



SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with Limited Liability)

Stock code: 69



ANNUAL REPORT 2015

**Shangri-La Hotel, Singapore**  
**Celebrating 45 years of hospitality**  
**and excellence in 2016**

When the first Shangri-La hotel opened in 1971 it brought the new concept of a city-resort to Singapore. Set amidst 15 acres of landscaped tropical gardens in one of the most enviable locations in the heart of the city, the iconic Shangri-La Hotel, Singapore set the standard for what would become a global collection of hotels renowned for their hallmark hospitality from the heart.

In 2015, the hotel celebrated the 30th anniversary of its prestigious Valley Wing, which has become the accommodation of choice for heads of state, captains of industry and discerning travellers from around the world. Shangri-La Hotel, Singapore has three distinctive wings with 750 guestrooms, including the Tower Wing, Garden Wing and Valley Wing, as well as serviced apartments and villa residences.

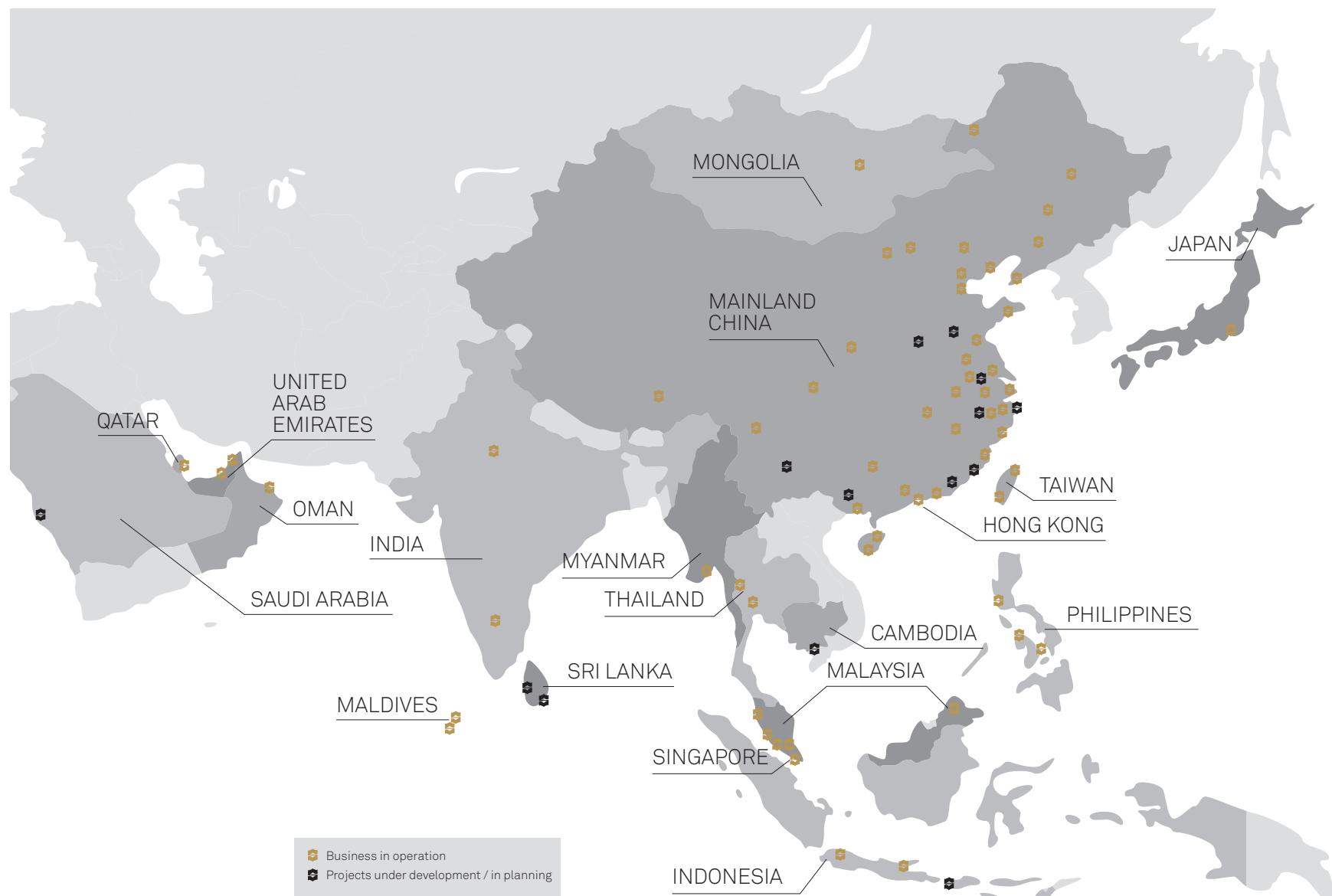


# The Group's Business Presence

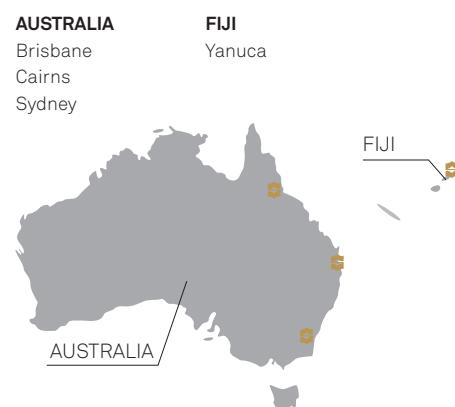
As at 5 April 2016

## ASIA

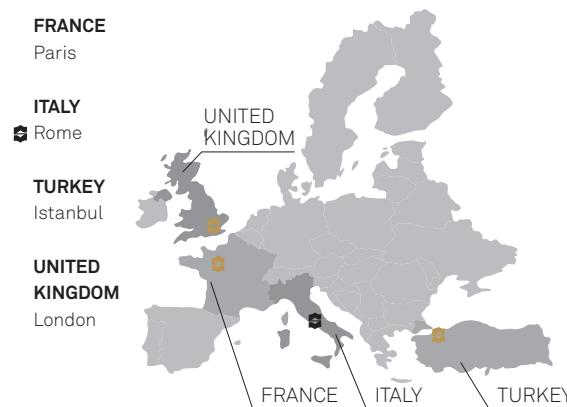
<b>CAMBODIA</b>	Phnom Penh
<b>HONG KONG</b>	Putian Qingdao Qinhuangdao Qufu Sanya Shanghai Shaoxing Shenyang Shenzhen Suzhou Tangshan Tianjin Wenzhou Wuhan Xiamen Yiwu Zhengzhou Zhoushan
<b>INDIA</b>	Bengaluru New Delhi
<b>INDONESIA</b>	Bali Jakarta Surabaya
<b>JAPAN</b>	Tokyo
<b>MAINLAND CHINA</b>	Baotou Beihai Beijing Changchun Changzhou Chengdu Dalian Diqing Fuzhou Guangzhou Guilin Haikou Hangzhou Harbin Hefei Huhhot Jinan Kunming Lhasa Manzhouli Nanchang Nanjing Nanning Ningbo
<b>MALAYSIA</b>	Johor Kota Kinabalu Kuala Lumpur Penang Putrajaya
<b>MALDIVES</b>	Male Villingili
<b>MONGOLIA</b>	Ulaanbaatar
<b>MYANMAR</b>	Yangon
<b>OMAN</b>	Muscat



## OCEANIA



## EUROPE



## AFRICA



## NORTH AMERICA



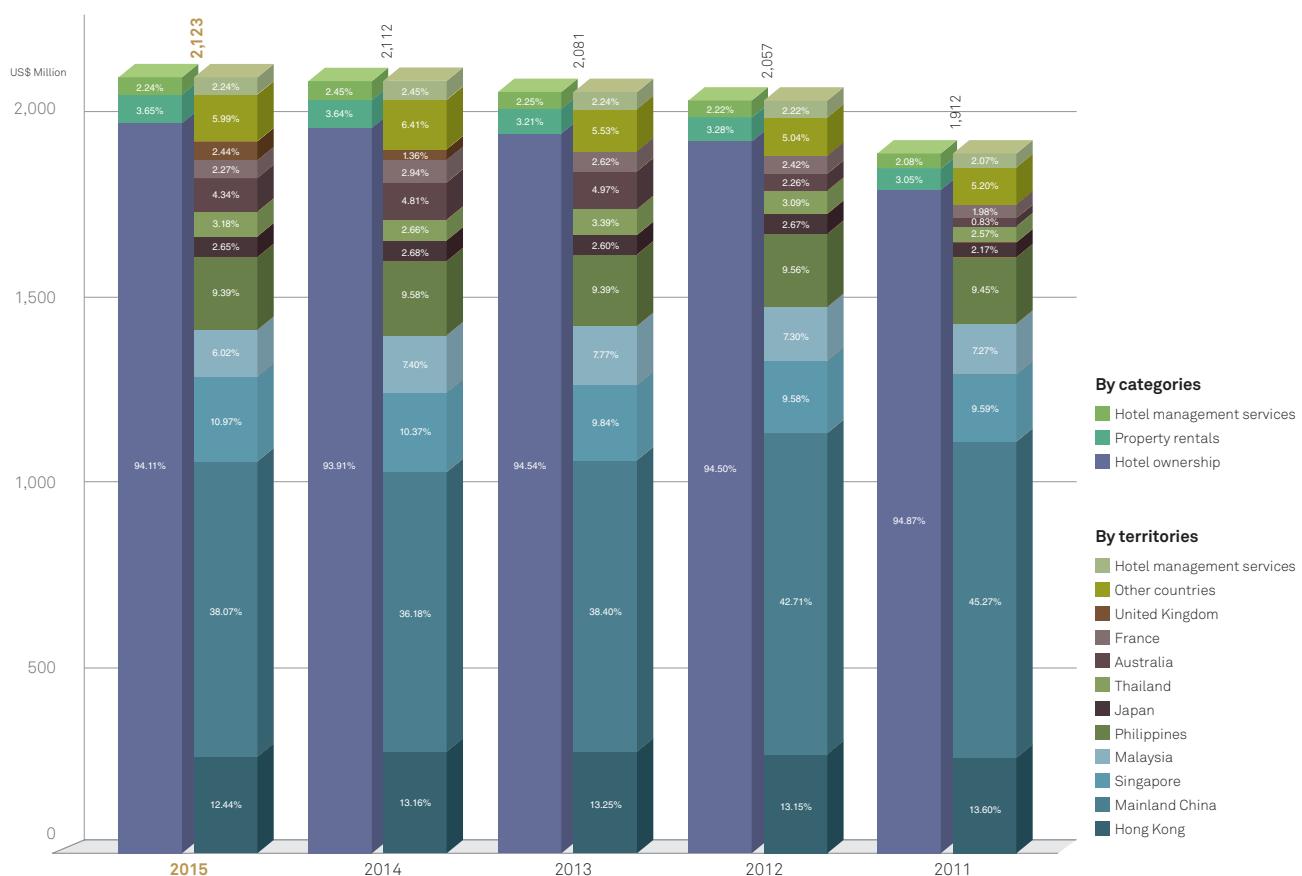
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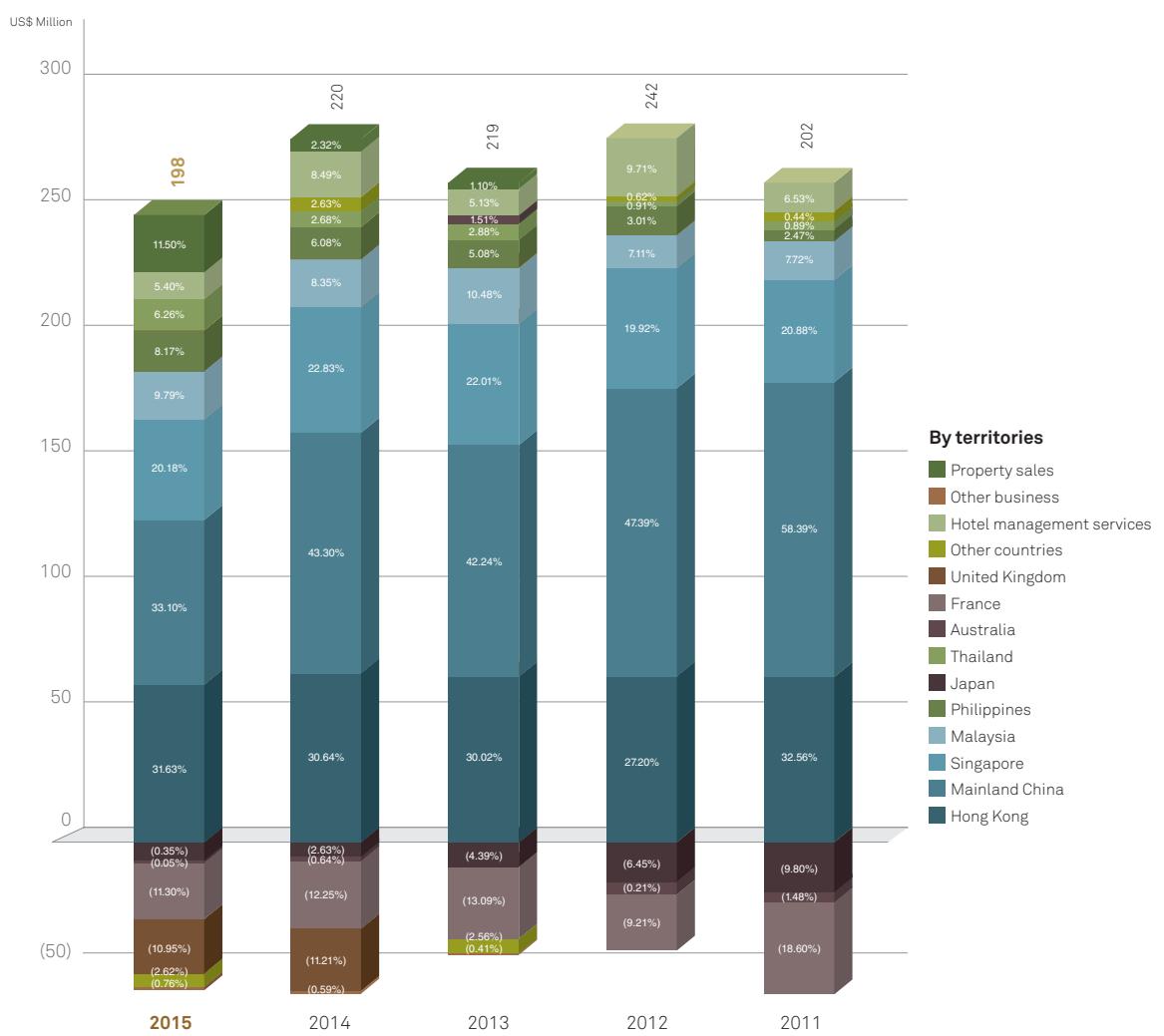
# Financial Highlights

	2015 US\$ Million	2014 US\$ Million	2015/2014 % Change	2013 US\$ Million	2012 US\$ Million	2011 US\$ Million
<b>CONSOLIDATED</b> <i>For the year ended 31 December</i>						
Sales	<b>2,123</b>	2,112	0.5%	2,081	2,057	1,912
Segment results	<b>198</b>	220	-10.0%	219	242	202
Profit attributable to equity holders of the Company	<b>140</b>	181	-22.5%	392	359	253
EBITDA	<b>530</b>	542	-2.3%	572	608	550
Earnings per share (US cents)	<b>3.93</b>	5.77	-31.9%	12.57	11.50	8.18
Total equity	<b>6,890</b>	7,439	-7.4%	6,867	6,528	6,026

## SALES COMPOSITION

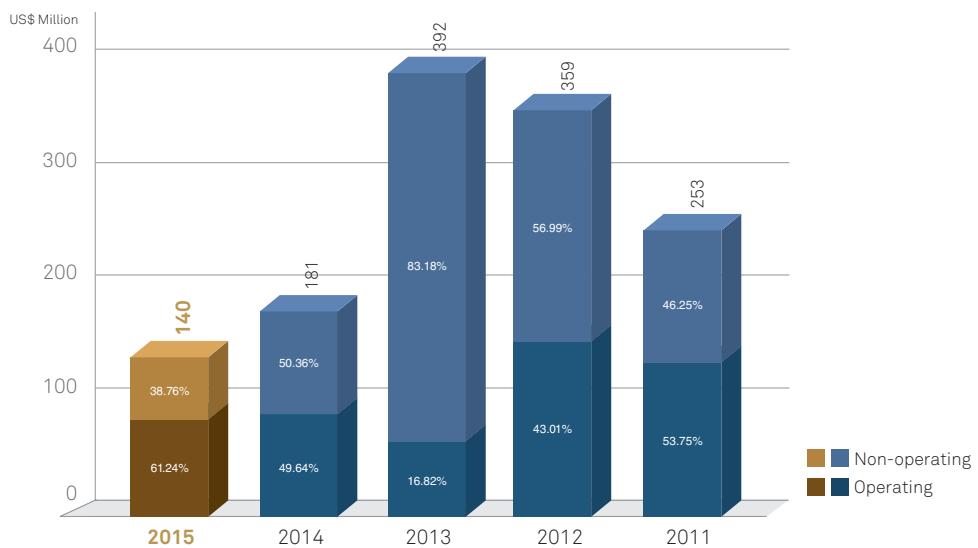


## SEGMENT RESULTS

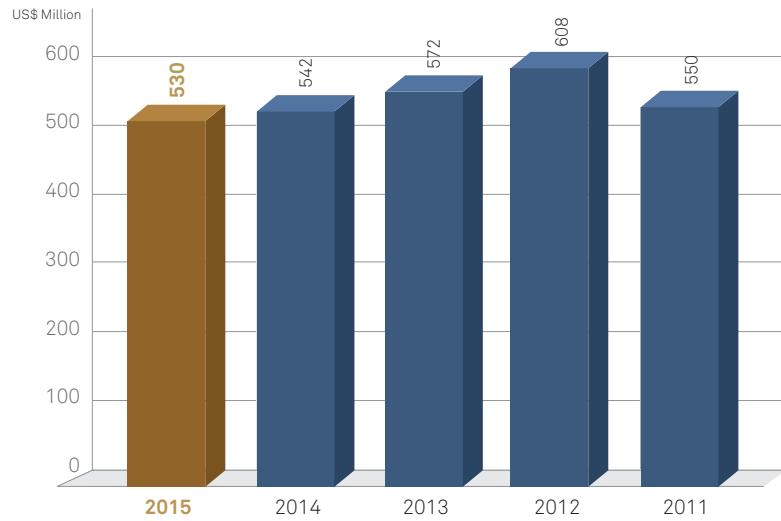


# Financial Highlights

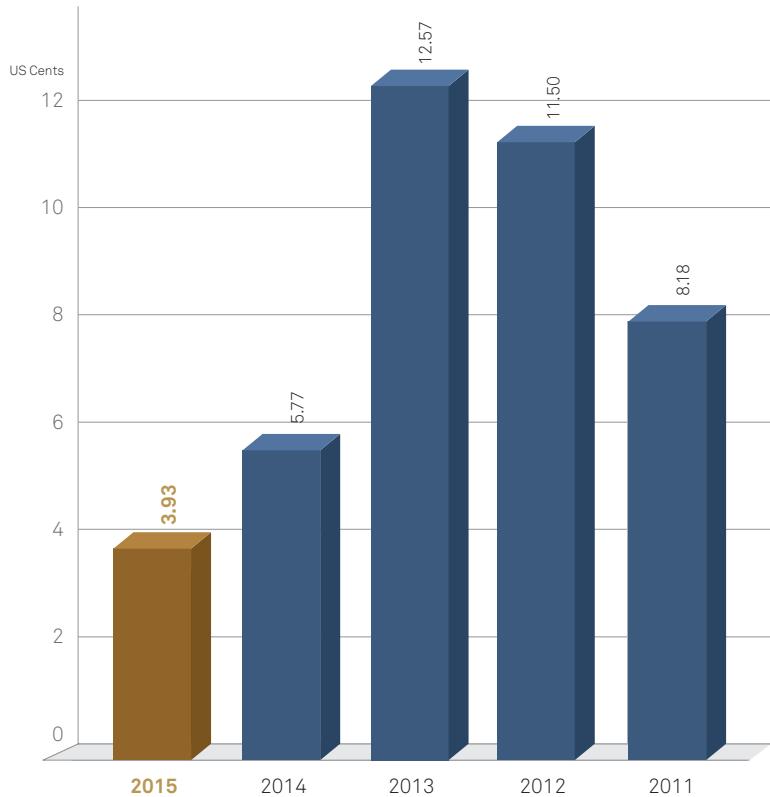
## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



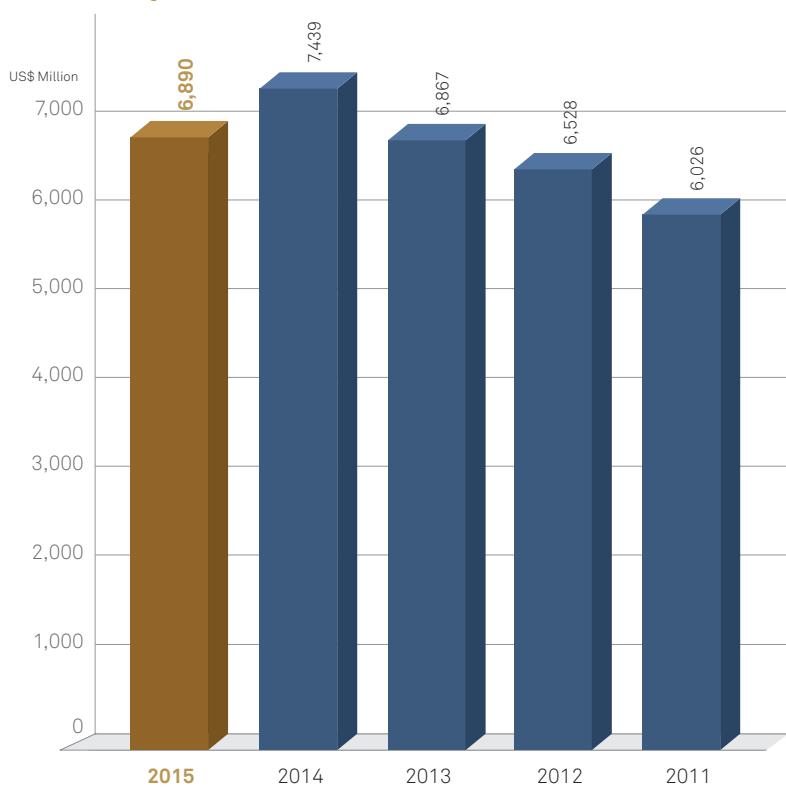
## EBITDA



### EARNINGS PER SHARE



### TOTAL EQUITY

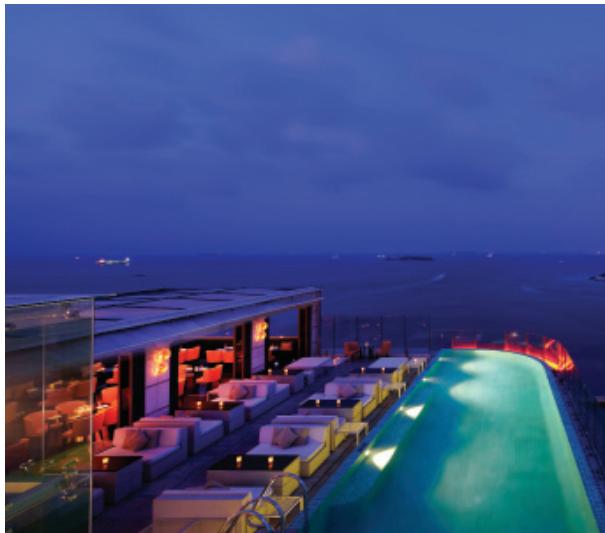


# Year in Review

In 2015 the Group opened eight Shangri-La hotels, unveiled the renovated Shangri-La's Le Touessrok Resort & Spa, Mauritius, rebranded four properties Hotel Jen, and signed four management contracts with third parties for hotels under development.

## JANUARY

- **Hotel Jen Malé** debuts in the capital city of Maldives following the rebranding of Traders Hotel, Malé.



Panoramic View from Azur – Hotel Jen Malé

## FEBRUARY

- **Shangri-La Hotel, Nanchang** opens in the city's new central business district.



Lobby Lounge – Shangri-La Hotel, Nanchang

## MARCH

- The first Hotel Jen in Mainland China – **Hotel Jen Upper East Beijing** – is unveiled with the rebranding of Traders Hotel Upper East Beijing.



Swimming Pool – Hotel Jen Upper East Beijing

- **Hotel Jen Shenyang** becomes the first Hotel Jen in northeast China following the rebranding of Traders Hotel, Shenyang.

## APRIL

- **Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu** unveils an Ocean Wing extension, adding 83 spacious rooms to its premier wing.



*Ocean Wing Lobby – Shangri-La's Rasa Ria Resort & Spa*

- **Hotel Jen Puteri Harbour, Johor** in Malaysia becomes the 10th hotel to adopt the new Hotel Jen brand with its rebranding from Traders Hotel Puteri Harbour.



*Aerial View – Hotel Jen Puteri Harbour, Johor*

- SLIM-HK signs a management agreement for **Shangri-La Hotel, Phnom Penh**. The hotel, scheduled to open in 2019, will be part of a new mixed-use development located along the Mekong River.

## MAY

- **Shangri-La Hotel, Qinhuangdao** opens at Golden Dream Bay, the city's finest address and latest residential and entertainment zone.



*Lobby – Shangri-La Hotel, Qinhuangdao*

- The shopping mall of **Tianjin Kerry Centre** (part of Phase I), in which the Group has a 25% equity interest, opens in the city's central business district on the east bank of Haihe River. Phase I development includes Tianjin Arcadia Court, Shangri-La Hotel, Tianjin and shopping mall.



*Tianjin Kerry Centre*

# Year in Review

## JUNE

- **Shangri-La Hotel, Ulaanbaatar** opens in Mongolia's capital and largest city. The hotel is connected to Ulaanbaatar's only luxury mixed-use development, the Shangri-La Centre, which is scheduled to open in 2016.



Bellman – Shangri-La Hotel, Ulaanbaatar

- The 27-storey **Shangri-La Hotel, Hefei** opens in the heart of China's Anhui province.



Shangri-La Hotel, Hefei

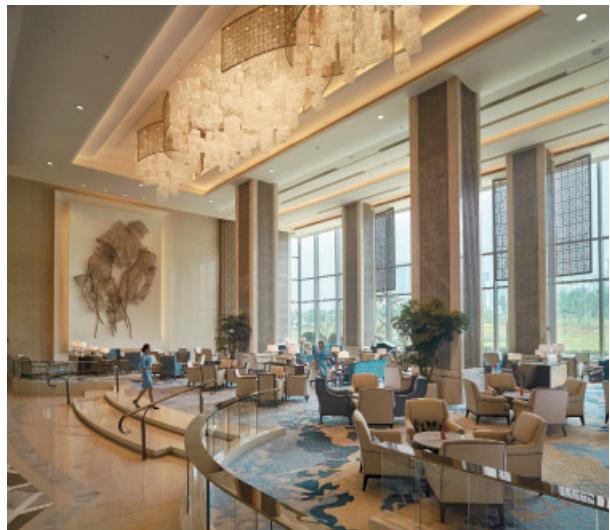
## AUGUST

- **Hylandia by Shangri-La** opens in northwestern Yunnan in Diqing Tibetan Autonomous Prefecture in Shangri-La City.



Lodgers Lounge – Hylandia by Shangri-La

- **Shangri-La Hotel Tangshan** opens in Phoenix New Town, a new eco-oriented urban area adjacent to Tangshan's new financial and commercial hub.



Lobby Lounge – Shangri-La Hotel, Tangshan

- The Group disposes of its 55% equity interest in a **composite development project in Ghana** to a strategic partner, reducing its equity interest in the project from 100% to 45%.

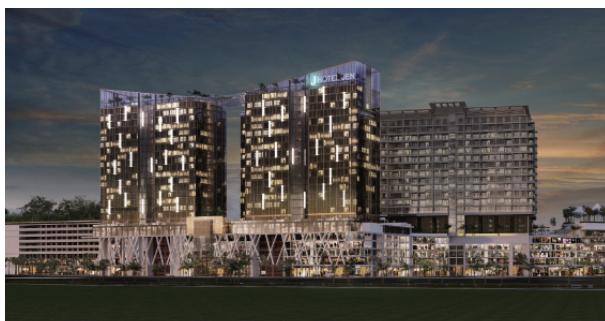
## SEPTEMBER

- **Shangri-La Hotel, Bengaluru** opens in South India's capital state of Karnataka at one of Bengaluru's premier addresses overlooking Bangalore Palace.



*CHI Spa Treatment Room – Shangri-La Hotel, Bengaluru*

- SLIM-HK signs a management contract for the first Hotel Jen in Borneo. **Hotel Jen Kota Kinabalu** is scheduled to open in 2018.



*Hotel Rendering*

## NOVEMBER

- **Shangri-La's Le Touessrok Resort & Spa, Mauritius**, the legendary 34-acre oceanfront Mauritian hideaway, debuts following an extensive renovation.

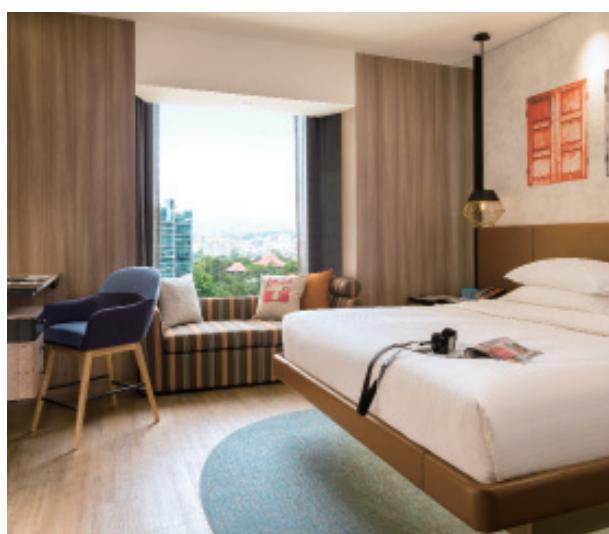


*Main Pool – Shangri-La's Le Touessrok Resort & Spa, Mauritius*

- SLIM-HK signs a contract for the management and operation of **Shangri-La Hotel, Jeddah**. The first Shangri-La in Saudi Arabia is scheduled to open in early 2018.

## DECEMBER

- **Shangri-La's loyalty programme, Golden Circle**, launches the #LoyaltyLS campaign in celebration of its fifth anniversary. New programme benefits, partnerships and exclusive offers are to be rolled out through May 2016.
- SLIM-HK signs an agreement for the management of **Shangri-La Hotel, Yiwu**. Scheduled to open at the end of 2016, the hotel will form part of the upscale and newly built Yiwu World Trade Centre.
- **Hotel Jen Tanglin Singapore** unveils a fresh look following an extensive makeover. The major renovation completes its transition from Traders Hotel, Singapore.



*Deluxe Room – Hotel Jen Tanglin*

- **Shangri-La Hotel, Doha** opens in the commercial district of West Bay, marking Shangri-La's 95th hotel.



*Shangri-La Hotel, Doha's Pool*

# Awards of the Year

Shangri-La Hotels and Resorts received the coveted title of "Best Business Hotel Brand in Asia-Pacific" for the 14th year running at the 2015 *Business Traveller* Asia Pacific Travel Awards.

- ◎ Best Luxury Hotel Brand, *TTG Travel Awards* 2015 (Asia)
- ◎ Luxury Hotel & Resort Operator of the Year, *TTG Travel Awards* 2015 (UK)
- ◎ Best Hotel Chain in Asia-Pacific, *DestinAsian Readers' Choice Awards* 2015 (Asia)
- ◎ Best Business Hotel Brand, *Business Traveller* 2015 (China)
- ◎ Best Business Hotel Brand in Asia Pacific, *Business Traveller* 2015 (Asia Pacific)
- ◎ Shangri-La Asia – index component, Dow Jones Sustainability Indices 2015

**DestinAsian**



- ◎ “Best Customer Service” and “Top 10 Best Hotels for Business Travel”, *Fortune & Travel + Leisure's The Best in Business Travel 2015* (US)
- ◎ Top Ten “World’s Most Popular Luxury Hotel Brands, Luxury Branding 2015” (UK)
- ◎ Best Hotel Group, *Oriental Morning Post* and *The Paper* The World Travel Awards 2015 (China)
- ◎ Best Hotel Group, *Voyage Best Hotel & Resort Value Award 2015* (China)
- ◎ Best Hotel Group, *Shanghai Morning Post* Tourism Awards 2015 (China)
- ◎ Best Mobile Site, Mob-Ex Awards 2015 (Hong Kong)
- ◎ Best Hotel/Resort Group – Australian Federation of Travel Agents, National Industry Awards (Australia)
- ◎ The Most Popular Hotel Group Brand in China, *21st Century News Golden Pillow Awards 2015* (China)
- ◎ China’s Most Popular Hotel Group, *MAG 2015* (China)
- ◎ Best Real Estate Developer, Leisure/Hotels – Asia and The Philippines, *Euromoney Real Estate Awards* (Asia)



# Chairman's Statement

On behalf of the Board, I would like to present the Annual Report of Shangri-La Asia Limited for the financial year ended 31 December 2015.

Both the global and the regional business environment continued to be challenging throughout the year. The operating performance of the Group's hotel portfolio was impacted by weakening local currencies and the slow rate of supply absorption of new hotel rooms in certain markets.

Consolidated revenues increased by 1% over 2015 to US\$2,123 million. After tax profits (before non-operating items) attributable to shareholders decreased by 4% compared to 2014, to US\$85.8 million. However, after tax profits (inclusive of non-operating items) attributable to shareholders decreased by 23% to US\$140.1 million due to the impairment provision made in respect of hotels amounting to US\$71.4 million (net of non-controlling interests) during the year.

A final dividend of HK 5 cents per ordinary share has been proposed, which when added to the interim dividend will amount to a total dividend of HK 10 cents per share for the financial year.

During the year, the Group opened eight new hotels (two owned by third party interests) and an extension to an existing resort in Malaysia, and signed management contracts for four new hotels being developed by third parties.



*Hotel Jen Orchardgateway Singapore*

As in the previous financial year, the performance of our investment property portfolio continued to record a healthy improvement. This has made a positive contribution to the Group's results for the year. With well-located premium properties and additions to this portfolio in the next few years, this trend is expected to continue for the foreseeable future.

I wish to thank all our staff and management for their commitment, hard work, and trust, and my fellow Directors for their continued support and guidance.

**KUOK Khoon Chen**

*Chairman*

24 March 2016

# Board of Directors, Company Secretary and Senior Management

As at 5 April 2016

## EXECUTIVE DIRECTORS



### KUOK Khoon Chen

*Aged 61, Malaysian  
Executive Director  
Chairman and CEO*

#### ***Period of service with the Group***

- ED and Chairman from September 1997 to October 2000
- ED, CEO and Chairman since August 2013

#### ***Other current major position(s) held within the Group***

- Executive Committee – chairman
- Nomination Committee – chairman
- Remuneration Committee – member
- SLIM-HK – chairman

#### ***Directorship of listed companies in past 3 years***

- China World Trade Center Company Limited (listed on the Shanghai stock exchange), an associate of the Company – executive director since May 2002
- Wilmar International Limited (listed on the Singapore stock exchange) – non-executive director since February 2010
- KPL (listed on HKSE) – executive director and chairman from June 2008 to August 2013

#### ***Academic/professional qualification(s)***

- Bachelor's degree in Economics – Monash University, Australia

#### ***Relationship with significant shareholders***

- **Shareholding interest**
  - KGL (Substantial Shareholder) – deemed interest of more than 5%
  - Kuok Brothers Sdn Berhad (Other Major Shareholder) – deemed interest of more than 5%
  - Kuok (Singapore) Limited (Other Major Shareholder) – deemed interest of less than 5%
- **Directorship/office/employment**
  - KGL (Substantial Shareholder) – managing director and deputy chairman
  - KHL (Substantial Shareholder) – managing director and chairman
  - Paruni Limited (Substantial Shareholder) – chairman
  - Kuok Brothers Sdn Berhad (Other Major Shareholder) – chairman

#### ***Relationship with Directors and Senior Management***

- LIU Kung Wei Christopher (ED) is the son of his cousin
- KUOK Hui Kwong (NED) is his sister
- TEO Ching Leun (company secretary) is his cousin

# Board of Directors, Company Secretary and Senior Management

As at 5 April 2016



## LUI Man Shing

*Aged 72, Chinese  
Executive Director  
Deputy Chairman*

### **Period of service with the Group**

- ED since March 2002
- Deputy Chairman since March 2007

### **Other current major position(s) held within the Group**

- Executive Committee – member

### **Directorship of listed companies in past 3 years**

- Shangri-La Hotel Public Company Limited (listed on the Thailand stock exchange), a subsidiary of the Company – vice chairman since May 1994; managing director since May 2013

### **Other experience and previous major appointments**

- has significant management and consultancy experience in the hospitality and the property development industries since 1990

### **Relationship with significant shareholders**

- **Shareholding interest**
  - KGL (Substantial Shareholder) – less than 5%
  - Kuok (Singapore) Limited (Other Major Shareholder) – less than 5%
- **Directorship/office/employment**
  - KHL (Substantial Shareholder) – director



## Madhu Rama Chandra RAO

*Aged 64, Indian  
Executive Director  
CFO (will retire as CFO on 15 April 2016)*

### **Period of service with the Group**

- joined the Group as group financial controller in 1988
- CFO since 1997
- ED since December 2008

### **Other current major position(s) held within the Group**

- Executive Committee – member
- SLIM-HK – vice chairman

### **Other experience and previous major appointments**

- worked with a leading chartered accountancy practice in Mumbai, India for 17 years, including 12 years as partner

### **Academic/professional qualification(s)**

- Bachelor's degree in Accountancy – University of Mumbai
- Fellow – Institute of Chartered Accountants of India

### **Relationship with significant shareholders**

- **Shareholding interest**
  - KGL (Substantial Shareholder) – less than 5%



## Gregory Allan DOGAN

*Aged 51, British  
Executive Director*

### **Period of service with the Group**

- joined the Group in 1997
- COO from August 2008 to April 2016
- ED since May 2010

### **Other current major position(s) held within the Group**

- SLIM-HK – president and chief executive officer

### **Other experience and previous major appointments**

- held managerial positions at luxury hotels in Spain, Dubai and China before joining the Group

### **Relationship with significant shareholders**

- **Shareholding interest**
  - KGL (Substantial Shareholder) – less than 5%



## LIU Kung Wei Christopher

*Aged 48, Malaysian  
Executive Director  
MD and COO*

### **Period of service with the Group**

- worked for the Group from January 2001 to September 2006
- rejoined the Group in May 2013 as executive vice president – projects
- ED, MD and COO since April 2016

### **Other experience and previous major appointments**

- spearheaded the Group's development division and oversaw new hotel construction and renovation projects

### **Academic/Professional qualification(s)**

- Bachelor of Architecture degree – Cornell University, New York, USA
- qualified architect

### **Relationship with significant shareholders**

- **Shareholding interest**
  - KGL (Substantial Shareholder) – less than 5%

### **Relationship with Directors and Senior Management**

- KUOK Khoon Chen (ED) is a cousin of his mother
- KUOK Hui Kwong (NED) is a cousin of his mother
- TEO Ching Leun (company secretary) is a cousin of his mother

# Board of Directors, Company Secretary and Senior Management

As at 5 April 2016

## NON-EXECUTIVE DIRECTORS



### HO Kian Guan

*Aged 70, Singaporean  
Non-executive Director*

#### **Period of service with the Group**

- NED since May 1993

#### **Other current major position(s) held within the Group**

- Audit Committee – member

#### **Directorship of listed companies in past 3 years**

- Keck Seng (Malaysia) Berhad (listed on the Malaysia stock exchange) – executive chairman since September 1970
- Keck Seng Investments (Hong Kong) Limited (listed on HKSE) – executive chairman since December 1979

#### **Academic/professional qualification(s)**

- Bachelor's degree in Business Administration and Commerce – Nanyang Technological University, Singapore

#### **Relationship with Directors and Senior Management**

- HO Kian Hock (his alternate) is his brother



### KUOK Hui Kwong

*Aged 38, Malaysian  
Non-executive Director*

#### **Period of service with the Group**

- NED since October 2014

#### **Directorship of listed companies in past 3 years**

- SCMP Group Limited (listed on HKSE) – executive director since February 2004
- The Post Publishing Public Company Limited (listed on the Thailand stock exchange) – director since November 2012
- China World Trade Center Company Limited (listed on the Shanghai stock exchange), an associate of the Company – director since April 2015

#### **Other current major appointments**

- Kerry Group Kuok Foundation (Hong Kong) Limited (charity organisation) – governor

#### **Other experience and previous major appointments**

- SCMP Group Limited – managing director and chief executive officer from January 2009 to June 2012

#### **Academic/professional qualification(s)**

- Undergraduate degree – Harvard University, USA

#### **Relationship with significant shareholders**

- **Shareholding interest**

- KGL (Substantial Shareholder) – deemed interest of more than 5%
- Kuok Brothers Sdn Berhad (Other Major Shareholder) – deemed interest of less than 5%
- Kuok (Singapore) Limited (Other Major Shareholder) – deemed interest of less than 5%

- **Directorship/office/employment**

- KHL (Substantial Shareholder) – director

#### **Relationship with Directors and Senior Management**

- KUOK Khoon Chen (ED) is her brother
- LIU Kung Wei Christopher (ED) is the son of her cousin
- TEO Ching Leun (company secretary) is her cousin



## HO Kian Hock

Aged 68, Singaporean  
Alternate Director (to HO Kian Guan)

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### **Period of service with the Group**

- alternate Director since November 2004

### **Directorship of listed companies in past 3 years**

- Keck Seng (Malaysia) Berhad (listed on the Malaysia stock exchange) – managing director since June 1971
- Keck Seng Investments (Hong Kong) Limited (listed on HKSE) – deputy executive chairman since December 1979

### **Other experience and previous major appointments**

- has over 40 years' experience in corporate planning and management

### **Academic/professional qualification(s)**

- Bachelor of Science and Engineering degree – University of South Wales, Australia

### **Relationship with Directors and Senior Management**

- HO Kian Guan (NED) is his brother

# Board of Directors, Company Secretary and Senior Management

As at 5 April 2016

## INDEPENDENT NON-EXECUTIVE DIRECTORS



### Alexander Reid HAMILTON

*Aged 74, British*

*Independent Non-executive Director*

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#### **Period of service with the Group**

- INED since November 2001

#### **Other current major position(s) held within the Group**

- Nomination Committee – member
- Remuneration Committee – chairman
- Audit Committee – chairman

#### **Directorship of listed companies in past 3 years**

- Esprit Holdings Limited (listed on HKSE) – independent non-executive director since August 1995
- COSCO International Holdings Limited (listed on HKSE) – independent non-executive director since June 2011
- JP Morgan China Region Fund Inc (a USA registered closed end fund quoted on the New York stock exchange) – independent non-executive director since December 1994
- CITIC Limited (listed on HKSE) – independent non-executive director from May 1994 to June 2015

#### **Other current major appointments**

- Octopus Cards Limited – independent non-executive director

#### **Other experience and previous major appointments**

- Price Waterhouse (currently known as PricewaterhouseCoopers) – partner for 16 years

#### **Academic/professional qualification(s)**

- Member – Institute of Chartered Accountants of Scotland
- Fellow – Hong Kong Institute of Certified Public Accountants
- Fellow – Institute of Directors



### Timothy David DATTELS

*Aged 58, American*

*Independent Non-executive Director*

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#### **Period of service with the Group**

- INED since February 2004

#### **Directorship of listed companies in past 3 years**

- BlackBerry Limited (listed on the Toronto stock exchange and NASDAQ) – director since July 2012

#### **Other current major appointments**

- TPG Capital Asia – managing partner

#### **Other experience and previous major appointments**

- Goldman Sachs – partner and managing director; head of investment banking for Asia ex-Japan from 1996 to 2000 and advised several leading Asian entrepreneurs and governments

#### **Academic/professional qualification(s)**

- Bachelor's degree – The University of Western Ontario, Canada
- MBA – Harvard Business School, USA



## LI Kwok Cheung Arthur

*Aged 70, Chinese*

*Independent Non-executive Director*

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### **Period of service with the Group**

- INED since March 2011

### **Other current major position(s) held within the Group**

- Nomination Committee – member
- Remuneration Committee – member
- Audit Committee – member

