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SHANGRI-LA ASIA LIMITED
香格里拉(亞洲)有限公司*

(Incorporated in Bermuda with limited liability)
website: www.ir.shangri-la.com
(Stock code: 00069)

2010 FINAL RESULTS ANNOUNCEMENT

The board of directors ("**Board**") of Shangri-La Asia Limited ("**Company**") is pleased to announce the audited results of the Company and its subsidiaries ("**Group**"), and associates for the year ended 31 December 2010. These results have been audited by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and reviewed by the Audit Committee of the Board.

The consolidated profit attributable to the equity holders of the Company for the year ended 31 December 2010 increased to US$287.1 million (US9.98 cents per share) from US$255.5 million (US8.89 cents per share) in the last year.

The Board has recommended a final dividend of **HK10 cents** per share for 2010 (2009: HK6 cents per share) payable to the Company's shareholders whose names appear on the registers of members of the Company on Tuesday, 31 May 2011. With the interim dividend of HK10 cents per share (2009: HK6 cents per share) paid in October 2010, the total dividend for 2010 is HK20 cents per share (2009: HK12 cents per share).

Subject to shareholders' approval of the payment of the final dividend at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on Thursday, 9 June 2011.

GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

		Year ended 31 December	
		2010	2009
		Audited	Audited
Sales	*US$'000*	**1,575,095**	1,230,033
Profit attributable to the equity holders of the Company	*US$'000*	**287,076**	255,499
Earnings per share	*US cents*	**9.98**	8.89
Dividend per share	*HK cents*	**20**	12
Return on Equity ($\frac{\text{Profit attributable to equity holders of the Company}}{\text{Average equity attributable to equity holders of the Company}}$)		**6.5%**	6.2%
EBITDA (earnings before interest, tax, depreciation, amortization and non-operating items)	*US$'000*	**453,775**	294,711
EBITDA Margin (EBITDA/Sales)		**28.81%**	23.96%

Consolidated Statement of Financial Position

		As at 31 December	
		2010	2009
		Audited	Audited
Total equity	*US$'000*	**4,990,207**	4,545,297
Net assets attributable to the Company's equity holders	*US$'000*	**4,637,859**	4,229,505
Net borrowings (total of bank loans and overdrafts less cash and bank balances)	*US$'000*	**2,145,573**	1,844,412
Net assets per share attributable to the Company's equity holders	*US$*	**1.61**	1.47
Net assets (total equity) per share	*US$*	**1.73**	1.57
Net borrowings to total equity ratio		**43.0%**	40.6%

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2010 US$'000	As at 31 December 2009 US$'000 (Restated)	As at 1 January 2009 US$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**4,394,094**	4,055,634	3,870,712
Investment properties		**794,029**	675,634	524,309
Leasehold land and land use rights		**603,208**	453,926	439,406
Intangible assets		**92,887**	94,450	95,452
Interest in associates		**1,799,798**	1,590,397	1,270,364
Deferred income tax assets		**2,861**	1,262	1,117
Available-for-sale financial assets		**4,931**	4,681	4,158
Other receivables		**18,955**	21,802	3,683
		7,710,763	6,897,786	6,209,201
Current assets				
Inventories		**40,562**	36,252	31,805
Properties for sale		**26,554**	27,921	–
Accounts receivable, prepayments and deposits	*4*	**162,568**	128,824	191,108
Due from associates		**32,530**	34,214	14,244
Financial assets held for trading		**24,943**	24,386	13,326
Cash and bank balances		**540,696**	665,317	463,027
		827,853	916,914	713,510
Total assets		**8,538,616**	7,814,700	6,922,711
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	*5*	**1,946,657**	1,943,448	1,940,997
Other reserves		**1,593,757**	1,412,324	1,334,921
Retained earnings				
– Proposed final dividend	*13*	**40,251**	22,269	37,090
– Others		**1,057,194**	851,464	640,323
		4,637,859	4,229,505	3,953,331
Non-controlling interests		**352,348**	315,792	298,057
Total equity		**4,990,207**	4,545,297	4,251,388

	Note	As at 31 December 2010 US$'000	2009 US$'000 (Restated)	As at 1 January 2009 US$'000 (Restated)
LIABILITIES				
Non-current liabilities				
Bank loans		**1,414,805**	2,240,553	1,889,273
Derivative financial instruments		**20,304**	44,773	65,916
Due to non-controlling shareholders		**36,788**	35,329	27,012
Deferred income tax liabilities		**225,682**	216,037	220,044
		1,697,579	2,536,692	2,202,245
Current liabilities				
Accounts payable and accruals	*6*	**528,145**	441,787	404,380
Due to non-controlling shareholders		**10,478**	5,178	6,355
Current income tax liabilities		**17,498**	14,830	19,330
Bank loans and overdrafts		**1,271,464**	269,176	39,013
Derivative financial instruments		**23,245**	1,740	–
		1,850,830	732,711	469,078
Total liabilities		**3,548,409**	3,269,403	2,671,323
Total equity and liabilities		**8,538,616**	7,814,700	6,922,711
Net current (liabilities)/assets		**(1,022,977)**	184,203	244,432
Total assets less current liabilities		**6,687,786**	7,081,989	6,453,633

AUDITED CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 31 December 2010 US$'000**	2009 US$'000
Sales	3	**1,575,095**	1,230,033
Cost of sales	7	**(679,453)**	(551,590)
Gross profit		**895,642**	678,443
Other gains/(losses) – net	8	**40,916**	(20,778)
Marketing costs	7	**(61,467)**	(49,279)
Administrative expenses	7	**(138,428)**	(111,311)
Other operating expenses	7	**(515,953)**	(445,727)
Operating profit		**220,710**	51,348
Finance costs – net	9	**(27,827)**	(24,430)
Share of profit of associates	10	**179,954**	270,595
Profit before income tax		**372,837**	297,513
Income tax expense	11	**(59,911)**	(36,767)
Profit for the year		**312,926**	260,746
Attributable to:			
Equity holders of the Company		**287,076**	255,499
Non-controlling interests		**25,850**	5,247
		312,926	260,746
Earnings per share for profit attributable to the equity holders of the Company during the year *(expressed in US cents per share)*			
– basic	12	**9.98**	8.89
– diluted	12	**9.97**	8.88
Dividends	13	**77,372**	44,529

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2010	2009
	US$'000	*US$'000*
Profit for the year	**312,926**	260,746
Other comprehensive income:		
Currency translation differences – subsidiaries	**152,417**	77,603
Currency translation differences – associates	**54,516**	8,477
Other comprehensive income for the year	**206,933**	86,080
Total comprehensive income for the year	**519,859**	346,826
Attributable to:		
Equity holders of the Company	**469,131**	332,759
Non-controlling interests	**50,728**	14,067
	519,859	346,826

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital *US$'000*	Other reserves *US$'000*	Retained earnings *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total *US$'000*
Balance at 1 January 2010	1,943,448	1,412,324	873,733	4,229,505	315,792	4,545,297
Currency translation differences	–	182,055	–	182,055	24,878	206,933
Net income recognized directly in equity	–	182,055	–	182,055	24,878	206,933
Profit for the year	–	–	287,076	287,076	25,850	312,926
Total comprehensive income for the year ended 31 December 2010	–	182,055	287,076	469,131	50,728	519,859
Exercise of share options – allotment of shares	2,587	–	–	2,587	–	2,587
Exercise of share options – transfer from option reserve to share premium	622	(622)	–	–	–	–
Payment of 2009 final dividend	–	–	(22,269)	(22,269)	–	(22,269)
Payment of 2010 interim dividend	–	–	(37,121)	(37,121)	–	(37,121)
Net consideration received from the resale of the Company's shares held by a subsidiary	–	–	97	97	35	132
Difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration arising from changes in the Company's ownership interest in subsidiaries	–	–	(4,071)	(4,071)	–	(4,071)
Dividend paid and payable to non-controlling shareholders	–	–	–	–	(12,842)	(12,842)
Equity acquired from a non-controlling shareholder	–	–	–	–	(2,562)	(2,562)
Equity injected by non-controlling shareholders	–	–	–	–	1,406	1,406
Net change in equity loans due to non-controlling shareholders	–	–	–	–	(209)	(209)
	3,209	(622)	(63,364)	(60,777)	(14,172)	(74,949)
Balance at 31 December 2010	1,946,657	1,593,757	1,097,445	4,637,859	352,348	4,990,207

