701** | 283,396 |
| Amounts due from associates | | **97,987** | 75,072 |
| Amounts due from non-controlling shareholders | *16* | **186** | 57 |
| Derivative financial instruments | *15* | **16** | 161 |
| Financial assets held for trading | *9* | **21,121** | 21,947 |
| Cash and bank balances | | **1,279,612** | 1,442,257 |
| | | **1,779,861** | 1,892,822 |
| **Total assets** | | **13,759,473** | 13,740,279 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | *10* | **3,191,801** | 3,191,745 |
| Other reserves | *11* | **1,615,552** | 1,716,784 |
| Retained earnings | | | |
| – Proposed interim/final dividend | *24* | **23,029** | 27,635 |
| – Others | | **2,043,386** | 1,968,034 |
| | | **6,873,768** | 6,904,198 |
| **Non-controlling interests** | | **520,314** | 535,049 |
| **Total equity** | | **7,394,082** | 7,439,247 |

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION *(continued)*

*(All amounts in US dollar thousands)*

| | Note | As at 30 June 2015 Unaudited | As at 31 December 2014 Audited |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank loans | *12* | **3,240,682** | 3,277,663 |
| Convertible bonds | *13* | **–** | 527,305 |
| Fixed rate bonds | *14* | **598,273** | 597,787 |
| Derivative financial instruments | *15* | **4,527** | 2,500 |
| Amounts due to non-controlling shareholders | *16* | **28,071** | 27,579 |
| Deferred income tax liabilities | | **321,477** | 304,957 |
| | | **4,193,030** | 4,737,791 |
| **Current liabilities** | | | |
| Accounts payable and accruals | *17* | **707,616** | 829,245 |
| Amounts due to non-controlling shareholders | *16* | **10,768** | 8,605 |
| Current income tax liabilities | | **28,448** | 21,280 |
| Bank loans | *12* | **884,569** | 703,133 |
| Convertible bonds | *13* | **538,757** | – |
| Derivative financial instruments | *15* | **2,203** | 978 |
| | | **2,172,361** | 1,563,241 |
| **Total liabilities** | | **6,365,391** | 6,301,032 |
| **Total equity and liabilities** | | **13,759,473** | 13,740,279 |
| **Net current (liabilities)/assets** | | **(392,500)** | 329,581 |
| **Total assets less current liabilities** | | **11,587,112** | 12,177,038 |

# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

*(All amounts in US dollar thousands unless otherwise stated)*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Note* | **Unaudited** | Unaudited |
| **Sales** | *4* | **1,023,729** | 1,011,966 |
| Cost of sales | *18* | **(447,715)** | (429,798) |
| **Gross profit** | | **576,014** | 582,168 |
| Other losses – net | *19* | **(31,743)** | (7,173) |
| Marketing costs | *18* | **(41,733)** | (40,163) |
| Administrative expenses | *18* | **(100,024)** | (94,336) |
| Other operating expenses | *18* | **(345,676)** | (336,738) |
| **Operating profit** | | **56,838** | 103,758 |
| Finance costs – net | | | |
| – Interest expense | *20* | **(64,625)** | (55,447) |
| – Foreign exchange gains/(losses) | *20* | **4,437** | (10,557) |
| Share of profit of associates | *21* | **177,328** | 99,079 |
| **Profit before income tax** | | **173,978** | 136,833 |
| Income tax expense | *22* | **(60,463)** | (50,482) |
| **Profit for the period** | | **113,515** | 86,351 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **98,381** | 76,184 |
| Non-controlling interests | | **15,134** | 10,167 |
| | | **113,515** | 86,351 |
| **Earnings per share for profit attributable to the equity holders of the Company during the period** *(expressed in US cents per share)* | | | |
| – basic | *23* | **2.756** | 2.440 |
| – diluted | *23* | **2.756** | 2.439 |
| **Dividends** | *24* | **23,029** | 24,170 |

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

*(All amounts in US dollar thousands)*

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **Unaudited** | Unaudited |
| **Profit for the period** | **113,515** | 86,351 |
| **Other comprehensive loss:** | | |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Fair value changes of interest-rate swap contracts – hedging | **(3,713)** | (3,593) |
| Currency translation differences – subsidiaries | **(101,066)** | (48,028) |
| Currency translation differences – associates | **(14,499)** | (65,830) |
| **Other comprehensive loss for the period** | **(119,278)** | (117,451) |
| **Total comprehensive loss for the period** | **(5,763)** | (31,100) |
| **Total comprehensive loss attributable to:** | | |
| Equity holders of the Company | **(2,839)** | (38,030) |
| Non-controlling interests | **(2,924)** | 6,930 |
| | **(5,763)** | (31,100) |

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

*(All amounts in US dollar thousands)*

| | | Unaudited | | | | | |
|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders of the Company | | | | | |
| | *Note* | Share capital | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| **Balance at 1 January 2014** | | 2,554,222 | 1,904,254 | 1,854,105 | 6,312,581 | 554,763 | 6,867,344 |
| Fair value changes of interest-rate swap contracts – hedging | *11* | – | (3,593) | – | (3,593) | – | (3,593) |
| Currency translation differences | | – | (110,621) | – | (110,621) | (3,237) | (113,858) |
| Other comprehensive loss recognized directly in equity | | – | (114,214) | – | (114,214) | (3,237) | (117,451) |
| Profit for the period | | – | – | 76,184 | 76,184 | 10,167 | 86,351 |
| Total comprehensive (loss)/income for the six months ended 30 June 2014 | | – | (114,214) | 76,184 | (38,030) | 6,930 | (31,100) |
| Exercise of share options – allotment of shares | *10* | 125 | – | – | 125 | – | 125 |
| Exercise of share options – transfer from share option reserve to share premium | *10* | 33 | (33) | – | – | – | – |
| Payment of 2013 final dividend | | – | – | (16,113) | (16,113) | – | (16,113) |
| Dividend paid and payable to non-controlling shareholders | | – | – | – | – | (18,846) | (18,846) |
| Equity injected by non-controlling shareholders | | – | – | – | – | 3,314 | 3,314 |
| | | 158 | (33) | (16,113) | (15,988) | (15,532) | (31,520) |
| **Balance at 30 June 2014** | | **2,554,380** | **1,790,007** | **1,914,176** | **6,258,563** | **546,161** | **6,804,724** |

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY *(continued)*

*(All amounts in US dollar thousands)*

| | | Unaudited | | | | | |
|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders of the Company | | | | | |
| | *Note* | Share capital | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| **Balance at 1 January 2015** | | 3,191,745 | 1,716,784 | 1,995,669 | 6,904,198 | 535,049 | 7,439,247 |
| Fair value changes of interest-rate swap contracts – hedging | *11* | – | (3,713) | – | (3,713) | – | (3,713) |
| Currency translation differences | | – | (97,507) | – | (97,507) | (18,058) | (115,565) |
| Other comprehensive loss recognized directly in equity | | – | (101,220) | – | (101,220) | (18,058) | (119,278) |
| Profit for the period | | – | – | 98,381 | 98,381 | 15,134 | 113,515 |
| Total comprehensive (loss)/income for the six months ended 30 June 2015 | | – | (101,220) | 98,381 | (2,839) | (2,924) | (5,763) |
| Exercise of share options – allotment of shares | *10* | 44 | – | – | 44 | – | 44 |
| Exercise of share options – transfer from share option reserve to share premium | *10* | 12 | (12) | – | – | – | – |
| Payment of 2014 final dividend | | – | – | (27,635) | (27,635) | – | (27,635) |
| Dividend paid and payable to non-controlling shareholders | | – | – | – | – | (12,036) | (12,036) |
| Net change in equity loans due to non-controlling shareholders | | – | – | – | – | 225 | 225 |
| | | 56 | (12) | (27,635) | (27,591) | (11,811) | (39,402) |
| **Balance at 30 June 2015** | | **3,191,801** | **1,615,552** | **2,066,415** | **6,873,768** | **520,314** | **7,394,082** |

# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

*(All amounts in US dollar thousands)*

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **Unaudited** | Unaudited |
| **Cash flows from operating activities** | **43,689** | 56,699 |
| **Cash flows from investing activities** | | |
| – purchases of property, plant and equipment, investment properties and land use rights | **(309,192)** | (380,369) |
| – proceeds from disposal of property, plant and equipment | **205** | 293 |
| – land cost refund received | **–** | 8,961 |
| – final consideration payment for acquisition of a subsidiary | **(31,650)** | – |
| – increase in short-term bank deposits with more than 3 months maturity | **(91,157)** | (21,041) |
| – capital contribution and net movement of loans to associates | **(13,323)** | (44,576) |
| – dividends received from associates | **3,648** | 7,985 |
| – proceeds from disposal of trading securities | **2,266** | – |
| – other investing cash flow – net | **7,504** | 7,080 |
| Net cash used in investing activities | **(431,699)** | (421,667) |
| **Cash flows from financing activities** | | |
| – dividend paid | **(38,381)** | (31,088) |
| – net proceeds from issuance of ordinary shares | **44** | 125 |
| – net increase in bank loans | **178,121** | 330,177 |
| – net increase in loans and capital from non-controlling shareholders | **225** | 3,314 |
| Net cash generated from financing activities | **140,009** | 302,528 |
| **Net decrease in cash and cash equivalents** | **(248,001)** | (62,440) |
| **Cash and cash equivalents at 1 January** | **1,327,835** | 1,111,435 |
| **Exchange losses on cash and cash equivalents** | **(5,801)** | (7,636) |
| **Cash and cash equivalents at 30 June** | **1,074,033** | 1,041,359 |
| **Analysis of balances of cash and cash equivalents** | | |
| Cash at bank and in hand | **566,233** | 562,841 |
| Short-term bank deposits | **713,379** | 523,214 |
| Cash and bank balances | **1,279,612** | 1,086,055 |
| Less: Short-term bank deposits with more than 3 months maturity | **(205,579)** | (44,696) |
| Cash and cash equivalents | **1,074,033** | 1,041,359 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*(All amounts in US dollar thousands unless otherwise stated)*

## 1. General information

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

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

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

These condensed consolidated interim financial statements were approved by the Board for issue on 26 August 2015. These condensed consolidated interim financial statements have been reviewed by the Company's auditor.