### **Directorship of listed companies in past 3 years**

- The Bank of East Asia, Limited (listed on HKSE) – non-executive director since January 2008; non-executive deputy chairman since April 2009
- Nature Home Holding Company Limited (listed on HKSE) – independent non-executive director since May 2011
- The Wharf (Holdings) Limited (listed on HKSE) – independent non-executive director from July 2012 to August 2013
- AFFIN Holdings Berhad (listed on the Malaysia stock exchange) – non-executive director from May 2008 to December 2014
- BioDiem Limited (delisted from the Australia stock exchange in November 2013) – non-executive director from May 2010 to December 2014, and re-appointed as non-executive director from January 2016
- CaixaBank, SA (listed on the Spain stock exchanges) – director from November 2014 to December 2015

### **Other current major appointments**

- Digital Broadcasting Corporation Hong Kong Limited – chairman
- The Executive Council of the Hong Kong Special Administrative Region – member
- Council for Sustainable Development of the Government of the Hong Kong Special Administrative Region – chairman
- The National Committee of the Chinese People's Political Consultative Conference – member
- The Chinese University of Hong Kong – emeritus professor of surgery
- The University of Hong Kong – council chairman

### **Other experience and previous major appointments**

- The Chinese University of Hong Kong – vice-chancellor (president) from 1996 to 2002
- Education and Manpower Bureau of the Hong Kong Special Administrative Region – Secretary for Education and Manpower from 2002 to June 2007

### **Academic/professional qualification(s)**

- Medical degree – University of Cambridge, UK

# Board of Directors, Company Secretary and Senior Management

As at 5 April 2016



## LEE Kai-Fu

*Aged 54, Taiwanese  
Independent Non-executive Director*

### **Period of service with the Group**

- INED since November 2015

### **Directorship of listed companies in past 3 years**

- LightInTheBox Holding Company, Limited (listed on NASDAQ) – independent director since June 2013

### **Other current major appointments**

- Innovation Works (China) – chairman and chief executive officer

### **Other experience and previous major appointments**

- Google Greater China – president
- Microsoft Corp – corporate vice president
- Microsoft Research Asia (China) – founder and managing director
- Silicon Graphics Inc – vice president

### **Academic/professional qualification(s)**

- Honorary Doctorate degree of Business Practice – Carnegie Mellon University, USA
- Honorary Doctorate degree – City University of Hong Kong
- Doctor of Philosophy in Computer Science – Carnegie Mellon University, USA
- Bachelor's degree in Computer Science – Columbia University, USA
- Fellow – Institute of Electrical and Electronics Engineers

## COMPANY SECRETARY



## TEO Ching Leun

*Aged 55, Singaporean  
Company Secretary*

### **Period of service with the Group**

- company secretary since March 2008

### **Academic/professional qualification(s)**

- LLB (Hons) degree – National University of Singapore
- LLM degree in Laws – University of London, UK
- Solicitor – Hong Kong
- Solicitor – Supreme Court of England and Wales
- Advocate and solicitor – Supreme Court of Singapore

### **Relationship with Directors and Senior Management**

- KUOK Khoon Chen (ED) is her cousin
- LIU Kung Wei Christopher (ED) is the son of her cousin
- KUOK Hui Kwong (NED) is her cousin

## SENIOR MANAGEMENT



### Darren GEARING

*Aged 50, British  
Executive Vice President*

#### **Period of service with the Group**

- joined the Group in 1990

#### **Current major responsibilities**

- Shangri-La Hotel, At The Shard, London – general manager
- current portfolio includes hotels in Europe, North America, India and the Middle East

#### **Other experience and previous major appointments**

- previous portfolio includes hotels in Hong Kong, Beijing and Inner Mongolia



### Wolfgang KRUEGER

*Aged 51, German  
Executive Vice President*

#### **Period of service with the Group**

- joined the Group in 2001

#### **Current major responsibilities**

- current portfolio includes Shangri-La hotels in Hong Kong, Taiwan, Japan and Southern China, covering Guangzhou and Shenzhen

#### **Other experience and previous major appointments**

- managed major Shangri-La hotels in gateway cities such as Tokyo, Taipei and Manila
- has more than 20 years of hospitality experience
- management experience before joining the Group includes posts in UK, Turkey, Germany, USA and several countries in Asia



### Jean-Michel OFFE

*Aged 59, French  
Executive Vice President – Development and Innovation*

#### **Period of service with the Group**

- worked for the Group from August 1993 to October 2011
- rejoined the Group in June 2013

#### **Current major responsibilities**

- in charge of the execution and implementation of all new hotel concepts and visionary designs

#### **Other experience and previous major appointments**

- held various senior management positions at the Group's corporate office in Hong Kong and the Group's flagship hotels in Bangkok and Singapore
- has more than 30 years of luxury hotel experience

#### **Academic/professional qualification(s)**

- Diploma – CAP Cuisine Classique, Paris

# Board of Directors, Company Secretary and Senior Management

As at 5 April 2016



## PAW Chuen Kee

*Aged 58, Singaporean  
Executive Vice President*

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### **Period of service with the Group**

- joined the Group in 1994

### **Current major responsibilities**

- current portfolio includes hotels in Mainland China and Taiwan

### **Other experience and previous major appointments**

- vice president of sales and marketing looking after regional sales offices and certain hotels in Mainland China
- has more than 30 years of hospitality experience and held management posts in Mainland China, USA and Singapore

### **Academic/professional qualification(s)**

- Bachelor's degree in Hotel Management – Brigham Young University, USA



## Lothar NESSMANN

*Aged 56, German  
Chief Operating Officer – Hotel Jen*

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### **Period of service with the Group**

- worked for the Group from August 1993 to September 1998
- rejoined the Group in August 2001

### **Current major responsibilities**

- current portfolio includes Hotel Jen and Traders, which have hotels in the Asia Pacific and Middle East regions
- leads the re-branding strategy of the Traders Hotels to the Hotel Jen Brand, along with the development of the Hotel Jen portfolio

### **Other experience and previous major appointments**

- held management positions at Shangri-La hotels throughout Asia
- has about 30 years of luxury hotel experience and held posts in Mainland China, the Middle East and UK



## Steven TAYLOR

*Aged 41, British  
Chief Marketing Officer*

### **Period of service with the Group**

- joined the Group in January 2015

### **Current major responsibilities**

- oversees all functions across Shangri-La's sales and marketing division, including revenue management, sales, digital marketing, brand communications, loyalty and partner marketing, customer insights and relationship management, reservations and distribution and corporate communications

### **Other experience and previous major appointments**

- Starwood Hotels & Resorts (Europe, Africa and the Middle East) – vice president of marketing, responsible for 260 hotels under 9 brands
- before joining the Group, had over 15 years of experience in the hospitality industry

### **Academic/professional qualification(s)**

- EMBA – Swiss School of Hospitality & Tourism



## TOH Hup Hock

*Aged 50, Singaporean  
CFO (from 15 April 2016)*

### **Period of service with the Group**

- will join the Group in April 2016

### **Other experience and previous major appointments**

- Sands China Limited – chief financial officer, executive vice president and executive director
- General Electric Company – chief financial officer or similar position in Asia, including GE Lighting Asia, GE Consumer Products Asia, GE Consumer & Industrial Asia and GE Plastics Greater China

### **Academic/professional qualification(s)**

- MBA – University of Queensland, Australia
- Bachelor of Science in Accounting – Murdoch University, Australia
- Fellow – CPA Australia



Hotel Jen Tanglin Singapore



## DISCUSSION AND ANALYSIS

# Discussion and Analysis

## 1. PERFORMANCE REVIEW

**The Group's business is organised into four main segments:**

- (i) **Hotel ownership**  
(including hotels under lease)
- (ii) **Hotel management services** for Group-owned hotels and for hotels owned by third parties
- (iii) **Property rentals** from ownership and leasing of office properties, commercial properties and serviced apartments/residences
- (iv) **Property sales**

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



**Shangri-La Hotels** are five-star luxury hotels characterised by extensive facilities and exceptional hospitality, located in premier cities.

**Shangri-La Resorts** offer travellers and families relaxing and engaging holiday experiences in some of the world's most exotic destinations.

**KERRY HOTELS**

**Kerry Hotels** are five-star hotels with unique contemporary designs and sincere, intuitive service.



**Hotel Jen** is a new brand launched in 2014 that caters to an emerging generation of independently-minded business and leisure travellers with a friendly, technology-centric approach.

**TRADERS HOTELS**

**Traders Hotels** are four-star business hotels that also appeal to leisure travellers.



Hylandia by Shangri-La, Yunnan, Mainland China

Mainland China continues to be the primary focus of the Group's principal business activities. As disclosed in the 2015 Interim Report, hotels in Mainland China continued to face challenges from a difficult business environment. Intense price competition continued in most cities. Performance of hotels in Hong Kong, Singapore and Malaysia suffered from a decline in visitor arrivals. Start-up costs of newly opened hotels operating in a weak business environment continued to be a drag on profitability. The weakening of most global currencies relative to the US dollar also diluted Group hotels' revenues and profits. Net profit from the hotel ownership segment reduced substantially by 61% to US\$27.2 million during the year ended 31 December 2015.

In comparison, the principal investment properties in Mainland China continued to perform well. Both renovated and newly opened investment properties in Mainland China generated good operating profits. The property rental segment continued to be the Group's key profit contributor. Net profit after tax from the property rentals segment increased by 9% during the year to US\$139.0 million.

The Group has equity interests in certain joint venture companies engaged in composite developments. Some of these developments have office spaces and/or residential units for sale. As the property sales market in Mainland China improved in the second half of 2015, the Group recorded an improvement in net profit from property sales for the year ended 31 December 2015 resulting in it becoming one of the main business segments for the year.

The Group also engaged in businesses other than the main business segments mentioned above. These include:

- 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 year ended 31 December 2015.

## (a) Segment Results

Details of the segment information are provided in Note 5 to the consolidated financial statements included in this Annual Report.

### (i) Hotel Ownership

During the year ended 31 December 2015, the following Group-owned new hotels and extension of an existing hotel opened for business:

	Number of Rooms	Date of Opening	Group's Equity Interest
<b>In Mainland China</b>			
Shangri-La Hotel, Nanchang *	473	8 February 2015	20%
Shangri-La Hotel, Qinhuangdao	330	8 May 2015	100%
Shangri-La Hotel, Hefei	401	25 June 2015	100%
Hylandia by Shangri-La	166	3 August 2015	100%
Shangri-La Hotel, Tangshan *	301	28 August 2015	35%
<b>In Mongolia</b>			
Shangri-La Hotel, Ulaanbaatar *	290	3 June 2015	51%
<b>In Malaysia</b>			
Extension of the Ocean Wing of Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu	83	2 April 2015	64.59%

\* This hotel forms part of a composite development project in the city.

The newly acquired Le Touessrok Resort in Mauritius (a 26%-owned resort) closed for a major renovation on 15 April 2015. After an extensive renovation, it was reflagged as Shangri-La's Le Touessrok Resort & Spa, Mauritius and reopened on 1 November 2015. It is the second property in the Group's portfolio of high-end five-star resorts in the Indian Ocean.

The former Traders Hotel, Singapore reopened in December 2015 as the newly renovated Hotel Jen Tanglin Singapore, following a major refurbishment during the year.

# Discussion and Analysis

As at 31 December 2015, the Group had equity interest in 73 operating hotels, including the Portman Ritz-Carlton Hotel, Shanghai ("Portman") (2014: 67) and 3 hotels under operating lease (2014: 3), representing a room inventory of 33,202 (2014: 30,883) across Asia Pacific, Europe and Africa. Details of the operating hotels owned by the subsidiaries and associates are disclosed in Note 41 to the consolidated financial statements included in this Annual Report.

As at 31 December 2015, operating hotels owned by the Group and hotels under operating lease agreements are as follows:

		Group's Equity Interest	Available Rooms
<b>(A) Hotels owned by the Group</b>			
<b>Hong Kong</b>			
Kowloon Shangri-La, Hong Kong	100%	688	
Island Shangri-La, Hong Kong	80%	565	
Hotel Jen Hong Kong	30%	283	
<b>Mainland China</b>			
Shangri-La Hotel, Beijing	38%	670	
China World Hotel, Beijing	50%	716	
China World Summit Wing, Beijing	40.32%	278	
Traders Hotel, Beijing	50%	570	
Kerry Hotel, Beijing	23.75%	485	
Pudong Shangri-La, East Shanghai	100%	952	
Jing An Shangri-La, West Shanghai	49%	508	
Kerry Hotel Pudong, Shanghai	23.2%	574	
Portman Ritz-Carlton Hotel, Shanghai	30%	610	
Shangri-La Hotel, Shenzhen	72%	522	
Futian Shangri-La, Shenzhen	100%	528	
Golden Flower Hotel, Xian	100%	382	
Shangri-La Hotel, Xian	100%	393	
Shangri-La Hotel, Hangzhou	45%	382	
Shangri-La Hotel, Beihai	100%	362	
Shangri-La Hotel, Changchun	100%	457	
Hotel Jen Shenyang	100%	407	
Shangri-La Hotel, Shenyang	25%	383	
Shangri-La Hotel, Qingdao	100%	696	
Shangri-La Hotel, Dalian	100%	563	
Shangri-La Hotel, Wuhan	92%	442	
Shangri-La Hotel, Harbin	100%	404	
Shangri-La Hotel, Fuzhou	100%	414	
Shangri-La Hotel, Guangzhou	80%	704	
Shangri-La Hotel, Chengdu	80%	593	
Shangri-La Hotel, Wenzhou	75%	409	
Shangri-La Hotel, Ningbo	95%	562	
Shangri-La Hotel, Guilin	100%	439	
Shangri-La Hotel, Baotou	100%	360	
Shangri-La Hotel, Huhhot	100%	365	

	Group's Equity Interest	Available Rooms
Shangri-La Hotel, Manzhouli	100%	235
Shangri-La Hotel, Yangzhou	100%	369
Shangri-La Hotel, Qufu	100%	322
Shangri-La Hotel, Lhasa	100%	289
Shangri-La's Sanya Resort & Spa, Hainan	100%	348
Shangri-La Hotel, Nanjing	55%	450
Shangri-La Hotel, Qinhuangdao	100%	330
Shangri-La Hotel, Hefei	100%	401
Hylandia by Shangri-La	100%	166
Shangri-La Hotel, Tianjin	20%	304
Shangri-La Hotel, Nanchang	20%	473
Shangri-La Hotel, Tangshan	35%	301
<b>Singapore</b>		
Shangri-La Hotel, Singapore	100%	747
Shangri-La's Rasa Sentosa Resort & Spa	100%	454
Hotel Jen Tanglin Singapore	44.6%	565
<b>Malaysia</b>		
Shangri-La Hotel, Kuala Lumpur	52.78%	655
Shangri-La's Rasa Sayang Resort & Spa, Penang	52.78%	303
Golden Sands Resort, Penang	52.78%	387
Hotel Jen Penang	31.67%	443
Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu	64.59%	499
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu	40%	492
<b>The Philippines</b>		
Makati Shangri-La, Manila	100%	696
Edsa Shangri-La, Manila	100%	630
Shangri-La's Mactan Resort & Spa, Cebu	93.95%	530
Shangri-La's Boracay Resort & Spa	100%	219
<b>Thailand</b>		
Shangri-La Hotel, Bangkok	73.61%	802
Shangri-La Hotel, Chiang Mai	73.61%	277
<b>Australia</b>		
Shangri-La Hotel, Sydney	100%	565
Shangri-La Hotel, The Marina, Cairns	100%	255
Hotel Jen Brisbane	100%	191
<b>France</b>		
Shangri-La Hotel, Paris	100%	101
<b>Maldives</b>		
Shangri-La's Villingili Resort & Spa, Maldives	70%	132
Hotel Jen Malé, Maldives	100%	117

# Discussion and Analysis

	Group's Equity Interest	Available Rooms
<b>Other areas</b>		
Shangri-La Bosphorus, Istanbul	50%	186
Shangri-La's Fijian Resort & Spa, Yanuca, Fiji	71.64%	442
Sule Shangri-La, Yangon	59.16%	479
Shangri-La Hotel, Jakarta, Indonesia	25%	619
Shangri-La Hotel, Surabaya, Indonesia	11.34%	368
Shangri-La Hotel, Ulaanbaatar	51%	290
Shangri-La's Le Touessrok Resort & Spa, Mauritius	26%	203
<b>Total of 73 owned hotels</b>		32,301
<b>(B) Hotels under operating lease agreements</b>		
Shangri-La Hotel, Tokyo		200
Shangri-La Hotel, At The Shard, London		202
Hotel Jen Orchardgateway Singapore		499
<b>Total of 3 leased hotels</b>		901
<b>Grand total</b>		33,202

For the year ended 31 December 2015, on an unconsolidated basis, room revenues accounted for around 50% of the total revenues from hotel operation while food and beverage revenues accounted for around 44%. Despite the opening of new hotels during the year, room revenues expressed in US dollar terms were adversely affected by the general depreciation of most currencies (against the US dollar) and recorded a marginal decrease of 1% while food and beverage revenues increased by 3% as compared to 2014.

The key performance indicators of the Group-owned hotels (including hotels under lease) on an unconsolidated basis for the years ended 31 December 2015 and 2014 are as follows:

Country	2015 Weighted Average			2014 Weighted Average		
	Occupancy (%)	Room Rate (US\$)	RevPAR (US\$)	Occupancy (%)	Room Rate (US\$)	RevPAR (US\$)
The People's Republic of China						
Hong Kong	78	307	239	82	327	267
Mainland China	58	138	79	55	152	83
Singapore	69	221	152	76	249	190
Malaysia	71	123	87	74	148	110
The Philippines	70	201	140	72	199	143
Japan	87	467	406	86	460	397
Thailand	68	148	101	54	154	83
Australia	83	206	172	81	235	189
France	64	1,226	783	75	1,339	1,000
United Kingdom	68	588	402	60	619	373
Other countries	54	203	110	64	219	140
Weighted Average	62	175	109	62	194	121

Overall, both the weighted Average Room Rate ("ADR") and the weighted Average Room Yields ("RevPAR") decreased by 10% in 2015. Depreciation of local currencies accounted for half of this decrease.

Comments on performance by geography:

### ***The People's Republic of China***

#### *Hong Kong*

Hotels in Hong Kong registered a decrease in weighted average RevPAR of 11% mainly due to the decline in visitors from Mainland China. The decline is attributable to the political and social environment in the city, cheaper alternative destinations available due to the weakening of most currencies against the US and Hong Kong dollar and a general slowdown of economic growth in Mainland China. The two Shangri-La hotels recorded an overall 10% decrease in weighted average RevPAR while Hotel Jen Hong Kong recorded a 15% decrease in RevPAR for the year as compared to 2014.

In line with the operating results, the overall net profit of the Hong Kong hotel ownership segment decreased to US\$62.7 million for the year from US\$67.5 million in 2014.

#### *Mainland China*

Five new Shangri-La hotels opened for business during the year. As at 31 December 2015, the Group has equity interest in 42 operating hotels in Mainland China.

Overall weighted average occupancies increased by 3 percentage points to 58%. However, given the weakening of the Renminbi and influx of new hotel supply in some cities, the weighted average ADR of the hotel portfolio declined by 9% resulting in an overall decrease in the weighted average RevPAR by 4%. Hotels in Shenzhen and Shanghai (with the exception of Portman) registered notable improvements in weighted average RevPAR ranging from 4% to 25%. In Beijing, the RevPAR of the Traders Hotel, Beijing remained at the same level as 2014 while the Kerry Hotel, Beijing registered an increase of 5%. The other three hotels in the city recorded a decrease in weighted average RevPAR ranging from 1% to 14%. Among the new hotels opened in or after 2013, the Shangri-La hotels in Jing An (Shanghai), Shenyang, Tianjin, Sanya and Nanjing registered increases in RevPAR of 25%, 36%, 19%, 36% and 113%, respectively, while the hotels in Qufu and Lhasa registered decreases in RevPAR of 15% and 16%, respectively, during the year.

The difficult market conditions, together with the start-up losses recorded by the newly opened hotels (a total of nine hotels opened for business in 2014 and 2015) adversely affected the results of this segment. The effective share of the depreciation charges for these nine newly opened hotels in 2015 increased by US\$45.1 million as compared to the previous year. The net losses of this segment increased to US\$55.8 million in the year from US\$15.1 million in 2014.

The 417-room Midtown Shangri-La, Hangzhou (a 25%-owned hotel) opened for business on 12 March 2016.

### ***Singapore***

Performance of the Group's hotels in the city suffered from a decline in visitor arrivals, the 8% depreciation of the Singapore dollar against the US dollar as well as the major renovation of Hotel Jen Tanglin Singapore. The resort in Sentosa registered a marginal decrease in occupancy of 2 percentage points and a marginal decrease in ADR of 2%. Shangri-La Hotel, Singapore registered a decrease in occupancy and ADR of 2 percentage points and 10%, respectively. The Hotel Jen Tanglin Singapore recorded a 54% decrease in RevPAR in US dollar terms. The Hotel Jen Orchardgateway Singapore, however, recorded increase in occupancy and RevPAR of 27 percentage points and 36%, respectively.

As a result, the overall net profit of the four hotels reduced to US\$29.9 million for the year from US\$39.4 million in 2014.

# Discussion and Analysis

## ***The Philippines***

With the exception of Shangri-La's Mactan Resort & Spa, Cebu which recorded an increase in occupancy and RevPAR of 4 percentage points and 5%, respectively, the other three operating hotels in the Philippines recorded decreases in RevPAR ranging from 3% to 6%. Overall, the four hotels recorded a marginal decrease in weighted average RevPAR of 2%. This is despite a 3% depreciation of the Philippines peso during 2015.

However, the net profit from these hotels increased by US\$2.8 million as there was an additional tax charge in 2014 relating to prior years.

The 576-room Shangri-La at the Fort, Manila (a 40%-owned hotel) opened for business on 1 March 2016.

## ***Malaysia***

While the Group's hotels experienced a weak demand sentiment in the first half of 2015, market conditions improved in the second half of the year. Shangri-La's Rasa Sayang Resort & Spa, Penang also benefited from the completion of its renovation programme in 2014 and registered a remarkable increase in occupancy of 14 percentage points. With the opening for business of the extension of Ocean Wing, Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu ("RRR") registered a decrease in occupancy of 7 percentage points. The overall weighted average occupancies for all the six hotels and resorts decreased by 3 percentage points. This, together with a 16% depreciation of the Malaysian ringgit against the US dollar during the year, led to a decrease in weighted average RevPAR of 21% in US dollar terms.

The net profit of the Malaysia hotel ownership segment, however, increased by US\$1.1 million as a result of US\$2.5 million exchange gains recorded from the translation of the US dollar shareholder loans granted by the Group to its associates and the tax incentive allowance obtained from the investment in the extension of Ocean Wing of RRR.

## ***Thailand***

Supported by increased visitor arrivals following an improvement in the political environment, the two hotels in Thailand recorded remarkable increases in weighted average occupancies of 15 percentage points. The weighted average ADR was down by 4%, adversely affected by the 5% depreciation of the Thai baht against the US dollar during the year.

The two hotels recorded an increase in net profit of US\$6.5 million.

## ***Japan***

With the continuous weakening of the Japanese yen (it weakened by 12% in 2015), the Shangri-La Hotel, Tokyo registered a marginal increase in RevPAR of 2% in US dollar terms due to higher occupancies and increase in ADR by 15% in local currency terms.

Net loss of the hotel substantially reduced from US\$5.8 million in 2014 to US\$0.7 million for the current year.

## **Australia**

The three hotels in Australia registered a decrease in weighted average ADR of 12% in US dollar terms, largely due to a 17% depreciation of the Australian dollar during the year. The Group's hotels in Sydney and Cairns recorded an increase in occupancy of 7 percentage points and 1 percentage point, respectively. The newly rebranded Hotel Jen Brisbane, however, registered a decrease in occupancy of 7 percentage points as the new brand was striving to gain local market acceptance. The overall weighted average occupancies increased by 3 percentage points.

Benefiting from the cost saving efforts, the overall net loss of the three hotels reduced from US\$1.4 million to US\$0.1 million in the current year.

## **France**

Although the market situation improved in the second half of 2015, the hotel in France still recorded a decrease in RevPAR in US dollar terms of 22% due to a decrease of 11 percentage points in occupancy following weaker demand from the key markets in Russia and the Middle East, terrorism related incidents in the city and a 16% depreciation of the Euro as compared to 2014.

The reduction in the loan interest rate following the signing of new bank loan agreements and the favourable translation effect of a weaker Euro resulted in the net loss of the hotel reducing from US\$27.0 million in 2014 to US\$22.4 million in the current year.

## **The United Kingdom**

The leased hotel in London recorded an increase in occupancy of 8 percentage points and an increase in RevPAR of 8% in 2015. The hotel was recognised as one of the best business hotels in the United Kingdom.

The hotel still has to contend with the burden of a high fixed lease rental. However, the amount of net loss reduced from US\$24.7 million in 2014 to US\$21.7 million in the current year.

## **Other Countries**

The performance of the Shangri-La Bosphorus, Istanbul in Turkey registered a marginal decrease in occupancy of 1 percentage point but recorded a decline in RevPAR of 20% in US dollar terms mainly due to the sharp depreciation of the local currency by 20%. The Group also recorded an exchange loss of US\$1.3 million on translation of the US dollar bank loan borrowed by the hotel.

The Shangri-La's Fijian Resort & Spa, Yanuca, Fiji registered a decrease in occupancy of 4 percentage points and its RevPAR in US dollar terms decreased by 18% as a result of a 10% depreciation of the local currency.

The RevPAR of the Shangri-La Hotel, Jakarta was adversely affected by its ongoing renovations. The hotel registered a decrease in RevPAR of 12% largely due to a decrease of 10 percentage points in occupancy.

The Sule Shangri-La, Yangon in Myanmar was affected by increasing hotel supply in the market and recorded a drop in occupancy and room rate of 6 percentage points and 9%, respectively, which led to a decrease in RevPAR of 18% as compared to last year.

The two hotels in the Maldives recorded a decrease in weighted average RevPAR of 25% following a substantial decrease in weighted average occupancies of 18 percentage points in 2015. This was largely due to deteriorating economic conditions in its principal source markets and political uncertainties in the country.

The newly opened Shangri-La Hotel, Ulaanbaatar in Mongolia registered an average room rate of US\$182 with occupancy of 28% since its opening in June 2015.

The overall results of hotels in other countries turned from a net profit of US\$1.7 million in 2014 to a net loss of US\$10.9 million caused by the large start-up loss of the new hotel in Mongolia.

# Discussion and Analysis

## **(ii) Hotel Management**

The 397-room Shangri-La Hotel, Bengaluru in India and the 272-room Shangri-La Hotel, Doha in Qatar opened for business on 24 September 2015 and 21 December 2015, respectively. The management agreement with the Traders Hotel, Dubai was terminated during the year following its sale.

As at 31 December 2015, the Group's wholly owned subsidiary, SLIM International Limited and its subsidiaries ("SLIM") managed a total of 95 hotels and resorts. Except for the Portman, all the other 72 hotels (2014: 66) in which the Group has equity interest and 3 hotels under operating lease agreements (2014: 3) are managed by SLIM. SLIM also managed a total of 20 operating hotels (6,597 available rooms) owned by third parties located in Toronto and Vancouver (Canada); Manila (the Philippines); Muscat (Oman); Doha (Qatar); Abu Dhabi (2 hotels) and Dubai (UAE); Putrajaya, Johor and Kuala Lumpur (Malaysia); New Delhi and Bengaluru (India); Taipei and Tainan (Taiwan); and Beijing, Changzhou (2 hotels), Haikou and Suzhou (Mainland China).

For the year ended 31 December 2015, overall weighted average RevPAR of those hotels under third party hotel management agreements registered a decrease of 11% in US dollar terms as compared to last year mainly due to the depreciation of the local currencies. Consolidated revenues of SLIM, after elimination of revenue earned from fellow subsidiaries, recorded a decline of 8%.

Net profit of the hotel management segment decreased substantially from US\$18.7 million in 2014 to US\$10.7 million in the current year following the reduction in fee income as a result of the decrease of the underlying hotels' revenues and operating profits.

During the year, SLIM had signed 4 new management agreements with third parties for hotels under development. Further details are provided in the paragraph headed "MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES" included in this Discussion and Analysis section. As at 31 December 2015, SLIM had management agreements on hand for 8 new hotel projects which were owned by third parties.

## **(iii) Property Rentals**

As at 31 December 2015, the subsidiaries and associates owned a portfolio comprising investment properties of 1,173,273 square metres leasable area\* and investment properties under development with approximately 1,081,218 square metres gross floor area upon completion.

(in square metres)	Total leasable area* as at 31 December 2015		
	Office spaces	Commercial spaces	Serviced apartments
Mainland China	610,681	197,144	207,866
Singapore	2,119	14,720	20,345
Malaysia	30,651	2,065	8,800
Other countries	20,233	14,147	44,502
Total	663,684	228,076	281,513

\* Being the total leasable area owned by subsidiaries and associates

The Group's major investment properties are located principally in Shanghai and Beijing and are owned by associates. While incremental profit was recorded from the investment properties in Mainland China, the financial performance of the investment properties in Singapore, Malaysia and Mongolia measured in US dollar terms were adversely affected by the significant depreciation of their currencies during the year.

## Mainland China

(in square metres)	Group's equity interests	Total leasable area* as at 31 December 2015		
		Office spaces	Commercial spaces	Serviced apartments
China World Trade Center	40.32%-50%	190,415	45,438	50,602
Century Towers, Beijing	50%	–	–	14,617
Beijing Kerry Centre	23.75%	80,348	17,006	33,311
Shanghai Centre	30%	30,161	9,477	39,780
Kerry Parkside Shanghai Pudong	23.2%	92,932	26,444	24,336
Jing An Kerry Centre – Phase I	24.75%	34,395	6,017	16,671
Jing An Kerry Centre – Phase II	49%	109,000	36,963	–
Shangri-La Centre, Chengdu	80%	41,519	4,212	–
Shangri-La Residences, Dalian	100%	–	–	28,549
Shangri-La Centre, Qingdao	100%	31,911	8,029	–
Tianjin Kerry Centre	20%	–	43,558	–
Total		610,681	197,144	207,866

\* Being the total leasable area owned by subsidiaries and associates

In Beijing, the China World Trade Center (the Group owns between 40.32% to 50% equity interests) recorded further improvement in yields of 4% for its office spaces. Yields of commercial spaces and serviced apartments however recorded decreases of 1% and 4%, respectively. Major renovations to the Center's original exhibition hall and its connecting area are ongoing and are expected to be completed by late 2016. These spaces will be converted into a shopping mall with much higher rental yields and the total lettable area will be increased by approximately 21,500 square metres upon completion. The serviced apartments of Century Towers, Beijing (50% owned by the Group) recorded a remarkable increase in yields of 58% following the completion of major renovations during the year. Yields of office and commercial spaces at the Beijing Kerry Centre (23.75% owned by the Group) recorded increases of 7% and 28%, respectively. Yields of the serviced apartments at the Beijing Kerry Centre, which re-opened for business in April 2014, recorded a 45% increase as compared to 2014.

In Shanghai, yields of the office spaces, commercial spaces and serviced apartments at the Jing An Kerry Centre Phase I (24.75% owned by the Group) registered growth of 21%, 25% and 36%, respectively. The office spaces at the Jing An Kerry Centre Phase II (49% owned by the Group) recorded growth in yields of 32% while the commercial spaces remained at the same level as last year. Yields of the commercial spaces and office spaces at the Kerry Parkside Shanghai Pudong (23.20% owned by the Group) recorded increases of 8% and 10%, respectively, while its serviced apartments performed at the same level as last year. Yields of serviced apartments and commercial spaces in the Shanghai Centre recorded an increase of 7% and 4%, respectively while yields of office spaces registered a decrease of 6% in 2015.

In other cities, the Shangri-La Residences, Dalian (a 100%-owned property) recorded an improvement in yields of 11% as compared to last year. The Shangri-La Centre, Qingdao (a 100%-owned property) recorded an increase in yields of 6% for its office spaces but the yields of its commercial spaces registered a decline of 10%. In Chengdu, the Shangri-La Centre (an 80%-owned property) recorded a 10% increase in yields for its commercial spaces but a 14% decrease in yields for its office spaces.

The Tianjin Kerry Centre (a 20%-owned property) opened for business in May 2015 and its commercial spaces reached an occupancy of 87% by end of 2015.

The investment properties in Mainland China continued to be the key profit contributors with their net profits increasing from US\$110.5 million in 2014 to US\$121.4 million in the current year. During the year, the Jing An Kerry Centre recorded an incremental profit of US\$8.8 million while the Beijing Kerry Centre and China World Trade Center each contributed an additional profit of US\$2.7 million.

# Discussion and Analysis

## Singapore

In Singapore, the yields of Shangri-La Residences (a 100%-owned property) registered an increase of 7% supported by an increase in occupancy of 13 percentage points. In comparison, the Shangri-La Apartments (a 100%-owned property) saw yields decrease by 13% with a stable occupancy (81% in both 2015 and 2014) largely due to the depreciation of the Singapore dollar. The commercial spaces at the Tanglin Place and Tanglin Mall (both 44.60% owned by the Group) recorded modest declines in yields of 4% and 7%, respectively. Office spaces at the Tanglin Place recorded a decline in yields of 11%.

The overall net profit of the investment properties in the country reduced marginally by US\$0.8 million as compared to 2014.

## Malaysia

Affected by the depreciation of the Malaysian ringgit during the year, the UBN Apartments (a 52.78%-owned property); and the commercial spaces and office spaces of UBN Tower (a 52.78%-owned property) recorded decreases in yields of 26%, 2% and 13%, respectively.

The overall net profit of the investment properties in the country remained at the same level as last year.

## Other Countries

While the Shangri-La Residences in Yangon, Myanmar (a 55.86%-owned property) registered further growth in occupancy of 38 percentage points to 91% and in yields of 67%, both the office spaces and commercial spaces at the Central Tower in Ulaanbaatar (a 51%-owned property) recorded declines in yields of 25% during the year.

Benefiting from a US\$1.6 million incremental profit contributed by the Shangri-La Residences in Yangon, the overall net profit of the investment properties in other countries increased to US\$5.7 million in the current year from US\$4.1 million in last year.

## (iv) Property Sales

The Group has equity interests in certain composite developments in Mainland China which included the development of Shangri-La hotels together with office building and/or residential buildings for sales and/or rental purposes. It is envisaged that the residential units for sales would benefit from the strong interest from investors and end-users in this kind of development. Following the improvement of the property sales market in Mainland China in the second half of 2015, the Group recognised a net profit of US\$22.8 million from the sales of the following residential units and office spaces during the year:

- *Arcadia Court, Tangshan (a 35%-owned project) in Mainland China*  
Phases I to III with 14 towers are available for sale. As at 31 December 2015, 1,225 units had been sold.
- *Phase I of Tianjin Kerry Centre (a 20%-owned project) in Mainland China*  
Three residential towers have been completed and handed over consecutively. As at 31 December 2015, 794 units had been sold.
- *Phase I of Shenyang Kerry Centre (a 25%-owned project) in Mainland China which also includes office spaces*  
Four residential towers and the Enterprise Square (office spaces) have been completed and delivered for occupation. As at 31 December 2015, 481 residential units and 134 office units had been sold.
- *Arcadia Court, Putian (a 40%-owned project) in Mainland China*  
The first tranche of Phase I units was delivered ahead of schedule by the end of December 2015. As at 31 December 2015, 1,055 residential units had been sold/pre-sold.
- *Arcadia Court, Nanchang (a 20%-owned project) in Mainland China*  
One tower has been completed with hand-over commencing in the fourth quarter of 2015. As at 31 December 2015, 184 residential units had been sold/pre-sold.

## (b) EBITDA and Consolidated Profits

	EBITDA of the Company and subsidiaries		Effective share of EBITDA of associates	
	2015 US\$ Mil	2014 US\$ Mil	2015 US\$ Mil	2014 US\$ Mil
Hotel ownership	<b>493.0</b>	511.7	<b>61.7</b>	70.1
Hotel management	<b>24.5</b>	33.2	—	—
Sub-total	<b>517.5</b>	544.9	<b>61.7</b>	70.1
Property rentals	<b>36.8</b>	35.3	<b>187.6</b>	174.9
Property sales	—	—	<b>26.5</b>	8.5
Other business	—	—	<b>(1.6)</b>	(1.2)
Corporate and project expenses	<b>(24.6)</b>	(38.1)	<b>(3.0)</b>	(7.5)
Grand total	<b>529.7</b>	542.1	<b>271.2</b>	244.8

For the hotel ownership and hotel management segments, total EBITDA of the Company and subsidiaries and the Group's effective share of EBITDA of associates together decreased by US\$35.8 million in 2015 which was consistent with the slide in the profitability evidenced by the segment results. For the property rental segment, the Group's effective share of EBITDA of associates increased by US\$12.7 million in 2015 with the additional contributions from China World Trade Center and Jing An Kerry Centre of US\$2.0 million and US\$8.4 million, respectively. The Group's effective share of the EBITDA relating to the property sales segment from associates increased by US\$18.0 million.

Total EBITDA of the Company and subsidiaries to consolidated sales ratio was 25.0% compared to 25.7% in 2014. Aggregate EBITDA (EBITDA of the Company and its subsidiaries and the Group's effective share of EBITDA of associates) increased slightly by US\$14.0 million during the year to US\$800.9 million.

*EBITDA is defined as earnings before interest expenses on loans and bonds issued, tax, depreciation and amortisation, gain or loss on disposal of fixed assets and interest in investee companies and excludes fair value gains on investment properties; fair value gains or losses on interest-rate swap contracts and financial assets held for trading; and impairment loss on fixed assets.*

Important comments on the consolidated financial results for the year as compared to those of 2014 are as follows:

- Aggressive cost control measures instituted by the Group arrested the decline in gross profit margin of the hotels owned by subsidiaries from 58.3% to 57.7% and the consolidated gross profit margin of the Group from 56.8% to 56.0% in 2015.
- Due to impairment provisions made in respect of hotels owned by subsidiaries of US\$72.4 million, the consolidated operating profit before finance costs for 2015 decreased by US\$71.2 million compared to 2014.
- The consolidated labour cost increased slightly by US\$1.5 million to US\$678.6 million in 2015.
- Consolidated finance costs increased by US\$18.1 million in 2015 following the commencement of operations of projects under development which were funded by bank loans.
- Net income from associates increased by US\$47.1 million. Of this, operating items contributed US\$19.6 million largely attributable to improved yields from investment properties and property sales. Incremental asset revaluation gains of US\$27.5 million (non-operating item) were recorded with the improved contribution from investment properties. Most of the revaluation gains were attributable to the China World Trade Center complex's ongoing developments (Phase 3B and gaining additional commercial spaces from conversion of its exhibition hall).

# Discussion and Analysis

The Group's share of the net fair value change of investment properties owned by subsidiaries and associates increased substantially from US\$90.6 million in 2014 to US\$131.4 million in the current year which was, however, substantially offset by the impairment provision recorded during the year. Accordingly, the Group recorded a decrease of US\$40.8 million in consolidated profits attributable to the equity holders of the Company in 2015.

## 2. CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, twelve 5-year unsecured corporate bank loan agreements totalling an equivalent of US\$2,049.5 million were executed during the year ended 31 December 2015 for refinancing corporate borrowings (including the funding requirement for final redemption of the US\$500 million convertible bonds due May 2016). The corporate office 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 year:

- 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\$71.0 million) for hotel renovations; and
- one 5-year bank loan agreement of HK\$360 million (approximately US\$46.5 million), two 4-year bank loan agreements totalling S\$102.9 million (approximately US\$73.0 million), one 3-year bank loan agreement of US\$23.9 million, one 5-year bank loan agreement of RMB200 million (approximately US\$30.8 million) and one 5-year bank loan agreement of EUR100 million (approximately US\$108.8 million) for refinancing maturing loans.

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

The Group's net borrowings (total bank loans, convertible bonds and fixed-rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, increased from 49.2% as at 31 December 2014 to 59.3% as at 31 December 2015.

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

The analysis of borrowings outstanding as at 31 December 2015 is as follows:

(US\$ million)	Maturities of Borrowings Contracted as at 31 December 2015				
	Within 1 year	In the 2nd year	Réparation In the 3rd to 5th year	After 5 years	Total
<b>Borrowings</b>					
Corporate borrowings					
– unsecured bank loans	657.4	100.6	1,678.8	–	2,436.8
– convertible bonds	550.5	–	–	–	550.5
– fixed-rate bonds	–	598.8	–	–	598.8
Bank loans of subsidiaries					
– secured	153.5	6.9	20.5	10.2	191.1
– unsecured	241.1	241.0	839.2	68.6	1,389.9
Total outstanding balance	1,602.5	947.3	2,538.5	78.8	5,167.1
<b>Undrawn but committed facilities</b>					
Bank loans and overdrafts	190.7	83.9	1,039.5	675.9	1,990.0

As at 31 December 2015, the Group had net current liabilities of US\$892.8 million. These funding obligations can be met through the committed available bank loan facilities of US\$1,799.3 million, which are expiring after 31 December 2016, the new bank loan facilities committed subsequent to the year end and the net cash inflows to be generated from operating activities.

Subsequent to the year end, certain subsidiaries also executed a 3-year bank loan facility of EUR75 million (approximately US\$81.6 million) for refinancing of a maturing loan, a 5-year local bank loan facility of RMB450 million (approximately US\$69.3 million) and a 5-year bank loan facility of US\$300 million for project financing. The Group is also finalising the documentation of four 5-year bank loan agreements at the corporate level and four bank loan agreements at the subsidiary level totalling equivalent US\$631.1 million.

The currency mix of borrowings and cash and bank balances as at 31 December 2015 is as follows:

(US\$ million)	Borrowings	Cash and Bank Balances
In United States dollars	2,997.3	241.8
In Hong Kong dollars	1,320.4	204.5
In Renminbi	284.7	353.2
In Euros	234.8	42.7
In Australian dollars	144.2	25.6
In Singapore dollars	65.9	67.8
In British pounds	66.7	7.1
In Japanese yen	41.5	3.4
In Philippine pesos	11.6	26.2
In Thai baht	–	59.2
In Malaysian ringgit	–	22.8
In Fiji dollars	–	15.1
In Mongolian tugrik	–	5.7
In Sri Lankan rupee	–	6.1
In Myanmar kyat	–	2.5
In Maldivian rufiyaa	–	0.3
In other currencies	–	0.1
	5,167.1	1,084.1

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

Details of financial guarantees, contingencies and charges over assets as at 31 December 2015 are disclosed in Note 37 to the consolidated financial statements included in this Annual Report.

# Discussion and Analysis

## 3. TREASURY POLICIES

The Group has consistently followed treasury policies aimed at minimising interest and currency risks:

### (a) Minimising Interest Risks

The Group had arranged additional shareholder loans and equity contributions totalling US\$426 million to certain loss-making subsidiaries in Mainland China to repay their Renminbi bank borrowings in order to reduce the overall interest costs.

Intra-group financing in Mainland China by way of entrusted loans between subsidiaries and those provided to associates through local banks increased from RMB1,122.5 million (approximately US\$183.4 million) as at 31 December 2014 to RMB1,380.1 million (approximately US\$212.5 million) as at 31 December 2015. The Group reviews the entrusted loans arrangements from time to time in response to changes in the Renminbi exchange rates and bank loan interest rates.

The Group has endeavoured to hedge its medium term interest rate risks by entering into interest-rate swap contracts. No new contract was executed during the year. As at 31 December 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 37% of its borrowings outstanding as at 31 December 2015.

### (b) Minimising Currency Risks

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

In response to the depreciation of the Renminbi, the Group is progressively reducing its Renminbi cash balances. The Group is trying to minimise its net assets exposure in Renminbi by refinancing the foreign currency borrowings in Mainland China with local bank borrowings in Renminbi.

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 operations and the cost of obtaining such cover.

## 4. INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed semi-annually (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). All changes in the fair value of investment properties (including those under construction) are recorded in the income statement. For the year ended 31 December 2015, the Group's share of the net fair value gains on investment properties being owned by subsidiaries and associates (net of deferred taxation) amounted to US\$12.8 million and US\$118.6 million, respectively, based on the opinion from independent professional valuers as obtained by the Group and the relevant associates which own the investment properties.