	Attributable to equity holders of the Company					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2009	1,940,997	1,334,921	677,413	3,953,331	298,057	4,251,388
Currency translation differences	–	77,260	–	77,260	8,820	86,080
Net income recognized directly in equity	–	77,260	–	77,260	8,820	86,080
Profit for the year	–	–	255,499	255,499	5,247	260,746
Total comprehensive income for the year ended 31 December 2009	–	77,260	255,499	332,759	14,067	346,826
Exercise of share options – allotment of shares	2,097	–	–	2,097	–	2,097
Exercise of share options – transfer from option reserve to share premium	354	(354)	–	–	–	–
Payment of 2008 final dividend	–	–	(37,093)	(37,093)	–	(37,093)
Payment of 2009 interim dividend	–	–	(22,260)	(22,260)	–	(22,260)
Difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration arising from changes in the Company's ownership interest in a subsidiary	–	497	174	671	–	671
Dividend paid and payable to non-controlling shareholders	–	–	–	–	(9,321)	(9,321)
Equity acquired by non-controlling shareholders	–	–	–	–	5,382	5,382
Equity injected by non-controlling shareholders	–	–	–	–	14,370	14,370
Net change in equity loans due to non-controlling shareholders	–	–	–	–	(6,763)	(6,763)
	2,451	143	(59,179)	(56,585)	3,668	(52,917)
Balance at 31 December 2009	1,943,448	1,412,324	873,733	4,229,505	315,792	4,545,297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

The consolidated financial statements as at 31 December 2010 have been prepared on a going-concern basis although the Group's consolidated current liabilities exceeded its consolidated current assets by US$1,022,977,000 and have a total capital expenditure commitment of approximately US$1,139,000,000 payable in the next 12 months. These future funding requirements can be met through the cash and bank balance of US$540,696,000 at year end date, the net proceeds of approximately US$602,149,000 from the rights issue completed in February 2011 (note 16(b)), available bank loan facilities at year end date of US$663,657,000 which are maturing after 31 December 2011 and new facilities contracted subsequent to the year end date of US$360,328,000 (note 16(a)); and the net cash flows to be generated from operating activities. The Group has also received a firm offer from a bank for a new 5-year term loan facility of US$120,000,000. All the terms of this facility have been agreed and it is expected that the bank loan agreement will be executed before end of April 2011.

Change in accounting policy

The amendment to Hong Kong Accounting Standard ("**HKAS**") 17 "Leases" removes the specific guidance which previously required that land element held under a lease should be classified as an operating lease. It provides new guidance which indicates that entities should use judgment to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group has made a reassessment of the existing land lease arrangements and certain "Leasehold land and land use rights" have been reclassified to "Property, plant and equipment" and the corresponding "Amortization of leasehold land and land use rights" has been reclassified to "Depreciation of property, plant and equipment" retrospectively. Comparative information has been restated to reflect this change in accounting policy.

The adoption of amendment to HKAS 17 has the following impact on the consolidated financial statements due to the reclassification as aforesaid:

	As at		
	31 December 2010	31 December 2009	1 January 2009
	US$'000	*US$'000*	*US$'000*
Increase in property, plant and equipment	**77,511**	79,450	81,388
Decrease in leasehold land and land use rights	**77,511**	79,450	81,388

	For the year ended	
	31 December 2010	31 December 2009
	US$'000	*US$'000*
Increase in depreciation of property, plant and equipment	**1,939**	1,938
Decrease in amortization of leasehold land and land use rights	**1,939**	1,938

The Group has early adopted the following amended standards for financial period beginning 1 January 2008, which are relevant to the Group's operation and are mandatory for financial year ended 31 December 2010.

HKAS 27 Revised	Consolidated and Separate Financial Statements
HKFRS 3 Revised	Business Combinations

Apart from the amendment to HKAS 17, the following amendments to standards and new interpretations are relevant to the Group's operation and are mandatory for financial year ended 31 December 2010:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Improvements to HKFRSs 2009	

These amendments to standards and new interpretations had no material impact on the presentation of the Group's financial statements.

The following new standards and new interpretation are relevant to the Group's operation but are not effective for year 2010 and have not been early adopted:

HKAS 24 (Revised)	Related Party Disclosures
HKFRS 9	Financial Instruments
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	

3 SALES AND SEGMENT INFORMATION

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

	2010	2009
	US$'000	*US$'000*
Sales		
Hotel operation:		
Room rentals	**759,082**	570,246
Food and beverage sales	**639,497**	515,648
Rendering of ancillary services	**95,258**	81,039
Hotel management and related service fees	**30,707**	26,282
Property rentals	**50,551**	36,818
	1,575,095	1,230,033

The Group is domiciled in Hong Kong. The sales revenue from external customers attributed to Hong Kong and other countries are US$243,700,000 (2009: US$203,877,000) and US$1,331,395,000 (2009: US$1,026,156,000), 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$275,260,000 (2009: US$268,630,000) and US$5,627,913,000 (2009: US$5,032,816,000), respectively.

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

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

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

i. Hotel operations (hotel ownership and operation)

- Hong Kong
- Mainland China
- Singapore
- Malaysia
- The Philippines
- Japan
- Thailand
- Other countries (including Fiji, Myanmar, Maldives, France and Indonesia)

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

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

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

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

Segment income statement
For year ended 31 December 2010 and 2009 (US$ million)

	2010		2009	
		Profit/(Loss)		Profit/(Loss)
	Sales	**after tax**	Sales	after tax
	(Note 2)	***(Note 1)***	*(Note 2)*	*(Note 1)*
Hotel operation				
Hong Kong	**221.6**	**47.7**	185.0	33.2
Mainland China	**713.2**	**67.6**	523.5	9.1
Singapore	**125.4**	**23.1**	131.5	29.7
Malaysia	**124.1**	**13.2**	98.4	7.9
The Philippines	**163.4**	**0.9**	134.2	(6.9)
Japan	**46.3**	**(15.8)**	26.7	(22.2)
Thailand	**38.6**	**(3.1)**	31.1	(3.1)
Other countries	**61.2**	**(5.4)**	36.5	(2.8)
	1,493.8	**128.2**	1,166.9	44.9
Property rentals				
Mainland China	**18.3**	**42.3**	15.4	42.4
Singapore	**14.0**	**9.8**	12.5	8.8
Malaysia	**6.7**	**1.8**	5.8	1.7
Other countries	**11.6**	**5.1**	3.1	0.2
	50.6	**59.0**	36.8	53.1
Hotel management	**89.4**	**16.4**	72.8	6.6
Total	**1,633.8**	**203.6**	1,276.5	104.6
Less: Hotel management – Inter-segment sales	**(58.7)**		(46.5)	
Total external sales	**1,575.1**		1,230.0	
Corporate finance costs (net)		**(9.0)**		(4.9)
Land cost amortization and pre-opening expenses for projects		**(31.0)**		(33.6)
Corporate expenses		**(16.6)**		(15.0)
Exchange (losses)/gains of corporate investment holding companies		**(2.6)**		3.6
Profit before non-operating items		**144.4**		54.7

	2010 Profit/(Loss) after tax *(Note 1)*	2009 Profit/(Loss) after tax *(Note 1)*
Profit before non-operating items	**144.4**	54.7
Non-operating items		
Fair value gains on investment properties	**176.4**	271.3
Net unrealized gains on financial assets held for trading	**0.6**	11.0
Fair value losses on interest-rate swap contracts	**(21.6)**	(11.5)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	**(1.9)**	(4.2)
Provision for impairment losses on projects and hotel properties	**(5.3)**	(64.5)
Provision for taxation relating to a rationalization of the ownership structure of properties in Mainland China	**(2.0)**	(5.0)
Deferred tax credit arising from fixed assets transfer between an associate and its subsidiary	**4.1**	–
Discarding of fixed assets due to major renovation of a resort	**(7.6)**	–
Penalty on relinquishment of rights to acquire land use rights of project sites	**–**	(0.5)
Provision for impairment losses on properties for sale	**–**	(7.2)
Reversal of provision for deferred tax due to reduction in income tax rate in the Philippines, Singapore and Fiji	**–**	11.4
Total non-operating items	**142.7**	200.8
Profit attributable to equity holders of the Company	**287.1**	255.5