## 2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The consolidated financial statements as at 30 June 2015 have been prepared on a going-concern basis although the Group's consolidated current liabilities exceeded its consolidated current assets by US$392,500,000. The future funding requirements can be met through the committed available bank loan facilities of US$1,040,698,000 which are maturing after 30 June 2016 and the net cash inflows to be generated from operating activities. In addition, the Group has received firm offers from banks for new 5-year term loan facilities of US$280,514,000 in respect of which bank borrowing agreements are under preparation. The Group is also currently negotiating with certain banks for additional long-term loan facilities for loan refinancing and to meet the scheduled project funding requirements. The Group has adequate resources to continue its operation for the foreseeable future.

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2014 with the addition of certain amendments to standards and new interpretations which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2015. These amendments to standards and new interpretations had no material impact on the Group's financial statements.

## 3. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

## 4. Segment information

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

**i. Hotel ownership (including hotels under lease)**

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

**ii. Property rentals from ownership and leasing of office properties, commercial properties and serviced apartments/residences**

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

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

The Group also has equity interests in certain joint venture companies engaged in other businesses including the sale of residential units, wine trading and golf course operation. These other businesses did not have a material impact on the Group's results.

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

## 4. Segment information *(continued)*

**Segment income statement**

**For the six months ended 30 June 2015 and 2014** ***(US$ million)***

| | 2015 Sales *(Note b)* | 2015 Profit/(Loss) after tax *(Note a)* | 2014 Sales *(Note b)* | 2014 Profit/(Loss) after tax *(Note a)* |
|---|---|---|---|---|
| **Hotel ownership** | | | | |
| Hong Kong | **126.0** | **30.2** | 136.9 | 36.3 |
| Mainland China | **366.8** | **(34.3)** | 342.8 | (15.5) |
| Singapore | **106.9** | **14.8** | 99.3 | 20.2 |
| Malaysia | **59.2** | **6.3** | 74.6 | 9.1 |
| The Philippines | **102.0** | **9.9** | 101.5 | 7.6 |
| Japan | **27.0** | **(1.6)** | 28.5 | (3.2) |
| Thailand | **34.1** | **6.2** | 26.1 | 1.1 |
| Australia | **44.9** | **(1.3)** | 49.9 | (2.1) |
| France | **22.0** | **(12.3)** | 32.2 | (10.6) |
| United Kingdom | **23.6** | **(14.2)** | 4.7 | (6.2) |
| Other countries | **47.2** | **(4.6)** | 54.4 | 1.1 |
| | **959.7** | **(0.9)** | 950.9 | 37.8 |
| **Property rentals** | | | | |
| Mainland China | **14.6** | **65.8** | 14.3 | 51.1 |
| Singapore | **6.8** | **5.2** | 7.3 | 5.8 |
| Malaysia | **3.4** | **0.9** | 3.7 | 1.0 |
| Other countries | **14.9** | **2.7** | 11.2 | 1.1 |
| | **39.7** | **74.6** | 36.5 | 59.0 |
| **Hotel management services** | **66.9** | **8.3** | 70.4 | 9.7 |
| **Other businesses** | **–** | **0.8** | – | 1.7 |
| **Total** | **1,066.3** | **82.8** | 1,057.8 | 108.2 |
| Less: Hotel management – Inter-segment sales | **(42.6)** | | (45.8) | |
| **Total external sales** | **1,023.7** | | 1,012.0 | |
| Corporate finance costs (net) | | **(31.8)** | | (30.7) |
| Land cost amortization and pre-opening expenses for projects | | **(6.1)** | | (29.0) |
| Corporate expenses | | **(5.5)** | | (7.9) |
| Exchange gains/(losses) of corporate investment holding companies | | **0.7** | | (1.9) |
| **Profit before non-operating items** | | **40.1** | | 38.7 |
| **Non-operating items** | | | | |
| Fair value gains on investment properties | | **126.2** | | 40.4 |
| Provision for impairment losses for hotel properties | | **(68.9)** | | – |
| Provision for impairment loss for a property under development and leasehold land | | **–** | | (3.1) |
| Net realized/unrealized gains on financial assets held for trading | | **1.4** | | 0.6 |
| Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises | | **(0.4)** | | (0.4) |
| **Profit attributable to equity holders of the Company** | | **98.4** | | 76.2 |

*Notes:*

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

b. Sales exclude sales of associates.

## 5. Capital expenditure

| | Property, plant and equipment | Investment properties | Leasehold land and land use rights | Intangible assets |
|---|---|---|---|---|
| Opening net book amount as at 1 January 2015 | 6,465,821 | 1,071,038 | 615,898 | 91,233 |
| Additions | 323,259 | 13,510 | 2,938 | – |
| Provision for impairment losses *(Note 19)* | (68,948) | – | – | – |
| Fair value gains *(Note 19)* | – | 27,090 | – | – |
| Exchange differences | (117,030) | (16,892) | (5,969) | (815) |
| Disposals | (1,714) | (65) | – | – |
| Transfer | (13,006) | 26,946 | (13,940) | – |
| Depreciation/amortization charge *(Note 18)* | (162,000) | – | (8,326) | (337) |
| **Closing net book amount as at 30 June 2015** | **6,426,382** | **1,121,627** | **590,601** | **90,081** |
| Opening net book amount as at 1 January 2014 | 6,075,567 | 1,072,942 | 653,768 | 93,065 |
| Additions | 384,871 | 21,694 | – | – |
| Provision for impairment losses *(Note 19)* | (2,288) | – | (920) | – |
| Fair value losses *(Note 19)* | – | (12,078) | – | – |
| Exchange differences | (51,535) | (8,429) | (15,265) | (212) |
| Disposals | (1,272) | (2,948) | (8,961) | – |
| Depreciation/amortization charge *(Note 18)* | (145,190) | – | (8,380) | (389) |
| Closing net book amount as at 30 June 2014 | 6,260,153 | 1,071,181 | 620,242 | 92,464 |

Investment properties were stated at fair value (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). All changes in the fair value of investment properties were recorded in the income statement.

The Group assesses the carrying value of property, plant and equipment; and leasehold land and land use rights when there is any indication that the assets may be impaired. These indications include continuing adverse changes in the local market conditions in which the hotel operates or will operate, when the hotel continues to operate at a loss position and its financial performance is worse than expected. Professional valuations were carried out by independent firms of professional valuers as at 30 June 2015 for those properties for which the internal assessment results needed independent confirmation. During the current period, the Group recognized total impairment losses of US$53,595,000 for five hotels in Mainland China wholly owned by the Group and an impairment loss of US$15,353,000 for a hotel operated under operating lease in Japan in the consolidated income statement under "Other losses – net", to write down their carrying values of property, plant and equipment; and leasehold land and land use rights to their recoverable amount of US$264,819,000. The recoverable amount of each hotel is the higher of its fair value less costs of disposal and its value in use based on the opinion of independent firms of professional valuers obtained by the Group using the market comparison approach and income approach. The discount rate in the range of 7% to 9.25% was used in the valuation. The fair value on which the recoverable amount is based on is categorized as a Level 3 measurement (based on significant unobservable inputs).

All intangible assets are also subject to internal review for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

## 6. Available-for-sale financial assets

| | As at | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| Equity securities: | | |
| Overseas unlisted shares, at cost | **2,562** | 2,562 |
| – exchange differences | **205** | 258 |
| | **2,767** | 2,820 |
| Club debentures, at fair value | **2,086** | 2,086 |
| | **4,853** | 4,906 |

There were no disposals of available-for-sale financial assets during the six months ended 30 June 2015 and 2014. The maximum exposure to credit risk at the reporting date is the fair value of the club debentures mentioned above.

## 7. Other receivables

| | As at | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| Security deposit on leased premises | **12,927** | 13,099 |

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US$14,296,000) (31 December 2014: JPY1,751,000,000 (equivalent to US$14,528,000)) was paid to the lessor of the leased premises and will only be recoverable after expiry of the lease. The carrying value of this deposit which approximates its fair value is calculated using the effective interest rate of 0.556% per annum upon initial payment of the deposit.

The fair values of these other receivables are not materially different from their carrying values. The maximum exposure to credit risk at the reporting date is the fair value of other receivables mentioned above.

## 8. Accounts receivable, prepayments and deposits

| | As at | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| Trade receivables – net | **86,365** | 88,855 |
| Prepayments and other deposits | **108,757** | 92,483 |
| Other receivables | **116,579** | 102,058 |
| | **311,701** | 283,396 |

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

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

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

| | As at | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| 0 – 3 months | **75,257** | 79,528 |
| 4 – 6 months | **4,690** | 3,977 |
| Over 6 months | **6,418** | 5,350 |
| | **86,365** | 88,855 |

## 9. Financial assets held for trading

| | As at | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| Equity securities, at market value | | |
| Shares listed in Hong Kong | **21,121** | 19,802 |
| Shares listed outside Hong Kong | – | 2,145 |
| | **21,121** | 21,947 |

## 10. Share capital

| | | Amount | | |
|---|---|---|---|---|
| **Authorized – Ordinary shares of HK$1 each** | **No. of shares** ('000) | **Ordinary shares** | **Share premium** | **Total** |
| At 31 December 2014 and 30 June 2015 | **5,000,000** | **646,496** | **–** | **646,496** |
| **Issued and fully paid – Ordinary shares of HK$1 each** | | | | |
| At 1 January 2014 | 3,132,385 | 404,435 | 2,149,787 | 2,554,222 |
| Exercise of share options | | | | |
| – allotment of shares | 80 | 10 | 115 | 125 |
| – transfer from option reserve | – | – | 33 | 33 |
| At 30 June 2014 | 3,132,465 | 404,445 | 2,149,935 | 2,554,380 |
| Exercise of share options | | | | |
| – allotment of shares | 30 | 4 | 41 | 45 |
| – transfer from option reserve | – | – | 12 | 12 |
| Rights issue | 447,499 | 57,742 | 579,566 | 637,308 |
| At 31 December 2014 and 1 January 2015 | 3,579,994 | 462,191 | 2,729,554 | 3,191,745 |
| Exercise of share options | | | | |
| – allotment of shares | 30 | 4 | 40 | 44 |
| – transfer from option reserve | – | – | 12 | 12 |
| **At 30 June 2015** | **3,580,024** | **462,195** | **2,729,606** | **3,191,801** |

As at 30 June 2015, 10,501,055 ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognized in equity as in prior years.

**Share options**

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

Details of the 2002 Option Scheme and 2012 Option Scheme are set out under the section headed "SHARE OPTION SCHEMES" of the Company's 2014 annual report.

