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)

2011 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 2011. 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 2011 was US$253.0 million (US8.18 cents per share) as compared to US$287.1 million (US9.98 cents per share) in the last year.

The Board has recommended a final dividend of **HK10 cents** per share for 2011 (2010: HK10 cents per share) payable to the Company's shareholders whose names appear on the registers of members of the Company on Friday, 1 June 2012. With the interim dividend of HK10 cents per share (2010: HK10 cents per share) paid in October 2011, the total dividend for 2011 is HK20 cents per share (2010: HK20 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 Wednesday, 13 June 2012.

GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

		Year ended 31 December	
		2011	2010
		Audited	Audited
Sales	*US$'000*	**1,912,089**	1,575,095
Profit attributable to the equity holders of the Company	*US$'000*	**252,979**	287,076
Earnings per share	*US cents*	**8.18**	9.98
Dividend per share	*HK cents*	**20**	20
Return on Equity		**4.9%**	6.5%
$\left(\dfrac{\text{Profit attributable to equity holders of the Company}}{\text{Average equity attributable to equity holders of the Company}}\right)$			
EBITDA (earnings before interest, tax, depreciation, amortization and non-operating items)	*US$'000*	**536,697**	453,775
EBITDA Margin (EBITDA/Sales)		**28.07%**	28.81%

Consolidated Statement of Financial Position

		As at 31 December	
		2011	2010
		Audited	Audited
Total equity	*US$'000*	**6,027,854**	4,990,207
Net assets attributable to the Company's equity holders	*US$'000*	**5,606,103**	4,637,859
Net borrowings (total of bank loans and convertible bonds less cash and bank balances)	*US$'000*	**2,088,836**	2,145,573
Net assets per share attributable to the Company's equity holders	*US$*	**1.79**	1.61
Net assets (total equity) per share	*US$*	**1.93**	1.73
Net borrowings to total equity ratio		**34.7%**	43.0%

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2011	2010
	Note	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**4,659,689**	4,394,094
Investment properties		**884,907**	794,029
Leasehold land and land use rights		**739,099**	603,208
Intangible assets		**93,058**	92,887
Interest in associates		**2,381,770**	1,799,798
Deferred income tax assets		**2,237**	2,861
Available-for-sale financial assets		**4,364**	4,931
Other receivables		**19,998**	18,955
		8,785,122	7,710,763
Current assets			
Inventories		**49,373**	40,562
Properties for sale		**27,346**	26,554
Accounts receivable, prepayments and deposits	*4*	**225,727**	162,568
Due from associates		**30,433**	32,530
Financial assets held for trading		**15,741**	24,943
Cash and bank balances		**838,786**	540,696
		1,187,406	827,853
Total assets		**9,972,528**	8,538,616
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*5*	**2,551,789**	1,946,657
Other reserves		**1,782,763**	1,593,757
Retained earnings			
– Proposed final dividend	*14*	**40,270**	40,251
– Others		**1,231,281**	1,057,194
		5,606,103	4,637,859
Non-controlling interests		**421,751**	352,348
Total equity		**6,027,854**	4,990,207

		As at 31 December	
		2011	2010
	Note	***US$'000***	*US$'000*
LIABILITIES			
Non-current liabilities			
Bank loans		**1,927,745**	1,414,805
Convertible bonds	*6*	**463,527**	–
Derivative financial instruments		**3,537**	20,304
Due to non-controlling shareholders		**24,904**	36,788
Deferred income tax liabilities		**234,656**	225,682
		2,654,369	1,697,579
Current liabilities			
Accounts payable and accruals	*7*	**707,881**	528,145
Due to non-controlling shareholders		**7,298**	10,478
Current income tax liabilities		**18,609**	17,498
Bank loans		**536,350**	1,271,464
Derivative financial instruments		**20,167**	23,245
		1,290,305	1,850,830
Total liabilities		**3,944,674**	3,548,409
Total equity and liabilities		**9,972,528**	8,538,616
Net current liabilities		**(102,899)**	(1,022,977)
Total assets less current liabilities		**8,682,223**	6,687,786