Notes:

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

2. Sales exclude sales of associates.

The Group's share of profit of associates (before non-operating items) by operating segments are analyzed as follows:

(US$ million)	**2010 Share of profit of associates**	2009 Share of profit/(loss) of associates
Hotel operation		
Hong Kong	**0.2**	(0.2)
Mainland China	**8.2**	2.9
Singapore	**3.8**	2.0
Malaysia	**1.1**	2.2
The Philippines	**0.7**	0.3
Other countries	**1.2**	0.6
	15.2	7.8
Property rentals		
Mainland China	**40.0**	41.1
Singapore	**4.4**	3.5
	44.4	44.6
Total	**59.6**	52.4

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

	2010		2009	
(US$ million)	**Depreciation and amortization**	**Income tax expense/ (credit)**	Depreciation and amortization	Income tax expense/ (credit)
Hotel operation				
Hong Kong	**15.1**	**11.0**	14.8	7.9
Mainland China	**124.3**	**24.1**	110.8	12.7
Singapore	**11.8**	**1.7**	12.5	6.4
Malaysia	**16.8**	**2.5**	13.8	0.9
The Philippines	**33.1**	**4.2**	30.1	8.3
Japan	**3.7**	**–**	5.4	–
Thailand	**17.2**	**(2.8)**	13.1	(2.3)
Other countries	**16.6**	**0.5**	7.8	0.3
	238.6	**41.2**	208.3	34.2
Property rentals				
Mainland China	**–**	**3.3**	–	3.1
Singapore	**–**	**1.2**	–	1.1
Malaysia	**–**	**1.1**	–	1.1
Other countries	**–**	**2.1**	–	0.4
	–	**7.7**	–	5.7
Hotel management	**2.0**	**4.2**	2.4	3.0
Total	**240.6**	**53.1**	210.7	42.9

Segment assets
As at 31 December 2010 and 2009 (US$ million)

	As at 31 December	
	2010	2009
Hotel operation		
Hong Kong	**229.1**	211.0
Mainland China	**2,289.8**	2,160.1
Singapore	**553.9**	480.4
Malaysia	**373.4**	355.4
The Philippines	**572.6**	572.9
Japan	**42.1**	41.9
Thailand	**251.4**	233.4
Other countries	**738.1**	288.8
	5,050.4	4,343.9
Property rentals		
Mainland China	**277.9**	235.7
Singapore	**415.1**	353.9
Malaysia	**88.1**	81.4
Other countries	**69.9**	44.8
	851.0	715.8
Hotel management	**73.1**	43.5
Elimination	**(18.8)**	(14.4)
Total segment assets	**5,955.7**	5,088.8
Assets allocated to projects	**600.0**	700.6
Unallocated assets	**90.2**	340.5
Intangible assets	**92.9**	94.4
Total assets of the Company and its subsidiaries	**6,738.8**	6,224.3
Interest in associates	**1,799.8**	1,590.4
Total assets	**8,538.6**	7,814.7

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

4 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2010	2009
	US$'000	*US$'000*
Trade receivables	**68,836**	57,185
Less: provision for impairment of receivables	**(800)**	(770)
Trade receivables – net	**68,036**	56,415
Deposits for land bids	**10,469**	–
Prepayments and other deposits	**38,947**	29,255
Other receivables	**45,116**	43,154
Current portion	**162,568**	128,824

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

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

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

	2010	2009
	US$'000	*US$'000*
0 – 3 months	**63,618**	53,111
4 – 6 months	**1,779**	2,020
Over 6 months	**2,639**	1,284
	68,036	56,415

5 SHARE CAPITAL

		Amount		
	No. of shares	**Ordinary shares**	**Share premium**	**Total**
	('000)	*US$'000*	*US$'000*	*US$'000*
Authorized				
– Ordinary shares of HK$1 each				
At 31 December 2009 and 31 December 2010	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid				
– Ordinary shares of HK$1 each				
At 1 January 2010	2,886,979	372,770	1,570,678	1,943,448
Exercise of share options				
– allotment of shares	1,698	219	2,368	2,587
– transfer from option reserve	–	–	622	622
At 31 December 2010	**2,888,677**	**372,989**	**1,573,668**	**1,946,657**

On 1 July 2008, the Group adjusted 10,867,055 ordinary shares in the Company with a carrying value of US$25,520,000 to equity in accordance with the Group's accounting policies. Such shares were held by a wholly owned subsidiary of Shangri-La Hotel Public Company Limited ("**SHPCL**") before the Company acquired a controlling interest in SHPCL in late 1999. During the year, the subsidiary disposed of 50,000 ordinary shares in the Company for a net cash consideration of approximately US$132,000 on The Stock Exchange of Hong Kong Limited ("**HKSE**"). The amount was credited to the equity. As at 31 December 2010, 10,817,055 ordinary shares in the Company were still held by the subsidiary.

The following option shares at various exercise prices granted to option holders of the Company under the Executive Option Scheme and the New Option Scheme were exercised during 2010:

	Number of option shares issued						
	At HK$8.26 per option share	**At HK$8.82 per option share**	**At HK$8.18 per option share**	**At HK$6.81 per option share**	**At HK$11.60 per option share**	**At HK$14.60 per option share**	**Total consideration** *US$'000*
January	–	276,195	–	–	–	–	314
April	–	–	–	–	35,000	–	52
May	–	–	–	–	100,000	2,000	154
July	–	–	–	–	100,000	–	150
August	–	–	–	50,000	40,000	140,000	367
September	–	–	–	–	40,000	20,000	97
October	–	–	–	–	50,000	35,000	141
November	–	–	–	–	185,000	166,000	589
December	–	–	67,921	–	220,000	171,000	723
For the year ended 31 December 2010	**–**	**276,195**	**67,921**	**50,000**	**770,000**	**534,000**	**2,587**

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$17.86 (2009: HK$14.12).

Share options

Share options are granted to directors and key employees. The exercise price of the granted options is equal to/higher than the closing price of the shares on the date of the grant. Options are conditional on the directors and employees completing one year's service (the vesting period). The options are exercisable starting one year from the grant date and the options 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 Company has two share option schemes: the Executive Option Scheme and the New Option Scheme.

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

	For the year ended 31 December 2010		For the year ended 31 December 2009	
	Average exercise price in HK$ per option share	**Number of option shares**	Average exercise price in HK$ per option share	Number of option shares
At 1 January	**12.48**	**13,769,466**	12.20	16,005,410
Exercised	**11.81**	**(1,698,116)**	10.05	(1,615,944)
Lapsed	**12.64**	**(813,850)**	11.50	(620,000)
At 31 December	**12.57**	**11,257,500**	12.48	13,769,466

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

Last exercisable date	Exercise price in HK$ per option share	Number of option shares as at 31 December 2010	31 December 2009
Executive Option Scheme			
14 January 2010	8.82	**–**	497,545
14 January 2011	8.18	**–**	67,921
		–	565,466
New Option Scheme			
31 December 2009	11.60	**–**	55,000
31 December 2009	14.60	**–**	277,500
1 September 2010	11.60	**–**	100,000
1 September 2010	14.60	**–**	40,000
31 December 2010	14.60	**–**	100,000
31 December 2011	11.60	**30,000**	–
31 December 2011	14.60	**15,000**	–
28 May 2012	6.81	**490,000**	540,000
27 April 2015	11.60	**6,312,000**	7,062,000
15 June 2016	14.60	**4,410,500**	5,029,500
		11,257,500	13,204,000

There was no option granted during the year ended 31 December 2010.