## 10. Share capital *(continued)*

**Share options** *(continued)*

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

| | Number of option shares issued | | | |
|---|---|---|---|---|
| | **At HK$11.60 per option share** | **At HK$14.60 per option share** | **At HK$12.11 per option share** | **Total consideration** US$'000 |
| **In year 2015** | | | | |
| April | 30,000 | – | – | 44 |
| **For the six months ended 30 June 2015** | **30,000** | **–** | **–** | **44** |
| For the six months ended 30 June 2014 | – | – | 80,000 | 125 |
| For the year ended 31 December 2014 | 30,000 | – | 80,000 | 170 |

The closing price of the shares immediately before the date on which the options were exercised for the six months ended 30 June 2015 was HK$11.82 (for the six months ended 30 June 2014: HK$15.00).

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

| | **For the six months ended 30 June 2015** | | For the year ended 31 December 2014 | |
|---|---|---|---|---|
| | **Weighted average exercise price in HK$ per option share** | **Number of outstanding option shares** | Weighted average exercise price in HK$ per option share | Number of outstanding option shares |
| **At 1 January** | **12.33** | **24,478,500** | 12.32 | 26,591,000 |
| Granted | **–** | **–** | – | – |
| Exercised | **11.60** | **(30,000)** | 11.97 | (110,000) |
| Lapsed | **11.71** | **(4,917,500)** | 12.25 | (2,002,500) |
| **At 30 June/31 December** | **12.49** | **19,531,000** | 12.33 | 24,478,500 |

As at 30 June 2015 and 31 December 2014, outstanding option shares are as follows:

| | | **Number of outstanding option shares as at** | |
|---|---|---|---|
| **Last exercisable date** | **Exercise price in HK$ per option share** | **30 June 2015** | 31 December 2014 |
| 27 April 2015 | **11.60** | **–** | 4,245,000 |
| 15 June 2016 | **14.60** | **2,973,000** | 3,045,500 |
| 22 August 2023 | **12.11** | **16,558,000** | 17,188,000 |
| | | **19,531,000** | 24,478,500 |

No new option was granted during the six months ended 30 June 2015 and 2014.

Options on 35,000 shares and 130,000 shares with exercise price of HK$14.60 and HK$12.11 per share, respectively have lapsed subsequent to 30 June 2015 and up to the approval date of the financial statements.

## 11. Other reserves

| | Share option reserve | Hedging reserve | Convertible bonds reserve | Capital redemption reserve | Exchange fluctuation reserve | Capital reserve | Other reserve | Contributed surplus | Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2014 | 12,607 | 362 | 44,518 | 10,666 | 843,502 | 601,490 | 1,368 | 389,741 | 1,904,254 |
| Currency translation differences | – | – | – | – | (110,621) | – | – | – | (110,621) |
| Exercise of share options | | | | | | | | | |
| – transfer to share premium | (33) | – | – | – | – | – | – | – | (33) |
| Fair value changes of interest-rate swap contracts | – | (3,593) | – | – | – | – | – | – | (3,593) |
| At 30 June 2014 | 12,574 | (3,231) | 44,518 | 10,666 | 732,881 | 601,490 | 1,368 | 389,741 | 1,790,007 |
| Currency translation differences | – | – | – | – | (73,467) | – | – | – | (73,467) |
| Exercise of share options | | | | | | | | | |
| – transfer to share premium | (12) | – | – | – | – | – | – | – | (12) |
| Fair value changes of interest-rate swap contracts | – | 256 | – | – | – | – | – | – | 256 |
| At 31 December 2014 and 1 January 2015 | 12,562 | (2,975) | 44,518 | 10,666 | 659,414 | 601,490 | 1,368 | 389,741 | 1,716,784 |
| Currency translation differences | – | – | – | – | (97,507) | – | – | – | (97,507) |
| Exercise of share options | | | | | | | | | |
| – transfer to share premium | (12) | – | – | – | – | – | – | – | (12) |
| Fair value changes of interest-rate swap contracts | – | (3,713) | – | – | – | – | – | – | (3,713) |
| **At 30 June 2015** | **12,550** | **(6,688)** | **44,518** | **10,666** | **561,907** | **601,490** | **1,368** | **389,741** | **1,615,552** |

## 12. Bank loans

| | As at **30 June 2015** | As at 31 December 2014 |
|---|---|---|
| Bank loans – secured *(Note 25 (c))* | **211,091** | 263,844 |
| Bank loans – unsecured | **3,914,160** | 3,716,952 |
| Total | **4,125,251** | 3,980,796 |
| Less: Non-current portion | **(3,240,682)** | (3,277,663) |
| Current portion | **884,569** | 703,133 |

The maturity of bank loans is as follows:

| | As at **30 June 2015** | As at 31 December 2014 |
|---|---|---|
| Within 1 year | **884,569** | 703,133 |
| Between 1 and 2 years | **821,338** | 1,204,420 |
| Between 2 and 5 years | **2,321,609** | 1,909,195 |
| Repayable within 5 years | **4,027,516** | 3,816,748 |
| Over 5 years | **97,735** | 164,048 |
| Total | **4,125,251** | 3,980,796 |

**12. Bank loans** *(continued)*

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

| | 30 June 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **HK$** | **RMB** | **US$** | **JPY** | **Pesos** | **Euros** | **SGD** | **AUD** | **GBP** |
| Bank loans | **1.37%** | **5.93%** | **1.79%** | **1.41%** | **3.82%** | **1.95%** | **1.46%** | **3.40%** | **1.94%** |

| | 31 December 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | HK$ | RMB | US$ | JPY | Pesos | Euros | SGD | AUD | GBP |
| Bank loans | 1.72% | 6.29% | 1.81% | 1.43% | 3.01% | 2.00% | 1.43% | 3.97% | 1.94% |

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

| | As at | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| Hong Kong dollars | **1,411,974** | 1,319,071 |
| United States dollars | **1,569,841** | 1,317,498 |
| Renminbi | **557,773** | 715,533 |
| Euros | **217,527** | 243,074 |
| Australian dollars | **154,264** | 162,810 |
| Singapore dollars | **76,449** | 78,251 |
| British pounds | **70,777** | 70,223 |
| Japanese yen | **40,823** | 41,483 |
| Philippines pesos | **25,823** | 32,853 |
| | **4,125,251** | 3,980,796 |

The Group has the following undrawn borrowing facilities:

| | As at | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| Floating rate | | |
| – expiring within one year | **181,144** | 173,536 |
| – expiring beyond one year | **1,040,698** | 630,690 |
| Fixed rate | | |
| – expiring within one year | **2,454** | 435 |
| – expiring beyond one year | **–** | 35,380 |
| | **1,224,296** | 840,041 |

## 13. Convertible bonds

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 ("**Maturity Date**"), in the aggregate principal amount of US$500 million. Each bond will, at the option of the holder, be convertible on or after 22 June 2011 up to the close of business on the business day immediately prior to 2 May 2016 into fully paid ordinary shares of the Company with a par value of HK$1.00 each at an initial conversion price of HK$29.03 per ordinary share of the Company (subject to adjustment) and the conversion price has been adjusted to HK$27.63 per ordinary share of the Company on 11 June 2015. Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at 111.84% of their principal amount on the Maturity Date.

The initial fair values of the liability component and the equity conversion component, based on net proceeds, were determined at issuance of the bonds. The fair value of the liability component, included under non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 11).

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

| | As at | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| Face value of convertible bonds issued on 12 May 2011 | **500,000** | 500,000 |
| Issuing expenses | **(4,400)** | (4,400) |
| Equity component credited to the equity | **(44,518)** | (44,518) |
| Liability component on initial recognition at 12 May 2011 | **451,082** | 451,082 |
| Accumulated interest expense | **87,675** | 76,223 |
| Liability component | **538,757** | 527,305 |

The face value of outstanding bonds at 30 June 2015 amounted to US$500,000,000. No convertible bonds were converted to ordinary shares of the Company during the period or subsequent to 30 June 2015 and up to the date of this report. The carrying amount of the liability component which approximates its fair value is calculated using cash flows discounted at an initial market interest rate of 4.34% per annum.

## 14. Fixed rate bonds

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

| | As at | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| Face value of fixed rate bonds issued on 10 April 2012 | **600,000** | 600,000 |
| Issuing expenses | **(4,859)** | (4,859) |
| Net bonds proceeds received | **595,141** | 595,141 |
| Accumulated amortization of issuing expenses | **3,132** | 2,646 |
| Carrying value of fixed rate bonds | **598,273** | 597,787 |

As at 30 June 2015, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US$6,333,000. The carrying amount of the bonds approximates its fair value.

## 15. Derivative financial instruments

| | As at | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| **Interest-rate swap contracts – hedging** | | |
| – included in non-current assets | **26** | 342 |
| – included in current assets | **16** | 161 |
| | **42** | 503 |
| **Interest-rate swap contracts – hedging** | | |
| – included in non-current liabilities | **4,527** | 2,500 |
| – included in current liabilities | **2,203** | 978 |
| | **6,730** | 3,478 |

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

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

The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 30 June 2015 are as follows:

- HK$2,200,000,000 (31 December 2014: HK$2,200,000,000) with fixed interest rates vary from 0.940% to 1.635% per annum (31 December 2014: 0.940% to 1.635% per annum);

- US$206,000,000 (31 December 2014: US$206,000,000) with fixed interest rates vary from 1.420% to 1.785% per annum (31 December 2014: 1.420% to 1.785% per annum).

## 16. Amounts due to/(from) non-controlling shareholders

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

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| – interest-free and not payable within 12 months | **28,071** | 27,579 |

The effective interest rate applied to calculate the fair value upon initial recognition of the interest-free portion of the amounts due to non-controlling shareholders is 4.1% per annum.

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

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| – interest-free with no fixed repayment terms | **10,768** | 8,605 |
| – interest-free with no fixed repayment terms | **(186)** | (57) |

The fair value of the amounts due to/(from) non-controlling shareholders (both current and non-current portion under (a) and (b) above) are not materially different from their carrying values.