Investment properties are stated at professional valuations carried out by independent firms of professional valuers engaged by the Group or the relevant associates as at 31 December 2015:

Crowe Horwath (HK) Consulting & Valuation Limited, : For properties in Mainland China  
 DTZ Debenham Tie Leung Limited and Savills  
 Valuation and Professional Services Limited

Crowe Horwath (HK) Consulting & Valuation Limited : For properties in Mongolia

Colliers International Consultancy & Valuation (Singapore) Pte Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd : For properties in Singapore

W.M. Malik & Kamaruzaman : For properties in Malaysia

Jones Lang LaSalle Advisory Services Pty Ltd : For properties in Australia

Knight Frank Chartered (Thailand) Company Limited : For properties in Myanmar

## 5. IMPAIRMENT PROVISION

The Group assesses the carrying value of a group-owned operating hotel when there is any indication that the asset may be impaired. Indicative criteria include continuing adverse changes in the local market conditions in which the hotel operates or will operate, 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 during the year for those properties for which the internal assessment results needed independent confirmation. Based on the valuation reports obtained at 30 June 2015, the Group has recognised total impairment losses of US\$53.6 million for five hotels in Mainland China located in Yangzhou, Huhhot, Baotou, Manzhouli and Xian and recognised an impairment loss of US\$15.4 million for a hotel operated under an operating lease in Japan. The Group has also written off the development cost of US\$3.4 million (US\$2.4 million after share of non-controlling interests) in respect of the renovation of a resort in Fiji. These hotels and the project are owned by subsidiaries and therefore the impairment losses are included in the consolidated income statement under "Other (losses)/gains – net", to write down the carrying values of the hotels' fixed assets 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. Based on a review at year end 2015, no further provision was required.

# Discussion and Analysis

## 6. FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

For the year ended 31 December 2015, the Group had disposed of its investment in trading securities amounting to US\$2.3 million and recorded realised gains of US\$0.2 million (US\$0.1 million after share of non-controlling interests). As at 31 December 2015, the market value of the Group's investment portfolio was US\$15.5 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited and 2,241,725 ordinary shares in Kerry Logistics Network Limited. The Group recorded unrealised fair value losses of US\$4.3 million and dividend income of US\$1.0 million (US\$0.9 million after share of non-controlling interests) during the year.

## 7. DEVELOPMENT PROGRAMMES

On 1 March 2016, the 576-room Shangri-La at the Fort, Manila (part of composite development project in Bonifacio Global City, Metro Manila in which the Group has 40% equity interest) in the Philippines opened for business. The Group also opened the 417-room Midtown Shangri-La, Hangzhou (part of Kerry Central, Hangzhou in which the Group has 25% equity interest) in Mainland China on 12 March 2016.

Construction work on the following projects is on-going:

### (a) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Long Stay Apartments/ Villas	Projected Opening
<b>Hotels in the People's Republic of China</b>				
New hotel in China World Trade Center (part of composite development project in China World Trade Center – Phase 3B)	40.32%	450	–	2nd half 2016
Shangri-La Harbin, Songbei District	100%	344	33	2nd half 2016
Kerry Hotel, Hong Kong	100%	546	–	Late 2016
Shangri-La Hotel, Xiamen	100%	433	–	2017
Shangri-La Hotel, Jinan (part of composite development project in Jinan City)	45%	364	32	2017
Shangri-La Hotel, Zhoushan	100%	300	–	2019
<b>Hotels in other countries</b>				
Shangri-La's Hambantota Resort & Spa, Sri Lanka	90%	300	–	2nd half 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	2018

## (b) Composite Developments and Investment Properties Developments

Group's Equity Interest	Total gross floor area upon completion (excluding hotel component) <i>(approximate in square metres)</i>					Scheduled Completion
	Residential	Office	Commercial	Serviced Apartments		
<b>In Mainland China</b>						
Parkside Place, Tangshan	35%	–	–	18,460	–	2nd quarter 2016
Kerry Central, Hangzhou	25%	–	12,651	108,000	33,512	2nd half 2016
Phase II of Shangri-La Hotel, Dalian	100%	18,650	–	4,600	12,150	2nd half 2016
China World Trade Center Phase 3B	40.32%	–	47,441	69,528	–	2016
Putian City Project (Phase I) <sup>(1)</sup>	40%	141,409	–	7,205	–	2016 onwards*
Nanchang City Project (Phase I) <sup>(1)</sup>	20%	65,135	70,546	9,144	–	2016 onwards*
Shenyang Kerry Centre (Phase I & II) <sup>(1)</sup>	25%	513,879	165,484	214,613	–	2016 onwards*
Jinan City Project	45%	–	34,568	5,479	–	2017 onwards*
<b>In other countries</b>						
Bonifacio Global City, Metro Manila, the Philippines	40%	37,522	–	4,405	–	2nd half 2016
Sule Square, Yangon, Myanmar	59.28%	–	37,725	9,864	–	2016
Composite development project in Ulaanbaatar, Mongolia	51%	32,328	40,902	46,372	–	2016
Composite development project in Colombo, Sri Lanka <sup>(2)</sup>	90%	111,100	59,984	68,585	–	2018
	920,023	469,301	566,255	45,662		

\* Being developed in phases

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

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

Note: Further details of the Group's properties under development as at 31 December 2015 are disclosed under the section entitled "Properties Under Development" included in this Annual Report.

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

### Hotel development

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

### Composite development

- Zhengzhou, Mainland China (45% equity interest owned by the Group)
- Kunming, Mainland China (45% equity interest owned by the Group)
- Tianjin Kerry Centre – Phase II, Mainland China (20% equity interest owned by the Group)
- Accra, the Republic of Ghana (the Group's equity interest was reduced from 100% 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)

# Discussion and Analysis

The Group acquired the entire equity interest in a local company which 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.

The estimated incremental funding required directly by subsidiaries and the Group's share of the funding obligations of associates for all projects and other renovations involving fund commitments as at 31 December 2015 is estimated at US\$1,197.1 million, including US\$775.0 million payable in the next 12 months which is expected to be sourced from operating cashflow, available and new bank facilities and cash balances.

## 8. 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 site.

## 9. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

During the year ended 31 December 2015, the Group signed the following hotel management agreements with third parties:

- In April 2015, the Group signed a management agreement for the management and operation of a hotel as part of a new mixed-use development located in Phnom Penh, Cambodia expected to open in 2019.
- In September 2015, the Group signed a management agreement with a third party in respect of a new development under the Hotel Jen brand in Kota Kinabalu, Malaysia comprising 440 rooms scheduled for opening in 2018.
- In November 2015, the Group signed an agreement with a third party for the management and operation of a 236-room Shangri-La hotel and serviced residences being developed in Jeddah, Saudi Arabia. This hotel will open in early 2018.
- In December 2015, the Group also signed an agreement for the management of a 516-room Shangri-La Hotel in Yiwu in Mainland China scheduled to open at the end of 2016. The hotel will form part of the upscale and newly built Yiwu World Trade Centre that comprises luxury living and expansive commercial and retail space in the heart of the city's central business district.

Subsequent to the year end, the Group signed an agreement with a third party in January 2016 in relation to the management of a 328-room Shangri-La hotel at Jinji Lake Suzhou in Mainland China scheduled to open at the end of 2017. The hotel will form part of the upscale Xiexin Plaza complex that comprises luxury living and a grade A office tower in the Suzhou Industrial Park. The Group signed another agreement with a third party in March 2016 in relation to the management of a 200-room Hotel Jen Kuala Lumpur in Malaysia scheduled to open in 2019. The hotel will be located in the heart of the city.

As at the date of this report, the Group has management agreements in respect of 20 operating hotels owned by third parties. In addition, the Group also has agreements on hand for the development of 10 new hotels owned by third parties. The development projects are located in Shaoxing, Nanning, Qiantan, Yiwu and Suzhou (Mainland China); Kota Kinabalu and Kuala Lumpur (Malaysia), Jeddah (Saudi Arabia), Phnom Penh (Cambodia) and Bengaluru (India).

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

## 10. PROSPECTS

Despite the difficult business environment, the Group's hotels have generally held up well in terms of their profit performance. While the global and regional economic situation is beset with challenges, the Group's hotels will continue to focus on optimising their market share and profit performance by leveraging on the strength of their brands.

Meanwhile, the performance of the Group's investment properties has shown steady improvement over these years and has made a useful contribution to the Group's profitability. The year's results have also benefited from a substantial profit contribution from residential sales. This positive contribution is expected to grow in the foreseeable future as projects under development commence commercial operations and from the continuing sale of residential/commercial properties.

## 11. HUMAN RESOURCES

As of 31 December 2015, the Company and its subsidiaries had approximately 27,900 employees. The headcount of all the Group's managed hotels and resorts totalled approximately 45,700. Salaries and benefits, including provident funds, insurance and medical cover, housing and share option schemes were maintained at competitive levels. Bonuses were awarded based on individual performance as well as the financial performance of business units.

Details of the new share option scheme and the new share award scheme adopted by the shareholders on 28 May 2012 are provided in the section headed "Share Option Schemes" and "Share Award Scheme" of the Directors' Report, respectively. The Group has not granted any new option shares under the share option scheme or shares under the share award scheme in 2015.

The Group's total employee benefit expenses (excluding directors' emoluments and share options granted during the year) amounted to US\$678.6 million (2014: US\$677.1 million).

The Group remains committed to developing its human capital. Turnover dropped from 26.4% to 25.5% as a result of efforts to engage and drive colleague loyalty through personal development opportunities as well as competitive compensation strategies.

Employee productivity and restructuring of the management levels have both been areas of focus to improve efficiency and manage costs. Reduction in management positions has been particularly effective in driving empowerment at the guest contact point as well as realising substantial savings. Productivity targets have been set for all operating hotels.

The use of social media sites is particularly important as a source of recruitment as well as enhancing our Employer Branding. The use of WeChat, LinkedIn and other social media channels has realised impressive results and will continue to grow as a cost-effective source of securing candidates.

New proprietary leadership programmes have been developed targeted at junior and senior managers to further enhance their skills and provide a platform for business success. These programmes will be rolled-out to the hotels in 2016.

The Shangri-La Academy has relocated to the corporate office and will continue to offer many of the core programmes. However, these will be supplemented by specialised courses run by experts from the field, engaged on a need basis. This allows the Academy to be more flexible and the courses to be targeted and attractive.



Kerry Hotel, Beijing, Mainland China



PROPERTIES UNDER DEVELOPMENT

# Properties Under Development

## (A) HOTELS OWNED AND MANAGED BY THE GROUP

Location	Properties	Group's equity interest as at Year End	Approximate total site area (m <sup>2</sup> )	Approximate total gross floor area (m <sup>2</sup> )
<b>In the People's Republic of China</b>				
1. Hangzhou, China	Shangri-La Hotel (part of Kerry Central, Hangzhou)	25%	N/A	45,782
2. Beijing, China	Hotel Jen (part of China World Trade Center Phase 3B)	40.32%	N/A	N/A
3. Harbin Songbei, China	Shangri-La Hotel	100%	40,000	57,000
4. Hung Hom, Hong Kong	Kerry Hotel	100%	15,623	62,492
5. Xiamen, China	Shangri-La Hotel	100%	13,852	45,419
6. Jinan, China	Shangri-La Hotel (part of composite development)	45%	N/A	59,427
7. Zhoushan, China	Shangri-La Hotel	100%	28,541	85,623
<b>In other countries</b>				
1. Bonifacio Global City, Metro Manila, The Philippines	Shangri-La Hotel (part of composite development)	40%	N/A	69,201
2. Hambantota, Sri Lanka	Shangri-La Hotel	90%	135,000	54,988
3. Colombo, Sri Lanka	Shangri-La Hotel (part of composite development)	90%	N/A	67,317
4. Yangon, Myanmar	Lakeside Shangri-La Hotel	55.86%	36,038	75,039
Total				

Number of projected rooms	Number of apartments or villas	Stage of completion	Projected opening	Address
417	-	External work, interior decoration and mechanical and engineering work in progress.	Opened on 12 March 2016	East to Yan An Road, South to Qing Chun Road, West to Planned Chang Shou Road, North to Hai Er Xiang, Xia Cheng District, Hangzhou, China
450	-	Main building structure completed. Mechanical and engineering work in progress.	2016	1 Jian Guo Men Wai Avenue, Chaoyang District, Beijing 100004, China
344	33	Main structure completed. Curtain wall installation in progress.	2016	East of Hei Da Gong Road, North of the northern dike of Songhua River, Songbei District, Harbin City, China
546	-	Superstructure work in progress.	2016	Junction of Hung Luen Road and Wa Shan Street, Hung Hom, Kowloon of Inland Lot No. 11205, Hong Kong
433	-	Superstructure work in progress.	2017	Southeast section of intersection of Taibei Road and Taidong Road, Guan Yin Shan Area, Land 03-07, Siming District, Xiamen, Fujian, China
364	32	Structural work topped out.	2017	Site No. 2011-G043 to G044 South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, China
300	-	Piling work commenced.	2019	LKC 1-3 Block of Lincheng Street, Dinghai District, Zhoushan, Zhejiang Province, China
576	97	Interior renovation in progress.	Opened on 1 March 2016	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, The Philippines
300	-	Main building completed. Mechanical and engineering work in progress.	2016	Sithrakkala Estate, Chithragala, Ambalantota, Sri Lanka
500	41	Main structure work in progress.	2017	1 Galle Road, Colombo, Sri Lanka
276	15	Piling completed.	2018	No.150/150 (A), Kan Yeik Thar Road, Between Upper Pansodan Road and Thein Phyu Road, Mingalar Tuang Nyunt Township, Yangon, Myanmar
4,506	218			

# Properties Under Development

## (B) OTHER PROPERTIES OWNED BY THE GROUP

Location	Properties/Purpose	Group's equity interest as at Year End	Approximate total site area (m <sup>2</sup> )	Approximate total gross floor area (m <sup>2</sup> )
<b>In the People's Republic of China</b>				
1. Tangshan, China	Tangshan Parkside Place – Commercial	35%	6,339	18,460
2. Hangzhou, China	Kerry Central, Hangzhou – Office – Commercial – Serviced apartment	25%	67,374	12,651 108,000 33,512
3. Dalian, China	Composite Development – Residential – Commercial – Serviced apartment	100%	5,887	18,650 4,600 12,150
4. Beijing, China	China World Trade Center Phase 3B – Office – Commercial	40.32%	40,763	47,441 69,528
5. Putian, China	Composite Development – Residential – Commercial	40%	147,577	141,409 7,205
6. Nanchang, China	Composite Development – Residential – Office – Commercial	20%	24,104	65,135 70,545 9,144
7. Shenyang, China	Shenyang Kerry Centre – Residential – Office – Commercial	25%	141,851	513,879 165,484 214,613
8. Jinan, China	Composite Development – Office – Commercial	45%	22,293	34,568 5,479

Stage of completion	Projected opening	Address
Interior decoration work in progress.	2016	889 Changhong West Street, Lubei District, Tangshan, China
External work, interior decoration and mechanical and engineering work in progress.	2016	East to Yan An Road, South to Qing Chun Road, West to Planned Chang Shou Road, North to Hai Er Xiang, Xia Cheng District, Hangzhou, China
Main building completed. Mechanical and engineering work in progress.	Phase II in 2016	Chang Jiang Road South, Zhi Gong Jie West, Zhi Fu Jie East, Zhongshan District, Dalian, China
Main building structure completed. Curtain wall installation work in progress.	2016	1 Jian Guo Men Wai Avenue, Chaoyang District, Beijing 100004, China
Phase I: Residential external work and mechanical and engineering work in progress.	Phase I from 2016 onwards	666 Jiuhua Road, Chengxiang District, Putian City, China
Phase I: Residential Tower 1 and 3 interior decoration in progress. Tower 4 and 5 structural work topped out.	Phase I from 2016 onwards	667 Cui Lin road, Honggutan New District, Nanchang, China
Phase I: Residential interior decoration and mechanical and engineering work in progress. Phase II: Residential superstructure work in progress, Commercial and office structural work completed.	Phase I from 2016 onwards	Lot No. 2007-053, No. 8 Golden Corridor, East of Qingnian Da Avenue, Shenhe District, Shenyang, China
Main structure topped out.	Phase I from 2017 onwards	South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, China

# Properties Under Development

Location	Properties/Purpose	Group's equity interest as at Year End	Approximate total site area (m <sup>2</sup> )	Approximate total gross floor area (m <sup>2</sup> )
<b>In other countries</b>				
1. Bonifacio Global City, Metro Manila, The Philippines	Composite Development – Residential – Commercial	40%	15,120	37,522 4,405
2. Sule Square, Yangon, Myanmar	Composite Development – Office – Commercial	59.28%	4,280	37,725 9,864
3. Ulaanbaatar, Mongolia	Composite Development – Residential – Office – Commercial	51%	18,667	32,328 40,902 46,372
4. Colombo, Sri Lanka	Composite Development – Residential – Office – Commercial	90%	40,469	111,100 59,984 68,585

## (C) PROPERTIES UNDER CONCEPT PLANNING

Location	Purpose	Group's equity interest as at Year End	Approximate total site area (m <sup>2</sup> )	Approximate total gross floor area (m <sup>2</sup> )
<b>In the People's Republic of China</b>				
1. Zhengzhou, China	Composite Development	45%	44,573	218,940
2. Kunming, China	Composite Development	45%	15,446	81,928
3. Dalian Wolong Bay, China	Hotel	100%	47,615	151,094
<b>In other countries</b>				
1. Accra, The Republic of Ghana	Composite Development	45%	49,874	35,545
2. Bali Nusa Dua, Indonesia	Shangri-La Hotel and golf club	53.30%	64,460	52,197

## Stage of completion

## Projected opening

## Address

Interior decoration work in progress.	2016	Northern Portion of the West Super Block, Bonifacio Global City at Taguig, Metro Manila, The Philippines
Main structure topped off. Curtain wall installation work in progress.	2016	No.223, Sule Pagoda Road, Pabedan Township, Yangon, Myanmar
Mechanical and engineering work in progress.	2016	North East of National Amusement Park Place, Khoroo 1 of Sukhbaatar District, Ulaanbaatar, Mongolia
Main structure work in progress.	2018	1 Galle Road, Colombo, Sri Lanka

## Address

East of Huayuan Road, South of Weier Road, Zhengzhou City, China

No.88-96 Dongfeng Road, Panlong District, Kunming City, China

Zhong Yang Chuang Zhi District, Xiao Yao Bay, Jin Zhou Xin District, Dalian, China

Airport North on Spintex Road, City of Accra, The Republic of Ghana

JI Terompong, Bualu, Dusa Dua, Kei Venoa, Kec Kuta Selatan, Kab/Badung, Bali, Indonesia



Shangri-La's Boracay Resort & Spa, Philippines



RESPONSIBLE BUSINESS

# Responsible Business

2015  
was an exciting  
year in  
Shangri-La's  
responsible  
business journey.

2015 was an exciting year in Shangri-La's responsible business journey. The Group's continued inclusion in the Hang Seng Corporate Sustainability Index reinforced our sustainability leadership among Hong Kong listed companies. In addition, the Group was listed in the Dow Jones Sustainability Index for the 3rd consecutive year, once again confirming Shangri-La's position as one among the global sustainability leaders.

During the year, progress was made in environmental impact management with carbon and water intensities continuing to fall across our property portfolio to levels below the targets we set for 2015. Towards the end of the year, a Group-wide food waste management programme was launched to tackle Shangri-La's top waste stream. Our hotels also continued to enlist the help of suppliers to reduce waste through initiatives such as packaging redesign and soap recycling.

To further enhance communication regarding Shangri-La's sustainability commitments with internal and external stakeholders, the Group launched Shangri-La Sustainability, a blog devoted to the Group's responsible business initiatives and the CSR activities of individual hotels and colleagues. With its weekly posts, the blog creates awareness of Shangri-La's sustainability efforts among readers from 40 countries. For more information, please visit <http://www.shangri-la-sustainability.com/>

We also began to regularly collect guest feedback on our responsible business practices through the inclusion of questions on sustainability initiatives in guest surveys.

In an effort to strive for continuous improvement, in 2014 Shangri-La published a new series of ambitious sustainability goals for 2020. The year 2015 not only saw progress made on the 2020 goals, but also the enhancement of some goals through quantitative targets. With a more concrete set of goals, we are confident of strengthening our sustainability efforts in the coming years to safeguard our mission of operating a responsible business that both improves the lives of people and cares for the environment.

MEMBER OF

Dow Jones  
Sustainability Indices

In Collaboration with RobecoSAM



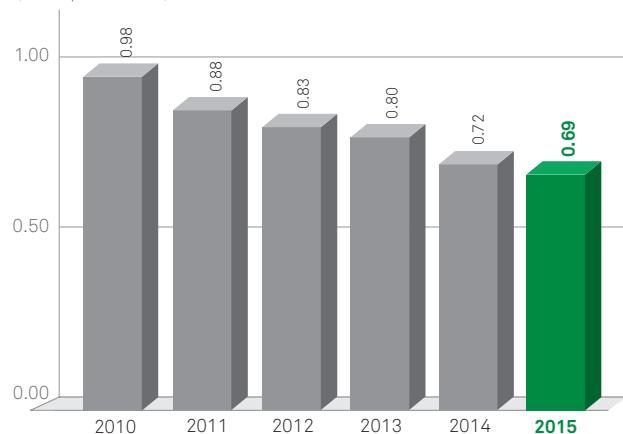
Hang Seng Corporate  
Sustainability Index  
Series Member 2015-2016

## OUR ENVIRONMENT

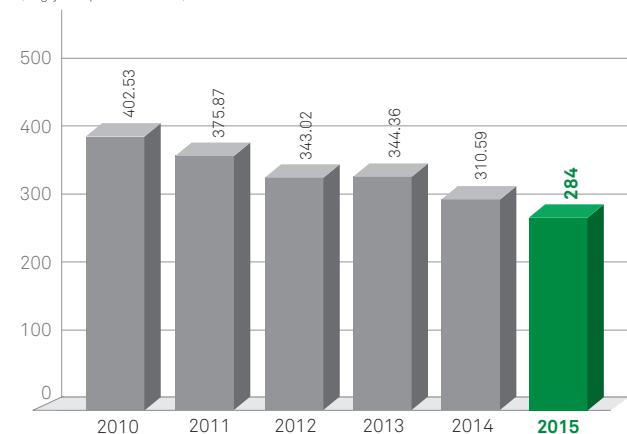
In 2015, Shangri-La continued to practise environmental stewardship by focusing on carbon footprint reduction, resource efficiency, waste management, and the certification of hotels' environmental management systems to the internationally recognised ISO 14001 standard. Compared with the 2010 baseline levels, the Group achieved a 24% reduction in carbon intensity and a 29% reduction in water intensity by the end of 2015. These results significantly exceeded the Group's original targets of 20% carbon footprint intensity and 15% water footprint intensity reduction by the end of 2015 from 2010 levels, demonstrating our dedication to continuous improvement in resource efficiency.

	2010	2011	2012	2013	2014	2015
Number of hotels*	66	72	72	81	88	<b>96</b>

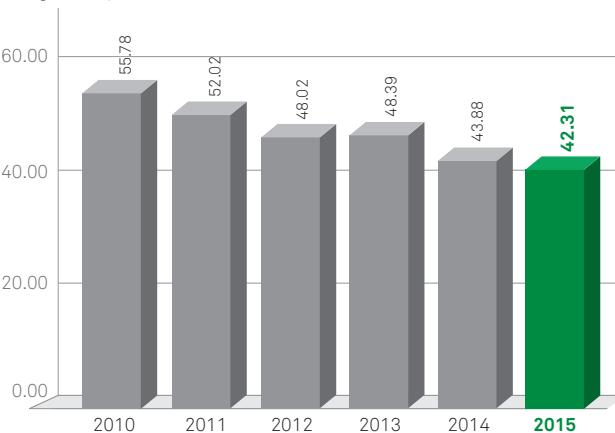
\*\*Average Potable Water Consumption  
(kiloliters per business unit)



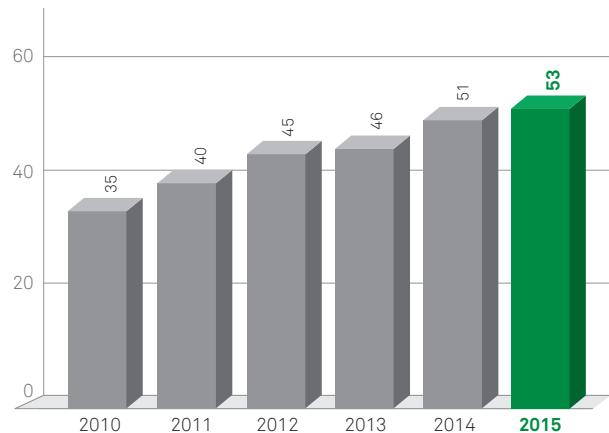
\*\*Average Energy Consumption  
(megajoules per business unit)



\*\*Average scope 1 and scope 2 GHG emissions  
(kilograms CO2e per business unit)



ISO 14001 Certified Hotels



\* Number of hotels managed by SLIM, including the Aberdeen Marina Club.

\*\* The comparative information has been restated to conform with the current year's presentation.

# Responsible Business

## China Carbon Emission Trading Pilots

In China, seven regional pilot Carbon Emission Trading schemes were established between 2013 and 2014. Five of our hotels in Beijing and Shanghai are either directly covered by the regional carbon markets, or indirectly involved through the property complex in which they are situated. In 2015, participating hotels continued to comply with the annual carbon emissions targets set by the local authorities, with Shangri-La Hotel Beijing outperforming the reduction target by 11%. Our hotels in Wenzhou and Guangzhou were also in compliance with the energy targets set by local authorities. China has announced its intention of launching a nationwide carbon emission trading scheme in 2017 and the Group is also closely monitoring the development of this national scheme.

## Waste Management

Waste reduction is another key aspect of managing Shangri-La's environmental impact. As an audit commissioned in 2014 identified food waste as one of the top items in hotels' waste profile in terms of weight, Shangri-La conducted a pilot Food Waste Management project from late 2014 to early 2015 to develop action plans for food waste management. Following this project, a group-wide Food Waste Management programme was rolled out in late 2015 with steps 2 and 3 being implemented in 2016. For Step 1 hotels were asked to record waste generated during preparation, due to spoilage and after reaching the guests, in order to identify the key sources of waste. Steps 2 and 3 require hotels to fully implement waste reduction plans and measure outcomes. A group target for food waste reduction will be set based on the outcome of the programme.

STEP 1 Initial food waste data collection	STEP 2 Food waste reduction plan implementation	STEP 3 Post-implementation data measurement
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Soap for Hope Project

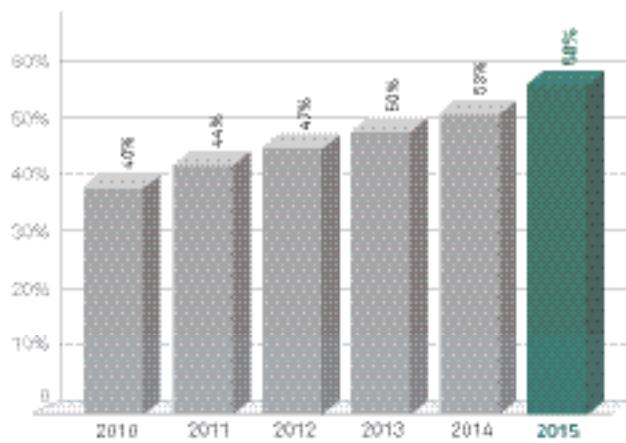
As well as improving our operations, Shangri-La is also harnessing the power of partnership in fostering waste reduction at source and in recycling. In August 2015, the Group Purchasing Division worked with Shangri-La's amenities supplier to design a new paper box package for bathroom amenities, which is 11% lighter than the previous packaging. The potential annual saving is up to 4,500kg of paper. Through the "Soap for Hope" project, our hotels are collaborating with suppliers and other external partners to turn discarded soaps from guest rooms into new soap bars. These sanitised soap bars are distributed to under-privileged communities to promote hygiene. 20% of our hotels are diverting used soap from landfill through this "Soap for Hope" project and Shangri-La is committed to expanding "Soap for Hope" to other hotels.

## OUR BUSINESS

### Getting Smart on Understanding – How Responsible Business Practices Affect Guests' Decisions

Over the years, our quality improvement initiatives have continuously strengthened guest satisfaction. The 2015 Overall Stay Experience improved significantly due to the introduction of "Your VoiCE", a survey methodology allowing guests to provide "in the moment" feedback immediately after utilising any of our products and services, through QR Code technology. In addition to functional experiences, we also included an icon for Shangri-La's Sustainability initiatives regarding support for linen re-use, sustainable dishes, and endangered species. More than 1000 guests responded positively and voted in-room collateral and the Company website as the most popular sources to obtain information about hotels' responsible business programmes. In 2015, we also started baseline measurement for our Guest Loyalty Index ("GLI"). Guest Loyalty Index provides a holistic view of the customer journey from first exposure to the Shangri-La brand to long-term loyalty and the lifetime support of a customer. One of the key drivers of guest loyalty is emotional connection to the brand, within which "hotel does things that are good for the society and environment" is considered an important factor. Together with "Your VoiCE" survey result, the outcome of GLI highlights the need for Shangri-La to further improve awareness of the Group's environmental and social commitments to guests via in-room collateral and the Company's website. These are our priorities for 2016.

**Global Overall Stay Experience**



# Responsible Business

## Focusing on the Supply Chain

Shangri-La recognises that the impact of our business extends beyond our own operations into the supply chain. To ensure the suppliers we work with share our values of being socially and environmentally responsible, all suppliers are required to adhere to our Supplier Code of Conduct. In 2015, the Group Purchasing Division continued to engage with an independent professional firm to evaluate group suppliers' compliance with the Supplier Code of Conduct. 16 out of 37 Group contract suppliers passed the initial audit, which is a pass rate of 43%. Six took corrective measures in order to receive a passing grade during their reassessment, bringing the overall pass rate to 60%. The rest will be monitored and required to show continued improvements. To help suppliers enhance their responsible business practices, the Group Purchasing Division organised a supplier seminar featuring a training session on Supplier Code of Conduct audits, sharing of best practice, and an open discussion with suppliers on challenges and opportunities. Participating suppliers gave positive feedback on the seminar, including:

***"we are able to understand our facility's shortage and where to improve" and***

***"after the seminar, we are interested to learn more about other CSR related subjects"***

Due to the overwhelmingly positive feedback, the Group Purchasing Division decided to host the supplier seminar more frequently in coming years.



2015 Supplier Seminar for Group Suppliers

## Rooted in Nature – Sustainable Cuisine Campaign

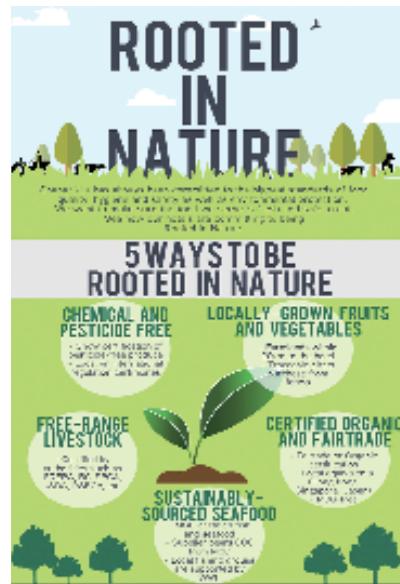
After a successful introduction in 2014, Shangri-La formally launched the group-wide Rooted in Nature media campaign in April 2015 with the message "*While 22 April is Earth Day on the calendar, every day is Earth Day in the Shangri-La kitchens*". This culinary initiative encourages hotels to source from local, small-scale suppliers and suppliers of ethically harvested food. Some hotels have taken this one step further by creating farmers' cooperatives together with local farms and by hosting frequent farmers' markets to introduce locally grown fruits and vegetables to guests. As a result of the campaign, our hotels recorded more than 350 articles and dozens of TV/Radio segments covering our efforts. By the end of 2015, more than 1700 Rooted in Nature dishes were being offered by Shangri-La hotels worldwide.

## OUR PEOPLE

The success of Shangri-La depends on the success of our people. To this end, we support colleagues in achieving their full career potential by providing a fair and inclusive working environment, offering well-designed training and development programmes while focusing on colleagues' health and wellbeing.

### Fair Workplace

Shangri-La's commitment to maintaining a fair and inclusive workplace is governed by our Code of Conduct and Ethics (the "**Code**"). The Code sets out the standards required of employees in order to uphold Shangri-La's core values of integrity, fairness, respect, ethical business conduct, and excellence in service. All permanent colleagues are required to sign the Code and attend compulsory training programmes upon joining Shangri-La. The implementation of the Code is supported by a whistleblowing policy, which holds employees responsible for alerting non-compliant behaviour and incidences, specifies channels for raising concerns, and protects whistleblowers from reprisals and victimisation.



*Rooted in Nature Poster*



*Farmers' Market – Shangri-La Hotel, Kuala Lumpur*

# Responsible Business

## Training and Development

In regard to professional development, it is a Group requirement that all permanent colleagues in every hotel, irrespective of service level, age or gender, undertake a minimum full day's orientation programme and then participate in the four-day Shangri-La Care service culture learning programme. These programmes are additional to the comprehensive skills training that is tailored to each individual job position and is based on the intrinsic abilities of colleagues. The success of these programmes is measured by a performance monitor, measuring items such as customer satisfaction and willingness to recommend the hotel to others. Comprehensive leadership learning programmes are delivered to supervisors and managers and are measured by metrics such as turnover and the number of internal promotions. These initiatives resulted in a reduction in the staff turnover rate in 2015 compared with 2014.

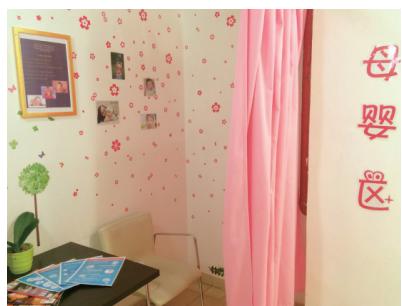
### ***The Shangri-La Global Academy***



Shangri-La Global Academy's Training Session

The Shangri-La Academy was set up to engage and train colleagues internally, by focusing on employability and innovation. In 2015, 83 courses were offered and 1,425 colleagues were trained. The Academy also participated in the HKMA (Hong Kong Management Association) Award for Excellence in Training & Development – Development Category, and was one of the finalists. This is a testament to the Group's efforts in enhancing our people's skills and knowledge. In 2016, with over 90 hotels globally, the Academy will be re-branded as the Shangri-La Global Academy. The mission of the Global Academy is to grow great leaders, to nurture exceptional hospitality professionals, and to provide creative and effective solutions to address evolving organisational needs.

## Well-being



Nursing Area for Breastfeeding Mothers – Kerry Hotel, Pudong

Equally important to professional development is colleagues' well-being. Apart from medical checkups and the promotion of smoke-free workplaces, hotels also run activities that promote healthy lifestyles, with the support of the Employees' Committee. In 2015, over 600 health-related activities were arranged, including medical talks, sports exercises, and advice on weight control and healthy eating. In hotels, staff restaurants provide healthy food options and run awareness campaigns for promoting healthy eating habits. Shangri-La Hotel, Guangzhou and Kerry Hotel, Pudong went the extra mile by introducing nursing areas for breastfeeding or for pumping breast milk.

## Occupational Health and Safety

In regard to occupational health and safety, it is the responsibility of hotel Health & Safety committees to ensure the implementation of safety measures. Safety at work training is provided to new colleagues as part of their orientation. All colleagues are retrained on an annual basis, which is verified during the annual Security Audits conducted by the Group. 46 hotels have undergone the stringent external assessment process to obtain the globally recognised Occupational Health and Safety OHSAS 18001 certification, with more being scheduled in the coming years, underlining Shangri-La's commitment to further strengthening safety measures.

## OUR COMMUNITIES



Pre-opening CSR Activity – Shangri-La Hotel, Bengaluru

### Care for People – Embrace

To make a real impact on local communities, it is a Group policy that each hotel forms a 10 to 15 year partnership with local institutions working on children's health or education programmes. The selection of the Embrace partner is based on a social needs assessment, matched with resources that hotels can ably deliver. Existing hotel Embrace partners include schools, special education centres, and health centres. Hotels help to improve infrastructure and provide funds, mentorship, life skills training and apprenticeships, with the aim of driving the upward mobility of young beneficiaries, so that ultimately they can care for themselves and others. In 2015, five new Embrace projects were established, bringing the total number of projects to 92. Some highlights of 2015 include:

# Responsible Business

In 2014 ***Shangri-La's Tanjung Aru Resort & Spa*** initiated an ambitious project together with the Ministry of Health and MERCY Malaysia to build and equip a Health Clinic in the village of Terian (Malaysian Borneo) located in the interior of the jungle within the Crocker Range Park. Due to be completed in mid-2016, the clinic will cater for 1,400 residents of the indigenous Kadazan community from nine remote villages who previously had little to no medical care due to a lack of road access. Through the project it is hoped that key issues including malnutrition, alcoholism, and unsafe birth conditions are addressed to improve the lives of these communities.

***Shangri-La's Mactan Resort & Spa's*** six-year Embrace partnership with the community of Tingo is a real life demonstration of our long-term commitment to caring for the local community. Tingo is a community of almost 1,000 families situated on an island across from the resort. Since 2010, the resort has implemented 50 projects, focusing on the upgrade of the facilities of Tingo Elementary School, the enhancement of teaching quality, and the provision of tutorials, mentorship and scholarship programmes for students. Attention has also been given to other members of the local community via health care programmes that promote handwashing, healthy cooking, and the provision of free medical consultations. In 2015, Soap for Hope was introduced to Tingo. Through teaching the skill of recycling used soap into fresh bars and soap press machine donations, the project hopes to provide a new form of livelihood to members of the community and improve their hygiene practices.

Since 1985 more than MYR 3 million has been raised over 30 years through the Embrace the Gift of Life programme run by ***Shangri-La Hotel, Kuala Lumpur*** to help over 200 critically ill children. The fundraising is done through the annual Christmas Charity Tree, which portrays a different theme every year. Donors are invited to contribute at least MYR 1,000 for each of the attractive features on the tree. Each year more than MYR 100,000 is raised to help children from underprivileged backgrounds suffering from severe heart ailments that need urgent surgery. The hotel works directly with the hospitals, covering the surgery costs ranging between MYR 30,000 and MYR 50,000 through direct payment, even before the funds are raised.

In China, hotels in Beijing, Shanghai, Chengdu and Guangzhou worked with the Kerry Group Kuok Foundation (KGKF) to support the "Big Friends Project". The beneficiaries are children from low income migrant families, who have limited chances to continue secondary education. In 2015, participating hotels mentored over 200 students and organised various activities such as hotel visits and familiarisation, graduation ceremonies,



Charity Christmas Tree – Shangri-La Hotel, Kuala Lumpur

nature studies, and city experience for a day. Some hotels also offered internships to the students they helped. Participating hotels include **China World Hotel, Beijing, China World Summit Wing, Beijing, Traders Hotel, Beijing, Kerry Hotel, Beijing, Hotel Jen Upper East, Pudong Shangri-La, East Shanghai, Jing An Shangri-La, West Shanghai, Kerry Hotel Pudong Shanghai, Shangri-La Hotel, Guangzhou and Shangri-La Hotel, Chengdu.**

In 2012, Embrace ++ was introduced to encourage hotels to provide traineeship for young adults helped via Embrace. The number of traineeships increased from 4 in 2012 to 156 in 2015.

One good example is the **Shangri-La Hotel, Chiang Mai**, which has focused on creating trainee opportunities for the local and northern communities of Thailand since its opening. To date, the hotel has taken on 562 trainees, of which 39 became employees. Many moved on to pursue further studies or take up other jobs.

### Care for Nature – Sanctuary

Apart from caring for people from local communities, in 2015 we continued our efforts in the field of habitat and bio-diversity protection through our Sanctuary – Care for Nature programme. From reef care, turtle care, panda care to wetland protection and showcasing flora and fauna, our Sanctuary projects combine conservation with raising public awareness, guest engagement, staff engagement and education programmes to address bio-diversity challenges from various angles. Hotels with Sanctuary projects also form partnerships with relevant external parties including accredited non-government organisations, academic bodies, and community groups to ensure local endorsement and professional input. Bio-diversity data are collected on a regular basis to measure results and inform decision makers on the next steps required for each project. Significant progress was made in 2015, including:

**Shangri-La Hotel Nanjing** launched a Care for Nature project to protect the endangered Luehdorfia Chinensis butterfly. The aim of the project is to raise awareness of the plight of the butterfly through guest and community engagement activities, as well as habitat protection.

**Shangri-La Hotel, Haikou** planted 5,740 saplings with an average survival rate of 80%. The hotel also contributed to mangrove maintenance through regular colleague volunteering activities including dead tree removal and pest control. Mangrove protection-themed staff activities were organised for raising awareness. Hotel guests were also invited to participate in tree planting activities.



Big Friend Activity – Jing An Shangri-La



Sanctuary, Shangri-La's Reef Care Project, Fish House Building



Sanctuary, Shangri-La's Reef Care Project, Fish House Helping to Preserve and Grow the Fragile Coral Reefs

# Responsible Business

**Shangri-La Hotel, Xian and Golden Flower Hotel, Xian** enhanced their support to the national nature reserve of Zhouzhi, the hotels' Sanctuary partner, by providing cameras for capturing 3,000 photos of rare animals and donating seeds of valuable Chinese herbal medical plants to boost local farmers' livelihoods.



Sabah Wildlife Department and **Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu** announced they are nearing the completion of the successful jointly-managed Orangutan Rehabilitation and Conservation Programme. Launched in 1996, Shangri-La's Orangutan Care Project provides specialist care for orphaned orangutans in a sanctuary located within the resort's private 64-acre Nature Reserve. Over the course of nearly 20 years, 43 orphaned orangutans have successfully completed the first phase of their rehabilitation under the care of trained rangers in the Nature Reserve before moving to the renowned Sepilok Orangutan Rehabilitation Center. In addition to orangutan rehabilitation, the resort's programme provides a platform for education on wildlife conservation to school children and the general public based on the west coast of Sabah. We are grateful for the opportunity to have brought almost 12,000 students from 276 schools in Sabah to see our Orangutan Care project so they could gain a better understanding of how precious the endangered orangutans are and the urgent need to protect them.



Sanctuary, Shangri-La's Turtle Care Project

At **Shangri-La Barr Al Jissah Resort & Spa**, Sultanate of Oman, the hotel administers a Turtle Care Project, which aims to protect the endangered hawksbill and green turtles species native to the beaches of Oman. Since the resort opened 10 years ago, over 1,000 nests have been laid along its beaches and over 50,000 turtle hatchlings have made their way to the sea under the care of the project. In 2016, efforts to raise awareness and create hands-on guest engagement with local schools and visitors will be further strengthened through the successful completion of an onsite Eco Centre.

Looking ahead, the newly opened **Shangri-La's Le Touessrok Resort and Spa, Mauritius** is gearing up to launch its "Care for Nature" programme focusing on creating awareness of endemic flora and fauna species and habitat protection. The hotel will use an Echo Parakeet mascot to increase public awareness of the plight of this bird species. As part of plans for the future, a Dodo & Ebony museum/Eco Centre will be set up to mark the dodo's extinction and remind visitors of the importance of saving currently endangered species.

## Colleague Volunteering

Through Embrace, Sanctuary and other hotel CSR activities, in 2015 our colleagues devoted a record-breaking 135,000 volunteer hours, demonstrating a genuine care for the communities in which we operate. To assist hotels with planning for volunteering activities, the Group's Sustainability team issues a CSR Calendar template every year with key international days. Hotels then develop and execute yearly plans based on local needs. Eight hours' paid volunteer leave is provided to each colleague to encourage participation in Embrace, Sanctuary and other approved hotel CSR activities.

### **Case Study – Ride for Hope**

Organised by the Futian Shangri-La, Shenzhen, the seven-day, 800-kilometre "Ride for Hope 2" charity ride from Guilin to Hong Kong raised over RMB8 20,000. More than 500 bikers from two different provinces participated in the relay ride and joined the eight dedicated riders from the hotels. The core team of riders who completed the entire journey finished the challenge at the Kowloon Shangri-La, Hong Kong. With the funds raised, Futian Shangri-La is sponsoring the construction of a local primary school and is working with another 11 village schools in Guangxi Zhuang Autonomous Region to build 40 water cellars.



## Disaster Relief

When the 7.8 magnitude earthquake struck Nepal in 2015, Shangri-La hotels around the world mobilised quickly. HKD1,600,000 was raised through hotel fundraising activities within a three month period. Part of the funds was distributed to our Nepalese colleagues to support their families through difficult times. The rest was donated to our charity partner Oxfam for supporting the long-term recovery of Nepal.