Options on 100,000 shares, 537,000 shares and 229,000 shares with exercise price of HK$6.81, HK$11.60 and HK$14.60 per share, respectively have been exercised subsequent to 31 December 2010 and up to the date of this announcement. No options have lapsed subsequent to 31 December 2010 and up to the date of this announcement.

6 ACCOUNTS PAYABLE AND ACCRUALS

	2010 *US$'000*	2009 *US$'000*
Trade payables	**80,537**	65,315
Construction cost payable, payable for land use rights and accrued expenses	**447,608**	376,472
	528,145	441,787

At 31 December 2010, the ageing analysis of the trade payables is as follows:

	2010 *US$'000*	2009 *US$'000*
0 – 3 months	**73,123**	60,077
4 – 6 months	**4,476**	2,450
Over 6 months	**2,938**	2,788
	80,537	65,315

7 EXPENSES BY NATURE

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

	2010 *US$'000*	2009 *US$'000* (Restated)
Depreciation of property, plant and equipment (net of amount capitalized of US$94,000 (2009: US$298,000))	**231,441**	202,194
Amortization of leasehold land and land use rights	**11,756**	10,432
Amortization of trademark and website development	**830**	1,224
Employee benefit expenses excluding directors' emoluments (net of amount capitalized and amount grouped under pre-opening expenses)	**443,246**	367,036
Cost of inventories sold or consumed in operation	**221,077**	177,503
Loss on disposal of property, plant and equipment and partial replacement of investment properties	**1,949**	1,958
Discarding of property, plant and equipment due to renovation of hotels and a resort	**9,158**	2,014
Operating lease expenses	**28,117**	23,221
Pre-opening expenses	**14,446**	27,178
Auditors' remuneration	**1,294**	1,184

8 OTHER GAINS/(LOSSES) – NET

	2010 *US$'000*	2009 *US$'000*
Fair value gains on investment properties	**61,955**	29,130
Provision for impairment losses on properties for sale	**–**	(7,258)
Net unrealized gains on financial assets held for trading	**557**	11,060
Fair value losses on derivative financial instruments – interest-rate swap contracts	**(21,599)**	(11,460)
Fair value adjustment on security deposit on leased premises	**–**	(2,424)
Provision for impairment losses on leasehold land, properties under development and hotel properties	**(5,834)**	(39,257)
Provision for taxation relating to a rationalization of the ownership structure of properties in Mainland China	**(2,000)**	(5,000)
Penalty on relinquishment of rights to acquire land use rights of project sites	**–**	(461)
Non-operating items	**33,079**	(25,670)
Interest income	**6,880**	4,207
Dividend income	**817**	424
Others	**140**	261
	40,916	(20,778)

9 FINANCE COSTS – NET

	2010	2009
	US$'000	*US$'000*
Interest expense:		
– bank loans and overdrafts	**48,609**	36,210
– other loans	**2,018**	2,253
	50,627	38,463
Less: amount capitalized	**(3,953)**	(9,270)
	46,674	29,193
Net foreign exchange transaction gains	**(18,847)**	(4,763)
	27,827	24,430

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 1.9% per annum (2009: 1.6%).

10 SHARE OF PROFIT OF ASSOCIATES

	2010	2009
	US$'000	*US$'000*
Share of profit before tax of associates and non-operating items	**69,396**	63,370
Share of net increase in fair value of investment properties	**166,385**	327,144
Provision for impairment loss for development project in New York	**–**	(24,800)
Share of profit before tax of associates	**235,781**	365,714
Share of associates' taxation before provision for taxation for non-operating items	**(19,015)**	(16,110)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(40,956)**	(79,009)
Deferred tax credit arising from fixed assets transfer between an associate and its subsidiary	**4,144**	–
Share of associates' taxation	**(55,827)**	(95,119)
Share of profit of associates	**179,954**	270,595

11 INCOME TAX EXPENSE

	2010	2009
	US$'000	*US$'000*
Current income tax		
– Hong Kong profits tax	**10,227**	9,075
– Overseas taxation	**46,405**	35,227
Deferred income tax	**3,279**	(7,535)
	59,911	36,767

Share of associates' taxation for the year ended 31 December 2010 of US$55,827,000 (2009: US$95,119,000) is included in the income statement as share of profit of associates.

(a) Hong Kong profits tax is provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profit 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.

12 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.

	2010	2009
Profit attributable to equity holders of the Company *(US$'000)*	**287,076**	255,499
Weighted average number of ordinary shares in issue *(thousands)*	**2,876,706**	2,874,960
Basic earnings per share *(US cents per share)*	**9.98**	8.89

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. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is increased by the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2010, all share options issued under both the Executive Option Scheme and the New Option Scheme have the greatest dilution effect. For the year ended 31 December 2009, all the share options issued under the Executive Option Scheme together with the share options with exercise price of HK$6.81 and HK$11.60 issued under the New Option Scheme have the greatest dilution effect.

	2010	2009
Profit attributable to equity holders of the Company *(US$'000)*	**287,076**	255,499
Weighted average number of ordinary shares in issue *(thousands)*	**2,876,706**	2,874,960
Adjustments for – share options *(thousands)*	**2,832**	842
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**2,879,538**	2,875,802
Diluted earnings per share *(US cents per share)*	**9.97**	8.88

13 DIVIDENDS

	2010	2009
	US$'000	*US$'000*
Interim dividend paid of HK10 cents (2009: HK6 cents) per ordinary share	**37,121**	22,260
Proposed final dividend of HK10 cents (2009: HK6 cents) per ordinary share	**40,251**	22,269
	77,372	44,529

At a meeting held on 30 March 2011, the Board proposed a final dividend of HK10 cents per ordinary share for the year ended 31 December 2010, this proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

The proposed final dividend of US$40,251,000 for the year ended 31 December 2010 is calculated based on 3,130,294,299 shares in issue as at 30 March 2011 (including 240,751,561 new shares issued on 11 February 2011 after the completion of a rights issue (details of the rights issue are summarized in note 16(b))) after eliminated on consolidation the amount of US$140,000 for the 10,817,055 ordinary shares in the Company held by a subsidiary of the Company (note 5).

14 FINANCIAL GUARANTEES, CONTINGENCIES AND OTHER CHARGES

(a) Financial guarantees

As at 31 December 2010, the Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The Group also executed a counter guarantee in favour of the major shareholder of an associate which had provided full guarantee in favour of a bank for securing banking facilities granted to the associate. The utilized amount of such facilities covered by the Group's guarantees for these associates amounts to US$91,466,000 (2009: US$47,795,000). 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.

As at 31 December 2009, the Group also had a contingent liability up to US$25,952,000, being its 19.425% share of the total claim under a court case in respect of a financial guarantee issued by the Company for a development project in New York. The Company, together with three other guarantors (collectively, "**Guarantors**"), has executed a recourse carve-out guarantee in favour of certain lenders to secure those certain banking facilities granted to Park Avenue Hotel Acquisition, LLC ("**Borrower**") (a 75% subsidiary of a 25.9% owned associate of the Group, which is the owner of the project located at 610 Lexington Avenue, New York, New York, United States ("**Project**")) by the lenders. The lenders have brought a foreclosure claim against the Borrower due to the failure of the Borrower to pay the outstanding loan balance due on the maturity date, which was 8 April 2009. Additionally, based upon an allegation that a full recourse event has occurred, the lenders have brought a foreclosure claim to include a claim for a deficiency judgment against all of the Guarantors, including the Company, should the foreclosure sale of the Project not realize sufficient proceeds to repay the entirety of the outstanding loan balance due and owing. The lenders were claiming the amount of approximately US$133,602,000 plus all the accrued interest and other charges due and owing under the loan documents and were only making a claim against the Guarantors for any deficiency remaining after the sale of the Project in the foreclosure action. The claim for a deficiency judgment as against the Company and the Guarantors named in the foreclosure action was dismissed pursuant to a decision and order of the Supreme Court of the State of New York on 24 February 2010. The lenders timely filed their notice of appeal on 13 April 2010, and were required to make further filings to perfect their appeal prior to 13 January 2011. Up to the date of this announcement, to the Company's knowledge, the lenders did not make any such filings.