## 17. Accounts payable and accruals

| | **As at** | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| Trade payables | **95,469** | 102,867 |
| Construction cost payable, other payables and accrued expenses | **595,790** | 710,035 |
| Short term advance from an associate of the Company's controlling shareholder | **16,357** | 16,343 |
| | **707,616** | 829,245 |

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

The ageing analysis of the trade payables is as follows:

| | **As at** | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| 0 – 3 months | **79,998** | 91,167 |
| 4 – 6 months | **8,089** | 5,434 |
| Over 6 months | **7,382** | 6,266 |
| | **95,469** | 102,867 |

## 18. Expenses by nature

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

| | For the six months ended | |
|---|---|---|
| | **30 June 2015** | 30 June 2014 |
| Depreciation of property, plant and equipment *(Note 5)* (net of amount capitalized of US$91,000 (2014: US$98,000)) | **161,909** | 145,092 |
| Amortization of leasehold land and land use rights *(Note 5)* (net of amount capitalized of US$234,000 (2014: Nil)) | **8,092** | 8,380 |
| Amortization of trademark and website development *(Note 5)* | **337** | 389 |
| Employee benefit expenses | **314,512** | 321,858 |
| Cost of inventories sold or consumed in operation | **139,348** | 130,009 |
| Loss on disposal of property, plant and equipment and partial replacement of investment properties | **851** | 600 |
| Discarding of property, plant and equipment and investment properties due to renovation | **659** | 2,952 |

## 19. Other losses – net

| | For the six months ended | |
|---|---|---|
| | **30 June 2015** | 30 June 2014 |
| Net realized/unrealized gains on financial assets held for trading | **1,477** | 687 |
| Interest income | **7,835** | 6,618 |
| Fair value gains/(losses) of investment properties *(Note 5)* | **27,090** | (12,078) |
| Provision for impairment losses for hotel properties *(Note 5)* | **(68,948)** | – |
| Provision for impairment loss for a property under development and leasehold land *(Note 5)* | **–** | (3,208) |
| Dividend income | **803** | 658 |
| Others | **–** | 150 |
| | **(31,743)** | (7,173) |

## 20. Finance costs – net

| | For the six months ended | |
|---|---|---|
| | **30 June 2015** | 30 June 2014 |
| Interest expense | | |
| – bank loans | **56,136** | 50,643 |
| – interest-rate swap contracts – hedging | **3,088** | 3,140 |
| – convertible bonds | **11,452** | 10,970 |
| – fixed rate bonds | **14,740** | 14,740 |
| – other loans | **1,677** | 1,294 |
| | **87,093** | 80,787 |
| Less: amount capitalized | **(22,468)** | (25,340) |
| | **64,625** | 55,447 |
| Net foreign exchange (gains)/losses | **(4,437)** | 10,557 |
| | **60,188** | 66,004 |

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 3.35% per annum for the period (2014: 3.18%).

## 21. Share of profit of associates

| | For the six months ended | |
|---|---|---|
| | **30 June 2015** | 30 June 2014 |
| Share of profit before tax of associates before share of net fair value gains of investment properties | **83,782** | 70,179 |
| Share of net fair value gains of investment properties | **153,397** | 60,558 |
| Share of profit before tax of associates | **237,179** | 130,737 |
| Share of associates' taxation before provision for deferred tax liabilities on fair value gains of investment properties | **(20,874)** | (16,519) |
| Share of provision for deferred tax liabilities on fair value gains of investment properties | **(38,977)** | (15,139) |
| Share of associates' taxation | **(59,851)** | (31,658) |
| Share of profit of associates | **177,328** | 99,079 |

## 22. Income tax expense

Income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong includes withholding tax paid and payable on dividends from subsidiaries and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

| | For the six months ended | |
|---|---|---|
| | **30 June 2015** | 30 June 2014 |
| Current income tax | | |
| – Hong Kong profits tax | **7,414** | 8,906 |
| – overseas taxation | **34,745** | 34,214 |
| Deferred income tax | **18,304** | 7,362 |
| | **60,463** | 50,482 |

## 23. Earnings per share

**Basic**

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

| | For the six months ended | |
|---|---|---|
| | **30 June 2015** | 30 June 2014 |
| Profit attributable to equity holders of the Company (US$'000) | **98,381** | 76,184 |
| Weighted average number of ordinary shares in issue (thousands) | **3,569,504** | 3,121,961 |
| Basic earnings per share (US cents per share) | **2.756** | 2.440 |

**Diluted**

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

For the six months ended 30 June 2015, there is no dilution effect on the earnings per share. For the six months ended 30 June 2014, all the share options issued under the 2002 Option Scheme have the greatest dilution effect.

| | For the six months ended | |
|---|---|---|
| | **30 June 2015** | 30 June 2014 |
| Profit attributable to equity holders of the Company (US$'000) | **98,381** | 76,184 |
| Weighted average number of ordinary shares in issue (thousands) | **3,569,504** | 3,121,961 |
| Adjustments for share options (thousands) | – | 1,720 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **3,569,504** | 3,123,681 |
| Diluted earnings per share (US cents per share) | **2.756** | 2.439 |

## 24. Dividends

| | For the six months ended | |
|---|---|---|
| | **30 June 2015** | 30 June 2014 |
| Interim dividend of HK5 cents (2014: HK6 cents) per ordinary share | **23,029** | 24,170 |

*Notes:*

(a) At a meeting held on 25 March 2015, the Board proposed a final dividend of HK6 cents per ordinary share for the year ended 31 December 2014, which was paid on 11 June 2015, and has been reflected as a charge against retained earnings for the six months ended 30 June 2015.

(b) At a meeting held on 26 August 2015, the Board declared an interim dividend of HK5 cents per ordinary share for the year ending 31 December 2015. This declared dividend is not reflected as a dividend payable in these financial statements but reflected as an appropriation of retained earnings for the year ending 31 December 2015. The declared interim dividend of US$23,029,000 for the six months ended 30 June 2015 is calculated based on 3,580,024,056 shares of the Company in issue as at 26 August 2015 after elimination on consolidation the amount of US$68,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (Note 10).

## 25. Financial guarantees, contingencies and charges over assets

**(a) Financial guarantees**

As at 30 June 2015, the Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilized amount of such facilities covered by the Group's guarantees for these associates amounts to US$417,824,000 (31 December 2014: US$420,897,000). The Board is of the opinion that it is not probable that such guarantees will be called upon.

**(b) Contingent liabilities**

As at 30 June 2015, the Group executed guarantee for securing standby documentary credit granted by a bank in favour of a building contractor relating to the execution of construction works for a hotel building with the amount of US$8,178,000 (31 December 2014: US$17,977,000).

**(c) Charges over assets**

As at 30 June 2015, bank borrowings of certain subsidiaries amounting to US$211,091,000 (31 December 2014: US$263,844,000) are secured by:

(i) Land use rights and all immovable assets owned by a subsidiary with net book value of US$123,583,000 (31 December 2014: US$127,416,000) together with a pledge of all the equity shares of the subsidiary.

(ii) Legal mortgage over the property owned by four subsidiaries with an aggregate net book value of US$432,868,000 (31 December 2014: US$548,661,000).

## 26. Commitments

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

| | As at 30 June 2015 | As at 31 December 2014 |
|---|---|---|
| Existing properties – Property, plant and equipment and investment properties | | |
| – contracted but not provided for | **26,333** | 66,601 |
| – authorized but not contracted for | **169,041** | 124,780 |
| Development projects | | |
| – contracted but not provided for | **218,433** | 285,402 |
| – authorized but not contracted for | **1,140,134** | 1,352,396 |
| | **1,553,941** | 1,829,179 |

## 27. Related party transactions

Kerry Group Limited ("**KGL**"), which owns approximately 50.02% of the Company's issued ordinary shares as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance as at 30 June 2015, has significant influence over the Company.

The following transactions were carried out with related parties:

| | For the six months ended 30 June 2015 | For the six months ended 30 June 2014 |
|---|---|---|
| **(a) Transactions with subsidiaries of KGL (other than subsidiaries of the Company)** | | |
| Receipt of hotel management and related services fees and royalty fees | **5,289** | 4,110 |
| Reimbursement of office expenses and payment of administration and related expenses | **1,360** | 1,059 |
| Payment of office rental, management fees and rates | **3,947** | 4,147 |
| Purchase of wines | **1,489** | 1,444 |

| | For the six months ended 30 June 2015 | For the six months ended 30 June 2014 |
|---|---|---|
| **(b) Transactions with associates of the Group** | | |
| Receipt of hotel management and related services fees and royalty fees | **8,433** | 8,817 |
| Receipt of laundry services fees | **178** | 353 |

| | As at 30 June 2015 | As at 31 December 2014 |
|---|---|---|
| **(c) Financial assistance provided to subsidiaries of KGL (other than subsidiaries of the Company)** | | |
| Balance of loan to associates of the Group | **154,840** | 153,588 |
| Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group | **298,664** | 320,473 |

## 27. Related party transactions *(continued)*

| | As at 30 June 2015 | As at 31 December 2014 |
|---|---|---|
| **(d) Financial assistance provided to associates of the Group (excluding item (c) above)** | | |
| Balance of loan to associates of the Group | **84,940** | 81,690 |
| Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group | **119,160** | 100,425 |

There are no material changes to the terms of the above transactions during the period.

| | For the six months ended 30 June 2015 | For the six months ended 30 June 2014 |
|---|---|---|
| **(e) Key management compensation** | | |
| Fees, salaries and other short-term employee benefits of executive directors | **1,315** | 1,351 |
| Post employment benefits of executive directors | **62** | 63 |
| | **1,377** | 1,414 |

## 28. Financial instruments measured at fair value

The Group measures financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 – Quoted market prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

The definitions, the valuation technique and inputs used in the fair value measurements for financial assets and liabilities under Level 1 and Level 2 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2014.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2015.

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| **Assets** | | | |
| Derivative financial instruments – interest-rate swap contracts | – | **42** | **42** |
| Available-for-sale financial assets – club debentures | **2,086** | – | **2,086** |
| Financial assets held for trading – equity securities | **21,121** | – | **21,121** |
| | **23,207** | **42** | **23,249** |
| **Liabilities** | | | |
| Derivative financial instruments – interest-rate swap contracts | – | **6,730** | **6,730** |
| | – | **6,730** | **6,730** |

## 28. Financial instruments measured at fair value *(continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014.

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| **Assets** | | | |
| Derivative financial instruments | | | |
| – interest-rate swap contracts | – | 503 | 503 |
| Available-for-sale financial assets | | | |
| – club debentures | 2,086 | – | 2,086 |
| Financial assets held for trading | | | |
| – equity securities | 21,947 | – | 21,947 |
| | 24,033 | 503 | 24,536 |
| **Liabilities** | | | |
| Derivative financial instruments | | | |
| – interest-rate swap contracts | – | 3,478 | 3,478 |
| | – | 3,478 | 3,478 |

During the six months ended 30 June 2015, there was no transfer between Level 1 and Level 2 of the Group's financial assets and liabilities.