Shangri-La's Fundraising Campaign for Nepal

# Responsible Business

## SUSTAINABILITY VISION 2020

Shangri-La introduced its Sustainability Vision 2020 in 2014 in order to take the Group's commitment to corporate social responsibility to the next level. In 2015, we made the following progress against the goals for 2020. These include:



Looking ahead, supply chain sustainability remains a significant focus for the Group. It is our aim that all suppliers will comply with our Supply Chain Code of Conduct and attain a minimum 85% rating based on supplier audits by 2020. Another priority is promoting greater traceability of where our food sources originate by working with local and sustainable suppliers. To this end, we are committed to sourcing more certified sustainable seafood via group and hotel contracts. This commitment is reaffirmed by the fact that

two of our hotels, Kowloon Shangri-La, Hong Kong and Island Shangri-La, Hong Kong, underwent the audit process for the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) Chain of Custody certification in 2015. Once the certificate is awarded in 2016, these two hotels will be the first in Hong Kong to achieve the MSC certification. In addition to sustainable food initiatives, the Group will continue its efforts to engage suppliers in our sustainability agenda through product development, waste management, community investment, and disaster relief and rehabilitation.

Going forward, other sustainability priorities are:

- Further reduction of CO<sub>2</sub> emissions and water consumption throughout our hotels. The Group has set a target to achieve a further 20% reduction in CO<sub>2</sub> emissions intensity and 20% reduction in water usage intensity from 2015 levels across all its hotels by 2020
- Enhancing processes to measure total waste generation and diversion from landfill in order to formalise an overall waste reduction target. Critical to this effort will be the collection of recycling, reusing and composting data across the Group
- Certification of all hotels to ISO 14001 Environmental Management System, Occupational Health and Safety (OHSA) and Food safety (ISO 22000/HACCP) standards by 2020
- Ensuring consistent stakeholder engagement through projects with universities, academia, industry organisations and non-profit organisations where possible
- Achieving a 20% reduction of colleagues' accident and injury rates by 2020 from 2015 level
- Providing 600,000 cumulative volunteer hours through the Group's Embrace and Sanctuary projects and other CSR activities by 2020
- Strengthening diversity and equal opportunity through the hiring of more people with disabilities and improving gender balance in senior management roles

While focusing our efforts on the sustainability of current hotel operations, the Group also recognises the importance of addressing sustainability throughout the hotel lifecycle. Whenever possible, new hotel developments are being built according to LEED or equivalent green building standards. New developments will also take into greater account surrounding habitats and bio-diversity.

Moving ahead, a greater focus will be placed on communicating the Group's sustainability platform and 2020 targets to stakeholders through social media and other promotional activities. The Group is also enhancing communications about its environmental and social commitments with guests via in-room collateral and the Shangri-La website.



Hylandia by Shangri-La, Yunnan, Mainland China



## DIRECTORS' REPORT

# Directors' Report

The Directors submit this Directors' Report together with the Financial Statements for the Financial Year.

## GENERAL DISCLOSURE ITEMS

### Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding.

The principal activities of the Group are the ownership and operation of hotels and associated properties and the provision of hotel management and related services. The Group members are also the registered proprietors of various trademarks and service marks in various countries, including the brand names "Shangri-La", "Hotel Jen", "Traders", "Rasa", "Summer Palace" and "Shang Palace" and related devices and logos.

The principal activities of the Group's associates are the leasing of office, commercial and exhibition hall space and serviced apartments as well as the ownership and operation of hotels.

An analysis of the performance of the Group for the Financial Year by geographical and business segments is set out in Note 5 to the Financial Statements.

### Business Review

The details of the Group's business review are set out in:

- (1) the section entitled "Discussion and Analysis" for the review of business and financial performances; and
- (2) the section entitled "Responsible Business" for the review of corporate social responsibilities.

### Results and Appropriations

The financial results for the Financial Year are set out in the section entitled "Consolidated Income Statement".

The Board has declared an interim dividend of HK 5 cents per Share and proposes a final dividend of HK 5 cents per Share for the Financial Year.

The details of dividends paid and proposed for the Financial Year are set out in Note 35 to the Financial Statements.

### Reserves

The details of movements in reserves during the Financial Year are set out in Notes 18 and 19 to the Financial Statements.

## Donations

Charitable donations and other donations made by the Group during the Financial Year amounted to US\$255,000.

## Property, Plant and Equipment Investment Properties

The details of movements in property, plant and equipment, and investment properties during the Financial Year are set out in Notes 7 and 8 to the Financial Statements, respectively.

## Principal Properties

The details of the Group's hotel properties and investment properties are set out in Notes 41 and 42 to the Financial Statements, respectively.

## Pre-emptive Rights

There is no provision for pre-emptive rights under the Bye-Laws or laws of Bermuda.

## Share Capital

The details of the Company's share capital are set out in Note 18 to the Financial Statements.

## Subsidiaries and Associates

The details of the Company's principal subsidiaries and associates are set out in Note 40 to the Financial Statements.

## Particulars of Bank Loans and Overdrafts

The particulars of the bank loans and the overdrafts as at Year End are set out in Note 20 to the Financial Statements.

## Management Contracts

No contract with any person or entity concerning the management and administration of the whole or any substantial part of the business of the Group (other than contract of service with any Director or employee of the Group) was entered into or existed during the Financial Year.

## Directors and Officers Liability Insurance

An insurance policy with permitted indemnity provision insuring claims made against, among others, the directors and the management officers of the Group members and the persons representing the Group in associates as directors or management officers was in effect throughout the Financial Year and remained in effect up to the date of the Annual Report.

# Directors' Report

## Major Customers and Suppliers

The percentages of the five largest customers combined and the five largest suppliers combined are less than 10% of the Group's total revenue and purchases, respectively.

## Five-Year Summary

The summary of the Group's results, assets and liabilities for the last five financial years is set out in the section entitled "Five-Year Summary".

## DIRECTORS

The Directors who held office during the Financial Year and the period thereafter up to the date of this Directors' Report were:

### *Executive Directors*

**Mr KUOK Khoon Chen** (*Chairman and CEO*)  
**Mr LUI Man Shing** (*Deputy Chairman*)  
**Mr Madhu Rama Chandra RAO** (*CFO*)  
**Mr Gregory Allan DOGAN** (*COO*)

### *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**  
**Mr WONG Kai Man** (*retired on 28 May 2015*)  
**Professor LI Kwok Cheung Arthur**  
**Dr LEE Kai-Fu** (*appointed on 18 November 2015*)

At the Annual General Meeting, (1) Dr LEE Kai-Fu shall retire in accordance with Bye-Law 102(B), and (2) Mr Gregory Allan DOGAN, Mr Alexander Reid HAMILTON and Mr Timothy David DATTELS shall retire by rotation in accordance with Bye-Law 99. All retiring Directors, being eligible, offer themselves for re-election.

## Independence of Independent Non-executive Directors

The Board has received from each Independent Non-executive Director confirmation of his independence according to the guidelines set out in Rule 3.13 of the Listing Rules. The Nomination Committee, on behalf of the Board, has assessed the independence of each of the existing Independent Non-executive Directors and considers all the Independent Non-executive Directors independent.

## Changes in Directors' Information

There have been changes in the information of some of the Directors since the date of the Company's last 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 and council chairman of The University of Hong Kong on 20 March 2015 and 1 January 2016, respectively.
- (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 and also ceased to be (a) chairman and member of the Remuneration Committee, and (b) member of the Nomination Committee and the Audit Committee, all changes effective on 28 May 2015. Effective from the same date:
  - (a) Mr Alexander Reid HAMILTON became the chairman of the Remuneration Committee;
  - (b) Mr Madhu Rama Chandra RAO ceased to be member of the Nomination Committee;
  - (c) Mr HO Kian Guan became a member of the Audit Committee.
- (4) Dr LEE Kai-Fu was appointed an Independent Non-executive Director on 18 November 2015.
- (5) As part of the regular annual salary review, the Remuneration Committee has reviewed and approved the proposed monthly salary of the Executive Directors for 2016. There were no adjustments to the monthly salary of the Executive Directors.
- (6) Mr Madhu Rama Chandra RAO will, on 15 April 2016, retire as the CFO and will relinquish the title thereof, but will remain as an Executive Director.

# Directors' Report

## SIGNIFICANT SHAREHOLDERS' INTERESTS

As at Year End, the interests and short positions of those persons (other than the Directors) in Shares and underlying Shares as recorded in the register that is required to be kept by the Company under Section 336 of the SFO or as ascertained by the Company after reasonable enquiry were as follows:

Name	Capacity	Number of Shares held	Approximate % of total issued Shares
<b>Substantial Shareholders</b>			
KGL (Note 1)	Interest of controlled corporation(s)	1,790,828,045	50.02
KHL (Notes 1 and 2)	Beneficial owner	87,237,052	2.44
	Interest of controlled corporation(s)	1,546,890,118	43.21
Caninco Investments Limited ("Caninco") (Note 2)	Beneficial owner	568,568,684	15.88
	Interest of controlled corporation(s)	157,280,233	4.39
Paruni Limited ("Paruni") (Note 2)	Beneficial owner	382,904,547	10.70
	Interest of controlled corporation(s)	25,163,449	0.70
<b>Other Major Shareholders</b>			
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 corporation(s)	225,569,761	6.30
Kuok (Singapore) Limited ("KSL") (Note 3)	Interest of controlled corporation(s)	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.

**Deemed interests of  
Director(s), Substantial Shareholder(s) and Other Major Shareholder(s)  
as at Year End**



## DIRECTORS' INTERESTS

### Directors' Interest in Securities of the Company and its Associated Corporation(s)

As at Year End, the interests and short positions of the Directors in shares, underlying shares and debentures in/of the Company and its associated corporation(s) (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:

#### *Long positions in shares in the Company and Associated Corporations*

Name of company	Name of Director	Class of shares	Number of shares held					Approximate % of total issued shares in the relevant company
			Personal interests	Family interests	Corporate interests	Other interests	Total	
<b>The Company</b>	KUOK Khoon Chen	Ordinary	32,000	–	<sup>(1)</sup> 1,950,194	<sup>(2)</sup> 842,614	2,824,808	0.079
	LUI Man Shing	Ordinary	902,777	–	–	–	902,777	0.025
	Madhu Rama							
	Chandra RAO	Ordinary	74,032	–	–	–	74,032	0.002
	Gregory Allan DOGAN	Ordinary	32,189	–	–	–	32,189	0.001
	HO Kian Guan	Ordinary	911,116	–	<sup>(3)</sup> 145,887,718	–	146,798,834	4.100
	KUOK Hui Kwong	Ordinary	<sup>(4)</sup> 32,833	<sup>(5)</sup> 1,038,000	–	<sup>(2)</sup> 3,930,170	5,001,003	0.140
	HO Kian Hock (alternate to HO Kian Guan)	Ordinary	–	–	<sup>(3)</sup> 145,887,718	–	145,887,718	4.075
<b>Associated Corporation</b>								
Shangri-La Hotel Public Company Limited	LUI Man Shing	Ordinary	10,000	–	–	–	10,000	0.008

# Directors' Report

Notes:

1. 1,672,743 shares were held through a company that 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.

842,614 shares were held through discretionary trusts the contingent beneficiaries of which include both Mr KUOK Khoon Chen and Ms KUOK Hui Kwong.

3. 95,537,377 shares were held through companies that 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 a company that was 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 that 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 interested in these shares.

## ***Long positions in underlying shares in the Company and Associated Corporations***

As at Year End, there were share options held by Directors with rights to subscribe for Shares. Details of such options are set out in the section entitled "Share Option Schemes" of this Directors' Report.

## Directors' Dealings

During the Financial Year, the particulars of the deemed dealings in Shares by the Directors (other than exercise/lapse of share options, if any) having been notified to the Company are set out below:

Director	Dealing entity	Date of dealing	Number of Shares bought/ (sold)	Average dealing price per Share (HK\$)
KUOK Khoon Chen	N/A	16 September 2015	20,000	7.080
	N/A	23 September 2015	6,000	7.027
	N/A	24 September 2015	6,000	6.930
	Discretionary trust(s)*	29 September 2015	80,000	6.769
	Discretionary trust(s)*	30 September 2015	50,000	6.690
	Discretionary trust(s)*	2 October 2015	50,000	6.848
	Discretionary trust(s)*	8 October 2015	150,000	7.062
	Discretionary trust(s)*	9 October 2015	200,000	7.087
	Discretionary trust(s)*	13 October 2015	20,000	7.105
Madhu Rama Chandra RAO	N/A	9 September 2015	36,000	7.640
HO Kian Guan	N/A	1 September 2015	50,000	7.336
	N/A	2 September 2015	10,000	7.190
	N/A	15 September 2015	10,000	7.000
KUOK Hui Kwong	Discretionary trust(s)*	29 September 2015	80,000	6.769
	Discretionary trust(s)*	30 September 2015	50,000	6.690
	Discretionary trust(s)*	2 October 2015	50,000	6.848
	Discretionary trust(s)*	8 October 2015	150,000	7.062
	Discretionary trust(s)*	9 October 2015	200,000	7.087
	Discretionary trust(s)*	13 October 2015	20,000	7.105

\* Being discretionary trust(s) the contingent beneficiaries of which include both Mr KUOK Khoon Chen and Ms KUOK Hui Kwong

## Directors' Interests in Contracts

Save as disclosed, if any, in the sections entitled "Connected Transaction(s)" and "Continuing Connected Transaction(s)", no contract of significance in relation to the Group's business to which any member of the Group was a party and in which any Director had a material interest subsisted at Year End or at any time during the Financial Year.

## Directors' Service Contracts

None of the Directors proposed for re-election at the Annual General Meeting has entered into service contracts with any member of the Group and in which such contracts are not determinable by the Company within one year without payment of compensation (other than statutory compensation).

# Directors' Report

## Directors' Interests in Competing Business

Pursuant to Rule 8.10(2) of the Listing Rules, the Directors below have disclosed that during the Financial Year and up to the date of this Directors' Report (for the period the respective Directors acted as Directors), they are considered to have interests (other than as directors representing the Group's interest) in businesses that compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

- (1) Mr KUOK Khoon Chen is a director of a subsidiary of KHL. The principal businesses of KHL and its subsidiaries include property investment.

The business activity of the said subsidiary of which Mr KUOK Khoon Chen is a director is leasing of commercial space. Such company and the Group do not compete directly in the same business activity in the same geographical location.

Accordingly, the Group is capable of carrying on its business independent of, and at arm's length from, the competing business mentioned above.

- (2) Mr LUI Man Shing is a director of some of the subsidiaries of KPL. The principal businesses of KPL include (a) property development in Hong Kong, China and the Asia Pacific region, and/or (b) hotel ownership and operations in Hong Kong and China.

The business activity of the said KPL subsidiaries of which Mr LUI Man Shing is a director is property development. Each such company and the Group do not compete directly in the same business activity in the same geographical location.

Accordingly, the Group is capable of operating its business independent of, and at arm's length from, the competing businesses mentioned above.

- (3) Mr HO Kian Guan and Mr HO Kian Hock are substantial shareholders and/or directors of companies that hold various hotels and commercial/office investment properties across different territories.

While such businesses may compete with the Group's businesses, the Directors believe that this competition does not pose any material threat to the Group's business prospects because:

- (a) the hotels operated by the Group and those by the above Directors with competing interests are targeting different geographical markets and/or different segments or groups of customers in the market, and the differentiation of the clientele segments is based on a combination of factors, such as the geographical locations of the hotels, the breadth of services and amenities available, the positioning of the hotels in the local market, the level of room rates, the size and scale of the hotels, and the guest recognition programme; and/or
- (b) the Group's hotel business is effectively marketed on the strength of SLIM-HK's renowned position in the hotel industry worldwide built on its strong brand recognition and high-quality services; and/or
- (c) the investment properties as interested by the above Directors are situated in territories/locations in which the Group maintains no similar business operations.

The above-mentioned competing businesses are operated and managed by companies with independent management and administration. The Board is independent of the board of each of the above-mentioned companies operating the competing businesses.

Accordingly, the Group is capable of operating its business independent of, and at arm's length from, the competing businesses mentioned above.

- (4) Ms KUOK Hui Kwong is a director of some of the subsidiaries of SCMP Group Limited (listed on HKSE). The principal businesses of SCMP Group Limited include property investment.

The business activity of the said subsidiaries of which Ms KUOK Hui Kwong is a director is leasing of commercial space. Each such company and the Group do not compete directly in the same business activity in the same geographical location.

Accordingly, the Group is capable of carrying on its business independent of, and at arm's length from, the competing business mentioned above.

## SHARE OPTION SCHEMES

A share option scheme of the Company was adopted by Shareholders on 24 May 2002 ("**2002 Option Scheme**") and expired on 23 May 2012. A new share option scheme of the Company was adopted by Shareholders on 28 May 2012 ("**2012 Option Scheme**") to replace the expired 2002 Option Scheme.

The major terms of the 2002 Option Scheme and the 2012 Option Scheme (referred to as "**Option Scheme**", individually or collectively, as the case may be) are as follows:

### (1) Purpose of the Option Scheme

The purpose of the Option Scheme is to motivate eligible participants of the Option Scheme to optimise their future contributions to the Company and its subsidiaries and associates, and the entities in which any of the aforesaid companies holds an interest (collectively referred to as "**Enlarged Group**"); and/or to reward them for their past contributions; and to attract and retain or otherwise maintain on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Enlarged Group.

### (2) Eligible participants of the Option Scheme

The eligible participants of the Option Scheme include:

- (a) an employee or proposed employee of any member of the Enlarged Group or a person seconded to work for any member of the Enlarged Group;
- (b) a director or proposed director of any member of the Enlarged Group;
- (c) an officer or proposed officer of any member of the Enlarged Group;

# Directors' Report

- (d) a direct or indirect shareholder of any member of the Enlarged Group;
- (e) a supplier of goods or services to any member of the Enlarged Group;
- (f) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Enlarged Group;
- (g) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Enlarged Group;
- (h) a landlord or tenant (including a sub-tenant) of any member of the Enlarged Group;
- (i) any person approved by Shareholders; and
- (j) an associate of any of the foregoing persons.

## **(3) Life of the Option Scheme**

The Option Scheme shall remain valid and effective for 10 years from its date of adoption unless the Option Scheme is terminated early by a resolution of Shareholders.

## **(4) Maximum number of Shares available to be granted under the Option Scheme**

The maximum number of Shares in respect of which options may be granted under the Option Scheme (and under any other share option scheme) shall not in aggregate exceed 10% of the Shares in issue as at the adoption date of the Option Scheme. The Company may from time to time as the Board may think fit seek approval from Shareholders to refresh this limit, save that the maximum number of Shares that may be issued upon exercise of all options to be granted under the Option Scheme (and under any other share option scheme) shall not exceed 10% of the Shares in issue as at the date of Shareholders' resolution refreshing the limit. Notwithstanding the above, the maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme (and under any other share option scheme) shall not exceed 30% of the Shares in issue from time to time.

As at the date of this Directors' Report, only the 2012 Option Scheme was in effect, under which options with right to subscribe for a total of 297,345,679 Shares (representing about 8.31% of the issued Shares thereby) were available for grant.

## **(5) Maximum number of Shares allowed to be granted to any one grantee under the Option Scheme**

The maximum number of Shares issued and issuable upon full exercise of the options granted to any one grantee (including exercised, lapsed, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

## **(6) Exercise period**

The period within which an option may be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that the period shall not be beyond 10 years commencing on the date of grant of an option. The minimum period for which an option must be held (if any) or the fulfilment of any condition (if any) before it can be exercised shall be determined by the Board upon the grant of an option. The amount payable on acceptance of an option is HK\$1 under the 2002 Option Scheme and nil under the 2012 Option Scheme. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.

## **(7) Exercise price for Shares under the Option Scheme**

The exercise price for any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option, but the exercise price shall not be less than the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of the Shares as stated in HKSE's daily quotation sheets on the date of the resolution of the Board approving the grant of options, which must be a day on which HKSE is open for the business of dealing in securities; and
- (c) the average of the closing price of the Shares as stated in HKSE's daily quotation sheets for the five trading days immediately preceding the date of grant.

# Directors' Report

Details and movements of option shares that were granted under the Option Scheme and remained outstanding during the Financial Year are as follows:

Grantees	Date of grant	Tranche	Number of option shares				
			Held as at 1 Jan 2015	Granted during the year	Transferred from other category during the year		
<b>2002 Option Scheme</b>							
<b>1. Directors</b>							
LUI Man Shing	16 Jun 2006	II	60,000	–	–		
Madhu Rama Chandra RAO	28 Apr 2005	II	250,000	–	–		
	16 Jun 2006	I	50,000	–	–		
	16 Jun 2006	II	50,000	–	–		
Gregory Allan DOGAN	28 Apr 2005	II	50,000	–	–		
	16 Jun 2006	I	37,500	–	–		
	16 Jun 2006	II	37,500	–	–		
Timothy David DATTELS	28 Apr 2005	I	75,000	–	–		
	28 Apr 2005	II	75,000	–	–		
	16 Jun 2006	I	30,000	–	–		
	16 Jun 2006	II	30,000	–	–		
<b>2. Employees</b>							
	28 Apr 2005	I	1,040,000	–	–		
	28 Apr 2005	II	1,275,000	–	–		
	16 Jun 2006	I	732,500	–	–		
	16 Jun 2006	II	811,500	–	–		
<b>3. Other participants</b>							
	28 Apr 2005	I	25,000	–	–		
	28 Apr 2005	I	715,000	–	–		
	28 Apr 2005	II	25,000	–	–		
	28 Apr 2005	II	715,000	–	–		
	16 Jun 2006	I	10,000	–	–		
	16 Jun 2006	I	486,500	–	22,500		
	16 Jun 2006	II	10,000	–	–		
	16 Jun 2006	II	700,000	–	22,500		
Sub-total			7,290,500	–	45,000		
<b>2012 Option Scheme</b>							
<b>1. Directors</b>							
KUOK Khoon Chen	23 Aug 2013	–	350,000	–	–		
LUI Man Shing	23 Aug 2013	–	350,000	–	–		
Madhu Rama Chandra RAO	23 Aug 2013	–	350,000	–	–		
Gregory Allan DOGAN	23 Aug 2013	–	350,000	–	–		
HO Kian Guan	23 Aug 2013	–	100,000	–	–		
Alexander Reid HAMILTON	23 Aug 2013	–	100,000	–	–		
Timothy David DATTELS	23 Aug 2013	–	100,000	–	–		
WONG Kai Man <sup>(3)</sup>	23 Aug 2013	–	100,000	–	–		
LI Kwok Cheung Arthur	23 Aug 2013	–	100,000	–	–		
<b>2. Employees</b>							
	23 Aug 2013	–	14,438,000	–	–		
<b>3. Other participants</b>							
	23 Aug 2013	–	80,000	–	–		
	23 Aug 2013	–	770,000	–	250,000		
Sub-total			17,188,000	–	250,000		
Total			24,478,500	–	295,000		

Notes:

- No options were cancelled during the Financial Year.
- The weighted average closing price of the Shares immediately before the dates on which the options were exercised is set out in Note 18 to the Financial Statements.
- Mr WONG Kai Man retired as Director on 28 May 2015.

Transferred to other category during the year	Number of option shares			Exercise price per option share (HK\$)	Exercise period
	Exercised during the year <sup>(2)</sup>	Lapsed during the year	Held as at 31 Dec 2015		
–	–	–	60,000	14.60	16 Jun 2008 – 15 Jun 2016
–	–	(250,000)	–	11.60	28 Apr 2007 – 27 Apr 2015
–	–	–	50,000	14.60	16 Jun 2007 – 15 Jun 2016
–	–	–	50,000	14.60	16 Jun 2008 – 15 Jun 2016
–	–	(50,000)	–	11.60	28 Apr 2007 – 27 Apr 2015
–	–	–	37,500	14.60	16 Jun 2007 – 15 Jun 2016
–	–	–	37,500	14.60	16 Jun 2008 – 15 Jun 2016
–	–	(75,000)	–	11.60	28 Apr 2006 – 27 Apr 2015
–	–	(75,000)	–	11.60	28 Apr 2007 – 27 Apr 2015
–	–	–	30,000	14.60	16 Jun 2007 – 15 Jun 2016
–	–	–	30,000	14.60	16 Jun 2008 – 15 Jun 2016
–	(15,000)	(1,025,000)	–	11.60	28 Apr 2006 – 27 Apr 2015
–	(15,000)	(1,260,000)	–	11.60	28 Apr 2007 – 27 Apr 2015
(22,500)	–	(50,000)	660,000	14.60	16 Jun 2007 – 15 Jun 2016
(22,500)	–	(57,500)	731,500	14.60	16 Jun 2008 – 15 Jun 2016
–	–	(25,000)	–	11.60	28 Apr 2006 – 14 Jan 2015
–	–	(715,000)	–	11.60	28 Apr 2006 – 27 Apr 2015
–	–	(25,000)	–	11.60	28 Apr 2007 – 14 Jan 2015
–	–	(715,000)	–	11.60	28 Apr 2007 – 27 Apr 2015
–	–	(10,000)	–	14.60	16 Jun 2007 – 14 Jan 2015
–	–	–	509,000	14.60	16 Jun 2007 – 15 Jun 2016
–	–	(10,000)	–	14.60	16 Jun 2008 – 14 Jan 2015
–	–	–	722,500	14.60	16 Jun 2008 – 15 Jun 2016
(45,000)	(30,000)	(4,342,500)	2,918,000		
<hr/>					
–	–	–	350,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	350,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	350,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	350,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	23 Aug 2013 – 22 Aug 2023
(100,000)	–	–	–	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	23 Aug 2013 – 22 Aug 2023
(150,000)	–	(1,300,000)	12,988,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	(80,000)	–	12.11	23 Aug 2013 – 14 Jan 2015
–	–	–	1,020,000	12.11	23 Aug 2013 – 22 Aug 2023
(250,000)	–	(1,380,000)	15,808,000		
(295,000)	(30,000)	(5,722,500)	18,726,000		

# Directors' Report

## SHARE AWARD SCHEME

A share award scheme of the Company was adopted by Shareholders on 28 May 2012 and was revised on 10 August 2012 with further restraints/limits imposed ("Award Scheme").

The major terms of the Award Scheme (as amended) are as follows:

### (1) Purpose of the Award Scheme

The purpose of the Award Scheme is to motivate qualified participants of the Award Scheme to optimise their future contributions to the Group; and/or to reward them for their past contributions; and to attract and retain or otherwise maintain on-going relationships with such qualified participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

### (2) Qualified participants of the Award Scheme

The qualified participants of the Award Scheme include:

- (a) a director;
- (b) an employee; or
- (c) an officer,

of any member of the Group other than those who reside in jurisdictions where the grant of Shares or the transfer of Shares to such persons under the Award Scheme will not be permitted under the laws and regulations of such jurisdictions; or will be subject to requirements with which compliance will, at the Board's sole discretion, be unduly burdensome or impractical.

### (3) Life of the Award Scheme

The Award Scheme shall remain valid and effective for an initial term of 10 years from its date of adoption ("Initial Term"), which shall be automatically extended by 7 successive extended terms of 10 years each ("Subsequent Term") unless (a) the Board decides not to continue with any new Subsequent Term; or (b) the Award Scheme is terminated early by a resolution of the Board or the Shareholders, provided that the duration of the Award Scheme shall not exceed 80 years.

### (4) Maximum number of Shares available to be granted under the Award Scheme

The total number of the Shares, excluding those that would not be vested or have been forfeited ("Lapsed Shares"), granted and to be granted to qualified participants under the Award Scheme shall not exceed 10% of the Shares in issue from time to time. Subject to the aforesaid limit, in addition, no further grant may be made under the Award Scheme if (i) in the Initial Term, the total number of Shares (excluding Lapsed Shares) granted and to be granted pursuant to the Award Scheme exceed 3% of the Shares in issue at the time of the relevant grant; and (ii) in each Subsequent Term, the total number of Shares (excluding Lapsed Shares) granted and to be granted pursuant to the Award Scheme exceed such limit as determined by the Board from time to time for each such Subsequent Term. No further grant may be made under the Award Scheme if this will result in any of the aforesaid limits being exceeded.

As at the date of this Directors' Report, a maximum of 107,400,721 Shares (representing 3% of the issued Shares thereby) were available for grant under the Award Scheme.

## (5) Maximum number of Shares allowed to be granted to any one grantee under the Award Scheme

The maximum number of Shares granted and to be granted to any one grantee (including Shares that have been vested and/or accepted and Lapsed Shares) in any 12-month period shall not exceed 0.1% of the Shares in issue from time to time.

## (6) Vesting

The vesting conditions (if any) of Shares granted under the Award Scheme shall be determined by the Board in its absolute discretion at the time of grant, provided that the grantee shall accept the Shares within 6 months from the Shares becoming vested. If no acceptance is received within the stipulated period, such unaccepted vested Shares shall be forfeited.

## (7) Consideration for Shares granted under the Award Scheme

The price/consideration (if any) per Share to be granted under the Award Scheme shall be determined by the Board in its absolute discretion at the time of grant and shall be payable by the grantee upon the grantee accepting the vested Shares.

## (8) Operation and administration of the Award Scheme

The Board may select and grant to any qualified participant Shares under the Award Scheme for free or at a price/consideration per Share. A trust has been set up for the operation of the Award Scheme. The Board may from time to time pay to the trustee monies to enable the trustee to purchase on the HKSE Shares that will be held upon trust pending the making of grants to qualified participants under the Award Scheme. BOCI-Prudential Trustee Limited has been appointed as the first trustee of the trust and will hold and deal with the assets of the trust for the benefit of the qualified participants.

During the Financial Year, no Shares were granted under the Award Scheme.

## CONNECTED TRANSACTION(S)

During the Financial Year, the Group entered into a connected transaction that is subject to the reporting requirements under Chapter 14A of the Listing Rules. Details of the transaction are as follows:

- (1) On 14 January 2015, Shangri-La Hotel (Qinhuangdao) Co, Limited ("**Qinhuangdao Co**", a wholly-owned subsidiary of the Company) and Kerry Project Management (HK) Limited ("**Management Co**", a wholly-owned subsidiary of KPL) entered into a project management agreement pursuant to which the Management Co will provide project management services in relation to the construction of the Shangri-La Hotel, Qinhuangdao ("**Qinhuangdao Hotel**") owned by the Qinhuangdao Co in Qinhuangdao, China. The fee under the project management agreement shall be 2% of the cost of construction of the Qinhuangdao Hotel (estimated to be about RMB16,232,000). The Management Co shall also be reimbursed the expenses incurred by the Management Co in the course of provision of the project management services.

The Management Co is a subsidiary of KPL which is a subsidiary of KHL (Substantial Shareholder). Accordingly, the Management Co is a connected person of the Company at holding level, and the agreement as described above constitutes a connected transaction for the Company.

# Directors' Report

## CONTINUING CONNECTED TRANSACTION(S)

During the Financial Year, there were also continuing connected transactions for the Company in effect that are subject to the reporting requirements under Chapter 14A of the Listing Rules. Details of these transactions are as follows:

- (1) On 28 January 1995, the Company entered into a disclosable and connected transaction to acquire various hotel interests from certain parties, including connected persons of the Company. Included in these hotel interests was Edsa Shangri-La, Manila ("Edsa Hotel") which is built on land leased from Shang Properties, Inc ("SPI") under a 25-year lease commencing in 1992, with an option to renew the lease for a further term of 25 years. Upon expiration of the further term, SPI agrees to grant to Edsa Shangri-La Hotel & Resort, Inc (the owner of Edsa Hotel) a new lease term of 25 years subject to the prevailing Philippines laws.

SPI is an associate of KPL which is a subsidiary of KHL (Substantial Shareholder). Accordingly, SPI is a connected person of the Company at holding level, and the lease as described above constitutes a continuing connected transaction for the Company.

For the Financial Year, an aggregate amount of US\$1,866,000 (2014: US\$1,919,000) was paid to SPI under the said lease.

- (2) SLIM provided Hotel Management Services to various hotels (which are owned by certain connected persons of the Company) pursuant to certain hotel management, marketing and related agreements entered into between a member of SLIM and each of the said connected persons of the Company. The provision of Hotel Management Services to the following entities remained as continuing connected transactions for the Company during the Financial Year and are required for disclosure in this Annual Report:

### (a) Hotel Jen Tanglin Singapore

Hotel Jen Tanglin Singapore (previously known as Traders Hotel, Singapore) is owned by Cuscaden Properties Pte Limited ("CPPL") which is owned as to 44.6% by the Company and 55.4% by Allgreen Properties Limited ("Allgreen"). CPPL is a subsidiary of Allgreen which is an associate of KHL (Substantial Shareholder). Accordingly, CPPL is regarded as a connected person of the Company at holding level.

### (b) Kerry Hotel, Beijing

Kerry Hotel, Beijing is owned by Beijing Kerry Hotel Co, Limited ("BKH") which is owned as to 23.75% by the Company, 71.25% by KPL and 5% by a third party, and is a subsidiary of KPL. KPL is a subsidiary of KHL (Substantial Shareholder). Accordingly, BKH is regarded as a connected person of the Company at holding level.

Details of relevant agreements in relation to the Hotel Management Services for the above and the transaction amounts involved in the Financial Year and the prior year are set out below:

Hotel	Date of transaction	Nature of agreement	Counter party	Aggregate amount received by SLIM (US\$)	
				2015	2014
(a) Hotel Jen Tanglin Singapore	1 March 1994 (as supplemented)	Management agreement	CPPL	<b>924,000</b>	1,774,000
(b) Kerry Hotel, Beijing	30 June 1998 (as supplemented)	Management and marketing services agreement	BKH	<b>2,763,000</b>	2,500,000

The transaction of (a) above also constitutes a related party transaction in accordance with HKFRS and the amount of this transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 39(b) to the Financial Statements.

The transaction of (b) above also constitutes a related party transaction in accordance with HKFRS and the amount of this transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 39(a) to the Financial Statements.

- (3) On 2 June 2010, SLIM-HK and Shanghai Pudong Kerry City Properties Co, Limited ("SPKCP", a company owned as to 23.2% by the Company, 40.8% by KPL, 16% by Allgreen, and 20% by a third party) entered into a hotel management agreement pursuant to which SLIM-HK was appointed as the manager to provide Hotel Management Services to Kerry Hotel Pudong, Shanghai ("Pudong Hotel"), a hotel owned by SPKCP.

On 11 June 2013, the Company announced that the hotel management agreement had been renewed for another consecutive 3-year term that would expire on 5 January 2017 and SLIM-HK has the right to decide whether the term shall be renewed for another consecutive 3-year term provided that the entire term of the agreement as renewed shall not be longer than 20 years.

SPKCP is an associate of KPL which is a subsidiary of KHL (Substantial Shareholder). Accordingly, SPKCP is a connected person of the Company at holding level, and the agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement, the expected occupancy of Pudong Hotel, possible inflation, and reasonable increases in occupancy and reasonable allowance for unexpected increases in occupancy and/or the room rates of Pudong Hotel, the Company has set an annual cap for each of the following financial years:

Financial year	Annual cap (US\$)
2015	8,800,000
2016	11,000,000

# Directors' Report

For the Financial Year, an aggregate amount of US\$3,943,000 (2014: US\$3,793,000) was received from SPKCP. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 39(b) to the Financial Statements.

- (4) Since 18 November 2010, SLIM-HK has been leasing/licensing from Ubagan Limited ("Ubagan"), a subsidiary of KHL (Substantial Shareholder), various office premises and car parking spaces at Kerry Centre.

On 25 October 2013, SLIM-HK and Ubagan (a) entered into a tenancy offer letter to renew the tenancies in respect of various office premises at Kerry Centre for another 3-year term that would expire on 18 November 2016, and (b) agreed to continue the licences of the car parking spaces.

On 9 February 2015, SLIM-HK entered into a supplemental and partial surrender agreement with Ubagan in respect of the surrender to Ubagan of some of the office premises that were leased under the original tenancy as mentioned above.

As of Year End, the monthly rental/fee(s) for (a) the tenancy of the office premises was HK\$3,714,546.60 (excluding the management fee and air-conditioning charge of HK\$514,622.70); and (b) each floating car parking space and each fixed car parking space were HK\$2,700 and HK\$3,500, respectively.

Ubagan is a subsidiary of KHL (Substantial Shareholder). Accordingly, Ubagan is a connected person of the Company at holding level, and the agreements as described above constitute continuing connected transactions for the Company.

Based on the rentals and fees payable under the said agreements, and taking into account possible additional costs for management fees, air-conditioning charges and any further lease(s) or licence(s) of office premises or car parking space(s) in the event of business expansion/change of the Group, the Company has set an annual cap for each of the following financial years:

Financial year	Annual cap (HK\$)
2015	75,000,000
2016 (up to expiry of the lease)	75,000,000

For the Financial Year, an aggregate amount of HK\$55,239,000 (equivalent to US\$7,128,000) (2014: US\$8,023,000) was paid to Ubagan. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the payment of office rental, management fees and rates under Note 39(a) to the Financial Statements.

- (5) On 17 October 2012, SLIM-HK and Shanghai Ji Xiang Properties Co, Limited ("SJXP", a company owned as to 49% by the Company and 51% by KPL) entered into a hotel management agreement pursuant to which SLIM-HK would provide Hotel Management Services to Jing An Shangri-La, West Shanghai ("Jing An Hotel"), a hotel owned by SJXP. The agreement has a 20-year term commencing from the opening date of the Jing An Hotel. The Company has obtained an independent financial adviser's opinion confirming that it is normal business practice for the agreement to be of such duration.

SJXP is a subsidiary of KPL which is a subsidiary of KHL (Substantial Shareholder). Accordingly, SJXP is a connected person of the Company at holding level, and the agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement and the expected occupancy of the Jing An Hotel, and taking into account possible inflation and possible reasonable increases in occupancy of the Jing An Hotel and the prevailing Renminbi to US dollar exchange rate, the annual cap for each financial year throughout the duration of the said agreement ending 31 December 2033 will not exceed US\$14,000,000.

For the Financial Year, an aggregate amount of US\$4,612,000 (2014: US\$3,834,000) was received from SJXP. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 39(a) to the Financial Statements.

- (6) On 20 June 2013, SLIM-HK and Kerry (Shenyang) Real Estate Development Co, Limited ("KSRE", a company owned as to 25% by the Company, 60% by KPL and 15% by Allgreen) entered into a hotel management agreement pursuant to which SLIM-HK would provide Hotel Management Services to Shangri-La Hotel, Shenyang ("Shenyang Hotel"), a hotel that was originally owned by KSRE. Subsequently, Shangri-La Hotel (Shenyang) Co, Limited ("SLHS"), having the same shareholding structure of KSRE, was formed through the division of KSRE and had become the owner of the Shenyang Hotel in place of KSRE. On 20 May 2014, SLIM-HK, KSRE and SLHS entered an assignment agreement pursuant to which the hotel management agreement was assigned by KSRE to SLHS. The agreement has a 3-year term commencing from the opening date of the Shenyang Hotel and SLIM-HK has the right to decide whether the term shall be renewed for another consecutive 3-year term provided that the entire term of the agreement as renewed shall not be longer than 20 years.

Both KSRE and SLHS are subsidiaries of KPL which is a subsidiary of KHL (Substantial Shareholder). Accordingly, KSRE and SLHS are connected persons of the Company at holding level, and the hotel management agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement and the expected occupancy of the Shenyang Hotel, and taking into account possible inflation and a reasonable buffer to allow for increases in room rates and the occupancy of the Shenyang Hotel, the Company has set an annual cap for each of the following financial years:

Financial year	Annual cap (US\$)
2015	2,500,000
2016 (assuming the hotel management agreement will be renewed upon expiry of the initial 3-year term)	2,800,000

For the Financial Year, an aggregate amount of US\$1,322,000 (2014: US\$1,101,000) was received from SLHS. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 39(a) to the Financial Statements.

# Directors' Report

- (7) On 26 June 2014, SLIM-HK and each of Shangri-La Hotel (Nanjing) Co, Limited (previously known as Ji Xiang Real Estate (Nanjing) Co, Limited) ("**Nanjing Co**", a company owned as to 55% by the Company and 45% by KPL) and Tianjin Kerry Real Estate Development Co, Limited ("**Tianjin Co**", a company owned as to 20% by the Company, 49% by KPL and 31% by Allgreen) (altogether "**Project Cos**") entered into a hotel management agreement, pursuant to which SLIM-HK would provide Hotel Management Services to Shangri-La Hotel, Nanjing and Shangri-La Hotel, Tianjin which are owned by Nanjing Co and Tianjin Co, respectively. Each of the said agreements has a 3-year term commencing from the opening date of the hotel concerned and SLIM-HK has the right to decide whether the term shall be renewed for another consecutive 3-year term provided that the entire term of each of the said agreements shall not be longer than 20 years.

The Project Cos are associates of KPL which is a subsidiary of KHL (Substantial Shareholder). One of the Project Cos (being Tianjin Co) is also an associate of Allgreen which is an associate of KHL and a substantial shareholder of a non-wholly owned subsidiary of the Company. Accordingly, the Project Cos are connected persons of the Company at holding level, and the agreements as described above constitute continuing connected transactions for the Company.

Based on the terms of the said agreements and the expected occupancy of each of the said hotels, and taking into account possible inflation and a reasonable buffer to allow for increases in room rates and the occupancy of the said hotels, the Company has set annual caps for each of the following financial years:

Financial year	Annual cap for Shangri-La Hotel, Nanjing (US\$)	Annual cap for Shangri-La Hotel, Tianjin (US\$)
31 December 2015	1,700,000	1,100,000
31 December 2016	2,100,000	1,900,000
31 December 2017 (for the entire year assuming the hotel management agreement will be renewed upon expiry of the initial 3-year term)	2,600,000	2,100,000

For the Financial Year, the aggregate amounts of US\$1,438,000 and US\$1,014,000 (2014: US\$94,000 and US\$314,000) were received from Nanjing Co and Tianjin Co, respectively. The transaction in respect of Tianjin Co also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 39(b) to the Financial Statements.

- (8) On 27 August 2015, the Company announced that certain subsidiaries of the Group ordered wines from wine suppliers on an ongoing basis for the food and beverage segments of the Group's hotel operations. The Group has maintained a wine programme with various wine suppliers including Kerry Wines Limited ("**Kerry Wines**", a company owned as to 20% by the Company, 60% by KHL and 20% by a company which is an associate of Mr KUOK Khoon Chen and Ms KUOK Hui Kwong, both being Directors, under the Listing Rules). Throughout the Financial Year, certain subsidiaries of the Group respectively placed purchase orders with Kerry Wines or its subsidiary ("**KW Member(s)**") in connection with the purchase of wines under the wine programme. Under the wine programme, the KW Member(s) offer such subsidiaries of the Group certain readily available wines listed under the wine programme at agreed unit prices, subject to revision from time to time, and/or other specific types of wines at prices to be agreed between them when the purchase orders are placed. In addition, the Group may, if it considers appropriate and necessary, also purchase wines en primeur from KW Member(s). All wines purchased from KW Member(s) were/will be effected by purchase orders in written form.

Each KW Member is a subsidiary of KHL (Substantial Shareholder). Accordingly, the KW Members are connected persons of the Company at holding level, and the purchases of wines described above constitute continuing connected transactions for the Company.

Based on (i) the value of the wine orders recognised during the period from 1 January 2015 to 30 June 2015, and (ii) the business plans of the Group for the remaining months of 2015, the Group has set the annual cap of the wine orders to be placed with the KW Members for the Financial Year at US\$5,000,000.

For the Financial Year, the actual aggregate value of such purchases amounted to US\$3,367,000 (2014: US\$2,743,000). The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the purchase of wine under Note 39(a) to the Financial Statements.

The continuing connected transactions mentioned in (1) to (8) above have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
3. in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of Shareholders as a whole.

The Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to HKSE.

On behalf of the Board

**KUOK Khoon Chen**

*Chairman*

Hong Kong, 24 March 2016



Shangri-La Hotel, Paris, France



## CORPORATE GOVERNANCE REPORT

# Corporate Governance Report

The Company recognises the importance of transparency in governance and accountability to Shareholders. The Board believes that Shareholders can maximise 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 AND CORPORATE GOVERNANCE FUNCTIONS

### Directors Handbook

The Board adopted a composite handbook ("**Directors Handbook**") comprising the Securities Principles and the CG Principles, terms of both of which align with or are stricter than the requirements set out in the Securities Model Code and the CG Model Code, save for the provision in the Directors Handbook that the positions of the Chairman and the CEO may be served by the same person. The Directors Handbook serves as a comprehensive guidebook for all Directors.