The view of the Company's legal counsel is that the order of dismissal is correctly decided and is a very persuasive decision likely to be upheld on appeal. Absent an order of the court granting an extension of the time period of such filing, the lenders' appeal of the order of dismissal can no longer be pursued. It would be considered quite extraordinary for a court to grant an order extending the time period for filing to perfect an appeal. The Company's legal counsel is not aware of any facts or circumstances that would permit the court to grant an order extending the time period for filing to perfect an appeal and it is therefore the legal counsel's belief that an unfavorable outcome for the Company with respect to the pending action is remote. Accordingly, the Company is of the opinion that such contingency no longer exists.

(b) Contingent liabilities

As at 31 December 2010, 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$26,577,000 (2009: US$38,852,000). These facilities were undrawn as at 31 December 2010.

A contingent liability amounted to A$2,425,000 (equivalent to US$2,277,000) as at 31 December 2009 under a performance guarantee in favour of the owner of a hotel in Sydney for the financial performance of the hotel under a management contract was fully discharged before 31 December 2010 after the aforesaid amount was paid.

(c) Other charges

As at 31 December 2010, bank borrowings of certain subsidiaries amounting to US$97,323,000 (2009: US$107,726,000) was secured by:

(i) Freehold land and constructions of a subsidiary with net book value of US$42,095,000 (2009: US$55,806,000).

(ii) Land lease right and all immovable assets owned by a subsidiary together with a pledge of all the equity shares of the subsidiary with net book value of US$160,876,000 (2009:US$169,683,000).

(iii) Legal mortgage over the property owned by a subsidiary with net book value of US$88,061,000 (2009: Nil).

Bank borrowing of a subsidiary amounted to US$51,729,000 as at 31 December 2009 which was secured by the rights and benefits of the insurance policies on that subsidiary's hotel building, vehicles, machinery; and furniture, fixture and equipment with net book value of US$54,455,000 was fully repaid before 31 December 2010.

15 COMMITMENTS

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

	2010	2009
	US$'000	*US$'000*
Existing properties – Property, plant and equipment and investment properties		
Contracted but not provided for	**103,453**	120,537
Authorized but not contracted for	**98,279**	181,929
Development projects		
Contracted but not provided for	**1,393,849**	121,000
Authorized but not contracted for	**1,392,040**	907,670
	2,987,621	1,331,136

16 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

(a) In January 2011, a wholly owned subsidiary of the Company executed a 5-year unsecured bilateral bank loan agreement of RMB250,000,000 (equivalent to US$37,747,000). In the same month, the Group also executed a dual currency 5-year unsecured bilateral bank loan agreement of HK$2,500,000,000 (equivalent to US$322,581,000).

(b) On 11 February 2011, the Company completed a rights issue of ordinary shares resulting in 240,751,561 new shares being issued at HK$19.50 per share. Gross proceeds on the issue were approximately HK$4,694,655,000 (equivalent to US$605,762,000) with issue expenses amounting to approximately HK$28,000,000 (equivalent to US$3,613,000). Of the net proceeds, HK$4,607,500,000 (equivalent to US$594,516,000) were applied to repay corporate bank borrowings maturing in 2011 with the remaining HK$59,155,000 (equivalent to US$7,633,000) retained as general working capital and for immediate capital expenditure.

(c) On 5 January 2011, the Group formed a consortium with a wholly owned subsidiary of Kerry Properties Limited and a wholly owned subsidiary of Wilmar International Limited and won the land bids at the public biddings to acquire the land use rights for the project sites in Laobian District, Yingkou City, Liaoning Province in Mainland China. On the same date a master joint venture agreement was executed to establish one or more wholly foreign-owned enterprise(s) ("**JVCO(s)**") for the acquisition, holding and development of the project sites. The Group has 25% equity interest in the JVCO(s) and its share of the maximum total investment amount shall be RMB1,877,010,000 (equivalent to US$283,408,000).

OPERATIONS REVIEW

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

(i) Hotel operation – Hotel ownership and operation

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

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

Hotel operation continued to be the Group's main source of revenue and operating profits with the focus being the luxury hotel market in Asia, in particular Mainland China.

The Group continued its roll-out plan and opened 3 Group-owned Shangri-La hotels in 2010. In November 2010, the Group acquired 100% interest in a hotel in Male, Maldives and relaunched it as the Traders Hotel, Male. The Group has embarked on several new hotel and composite developments primarily in Mainland China. Towards this end it has also acquired new land sites and also intends to acquire equity interest in new hotel and composite development opportunities.

Although the global economic situation remains uncertain, the Group's hotels have experienced a strong turnaround in revenues and profits with generally improved regional market conditions. Performance of the hotels continued to be good throughout the year with the exception of those in Thailand due to the political environment. The Group hotels' weighted average room yields ("**RevPAR**") increased by 25% over 2009, led mainly by improvements in occupancies.

Yields of the Group's investment properties were generally satisfactory with the exception of those at the Beijing Kerry Centre, the Shanghai Kerry Centre and the investment property elements in the Shangri-La Hotel, Changchun ("**Shangri-La Changchun**") in Mainland China.

(a) Revenues

Hotel Operation

As at 31 December 2010, the Group had equity interest in 53 operating hotels (2009: 49) comprising 25,419 available guest rooms (2009: 24,432) including the Portman Ritz-Carlton Hotel, Shanghai ("**Portman**"). The 200-room Shangri-La Hotel, Tokyo ("**Shangri-La Tokyo**") is operating under a medium term operating lease.

On an unconsolidated basis, room revenues accounted for over 51% while food and beverage revenues accounted for over 42% of the total revenues from hotel operation. Room revenues and food and beverage revenues increased by 32% and 24% to US$980.1 million and US$802.6 million, respectively over 2009.

Key performance indicators of the Group on an unconsolidated basis are:

	2010 Weighted Average			2009 Weighted Average		
Country	**Occupancy** *(%)*	**Transient Room Rate** *(US$)*	**RevPAR** *(US$)*	Occupancy *(%)*	Transient Room Rate *(US$)*	RevPAR *(US$)*
The People's Republic of China						
Hong Kong	**74**	**282**	**225**	64	248	157
Mainland China	**63**	**137**	**85**	52	128	66
Singapore	**63**	**205**	**162**	66	179	120
Malaysia	**64**	**134**	**83**	58	124	79
The Philippines	**72**	**164**	**115**	67	150	96
Japan	**63**	**461**	**287**	38	480	175
Thailand	**38**	**142**	**59**	32	145	70
Other countries	**68**	**144**	**96**	59	115	65
Subsidiaries and Associates	**64**	**158**	**101**	55	145	81

Note: The RevPAR of hotels under renovation has been computed by excluding the number of rooms under renovation.

The results in Singapore were adversely affected by the temporary closure of the Rasa Sentosa Resort, Singapore ("**Rasa Sentosa**") for major renovations since 15 March 2010. This resort re-opened for business on 18 January 2011.

The 449-room Shangri-La Hotel, Guilin (a wholly owned hotel) and the 278-room China World Summit Wing in Beijing (a 40.19% owned hotel situated on the upper floors of the China World Tower) opened for business on 9 March 2010 and 16 August 2010, respectively.

The Shangri-La Hotel, Paris in France opened for business on 17 December 2010 after a meticulous restoration of a historic building to its original splendour. The restored landmark retains its rich heritage and offers 81 rooms inclusive of 27 suites. The hotel recorded an average room rate of US$1,578 during its post opening phase.

Subsequent to the year end, the 574-room Kerry Hotel Pudong, Shanghai ("**Kerry Hotel Pudong**") (a 23.2% owned hotel located in the Kerry Parkside complex) opened for business on 18 February 2011, bringing the total number of Group-owned hotels in Mainland China to 29.