## 29. Events after the date of the statement of financial position

On 20 August 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 55% equity interest in a wholly owned project company which indirectly owns a piece of land for a composite development in Accra, the Republic of Ghana for a cash consideration of US$15,150,000. The Group's equity interest in the project company was reduced from 100% to 45% with the completion of the transaction. It is currently envisaged that the Group will record a marginal profit on the transaction.

# OPERATIONS REVIEW

*(Performance compared to the corresponding period last year)*

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

(a) Hotel ownership (including hotels under lease)

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

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

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

– the sale of residential units in Arcadia Court, Tangshan (a 35%-owned project) in Mainland China;

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

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

– the operation of a golf course in Bali, Indonesia (a 53.3%-owned business); and

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

These other businesses did not have a material impact on the Group's consolidated results for the six months ended 30 June 2015.

## Revenues

### (a) Hotel ownership

– The 473-room Shangri-La Hotel, Nanchang (part of a composite development project in which the Group has 20% equity interest), the 330-room Shangri-La Hotel, Qinhuangdao (a 100%-owned hotel) and the 401-room Shangri-La Hotel, Hefei (a 100%-owned hotel) in Mainland China opened for business on 8 February 2015, 8 May 2015 and 25 June 2015, respectively.

– The Group opened the 290-room Shangri-La Hotel, Ulaanbaatar (part of a composite development project in which the Group has 51% equity interest), in the capital city of the Republic of Mongolia on 3 June 2015.

– The newly acquired Le Touessrok Resort in Mauritius (a 26%-owned hotel) closed for a major renovation on 15 April 2015 and will be reflagged and launched as Shangri-La's Le Touessrok Resort & Spa, Mauritius in November 2015. It will be the second property in the Group's portfolio of high-end five-star resorts in the Indian Ocean after Shangri-La's Villingili Resort & Spa, Maldives.

## OPERATIONS REVIEW *(continued)*

### Revenues *(continued)*

**(a) Hotel ownership** *(continued)*

- The extension of the Ocean Wing of Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu, Malaysia (a 64.59%-owned hotel), which has 83 rooms, opened for business on 2 April 2015.

- As at 30 June 2015, the Group has equity interest in 71 operating hotels (including the Portman Ritz Carlton Hotel, Shanghai) and 3 hotels under operating lease, representing a room inventory of 32,536 across Asia-Pacific and Europe. The Group also has a substantial development pipeline with upcoming projects in Hong Kong, Mainland China, Myanmar, the Philippines, Sri Lanka and Ghana.

- As at 30 June 2015, the Group has equity interest in 40 operating hotels in Mainland China. Hotels in Mainland China continued to face challenges from a difficult business environment. Intense price competition continued in most cities. All hotels recorded declines in weighted average room rates during the current period with the exception of the Shangri-La Hotel, Harbin (increased by 3%) and the Jing An Shangri-La, West Shanghai (increased by 13%). The overall weighted average room rate of the Mainland China hotel portfolio recorded a decline of 8%. However, the weighted average occupancy of most of the hotels recorded improvement. The overall weighted average room yields ("**RevPAR**") registered a modest 2% decrease when compared to the same period last year.

- Due to a decline in visitors from Mainland China, hotels in Hong Kong registered a decrease in weighted average RevPAR of 15%. Hotels in Singapore also suffered from a decline in visitor arrivals and the major renovation of Hotel Jen Tanglin Singapore, as well as the depreciation of the Singapore dollar. The hotel portfolio in Singapore registered a 24% decrease in weighted average RevPAR in US dollar terms.

- In Malaysia, the Group's hotels were adversely affected by the sharp drop in visitors from Mainland China following the Malaysia Airlines tragedies in 2014. This, together with an 11% depreciation of the Malaysian ringgit, led to a decrease in weighted average RevPAR in US dollar terms of 24% as compared to the same period last year.

- Supported by increased visitor arrivals following an improvement in the political environment, the two hotels in Thailand recorded an increase in weighted average RevPAR of 33% as compared to the same period last year.

- The three hotels in Australia registered a decrease in weighted average RevPAR in US dollar terms of 12% as compared to the same period last year, largely due to the depreciation of the Australian dollar.

## OPERATIONS REVIEW *(continued)*

### Revenues *(continued)*

**(a) Hotel ownership** *(continued)*

- The hotel in Paris recorded a decrease in RevPAR in US dollar terms of 33% due to a decrease of 15 percentage points in occupancy following weaker demand from its key markets in Russia and the Middle East and the depreciation of the Euro as compared to the same period last year.

- The two hotels in the Maldives recorded an increase in weighted average room rate of 7% but a decline in weighted average occupancy of 19 percentage points as compared to the same period last year again due to weaker demand from their key source markets.

- The four hotels in the Philippines recorded a marginal increase in weighted average RevPAR of 1% while the hotel in Tokyo recorded a modest decline in RevPAR of 3% in US dollar terms as compared to the same period last year due to a depreciation of the Japanese yen.

- The hotel in Istanbul and the hotel in London recorded declines in RevPAR of 15% and 22%, respectively, mainly due to the sharp depreciation of the local currencies against the US dollar.

- The overall weighted average RevPAR for the six months ended 30 June 2015 decreased by 9% as compared to the same period last year.

**(b) Hotel management services**

- The management contract with the Traders Hotel, Dubai was terminated during the current period.

- As at 30 June 2015, the Group's wholly owned subsidiary, SLIM International Limited and its subsidiaries ("**SLIM**"), managed 91 properties including 18 operating hotels with a room inventory of 5,962 under third party hotel management agreements in Asia-Pacific, North America and the Middle East.

- Overall weighted average RevPAR of those hotels under third party hotel management agreements registered a decrease of 10%.

- SLIM recorded a marginal decline of 1% in revenues after elimination of revenues earned from fellow subsidiaries as compared to the corresponding period in 2014.

**(c) Property rentals**

- The property rentals segment continued to be the Group's main source of operating profits for the current period.

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

## OPERATIONS REVIEW *(continued)*

### Revenues *(continued)*

**(c) Property rentals** *(continued)*

- In Beijing, the China World Trade Center (the Group's principal asset holding 40.32% to 50% equity interests) recorded further improvement in yields for its office spaces and commercial spaces ranging from 2% to 17% as compared to the same period last year. Yields of the serviced apartments in the Center however recorded a marginal decrease of 4%. Major improvements to the Center's exhibition hall and its connecting area are ongoing. The serviced apartments of Century Towers, Beijing (50% owned by the Group) recorded a remarkable increase in yields of 53% supported by increases in both the occupancy and rental rate. Yields of office and commercial spaces at the Beijing Kerry Centre (23.75% owned by the Group) recorded increases of 12% and 31%, respectively. Yields of the serviced apartments at the Beijing Kerry Centre, which re-opened for business in April 2014, recorded a 230% increase as compared to the same period last year.

- In Shanghai, yields of the office spaces, serviced apartments and commercial spaces at the Jing An Kerry Centre Phase I (24.75% owned by the Group) registered further growth of 27%, 51% and 93%, respectively. Yields of the commercial spaces and the office spaces at the Jing An Kerry Centre Phase II (49% owned by the Group) recorded growth in yields of 4% and 56%, respectively. Yields of the commercial spaces and office spaces at the Kerry Parkside Shanghai Pudong (23.20% owned by the Group) recorded increases of 12% and 15%, respectively, while yields of its serviced apartments posted a marginal decline of 6%. The commercial spaces and the serviced apartments of the Shanghai Centre (30% owned by the Group) recorded growth in yields of 15% and 17%, respectively, while yields of its office spaces decreased by 6%.

- In other cities in Mainland China, the Shangri-La Residences, Dalian (a 100%-owned property) recorded a significant improvement in yields of 22% as compared to the same period last year after the completion of major renovations in January 2014. The Shangri-La Centre, Qingdao (a 100%-owned property) recorded increases in yields of 12% and 13% for its office spaces and commercial spaces, respectively. The Chengdu Shangri-La Centre (an 80%-owned property) recorded a 3% increase in yields for its commercial spaces but a 9% decrease in yields for its office spaces.

- Adversely affected by the general depreciation of Asian currencies, the rental rates of investment properties in Singapore, Malaysia and the Republic of Mongolia when expressed in US dollars all recorded decreases ranging between 3% and 15% as compared to the same period last year.

- In Singapore, the yields of the Shangri-La Residences recorded a marginal increase of 4%. Yields of the Shangri-La Apartments however recorded a decline of 12%. These two investment properties are wholly owned by the Group. The commercial spaces at Tanglin Place and Tanglin Mall (44.60% owned by the Group) recorded modest declines in yields of 3% and 7%, respectively.

- In Malaysia, the UBN Apartments and the office spaces of the UBN Tower (both 52.78% owned by the Group) recorded further decrease in yields of 25% and 7%, respectively, while the yield of the commercial spaces of the UBN Tower improved by 9%.

- The office spaces and commercial spaces at the Central Tower in Ulaanbaatar, the Republic of Mongolia (51% owned by the Group) recorded declines in yields of 17% and 20%, respectively.

- Shangri-La Residences in Yangon, Myanmar (55.86% owned by the Group) registered a significant growth in yields of 134% as compared to the same period last year, with an occupancy rate of 88%.

## OPERATIONS REVIEW *(continued)*

### Segment Results

- Details of the segment information are provided in Note 4 to the condensed consolidated interim financial statements included in this report.

- The overall results of the hotel ownership segment turned from a net profit of US$37.8 million in the same period last year to a net loss of US$0.9 million during the current period. This was largely caused by weak market conditions in Hong Kong, Mainland China, Singapore, Malaysia, Australia and France. The large start-up losses (principally caused by higher depreciation charges in the initial years after opening) of the new hotels in Mainland China (total seven hotels opened for business in 2014 and 2015), the hotel in London and the hotel in Ulaanbaatar (grouped under "Other countries" of the hotel ownership segment) amplified the negative impact on the financial results. The hotels in the Philippines and in Thailand performed relatively well, recording an increase in net profit of US$2.3 million and US$5.1 million, respectively. The performance of the hotel in Tokyo improved slightly but it continued operating at a loss due to the burden of the lease rent.

- In contrast, the property rentals segment, especially the investment properties in Mainland China, continued to be the key profit contributor. The incremental net profit during the period from the property rentals segment was US$15.6 million, mainly contributed by the additional profits from Jing An Kerry Centre Phase II and China World Trade Center of US$10.1 million and US$1.4 million, respectively, together with a US$2.6 million reduction in loss in respect of the Shangri-La Residences, Dalian.