The Directors Handbook incorporates (amongst other things):

#### **(1) Securities Principles**

- (a) restrictions on Directors' dealings in relation to the Company's securities;
- (b) the Directors' obligations and the board procedures for the mandatory notification to and acknowledgement from the Company prior to any deemed dealings of Directors and the required notification to the Company subsequent to such dealings;
- (c) the requirements of the Directors' mandatory filing with the regulatory body(ies) of their deemed dealings; and
- (d) extended application of the Securities Principles to non-Directors.

#### **(2) CG Principles**

- (a) the terms of the operation of the Board including the obligations of each Director;
- (b) the establishment of each Board committee, including the terms of reference of and/or the policy for each such committee;
- (c) the terms of the corporate governance functions;
- (d) the rights of each Director (including member of any Board committee) for and/or the procedures for independent access to the Group's information and professional advice;
- (e) the written procedures resolved by the Board for Shareholders to exercise certain rights in the Company; and
- (f) the references to and/or the summary of various important regulatory rules and the Company's corporate policies that the Directors are obliged to strictly observe.

The Directors Handbook is updated and revised from time to time where necessary to, amongst other things, (a) align with the relevant mandatory requirements under the Listing Rules and/or any other governing rules, and (b) incorporate any corporate governance terms that the Board considers necessary for better corporate governance of the Company. Any change to the terms of the Securities Principles and the CG Principles shall be determined and approved by the Board.

## Code on Securities Transactions

The Company has made specific enquiry of each of the Directors and all the Directors have confirmed compliance with the Securities Principles throughout the Financial Year.

The Securities Principles also applied to certain employees ("Relevant Employees") in respect of their dealings in the securities of the Company for the Financial Year. The code with which the Relevant Employees are obliged to comply is similar to that with which the Directors are obliged to comply except that the Relevant Employees are not required to fulfil the public filing requirement. The Company has made specific enquiry of each of the Relevant Employees and they have confirmed compliance with the Securities Principles throughout the Financial Year.

## Code on Corporate Governance

The Company has met the CG Principles and the CG Model Code for the Financial Year except for the deviation(s) summarised below:

CG Model Code	Deviation and reason
A.2.1 The roles of the Chairman and the CEO should be separate and should not be performed by the same individual	Mr KUOK Khoon Chen served as both the Chairman and the CEO during the Financial Year. The Company believes that the non-separation of the two roles is not significant given that Mr Gregory Allan DOGAN, an Executive Director, who was the COO up to 5 April 2016, is also the president and chief executive officer of SLIM-HK, the hotel management subsidiary of the Company, which is entrusted with the primary responsibility of operating the assets of the Group.

## Corporate Governance Functions

Under the CG Principles, the Audit Committee has the delegated responsibility to oversee, monitor and observe the terms of the Company's corporate governance functions which include the following major duties:

- (1) to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board;
- (2) to review and monitor the training and continuous professional development of Directors and senior management;
- (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the members of the Group;
- (5) to review the Company's compliance with the relevant code and disclosure requirements in relation to corporate governance in accordance with the Listing Rules;
- (6) to review the Directors Handbook from time to time to ensure the Directors Handbook has sufficiently covered the corporate governance matters that the Board and the Company are required to observe under the Listing Rules; and
- (7) to monitor whether the terms set out in the Directors Handbook are duly observed and complied with.

The Audit Committee had duly performed its duties relating to the corporate governance functions, and save for the deviation(s) from the CG Model Code as aforesaid, it was not aware of any terms of corporate governance being violated during the Financial Year.

# Corporate Governance Report

## BOARD

The Board is accountable to Shareholders for leading the Group in a responsible and effective manner.

### Members, Meetings Held and Attendance

During the Financial Year, the Board held four board meetings. The Directors during the Financial Year and the attendance of each of them in the meetings are as follows:

Name of Director	Meetings attended/ eligible to attend
<b>Executive Directors</b>	
KUOK Khoon Chen ( <i>Chairman &amp; CEO</i> )	4/4
LUI Man Shing ( <i>Deputy Chairman</i> )	4/4
Madhu Rama Chandra RAO ( <i>CFO</i> )	4/4
Gregory Allan DOGAN ( <i>COO</i> )	3/4
<b>Non-executive Directors</b>	
HO Kian Guan (alternate – HO Kian Hock)	3(0)/4
KUOK Hui Kwong	3/4
<b>Independent Non-executive Directors</b>	
Alexander Reid HAMILTON	4/4
Timothy David DATTELS	2/4
WONG Kai Man ( <i>retired on 28 May 2015</i> )	1/1
LI Kwok Cheung Arthur	4/4
LEE Kai-Fu ( <i>appointed on 18 November 2015</i> )	1/1

Other than the above full Board meetings, the Chairman also held an annual meeting in August 2015 with the Directors without the presence of other Executive Directors. The attendance of the Directors at the meeting was as follows:

Name of Director	Attendance
<b>Chairman</b>	
KUOK Khoon Chen	✓
<b>Non-executive Directors</b>	
HO Kian Guan (alternate – HO Kian Hock)	✓ (X)
KUOK Hui Kwong	✓
<b>Independent Non-executive Directors</b>	
Alexander Reid HAMILTON	✓
Timothy David DATTELS	X
WONG Kai Man ( <i>retired on 28 May 2015</i> )	N/A
LI Kwok Cheung Arthur	✓
LEE Kai-Fu ( <i>appointed on 18 November 2015</i> )	N/A
Total attendance	5/6

The relationship between members of the Board, if any, is set out in the section entitled "Board of Directors, Company Secretary and Senior Management" in the Annual Report.

## Term of Appointment of Directors

Each Director is subject to terms of retirement, but shall be eligible for re-election in accordance with the Bye-Laws, the Listing Rules and the Company's nomination policy, in particular:

- (1) any Director who was newly appointed by the Board or by the Shareholders in a general meeting to fill a casual vacancy, or as an addition to the Board, shall retire from office at the next general meeting of the Company;
- (2) every Director shall retire from office by rotation no later than the third annual general meeting after he was last elected or re-elected; and
- (3) at each annual general meeting, not less than one-third (or otherwise the number nearest one-third) of the Directors for the time being shall retire from office by rotation.

Accordingly, the term of appointment of each Director is effectively not more than about 3 years.

## Directors' Training

The Directors participate in continuous professional development to enhance and refresh their skills and knowledge for their role as Directors of the Company. The Company also organises presentations and training sessions that help update Directors on the latest corporate governance and regulatory/legal issues as well as other current topics (including the Group's business/operations' development). In addition to these activities, some Directors also attend external training sessions and presentations.

A summary of the current Directors' professional development initiatives during the Financial Year is set out below:

	Category of training topics	
	Regulatory and corporate governance	Others
<b>Executive Directors</b>		
KUOK Khoon Chen ( <i>Chairman &amp; CEO</i> )	✓	✓
LUI Man Shing ( <i>Deputy Chairman</i> )	✓	✓
Madhu Rama Chandra RAO ( <i>CFO</i> )	✓	✓
Gregory Allan DOGAN ( <i>COO</i> )	✓	✓
<b>Non-executive Directors</b>		
HO Kian Guan (alternate – HO Kian Hock)	✓ (✓)	✓ (✓)
KUOK Hui Kwong		✓
<b>Independent Non-executive Directors</b>		
Alexander Reid HAMILTON	✓	✓
Timothy David DATTELS	✓	✓
LI Kwok Cheung Arthur	✓	✓
LEE Kai-Fu ( <i>appointed on 18 November 2015</i> )	✓	✓

# Corporate Governance Report

## EXECUTIVE COMMITTEE

The Executive Committee was established by the Board on 21 June 1993. The Executive Committee is delegated with the power and authority to oversee the Group's ordinary business, transactions and development. The written terms of reference of the Executive Committee include its defined powers and duties, except that the following matters are explicitly reserved to the Board for decision:

- (1) constitution and share capital
- (2) corporate objectives and strategy
- (3) corporate policies relating to securities transactions by Directors and senior management
- (4) interim and annual results
- (5) significant investments
- (6) major financings, borrowings and guarantees other than those of ordinary terms and for the ordinary operations or for general working capital requirements of the Group
- (7) corporate governance and internal controls
- (8) risk management
- (9) major acquisitions and disposals
- (10) material contracts
- (11) Board members and Auditor
- (12) any other significant matters that will affect the operations of the Group as a whole

During the Financial Year, the majority of material decisions of the Executive Committee were recorded by written resolutions. The members of the Executive Committee during the Financial Year were as follows:

Member	Board capacity
KUOK Khoon Chen ( <i>chairman</i> )	ED, Chairman & CEO
LUI Man Shing	ED & Deputy Chairman
Madhu Rama Chandra RAO	ED & CFO

## NOMINATION COMMITTEE

The Nomination Committee was established by the Board on 19 March 2012. The Nomination Committee, amongst other things, considers any proposed change to members or composition of the Board and/or evaluates the performance of Directors in accordance with the Company's nomination policy. The written terms of reference of the Nomination Committee include the following major duties:

- (1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (2) to identify individuals suitably qualified to become members of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (3) to assess the independence of each newly proposed Independent Non-executive Director and each existing Independent Non-executive Director on an annual basis or as and when the Nomination Committee considers necessary;
- (4) to make recommendations to the Board on the proposed appointment, designation, election or re-election of Directors and succession planning for Directors, in particular the Chairman and the CEO;
- (5) to make recommendations to the Board on the tendered resignation or proposed removal of Directors;
- (6) to provide opinions on any proposed election or re-election of person(s) as Independent Non-executive Director(s) at general meeting(s) of the Company and to provide reasons why they consider the nominated person(s) to be independent;
- (7) if a Director has been serving the Board as an Independent Non-executive Director for more than 9 years and will make himself available for re-election at a general meeting of the Company, to consider if such Director remains independent and suitable to continue to act as an Independent Non-executive Director and to make recommendations to the Board accordingly; and
- (8) to observe the terms of the Company's nomination policy and to make recommendations to the Board on the nomination policy.

The latest full version of the terms of reference of the Nomination Committee has been posted on the Company's corporate website.

During the Financial Year, all decisions of the Nomination Committee were resolved by written resolutions. The members of the Nomination Committee during the Financial Year were as follows:

Member	Board capacity
KUOK Khoon Chen ( <i>chairman</i> )	ED, Chairman & CEO
Madhu Rama Chandra RAO ( <i>until 28 May 2015</i> )	ED & CFO
Alexander Reid HAMILTON	INED
WONG Kai Man ( <i>until 28 May 2015</i> )	INED
LI Kwok Cheung Arthur	INED

# Corporate Governance Report

During the Financial Year, the work performed by the Nomination Committee included:

- (i) For the purpose of re-election of the retiring Directors at the 2015 annual general meeting of the Company, the Nomination Committee:
  - assessed and confirmed the independence of all Independent Non-executive Directors;
  - evaluated and confirmed the contribution of each of those relevant retiring Directors; and
  - recommended to the Board to propose the re-election of each of those relevant retiring Directors at the 2015 annual general meeting of the Company.
- (ii) The Nomination Committee had, on an annual and regular basis, assessed the Board's composition and the Directors' particulars against the parameters set in the nomination policy (including board size, board diversity policy, skills/knowledge/experience, Directors' performance review) and recommended that the structure, size and composition of the Board was satisfactory.
- (iii) In relation to the proposed appointment of Dr LEE Kai-Fu as an Independent Non-executive Director, the Nomination Committee had:
  - assessed the record and personal particulars of Dr LEE Kai-Fu;
  - considered the structure, size and composition of the Board assuming the appointment is effected; and
  - recommended the appointment of Dr LEE Kai-Fu to the Board.

## Nomination Policy

The terms of the nomination policy of the Company in effect during the Financial Year were as follows:

- (1) the total number of Directors (excluding their alternates) shall not exceed 20, with at least 3 Independent Non-executive Directors and at least one-third of the Board members being Independent Non-executive Directors;
- (2) the Board shall be composed of members with mixed skills and experience with appropriate qualifications necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities;
- (3) each new Director shall complement the existing Board composition to ensure that there is an appropriate mix of Directors with different abilities and experiences; shall have the required skills, knowledge and expertise to add value to the Board; and shall be able to commit the necessary time to the position;
- (4) each Independent Non-executive Director shall meet the mandatory qualification requirements as set out in the Listing Rules from time to time;
- (5) the Board shall observe the board diversity policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, including diversity of age, culture and gender;
- (6) the Board shall have the primary responsibility for identifying appropriate candidates to act as new members of the Board;

- (7) Shareholders may also propose candidates for election as a Director provided that the proposal follows the procedures posted on the Company's corporate website;
- (8) each proposed new appointment, election or re-election of a Director shall be evaluated, assessed and/or considered against the criteria and qualifications set out in the Company's nomination policy by the Nomination Committee which shall recommend its views to the Board and/or the Shareholders for consideration and determination; and
- (9) each resignation or removal of a Director shall also be considered by the Nomination Committee which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

## **REMUNERATION COMMITTEE**

The Remuneration Committee was established by the Board on 17 October 1997. The Remuneration Committee shall, amongst other things, review, endorse and/or approve the remuneration of each Director and the Senior Management in accordance with the Company's remuneration policy for Directors and the Senior Management. During the Financial Year, the written terms of reference of the Remuneration Committee included the following major duties:

- (1) to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and the Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (2) to determine the remuneration packages of individual Executive Directors and the Senior Management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, taking into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- (3) to make recommendations to the Board on the Directors' fees and the fees for members of each committee of the Board;
- (4) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (5) to review and approve compensation payable to Executive Directors and the Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (6) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are reasonable and appropriate; and
- (7) to advise Shareholders on how to vote with respect to any Director's service contract that requires Shareholders' approval under the Listing Rules.

The latest full version of the terms of reference of the Remuneration Committee has been posted on the Company's corporate website.

# Corporate Governance Report

## Members, Meetings Held and Attendance

During the Financial Year, the Remuneration Committee held two meetings in January 2015 and September 2015, respectively. The members of the Remuneration Committee and the attendance of each of them in the meeting are as follows:

Member	Board capacity	Meetings attended/ eligible to attend
Alexander Reid HAMILTON ( <i>elected as chairman on 28 May 2015</i> )	INED	2/2
KUOK Khoon Chen	ED, Chairman & CEO	2/2
WONG Kai Man ( <i>chairman and member until 28 May 2015</i> )	INED	1/1
LI Kwok Cheung Arthur	INED	1/2

During the Financial Year, the work performed by the Remuneration Committee included:

- (i) assessing the performance of the Executive Directors and the Senior Management in the context of the financial performance of the Group and its development strategy in the medium term;
- (ii) approving the terms of remuneration of the Executive Directors and the Senior Management, having considered the financial results of the Group, its growth plans, the competitive environment in the hotel industry for obtaining competent management talent, and the need to adequately reward outstanding performances; and
- (iii) considering the remuneration package of a newly identified executive, Mr TOH Hup Hock, who would succeed Mr Madhu Rama Chandra RAO as the new CFO, and authorising the Chairman to finalise his remuneration package.

## Remuneration Policy for Executive Directors and Senior Management

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of the individual Executive Directors and the Senior Management.

The remuneration for the Executive Directors and the Senior Management comprises salary, discretionary bonus, pensions and/or housing, and annual leave fare for expatriate Executive Directors and expatriate Senior Management.

Salaries are reviewed annually. Salary increases of Executive Directors and Senior Management are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

In addition to salary, Executive Directors and Senior Management are eligible to receive a discretionary bonus the amount of which shall be reviewed and approved by the Remuneration Committee, which shall take into consideration factors such as market conditions as well as corporate and individual performances.

In order to attract, retain and motivate executives and key employees serving any member of the Group, Directors and Senior Management are also eligible to participate in the Company's share option scheme and share award scheme. The grant of share options and share awards to Directors and/or Senior Management and the terms thereto shall be approved by the Remuneration Committee.

## Remuneration of Directors and Senior Management

The Non-executive Directors (including Independent Non-executive Directors) and the members of the Board committees (other than Executive Director(s)) were entitled to annual fees that were approved by Shareholders at the annual general meeting prior to payment. Such annual fees for the Financial Year and the previous year are as follows:

Annual fee	Basis of pro-rating for the year	Amount (HK\$)	
		2015	2014
As NED/INED	Period of directorship	<b>200,000</b>	200,000
As Nomination Committee member	Period of membership	<b>50,000</b>	50,000
As Remuneration Committee member	Period of membership	<b>50,000</b>	50,000
As Audit Committee member	Period of membership	<b>100,000</b>	100,000
	Attendance rate at meetings	<b>100,000</b>	100,000

Details of the remuneration paid to each of the Directors for the Financial Year and the previous year are set out in Note 30 to the Financial Statements.

The remuneration (including bonus but excluding other benefits) paid to the Senior Management for the Financial Year and the previous year are set out below (by band):

Range of remuneration (HK\$)	Number of members of Senior Management	
	2015	2014
2,000,001 to 3,000,000	1	–
3,000,001 to 4,000,000	3	3
4,000,001 to 5,000,000	2	3
11,000,001 to 12,000,000	1	–
13,000,001 to 14,000,000	–	1
	<b>7</b>	7

# Corporate Governance Report

## AUDIT COMMITTEE

The Audit Committee was established by the Board on 25 August 1998. The Audit Committee shall, amongst other things, supervise the financial reporting and the internal controls within the Group. During the Financial Year, the written terms of reference of the Audit Committee included the following major duties:

- (1) to make recommendations to the Board on the appointment, re-appointment and removal of the Auditor, to approve the remuneration and terms of engagement of the Auditor, and to consider any questions of its resignation or dismissal;
- (2) to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (3) to review and monitor the integrity of the Company's interim and annual financial statements, reports and accounts, and to review significant financial reporting judgements contained therein, before submission to the Board;
- (4) to review the Company's financial controls, internal controls and risk management systems;
- (5) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system;
- (6) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;
- (7) to review the internal audit programme to ensure co-ordination between the internal and the external auditors, and to review and monitor its effectiveness;
- (8) to review the Group's financial and accounting policies and practices;
- (9) to report to the Board on the matters set out in the terms of reference and, in particular, the matters required to be performed by the Audit Committee under the Listing Rules;
- (10) to review whistleblowing policy(ies) or arrangements established for employees of and/or those who deal with the Group who may, in confidence, raise concerns about possible improprieties in financial reporting, internal controls or other matters; and
- (11) to oversee, monitor and observe the Company's corporate governance matters.

With effect from 1 January 2016 and in response to the new rules under the Listing Rules in relation to risk management, the terms of reference of the Audit Committee have been revised such that, among other things, the Audit Committee has been made explicitly responsible to review and oversee the risk management issues of the Group.

The latest full version of the terms of reference of the Audit Committee has been posted on the Company's corporate website.

The whistleblowing and whistleblower protection policy (for external users) has also been posted on the Company's corporate website for external users' use.

## Members, Meetings Held and Attendance

During the Financial Year, the Audit Committee held four meetings. The members of the Audit Committee and the attendance of each of them at the meetings are as follows:

Member	Board capacity	Meetings attended/ eligible to attend
Alexander Reid HAMILTON ( <i>chairman</i> )	INED	4/4
WONG Kai Man ( <i>until 28 May 2015</i> )	INED	2/2
LI Kwok Cheung Arthur	INED	4/4
HO Kian Guan ( <i>appointed on 28 May 2015</i> )	NED	1/2

During the Financial Year, the work performed by the Audit Committee included:

- (i) reviewing the Group's financial controls and the conducting of the internal audit of the Group;
- (ii) making recommendations on the remuneration payable to the Auditor for the Financial Year and the re-appointment of the Auditor, and satisfying itself on the Auditor's independence and objectivity;
- (iii) reviewing financial issues with the Auditor in the committee meetings;
- (iv) reviewing the interim and annual financial statements before these were submitted to the Board for approval;
- (v) reviewing the reports issued by the internal audit team and discussing the risk and internal controls of the Group;
- (vi) reviewing significant legal, litigation or in-house investigation matters of the Group; and
- (vii) overseeing the Company's corporate governance matters with reference to the Company's terms of reference for corporate governance functions.

The Audit Committee was satisfied with its review for the Financial Year and concluded that no material issues were identified that needed to be brought to the particular attention of the Board or the Shareholders.

## INTERNAL CONTROLS

The Board has overall responsibility for maintaining sound and effective internal control systems in the Group. Internal control policies and procedures are designed to identify and manage the risks that the Group may be exposed to, thereby providing reasonable assurance regarding the achievement of corporate objectives. Internal financial systems also allow the Board to monitor the Group's overall financial position, to protect the Group's assets and to mitigate against material financial misstatement or loss. Through the Audit Committee, the Board has conducted reviews of the effectiveness of the system of internal controls of the Group. The reviews cover all material controls, including financial, operational and compliance controls and risk management functions. The Board considers the internal control system effective and adequate.

### Internal Audit

The Board also monitors its internal financial control systems through management reviews and a programme of internal audits. The internal audit team reviews the major operational and financial systems of the Group on a continuing basis and aims to cover all major operations within every division on a rotational basis. The scope of its review and of the audit programme is determined and approved by the Audit Committee at the beginning of each financial year. The internal audit function reports directly to the Audit Committee and submits regular reports for its review in accordance with the approved programme.

# Corporate Governance Report

## EXTERNAL AUDITORS

The Company's Auditor is PricewaterhouseCoopers, Hong Kong.

For the Financial Year, the external auditors (including their other member firms) that provided audit and non-audit services to the Group are as follows:

Services	Fees charged (US\$'000)
PricewaterhouseCoopers	
Audit services (including interim review)	1,180
Non-audit services	
(a) tax services	158
(b) other advisory services	198
Total	1,536
Other auditor(s)	
Audit services	596
Non-audit services	
(a) tax services	190
(b) other advisory services	49
Total	835

## Auditor

The Financial Statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment as the Auditor of the Company at the Annual General Meeting.

## Responsibility for Financial Statements

The Directors acknowledge their responsibility for the preparation of the Financial Statements. In preparing the Financial Statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the Financial Statements.

The statement of the Auditor in regard to its reporting responsibilities on the Financial Statements is set out in the section entitled "Independent Auditor's Report".

## GENERAL MEETING(S)

During the Financial Year, the following general meeting of Shareholders was held:

- annual general meeting held on 28 May 2015 at 10:30 am in Hong Kong

All proposed Shareholders' resolutions put to the above general meeting were resolved by poll vote and were duly passed. The vote tally of each such resolution was set out in the Company's announcement released on the day of the general meeting.

The attendance of the members of the Board and/or each Board committee in the general meeting is as follows:

		Attended in the capacity of a member of		
Meeting date: 28 May 2015	Board	Nomination Committee	Remuneration Committee	Audit Committee
<b>Executive Directors</b>				
KUOK Khoon Chen ( <i>Chairman &amp; CEO</i> )	✓	✓	✓	
LUI Man Shing ( <i>Deputy Chairman</i> )	✓			
Madhu Rama Chandra RAO ( <i>CFO</i> )	✓	✓		
Gregory Allan DOGAN ( <i>COO</i> )	✓			
<b>Non-executive Directors</b>				
HO Kian Guan ( <i>alternate – HO Kian Hock</i> )	✓ (X)			
KUOK Hui Kwong	✓			
<b>Independent Non-executive Directors</b>				
Alexander Reid HAMILTON	✓	✓	✓	✓
Timothy David DATTELS	X			
WONG Kai Man ( <i>retired on 28 May 2015</i> )	✓	✓	✓	✓
LI Kwok Cheung Arthur	✓	✓	✓	✓
LEE Kai-Fu ( <i>appointed on 18 November 2015</i> )	N/A			
Total attendance	9/10			

## GENERAL MANDATES GRANTED TO DIRECTORS

### New Issue Mandate

At the Company's annual general meeting in 2015, Shareholders granted to the Directors a general mandate to issue new Shares (subject to the requirements of the Listing Rules) representing not more than 20% of the issued Shares as at the date of the general meeting.

Up to the date of the Annual Report, the general mandate has not been exercised. The general mandate will expire not later than the conclusion of the Annual General Meeting.

The approval of a similar and refreshed general mandate will also be sought from Shareholders at the Annual General Meeting. Details of the mandate have been set out in the notice convening the Annual General Meeting which is issued simultaneously with the Annual Report.

# Corporate Governance Report

## Share Repurchase Mandate

At the Company's annual general meeting in 2015, Shareholders granted to the Directors a general mandate to repurchase Shares (subject to the requirements of the Listing Rules) representing not more than 10% of the issued Shares as at the date of the general meeting.

Up to the date of the Annual Report, the general mandate has not been exercised. The general mandate will expire not later than the conclusion of the Annual General Meeting.

The approval of a similar and refreshed general mandate will also be sought from Shareholders at the Annual General Meeting. Details of the mandate have been set out in the notice convening the Annual General Meeting and a separate circular of the Company, both of which are issued simultaneously with the Annual Report.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## DIVIDEND POLICY

The Board considered that the Company's dividend policy should be based on the profits of the Group that were not affected by exceptional items (ie, based on operating/recurring profits). Given the capital expenditure requirements to support the Group's expansion plans, the Board was of the view that 50% to 55% of operating/recurring profits could be a general yet non-mandatory yardstick/benchmark for the Board's consideration as payment of dividends to Shareholders.

The total dividend paid/declared for the Financial Year represents 54% of the annual operating/recurring profits.

The Board reviews the Company's dividend policy regularly to ensure that the policy is in line with market practice and is appropriate considering the Group's ongoing development plans.

## INVESTOR RELATIONS

### Shareholders' Right to Propose a Person for Election as a Director

Shareholders shall have the right to propose a person for election as a Director at the Company's general meeting. Detailed procedures for this right have been posted on the Company's corporate website, referred to as "Procedures for Shareholders to Propose a Person for Election as a Director".

### Shareholders' Right to Request to Convene General Meeting

Shareholders shall also have the right to request the Board to convene a general meeting of the Company. Detailed procedures for this right have been posted on the Company's corporate website. Any Shareholder who wishes to exercise his/her right hereof shall refer to the "Procedures for Shareholders' Requests to Convene a General Meeting" ("**Procedures to Convene General Meeting**") as posted on the Company's corporate website. The major terms of the Procedures to Convene General Meeting are summarised as follows:

- (1) Holder(s) of Shares and registered in the Company's register(s) of members as registered Shareholder(s) ("**Requisitionist(s)**") may submit a written request ("**Requisition**") to convene a special general meeting provided that the Requisitionist(s) is/are holding not less than one-tenth of the paid up capital of the Company as at the date of the request.

(2) The Requisition must:

- (a) state the purpose(s) of the special general meeting and, where appropriate, be accompanied with all necessary materials and information for the purposes of the subject matter of the special general meeting;
- (b) state the full name of each Requisitionist;
- (c) state the number of the Shares held by each Requisitionist as at the date of the Requisition;
- (d) state the valid contact details of each Requisitionist, including phone number and email address;
- (e) be signed by each Requisitionist;
- (f) be accompanied with a sum reasonably sufficient to meet the Company's expenses in giving any notice or statement to Shareholders; and
- (g) be delivered to the Company at its registered office in Bermuda as well as its principal place of business in Hong Kong and shall be addressed for the attention of the Company's company secretary.

(3) If the Board receives a due Requisition:

- (a) the Board shall convene a special general meeting within 21 calendar days immediately after the Requisition is duly lodged with the Company in accordance with the Procedures to Convene General Meeting; and
  - (b) the Board shall simultaneously issue notice and information of the special general meeting (specifying the place, date and hour of the meeting and the general nature of the business to be considered) to all Shareholders subject to and in accordance with the Bye-Laws, the Listing Rules and the Bermuda Companies Act to convene the meeting which shall be held at least (i) 10 clear business days in Hong Kong (excluding Saturdays) and (ii) 14 clear calendar days (excluding the day of notice and the day it is deemed to have been served as well as the day of the meeting) after the notice.
- (4) If the Board fails to convene a special general meeting in accordance with (3)(a) hereinabove, the Requisitionist(s) or any of them may convene a special general meeting for the Requisition provided that:
- (a) the aggregate voting rights of the Shares registered in the name of such Requisitionist(s) convening the special general meeting represent more than one half of the total voting rights of the Shares registered in the name of all the Requisitionist(s); and
  - (b) such Requisitionist(s) shall issue proper notice of the special general meeting to all Shareholders in a similar manner to that set out in (3)(b) hereinabove to convene a special general meeting, and such meeting shall be held within 3 calendar months immediately after the Requisition is duly lodged with the Company in accordance with the Procedures to Convene General Meeting.

# Corporate Governance Report

- (5) The Board shall have the absolute right to request the Requisitionist(s) to provide further materials or information in relation to the Requisition that the Board considers necessary to facilitate the convening, if appropriate, of the special general meeting as requested. The Requisitionist(s) shall provide such further materials and information that the Company may request in a timely fashion. The Board may reject a Requisition that does not fulfil any conditions as set out in the Procedures to Convene General Meeting, or if a special general meeting is, in the Board's reasonable and absolute discretion, not appropriately requested to be convened, and the Board shall inform the Requisitionists within 21 calendar days therefrom that the request under the Requisition will not be progressed.

## Shareholders' and Investors' Communications

The Company reports on its financial and operating performance to Shareholders through interim and annual reports. At annual general meetings of the Company, Shareholders may raise questions with the Directors relating to the performance and future direction of the Group.

In addition, press conferences and analyst briefings are held at least twice a year subsequent to the interim and the final results announcements at which appropriate Executive Directors and management members are available to answer queries on the Group.

Shareholders and investors may also address their enquiries to the Board through the enquiry channel available on the Company's corporate website.

In the event any Shareholder wishes to put forward any proposal to a general meeting of Shareholders or for the Board's consideration, the Shareholder shall raise his/her proposal to the Board in writing to the Company's head office and principal place of business in Hong Kong or through the enquiry channel on the Company's corporate website. If the Board considers the proposal appropriate, the Board will take appropriate action or arrangement for consideration at the next available general meeting or Board meeting.

## Key Dates for Shareholders in 2016

The key dates are set out in the section entitled "Corporate Information" in the Annual Report.

## PUBLIC FLOAT

Based on the information recorded in the registers required to be kept by the Company under Sections 336 and 352 of the SFO or otherwise notified to the Company and within the knowledge of the Directors:

- (1) as at Year End, the public float of the Shares made up 45.66% or a capitalisation of approximately HK\$12.37 billion based on the closing price of the Shares as at Year End; and
- (2) a sufficient public float of the Shares as required by the Listing Rules has been maintained during the Financial Year and the period thereafter up to the date of the Annual Report.

# Independent Auditor's Report



羅兵咸永道

**TO THE SHAREHOLDERS OF SHANGRI-LA ASIA LIMITED**  
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shangri-La Asia Limited (the "Company") and its subsidiaries set out on pages 114 to 220, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 24 March 2016

# Consolidated Statement of Financial Position

	Note	As at 31 December	
		2015 US\$'000	2014 US\$'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	7	6,386,127	6,465,821
Investment properties	8	1,120,279	1,071,038
Leasehold land and land use rights	9	542,360	615,898
Intangible assets	10	89,770	91,233
Interest in associates	12	3,535,739	3,584,567
Deferred income tax assets	25	4,363	553
Available-for-sale financial assets	13	4,692	4,906
Derivative financial instruments	23	34	342
Other receivables	14	13,173	13,099
		11,696,537	11,847,457
<i>Current assets</i>			
Inventories		42,797	46,433
Properties for sale		21,309	23,499
Accounts receivable, prepayments and deposits	15	315,443	283,396
Amounts due from associates	12	109,588	75,072
Derivative financial instruments	23	31	161
Amounts due from non-controlling shareholders	24	106	57
Financial assets held for trading	16	15,533	21,947
Cash and bank balances	17	1,084,069	1,442,257
		1,588,876	1,892,822
Total assets		13,285,413	13,740,279
<b>EQUITY</b>			
<i>Capital and reserves attributable to the Company's equity holders</i>			
Share capital	18	3,191,801	3,191,745
Other reserves	19	1,114,421	1,716,784
Retained earnings		2,086,071	1,995,669
		6,392,293	6,904,198
Non-controlling interests	24	497,392	535,049
Total equity		6,889,685	7,439,247

	Note	As at 31 December	
		2015 US\$'000	2014 US\$'000
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Bank loans	20	2,965,774	3,277,663
Convertible bonds	21	–	527,305
Fixed rate bonds	22	598,758	597,787
Derivative financial instruments	23	3,612	2,500
Amounts due to non-controlling shareholders	24	28,563	27,579
Deferred income tax liabilities	25	317,319	304,957
		3,914,026	4,737,791
<i>Current liabilities</i>			
Accounts payable and accruals	26	834,916	829,245
Amounts due to non-controlling shareholders	24	22,059	8,605
Current income tax liabilities		19,885	21,280
Bank loans	20	1,052,082	703,133
Convertible bonds	21	550,458	–
Derivative financial instruments	23	2,302	978
		2,481,702	1,563,241
Total liabilities		6,395,728	6,301,032
Total equity and liabilities		13,285,413	13,740,279

The notes on pages 121 to 220 are an integral part of these consolidated financial statements.

The financial statements on pages 114 to 220 were approved by the Board of Directors on 24 March 2016 and were signed on its behalf

**KUOK Khoon Chen**

*Director*

**Madhu Rama Chandra RAO**

*Director*

# Consolidated Income Statement

	Note	Year ended 31 December	
		2015 US\$'000	2014 US\$'000
<i>Sales</i>	5	2,122,624	2,111,584
Cost of sales	27	(934,037)	(912,646)
<i>Gross profit</i>		1,188,587	1,198,938
Other (losses)/gains – net	28	(21,111)	19,342
Marketing costs	27	(89,914)	(84,858)
Administrative expenses	27	(202,434)	(203,959)
Other operating expenses	27	(721,802)	(704,889)
<i>Operating profit</i>		153,326	224,574
Finance costs – net	31	(135,351)	(117,294)
Share of profit of associates	32	254,358	207,286
<i>Profit before income tax</i>		272,333	314,566
Income tax expense	33	(102,355)	(107,071)
Profit for the year		169,978	207,495
<i>Attributable to:</i>			
Equity holders of the Company		140,131	180,889
Non-controlling interests		29,847	26,606
		169,978	207,495
<i>Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)</i>			
– basic	34	3.93	5.77
– diluted	34	3.93	5.77
Dividends	35	46,058	51,805

# Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2015	2014
	US\$'000	US\$'000
<i>Profit for the year</i>	169,978	207,495
<i>Other comprehensive (loss)/income:</i>		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Remeasurements of post employment benefit obligation	(1,170)	970
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value changes of interest-rate swap contracts – hedging	(2,874)	(3,337)
Currency translation differences – subsidiaries	(413,994)	(161,765)
Currency translation differences – associates	(238,292)	(41,626)
Other comprehensive loss for the year	(656,330)	(205,758)
Total comprehensive (loss)/income for the year	(486,352)	1,737
<i>Attributable to:</i>		
Equity holders of the Company	(461,285)	(5,578)
Non-controlling interests	(25,067)	7,315
	(486,352)	1,737

# Consolidated Statement of Changes in Equity

Note	Attributable to equity holders of the Company					Non- controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Other reserves US\$'000	Retained earnings US\$'000	Total US\$'000			
<i>Balance at 1 January 2015</i>	3,191,745	1,716,784	1,995,669	6,904,198	535,049	7,439,247	
Remeasurements of post-employment benefit obligations	–	–	(1,163)	(1,163)	(7)	(1,170)	
Fair value changes of interest-rate swap contracts – hedging	–	(2,874)	–	(2,874)	–	(2,874)	
Currency translation differences	–	(597,379)	–	(597,379)	(54,907)	(652,286)	
Other comprehensive loss for the year recognised directly in equity	–	(600,253)	(1,163)	(601,416)	(54,914)	(656,330)	
Profit for the year	–	–	140,131	140,131	29,847	169,978	
<i>Total comprehensive income/(loss) for the year ended 31 December 2015</i>	–	(600,253)	138,968	(461,285)	(25,067)	(486,352)	
Exercise of share options – allotment of shares	18	44	–	–	44	–	44
Exercise of share options – transfer from share option reserve to share premium	18, 19	12	(12)	–	–	–	–
Transfer of share option reserve to retained earnings upon expiry of share options		–	(2,098)	2,098	–	–	–
Payment of 2014 final dividend		–	–	(27,635)	(27,635)	–	(27,635)
Payment of 2015 interim dividend		–	–	(23,029)	(23,029)	–	(23,029)
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(19,405)	(19,405)
Net change in equity loans due to non-controlling shareholders		–	–	–	–	6,815	6,815
	56	(2,110)	(48,566)	(50,620)	(12,590)	(63,210)	
<i>Balance at 31 December 2015</i>	3,191,801	1,114,421	2,086,071	6,392,293	497,392	6,889,685	

	Attributable to equity holders of the Company					
Note	Share capital US\$'000	Other reserves US\$'000	Retained earnings US\$'000	Total US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
<i>Balance at 1 January 2014</i>	2,554,222	1,904,254	1,854,105	6,312,581	554,763	6,867,344
Remeasurements of post-employment benefit obligations	–	–	958	958	12	970
Fair value changes of interest-rate swap contracts – hedging	–	(3,337)	–	(3,337)	–	(3,337)
Currency translation differences	–	(184,088)	–	(184,088)	(19,303)	(203,391)
Other comprehensive income/(loss)						
for the year recognised directly in equity	–	(187,425)	958	(186,467)	(19,291)	(205,758)
Profit for the year	–	–	180,889	180,889	26,606	207,495
Total comprehensive income/(loss)						
for the year ended 31 December 2014	–	(187,425)	181,847	(5,578)	7,315	1,737
Rights issue	18	637,308	–	–	637,308	–
Exercise of share options – allotment of shares	18	170	–	–	170	–
Exercise of share options – transfer from						
share option reserve to share premium	18, 19	45	(45)	–	–	–
Payment of 2013 final dividend	–	–	(16,113)	(16,113)	–	(16,113)
Payment of 2014 interim dividend	–	–	(24,170)	(24,170)	–	(24,170)
Dividend paid and payable to non-controlling shareholders	–	–	–	–	(21,724)	(21,724)
Net change in equity loans due to non-controlling shareholders	–	–	–	–	(5,305)	(5,305)
	637,523	(45)	(40,283)	597,195	(27,029)	570,166
<i>Balance at 31 December 2014</i>	3,191,745	1,716,784	1,995,669	6,904,198	535,049	7,439,247

Included in the retained earnings are statutory funds of approximately US\$63,154,000 (2014: US\$61,605,000). These funds are set up by way of appropriation from the profit after taxation of the respective companies, established and operating in Mainland China, in accordance with the relevant laws and regulations.

# Consolidated Cash Flow Statement

	Note	Year ended 31 December	
		2015 US\$'000	2014 US\$'000
<i>Cash flows from operating activities</i>			
Cash generated from operations	36(a)	559,424	564,586
Interest paid		(141,808)	(143,133)
Hong Kong profits tax paid		(15,936)	(16,478)
Overseas tax paid		(62,768)	(56,867)
Net cash generated from operating activities		338,912	348,108
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment		(142,359)	(164,708)
Capital expenditure on properties under development		(581,303)	(671,845)
Addition of leasehold land and land use rights		(3,568)	(55)
Capital expenditure on investment properties		(49,210)	(34,062)
Capital expenditure on intangible assets		(525)	–
Proceeds from disposal of property, plant and equipment; and investment properties		725	953
Refund of land cost previously paid		–	8,991
Final consideration payment for acquisition of a subsidiary		(31,650)	–
Net proceeds from disposal of controlling interests in a subsidiary	36(b)	14,333	–
Capital contribution to associates		(8,824)	(59,310)
Net increase in loans to associates		(3,628)	(35,651)
Interest received		12,884	12,299
Dividends received from associates		51,625	41,777
Dividends received from listed securities		1,050	1,045
Disposal of financial assets held for trading		2,266	–
Increase in short-term bank deposits with original maturities over 3 months		(76,224)	(90,767)
Net cash used in investing activities		(814,408)	(991,333)
<i>Cash flows from financing activities</i>			
Dividends paid to the Company's equity holders		(50,664)	(40,283)
Dividends paid to non-controlling shareholders		(18,118)	(23,177)
Net proceeds from issuance of ordinary shares		44	170
Net proceeds from rights issue		–	637,308
Net increase/(decrease) in loans from non-controlling shareholders		17,210	(5,654)
Increase in short-term advance from an associate of the Company's controlling shareholder		–	16,343
Repayment of bank loans		(1,367,461)	(512,097)
Bank loans drawn down		1,505,068	805,701
Net cash generated from financing activities		86,079	878,311
Net (decrease)/increase in cash and cash equivalents		(389,417)	235,086
Cash and cash equivalents at beginning of the year		1,327,835	1,111,435
Exchange losses on cash and cash equivalents		(44,994)	(18,686)
Cash and cash equivalents at end of the year	17	893,424	1,327,835

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

Shangri-La Asia Limited ("Company") and its subsidiaries (together, "Group") own/lease and operate hotels and associated properties; and provide hotel management and related services.

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### 2.1.1 Going concern

The consolidated financial statements as at 31 December 2015 have been prepared on a going-concern basis although the Group's consolidated current liabilities exceeded its consolidated current assets by US\$892,826,000. The future funding requirements can be met through the committed available bank loan facilities of US\$1,799,345,000 which are maturing after 31 December 2016 and the net cash inflows to be generated from operating activities. In addition, the Group has signed new bank borrowing agreements totalling US\$450,874,000 subsequent to year end and has received firm offers from banks for new long term loan facilities totalling US\$631,081,000 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 in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 20.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### 2.1.2 Amendments to standards adopted by the Group

The following amendments to standards effective in 2015 which are relevant to the Group's operations have been adopted by the Group for the first time for the financial year beginning on 1 January 2015. All these new amendments adopted by the Group did not have a significant impact on the Group's financial statements.

##### ***Amendments to HKAS 19 regarding defined benefit plans: employee contributions***

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

##### ***Annual improvements 2012 on HKFRS 8 'Operating segments'***

Amendments to HKFRS 8 requires disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

##### ***Annual improvements 2012 on HKAS 16 "Property, plant and equipment" and HKAS 38 "Intangible assets"***

Amendments to HKAS 16 and HKAS 38 clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

##### ***Annual improvements 2012 on HKAS 24 'related party disclosures'***

Amendments to HKAS 24 do not require disclosure on the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the Company by the management entity for services provided.

##### ***Annual improvements 2013 on HKFRS 3 'Business combinations'***

Amendments to HKFRS 3 clarify that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

##### ***Annual improvements 2013 on HKFRS 13 'Fair value measurement'***

Amendments to HKFRS 13 clarify that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

##### ***Annual improvements 2013 on HKAS 40 'Investment property'***

Amendments to HKAS 40 clarify that the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### 2.1.3 New standards and amendments to standards not yet adopted by the Group

The following new standards and amendments to standards are relevant to the Group's operations but are not effective for the year 2015 and have not been early adopted:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 9	Financial Instruments
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 15	Revenue from Contracts with Customers
Amendments from annual improvements to HKFRSs 2012-2014 cycle	

The Group is now assessing the impact of these new standards and amendments to standards on the Group's financial statements.

### 2.2 Consolidation

The consolidated financial statements included the financial statements of the Company and all its subsidiaries made up to 31 December.

#### (a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to obtain, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets.

The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement as negative goodwill.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Consolidation (continued)

#### (b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of additional interest in subsidiaries from non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interest in subsidiaries to non-controlling interests are also recorded in equity.

#### (c) Disposal of subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests and no gain or loss is recognised.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (see Note 2.8).

If the ownership interest in an associate is reduced but significant influence is retained, only the proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performances of the operating segments, has been identified as the executive directors of the Company.

### 2.4 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's principal subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States dollars (US\$), which is the Company's functional and presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except those arising from qualifying cash flow hedges and qualifying net investment hedges which would be recognised in other comprehensive income.

Foreign exchange gains and losses including those relate to borrowings and cash and bank balances are presented in the consolidated income statement within "Finance costs – net".

Translation differences on non-monetary items, such as financial assets held for trading at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in equity.

#### (c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments on assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of the statement of financial position.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Property, plant and equipment

Buildings comprise mainly hotel properties. Property, plant and equipment, including leasehold land classified as finance lease, are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation is calculated to write off the cost to their residual value on a straight-line basis over the expected useful lives. The useful lives or principal annual rates used are:

Leasehold land classified as finance lease	Underlying land lease term
Hotel properties and other buildings	Lower of underlying land lease term or 50 years
Plant and machinery	5% to 10%
Furniture, fixtures and equipment	10% to 33⅓%
Motor vehicles	20% to 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

Properties under development and freehold land for hotel properties are not subject to depreciation and are stated at cost less accumulated impairment, if any. Leasehold land classified as finance lease commences depreciation from the time when the land is available for its intended use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating expenses in the income statement if the disposal is arising from normal operation of the business.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Property that is being constructed or developed for future use as investment property is also classified as investment property before construction or development is completed.