Hotel Management

The hotel management subsidiary, SLIM International Limited and its subsidiaries ("**SLIM**") signed a new management agreement for the Traders Hotel, Hong Kong and Traders Hotel, Male on 1 August 2010 and 22 November 2010, respectively. Except for the Portman, all the other 52 hotels in which the Group has equity interest together with Shangri-La Tokyo, are managed by SLIM as at 31 December 2010. SLIM also had hotel management agreements in respect of 17 operating hotels (5,878 available rooms) owned by third parties. Overall weighted average occupancy, room rate and RevPAR for these hotels increased by 14%, 6% and 15%, respectively.

Revenue of SLIM on consolidation, after elimination of revenue earned from fellow subsidiaries, recorded an increase of 17% following a strong recovery in the hotel business.

In 2010, SLIM signed the following new hotel management agreements for hotels owned by third parties:

(i) Hotels opening in 2012
   – 322-room Shangri-La Hotel, Haikou
   – 349-room Traders Hotel, Wujin, Changzhou
   – 466-room Shangri-La Hotel, Chongqing
   The above three hotels are all located in Mainland China.

   – 186-room Shangri-La Hotel, Istanbul in Turkey

(ii) Hotel opening in 2013
   – 250-room Traders Hotel, Chennai in India

During the year, SLIM terminated its management agreement in respect of a resort under development in Seychelles due to on-going delays on the development. As at 31 December 2010, SLIM had management agreements for 15 new hotels currently under development which were owned by third parties.

Property Rentals

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

All the investment properties in Mainland China recorded an improvement in yields save for the Beijing Kerry Centre and the Shanghai Kerry Centre (both properties were under renovation) and the investment property forming part of the Shangri-La Changchun. Among all, the Century Towers in Beijing and the Shangri-La Centre in Qingdao (a wholly owned office building which commenced business in July 2009) recorded increase in yields of 44% and 45%, respectively.

The 330-metre tall China World Tower which is Beijing's tallest building and an iconic landmark for the city and in which the Group has 40.19% equity interest, commenced business in August 2010. This high-end composite development consists of office and commercial spaces and the China World Summit Wing (a luxury hotel).

The investment properties in other countries also recorded an increase in yields. Notably, the Central Tower in Ulaanbaatar, the Republic of Mongolia (a 51% owned office building) which commenced business in July 2009, recorded nearly a 500% increase in yields.

Development of the Kerry Parkside, Pudong in Shanghai (a 23.2% owned, high-end composite development which consists of office and commercial spaces, serviced apartments and the Kerry Hotel Pudong) was completed at the end of 2010. This joint venture project is located close to the Shanghai New International Expo Centre at the core of Huamu District in the Pudong New Area. The first tenants for the office units have recently moved in and the retail premises are expected to be occupied in the second quarter of 2011.

(b) Segment Results

Details of the segment information are provided in note 3 to the consolidated financial statements included in this announcement. Overall recurring net profit before non-operating items in 2010 increased by 164% to US$144.4 million.

Net profit attributable to the Company's equity holders from hotel operations in 2010 increased substantially from US$44.9 million to US$128.2 million, largely contributed by the recovery of business in Mainland China, Hong Kong and Singapore (despite the closure of Rasa Sentosa for major renovations). Most of the hotels recorded a net profit. Performance of the Philippines hotels improved following the reduction in loss of the Shangri-La's Boracay Resort and Spa together with a US$5.0 million income tax benefit arising from the merger of the holding companies of this resort and the Makati Shangri-La, Manila.

Results of SLIM also benefited from the buoyant hotel market conditions, registering an increase of US$9.8 million.

Overall, results of the investment properties improved with net profit increasing by US$5.9 million, mainly contributed by a US$4.9 million incremental profit from the Central Tower in Ulaanbaatar.

(c) Consolidated Profits

At the subsidiary level, the gross profit margin from hotel operations increased as a result of the strong RevPAR. The gross profit margin of the investment properties also registered an improvement.

Consolidated operating profit for 2010 increased substantially from US$51.3 million to US$220.7 million which included a net credit of non-operating items (before tax and share of non-controlling interests) of US$33.1 million under "Other Gains/Losses – Net" as detailed in note 8 to the consolidated financial statements included in this announcement (2009: a net charge of US$25.7 million). The key non-operating items in 2010 were the gross fair value gains on investment properties of US$62.0 million, fair value losses on interest-rate swap contracts of US$21.6 million, impairment loss provision of US$5.8 million for properties under development; and a provision for taxation of US$2 million relating to a rationalization of the ownership structure of a hotel in Mainland China.

Given the funding requirements of the development projects, the net borrowings as at 31 December 2010 increased to US$2,145.6 million from US$1,844.4 million at the end of last year. This increase in borrowings, together with the general widening of interest spreads in the prevailing market conditions and the reduction of interest capitalization upon completion of certain development projects during the year, has increased the consolidated finance costs this year by US$3.4 million.

In terms of the associates, share of profit after tax for the year included a net credit after tax of US$125.4 million (2009: US$248.1 million) for fair value gains of investment properties and a deferred tax credit of US$4.1 million arising from fixed assets transfer between an associate and its subsidiary. The 2009 balance included a provision for impairment loss for the development project in New York of US$24.8 million.

CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Group executed the following bilateral unsecured bank loan agreements for project financing as well as refinancing of loans matured during the year and those maturing in 2011:

– Six loan agreements totaling HK$2,750 million (approximately US$354.8 million) with a maturity of 5 years.

– Two 5-year HK$/US$ dual currency loan agreements totaling US$270 million.

– A 3-year JPY4,000 million (approximately US$49.2 million) loan agreement.

At the subsidiary level, a non wholly owned subsidiary in Mainland China executed a 2-year HK$85 million (approximately US$11.0 million) unsecured bank loan agreement and two 5-year unsecured bank loan agreements totaling RMB480 million (approximately US$72.5 million) to refinance its outstanding loans matured in March 2010. For project financing, a non wholly owned subsidiary in Mainland China executed a 5-year RMB170 million (approximately US$25.7 million) unsecured bank loan agreement. A wholly owned subsidiary in Singapore executed a 4-year S$72 million (approximately US$55.3 million) secured bank loan agreement. The wholly owned subsidiary in France also executed two 3-year unsecured bank loan agreements totaling Euro50 million (approximately US$66.7 million).

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

The net borrowings (total of bank loans and overdrafts less cash and cash equivalents) to total equity ratio increased from 40.6% as at 31 December 2009 to 43.0% as at 31 December 2010.

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

The analysis of borrowings outstanding as at 31 December 2010 is as follows:

	Maturities of Borrowings Contracted as at 31 December 2010				
(US$ million)	**Within 1 year**	**In the 2nd year**	**Repayment In the 3rd to 5th year**	**After 5 years**	**Total**
Borrowings					
Corporate bank loans					
– unsecured	1,012.8	251.6	187.9	–	1,452.3
Project bank loans and overdrafts					
– secured	9.8	23.9	61.1	2.5	97.3
– unsecured	248.9	221.3	640.3	26.2	1,136.7
Total	1,271.5	496.8	889.3	28.7	2,686.3
Undrawn but committed facilities					
Bank loans and overdrafts	156.0	5.7	657.9	–	819.6

On 9 December 2010, the Company announced a proposed rights issue. Subsequent to the year end on 11 February 2011, the Group completed the rights issue of ordinary shares resulting in 240,751,561 new shares being issued at HK$19.5 per share. Gross proceeds on the issue were approximately HK$4,694.7 million (approximately US$605.8 million) with issue expenses amounting to approximately HK$28.0 million (approximately US$3.6 million). Of the net proceeds, HK$4,607.5 million (approximately US$594.5 million) were applied to repay corporate bank borrowings maturing in 2011 with the remaining HK$59.2 million (approximately US$7.6 million) retained as general working capital and for immediate capital expenditure. The theoretical net borrowings to total equity ratio of the Group as at 31 December 2010 would be reduced by 15 percentage points had the rights issue exercise been completed on the year end date.

In addition, a 5-year bilateral unsecured bank loan agreement of HK$2,500 million (approximately US$322.6 million) was executed at the corporate level and a 5-year unsecured bank loan agreement of RMB250 million (approximately US$37.7 million) was executed by a wholly owned subsidiary in Mainland China in January 2011.