- Net profit of the hotel management services segment declined marginally by US$1.4 million.

- The Group's effective share of the land cost amortization and pre-opening expenses for projects declined substantially from US$29.0 million in 2014 to US$6.1 million in the current period following the opening of large number of new hotels and the reversal of a US$6.8 million provision made in prior years for pre-opening costs incurred for the terminated hotel project in Vienna, upon recovery of the sum under a settlement agreement.

### EBITDA

With the additional contributions from the newly opened hotels owned by subsidiaries, the earnings before interest expenses, tax, depreciation, amortization and non-operating items ("**EBITDA**") of the Group for the current period increased slightly by US$8.4 million to US$273.5 million as compared to the same period last year. The EBITDA to Consolidated Sales ratio of the Group was 26.7% as compared to 26.2% for the same period last year. The Group's share of EBITDA of its associates for the current period also increased by US$13.1 million to US$126.9 million with the additional profit contributions from the Jing An Kerry Centre and the China World Trade Center.

## OPERATIONS REVIEW *(continued)*

### Consolidated Profits

– Consolidated sales increased marginally by 1.2% in a weak market environment exacerbated by the negative impact of the depreciation of most currencies against the US dollar during the current period.

– Consolidated operating profit decreased by US$46.9 million after accounting for US$68.9 million impairment losses for hotel properties and US$27.1 million fair value gains on investment properties owned by subsidiaries.

– Consolidated interest expenses increased from US$55.4 million in 2014 to US$64.6 million as a result of the increased borrowings and lower interest capitalization following the completion of several new hotel developments. The Group recorded a net foreign exchange gain of US$4.4 million in the current period compared to a loss of US$10.6 million in the same period last year.

– The Group's share of profit of associates (net of tax) increased by US$78.2 million, which included its share of fair value gains (net of tax) of US$114.4 million on investment properties in the current period (US$45.4 million in the same period last year).

## CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, a wholly owned subsidiary executed six 5-year unsecured corporate bank loan agreements totaling an equivalent of US$804.4 million during the period. The corporate together with certain subsidiaries also jointly executed a 2-year bank loan agreement of US$100 million.

At the subsidiary level, the Group also executed the following bank loan agreements during the six months ended 30 June 2015:

– one 3-year local bank loan agreement of US$100 million and one 5-year local bank loan agreement of US$50 million for project financing;

– one 4-year local bank loan agreement of S$100 million (approximately US$74.3 million) for hotel renovations; and

– one 5-year bank loan agreement of HK$360 million (approximately US$46.5 million) and two 4-year bank loan agreements totaling S$102.9 million (approximately US$76.4 million) for refinancing maturing loans.

The Group is finalizing the documentation of two 5-year bank loan agreements at the corporate level totaling HK$1,350 million (approximately US$174.2 million) and two 5-year bank loan agreements at the subsidiary level totaling RMB650 million (approximately US$106.3 million) for project financing.

As at 30 June 2015, the Group had net current liabilities of US$392.5 million. These funding obligations can be met through the committed available bank loan facilities of US$1,040.7 million, which are maturing after 30 June 2016, and the net cash inflows to be generated from operating activities.

## CORPORATE DEBT AND FINANCIAL CONDITIONS *(continued)*

The Group is currently negotiating with certain banks for additional long term loan facilities for refinancing maturing borrowings as well as meeting project funding requirements.

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

The net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, increased from 49.2% as at 31 December 2014 to 53.9% as at 30 June 2015.

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

The analysis of borrowings outstanding as at 30 June 2015 is as follows:

| | **Maturities of Borrowings Contracted as at 30 June 2015** | | | | |
|---|---|---|---|---|---|
| | | | **Repayment** | | |
| *(US$ million)* | **Within 1 year** | **In the 2nd year** | **In the 3rd to 5th year** | **After 5 years** | **Total** |
| **Borrowings** | | | | | |
| Corporate borrowings | | | | | |
| – unsecured bank loans | 516.1 | 494.8 | 1,235.3 | – | 2,246.2 |
| – convertible bonds | 538.8 | – | – | – | 538.8 |
| – fixed rate bonds | – | 598.3 | – | – | 598.3 |
| Project bank loans | | | | | |
| – secured | 14.6 | 161.3 | 21.1 | 14.1 | 211.1 |
| – unsecured | 353.9 | 165.2 | 1,065.2 | 83.6 | 1,667.9 |
| Total | 1,423.4 | 1,419.6 | 2,321.6 | 97.7 | 5,262.3 |
| **Undrawn but committed facilities** | | | | | |
| Bank loans and overdrafts | 183.6 | 77.9 | 962.8 | – | 1,224.3 |

## CORPORATE DEBT AND FINANCIAL CONDITIONS *(continued)*

The currency-mix of the borrowings and cash and bank balances as at 30 June 2015 is as follows:

| *(US$ million)* | **Borrowings** | **Cash and Bank Balances** |
|---|---|---|
| In United States dollars | 2,706.9 | 317.4 |
| In Hong Kong dollars | 1,412.0 | 205.0 |
| In Renminbi | 557.8 | 524.2 |
| In Euros | 217.5 | 15.3 |
| In Australian dollars | 154.3 | 26.9 |
| In Singapore dollars | 76.4 | 61.7 |
| In British pounds | 70.8 | 3.0 |
| In Japanese yen | 40.8 | 3.7 |
| In Philippines pesos | 25.8 | 40.6 |
| In Malaysian ringgit | – | 6.9 |
| In Thai baht | – | 51.1 |
| In Mongolian tugrik | – | 4.6 |
| In Fiji dollars | – | 15.7 |
| In Sri Lankan rupees | – | 2.7 |
| In Maldivian rufiyaa | – | 0.3 |
| In other currencies | – | 0.5 |
| | 5,262.3 | 1,279.6 |

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

Details of financial guarantees, contingencies and charges over assets as at 30 June 2015 are disclosed in Note 25 to the condensed consolidated interim financial statements included in this report.

## TREASURY POLICIES

The Group has consistently followed all treasury policies aimed at minimizing interest and currency risk as disclosed in the 2014 annual report.

As planned, the Group had arranged additional shareholder loans and equity contributions totaling US$318.2 million to certain loss-making subsidiaries in Mainland China to repay their Renminbi bank borrowings in order to reduce the overall interest costs during the current period.

Intra-group financing between subsidiaries in Mainland China by way of entrusted loan agreements through local banks increased from RMB1,122.5 million (approximately US$183.4 million) as at 31 December 2014 to RMB1,279.5 million (approximately US$209.3 million) as at 30 June 2015. The Group will continue to arrange entrusted loans utilizing the cash surplus of operating hotels to finance the development of its new projects as well as the operation of newly opened hotels in Mainland China.

The Group has endeavoured to hedge its medium term interest rate risk by entering into interest-rate swap contracts. No new contract was executed during the current period. As at 30 June 2015, the outstanding HIBOR and LIBOR interest-rate swap contracts are:

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

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

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

Taking into account these interest-rate swap contracts, convertible bonds, fixed rate bonds and the Renminbi bank loans, the Group has fixed its interest liability on 42% of its borrowings outstanding as at 30 June 2015.

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

## INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value (including those properties being constructed for future use as investment properties of which fair value becomes reliably determinable at 30 June 2015). All changes in the fair value are recorded in the income statement. For the six months ended 30 June 2015, the Group's share of the net fair value gains on investment properties (including those under construction) being owned by subsidiaries and associates (net of deferred taxation) amounted to US$11.8 million and US$114.4 million, respectively, based on the opinion from independent professional valuers as obtained by the Group and the major shareholder of certain associates.

## IMPAIRMENT PROVISION

The Group assesses the carrying value of a group-owned operating hotel when there is any indication that the assets may be impaired. These include continuing adverse changes in the local market conditions in which the hotel operates or will operate, when the hotel continues to operate at a loss position and its financial performance is worse than expected. Professional valuations were carried out by independent firms of professional valuers as at 30 June 2015 for those properties for which the internal assessment results needed independent confirmation. During the current period, the Group has recognized total impairment losses of US$53.6 million for five hotels in Mainland China wholly owned by the Group and an impairment loss of US$15.3 million for a hotel operated under operating lease in Japan in the consolidated income statement under "Other losses – net", to write down their carrying values to their recoverable amount. The recoverable amount of each hotel is the higher of its fair value less costs of disposal and its value in use based on the opinion of independent firms of professional valuers obtained by the Group using the market comparison approach and income approach.

## FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

For the six months ended 30 June 2015, the Group had disposed of its investment in trading securities amounting to US$2.3 million and recorded realized gains of US$0.2 million (US$0.1 million after share of non-controlling interests). As at 30 June 2015, the market value of the Group's investment portfolio was US$21.1 million, which recorded unrealized fair value gains of US$1.3 million and dividend income of US$0.4 million during the period.

## DEVELOPMENT PROGRAMMES

The Group opened the new 166-room Hylandia by Shangri-La (a 100%-owned hotel) in Diqing Tibetan Autonomous Prefecture in Mainland China on 3 August 2015. It is the first international full-service hotel in Shangri-La City, the capital and the largest city in Diqing.