Investment property comprises land held under operating lease or freehold and buildings. Land held under operating leases is classified and accounted for as investment property without amortisation when the rest of the definition of investment property is met.

Investment property is measured initially at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value, representing open market value determined by external professional valuers. Property under construction that is being classified as investment property is revalued to fair value when it becomes reliably determinable on a continuing basis. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

### 2.7 Leasehold land and land use rights

Prepaid leasehold land premiums or land use rights for hotel properties or for development of hotel properties, other than those considered as finance lease as grouped under property, plant and equipment, are classified and accounted for as leasehold land and land use rights and are stated at cost and amortised over the period of the lease on a straight-line basis to the income statement.

### 2.8 Intangible assets

#### (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in interest in associates. Goodwill on acquisitions is tested for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (b) Trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 20 to 50 years.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Intangible assets (continued)

#### (c) Website and system development costs

Website and system development costs that are directly associated with the development of identifiable and unique products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Such development costs are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 years upon commencement of operation.

### 2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### 2.10 Impairment of investments in subsidiaries, associates and non-financial assets

Intangible assets that have an indefinite useful life, for example goodwill, or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.11 Investments

The Group classifies its investments in the following categories: financial assets held for trading, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this classification at every reporting date.

#### (a) Financial assets held for trading

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months from the date of the statement of financial position; otherwise, they are classified as non-current assets.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Investments (continued)

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the date of the statement of financial position which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position (Note 2.15).

#### (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the date of the statement of financial position.

Purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets held for trading are subsequently carried at fair value based on current market closing bid prices with realised and unrealised gains and losses arising from changes in the fair value included in the income statement in the period in which they arise. Loans and receivables are carried at amortised cost using the effective interest method less impairment with changes in carrying value to be recognised in the income statement. Unlisted equity as included in available-for-sale financial assets are stated at cost less impairment (which is charged to the income statement) as the fair value of these unlisted financial assets cannot be reliably measured. Club debentures held for long-term investment purpose and included in available-for-sale financial assets are stated at fair value and the changes in fair value are recognised in equity.

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value below its cost is considered as an indicator whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment testing of loans and receivables is the same as trade and other receivables as disclosed in Note 2.15.

### 2.12 Derivative financial instruments (hedging and non-hedging)

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

In order to determine whether the instruments qualify for hedge accounting or not, the Group performs an analysis to assess whether changes in the cash flows of the instruments are deemed highly effective in offsetting changes in the cash flows of the hedged items.

#### (a) Hedging

Hedging instruments are initially recognised at fair value on the date of the contract entered into and are re-measured to their fair value at subsequent reporting dates. The effective portion of the change in the fair value of the contracts is recognised in "Hedging reserve" in equity. The gain or loss relating to the ineffective portion is recognised immediately in the "Other gains/(losses) – net" of income statement.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Derivative financial instruments (hedging and non-hedging) (continued)

#### (a) Hedging (continued)

For interest-rate swap contracts used for hedging bank loan interest payment under bank loan agreements in order to swap the floating interest rate borrowings to fixed interest rate borrowings, the related cash flows in the same period of the hedged transaction are classified as interest expenses in the income statement.

For currency forward contracts used to hedge the currency risk associated with the forecast foreign currency payment obligation under certain sale and purchase agreements for capital expenditure investment executed, the amounts accumulated in the "Hedging reserve" were transferred out and were included in the initial investment cost of the net asset acquired when the payment was made.

For currency forward contracts used to hedge the currency risk associated with the forecast foreign currency receipt during the year, the difference between the net cash received and the then book value of the receivable are classified as finance cost.

If at any time the hedging instruments are no longer highly effective as a hedge, the Group discontinues hedge accounting for those hedging instruments and all subsequent changes in fair value are recorded in "Other gains/(losses) – net".

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement within "Other gains/(losses) – net".

#### (b) Non-hedging

Derivative financial instruments that do not qualify for hedge accounting are categorised as derivatives at fair value through profit or loss and changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement within "Other gains/(losses) – net".

### 2.13 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost, being cost of purchase, is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

### 2.14 Properties for sale

Properties for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, the properties are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

### 2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within bank loans in current liabilities on the statement of financial position.

### 2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the consolidated equity attributable to the Company's equity holders until the shares are resold. Where such shares are subsequently resold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, will increase the consolidated equity attributable to the Company's equity holders. The dividends on these own shares held are excluded from the dividend distribution to the Company's equity holders recognised in the consolidated financial statements.

### 2.18 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### 2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. The difference between the proceeds received and fair value at inception (fair value gain/loss) is recognised in the income statement. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

### 2.20 Convertible bonds

Convertible bonds issued are split into their liability and equity components at initial recognition. The liability component at its fair value is determined using a market interest rate for equivalent non-convertible bonds. The difference between the net proceeds from the issue and the fair value of the liability component is the equity component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible bonds reserve until the bond is either converted (in which case it is transferred to share premium) or the bond is redeemed (in which case it is released directly to retained earnings).

### 2.21 Pre-operating expenditure

Pre-operating expenditure is charged to the income statement in the year in which it is incurred.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted for the year, and any adjustment to tax payable in respect of previous years in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, associates and joint arrangements, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profit is not recognised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

### 2.23 Employee benefits

#### (a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (b) Pension obligations

The Group operates a number of defined benefit and defined contribution plans, most of the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the applicable laws and regulations at different jurisdictions and the recommendations of independent qualified actuaries for defined benefit plans.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.23 Employee benefits (continued)

#### (b) Pension obligations (continued)

For the Group's defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, where applicable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

For defined benefit plans, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans at least every 3 years. The pension obligation is measured as the present value of the estimated future cash outflows less the fair value of plan assets. Actuarial gains and losses are recognised in full in the period in which they occur, in other comprehensive income.

The Group's defined benefit plans are funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries.

#### (c) Bonus plans

The Group recognises a provision where contractually obliged or when it prepares to declare discretionary bonus after evaluating employee performance as well as the financial performance of business units.

### 2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of an amount can be made. Provisions are not recognised for future operating losses.

### 2.25 Revenue recognition

Revenue comprises the fair value for the sales of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue/income is recognised as follows:

- (i) Hotel revenue from room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.
- (ii) Revenue in respect of hotel management and related services is recognised when the services are rendered.
- (iii) Rental revenue from investment properties is recognised on a straight-line basis over the periods of the respective leases.
- (iv) Revenue from sales of properties is recognised when the significant risks and rewards of ownership of properties are transferred to the purchasers.
- (v) Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.
- (vi) Dividend income from other investments is recognised when the right to receive payment is established.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.26 Operating leases

#### (a) As the lessee

Leases, other than those leasehold land and land use rights as stated in Note 2.7, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the leases.

#### (b) As the lessor

Assets leased out under operating leases are included in either property, plant and equipment or investment properties in the statement of financial position. In case of property, plant and equipment, they are depreciated over their expected useful lives on a basis consistent with other similar property, plant and equipment owned by the Group. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

### 2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### 2.28 Share-based compensation

The Group operates two equity-settled, share-based compensation plans. For options granted on or before 7 November 2002, the Group has taken advantage of the transitional provisions in HKFRS 2 under which the fair value recognition and measurement policies have not been applied. For options granted after 7 November 2002, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets) and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each date of the statement of financial position, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The related balance previously recognised in the option reserve is also credited to the share premium.

### 2.29 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are charged to the income statement in the year in which they are incurred.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.30 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

The Company has not charged any fee for guarantee issued on behalf of its subsidiaries and associates and does not expect the guarantees issued by the Company will be called upon.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group Treasury under guidance of the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management and covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group has investments in different foreign operations, whose net assets are exposed to foreign currency translation risk.

There is a natural economic hedge to the extent that all the Group's business units in Hong Kong, Mainland China, the Philippines, Singapore, Malaysia, Thailand, Japan, France, United Kingdom, Turkey, Australia and Indonesia derive their revenues (and most of the expenses associated therewith) in local currencies. Most of the Group's hotels are quoting room tariffs in the local currency. It is the Group's endeavour, wherever and to the extent possible, to quote tariffs in the stronger currency and maintain bank balances in that currency, if legally permitted.

The Group has not felt it appropriate to substantially hedge against currency risks through forward exchange contracts upon consideration of the currency risk involved and the cost of obtaining such cover.

The Group analyses its exchange exposure based on the financial position at year end. The Group's exchange risk mainly arises from long-term bank loans and shareholders' loans and the Group calculates such impact on the income statement. The Group also calculates the impact on the exchange fluctuation reserve of the exchange risk on consolidation arising from the translation of the net investment in foreign entities. At 31 December 2015, if US dollar has weakened/strengthened by 5% against all other currencies (except Hong Kong dollar) with all other variables held constant, the Group's profit attributable to the equity holders of the Company and exchange fluctuation reserve would have increased/decreased by US\$9,274,000 (2014: US\$23,522,000) and US\$454,137,000 (2014: US\$415,196,000), respectively. The exchange rate between US dollar and Hong Kong dollar is only allowed to fluctuate in a narrow range under the Hong Kong's linked exchange rate system.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (continued)

#### (a) Market risk (continued)

##### (ii) *Equity securities price risk*

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position as financial assets held for trading and are stated at fair value through profit or loss. Available-for-sale financial assets are mainly investments in unquoted shares which are not subject to price risk. The Group is not exposed to commodity price risk.

Equity securities price risk is the risk that the fair values of the trading securities decrease as a result of changes in the value of individual securities which are also affected by the change in the level of equity indices.

For every 5% increase/decrease in the fair value of the trading securities classified under financial assets held for trading, the carrying value of the trading securities will increase/decrease by US\$778,000 (2014: US\$1,097,000) while the Group's profit attributable to the equity holders of the Company will increase/decrease by US\$778,000 (2014: US\$1,069,000) assuming that no account is given for factors such as impairment which may have additional impact on the income statement.

Based on the market value of all the trading securities as at 31 December 2015, 100% (2014: 90.2%) of the Group's trading securities are listed on The Stock Exchange of Hong Kong Limited ("HKSE") and are valued at closing market bid prices at the date of the statement of financial position. The market equity index for the HKSE, at the close of business of the nearest trading day in the year to the date of the statement of financial position, and the highest and lowest points during the year were as follows:

	31 December 2015	High/low 2015	31 December 2014	High/low 2014
Hong Kong – Hang Seng Index	21,914	28,588/ 20,368	23,605	25,363/ 21,138

##### (iii) *Cash flow and fair value interest-rate risk*

As the Group has no significant interest-bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from long-term bank loans under floating rates.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

##### (a) Market risk (continued)

###### *(iii) Cash flow and fair value interest-rate risk (continued)*

Bank loans issued at variable rates expose the Group to cash flow interest-rate risk. Group policy is to maintain an optimal portion of its borrowings at fixed rate, considering the convertible bonds, fixed rate bonds and Renminbi bank loans are fixed rate in nature and taking into account the principal amount of all interest-rate swap contracts executed. As at 31 December 2015, 37% (31 December 2014: 46%) of borrowings were at fixed rates on that basis.

The Group analyses its interest rate exposure on bank loans based on the assumption that the loan position at year end could be wholly refinanced and/or renewed. The Group calculates the impact on income statement of a defined interest rate shift. The same interest rate shift is used for all currencies. The sensitivity test is run only for bank loans that represent the major interest bearing portion. Based on the simulation performed, the impact on income statement of one percentage point increase would be a decrease of the Group's profit attributable to the equity holders of the Company of US\$28,557,000 (2014: US\$28,548,000) after interest capitalisation for properties under development.

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest-rate swap contracts which qualify for hedge accounting. Such interest-rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term bank loans at floating rates. The Group closely monitors the movement of interest rates from time to time and enters into interest-rate swap contracts. Under the interest-rate swap contracts, the Group agrees with other parties to exchange the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

##### (b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sale of rooms to wholesalers are made to customers with an appropriate credit history. Sales to retail customers are made via credit cards to a significant extent. Sales to corporate customers are made to customers with good credit history. The Group has policies that limit the amount of global credit exposure to any customer. Cash and bank deposits are mainly placed in major international and local banks.

The maximum exposure of credit risk at the reporting date in respect of each class of financial assets is disclosed in the notes to the consolidated financial statements of the relevant financial assets.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (continued)

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The analysis of the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date is as follows. The Group's estimated and actual financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

	Between			
	Less than	3 months	Between	Over
	3 months	and 1 year	1 and 2 years	2 years
<b>US\$'000</b>				
<i>At 31 December 2015</i>				
Bank loans	462,524	589,558	348,470	2,617,304
Convertible bonds	–	559,200	–	–
Fixed rate bonds	–	–	600,000	–
Interest payable for bank loans	19,263	52,354	56,851	74,316
Interest payable for fixed rate bonds	–	28,500	14,250	–
Derivative financial instruments	575	1,727	3,612	–
Due to non-controlling shareholders	–	22,059	–	30,531
Accounts payable and accruals	94,116	740,800	–	–
Financial guarantee contracts for bank loans granted to associates	1,120	65,901	100,546	208,377
<i>At 31 December 2014</i>				
Bank loans	160,321	542,812	1,204,420	2,073,243
Convertible bonds	–	–	559,200	–
Fixed rate bonds	–	–	–	600,000
Interest payable for bank loans	24,806	72,567	76,395	112,663
Interest payable for fixed rate bonds	–	28,500	28,500	14,250
Derivative financial instruments	244	734	978	1,522
Due to non-controlling shareholders	–	8,605	–	30,531
Accounts payable and accruals	91,167	738,078	–	–
Financial guarantee contracts for bank loans granted to associates	12,350	49,515	64,134	294,898

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

##### (c) Liquidity risk (continued)

The amounts disclosed in the table are the contractual undiscounted cash flows which are equal to their carrying balances in the respective consolidated statement of financial position except that the amount due to non-controlling shareholders with maturities over two years, the convertible bonds and the fixed rate bonds included in the consolidated statement of financial position as at 31 December 2015 are US\$28,563,000 (2014: US\$27,579,000), US\$550,458,000 (2014: US\$527,305,000) and US\$598,758,000 (2014: US\$597,787,000), respectively; and that the estimated amount of interest payable for bank loans are arrived at based on the principal loan balance and prevailing interest rates at year end date up to the final maturity date of the loan agreements.

#### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current bank loans; convertible bonds and fixed rate bonds as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 US\$'000	2014 US\$'000
Total borrowings	5,167,072	5,105,888
Less: Cash and bank balances (Note 17)	(1,084,069)	(1,442,257)
Net debt	4,083,003	3,663,631
Total equity	6,889,685	7,439,247
Gearing ratio (net debt over total equity)	59.3%	49.2%

The Group's bank loan facilities require it to meet certain ratios based on adjusted consolidated capital and reserves attributable to the Company's equity holders and adjusted consolidated total equity. The Group monitors compliance with these ratios on a monthly basis. The Group has satisfactorily complied with all covenants under its borrowing agreements.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Accounting for interest rate swap contracts

Interest-rate swap contracts, a kind of derivative financial instruments, are set up for the purpose of managing risk (since the Group's policy does not permit speculative transactions). Interest-rate swap contracts are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value.

As at 31 December 2015, the Group had interest-rate swap contracts with a total principal amount of HK\$2,200,000,000 (equivalent to US\$283,871,000) and US\$206,000,000, all these contracts qualify for hedge accounting. For these contracts, the effective portion of the change in the fair value of the contracts is recognised in "Hedging reserve" in equity while the gain or loss relating to the ineffective portion is recognised immediately in "Other gains/(losses) – net" of income statement and the related cash flows arising from these interest-rate swap contracts in the period is classified as interest expenses in the income statement.

### 3.4 Fair value estimation of financial instruments

The Group measures fair values 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 fair value of financial instruments traded in active markets (such as publicly traded equity securities and available-for-sale securities) is based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The Group uses widely recognised valuation models for determining the fair value of common and simple financial instruments, like interest-rate swap contracts, that use only observable market data and require little management judgement and estimation.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.4 Fair value estimation of financial instruments (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015. See Note 8 for disclosures of the investment properties that are measured at fair value.

	Level 1 US\$'000	Level 2 US\$'000	Total US\$'000
<b>Assets</b>			
Available-for-sale financial assets (Note 13)			
– Club debentures	2,060	–	2,060
Financial assets held for trading (Note 16)			
– Equity securities	15,533	–	15,533
Derivative financial instruments (Note 23)			
– Interest-rate swap contracts	–	65	65
<b>Total assets</b>	<b>17,593</b>	<b>65</b>	<b>17,658</b>
<b>Liabilities</b>			
Derivative financial instruments (Note 23)			
– Interest-rate swap contracts	–	5,914	5,914

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

	Level 1 US\$'000	Level 2 US\$'000	Total US\$'000
<b>Assets</b>			
Available-for-sale financial assets (Note 13)			
– Club debentures	2,086	–	2,086
Financial assets held for trading (Note 16)			
– Equity securities	21,947	–	21,947
Derivative financial instruments (Note 23)			
– Interest-rate swap contracts	–	503	503
<b>Total assets</b>	<b>24,033</b>	<b>503</b>	<b>24,536</b>
<b>Liabilities</b>			
Derivative financial instruments (Note 23)			
– Interest-rate swap contracts	–	3,478	3,478

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.4 Fair value estimation of financial instruments (continued)

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. There were no transfers between levels 1 and 2 during the year.

#### (a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

#### (b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to arrive at the fair value of an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments.
- The fair value of interest-rate swap contracts is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statement of financial position, with the resulting value discounted back to present value.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

#### (a) Estimated impairment of goodwill; property, plant and equipment; and investments in subsidiaries, associates and non-financial assets

The Group tests whether goodwill and investments in subsidiaries, associates and non-financial assets have suffered any impairment in accordance with the accounting policies stated in Note 2.8 and Note 2.10, respectively. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts of cash-generating units are predominantly determined based on value-in-use calculations which require the use of estimates. The Group assesses the fair value of some of its property, plant and equipment based on valuations determined by independent professional qualified valuers on an open market for existing use basis or sales basis.

#### (b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in accordance with local tax practice and professional advice. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### (c) Estimate of fair value of investment properties

The Group assesses the fair value of its investment properties based on valuations determined by independent professional qualified valuers. The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the date of the statement of financial position, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. For investment properties under construction, the Group has also taken into account estimated costs to completion and allowances for contingencies.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### 4.2 Critical judgements in applying the entity's accounting policies

#### Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for these portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

## 5 SALES AND SEGMENT INFORMATION

The Group owns/leases and operates hotels and associated properties and provides hotel management and related services. Some of the associates also engaged in property sales and such sales revenue of the associates is not included in the sales revenue of the Group. Sales recognised in the consolidated financial statements during the year are as follows:

	2015 US\$'000	2014 US\$'000
<i>Sales</i>		
Hotel ownership:		
Room rentals	1,022,903	1,029,154
Food and beverage sales	861,918	837,519
Rendering of ancillary services	112,813	116,311
Hotel management and related service fees	47,618	51,752
Property rentals	77,372	76,848
	<hr/> 2,122,624	<hr/> 2,111,584

The Group is domiciled in Hong Kong. The sales revenue from external customers attributed to Hong Kong and other countries are US\$315,477,000 (2014: US\$318,367,000) and US\$1,807,147,000 (2014: US\$1,793,217,000), respectively.

The total of non-current assets other than available-for-sale financial assets, deferred income tax assets and interest in associates located in Hong Kong and other countries are US\$690,016,000 (2014: US\$605,728,000) and US\$7,461,693,000 (2014: US\$7,651,361,000), respectively.

## 5 SALES AND SEGMENT INFORMATION (CONTINUED)

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

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

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

### i. Hotel ownership (including those under lease)

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

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

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

### iii. Hotel management services

### iv. Property sales

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

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

# Notes to the Consolidated Financial Statements

## 5 SALES AND SEGMENT INFORMATION (CONTINUED)

### Segment income statement

For year ended 31 December 2015 and 2014 (US\$ million)

	2015		2014	
	Sales (Note ii)	Profit/ (Loss) after tax (Note i)	Sales (Note ii)	Profit/ (Loss) after tax (Note i)
<i>Hotel ownership</i>				
Hong Kong	264.0	62.7	277.8	67.5
Mainland China	780.5	(55.8)	734.5	(15.1)
Singapore	218.9	29.9	204.4	39.4
Malaysia	121.4	17.6	149.0	16.5
The Philippines	199.4	16.2	202.3	13.4
Japan	56.3	(0.7)	56.6	(5.8)
Thailand	67.4	12.4	56.2	5.9
Australia	92.1	(0.1)	101.6	(1.4)
France	48.3	(22.4)	62.0	(27.0)
United Kingdom	51.7	(21.7)	28.7	(24.7)
Other countries	97.6	(10.9)	109.9	1.7
	1,997.6	27.2	1,983.0	70.4
<i>Property rentals</i>				
Mainland China	27.5	121.4	29.4	110.5
Singapore	13.9	10.1	14.6	10.9
Malaysia	6.4	1.8	7.3	1.9
Other countries	29.6	5.7	25.5	4.1
	77.4	139.0	76.8	127.4
<i>Hotel management services</i>	133.8	10.7	150.7	18.7
<i>Property sales</i>	–	22.8	–	5.1
<i>Other business</i>	–	(1.5)	–	(1.3)
Total	2,208.8	198.2	2,210.5	220.3
Less: Hotel management – Inter-segment sales	(86.2)		(98.9)	
Total external sales	2,122.6		2,111.6	
Net corporate finance costs (including foreign exchange gains and losses)		(74.7)		(62.4)
Land cost amortisation and pre-opening expenses for projects		(23.6)		(50.0)
Corporate expenses		(14.1)		(18.1)
<i>Profit before non-operating items</i>	85.8		89.8	

## 5 SALES AND SEGMENT INFORMATION (CONTINUED)

### Segment income statement (continued)

For year ended 31 December 2015 and 2014 (US\$ million)

	2015	2014
	Profit/(loss) after tax (Note i)	Profit/(loss) after tax (Note i)
<i>Profit before non-operating items</i>	85.8	89.8
<i>Non-operating items</i>		
Fair value gains on investment properties	131.4	90.6
Net realised and unrealised (losses)/gains on financial assets held for trading	(4.2)	1.0
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	(0.9)	(0.9)
Provision for impairment losses on hotel properties and property under development	(71.4)	(3.2)
Reversal of impairment losses for other properties	–	5.0
Provision for deferred tax on reversal of impairment losses	–	(1.4)
Gain on disposal of controlling interests in a subsidiary which owns a land site for composite development	3.1	–
Exchange losses arising from the refinancing of Euro shareholder's loan	(3.7)	–
Total non-operating items	54.3	91.1
Profit attributable to equity holders of the Company	140.1	180.9

Notes:

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

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

	2015	2014
	Share of profit/(loss) of associates	Share of profit/(loss) of associates
<i>Hotel ownership</i>		
Hong Kong	(0.4)	(0.2)
Mainland China	(1.3)	(2.8)
Singapore	(2.4)	3.3
Malaysia	3.7	4.2
The Philippines	1.2	1.1
Other countries	(3.7)	1.1
	(2.9)	6.7
<i>Property rentals</i>		
Mainland China	118.7	106.5
Singapore	4.8	5.3
	123.5	111.8
<i>Property sales</i>	22.8	5.6
<i>Other business</i>	(1.4)	(1.2)
<b>Total</b>	<b>142.0</b>	<b>122.9</b>

# Notes to the Consolidated Financial Statements

## 5 SALES AND SEGMENT INFORMATION (CONTINUED)

### Segment income statement (continued)

For year ended 31 December 2015 and 2014 (US\$ million)

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

	2015		2014	
	Depreciation and amortisation	Income tax expense	Depreciation and amortisation	Income tax expense
<i>Hotel ownership</i>				
Hong Kong	12.9	13.9	14.7	15.3
Mainland China	166.8	27.0	130.6	27.0
Singapore	17.7	7.4	18.4	7.6
Malaysia	15.9	3.1	16.6	9.2
The Philippines	38.2	8.2	37.2	11.6
Japan	1.0	–	2.1	–
Thailand	9.3	4.6	14.5	1.8
Australia	13.4	–	15.4	–
France	23.3	–	28.2	–
United Kingdom	9.8	–	7.5	(0.1)
Other countries	25.9	0.7	20.8	3.0
	334.2	64.9	306.0	75.4
<i>Property rentals</i>				
Mainland China	–	6.1	–	5.8
Singapore	–	1.1	–	1.1
Malaysia	–	0.7	–	1.0
Other countries	–	4.4	–	3.0
	–	12.3	–	10.9
<i>Hotel management services</i>				
	3.4	9.8	4.0	10.3
<i>Other business</i>				
Total	337.6	87.0	310.0	97.1

## 5 SALES AND SEGMENT INFORMATION (CONTINUED)

### Segment assets

As at 31 December 2015 and 2014 (US\$ million)

	2015	2014
<i>Hotel ownership</i>		
Hong Kong	238.3	288.9
Mainland China	3,446.2	3,298.1
Singapore	524.1	571.9
Malaysia	289.4	349.0
The Philippines	466.4	513.0
Japan	8.7	25.7
Thailand	243.6	252.4
Australia	315.5	364.2
France	315.7	379.8
United Kingdom	171.2	177.0
Other countries	531.5	312.1
	6,550.6	6,532.1
<i>Property rentals</i>		
Mainland China	392.0	359.2
Singapore	405.8	434.2
Malaysia	73.8	87.4
Other countries	263.1	257.3
	1,134.7	1,138.1
<i>Hotel management services</i>		
Elimination	(51.2)	(57.6)
Total segment assets	7,817.3	7,822.5
Assets allocated to projects	1,712.3	1,797.7
Unallocated assets	130.3	444.3
Intangible assets	89.8	91.2
Total assets of the Company and its subsidiaries	9,749.7	10,155.7
Interest in associates	3,535.7	3,584.6
<b>Total assets</b>	<b>13,285.4</b>	<b>13,740.3</b>

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

# Notes to the Consolidated Financial Statements

## 6 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables US\$'000	Assets at fair value through income statement US\$'000	Derivatives qualifying for hedge accounting US\$'000	Available-for-sale assets US\$'000	Total US\$'000
<i>Assets as per consolidated statement of financial position</i>					
<i>31 December 2015</i>					
Available-for-sale financial assets (Note 13)	–	–	–	4,692	4,692
Other receivables (Note 14)	13,173	–	–	–	13,173
Accounts receivable (Note 15)	198,915	–	–	–	198,915
Due from associates (Note 12)	157,847	–	–	–	157,847
Due from non-controlling shareholders (Note 24)	106	–	–	–	106
Financial assets held for trading (Note 16)	–	15,533	–	–	15,533
Derivative financial instruments (Note 23)	–	–	65	–	65
Cash and bank balances (Note 17)	1,084,069	–	–	–	1,084,069
<b>Total</b>	<b>1,454,110</b>	<b>15,533</b>	<b>65</b>	<b>4,692</b>	<b>1,474,400</b>
<i>31 December 2014</i>					
Available-for-sale financial assets (Note 13)	–	–	–	4,906	4,906
Other receivables (Note 14)	13,099	–	–	–	13,099
Accounts receivable (Note 15)	190,913	–	–	–	190,913
Due from associates (Note 12)	157,684	–	–	–	157,684
Due from non-controlling shareholders (Note 24)	57	–	–	–	57
Financial assets held for trading (Note 16)	–	21,947	–	–	21,947
Derivative financial instruments (Note 23)	–	–	503	–	503
Cash and bank balances (Note 17)	1,442,257	–	–	–	1,442,257
<b>Total</b>	<b>1,804,010</b>	<b>21,947</b>	<b>503</b>	<b>4,906</b>	<b>1,831,366</b>

## 6 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Derivatives qualifying for hedge accounting US\$'000	Other financial liabilities US\$'000	Total US\$'000
<i>Liabilities as per consolidated statement of financial position</i>			
<i>31 December 2015</i>			
Bank loans (Note 20)	–	4,017,856	4,017,856
Convertible bonds (Note 21)	–	550,458	550,458
Fixed rate bonds (Note 22)	–	598,758	598,758
Derivative financial instruments (Note 23)	5,914	–	5,914
Due to non-controlling shareholders (Note 24)	–	50,622	50,622
Accounts payable and accruals (Note 26)	–	834,916	834,916
Total	5,914	6,052,610	6,058,524
<i>31 December 2014</i>			
Bank loans (Note 20)	–	3,980,796	3,980,796
Convertible bonds (Note 21)	–	527,305	527,305
Fixed rate bonds (Note 22)	–	597,787	597,787
Derivative financial instruments (Note 23)	3,478	–	3,478
Due to non-controlling shareholders (Note 24)	–	36,184	36,184
Accounts payable and accruals (Note 26)	–	829,245	829,245
Total	3,478	5,971,317	5,974,795

# Notes to the Consolidated Financial Statements

## 7 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US\$'000	Vehicles and machinery US\$'000	Furniture, fixtures and equipment US\$'000	Properties under development US\$'000	Total US\$'000
<i>At 1 January 2014</i>					
Cost	6,089,148	546,135	1,199,371	953,325	8,787,979
Accumulated depreciation and impairment provision	(1,551,581)	(311,257)	(849,574)	–	(2,712,412)
Net book amount	4,537,567	234,878	349,797	953,325	6,075,567
<i>Year ended 31 December 2014</i>					
Opening net book amount	4,537,567	234,878	349,797	953,325	6,075,567
Exchange differences	(136,940)	(2,782)	(23,496)	(32,336)	(195,554)
Additions	73,368	14,112	77,228	724,655	889,363
(Provision for)/reversal of impairment loss (Note 28)	4,956	–	–	(2,352)	2,604
Disposals	(3,008)	(429)	(2,205)	(47)	(5,689)
Transfer	367,945	50,305	306,474	(724,724)	–
Depreciation	(148,090)	(43,941)	(108,439)	–	(300,470)
Closing net book amount	4,695,798	252,143	599,359	918,521	6,465,821
<i>At 31 December 2014</i>					
Cost	6,353,340	599,439	1,517,784	918,521	9,389,084
Accumulated depreciation and impairment provision	(1,657,542)	(347,296)	(918,425)	–	(2,923,263)
Net book amount	4,695,798	252,143	599,359	918,521	6,465,821
<i>Year ended 31 December 2015</i>					
Opening net book amount	4,695,798	252,143	599,359	918,521	6,465,821
Exchange differences	(328,304)	(16,221)	(37,925)	(46,087)	(428,537)
Additions	71,353	18,942	52,064	629,193	771,552
Provision for impairment loss (Note 28)	(64,445)	(1,258)	(3,245)	(3,431)	(72,379)
Disposals	(4,381)	(263)	(2,516)	(104)	(7,264)
Disposal of controlling interests in a subsidiary	–	–	–	(2,767)	(2,767)
Transfer	652,465	99,943	(91,004)	(676,843)	(15,439)
Depreciation	(164,154)	(49,314)	(111,392)	–	(324,860)
Closing net book amount	4,858,332	303,972	405,341	818,482	6,386,127
<i>At 31 December 2015</i>					
Cost	6,567,647	674,584	1,345,507	818,482	9,406,220
Accumulated depreciation and impairment provision	(1,709,315)	(370,612)	(940,166)	–	(3,020,093)
Net book amount	4,858,332	303,972	405,341	818,482	6,386,127

## 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) All depreciation expenses (net of amount capitalised of US\$81,000 in 2015 (2014: US\$232,000)) have been included as part of the other operating expenses.
- (b) For year 2015, bank loans of US\$191,132,000 (2014: US\$263,844,000) are secured on certain fixed assets as disclosed under Note 37(c).
- (c) Buildings comprise mainly hotel properties. Details of the hotel properties of the Company's subsidiaries are summarised in Note 41(a).
- (d) Properties under development include construction work in progress in respect of the renovation of certain hotel properties.
- (e) 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, or 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 during the year for those properties for which the internal assessment results needed independent confirmation. During the year, the Group recognised 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)/gains – net", to write down their carrying values of property, plant and equipment to their recoverable amount. Details of the impairment loss and recoverable amount (for the hotel property as a whole including the leasehold land where the hotel situated) of each hotel are shown below.

Hotels in	Impairment loss US\$'000	Recoverable amount assessed by valuer US\$'000
Huhhot, Mainland China	16,764	53,814
Baotou, Mainland China	5,106	55,777
Manzhouli, Mainland China	7,131	25,026
Xian, Mainland China	24,118	120,715
Yangzhou, Mainland China	476	9,487
Tokyo, Japan	15,353	–
	68,948	264,819

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 categorised as a Level 3 measurement (based on significant unobservable inputs).

- (f) For the year 2015, an impairment loss of US\$3,431,000 for properties under development was also recognised in respect of the renovation of a hotel.

# Notes to the Consolidated Financial Statements

## 8 INVESTMENT PROPERTIES

	2015 US\$'000	2014 US\$'000
<i>At 1 January</i>	1,071,038	1,072,942
Exchange differences	(66,052)	(35,380)
Additions	49,210	34,062
Disposals	(367)	(198)
Transferred from/(to) leasehold land and land use right	14,678	(1,925)
Transferred from property, plant and equipment	15,439	–
Fair value gains (Note 28)	36,333	1,537
<i>At 31 December</i>	1,120,279	1,071,038

- (a) As at 31 December 2015, all investment properties are recorded at fair value which were revalued by independent professionally qualified valuers on the basis of their market value as fully operational entities for existing use which equates to the highest and best use of the assets. The valuations performed by the independent valuers for financial reporting purposes would be reviewed by the Group's management and discussions of valuation processes and results are held with the valuers at least once every six months to be in line with the Group's interim and annual reporting requirements. The fair value gains or losses on revaluation are included in "Other (losses)/ gains – net" in the income statement (Note 28).
- (b) As at 31 December 2014, except for a commercial complex comprising office and retail mall under construction in Yangon amounting to US\$25,863,000 which was recorded at historical cost, all other investment properties were measured at fair value. This commercial complex was measured at fair value during the year as its fair value can be reliably measured when approaching completion of construction.
- (c) The carrying values of investment properties comprised:

	2015 US\$'000	2014 US\$'000
Outside Hong Kong, held on:		
Freehold	450,535	495,918
Leases of over 50 years	100,900	98,140
Leases of between 10 to 50 years	568,844	476,980
	1,120,279	1,071,038

- (d) Details of investment properties of the Company's subsidiaries are summarised in Note 42(a).

## 8 INVESTMENT PROPERTIES (CONTINUED)

The following table presents the Group's investment properties that are measured at fair value at 31 December 2015.

	Fair value measurements at 31 December 2015 using		
	Quoted prices in active markets for identical assets (Level 1) US\$'000	Significant other observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000
<i>Recurring fair value measurements</i>			
Investment properties:			
– Office, serviced apartments and commercial complex in Mainland China	–	–	351,731
– Serviced apartments in Singapore	–	–	383,250
– Office, serviced apartments and commercial complex in other regions	–	–	385,298
	–	–	1,120,279

	Fair value measurements at 31 December 2014 using		
	Quoted prices in active markets for identical assets (Level 1) US\$'000	Significant other observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000
<i>Recurring fair value measurements</i>			
Investment properties:			
– Office, serviced apartments and commercial complex in Mainland China	–	–	328,648
– Serviced apartments in Singapore	–	–	413,840
– Office, serviced apartments and commercial complex in other regions	–	–	302,687
	–	–	1,045,175

The fair value of an asset to be transferred between the levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, 2 and 3 during the year.

# Notes to the Consolidated Financial Statements

## 8 INVESTMENT PROPERTIES (CONTINUED)

The following table shows a reconciliation of Level 3 fair values using significant unobservable inputs.

	Office, serviced apartments and commercial complex in Mainland China US\$'000	Serviced apartments in Singapore US\$'000	Office, serviced apartments and commercial complex in other regions US\$'000	Total US\$'000
At 1 January 2015	328,648	413,840	302,687	1,045,175
Investment properties measured at historical cost in prior year	–	–	25,863	25,863
Transferred from/(to) leasehold land and land use right	15,729	–	(1,051)	14,678
Transferred from property, plant and equipment	15,407	32	–	15,439
Additions	15,581	575	33,054	49,210
Disposals	(7)	(26)	(334)	(367)
Changes in fair value	(3,643)	(3,636)	43,612	36,333
Exchange differences	(19,984)	(27,535)	(18,533)	(66,052)
At 31 December 2015	351,731	383,250	385,298	1,120,279

	Office, serviced apartments and commercial complex in Mainland China US\$'000	Serviced apartments in Singapore US\$'000	Office, serviced apartments and commercial complex in other regions US\$'000	Total US\$'000
At 1 January 2014	324,316	436,632	300,506	1,061,454
Transferred to leasehold land and land use right	–	–	(1,925)	(1,925)
Additions	5,631	210	13,846	19,687
Disposals	(16)	–	(182)	(198)
Changes in fair value	1,622	(2,503)	2,418	1,537
Exchange differences	(2,905)	(20,499)	(11,976)	(35,380)
At 31 December 2014	328,648	413,840	302,687	1,045,175

## 8 INVESTMENT PROPERTIES (CONTINUED)

The following table shows the valuation techniques used by the valuers in the determination of Level 3 fair values. There were no significant changes to the valuation techniques during the year.

Description	Fair value at 31 December 2015 US\$'000	Valuation technique	Unobservable inputs
Mainland China			
– Office, serviced apartments and commercial complex	351,731	Direct comparison approach and income capitalisation approach	Rental rate from US\$13 to US\$47 per sq.m. and occupancy from 85% to 95%
Singapore			
– Serviced apartments	383,250	Direct comparison approach and income capitalisation approach	Rental rate at US\$230 per room per day and occupancy at 83%
Other regions			
– Office, serviced apartments and commercial complex	385,298	Direct comparison approach and income capitalisation approach	Rental rate from US\$7 to US\$75 per sq.m.per month
Description	Fair value at 31 December 2014 US\$'000	Valuation technique	Unobservable inputs
Mainland China			
– Office, serviced apartments and commercial complex	328,648	Direct comparison approach and income capitalisation approach	Rental rate from US\$19 to US\$39 per sq.m. and occupancy from 84% to 96%
Singapore			
– Serviced apartments	413,840	Direct comparison approach and income capitalisation approach	Rental rate at US\$262 per room per day and occupancy at 81%
Other regions			
– Office, serviced apartments and commercial complex	302,687	Direct comparison approach and income capitalisation approach	Rental rate from US\$8 to US\$36 per sq.m.per month

# Notes to the Consolidated Financial Statements

## 8 INVESTMENT PROPERTIES (CONTINUED)

Under the income capitalisation approach, fair value is determined by discounting the projected cash flow streams with the properties using risk-adjusted discount rate. An exit or terminal value projected based on capitalisation rate is also included in the projection. The valuation takes into account expected market rental rate and occupancy rate of the respective properties. The capitalisation rates used are based on the quality and location of the properties and taking into account market data at the valuation date. The fair value measurement is positively correlated to the rental rate and occupancy rate, and negatively correlated to the capitalisation rate and discount rate.

Under the direct comparison approach, fair value is determined with reference to recent sales price of comparable properties in nearby locations and adjusting a premium or a discount specific to the quality of the respective properties compared to the recent sales. Higher premium for higher quality properties will result in a higher fair value measurement.

## 9 LEASEHOLD LAND AND LAND USE RIGHTS

	2015 US\$'000	2014 US\$'000
<i>At 1 January</i>		
Cost	774,269	796,927
Accumulated amortisation and impairment provision	(158,371)	(143,159)
Net book amount	615,898	653,768
Opening net book amount	615,898	653,768
Exchange differences	(37,086)	(13,078)
Transferred (to)/from investment properties	(14,678)	1,925
Additions	3,568	55
Provision for impairment loss (Note 28)	–	(923)
Disposal	–	(8,991)
Disposal of controlling interests in a subsidiary	(9,088)	–
Amortisation of prepaid operating lease payment	(16,254)	(16,858)
Closing net book value	542,360	615,898
<i>At 31 December</i>		
Cost	705,962	774,269
Accumulated amortisation	(163,602)	(158,371)
Net book amount	542,360	615,898

For the year 2014, an impairment loss of US\$923,000 was recognised on a piece of land for a hotel project development that was returned back to the local government.

All amortisation expenses (net of amount capitalised of US\$431,000 in 2015 (2014: US\$Nil)) have been included as part of the other operating expenses.

## 9 LEASEHOLD LAND AND LAND USE RIGHTS (CONTINUED)

	2015 US\$'000	2014 US\$'000
Outside Hong Kong, held on:		
Leases of over 50 years	73,145	81,794
Leases of between 10 and 50 years	469,215	534,104
	<b>542,360</b>	<b>615,898</b>

## 10 INTANGIBLE ASSETS

	Goodwill US\$'000	Trademark and licences US\$'000	Website and system development US\$'000	Total US\$'000
<i>At 1 January 2014</i>				
Cost	85,092	12,273	2,642	100,007
Accumulated amortisation	–	(4,555)	(2,387)	(6,942)
Net book amount	85,092	7,718	255	93,065
<i>Year ended 31 December 2014</i>				
Opening net book amount	85,092	7,718	255	93,065
Exchange difference	(984)	(71)	–	(1,055)
Amortisation expenses	–	(573)	(204)	(777)
Closing net book amount	84,108	7,074	51	91,233
<i>At 31 December 2014</i>				
Cost	84,108	12,197	2,642	98,947
Accumulated amortisation	–	(5,123)	(2,591)	(7,714)
Net book amount	84,108	7,074	51	91,233
<i>Year ended 31 December 2015</i>				
Opening net book amount	84,108	7,074	51	91,233
Exchange difference	(981)	(43)	–	(1,024)
Additions	–	–	525	525
Disposal	–	(178)	–	(178)
Amortisation expenses	–	(571)	(215)	(786)
Closing net book amount	83,127	6,282	361	89,770
<i>At 31 December 2015</i>				
Cost	169,327	11,958	3,167	184,452
Accumulated amortisation	(86,200)	(5,676)	(2,806)	(94,682)
Net book amount	83,127	6,282	361	89,770

# Notes to the Consolidated Financial Statements

## 10 INTANGIBLE ASSETS (CONTINUED)

The principal component of goodwill represented the excess of cost of acquisition of the hotel management group, SLIM International Limited, over the fair value of the identified net assets acquired. Due to the synergies of the combination of the hotel operation and hotel management sub-groups, the goodwill impairment assessment is based on the future cashflow generated from the hotel management group. The future cashflow is based on the recent forecasts taking into account the terms and final maturities of all existing management agreements, the past performance of the hotels and the prevailing market conditions. A growth rate of 5% per annum on net cash inflow from 2015 and a discount rate of 5% have been applied to the cashflow projection. In view of the cashflow projection, provision for impairment losses is not considered necessary.

## 11 SUBSIDIARIES

### (a) Details of principal subsidiaries are set out in Note 40(a).

### (b) Material non-controlling interests

The total non-controlling interests as at 31 December 2015 is US\$497,392,000, of which US\$171,924,000 is attributable to Shangri-La Hotels (Malaysia) Berhad Group and US\$11,355,000 is attributable to Shangri-La International Hotels (Pacific Place) Limited. The remaining non-controlling interests in respect of other subsidiaries are not material in terms of profit contribution.

### **Summarised financial information of subsidiaries with material non-controlling interests**

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These summarised financial information are based on the local statutory financial statements of the relevant subsidiaries after adjustments for compliance with the Group's accounting policies.