The Group has received a firm offer from a bank for a new 5-year term loan facility of US$120,000,000. All the terms of this facility have been agreed and it is expected that the bank loan agreement will be executed before end of April 2011. The Group is also currently negotiating with certain banks for additional long term loan facilities in order to refinance the remaining loans maturing in 2011 and to meet the scheduled project funding requirements. The Group has received favourable response from the banks. The Group does not expect any problems to meet the repayment obligations of bank borrowings maturing in 2011.

The currency-mix of the borrowings and cash and bank balances as at 31 December 2010 is as follows:

(US$ million)	**Borrowings**	**Cash and Bank Balances**
In Hong Kong dollars	1,182.9	85.6
In United States dollars	668.0	105.5
In Renminbi	419.9	264.7
In Singapore dollars	41.6	18.0
In Philippine Pesos	64.7	25.4
In Malaysian Ringgit	28.9	5.5
In Thai Baht	6.6	6.2
In Fiji dollars	–	9.2
In Euros	200.0	3.1
In Japanese Yen	73.7	2.3
In Maldive Rufiyaa	–	0.5
In British Pound	–	6.7
In Mongolia Tugrik	–	7.9
In other currencies	–	0.1
	2,686.3	540.7

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

Details of financial guarantees, contingencies and other charges as at 31 December 2010 are disclosed in note 14 of the consolidated financial statements included in this announcement.

TREASURY POLICIES

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

(a) Minimize Interest Risk

Intragroup financing between subsidiaries in Mainland China by way of entrusted loan agreements through local banks amounted to Renminbi 123 million (approximately US$18.6 million) as at 31 December 2010. The Group is currently arranging new entrusted loans to finance the development of its new projects in Mainland China.

The Group has also endeavoured to hedge its medium term interest rate risk by entering into HIBOR and LIBOR interest-rate swap contracts. No new contracts were executed during the year. Upon maturity of certain HIBOR interest-rate swap contracts during the year, the principal amount of the outstanding HIBOR and LIBOR interest-rate swap contracts as at 31 December 2010 has been reduced to HK$3,460 million (approximately US$446.5 million) at fixed interest rates ranging between 4.28% and 4.63% per annum and US$100 million at a fixed interest rate of 4.70% per annum. The interest cover continues through January 2014. Taking into account these interest-rate swap contracts and the Renminbi loans, the Group has fixed its interest liability on 36% of its loans outstanding as at 31 December 2010.

(b) Minimize Currency 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 and Japan derive their revenues (and most of the expenses associated therewith) in local currencies. The Group's hotels are quoting room tariffs in the local currency in view of the general appreciation of the Asian currencies against the United States dollar. 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. Also, to the extent legally permitted, the Group's subsidiaries in Mainland China contracted for new bank loans in United States dollars.

The Group has not felt it appropriate to substantially hedge against currency risks through forward exchange contracts upon consideration of the currency risks involved and the cost of obtaining such cover.

INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed annually (including those properties being constructed for future use as investment properties of which fair value becomes reliably determinable at 31 December 2010). All changes in the fair value of investment properties (including those under construction) are reported in the income statement. The Group's share of the increase in their fair value over their book value (net of provision for deferred taxation) amounted to US$176.4 million and this was credited to the consolidated income statement during the year.

Investment properties are stated at professional valuations carried out by independent firms of professional valuers as at 31 December 2010.

FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The investment portfolio remained unchanged during the year. The Group recorded net unrealized fair value gains of US$0.6 million (both before and after share of non-controlling interests) and dividend income of US$0.8 million (US$0.7 million after share of non-controlling interests) during the year.

DEVELOPMENT PROGRAMMES

Rasa Sentosa re-opened for business on 18 January 2011 after completion of its major renovations and the Kerry Hotel Pudong opened for business on 18 February 2011.

Construction work on the following projects is on-going:

	Group's Equity Interest	Hotel Rooms	Serviced Apartments or Villas	Projected Opening
Hotels in Mainland China				
Shangri-La Hotel, Manzhouli	100%	235	–	April 2011
Shangri-La Hotel, Qufu	100%	491	–	2012
Shangri-La Resort, Sanya	100%	504	45	2012
Shangri-La Hotel, Lhasa	100%	312	–	2013
Shangri-La Hotel, Diqing	100%	229	–	2013
Shangri-La Hotel, Qinhuangdao	100%	317	–	2013
Hotels in other countries				
Shangri-La Hotel, at the Shard, London, the United Kingdom	Operating lease	203	–	2013
Shangri-La Hotel, Ulaanbaatar, the Republic of Mongolia	75%	280	6	2013
Composite developments in Mainland China				
Jing An Kerry Centre, Shanghai (with Jing An Shangri-La, Shanghai)	49%	518	–	2012
Tianjin Kerry Centre (with Shangri-La Hotel, Tianjin)	20%	507	11	2013
Nanjing City Project (with Shangri-La Hotel, Nanjing)	55%	609	–	2013
Tangshan City Project (with Shangri-La Hotel, Tangshan)	35%	428	–	2013
Nanchang City Project (with Shangri-La Hotel, Nanchang)	20%	319	–	2013

The Group is also reviewing the development plan of the composite development project in the Bonifacio Global City located at Taguig, Metro Manila, the Philippines with the joint venture partners in which the Group has 40% equity interest.

In February 2011, the Group terminated the operating lease agreement for a hotel under development owned by a third party in Vienna, Austria due to the failure of the property developer on the timely delivery of the premises.

ACQUISITIONS AND NEW JOINT VENTURES

(i) Jinan City, Mainland China

In February 2010, the Group entered into a shareholders' agreement with a wholly owned subsidiary of Kerry Properties Limited ("**KPL**") in connection with the establishment of a wholly foreign-owned enterprise ("**Jinan JVCO**") in Mainland China in which the Group will have 45% equity interest for potential real estate development projects involving hotel, commercial and/or residential elements in Jinan City in Mainland China. KPL is a connected person of the Company. The Jinan JVCO is now participating in a land bid for 2 sites appropriate for hotel and residential development. Pursuant to the shareholders' agreements, the Group's share of the maximum total investment amount shall be RMB153 million (approximately US$23.1 million).

(ii) Shangri-La Changchun, Mainland China

In February 2010, the Group completed the connected transactions in relation to the acquisition of 10% equity interest in each of Changchun Shangri-La Hotel Co., Ltd. ("**SLCC**") (a 90% indirectly owned subsidiary of the Company before completion of these transactions which owns the Shangri-La Changchun in Mainland China) and Jilin Province Kerry Real Estate Development Ltd ("**JPKRED**") (a 90% indirectly owned subsidiary of the Company before completion of these transactions which owns the land site where the Shangri-La Changchun is built) from the non-controlling shareholder of these two subsidiaries. Pursuant to these two agreements, the non-controlling shareholder transferred its 10% equity interest in SLCC and 10% equity interest in JPKRED together with the shareholder's loan of RMB2,500,000 (approximately US$366,000) to the Group at a consideration of RMB38,000,000 (approximately US$5,587,000) and RMB9,639,000 (approximately US$1,412,000), respectively. Following completion of the transactions, the Group owns 100% equity interest in both SLCC and JPKRED. Difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid is US$4,071,000 which has been recognized directly in equity.

(iii) Traders Hotel, Male, Maldives

On 22 November 2010, the Group completed the acquisition of 100% interest in a hotel in Male, Maldives from a third party and rebranded the hotel as the Traders Hotel, Male. The total consideration for the acquisition was approximately US$32 million.

(iv) Land Use Rights and Freehold Lands

In 2010, the Group acquired new land use rights in Hefei, Xiamen and Dalian in Mainland China. A wholly owned subsidiary has also acquired the land use rights for a piece of land adjacent to the Shangri-La Hotel, Fuzhou for further development.

In December 2010, the Group acquired six acres of government land facing the Galle Face green promenade, a prominent landmark in Colombo, Sri Lanka, for a high-end composite development comprising retail facilities, deluxe apartments and a Shangri-La hotel.