Construction work on the following projects is on-going:

### (i) Hotel Developments

| | Group's Equity Interest | Hotel Rooms | Long Stay Apartments | Projected Opening |
|---|---|---|---|---|
| **Hotels in the People's Republic of China** | | | | |
| Shangri-La Hotel, Tangshan (part of development project of Parkside Place, Tangshan) | 35% | 301 | 38 | 28 Aug 2015 |
| Midtown Shangri-La Hotel, Hangzhou (part of Kerry Central, Hangzhou) | 25% | 417 | – | Late 2015 |
| Shangri-La Hotel, Jinan (part of composite development project in Jinan City) | 45% | 359 | 32 | 2016 |
| Shangri-La Hotel, Xiamen | 100% | 434 | 15 | 2016 |
| Shangri-La Harbin, Songbei District | 100% | 345 | 33 | 2016 |
| New hotel in China World Trade Center (part of composite development project in China World Trade Center – Phase 3B) | 40.32% | 385 | – | 2016 |
| Shangri-La Hotel, Hunghom Bay, Hong Kong | 100% | 547 | – | 2016 |
| **Hotels in other countries** | | | | |
| Shangri-La Hotel, At The Fort, Manila (part of composite development project in Bonifacio Global City, Metro Manila, the Philippines) | 40% | 576 | – | Late 2015 |
| Shangri-La's Hambantota Resort & Spa, Sri Lanka | 90% | 300 | – | 2016 |
| Shangri-La Hotel, Colombo, Sri Lanka (part of composite development project in Colombo) | 90% | 500 | 41 | 2017 |
| Lakeside Shangri-La, Yangon, Myanmar | 55.86% | 276 | 15 | 2017 |

## DEVELOPMENT PROGRAMMES *(continued)*

### (ii) Composite Developments and Investment Properties Developments

| | Group's Equity Interest | Total gross floor area upon completion (excluding hotel component) *(approximate in square meters)* Residential | Office | Commercial | Serviced Apartments | Projected Opening |
|---|---|---|---|---|---|---|
| **In Mainland China** | | | | | | |
| Parkside Place, Tangshan | 35% | – | – | 18,460 | – | Late 2015 |
| Nanchang City Project (Phase I) | 20% | 82,143 | 70,545 | 9,144 | – | Late 2015 |
| Shenyang Kerry Centre (Phase I & II)[1] | 25% | 576,953 | 165,484 | 223,261 | – | 2016-2018 |
| Phase II of Shangri-La Hotel, Dalian | 100% | 18,650 | – | 4,600 | 14,011 | 2016 |
| Kerry Central, Hangzhou | 25% | – | 12,651 | 108,000 | 33,512 | 2016 |
| Putian City Project | 40% | 263,460 | – | 7,205 | – | 2016 |
| China World Trade Center Phase 3B | 40.32% | – | 66,997 | 53,111 | – | 2016 |
| Jinan City Project | 45% | – | 37,534 | 4,779 | – | 2017 |
| **In other countries** | | | | | | |
| Bonifacio Global City, Metro Manila, the Philippines | 40% | 37,522 | – | 4,405 | 17,554 | Late 2015 |
| Sule Square, Yangon, Myanmar | 59.28% | – | 29,625 | 5,309 | – | 2016 |
| Composite development project in Ulaanbaatar, Mongolia | 51% | 32,328 | 40,902 | 46,372 | – | 2016 |
| Composite development project in Colombo, Sri Lanka | 90% | 111,100 | 59,984 | 68,585 | – | 2017[2] |
| | | 1,122,156 | 483,722 | 553,231 | 65,077 | |

(1) Part of Phase I development (office and residential) has been sold and handed over.

(2) The pre-sale of residences have officially launched on 22 May 2015.

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

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

## DEVELOPMENT PROGRAMMES *(continued)*

Composite development

- Zhengzhou, Mainland China (45% equity interest owned by the Group)
- Kunming, Mainland China (45% 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 (wholly owned by the Group as at 30 June 2015, but the Group's effective interest was reduced to 45% with the completion of a sale and purchase agreement to dispose of 55% equity interest to a strategic partner on 20 August 2015)

The Group acquired the entire equity interest in a local company that owns a very well-located building in Rome in May 2012. The vacant possession of the premises has been obtained and the final adjusted balance of the cash consideration of EUR28.8 million (approximately US$31.7 million) was paid in May 2015. The Group intends to convert the building into a Shangri-La hotel.

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

## DISPOSAL

On 20 August 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 55% equity interest in a project company which indirectly owns a piece of land in Accra, the Republic of Ghana for a cash consideration of US$15,150,000. The Group's equity interest in the project company was reduced from 100% to 45% with the completion of the transaction. Both parties intend to develop a high-end composite development, which includes a hotel, on the land site.

## HOTEL MANAGEMENT

In April 2015, the Group signed a management agreement in relation to the management and operation of a hotel under a new mixed-use development located in Phnom Penh, Cambodia expected to open in 2019.

As at the date of this report, the Group has 18 management agreements in respect of operating hotels owned by third parties.

In addition, the Group has agreements on hand for the management of 7 new hotels under development. The new hotel projects are located in Shaoxing, Nanning and Qiantan (Mainland China), Doha (Qatar), Phnom Penh (Cambodia) and Bengaluru (India, 2 hotels).

In May 2015, the Group also signed a Memorandum of Undertaking in relation to the management and operation of a luxury hotel and residences development opening in early 2018 in Jeddah, the second-largest city in Saudi Arabia.

## PROSPECTS

The global economic outlook remains weak and uncertain. The Group's hotels in general continue to face a challenging business environment characterized by weakening local currencies which have reduced the affordability of overseas travel for many; lower profits in US dollar terms; weak demand from key markets, especially for some of the luxury hotels in the portfolio; and oversupply of hotel rooms in certain cities in Mainland China. This situation is expected to continue for the rest of this year with a consequent adverse impact on the operating results of the hotel portfolio.

In contrast, the investment property portfolio's performance and operating profits are expected to record a reasonable improvement over the previous year.

Given the significant impact of the hotel portfolio on the overall operating results of the Group and the recent depreciation of the Renminbi, the Group's operating profits are expected to be materially lower than those of the previous year.

## HUMAN RESOURCES

As at 30 June 2015, the Company and its subsidiaries had approximately 28,900 employees. The headcount of all the Group's managed hotels and resorts totaled approximately 44,000.

Remuneration policies, share option schemes, share award scheme and training schemes have been consistently applied by the Group as disclosed in the 2014 annual report.

## CORPORATE GOVERNANCE

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

### Directors Handbook

On 19 March 2012, the Board adopted a composite handbook ("**Directors Handbook**") comprising (amongst other things) a set of principles for securities transactions by directors or any non-directors of the Company ("**Securities Principles**") and a set of corporate governance principles of the Company ("**CG Principles**"), terms of both of which align with or are stricter than the requirements set out in, respectively, the Model Code for Securities Transactions by Directors of Listed Issuers ("**Securities Model Code**") as contained in Appendix 10 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**HKSE**") and the code provisions under the Corporate Governance Code and Corporate Governance Report ("**CG Model Code**") as contained in Appendix 14 to the Listing Rules save for the provision that the positions of the chairman and the chief executive officer of the Company may be served by the same person. The Directors Handbook serves as a comprehensive guidebook for all directors of the Company.

During the underlying six-month period, the Securities Principles and the CG Principles were the codes for the directors' securities transactions and the Company's corporate governance, respectively.

# CORPORATE GOVERNANCE *(continued)*

## Code on Securities Transactions

The Company has made specific enquiry of each of the directors of the Company and all the directors have confirmed compliance with the Securities Principles throughout the underlying six-month period.

## Code on Corporate Governance

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

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

## Changes in Directors' Information

There have been changes in the information of some of the directors since the date of the Company's 2014 annual report. Details of the changes as required to be disclosed under Rule 13.51B(1) of the Listing Rules are as follows:

1. Professor LI Kwok Cheung Arthur was appointed the chairman of the Council for Sustainable Development of the Government of the Hong Kong Special Administrative Region on 1 March 2015. He was also appointed a council member of The University of Hong Kong on 20 March 2015.

2. Mr Alexander Reid HAMILTON ceased to act as an independent non-executive director of DBS Bank (HK) Limited and CITIC Limited (listed on HKSE) on 21 April 2015 and 2 June 2015, respectively.

3. Mr WONG Kai Man retired by rotation as an independent non-executive director of the Company and also ceased to be (a) chairman and member of the remuneration committee of the Board, and (b) member of the nomination committee and the audit committee of the Board on 28 May 2015.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2015, the interests and short positions of those persons (other than the directors of the Company) in shares and underlying shares in the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance ("**SFO**") or as ascertained by the Company after reasonable enquiry were as follows:

| Name | Capacity | Number of ordinary shares held | Approximate % of total issued share capital of the Company |
|---|---|---|---|
| **Substantial shareholders** | | | |
| Kerry Group Limited ("**KGL**") *(Note 1)* | Interest of controlled corporations | 1,790,828,045 | 50.02 |
| Kerry Holdings Limited ("**KHL**") *(Notes 1 and 2)* | Beneficial owner | 87,237,052 | 2.44 |
| | Interest of controlled corporations | 1,546,890,118 | 43.21 |
| Caninco Investments Limited ("**Caninco**") *(Note 2)* | Beneficial owner | 568,568,684 | 15.88 |
| | Interest of controlled corporation | 157,280,233 | 4.39 |
| Paruni Limited ("**Paruni**") *(Note 2)* | Beneficial owner | 382,904,547 | 10.70 |
| | Interest of controlled corporation | 25,163,449 | 0.70 |
| **Other major shareholders** | | | |
| Darmex Holdings Limited ("**Darmex**") *(Note 2)* | Beneficial owner | 267,068,070 | 7.46 |
| Kuok Brothers Sdn Berhad | Beneficial owner | 84,441,251 | 2.36 |
| | Interest of controlled corporations | 225,569,761 | 6.30 |
| Kuok (Singapore) Limited ("**KSL**") *(Note 3)* | Interest of controlled corporation | 218,008,907 | 6.09 |
| Baylite Company Limited ("**Baylite**") *(Note 3)* | Beneficial owner | 218,008,907 | 6.09 |

*Notes:*

1. KHL is a wholly owned subsidiary of KGL and accordingly the shares in which KHL is shown as interested are also included in the shares in which KGL is shown as interested.

2. Caninco, Paruni and Darmex are wholly owned subsidiaries of KHL and accordingly the shares in which Caninco, Paruni and Darmex are shown as interested are also included in the shares in which KHL is shown as interested.

3. Baylite is a wholly owned subsidiary of KSL and accordingly the shares in which Baylite is shown as interested are also included in the shares in which KSL is shown as interested.

## DIRECTORS' INTERESTS

As at 30 June 2015, the interests and short positions of the directors of the Company in shares, underlying shares and debentures in/of the Company and its associated corporations (within the meaning of Part XV of the SFO) ("**Associated Corporation(s)**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and HKSE pursuant to the Securities Model Code were as follows:

### (A) Long positions in shares in the Company and Associated Corporations

| | | | Number of shares held | | | | | Approximate % of total issued share capital of the relevant company |
|---|---|---|---|---|---|---|---|---|
| Name of company | Name of director | Class of shares | Personal interests | Family interests | Corporate interests | Other interests | Total | |
| **The Company** | KUOK Khoon Chen | Ordinary | – | – | 1,950,194 *(Note 1)* | 292,614 *(Note 2)* | 2,242,808 | 0.063 |
| | LUI Man Shing | Ordinary | 902,777 | – | – | – | 902,777 | 0.025 |
| | Madhu Rama Chandra RAO | Ordinary | 38,032 | – | – | – | 38,032 | 0.001 |
| | Gregory Allan DOGAN | Ordinary | 32,189 | – | – | – | 32,189 | 0.001 |
| | HO Kian Guan | Ordinary | 841,116 | – | 145,887,718 *(Note 3)* | – | 146,728,834 | 4.099 |
| | KUOK Hui Kwong | Ordinary | 32,833 *(Note 4)* | 1,038,000 *(Note 5)* | – | 3,380,170 *(Note 2)* | 4,451,003 | 0.124 |
| | HO Kian Hock (alternate to HO Kian Guan) | Ordinary | – | – | 145,887,718 *(Note 3)* | – | 145,887,718 | 4.075 |
| **Associated Corporation** | | | | | | | | |
| Shangri-La Hotel Public Company Limited | LUI Man Shing | Ordinary | 10,000 | – | – | – | 10,000 | 0.008 |

*Notes:*

1. 1,672,743 shares were held through a company which was wholly owned by Mr KUOK Khoon Chen.