### **Summarised statement of financial position as at 31 December**

	Shangri-La Hotels (Malaysia) Berhad		Shangri-La International Hotels (Pacific Place) Limited	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
<i>Current</i>				
Assets	32,186	26,342	56,412	49,346
Liabilities	(58,094)	(55,399)	(17,605)	(64,611)
Total net current (liabilities)/assets	(25,908)	(29,057)	38,807	(15,265)
<i>Non-current</i>				
Assets	368,759	437,045	68,904	73,273
Liabilities	(10,704)	(14,247)	(50,935)	(4,671)
Total non-current net assets	358,055	422,798	17,969	68,602
<i>Net assets</i>	332,147	393,741	56,776	53,337
Attributable to:				
Equity holders of the Company	160,223	190,471	45,421	42,670
Non-controlling interests	171,924	203,270	11,355	10,667
	332,147	393,741	56,776	53,337

## 11 SUBSIDIARIES (CONTINUED)

### (b) Material non-controlling interests (continued)

#### Summarised statement of comprehensive income for the year ended 31 December

	Shangri-La Hotels (Malaysia) Berhad		Shangri-La International Hotels (Pacific Place) Limited	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Revenue	127,802	156,284	148,863	154,204
Profit before income tax	34,494	39,127	50,378	51,084
Income tax expense	(3,849)	(10,212)	(8,230)	(8,674)
Other comprehensive loss	(72,667)	(27,044)	–	–
Total comprehensive (loss)/income	(42,022)	1,871	42,148	42,410
Attributable to:				
Equity holders of the Company	(23,331)	(63)	33,718	33,928
Non-controlling interests	(18,691)	1,934	8,430	8,482
	(42,022)	1,871	42,148	42,410
Dividends paid to non-controlling interests	6,355	11,632	7,742	7,742

#### Summarised cash flows for the year ended 31 December

	Shangri-La Hotels (Malaysia) Berhad		Shangri-La International Hotels (Pacific Place) Limited	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Net cash generated from operating activities	34,118	43,011	45,224	49,960
Net cash used in investing activities	(11,976)	(30,602)	(1,208)	(1,844)
Net cash used in financing activities	(12,655)	(23,076)	(38,710)	(45,161)
<i>Net increase/(decrease) in cash and cash equivalents</i>	9,487	(10,667)	5,306	2,955
Cash and cash equivalents at beginning of the year	16,263	28,837	36,613	33,658
Exchange losses on cash and cash equivalents	(3,040)	(1,907)	–	–
Cash and cash equivalents at end of the year	22,710	16,263	41,919	36,613

# Notes to the Consolidated Financial Statements

## 12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

	2015 US\$'000	2014 US\$'000
<i>Interest in associates</i>		
At 1 January	3,365,448	3,184,055
Share of profit of associates (Note 32)		
– profit before taxation	342,376	275,664
– taxation	(88,018)	(68,378)
	254,358	207,286
Exchange difference	(236,201)	(41,709)
Capital contribution to associates	8,824	59,310
Dividends declared by associates	(53,076)	(43,494)
Disposal of controlling interests in a subsidiary (Note 36(b))	12,395	–
Investment in associates under equity method	3,351,748	3,365,448
Equity loans (Note (a))	135,732	136,507
Other long term shareholder loans (Note (b))	48,259	82,612
	3,535,739	3,584,567
Amounts due from associates (Note (c))	109,588	75,072

Notes:

- (a) Equity loans are unsecured, interest-free and with no fixed repayment terms.
- (b) Other long term shareholder loans are interest bearing at:

	2015 US\$'000	2014 US\$'000
– HIBOR plus 1.5% per annum and wholly repayable on 15 May 2016 (in Hong Kong dollars)	–	36,981
– HIBOR plus 1.5% per annum and wholly repayable on 17 November 2019 (in Hong Kong dollars)	3,250	–
– HIBOR plus 2% per annum and wholly repayable on 21 November 2017 (in Hong Kong dollars)	7,312	7,312
– HIBOR plus 2.6% per annum and wholly repayable on 17 July 2018 (in Hong Kong dollars)	21,677	22,065
– PBOC rate per annum and wholly repayable on 2 January 2017 (in Renminbi)	3,770	4,004
– HIBOR plus 2% per annum and wholly repayable on 31 December 2020 (in United States dollars)	12,250	12,250
	48,259	82,612

Other long term shareholder loans are unsecured and not repayable within twelve months. The fair values of other long term shareholder loans are not materially different from their carrying amounts.

## 12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

- (c) Amounts due from associates are unsecured and with the following terms:

	2015 US\$'000	2014 US\$'000
– interest bearing at HIBOR plus 1.5% per annum and wholly repayable on 15 May 2016 (in Hong Kong dollars)	36,982	–
– interest bearing at PBOC rate per annum and wholly repayable on 12 December 2016 (in Renminbi)	1,540	–
– interest-free and repayable within one year	71,066	75,072
	<b>109,588</b>	<b>75,072</b>

- (d) The maximum exposure to credit risk at the reporting date is the fair value of the long term shareholder loans of US\$48,259,000 (2014: US\$82,612,000) and amounts due from associates of US\$109,588,000 (2014: US\$75,072,000).

- (e) Set out below are the associates of the Group as at 31 December 2015, which, in the opinion of the directors, are material to the Group. The associates as listed below are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Nature of investment in the associates as at 31 December 2015 and 2014:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the business	Measurement method
China World Trade Center Ltd	The People's Republic of China	50	Note	Equity
Shanghai Ji Xiang Properties Co, Ltd	The People's Republic of China	49	Note	Equity

Note: Both China World Trade Center Ltd and Shanghai Ji Xiang Properties Co, Ltd own and operate hotels and investment properties.

# Notes to the Consolidated Financial Statements

## 12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(e) (continued)

### Summarised financial information for associates

Set out below are the summarised financial information for China World Trade Center Ltd and Shanghai Ji Xiang Properties Co, Ltd which are accounted for using the equity method. These summarised financial information are based on the local statutory financial statements of the relevant associates after adjustments for compliance with the Group's accounting policies.

	China World Trade Center Ltd		Shanghai Ji Xiang Properties Co, Ltd	
	As at 31 December		As at 31 December	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
<i>Current</i>				
Assets	189,946	261,298	76,296	90,227
Liabilities	(375,616)	(431,944)	(101,400)	(156,343)
Net current liabilities	(185,670)	(170,646)	(25,104)	(66,116)
<i>Non-current</i>				
Assets	5,091,110	4,821,337	1,883,532	1,994,400
Liabilities	(1,916,735)	(1,806,175)	(774,899)	(865,035)
Net non-current assets	3,174,375	3,015,162	1,108,633	1,129,365
<i>Net assets</i>	<i>2,988,705</i>	<i>2,844,516</i>	<i>1,083,529</i>	<i>1,063,249</i>

### Summarised statement of comprehensive income

	China World Trade Center Ltd		Shanghai Ji Xiang Properties Co, Ltd	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Revenue	498,478	502,071	223,993	187,103
Profit before tax (including fair value gains on investment properties)	488,383	336,312	114,943	43,739
Income tax expense	(121,412)	(83,104)	(27,520)	(10,855)
Other comprehensive loss	(169,380)	(22,968)	(67,143)	(8,220)
Total comprehensive income	197,591	230,240	20,280	24,664
Dividends received from associates (net of tax)	24,385	41,552	–	–

## 12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(e) (continued)

### Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associates.

	China World Trade Center Ltd		Shanghai Ji Xiang Properties Co, Ltd	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Closing net assets	2,988,705	2,844,516	1,083,529	1,063,249
Respective equity interest	50%	50%	49%	49%
Interest in associates	1,494,353	1,422,258	530,929	520,992
Goodwill	–	–	290	290
Carrying amount	1,494,353	1,422,258	531,219	521,282

(f) The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The aggregated financial information on these associates are as follows:

	2015	2014
	US\$'000	US\$'000
Aggregate carrying amount of individually immaterial associates	1,510,167	1,611,817
Aggregate amounts of the Group's share of		
Profit after tax	28,035	64,569
Other comprehensive loss	(118,845)	(26,417)
Total comprehensive (loss)/ income	(90,810)	38,152

There were no contingent liabilities relating to the Group's interest in associates as at 31 December 2015 and 2014.

## 13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	US\$'000	US\$'000
Equity securities:		
Overseas unlisted shares, at cost	2,562	2,562
– Exchange differences	70	258
Club debentures, at fair value	2,632	2,820
	2,060	2,086
	4,692	4,906

There were no disposals on available-for-sale financial assets in 2015 and 2014.

# Notes to the Consolidated Financial Statements

## 14 OTHER RECEIVABLES

	2015 US\$'000	2014 US\$'000
Security deposit on leased premises	13,173	13,099

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US\$14,526,000) (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 effective interest rate applied to calculate the fair value upon initial recognition of the deposit is 0.556% per annum.

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.

## 15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2015 US\$'000	2014 US\$'000
Trade receivables	90,305	90,361
Less: Provision for impairment of receivables	(2,126)	(1,506)
Trade receivables – net	88,179	88,855
Other receivables	110,736	102,058
Prepayments and other deposits	116,528	92,483
	<b>315,443</b>	<b>283,396</b>

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

- (a) The fair values of the trade and other receivables are not materially different from their carrying values.
- (b) A significant part of the Group's sales are by credit cards or against payment of deposits. The remaining amounts are with general credit term of 30 days. The Group has a defined credit policy. The ageing analysis of the trade receivables based on invoice date after provision for impairment is as follows:

	2015 US\$'000	2014 US\$'000
0 – 3 months	78,891	79,528
4 – 6 months	3,940	3,977
Over 6 months	5,348	5,350
	<b>88,179</b>	<b>88,855</b>

## 15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

(b) (continued)

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2015, trade receivables of US\$44,112,000 (2014: US\$38,382,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 US\$'000	2014 US\$'000
Up to 3 months	35,242	30,746
4 – 6 months	3,831	2,772
Over 6 months	5,039	4,864
	44,112	38,382

As of 31 December 2015, trade receivables of US\$2,126,000 (2014: US\$1,506,000) were considered impaired. These receivables were all overdue for more than three months.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2015 US\$'000	2014 US\$'000
Hong Kong dollars	26,059	26,548
United States dollars	7,537	26,002
Renminbi	48,352	43,925
Singapore dollars	15,214	15,890
Malaysian Ringgit	5,499	5,593
Thai Baht	4,500	5,287
Philippines Pesos	15,658	19,653
Japanese Yen	3,426	3,284
Euros	5,170	8,485
Australian dollars	7,838	6,033
British Pounds	2,183	3,476
Mongolian Tugrik	48,980	19,006
Other currencies	8,499	7,731
	198,915	190,913

# Notes to the Consolidated Financial Statements

## 15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

(b) (continued)

Movements on the Group's provision for impairment of trade receivables are as follows:

	2015 US\$'000	2014 US\$'000
At 1 January	1,506	4,467
Exchange differences	(138)	(187)
Provision for receivables impairment	3,426	1,139
Receivables written off during the year as uncollectible	(590)	(15)
Unused amounts reversed	(2,078)	(3,898)
At 31 December	2,126	1,506

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

## 16 FINANCIAL ASSETS HELD FOR TRADING

	2015 US\$'000	2014 US\$'000
Equity securities, at market value		
Shares listed in Hong Kong	15,533	19,802
Shares listed outside Hong Kong	–	2,145
	15,533	21,947

## 17 CASH AND BANK BALANCES

	2015 US\$'000	2014 US\$'000
Cash at bank and in hand	488,746	495,709
Short-term bank deposits	595,323	946,548
Cash and bank balances	1,084,069	1,442,257
Maximum exposure to credit risk for all balances at bank	1,077,768	1,436,099

## 17 CASH AND BANK BALANCES (CONTINUED)

The effective interest rate on short-term bank deposits was 1.8% per annum (2014: 1.6% per annum); these deposits have an average maturity of 3.9 months (2014: 1.7 months).

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	2015 US\$'000	2014 US\$'000
Cash and bank balances (as above)	1,084,069	1,442,257
Less: Short-term bank deposits with original maturities over 3 months	(190,645)	(114,422)
Cash and cash equivalents	893,424	1,327,835

## 18 SHARE CAPITAL

	No. of shares ('000)	Amount		
		Ordinary shares US\$'000	Share premium US\$'000	Total US\$'000
Authorised – Ordinary shares of HK\$1 each				
At 31 December 2014 and 31 December 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	110	14	156	170
– transfer from share option reserve	–	–	45	45
Rights issue	447,499	57,742	579,566	637,308
At 31 December 2014 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 share option reserve	–	–	12	12
At 31 December 2015	3,580,024	462,195	2,729,606	3,191,801

As at 31 December 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 recognised in equity in prior years.

# Notes to the Consolidated Financial Statements

## 18 SHARE CAPITAL (CONTINUED)

### Share options

The share option scheme approved by the shareholders of the Company on 24 May 2002 ("2002 Option Scheme") expired on 23 May 2012. No further option shares will be granted under the 2002 Option Scheme thereafter but the subsisting option shares granted in the past years prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2002 Option Scheme.

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 2002 Option Scheme. On 23 August 2013, the Company granted a total of 19,000,000 option shares under the 2012 Option Scheme at an exercise price of HK\$12.11 per share to the directors and key employees of the Group. The options under the 2012 Option Scheme are immediately exercisable on the grant date and have a contractual option term of ten years.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Number of option shares issued				Total consideration US\$'000
	At HK\$11.60 per option share	At HK\$14.60 per option share	At HK\$12.11 per option share		
<i>In year 2015</i>					
April	30,000	–	–	–	44
For the year ended 31 December 2015	30,000	–	–	–	44
<i>In year 2014</i>					
January	–	–	80,000	–	125
September	30,000	–	–	–	45
For the year ended 31 December 2014	30,000	–	80,000	–	170

The closing price of the shares immediately before the dates on which the options were exercised for the year was HK\$11.82 (2014: HK\$14.18).

## 18 SHARE CAPITAL (CONTINUED)

### Share options (continued)

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

	For the year ended 31 December 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
<i>At 1 January</i>	12.33	24,478,500	12.32	26,591,000
Granted	–	–	–	–
Exercised	11.60	(30,000)	11.97	(110,000)
Lapsed	11.79	(5,722,500)	12.25	(2,002,500)
<i>At 31 December</i>	12.50	18,726,000	12.33	24,478,500

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

Last exercisable date	Exercise price in HK\$ per option share	Number of outstanding option shares as at	
		31 December 2015	31 December 2014
27 April 2015	11.60	–	4,245,000
15 June 2016	14.60	2,918,000	3,045,500
22 August 2023	12.11	15,808,000	17,188,000
		18,726,000	24,478,500

No options have been exercised subsequent to 31 December 2015 and up to the approval date of the financial statements. Options on 120,000 shares with exercise price of HK\$12.11 per share have lapsed subsequent to 31 December 2015 and up to the approval date of the financial statements.

# Notes to the Consolidated Financial Statements

## 19 OTHER RESERVES

	Share option reserve US\$'000	Hedging reserve US\$'000
Balance at 1 January 2014	12,607	362
Currency translation differences	–	–
Exercise of share options – transfer to share premium	(45)	–
Fair value changes of interest-rate swap contracts	–	(3,337)
Balance at 31 December 2014 and 1 January 2015	12,562	(2,975)
Currency translation differences	–	–
Exercise of share options – transfer to share premium	(12)	–
Transfer of share option reserve to retained earnings upon expiry of share options	(2,098)	–
Fair value changes of interest-rate swap contracts	–	(2,874)
Balance at 31 December 2015	10,452	(5,849)

- (a) A subsidiary is required by local law to appropriate a certain percentage of its annual net profits as other reserve until the reserve reaches 10 percent of its registered share capital. This reserve is not available for dividend distribution.
- (b) The contributed surplus of the Group arises when the Group issues shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's issued shares and the value of net assets of the companies acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At the Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries, whenever appropriate.

Convertible bonds reserve US\$'000	Capital redemption reserve US\$'000	Exchange fluctuation reserve US\$'000	Capital reserve US\$'000	Other reserve US\$'000 (Note (a))	Contributed surplus US\$'000 (Note (b))	Total US\$'000
44,518	10,666	843,502	601,490	1,368	389,741	1,904,254
–	–	(184,088)	–	–	–	(184,088)
–	–	–	–	–	–	(45)
–	–	–	–	–	–	(3,337)
44,518	10,666	659,414	601,490	1,368	389,741	1,716,784
–	–	(597,379)	–	–	–	(597,379)
–	–	–	–	–	–	(12)
–	–	–	–	–	–	(2,098)
–	–	–	–	–	–	(2,874)
44,518	10,666	62,035	601,490	1,368	389,741	1,114,421

# Notes to the Consolidated Financial Statements

## 20 BANK LOANS

	2015 US\$'000	2014 US\$'000
Bank loans – secured (Note 37(c))	191,132	263,844
Bank loans – unsecured	3,826,724	3,716,952
Total	4,017,856	3,980,796
Less: Non-current portion	(2,965,774)	(3,277,663)
Current portion	1,052,082	703,133

The maturity of bank loans is as follows:

	2015 US\$'000	2014 US\$'000
Within 1 year	1,052,082	703,133
Between 1 and 2 years	348,470	1,204,420
Between 2 and 5 years	2,538,500	1,909,195
Repayable within 5 years	3,939,052	3,816,748
Over 5 years	78,804	164,048
	4,017,856	3,980,796

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

	31 December 2015								
	HK\$	RMB	GBP	US\$	JPY	Pesos	Euros	SGD	AUD
Bank loans	1.39%	5.38%	1.94%	1.89%	1.40%	2.11%	1.32%	2.15%	3.41%
31 December 2014									
	HK\$	RMB	GBP	US\$	JPY	Pesos	Euros	SGD	AUD
Bank loans	1.72%	6.29%	1.94%	1.81%	1.43%	3.01%	2.00%	1.43%	3.97%

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

	2015 US\$'000	2014 US\$'000
Hong Kong dollars	1,320,361	1,319,071
Renminbi	284,675	715,533
United States dollars	1,848,093	1,317,498
Euros	234,771	243,074
Japanese Yen	41,480	41,483
Philippines Pesos	11,654	32,853
Singapore dollars	65,933	78,251
Australian dollars	144,203	162,810
British pounds	66,686	70,223
	4,017,856	3,980,796

## 20 BANK LOANS (CONTINUED)

The Group has the following undrawn borrowing facilities:

	2015 US\$'000	2014 US\$'000
Floating rate		
– expiring within one year	190,687	173,536
– expiring beyond one year	1,796,845	630,690
Fixed rate		
– expiring within one year	–	435
– expiring beyond one year	2,500	35,380
	1,990,032	840,041

## 21 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 19).

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

	2015 US\$'000	2014 US\$'000
Face value of convertible bonds issued on 12 May 2011	500,000	500,000
Issuing expenses	(4,400)	(4,400)
Equity component credited to the equity	(44,518)	(44,518)
Liability component on initial recognition at 12 May 2011	451,082	451,082
Accumulated interest expense	99,376	76,223
Liability component at 31 December	550,458	527,305

The face value of outstanding bonds at 31 December 2015 amounted to US\$500,000,000. No convertible bonds were converted to ordinary shares of the Company during the year or subsequent to 31 December 2015 and up to the date of this report. The carrying amount of the liability component which approximates to its fair value is calculated using cash flows discounted at an initial market interest rate of 4.34% per annum.

# Notes to the Consolidated Financial Statements

## 22 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 recognised in the statement of financial position is calculated as follows:

	2015 US\$'000	2014 US\$'000
Face value of fixed rate bonds issued on 10 April 2012	600,000	600,000
Issuing expenses	(4,859)	(4,859)
Net bonds proceeds received	595,141	595,141
Accumulated amortisation of issuing expenses	3,617	2,646
Carrying amount of fixed rate bonds at 31 December	598,758	597,787

As at 31 December 2015, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US\$6,333,000 (31 December 2014: US\$6,333,000). The carrying amount of the bonds approximates to its fair value.

## 23 DERIVATIVE FINANCIAL INSTRUMENTS

	2015 US\$'000	2014 US\$'000
<i>Non-current liabilities</i>		
Interest-rate swap contracts – hedging	3,612	2,500
<i>Current liabilities</i>		
Interest-rate swap contracts – hedging	2,302	978
Total	5,914	3,478
<i>Non-current assets</i>		
Interest-rate swap contracts – hedging	34	342
<i>Current assets</i>		
Interest-rate swap contracts – hedging	31	161
Total	65	503

All the interest-rate swap contracts qualify for hedge accounting. The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 31 December 2015 were as follows:

- HK\$2,200,000,000 (31 December 2014: HK\$2,200,000,000) with fixed interest rate of 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 of 1.420% to 1.785% per annum (31 December 2014: 1.420% to 1.785% per annum).

## 24 NON-CONTROLLING INTERESTS AND BALANCES WITH NON-CONTROLLING SHAREHOLDERS

	2015 US\$'000	2014 US\$'000
<i>Non-controlling interests</i>		
Share of equity	366,859	410,598
Equity loans (Note (a))	130,533	124,451
	<b>497,392</b>	<b>535,049</b>

Notes:

- (a) Equity loans are unsecured, with no fixed repayment terms and bearing interest at:

	2015 US\$'000	2014 US\$'000
– LIBOR per annum	8,724	9,490
– LIBOR plus 1% per annum	101,335	71,591
– LIBOR plus 3% per annum	–	22,050
– Fixed rate of 2.5% per annum	17,924	17,911
– Interest-free	2,550	3,409
	<b>130,533</b>	<b>124,451</b>

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

	2015 US\$'000	2014 US\$'000
– Interest-free and not payable within 12 months	28,563	27,579

The effective interest rate of the interest-free portion of the amounts due to non-controlling shareholders at the date of the statement of financial position is 4.1% (2014: 4.1%) per annum.

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

	2015 US\$'000	2014 US\$'000
Amounts due to non-controlling shareholders		
– Interest-free with no fixed repayment terms	22,059	8,605
Amounts due from non-controlling shareholders		
– Interest-free with no fixed repayment terms	(106)	(57)
	<b>21,953</b>	<b>8,548</b>

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

# Notes to the Consolidated Financial Statements

## 25 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2014: 16.5%) for subsidiaries operating in Hong Kong. Deferred income tax assets and liabilities of overseas subsidiaries are calculated at the rates of taxation prevailing in the countries in which the respective subsidiaries operate.

The movement on the deferred income tax account is as follows:

	2015 US\$'000	2014 US\$'000
At 1 January	304,404	284,694
Exchange differences	(10,673)	(3,654)
Deferred taxation charged to consolidated income statement (Note 33)	20,158	22,945
Deferred taxation (credited)/charged to other comprehensive income	(312)	419
Disposal of controlling interests in a subsidiary	(621)	–
<b>At 31 December</b>	<b>312,956</b>	<b>304,404</b>

The following amounts which are expected only to be substantially recovered/settled after more than twelve months from the date of the statement of financial position, determined after appropriate offsetting, are shown in the consolidated statement of financial position. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	31 December 2015 US\$'000	31 December 2014 US\$'000
Deferred income tax assets	(4,363)	(553)
Deferred income tax liabilities	317,319	304,957
	<b>312,956</b>	<b>304,404</b>

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2015, the Group has the following unrecognised tax losses to carry forward against future taxable income.

	2015 US\$'000	2014 US\$'000
With no expiry date	135,987	155,188
Lapsed within the next five years	412,858	239,480
Lapsed within the next ten years	27,004	41,349
	<b>575,849</b>	<b>436,017</b>

## 25 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities	Accelerated tax depreciation		Properties valuation surplus		Dividend withholding tax		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January	189,293	182,015	55,532	54,449	71,896	62,885	–	–	316,721	299,349
Charged to income statement	7,499	10,734	9,900	1,449	2,733	9,309	1,010	–	21,142	21,492
Disposal of controlling interests in a subsidiary	(621)	–	–	–	–	–	–	–	(621)	–
Exchange differences	(8,798)	(3,456)	(1,896)	(366)	(1,872)	(298)	–	–	(12,566)	(4,120)
At 31 December	187,373	189,293	63,536	55,532	72,757	71,896	1,010	–	324,676	316,721

Deferred income tax assets	Provision of assets		Tax losses		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January	(3,116)	(3,191)	(707)	(2,400)	(8,494)	(9,064)	(12,317)	(14,655)
Charged/(credited) to income statement	137	45	637	1,749	(1,758)	(341)	(984)	1,453
Charged/(credited) to other comprehensive income	–	–	–	–	(312)	419	(312)	419
Exchange differences	174	30	34	(56)	1,685	492	1,893	466
At 31 December	(2,805)	(3,116)	(36)	(707)	(8,879)	(8,494)	(11,720)	(12,317)

## 26 ACCOUNTS PAYABLE AND ACCRUALS

	2015	2014
	US\$'000	US\$'000
Trade payables	105,341	102,867
Construction cost payable, other payables and accrued expenses	714,175	710,035
Short term advance from an associate of the Company's controlling shareholder	15,400	16,343
	834,916	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 5.21% (2014: 6.02%) per annum.

At 31 December 2015, the ageing analysis of the trade payables based on invoice date is as follows:

	2015	2014
	US\$'000	US\$'000
0 – 3 months	94,116	91,167
4 – 6 months	7,412	5,434
Over 6 months	3,813	6,266
	105,341	102,867

# Notes to the Consolidated Financial Statements

## 27 EXPENSES BY NATURE

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

	2015 US\$'000	2014 US\$'000
Depreciation of property, plant and equipment (net of amount capitalised of US\$81,000 (2014: US\$232,000)) (Note 7)	324,779	300,238
Amortisation of leasehold land and land use rights (net of amount capitalised of US\$431,000 (2014: Nil) (Note 9)	15,823	16,858
Amortisation of trademark; and website and system development (Note 10)	786	777
Employee benefit expenses excluding directors' emoluments (net of amount capitalised and amount grouped under pre-opening expenses) (Note 29)	675,690	669,087
Cost of inventories sold or consumed in operation	275,308	280,410
Loss on disposal of property, plant and equipment; and partial replacement of investment properties	2,819	3,305
Discarding of property, plant and equipment due to renovation of hotels and resorts	4,088	1,354
Operating lease expenses	69,734	55,824
Pre-opening expenses	4,937	29,342
Auditors' remuneration		
– Audit services	1,776	1,687
– Non-audit services	595	572

## 28 OTHER (LOSSES)/GAINS – NET

	2015 US\$'000	2014 US\$'000
Fair value gains on investment properties (Note 8)	36,333	1,537
Net realised and unrealised (losses)/gains on financial assets held for trading – equity securities	(4,111)	996
(Provision for)/reversal of impairment losses on hotel properties and other properties (Note 7)	(72,379)	4,956
Impairment provision for a property under development and the underlying land (Note 7 and 9)	–	(3,275)
Gain on disposal of controlling interests in a subsidiary which owns a land site for composite development (Note 36(b))	3,051	–
Non-operating items	(37,106)	4,214
Interest income	14,945	13,816
Dividend income	1,050	1,045
Others	–	267
	<b>(21,111)</b>	<b>19,342</b>

## 29 EMPLOYEE BENEFIT EXPENSES

(excluding Directors' emoluments and share options granted to Directors and employees)

	2015 US\$'000	2014 US\$'000
Wages and salaries (including unutilised annual leave)	517,670	519,683
Pension costs – defined contribution plans	39,487	38,147
Pension costs – defined benefit plans	1,481	1,695
Other welfare	119,930	117,563
	678,568	677,088
Less: Amount included in pre-opening expenses	(2,878)	(8,001)
	675,690	669,087

Total pension cost including charges for Directors charged to the income statement for the year under all pension schemes was US\$41,090,000 (2014: US\$39,967,000).

### Pension scheme arrangement

The Group operates and participates in a number of pension and retirement schemes of both the defined contribution and defined benefit types. Principal schemes are described below:

#### (a) Defined contribution retirement plan

The Company and subsidiaries in Hong Kong participate in a mandatory provident fund scheme ("MPF") which requires both the employers and employees in Hong Kong to contribute 5% of their monthly gross earnings with a ceiling of HK\$1,500 (equivalent to US\$194). Normally, the employees can only take all the benefits when reaching the statutory retirement age. These companies also participate in other defined contribution schemes which only require the employers to make monthly contribution of the net difference between 10% of the employees' monthly basic salaries (subject to a ceiling of HK\$10,000) and the amount already contributed by the employers to the MPF for the relevant employees. Under such schemes, any unvested benefits of employees terminating employment can be utilised by the employers to reduce their future contributions. The assets of these schemes are held separately in independently administrated funds. Contributions made by the employers were charged to income statements as incurred.

The Group's subsidiaries in Mainland China, Singapore and Malaysia participate in defined contribution schemes managed by the respective local governments in these countries. The Group's subsidiaries in Australia participate in the government-supported superannuation fund scheme (a defined contribution scheme). Contributions are made based on a percentage, ranging from 9.5% to 21%, of the employee's salaries and bonuses, as applicable, and are charged to the income statement as incurred. The maximum contributions by the subsidiaries for each employee for the Group's subsidiaries in Singapore are fixed by the government at \$850 (equivalent to US\$603) per month for monthly salaries and bonus payment. The employees of the Group's subsidiaries in Singapore and Malaysia are also required to contribute 20% and 11%, respectively of their gross salaries and bonuses, if applicable, to the respective local fund.

The Group also operates a global defined contribution scheme for senior expatriates employed by the Group which requires the employers to contribute 6% to 10% (varying with staff grading) of the employees' basic salaries. Employees can contribute to the scheme on a voluntary basis. Under such scheme, the unvested benefits of employees terminating employment can be utilised by the employers to reduce their future contributions. The assets of the scheme are held separately in independently administered funds. Contributions made by the employers were charged to income statements as incurred.

# Notes to the Consolidated Financial Statements

## 29 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### Pension scheme arrangement (continued)

#### (b) Defined benefit retirement plan

The hotels in the Philippines and Malaysia have adopted funded non-contributory defined benefit pension plans covering their regular employees. The benefits are based on years of service and the employees' final covered compensation. The plans require periodic contributions by the participating subsidiaries as determined by periodic actuarial reviews. For the hotels in the Philippines and Malaysia, actuarial valuations were performed by qualified actuaries at 31 December 2015 using the Projected Unit Credit Actuarial Cost Method.

Movements in the present value of the defined benefit obligations:

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Balance at 1 January	16,150	16,685	(7,204)	(6,501)	8,946	10,184
Exchange difference	(1,721)	(508)	409	72	(1,312)	(436)
<i>Included in income statement</i>						
Current service cost	1,054	1,208	–	–	1,054	1,208
Past service cost	–	–	–	–	–	–
Interest cost on benefit obligation	738	772	(311)	(285)	427	487
	1,792	1,980	(311)	(285)	1,481	1,695
<i>Included in other comprehensive income</i>						
Actuarial loss/(gains)	1,564	(1,423)	–	–	1,564	(1,423)
Return on assets excluding amount included in net interest cost	–	–	(83)	37	(83)	37
	1,564	(1,423)	(83)	37	1,481	(1,386)
<i>Other</i>						
Contributions	–	–	(1,347)	(1,031)	(1,347)	(1,031)
Benefits paid	(1,458)	(584)	1,309	504	(149)	(80)
	(1,458)	(584)	(38)	(527)	(1,496)	(1,111)
Balance at 31 December	16,327	16,150	(7,227)	(7,204)	9,100	8,946

## 29 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### Pension scheme arrangement (continued)

#### (b) Defined benefit retirement plan (continued)

The distribution of the plan assets at year end is as follows:

	2015	2014
Cash equivalents	31%	14%
Equity securities	28%	44%
Government bonds, treasury notes and other assets	41%	42%

The principal actuarial assumptions used to determine retirement benefits costs are as follows:

For hotels in	2015		2014	
	Malaysia	The Philippines	Malaysia	The Philippines
Discount rate at 31 December	5.5%	4.78% to 4.94%	5.5%	4.30% to 4.53%
Future salary growth rate	4% to 7%	4%	4% to 7%	4%

The average duration of the defined benefit obligation as of 31 December 2015 ranged from 11.99 years to 17.36 years (31 December 2014: ranged from 12.20 years to 17.49 years).

The pension liability is subject to several key assumptions. The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of 31 December 2015 by assuming all other assumptions were held constant. The defined benefit obligation would be affected by the amount as shown below.

	Increase/ (decrease) in the Group's net defined benefit obligation US\$'000	Increase/ (decrease) in percentage points	Decrease/ (increase) in the Group's net defined benefit obligation US\$'000
Discount rate	(1%)	1%	(1,412)
Future salary growth rate	(1%)	1%	1,578

# Notes to the Consolidated Financial Statements

## **30 BENEFIT AND INTERESTS OF DIRECTORS**

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2015 is set out below:

## 30 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2014 is set out below:

Name of Director	Fees US\$'000	Salary US\$'000	Discretionary bonuses US\$'000	Inducement fees US\$'000	Estimated value of other benefits <sup>(7)</sup> US\$'000	Employer's Contribution to retirement US\$'000	Remunerations paid or receivable in respect of accepting office as director US\$'000	Emoluments paid or receivable in respect of service in connection with the management of the affairs of the company or its subsidiary undertaking US\$'000	Total US\$'000
KUOK Khoon Chen	-	743	1,548	-	16	15	-	-	2,322
LUI Man Shing	6	418	903	-	26	15	-	-	1,368
Madhu Rama Chandra RAO	-	449	1,419	-	247	45	-	-	2,160
Gregory Allan DOGAN	-	495	1,677	-	239	50	-	-	2,461
KUOK Khoon Ean <sup>(2)</sup>	15	-	-	-	-	-	-	-	15
KUOK Hui Kwong <sup>(4)</sup>	5	-	-	-	-	-	-	-	5
HO Kian Guan	26	-	-	-	-	-	-	-	26
Roberto V ONGPIN <sup>(5)</sup>	11	-	-	-	-	-	-	-	11
Alexander Reid HAMILTON	64	-	-	-	-	-	-	-	64
Timothy David DATTELS	26	-	-	-	-	-	-	-	26
WONG Kai Man <sup>(6)</sup>	64	-	-	-	-	-	-	-	64
Michael Wing-Nin CHIU <sup>(3)</sup>	11	-	-	-	-	-	-	-	11
LI Kwok Cheung Arthur	64	-	-	-	-	-	-	-	64
HO Kian Hock <sup>(1)</sup>	-	-	-	-	-	-	-	-	-

Notes:

- (1) Mr HO Kian Hock is Alternate Director to Mr HO Kian Guan.
- (2) Mr KUOK Khoon Ean was re-designated as Non-Executive Director on 22 August 2013 and resigned as Director on 1 July 2014.
- (3) Mr Roberto V ONGPIN and Mr Michael Wing-Nin CHIU retired as Directors on 29 May 2014.
- (4) Ms KUOK Hui Kwong was appointed as Director on 27 October 2014.
- (5) Dr LEE Kai-Fu was appointed as Director on 18 November 2015.
- (6) Mr WONG Kai Man was retired as Director on 28 May 2015.
- (7) Other benefits include housing, holiday warrant, medical expenses and insurance premium. Pursuant to the existing option scheme of the Company (Note 18), the Company granted to the Directors options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of option shares granted to the Directors in 2013 were included in the total expenses on share options granted in the same year.

# Notes to the Consolidated Financial Statements

## 30 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2015 are as follows:

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK\$	No. of option shares held as at 1 January 2015	No. of option shares granted during the year	Transfer from other category during the year
KUOK Khoon Chen	23 Aug 2013	–	11.92	350,000	–	–
LUI Man Shing	16 Jun 2006	II	14.00	60,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Madhu Rama Chandra RAO	28 Apr 2005	II	11.75	250,000	–	–
	16 Jun 2006	I	14.00	50,000	–	–
	16 Jun 2006	II	14.00	50,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Gregory Allan DOGAN	28 Apr 2005	II	11.75	50,000	–	–
	16 Jun 2006	I	14.00	37,500	–	–
	16 Jun 2006	II	14.00	37,500	–	–
	23 Aug 2013	–	11.92	350,000	–	–
HO Kian Guan	23 Aug 2013	–	11.92	100,000	–	–
Alexander Reid HAMILTON	23 Aug 2013	–	11.92	100,000	–	–
Timothy David DATTELS	28 Apr 2005	I	11.75	75,000	–	–
	28 Apr 2005	II	11.75	75,000	–	–
	16 Jun 2006	I	14.00	30,000	–	–
	16 Jun 2006	II	14.00	30,000	–	–
	23 Aug 2013	–	11.92	100,000	–	–
WONG Kai Man	23 Aug 2013	–	11.92	100,000	–	–
LI Kwok Cheung Arthur	23 Aug 2013	–	11.92	100,000	–	–

Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2015	Exercise price per option share HK\$	Excess of weighted average closing price per share on exercise date over exercise price HK\$	Exercise period
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	60,000	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	(250,000)	–	11.60	–	28 Apr 2007 – 27 Apr 2015
–	–	–	50,000	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	–	50,000	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	(50,000)	–	11.60	–	28 Apr 2007 – 27 Apr 2015
–	–	–	37,500	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	–	37,500	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	(75,000)	–	11.60	–	28 Apr 2006 – 27 Apr 2015
–	–	(75,000)	–	11.60	–	28 Apr 2007 – 27 Apr 2015
–	–	–	30,000	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	–	30,000	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
(100,000)	–	–	–	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023

# Notes to the Consolidated Financial Statements

## 30 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2014 are as follows:

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK\$	No. of option shares held as at 1 January 2014	No. of option shares granted during the year	Transfer from other category during the year
KUOK Khoon Chen	23 Aug 2013	–	11.92	350,000	–	–
LUI Man Shing	16 Jun 2006	II	14.00	60,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Madhu Rama Chandra RAO	28 Apr 2005	II	11.75	250,000	–	–
	16 Jun 2006	I	14.00	50,000	–	–
	16 Jun 2006	II	14.00	50,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Gregory Allan DOGAN	28 Apr 2005	II	11.75	50,000	–	–
	16 Jun 2006	I	14.00	37,500	–	–
	16 Jun 2006	II	14.00	37,500	–	–
	23 Aug 2013	–	11.92	350,000	–	–
KUOK Khoon Ean	23 Aug 2013	–	11.92	350,000	–	–
HO Kian Guan	23 Aug 2013	–	11.92	100,000	–	–

Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2014	Exercise price per option share HK\$	Excess of weighted average closing price per share HK\$	on exercise date over exercise price HK\$	Exercise period
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023	
–	–	–	60,000	14.60	–	16 Jun 2008 – 15 Jun 2016	
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023	
–	–	–	250,000	11.60	–	28 Apr 2007 – 27 Apr 2015	
–	–	–	50,000	14.60	–	16 Jun 2007 – 15 Jun 2016	
–	–	–	50,000	14.60	–	16 Jun 2008 – 15 Jun 2016	
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023	
–	–	–	50,000	11.60	–	28 Apr 2007 – 27 Apr 2015	
–	–	–	37,500	14.60	–	16 Jun 2007 – 15 Jun 2016	
–	–	–	37,500	14.60	–	16 Jun 2008 – 15 Jun 2016	
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023	
(350,000)	–	–	–	12.11	–	23 Aug 2013 – 22 Aug 2023	
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023	

# Notes to the Consolidated Financial Statements

## 30 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2014 are as follows: (continued)

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK\$	No. of option shares held as at 1 January 2014	No. of option shares granted during the year	Transfer from other category during the year
Roberto V ONGPIN	28 Apr 2005	I	11.75	75,000	–	–
	28 Apr 2005	II	11.75	75,000	–	–
	16 Jun 2006	I	14.00	30,000	–	–
	16 Jun 2006	II	14.00	30,000	–	–
	23 Aug 2013	–	11.92	100,000	–	–
Alexander Reid HAMILTON	23 Aug 2013	–	11.92	100,000	–	–
Timothy David DATTELS	28 Apr 2005	I	11.75	75,000	–	–
	28 Apr 2005	II	11.75	75,000	–	–
	16 Jun 2006	I	14.00	30,000	–	–
	16 Jun 2006	II	14.00	30,000	–	–
	23 Aug 2013	–	11.92	100,000	–	–
WONG Kai Man	23 Aug 2013	–	11.92	100,000	–	–
Michael Wing-Nin CHIU	23 Aug 2013	–	11.92	100,000	–	–
LI Kwok Cheung Arthur	23 Aug 2013	–	11.92	100,000	–	–

Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2014	Exercise price per option share HK\$	Excess of weighted average closing price per share on exercise date over exercise price HK\$	Exercise period
(75,000)	–	–	–	11.60	–	28 Apr 2006 – 27 Apr 2015
(75,000)	–	–	–	11.60	–	28 Apr 2007 – 27 Apr 2015
(30,000)	–	–	–	14.60	–	16 Jun 2007 – 15 Jun 2016
(30,000)	–	–	–	14.60	–	16 Jun 2008 – 15 Jun 2016
(100,000)	–	–	–	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	75,000	11.60	–	28 Apr 2006 – 27 Apr 2015
–	–	–	75,000	11.60	–	28 Apr 2007 – 27 Apr 2015
–	–	–	30,000	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	–	30,000	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
(100,000)	–	–	–	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023

# Notes to the Consolidated Financial Statements

## 30 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

### Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2014: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2014: one) individual during the year are as follows:

	2015 US\$'000	2014 US\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	512	473
Employer's contribution to pension scheme	16	15
Discretionary bonuses	974	1,298
Inducement fee to join the Group	–	–
Compensation for loss of office	–	–
	1,502	1,786

Pursuant to the 2012 Option Scheme of the Company (Note 18), the Company also granted to the individual options to subscribe for shares in the Company subject to terms and conditions stipulated therein.

## 31 FINANCE COSTS – NET

	2015 US\$'000	2014 US\$'000
<i>Interest expense:</i>		
– bank loans	112,641	113,104
– convertible bonds	23,153	22,179
– fixed rate bonds	29,476	29,476
– other loans	3,364	3,292
	168,634	168,051
Less: amount capitalised	(42,307)	(51,285)
	126,327	116,766
Net foreign exchange losses	9,024	528
	135,351	117,294

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.2% per annum (2014: 3.2%).

## 32 SHARE OF PROFIT OF ASSOCIATES

	2015 US\$'000	2014 US\$'000
Share of profit before tax and before share of net fair value gains of investment properties	184,889	155,269
Share of net fair value gains of investment properties	157,487	120,395
Share of profit before tax of associates	342,376	275,664
Share of tax before provision for deferred tax liabilities on fair value gains of investment properties	(49,093)	(39,015)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(38,925)	(29,363)
Share of associates' taxation	(88,018)	(68,378)
Share of profit of associates	254,358	207,286

## 33 INCOME TAX EXPENSE

	2015 US\$'000	2014 US\$'000
<i>Current income tax</i>		
– Hong Kong profits tax	14,578	16,696
– Overseas taxation	67,619	67,430
Deferred income tax (Note 25)	20,158	22,945
	102,355	107,071

Share of associates' taxation for the year ended 31 December 2015 of US\$88,018,000 (2014: US\$68,378,000) is included in the consolidated income statement as share of profit of associates.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2015 US\$'000	2014 US\$'000
Profit before income tax	272,333	314,566
Calculated at a taxation rate of 16.5% (2014: 16.5%)	44,935	51,903
Effect of different taxation rates of subsidiaries operating in other countries	17,027	18,390
Income not subject to taxation	(50,596)	(38,417)
Tax effect on unrecognised tax losses	29,330	23,773
Expenses not deductible for taxation purposes	47,741	41,783
Utilisation of previously unrecognised tax losses	(356)	(864)
Over provision in prior year	(143)	(648)
Withholding tax	14,510	11,261
Tax incentive	(93)	(110)
Taxation charge	102,355	107,071

- (a) Hong Kong profits tax is provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profits of group companies operating in Hong Kong.
- (b) 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.

# Notes to the Consolidated Financial Statements

## 34 EARNINGS PER SHARE

### Basic

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

	2015	2014
Profit attributable to equity holders of the Company (US\$'000)	140,131	180,889
Weighted average number of ordinary shares in issue (thousands)	3,569,513	3,134,231
Basic earnings per share (US cents per share)	3.93	5.77

### 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 for the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is increased by the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2015, there is no dilution effect on the earnings per share. For the year ended 31 December 2014, share options of HK\$11.60 issued under the 2002 Option Scheme and HK\$12.11 issued under the 2012 Option Scheme have the greatest dilution effect.

	2015	2014
Profit attributable to equity holders of the Company (US\$'000)	140,131	180,889
Weighted average number of ordinary shares in issue (thousands)	3,569,513	3,134,231
Adjustments for — share options (thousands)	—	366
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,569,513	3,134,597
Diluted earnings per share (US cents per share)	3.93	5.77

## 35 DIVIDENDS

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Interim dividend paid of HK5 cents (2014: HK6 cents) per ordinary share	23,029	24,170	23,097	24,252
Proposed final dividend of HK5 cents (2014: HK6 cents) per ordinary share	23,029	27,635	23,097	27,716
	46,058	51,805	46,194	51,968

At a meeting held on 24 March 2016, the Board proposed a final dividend of HK5 cents per ordinary share for the year ended 31 December 2015. This proposed dividend is not reflected as a dividend payable in these financial statements.

The proposed final dividend of US\$23,029,000 for the year ended 31 December 2015 is calculated based on 3,580,024,056 shares in issue as at 24 March 2016, 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 18).