Total cash consideration for all these lands was approximately US$211 million.

In January 2011, the Group acquired approximately 100 acres land in Hambantota, on the southern coast of Sri Lanka for a city resort development project. In February, the Group won the bid at the open bidding to acquire the land use rights of a land site in Harbin in Mainland China for a new hotel project. In March, the Group acquired a further four acres of government land in Colombo, Sri Lanka. This land is contiguous with the six acres land parcel acquired in December 2010. The Group also won the bid at the open bidding to acquire the land use rights of a land site in Zhuhai in Mainland China for a new hotel and training centre project.

(v) Bayuquan, Yingkou City, Liaoning Province, Mainland China

On 21 December 2010, the Group and the other joint venture parties (respective subsidiaries of KPL and Wilmar International Limited ("**WIL**")) formed a consortium and jointly won the bids at the open biddings to acquire the land use rights of designated land sites in Bayuquan, Yingkou City, Liaoning Province in Mainland China which are designated for hotel, residential and commercial uses. Following the successful biddings of the land sites, the joint venture parties entered into a master joint venture agreement to establish one or more wholly foreign-owned enterprise(s) ("**Bayuquan JVCO(s)**") for the acquisition, holding and development of the land sites and to enter into shareholders' agreements in this connection. Pursuant to the master joint venture agreement, each of the Group and the subsidiaries of KPL and WIL will own 25%, 40% and 35% in the Bayuquan JVCO(s). The Group's 25% share of the maximum total investment cost will be RMB642.25 million (approximately US$97.0 million).

(vi) Laobian District, Yingkou City, Liaoning Province, Mainland China

On 29 December 2010, the Group, KPL and WIL, through their respective subsidiaries, entered into a joint bid agreement in respect of the open bidding to be held on 5 January 2011 to acquire the land use rights of designated land sites in Laobian District, Yingkou City, Liaoning Province in Mainland China for residential and commercial uses. Pursuant to the joint bid agreement, the parties paid an aggregate deposit of RMB271.57 million (approximately US$41.0 million) in the respective proportion of 25%, 40% and 35%.

Following a successful bid on 5 January 2011, the Group and the subsidiaries of KPL and WIL entered into a master joint venture agreement to establish one or more wholly foreign-owned enterprise(s) ("**Laobian JVCO(s)**") for the acquisition, holding and development of the land sites and to enter into shareholders' agreements in this connection. Pursuant to the master joint venture agreement, each of the Group and the subsidiaries of KPL and WIL will own 25%, 40% and 35% in the Laobian JVCO(s). The Group's 25% share of the maximum total investment cost will be RMB1,877.01 million (approximately US$283.4 million).

(vii) Proposed Acquisition and New Joint Ventures

On 31 December 2010, the Group entered into sale and purchase agreements relating to the acquisition of equity interest in three project companies. Pursuant to these agreements, the Group will acquire:

– 25% equity interest in a PRC project company from a wholly owned subsidiary of KPL for a cash consideration of RMB968.62 million (approximately US$146.3 million). The wholly owned subsidiary of KPL currently owns 100% equity interest in the project company. This project company owns the land use rights for a land site in Hangzhou for a high-end composite development comprising a hotel, offices, apartments and a large-scale commercial retail mall complex. Development work is on-going.

- 100% equity interest in a PRC project company from a wholly owned subsidiary of KPL for a total cash consideration of RMB226.59 million (approximately US$34.2 million) (subject to adjustment). This project company owns the land use rights for a land site in Yangzhou for the development of hotel and residential apartments. All three blocks of residential towers have been completed and the hotel superstructure works is in progress. Some of the residential units have been sold.

- 10% and 15% equity interest in a PRC project company from each of a wholly owned subsidiary of Kerry Holdings Limited ("**KHL**") and Allgreen Properties Limited ("**AG**") for a cash consideration of RMB315.90 million (approximately US$47.7 million) (subject to adjustment) and RMB473.85 million (approximately US$71.5 million) (subject to adjustment) respectively. Both KHL and AG are connected persons of the Company. Each of the wholly owned subsidiaries of KPL, AG and KHL currently owns 60%, 30% and 10% equity interests in this project company which owns the land use rights in a land site in Shenyang for a mixed-use property comprising a hotel, offices, apartments, residential and a commercial retail mall. Development work is on-going.

The Group will also enter into the following agreements relating to the above-mentioned project developments:

- a joint venture agreement with a wholly owned subsidiary of KPL for the development of the Hangzhou project and the Group's 25% share of the maximum total investment cost will be RMB1,500.0 million (approximately US$226.5 million).

- a joint venture agreement with a wholly owned subsidiary of KPL and a wholly owned subsidiary of AG for the development of the Shenyang project and the Group's 25% share of the maximum total investment cost will be RMB4,014.5 million (approximately US$606.1 million).

The transactions contemplated by the joint venture agreement of the Shenyang project are subject to the approval of the Company's independent shareholders. On 28 February 2011, the independent shareholders of the Company approved at the special general meeting the entering into of the sale and purchase agreement of the project company in Shenyang and the joint venture agreement for the project development.

Completion of all the above agreements are currently subject to certain conditions including the obtaining of all necessary approvals from the PRC government authorities and all relevant change of registration as required by PRC laws.

The estimated incremental funding required directly by the subsidiaries and the Group's share of the funding obligations of the associates for the projects and other renovations involving fund commitments as at 31 December 2010 is currently estimated at US$2,987.6 million including US$1,139 million payable in the next 12 months which is expected to be sourced from the strong recurring operation cashflow, proceeds from the recent rights issue, available and new bank loan facilities and cash balance.

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

In March 2011, SLIM exited its management agreements in respect of the two hotels under development in Macau which have experienced significant completion delays. As at the date of this announcement, the Group has 17 management agreements for operating hotels and 13 management agreements for new hotels under development which are owned by third parties. The development projects are located in Bangalore (2 hotels), Chennai and Mumbai (India), Changzhou, Chongqing and Haikou (Mainland China), Doha (2 hotels) (Qatar), Iskandar (Malaysia), Istanbul (Turkey), Moscow (Russia) and Toronto (Canada).

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

PROSPECTS

Whilst it is expected that the performance of major economies of North America and Europe will continue to be weak in the near term, in general the Group remains cautiously optimistic about the prospects for its business in 2011. The RevPAR growth momentum experienced in 2010 continues through the first quarter of 2011. The gross profit margin from hotel operations is likely to improve further although some cost items, notably labour costs, are on the rise. The Group's Golden Circle guest loyalty programme which was recently revamped to include redemption of points earned, is expected to improve customer loyalty. Given the strong economic fundamentals and prospects of Mainland China, it remains the primary focus of the Group's investment activities. The Group has been actively expanding its network in Mainland China. Several high-end composite developments in joint venture relationship with KPL in Mainland China have experienced good results in recent years. The Group remains positive on the outlook for quality composite developments in key locations in Mainland China and continues to identify favourable investment opportunities.

PURCHASE, SALE OF REDEMPTION OF LISTED SECURITIES

Except as disclosed in note 5 to the consolidated financial statements included in this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

CORPORATE GOVERNANCE

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

During the year under review, the Company has met the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on HKSE, except that Mr KUOK Khoon Ean serves as both the Chairman and the Chief Executive Officer of the Company. The Company believes that the non-separation of the two roles is not significant given that Mr Gregory Allan DOGAN, an Executive Director of the Company, is also the President and Chief Executive Officer of Shangri-La International Hotel Management Limited, the hotel management subsidiary of the Company which is entrusted with the primary responsibility of operating the assets of the Group.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Friday, 27 May 2011 to Tuesday, 31 May 2011, both dates inclusive, during which period no transfer of shares will be effected. To qualify for the proposed final dividend, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited of 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 pm on Thursday, 26 May 2011.

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

Hong Kong, 30 March 2011

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

Executive directors
Mr KUOK Khoon Ean (Chairman)
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO
Mr Gregory Allan DOGAN

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

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

* *For identification purpose only*