   277,451 shares were held through companies in which Mr KUOK Khoon Chen was entitled to exercise or control the exercise of one-third or more of voting power at their respective general meetings.

2. These shares were held through discretionary trusts of which the relevant director is a contingent beneficiary.

   292,614 shares were held through discretionary trusts the contingent beneficiaries of which include Mr KUOK Khoon Chen and Ms KUOK Hui Kwong.

3. 95,537,377 shares were held through companies which were owned as to 33.33% by each of Mr HO Kian Guan and Mr HO Kian Hock.

   11,083,411 shares were held through companies which were owned as to 31.34% by each of Mr HO Kian Guan and Mr HO Kian Hock.

   39,266,930 shares were held through companies which were owned as to 6.75% and 6.91% by Mr HO Kian Guan and Mr HO Kian Hock, respectively.

4. 32,000 shares were held jointly by Ms KUOK Hui Kwong and her spouse.

5. The spouse of Ms KUOK Hui Kwong was deemed to be interested in these shares.

## DIRECTORS' INTERESTS *(continued)*

### (B) Long positions in underlying shares in the Company and Associated Corporations

As at 30 June 2015, there were share options held by the directors of the Company with rights to subscribe for shares in the Company. Details of such options are set out in the section headed "SHARE OPTIONS" of this report.

## SHARE OPTIONS

The share options having been granted by the Company and remaining outstanding during the underlying six-month period were granted under the Company's 2 share option schemes adopted by the shareholders of the Company on 24 May 2002 ("**2002 Option Scheme**") and 28 May 2012 ("**2012 Option Scheme**"), respectively. Details and movements of such option shares during the underlying six-month period are as follows:

| | | | Number of option shares | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Grantees | Date of grant | Tranche | Held as at 1 Jan 2015 | Granted during the period | Transferred from other category during the period | Transferred to other category during the period | Exercised during the period | Lapsed during the period | Held as at 30 Jun 2015 | Exercise price per option share HK$ | Exercise period |
| **2002 Option Scheme** | | | | | | | | | | | |
| **1. Directors** | | | | | | | | | | | |
| LUI Man Shing | 16 Jun 2006 | II | 60,000 | – | – | – | – | – | 60,000 | 14.60 | 16 Jun 2008 – 15 Jun 2016 |
| Madhu Rama Chandra RAO | 28 Apr 2005 | II | 250,000 | – | – | – | – | (250,000) | – | 11.60 | 28 Apr 2007 – 27 Apr 2015 |
| | 16 Jun 2006 | I | 50,000 | – | – | – | – | – | 50,000 | 14.60 | 16 Jun 2007 – 15 Jun 2016 |
| | 16 Jun 2006 | II | 50,000 | – | – | – | – | – | 50,000 | 14.60 | 16 Jun 2008 – 15 Jun 2016 |
| Gregory Allan DOGAN | 28 Apr 2005 | II | 50,000 | – | – | – | – | (50,000) | – | 11.60 | 28 Apr 2007 – 27 Apr 2015 |
| | 16 Jun 2006 | I | 37,500 | – | – | – | – | – | 37,500 | 14.60 | 16 Jun 2007 – 15 Jun 2016 |
| | 16 Jun 2006 | II | 37,500 | – | – | – | – | – | 37,500 | 14.60 | 16 Jun 2008 – 15 Jun 2016 |
| Timothy David DATTELS | 28 Apr 2005 | I | 75,000 | – | – | – | – | (75,000) | – | 11.60 | 28 Apr 2006 – 27 Apr 2015 |
| | 28 Apr 2005 | II | 75,000 | – | – | – | – | (75,000) | – | 11.60 | 28 Apr 2007 – 27 Apr 2015 |
| | 16 Jun 2006 | I | 30,000 | – | – | – | – | – | 30,000 | 14.60 | 16 Jun 2007 – 15 Jun 2016 |
| | 16 Jun 2006 | II | 30,000 | – | – | – | – | – | 30,000 | 14.60 | 16 Jun 2008 – 15 Jun 2016 |
| **2. Employees** | 28 Apr 2005 | I | 1,040,000 | – | – | – | (15,000) | (1,025,000) | – | 11.60 | 28 Apr 2006 – 27 Apr 2015 |
| | 28 Apr 2005 | II | 1,275,000 | – | – | – | (15,000) | (1,260,000) | – | 11.60 | 28 Apr 2007 – 27 Apr 2015 |
| | 16 Jun 2006 | I | 732,500 | – | – | (5,000) | – | (22,500) | 705,000 | 14.60 | 16 Jun 2007 – 15 Jun 2016 |
| | 16 Jun 2006 | II | 811,500 | – | – | (5,000) | – | (30,000) | 776,500 | 14.60 | 16 Jun 2008 – 15 Jun 2016 |
| **3. Other participants** | 28 Apr 2005 | I | 25,000 | – | – | – | – | (25,000) | – | 11.60 | 28 Apr 2006 – 14 Jan 2015 |
| | 28 Apr 2005 | I | 715,000 | – | – | – | – | (715,000) | – | 11.60 | 28 Apr 2006 – 27 Apr 2015 |
| | 28 Apr 2005 | II | 25,000 | – | – | – | – | (25,000) | – | 11.60 | 28 Apr 2007 – 14 Jan 2015 |
| | 28 Apr 2005 | II | 715,000 | – | – | – | – | (715,000) | – | 11.60 | 28 Apr 2007 – 27 Apr 2015 |
| | 16 Jun 2006 | I | 10,000 | – | – | – | – | (10,000) | – | 14.60 | 16 Jun 2007 – 14 Jan 2015 |
| | 16 Jun 2006 | I | 486,500 | – | 5,000 | – | – | – | 491,500 | 14.60 | 16 Jun 2007 – 15 Jun 2016 |
| | 16 Jun 2006 | II | 10,000 | – | – | – | – | (10,000) | – | 14.60 | 16 Jun 2008 – 14 Jan 2015 |
| | 16 Jun 2006 | II | 700,000 | – | 5,000 | – | – | – | 705,000 | 14.60 | 16 Jun 2008 – 15 Jun 2016 |
| **Sub-total** | | | 7,290,500 | – | 10,000 | (10,000) | (30,000) | (4,287,500) | 2,973,000 | | |

## SHARE OPTIONS *(continued)*

| | | | Number of option shares | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Grantees | Date of grant | Tranche | Held as at 1 Jan 2015 | Granted during the period | Transferred from other category during the period | Transferred to other category during the period | Exercised during the period | Lapsed during the period | Held as at 30 Jun 2015 | Exercise price per option share HK$ | Exercise period |
| **2012 Option Scheme** | | | | | | | | | | | |
| **1. Directors** | | | | | | | | | | | |
| KUOK Khoon Chen | 23 Aug 2013 | – | 350,000 | – | – | – | – | – | 350,000 | 12.11 | 23 Aug 2013 – 22 Aug 2023 |
| LUI Man Shing | 23 Aug 2013 | – | 350,000 | – | – | – | – | – | 350,000 | 12.11 | 23 Aug 2013 – 22 Aug 2023 |
| Madhu Rama Chandra RAO | 23 Aug 2013 | – | 350,000 | – | – | – | – | – | 350,000 | 12.11 | 23 Aug 2013 – 22 Aug 2023 |
| Gregory Allan DOGAN | 23 Aug 2013 | – | 350,000 | – | – | – | – | – | 350,000 | 12.11 | 23 Aug 2013 – 22 Aug 2023 |
| HO Kian Guan | 23 Aug 2013 | – | 100,000 | – | – | – | – | – | 100,000 | 12.11 | 23 Aug 2013 – 22 Aug 2023 |
| Alexander Reid HAMILTON | 23 Aug 2013 | – | 100,000 | – | – | – | – | – | 100,000 | 12.11 | 23 Aug 2013 – 22 Aug 2023 |
| Timothy David DATTELS | 23 Aug 2013 | – | 100,000 | – | – | – | – | – | 100,000 | 12.11 | 23 Aug 2013 – 22 Aug 2023 |
| WONG Kai Man *(Note 2)* | 23 Aug 2013 | – | 100,000 | – | – | (100,000) | – | – | – | 12.11 | 23 Aug 2013 – 22 Aug 2023 |
| LI Kwok Cheung Arthur | 23 Aug 2013 | – | 100,000 | – | – | – | – | – | 100,000 | 12.11 | 23 Aug 2013 – 22 Aug 2023 |
| **2. Employees** | 23 Aug 2013 | – | 14,438,000 | – | – | (150,000) | – | (550,000) | 13,738,000 | 12.11 | 23 Aug 2013 – 22 Aug 2023 |
| **3. Other participants** | 23 Aug 2013 | – | 80,000 | – | – | – | – | (80,000) | – | 12.11 | 23 Aug 2013 – 14 Jan 2015 |
| | 23 Aug 2013 | – | 770,000 | – | 250,000 | – | – | – | 1,020,000 | 12.11 | 23 Aug 2013 – 22 Aug 2023 |
| **Sub-total** | | | 17,188,000 | – | 250,000 | (250,000) | – | (630,000) | 16,558,000 | | |
| **Total** | | | 24,478,500 | – | 260,000 | (260,000) | (30,000) | (4,917,500) | 19,531,000 | | |

*Notes:*

1. No options were cancelled during the underlying six-month period.

2. Mr WONG Kai Man retired as a director of the Company on 28 May 2015.

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

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

## QUALIFICATION FOR INTERIM DIVIDEND

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

On behalf of the Board
**KUOK Khoon Chen**
*Chairman*

Hong Kong, 26 August 2015