## 36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Cash generated from operations

	2015 US\$'000	2014 US\$'000
Profit before income tax	272,333	314,566
Share of profit of associates	(254,358)	(207,286)
Fair value gains on investment properties	(36,333)	(1,537)
Gain on disposal of controlling interests in a subsidiary which owns a land site for composite development	(3,051)	–
Provision for/(reversal of) impairment losses on hotel properties and other properties	72,379	(4,956)
Impairment provision for a property under development and the underlying land	–	3,275
Depreciation	324,779	300,238
Amortisation of leasehold land and land use rights, trademark; and website and system development	16,609	17,635
Interest on convertible bonds, fixed rate bonds, bank loans and overdrafts	126,327	116,766
Interest income	(14,945)	(13,816)
Dividend income	(1,050)	(1,045)
Loss on disposal of fixed assets and discarding of fixed assets due to properties renovations	6,907	4,659
Net realised and unrealised losses/(gains) on financial assets held for trading	4,111	(996)
Net foreign exchange losses	9,024	528
Operating profit before working capital changes	522,732	528,031
Decrease in inventories	3,636	2,661
(Increase)/decrease in accounts receivable, prepayments and deposits	(39,841)	23,579
Decrease/(increase) in amounts due from associates	3,809	(2,480)
Increase in accounts payable and accruals	69,088	12,795
Net cash generated from operations	559,424	564,586

# Notes to the Consolidated Financial Statements

## 36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### (b) Disposal of controlling interests in a subsidiary

On 20 August 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose 55% of its 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 in the same month. The financial effects of the disposal transaction are as follows:

	US\$'000
<i>Assets and liabilities disposed of</i>	
Property, plant and equipment	2,767
Leasehold land and land use rights	9,088
Intangible assets	178
Cash and bank balances	317
Other net liabilities	(1,128)
<b>Net assets disposed of</b>	<b>11,222</b>
Disposal proceeds received	15,150
Less: 100% share of the net assets disposed of	(11,222)
Less: Cumulative exchange differences in respect of the net assets of the subsidiary released from equity to profit or loss	(13,272)
Add: 45% share of the net assets recognised as interest in associates measured at fair value	12,395
<b>Net disposal gain</b>	<b>3,051</b>
<i>Net cash inflow arising on disposal</i>	
Disposal proceeds	15,150
Less: Amount of deposit received in 2014	(500)
Amount of disposal proceeds received during the year	14,650
Less: Cash and bank balances disposed of	(317)
	14,333

## 37 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

### (a) Financial guarantees

As at 31 December 2015, financial guarantees of the Company and the Group were as follows:

- (i) The Company executed proportionate guarantees in favour of banks for securing banking facilities granted to certain subsidiaries and associates. The utilised amount of such facilities covered by the Company's guarantees and which also represented the financial exposure of the Company at the date of the statement of financial position amounts to US\$3,408,708,000 (2014: US\$3,441,374,000) for the subsidiaries and US\$375,945,000 (2014: US\$420,897,000) for associates.
- (ii) The Company executed guarantees in favour of banks for securing certain banking facilities granted to five non-wholly owned subsidiaries. The non-controlling shareholders of five non-wholly owned subsidiaries provided proportionate counter guarantees to the Company under the joint venture agreements. The utilised amount of these facilities covered by the Company's guarantees after setting off the amount of counter guarantees from the non-controlling shareholders and which also represented the net financial exposure of the Company at the date of the statement of financial position amounts to US\$261,315,000 (2014: US\$173,477,000).
- (iii) The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees for these associates amounts to US\$375,945,000 (2014: US\$420,897,000).

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

### (b) Contingent liabilities

As at 31 December 2015, the Group executed guarantees for securing standby documentary credit granted by banks in favour of certain building contractors relating to the execution of construction works for hotel buildings with the amount of US\$16,940,000 (2014: US\$17,977,000). These facilities were undrawn as at 31 December 2015.

### (c) Charges over assets

As at 31 December 2015, bank loans of certain subsidiaries amounting to US\$191,132,000 (2014: US\$263,844,000) were secured by:

- (i) Land lease rights and all immovable assets owned by a subsidiary with net book value of US\$119,959,000 (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\$403,079,000 (2014: US\$548,661,000).

# Notes to the Consolidated Financial Statements

## 38 COMMITMENTS

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

	2015 US\$'000	2014 US\$'000
Existing properties - Property, plant and equipment and investment properties		
– contracted but not provided for	48,814	66,601
– authorised but not contracted for	95,669	124,780
Development projects		
– contracted but not provided for	185,946	285,402
– authorised but not contracted for	866,718	1,352,396
	1,197,147	1,829,179

- (b) The Group's commitments under operating leases to make future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2015 US\$'000	2014 US\$'000
Not later than one year	53,820	51,848
Later than one year and not later than five years	180,393	171,372
Later than five years	905,412	1,046,658
	1,139,625	1,269,878

- (c) At 31 December 2015, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2015 US\$'000	2014 US\$'000
Not later than one year	49,359	46,649
Later than one year and not later than five years	33,437	32,519
Later than five years	437	120
	83,233	79,288

## 39 RELATED PARTY TRANSACTIONS

Kerry Holdings Limited ("KHL"), which owns approximately 45.65% 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 31 December 2015, has significant influence over the Company.

The following transactions were carried out with related parties:

	2015 US\$'000	2014 US\$'000
(a) Transactions with subsidiaries of KHL during the year (other than subsidiaries of the Company)		
Receipt of hotel management, consultancy and related services and royalty fees	(Note ii) 11,051	9,813
Reimbursement of office expenses and payment of administration and related expenses	2,912	2,890
Reimbursement of office rental, management fees and rates	332	342
Payment of office rental, management fees and rates	7,128	8,023
Payment for magazine publication, newspaper subscription and advertisement	(Note i) 73	63
Purchase of wine	3,367	2,743
(b) Transactions with associates of the Group during the year (other than the subsidiaries of KHL included under item (a) above)		
Receipt of hotel management, consultancy and related services and royalty fees	(Note iii) 17,532	18,683
Receipt for laundry services	(Note i) 342	672
(c) Financial assistance provided to subsidiaries of KHL as at 31 December (other than subsidiaries of the Company)		
Balance of loan to associates of the Group	154,510	153,588
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	251,813	320,473
(d) Financial assistance provided to associates of the Group as at 31 December (excluding item (c) above)		
Balance of loan to associates of the Group	83,940	81,690
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to an associate of the Group	114,636	100,425

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

# Notes to the Consolidated Financial Statements

## 39 RELATED PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties: (continued)

		2015 US\$'000	2014 US\$'000
(e)	Key management compensation Fees, salaries and other short-term employee benefits of executive directors Post employment benefits of executive directors	7,064 122	8,186 125
(f)	Rights Issue		

On 22 December 2014, the Company completed a rights issue of ordinary shares in the proportion of one rights share for every seven shares in issue at a subscription price of HK\$11.10 per rights share. A total of 15 covenantors have undertaken to take up a total of 249,729,040 rights shares to be provisionally allotted to them. Pursuant to the underwriting agreement, the underwriters agreed to underwrite for all rights shares other than those having been undertaken by the covenantors. All the covenantors and the underwriters are companies owned or controlled by Mr KUOK Hock Nien and/or interests associated with him. The Company paid a total underwriting commission of HK\$21,952,000 (equivalent to US\$2,833,000).

Notes:

- (i) These transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of The Rules Governing the Listing of Securities on HKSE ("Listing Rules") and are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.
- (ii) These transactions include continuing connected transactions as defined in Chapter 14A of Listing Rules of US\$2,354,000 which are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.
- (iii) These transactions include continuing connected transactions as defined in Chapter 14A of Listing Rules of US\$267,000 which are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

## 40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) At 31 December 2015, the Company held interests in the following principal subsidiaries:

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Seanoble Assets Limited	The British Virgin Islands	HK\$578,083,745	100	–	Investment holding	1
Shangri-La Asia Treasury Limited	The British Virgin Islands	HK\$780	100	–	Group financing	1
Shangri-La China Limited	Hong Kong	HK\$1,162,500,000	–	100	Investment holding	1
Shangri-La Hotels (Europe)	Luxembourg	EUR206,600,000	100	–	Investment holding	
Kerry Industrial Company Limited	Hong Kong	HK\$10,000,002	–	100	Investment holding	1
Shangri-La Hotel (Kowloon) Limited	Hong Kong	HK\$10,000,002	–	100	Hotel ownership and operation	1
Shangri-La International Hotels (Pacific Place) Limited	Hong Kong	HK\$10,005,000	–	80	Hotel ownership and operation	1
Shenzhen Shangri-La Hotel Limited	The People's Republic of China	US\$32,000,000	–	72	Hotel ownership and operation	2,6,8
Beihai Shangri-La Hotel Ltd	The People's Republic of China	US\$16,000,000	–	100	Hotel ownership and operation	7,8
Shanghai Pudong New Area Shangri-La Hotel Co, Ltd	The People's Republic of China	US\$47,000,000	–	100	Hotel ownership and operation	2,5,8
Shenyang Hotel Jen Ltd	The People's Republic of China	US\$39,040,470	–	100	Hotel ownership and operation	7,8
Changchun Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB167,000,000	–	100	Hotel ownership and operation and real estate operation	7,8
Jilin Province Kerry Real Estate Development Ltd	The People's Republic of China	RMB25,000,000	–	100	Real estate development and operation	7,8
Qingdao Shangri-La Hotel Co, Ltd	The People's Republic of China	US\$79,000,000	–	100	Hotel ownership and operation and real estate development and operation	7,8
Dalian Shangri-La Hotel Co, Ltd	The People's Republic of China	US\$149,000,000	–	100	Hotel ownership and operation and real estate development and operation	7,8
Xian Shangri-La Golden Flower Hotel Co, Ltd	The People's Republic of China	US\$12,000,000	–	100	Hotel ownership and operation	5,8
Harbin Shangri-La Hotel Co, Ltd	The People's Republic of China	US\$20,767,000	–	100	Hotel ownership and operation	7,8

# Notes to the Consolidated Financial Statements

## 40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2015, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Wuhan Shangri-La Hotel Co, Ltd	The People's Republic of China	US\$32,667,000	–	92	Hotel ownership and operation	6,8
Fujian Kerry World Trade Centre Co, Ltd	The People's Republic of China	HK\$700,000,000	–	100	Real estate development	3,7,8
Fuzhou Shangri-La Hotel Co, Ltd	The People's Republic of China	US\$22,200,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Chengdu) Co, Ltd	The People's Republic of China	US\$53,340,000	–	80	Hotel ownership and operation and real estate development and operation	7,8
Shangri-La Hotel (Guangzhou Pazhou) Co, Ltd	The People's Republic of China	US\$60,340,000	–	80	Hotel ownership and operation	7,8
Shangri-La Hotel (Shenzhen Futian) Co, Ltd	The People's Republic of China	US\$71,000,000	–	100	Hotel ownership and operation	2,7,8
Shangri-La Hotel (Ningbo) Co, Ltd	The People's Republic of China	US\$83,000,000	–	95	Hotel ownership and operation	7,8
Shangri-La Hotel (Wenzhou) Co, Ltd	The People's Republic of China	US\$46,250,000	–	75	Hotel ownership and operation	7,8
Shangri-La Hotel (Xian) Co, Ltd	The People's Republic of China	US\$42,800,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Guilin) Co, Ltd	The People's Republic of China	US\$70,150,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Baotou) Co, Ltd	The People's Republic of China	US\$24,400,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Huhhot) Co, Ltd	The People's Republic of China	US\$43,670,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Manzhouli) Co, Ltd	The People's Republic of China	US\$84,615,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Zhoushan) Co, Ltd	The People's Republic of China	RMB120,000,000	–	100	Hotel ownership and operation	3,7,8
Shangri-La Hotel (Hefei) Co, Ltd	The People's Republic of China	US\$90,000,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Qinhuangdao) Co, Ltd	The People's Republic of China	RMB880,000,000	–	100	Hotel ownership and operation	7,8
Sanya Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB1,701,194,300	–	100	Hotel ownership and operation	7,8

## 40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2015, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Shangri-La Hotel (Lhasa) Co, Ltd	The People's Republic of China	US\$132,000,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Qufu) Co, Ltd	The People's Republic of China	RMB844,000,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Nanjing) Co, Ltd	The People's Republic of China	RMB750,000,000	–	55	Hotel ownership and operation	7,8
Shangri-La Hotel (Diqing) Co, Ltd	The People's Republic of China	RMB610,000,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Xiamen) Co, Ltd	The People's Republic of China	RMB640,000,000	–	100	Hotel ownership and operation	3,7,8
Dalian Wolong Bay Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB430,000,000	–	100	Hotel ownership and operation and real estate development and operation	3,7,8
Kerry Real Estate (Yangzhou) Co, Ltd	The People's Republic of China	US\$102,600,000	–	100	Hotel ownership and operation and real estate development	7,8
Harbin Songbei Shangri-La Hotel Co, Ltd	The People's Republic of China	RMB658,000,000	–	100	Hotel ownership and operation	3,7,8
Shangri-La Ulaanbaatar LLC	Mongolia	US\$5,000,000	–	51	Office ownership and operation	
Shangri-La Ulaanbaatar Hotel LLC	Mongolia	US\$20,000,000	–	51	Hotel ownership and operation	4
Makati Shangri-La Hotel & Resort, Inc	The Philippines	Peso 1,100,000,000	–	100	Hotel ownership and operation	
Edsa Shangri-La Hotel & Resort, Inc	The Philippines	Peso 792,128,700	–	100	Hotel ownership and operation	
Mactan Shangri-La Hotel & Resort, Inc	The Philippines	Common Peso 272,630,000 Preferred Peso 170,741,500 Redeemable Common Peso 285,513,000	–	93.95	Hotel ownership and operation	
Addu Investments Private Limited	Republic of Maldives	Rufiyaa 640,000,000	–	70	Hotel ownership and operation	
Traders Hotel Malé Private Limited	Republic of Maldives	Rufiyaa 64,000,000	–	100	Hotel ownership and operation	

# Notes to the Consolidated Financial Statements

## 40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2015, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Yanuca Island Limited	Fiji	F\$1,262,196	–	71.64	Hotel ownership and operation	2
Shangri-La Hotel Limited	Singapore	S\$165,433,560	–	100	Investment holding, hotel ownership and operation and leasing of residential and serviced apartments	2
Sentosa Beach Resort Pte Ltd	Singapore	S\$30,000,000	–	100	Hotel ownership and operation	2
Traders Hotel Management Pte Ltd	Singapore	S\$1	–	100	Hotel operation	2
Shangri-La Hotels (Malaysia) Berhad	Malaysia	RM440,000,000	–	52.78	Investment holding and hotel ownership and operation	
Shangri-La Hotel (KL) Sdn Bhd	Malaysia	RM150,000,000	–	52.78	Hotel ownership and operation	
Golden Sands Beach Resort Sdn Bhd	Malaysia	RM6,000,000	–	52.78	Hotel ownership and operation	
Pantai Dalit Beach Resort Sdn Bhd	Malaysia	RM135,000,000	–	64.59	Hotel and golf club ownership and operation	
Komtar Hotel Sdn Bhd	Malaysia	RM6,000,000	–	31.67	Hotel ownership and operation	
UBN Tower Sdn Bhd	Malaysia	RM500,000	–	52.78	Property investment and office management	
UBN Holdings Sdn Bhd	Malaysia	RM45,000,000	–	52.78	Investment holding and property investment	
Traders Yangon Company Limited	Myanmar	Kyat21,600,000	–	59.16	Hotel ownership and operation	
Shangri-La Yangon Company Limited	Myanmar	Kyat11,880,000	–	55.86	Serviced apartments and hotel ownership and operation	4
Traders Square Company Limited	Myanmar	Kyat 522,000	–	59.28	Real estate development and operation	3
Shangri-La Hotel Public Company Limited	Thailand	Baht1,300,000,000	–	73.61	Hotel, serviced apartments and office ownership and operation	

## 40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2015, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Shangri-La Hotels (Paris)	France	EUR13,772,210	–	100	Hotel ownership and operation	2
Shangri-La Hotels Japan K.K.	Japan	YEN902,500,000	–	100	Hotel operation	2
Shangri-La Hotels Pte Ltd	United Kingdom	GBP81,000,000	–	100	Hotel operation	2
Shangri-La Hotel (Cairns) Pty Limited	Australia	AUD8,250,000	–	100	Investment holding and hotel operation	9
Abelian Pty Limited	Australia	AUD1	–	100	Investment holding and hotel operation	9
Roma Hotel Pty Limited	Australia	AUD34,000,000	–	100	Hotel ownership and operation	9
Lilyvale Hotel Pty Ltd	Australia	AUD140,000,004	–	100	Hotel ownership and operation	2, 9
Shangri-La Hotels Lanka (Private) Limited	Sri Lanka	LKR2,219,000,000	–	90	Hotel ownership and operation and real estate development and operation	3
Shangri-La Investments Lanka (Private) Limited	Sri Lanka	LKR1,214,245,300	–	90	Hotel ownership and operation	3
Turati Properties S.r.l.	Italy	EUR10,000	–	100	Hotel ownership and operation	2, 3
SLIM International Limited	Cook Islands	US\$1,000	100	–	Investment holding	1
Shangri-La International Hotel Management Limited	Hong Kong	HK\$10,000,000	–	100	Hotel management, marketing, consultancy and reservation services	1
Shangri-La Hotel Management (Shanghai) Co, Ltd	The People's Republic of China	US\$7,340,000	–	100	Hotel management, marketing and consultancy services	7,8
Shangri-La International Hotel Management B.V.	The Netherlands	EUR18,151	–	100	Licensing use of intellectual property rights	

# Notes to the Consolidated Financial Statements

## 40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

- (a) At 31 December 2015, the Company held interests in the following principal subsidiaries: (continued)

Notes:

- 1 Subsidiaries audited by PricewaterhouseCoopers, Hong Kong.
- 2 Subsidiaries audited by other member firms of PricewaterhouseCoopers.
- 3 Subsidiaries which are under various stages of real estate and hotel development and have not yet commenced business operations as at the date of the statement of financial position.
- 4 Subsidiaries which are under various stages of real estate and hotel development and have partially commenced business operations as at the date of the statement of financial position.
- 5 Co-operative Joint Venture.
- 6 Equity Joint Venture.
- 7 Wholly Foreign Owned Enterprise.
- 8 The amount of paid up/issued capital for subsidiaries incorporated in The People's Republic of China represented the amount of paid in registered capital.
- 9 A Deed of Cross Guarantee was entered on 24 December 2015 between Shangri-La Asia Limited and its wholly owned Australian subsidiaries for the purpose of obtaining the benefit of the Class Order to relieve the entities from the requirement to lodge reports with ASIC (Australian Securities and Investments Commission). Apart from the stated principal subsidiaries, this deed also includes Shangri-La Investments (Australia) Pty Ltd (Australian parent company), Shangri-La Hotels Pty Ltd (hotel management company), Langley Terrace Hotel Pty Ltd (dormant), Traders Hotel Pty Ltd (dormant) and The Pier Cairns Management Services Pty Ltd (agent company for Pier Cairns). All of these entities form a Closed Group. There are no other Extended Closed Group Entities involved.

## 40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

- (b) At 31 December 2015, the Group held interests in the following principal associates:

Name	Place of establishment/ operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
China World Trade Center Ltd	The People's Republic of China	50	Hotel ownership and operation and property investment	2
Beijing Shangri-La Hotel Co, Ltd	The People's Republic of China	38	Hotel ownership and operation	
Hangzhou Shangri-La Hotel Ltd	The People's Republic of China	45	Hotel ownership and operation	
Shanghai Centre	The People's Republic of China	30	Hotel ownership and operation and property investment	1
Beijing Jia Ao Real Estate Development Co, Ltd	The People's Republic of China	23.75	Real estate development and operation	2
Beijing Kerry Hotel Co, Ltd	The People's Republic of China	23.75	Hotel ownership and operation	2
Shanghai Xin Ci Hou Properties Co, Ltd	The People's Republic of China	24.75	Real estate development and operation	2
Shanghai Ji Xiang Properties Co, Ltd	The People's Republic of China	49	Hotel ownership and operation and property investment	2
Shanghai Pudong Kerry City Properties Co, Ltd	The People's Republic of China	23.20	Hotel ownership and operation and property investment	2
Tianjin Kerry Real Estate Development Co, Ltd	The People's Republic of China	20	Hotel ownership and operation and property investment	4
Kerry Real Estate (Nanchang) Co, Ltd	The People's Republic of China	20	Hotel ownership and operation and property investment	4
Hengyun Real Estate (Tangshan) Co, Ltd	The People's Republic of China	35	Property investment	4
Ruihe Real Estate (Tangshan) Co, Ltd	The People's Republic of China	35	Hotel ownership and operation	
Xiang Heng Real Estate (Jinan) Co, Ltd	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Kerry (Shenyang) Real Estate Development Co, Ltd	The People's Republic of China	25	Property investment	4
Sheng Xiang Real Estate (Shenyang) Co, Ltd	The People's Republic of China	25	Property investment	3
Shangri-La Hotel (Shenyang) Co, Ltd	The People's Republic of China	25	Hotel ownership and operation	
Kerry Real Estate (Hangzhou) Co, Ltd	The People's Republic of China	25	Hotel ownership and operation and property investment	3
Full Fortune Real Estate (Putian) Co, Ltd	The People's Republic of China	40	Property investment	3

# Notes to the Consolidated Financial Statements

## 40 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

- (b) At 31 December 2015, the Group held interests in the following principal associates: (continued)

Name	Place of establishment/ operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
Well Fortune Real Estate (Putian) Co, Ltd	The People's Republic of China	40	Hotel ownership and operation	3
Zhengzhou Yuheng Real Estate Co, Ltd	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Jian'an Real Estate (Kunming) Co, Ltd	The People's Republic of China	45	Hotel ownership and operation	3
Cuscaden Properties Pte Ltd	Singapore	44.60	Hotel ownership and operation and property investment	
Tanjong Aru Hotel Sdn Bhd	Malaysia	40	Hotel ownership and operation	
PT Swadharma Kerry Satya	Indonesia	25	Hotel ownership and operation	2
PT Narendra Interpacific Indonesia	Indonesia	53.30	Hotel and golf club ownership and operation	3,5
Fine Winner Holdings Limited	Hong Kong	30	Hotel ownership and operation	1
Shang Global City Properties, Inc	The Philippines	40	Hotel ownership and operation and property investment	3
SRL Touessrok Hotel Ltd	Mauritius	26	Hotel ownership and operation	
Besiktas Emlak Yatirim ve Turizm Anonim Sirketi	Turkey	50	Hotel ownership and operation	
Kerry Wines Limited	Hong Kong	20	Wines trading	1
Perennial Ghana Development Ltd	The Republic of Ghana	45	Hotel ownership and operation	3

Notes:

- 1 Associates audited by PricewaterhouseCoopers, Hong Kong.
- 2 Associates audited by other member firms of PricewaterhouseCoopers.
- 3 Associates which are under various stages of real estate and hotel development and have not yet commenced business operations as at the date of the statement of financial position.
- 4 Associates which are under various stages of real estate and hotel development and have partially commenced business operations as at the date of the statement of financial position.
- 5 This company is treated as an associate as at 31 December 2015 as the Group only has significant influence but not control according to the terms of the shareholder's agreement.

- (c) The above tables list out the subsidiaries and associates of the Company as at 31 December 2015 which, in the opinion of the Directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries and associates would, in the opinion of the Directors, result in particulars of excessive length.

## 41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

- (a) Details of hotel properties of the Company's subsidiaries are as follows:  
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Kowloon Shangri-La, Hong Kong 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong	Hotel operation	Medium lease
Island Shangri-La, Hong Kong Pacific Place, Supreme Court Road, Central, Hong Kong	Hotel operation	Medium lease
Shangri-La Hotel, Shenzhen East Side, Railway Station, 1002 Jianshe Road, Shenzhen 518001, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Beihai 33 Chating Road, Beihai, Guangxi 536007, The People's Republic of China	Hotel operation	Medium lease
Pudong Shangri-La, East Shanghai 33 Fu Cheng Lu, Pudong New Area, Shanghai 200120, The People's Republic of China	Hotel operation	Medium lease
Hotel Jen, Shenyang 68 Zhong Hua Road, He Ping District, Shenyang 110001, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Changchun 569 Xian Road, Changchun 130061, The People's Republic of China	Hotel operation and commercial and residential rental	Medium lease
Shangri-La Hotel, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Hotel operation	Medium lease
Golden Flower Hotel, Xian 8 Chang Le Road West, Xian 710032, Shaanxi, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Harbin 555 You Yi Road, Dao Li District, Harbin 150018, The People's Republic of China	Hotel operation	Medium lease

# Notes to the Consolidated Financial Statements

## 41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

- (a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)  
 (lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, Wuhan No. 700, Jianshe Avenue, Hankou, Wuhan 430015, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Fuzhou No. 9 Xin Quan Nan Road, Fuzhou 350005, The People's Republic of China	Hotel operation	Long lease
Shangri-La Hotel, Guangzhou 1 Hui Zhan Dong Road, Hai Zhu District, Guangzhou 510308, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Chengdu 9 Binjiang Dong Road, Chengdu, Sichuan 610021, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Xian 38B Keji Road, Xian 710075, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Baotou 66 Min Zu East Road, Qing Shan District, Baotou 014030, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Yangzhou 472 Wen Chang Xi Lu, New Western District, Yangzhou Jiangsu Province, 225009, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Huhhot 5 Xi Lin Guo Le South Road, Huhhot 010020, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease
Futian Shangri-La, Shenzhen 4088 Yi Tian Road Futian District Shenzhen 518048 The People's Republic of China	Hotel operation	Medium lease

## 41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

- (a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)  
 (lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, Wenzhou 1 Xiangyuan Road, Wenzhou 325000, Zhejiang Province, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Ningbo 88 Yuyuan Road, Jiangdong District, Ningbo 315040, Zhejiang, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Guilin 111 Huan Cheng Bei Er Lu, Guilin 541004, Guangxi, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Manzhouli 99 Liudao Street, Manzhouli Inner Mongolia, 021400, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Qufu 3 Chunqiu Road, Qufu, Shandong, 273100, The People's Republic of China	Hotel operation	Medium lease
Shangri-La's Sanya Resort & Spa, Hainan No.88 North Hai Tang Road, Sanya Hainan, 572000, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Lhasa 19 Norbulingka Road, Lhasa, Tibet Autonomous Region, 850000, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Nanjing 329 Zhongyang Road, Gulou District, Nanjing, Jiangsu Province, 210037, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Qinhuangdao 123 Hebin Road, Haigang District, Qinhuangdao, Hebei, 066000, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Hefei No.256 Suixi Road, Luyang District, Hefei, Anhui Province, 230041 The People's Republic of China	Hotel operation	Medium lease

# Notes to the Consolidated Financial Statements

## 41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

- (a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)  
 (lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Hylandia by Shangri-La No.1, Chicika Street, Jiantang Town, Shangri-La City, Diqing Tibetan Autonomous Prefecture, Yunnan Province, The People's Republic of China	Hotel operation	Medium lease
Makati Shangri-La, Manila Ayala Avenue, corner Makati Avenue, Makati City, Metro Manila 1200, The Philippines	Hotel operation	Medium lease
Edsa Shangri-La, Manila 1 Garden Way, Ortigas Center, Mandaluyong City 1650, Metro Manila, The Philippines	Hotel operation	Medium lease
Shangri-La's Mactan Resort & Spa, Cebu Punta Engano Road, Lapu Lapu City, Cebu 6015, The Philippines	Hotel operation	Medium lease
Shangri-La's Boracay Resort & Spa Barangay Yapak, Boracay Island, Malay, Aklan 5608, The Philippines	Hotel operation	Medium lease
Shangri-La's Fijian Resort & Spa, Yanuca, Fiji Yanuca Island Cuvu, Sigatoka, Fiji	Hotel operation	Long lease
Shangri-La Hotel, Singapore 22 Orange Grove Road, Singapore 258350	Hotel operation	Freehold
Shangri-La's Rasa Sentosa Resort & Spa 101 Siloso Road, Sentosa, Singapore 098970	Hotel operation	Long lease
Hotel Jen Orchardgateway Singapore 277 Orchard Road, Singapore 238858	Hotel operation	Medium lease for building
Shangri-La Hotel, Kuala Lumpur 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	Hotel operation	Freehold

## 41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

- (a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)  
 (lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La's Rasa Sayang Resort & Spa, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold
Hotel Jen Penang Magazine Road, George Town, 10300 Penang, Malaysia	Hotel operation	Long lease
Golden Sands Resort, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold
Shangri-La's Rasa Ria Resort, Kota Kinabalu Pantai Dalit Beach, Tuaran, Sabah 89208, Malaysia	Hotel and golf club operation	Long lease
Sule Shangri-La, Yangon 223 Sule Pagoda Road, Yangon, Myanmar	Hotel operation	Medium lease
Shangri-La Hotel, Bangkok 89 Soi Wat Suan Plu, New Road, Bangrak, Bangkok 10500, Thailand	Hotel operation, residential and office rental	Freehold
Shangri-La Hotel, Chiang Mai 89/8 Chang Klan Road, Muang, Chiang Mai 50100, Thailand	Hotel operation	Freehold
Shangri-La's Villingili Resort & Spa, Maldives Villingili Island, Addu Atoll, Republic of Maldives	Hotel operation	Medium lease
Hotel Jen Malé, Maldives Ameer Ahmed Magu, Malé 20096, Republic of Maldives	Hotel operation	Medium lease
Shangri-La Hotel, Tokyo Marunouchi Trust Tower Main, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-8283, Japan	Hotel operation	Medium lease for building

# Notes to the Consolidated Financial Statements

## 41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

- (a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)  
 (lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, At The Shard, London 31 St Thomas Street, SE1 9QU, London United Kingdom	Hotel operation	Medium lease for building
Shangri-La Hotel, Paris 10 Avenue d'Iena, 75116 Paris, France	Hotel operation	Freehold
Shangri-La Hotel, The Marina, Cairns Pierpoint Road, Marlin Marina, Cairns, Queensland 4870, Australia	Hotel operation	Long lease
Shangri-La Hotel, Sydney 176 Cumberland Street, The Rocks, Sydney NSW 2000, Australia	Hotel operation	Long lease
Hotel Jen Brisbane 159, Roma Street, Brisbane, Queensland 4000, Australia	Hotel operation	Freehold
Shangri-La Hotel, Ulaanbaatar 19 Olympic Street, Sukhbaatar District-1, Ulaanbaatar, 14241, Mongolia	Hotel operation	Long lease

## 41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

- (b) Details of hotel properties of the operating associates are as follows:  
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
China World Hotel, Beijing Jianguomenwai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
Traders Hotel, Beijing Jianguomenwai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
China World Summit Wing, Beijing Jianguomenwai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
Kerry Hotel, Beijing 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Beijing 29 Zizhuyuan Road, Beijing 100089, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Hangzhou 78 Beishan Road, Hangzhou 310007, The People's Republic of China	Hotel operation	Medium lease
Kerry Hotel Pudong, Shanghai No. 1388 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Hotel operation	Medium lease
Jing An Shangri-La, West Shanghai 1218 Middle Yan'an Road, Jing An Kerry Centre, West Nanjing Road, Shanghai 200040, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Shenyang 115 Qingnian Avenue Shenhe District, Shenyang Liaoning, 110016, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Tianjin No. 328 Haihe East Road, Hedong District, Tianjin, 300019 The People's Republic of China	Hotel operation	Medium lease

# Notes to the Consolidated Financial Statements

## 41 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

- (b) Details of hotel properties of the operating associates are as follows: (continued)  
 (lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
The Portman Ritz-Carlton, Shanghai 1376 Nanjing Road West, Shanghai 200040, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Nanchang No. 669, Cui Lin Road, Honggutan New District, Nanchang, Jiangxi Province, 330038, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Tangshan 889, Changhong West Road, Lubei District, Tangshan, Hebei, 063000, The People's Republic of China	Hotel operation	Medium lease
Hotel Jen Tanglin Singapore 1A Cuscaden Road, Singapore 249716	Hotel operation	Long lease
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu 20 Jalan Aru, Kota Kinabalu, Sabah 88100, Malaysia	Hotel operation	Long lease
Shangri-La Hotel, Jakarta Kota BNI, Jalan Jend. Sudirman Kav. 1, Jakarta 10220, Indonesia	Hotel operation	Medium lease
Hotel Jen Hong Kong No. 508 Queen's Road West, Western District, Hong Kong	Hotel operation	Long lease
Shangri-La Bosphorus, Istanbul Sinanpasa Mah, Hayrettin, Iskelesi Sok, No.1, Besiktas, Istanbul 34353, Turkey	Hotel operation	Freehold
Shangri-La's Le Touessrok Resort & Spa, Mauritius Coastal Road, Trou d'Eau Douce, 42212 Mauritius	Hotel operation	Freehold/Long lease

## 42 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

- (a) Details of principal investment properties of the subsidiaries are as follows:  
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Residences, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Residential rental	Medium lease
Shangri-La Centre, Chengdu 9 Binjiang Dong Road Chengdu, Sichuan 610021, The People's Republic of China	Office and commercial rental	Medium lease
Shangri-La Centre, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Office and commercial rental	Medium lease
Central Tower, Ulaanbaatar 2 Sukhbaatar Square, SBD -8, Ulaanbaatar 210620a, Mongolia	Office rental	Long lease
Shangri-La Apartments, Singapore 1 Anderson Road, Singapore 259983	Residential rental	Freehold
Shangri-La Residences, Singapore No. 1A Lady Hill Road, Singapore 258685	Residential rental	Freehold
UBN Tower, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia	Office and commercial rental	Freehold
UBN Apartments, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia	Residential rental	Freehold
Shangri-La Residences, Yangon Kan Yeik Tha Street, Yangon, Myanmar	Residential rental	Medium lease
The Pier Retail Complex, Cairns Pierpoint Road, Marlin Marina, Cairns, Queensland 4870, Australia	Office and commercial rental	Long lease

# Notes to the Consolidated Financial Statements

## 42 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

- (b) Details of investment properties of the operating associates are as follows:  
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
China World Trade Center 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Office, commercial and residential rental	Medium lease
Century Towers, Beijing 18 Guang Qu Men Wai Avenue, Beijing 100022, The People's Republic of China	Residential rental	Long lease
Shanghai Centre 1376 Nanjing Road West, Suite 710, Shanghai 200040, The People's Republic of China	Office, commercial, residential and exhibition hall space rental	Medium lease
Beijing Kerry Centre 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Office, commercial and residential rental	Medium lease
Jing An Kerry Centre 1218, 1228 and 1238 Yanan Zhong Road, 1539, 1551 and 1563 Nanjing Xi Road, 1515 Nanjing Road West, Jing An District, Shanghai 200040, The People's Republic of China	Office, commercial and residential rental	Medium lease
Kerry Parkside Shanghai Pudong No. 1378 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Office, commercial and residential rental	Medium lease
Tianjin Kerry Centre Liuwei Road, Hedong District, Tianjin 300171, The People's Republic of China	Office, commercial and residential rental	Medium lease
Tanglin Mall, Singapore 163 Tanglin Road, Singapore 247933	Commercial rental	Long lease
Tanglin Place, Singapore 91 Tanglin Road, Singapore 247918	Office and commercial rental	Freehold

## 43 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

The Group executed a 5-year bank loan agreement of RMB450,000,000 (equivalent to US\$69,299,000) and another 5-year bank loan agreement of US\$300,000,000 in January 2016 for project financing. The Group also executed a 3-year bank loan agreement of EUR75,000,000 (equivalent to US\$81,575,000) in February 2016 to refinance its outstanding bank loan maturing in early 2016.

## 44 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2015 US\$'000	2014 US\$'000
<b>ASSETS</b>		
<i>Non-current assets</i>		
Property, plant and equipment	1,104	1,318
Investments in subsidiaries	4,439,175	3,992,662
Club debentures	840	840
	4,441,119	3,994,820
<i>Current assets</i>		
Amounts due from subsidiaries	12,277	71,786
Dividends receivable, prepayments and deposits	649,703	704,981
Cash and bank balances	4,330	293,341
	666,310	1,070,108
Total assets	5,107,429	5,064,928
<b>EQUITY</b>		
<i>Capital and reserves attributable to the Company's equity holders</i>		
Share capital	3,191,801	3,191,745
Other reserves	1,545,349	1,547,459
Retained earnings	58,658	70,259
<b>Total equity</b>	<b>4,795,808</b>	<b>4,809,463</b>
<b>LIABILITIES</b>		
<i>Current liabilities</i>		
Accounts payable and accruals	7,149	8,738
Amounts due to subsidiaries	304,472	246,727
Total liabilities	311,621	255,465
Total equity and liabilities	5,107,429	5,064,928
Net current assets	354,689	814,643
Total assets less current liabilities	4,795,808	4,809,463

The statement of financial position of the Company was approved by the Board of Directors on 24 March 2016.

# Notes to the Consolidated Financial Statements

## 44 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement of other reserves of the Company:

	Share option reserve US\$'000	Capital redemption reserve US\$'000	Contributed surplus US\$'000 (Note)	Total US\$'000
Balance at 1 January 2014	12,607	10,666	1,524,231	1,547,504
Exercise of share options – transfer to share premium	(45)	–	–	(45)
Balance at 31 December 2014 and 1 January 2015	12,562	10,666	1,524,231	1,547,459
Exercise of share options – transfer to share premium	(12)	–	–	(12)
Transfer of share option reserve to retained earnings upon expiry of share options	(2,098)	–	–	(2,098)
Balance at 31 December 2015	10,452	10,666	1,524,231	1,545,349

Note:

The contributed surplus of the Company arises when the Company issues shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's issued shares and the value of net assets of the companies acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders.

Movement of retained earnings of the Company:

	2015 US\$'000	2014 US\$'000
Balance at 1 January	70,259	59,051
Transfer from share option reserve upon expiry of share options	2,098	–
Profit for the year	37,114	51,628
2014/2013 final dividend paid	(27,716)	(16,168)
2015/2014 interim dividend paid (Note 35)	(23,097)	(24,252)
Balance at 31 December	58,658	70,259
Representing:		
2015/2014 final dividend proposed (Note 35)	23,097	27,716
Retained earnings	35,561	42,543
Balance at 31 December	58,658	70,259

## 45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 24 March 2016.

# Five-Year Summary

The financial summary of the Group for the last five years is as follows:

	Year ended 31 December				
	2015 US\$'000	2014 US\$'000	2013 US\$'000	2012 US\$'000	2011 US\$'000
<i>Results</i>					
Profit attributable to:					
Equity holders	140,131	180,889	392,298	358,986	252,979
Non-controlling interests	29,847	26,606	48,818	23,311	30,885
	As at 31 December				
	2015 US\$'000	2014 US\$'000	2013 US\$'000	2012 US\$'000	2011 US\$'000
<i>Assets and liabilities</i>					
Total assets	13,285,413	13,740,279	12,898,257	11,919,120	9,971,916
Total liabilities	6,395,728	6,301,032	6,030,913	5,391,570	3,945,784
Total equity	6,889,685	7,439,247	6,867,344	6,527,550	6,026,132

# Abbreviations

In this Annual Report (except for the independent Auditor's report and the Financial Statements), the following expressions have the following meanings:

"Annual General Meeting"	forthcoming 2016 annual general meeting of the Company
"Annual Report"	this 2015 annual report of the Company
"Audit Committee"	audit committee of the Company
"Auditor"	statutory auditor of the Company, currently being PricewaterhouseCoopers, Hong Kong
"Board"	board of Directors
"Bye-Laws"	bye-laws of the Company
"CEO", "CFO" and "COO"	chief executive officer, chief financial officer and chief operating officer, respectively, of the Company
"CG Model Code"	code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules from time to time
"CG Principles"	corporate governance principles of the Company adopted by the Board on 19 March 2012 and as revised from time to time, and such principles align with and/or incorporate terms that are stricter than the CG Model Code, save for that disclosed in the corporate governance report in this Annual Report
"Chairman" or "Deputy Chairman"	chairman and deputy chairman, respectively, of the Board
"China" or "Mainland China"	The People's Republic of China, excluding Hong Kong and Macau
"Company"	Shangri-La Asia Limited
"Director(s)"	director(s) of the Company
"Directors' Report"	the Directors' report as set out in this Annual Report
"EBITDA"	earnings before interest expenses on loans and bonds issued, tax, depreciation and amortisation, gain or loss on disposal of fixed assets and interest in investee companies and excludes fair value gains on investment properties; fair value gains or losses on interest-rate swap contracts and financial assets held for trading; and impairment loss on fixed assets
"Executive Committee"	executive committee of the Company
"Executive Director(s)" or "ED(s)"	executive Director(s)
"Financial Statements"	consolidated financial statements of the Group for the Financial Year as set out on pages 114 to 220 of this Annual Report
"Financial Year"	financial year ended 31 December 2015
"Group"	Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSE"	The Stock Exchange of Hong Kong Limited
"Hotel Management Services"	hotel management, marketing, communication and/or reservation services, and/or any hotel related services

"Independent Non-executive Director(s)" or "INED(s)"	independent non-executive Director(s)
"KGL"	Kerry Group Limited, a Substantial Shareholder, and a connected person of the Company
"KHL"	Kerry Holdings Limited, a Substantial Shareholder and a subsidiary of KGL, and a connected person of the Company
"KPL"	Kerry Properties Limited, whose controlling shareholders include KHL and KGL, and thus is an associate of each of them, and accordingly a connected person of the Company
"Listing Rules"	Rules Governing the Listing of Securities on HKSE
"Managing Director" or "MD"	managing director of the Company
"Nomination Committee"	nomination committee of the Company
"Non-executive Director(s)" or "NED(s)"	non-executive Director(s)
"Other Major Shareholder(s)"	Shareholder(s) (other than Substantial Shareholder(s)) whose interests and short positions in Shares and underlying Shares are recorded in the register required to be kept by the Company under Section 336 of the SFO, and in general, being Shareholder(s) deemed to have interest of 5% or more but less than 10% in the Company
"Remuneration Committee"	remuneration committee of the Company
"Securities Model Code"	code set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules from time to time
"Securities Principles"	principles for securities transactions by Directors or any non-Directors of the Company adopted by the Board on 19 March 2012 and as revised from time to time, and such principles align with and/or incorporate terms that are stricter than the Securities Model Code
"Senior Management"	member(s) of the senior management of the Group as indicated in the section entitled "Board of Directors, Company Secretary and Senior Management" in the Annual Report
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK\$1.00 each in the Company
"Shareholder(s)"	shareholder(s) of the Company
"SLIM"	SLIM International Limited, a wholly owned subsidiary of the Company incorporated in the Cook Islands, and its subsidiaries (including SLIM-HK) whose principal businesses include the provision of Hotel Management Services
"SLIM-HK"	Shangri-La International Hotel Management Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong and entrusted with the primary responsibility of operating the assets of the Group, and whose principal business is the provision of Hotel Management Services
"substantial shareholder(s)"	as defined in the Listing Rules and in general, being shareholder(s) deemed to have interest of 10% or more in the company, and "Substantial Shareholder(s)" shall mean substantial shareholder(s) of the Company
"Year End"	31 December 2015

# Corporate Information

As at 5 April 2016

## BOARD OF DIRECTORS

### Executive Directors

**Mr KUOK Khoon Chen** (Chairman and CEO)  
**Mr LUI Man Shing** (Deputy Chairman)  
**Mr Madhu Rama Chandra RAO** (CFO)\*  
**Mr Gregory Allan DOGAN**  
**Mr LIU Kung Wei Christopher** (MD and COO)

### 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**  
**Dr LEE Kai-Fu**

\* will, on 15 April 2016, retire as CFO but will remain as an Executive Director

## EXECUTIVE COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## AUDIT COMMITTEE

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

## COMPANY SECRETARY

**Ms TEO Ching Leun**

## 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

**HKSE – 00069**  
**Singapore stock exchange – S07**  
**ADR – SHALY**

## WEBSITES

**Corporate – [www.ir.shangri-la.com](http://www.ir.shangri-la.com)**  
**Business – [www.shangri-la.com](http://www.shangri-la.com)**

## KEY DATES

**Closure of registers of members for Annual General Meeting**  
31 May 2016 to 2 June 2016, both dates inclusive

**Annual General Meeting**  
2 June 2016

**Record date for 2015 final dividend**  
7 June 2016

**Payment of 2015 final dividend**  
16 June 2016  
(subject to Shareholders' approval at the Annual General Meeting)

**Announcement of 2016 interim results**  
August 2016

## The Group's Listed Members





SHANGRI-LA ASIA LIMITED  
香格里拉(亞洲)有限公司