AUDITED CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2011	2010
	Note	***US$'000***	*US$'000*
Sales	*3*	**1,912,089**	1,575,095
Cost of sales	*8*	**(839,925)**	(679,453)
Gross profit		**1,072,164**	895,642
Other gains – net	*9*	**37,039**	40,916
Marketing costs	*8*	**(74,864)**	(61,467)
Administrative expenses	*8*	**(177,722)**	(138,428)
Other operating expenses	*8*	**(617,152)**	(515,953)
Operating profit		**239,465**	220,710
Finance costs – net	*10*	**(43,959)**	(27,827)
Share of profit of associates	*11*	**165,579**	179,954
Profit before income tax		**361,085**	372,837
Income tax expense	*12*	**(77,221)**	(59,911)
Profit for the year		**283,864**	312,926
Attributable to:			
Equity holders of the Company		**252,979**	287,076
Non-controlling interests		**30,885**	25,850
		283,864	312,926
Earnings per share for profit attributable to the equity holders of the Company during the year *(expressed in US cents per share)*			
– basic	*13*	**8.18**	9.98
– diluted	*13*	**8.17**	9.97
Dividends	*14*	**80,533**	77,372

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2011	2010
	US$'000	*US$'000*
Profit for the year	**283,864**	312,926
Other comprehensive income:		
Currency translation differences – subsidiaries	**63,524**	152,417
Currency translation differences – associates	**79,371**	54,516
Other comprehensive income for the year	**142,895**	206,933
Total comprehensive income for the year	**426,759**	519,859
Attributable to:		
Equity holders of the Company	**398,111**	469,131
Non-controlling interests	**28,648**	50,728
	426,759	519,859

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 2011	1,946,657	1,593,757	1,097,445	4,637,859	352,348	4,990,207
Currency translation differences	–	145,132	–	145,132	(2,237)	142,895
Net income/(expenses) recognized directly in equity	–	145,132	–	145,132	(2,237)	142,895
Profit for the year	–	–	252,979	252,979	30,885	283,864
Total comprehensive income for the year ended 31 December 2011	–	145,132	252,979	398,111	28,648	426,759
Exercise of share options – allotment of shares	2,494	–	–	2,494	–	2,494
Exercise of share options – transfer from option reserve to share premium	644	(644)	–	–	–	–
Rights issue	601,994	–	–	601,994	–	601,994
Issue of convertible bonds – equity component	–	44,518	–	44,518	–	44,518
Payment of 2010 final dividend	–	–	(40,251)	(40,251)	–	(40,251)
Payment of 2011 interim dividend	–	–	(40,263)	(40,263)	–	(40,263)
Net consideration received from the resale of the Company's shares held by a subsidiary	–	–	609	609	217	826
Difference between the consideration received and the portion of the non-controlling interests arising from dilution of equity interest in a subsidiary to a non-controlling shareholder	–	–	1,032	1,032	–	1,032
Dividend paid and payable to non-controlling shareholders	–	–	–	–	(8,757)	(8,757)
Acquisition of a non-wholly owned subsidiary	–	–	–	–	(599)	(599)
Equity acquired by a non-controlling shareholder	–	–	–	–	14,005	14,005
Equity injected by non-controlling shareholders	–	–	–	–	16,507	16,507
Equity loans transferred from loans due to non-controlling shareholders	–	–	–	–	12,880	12,880
Net change in equity loans due to non-controlling shareholders	–	–	–	–	6,502	6,502
	605,132	43,874	(78,873)	570,133	40,755	610,888
Balance at 31 December 2011	2,551,789	1,782,763	1,271,551	5,606,103	421,751	6,027,854

	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 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 consideration paid and the portion of non-controlling interests arising from acquisition of partial equity interests in subsidiaries from non-controlling shareholders	–	–	(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

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 certain financial assets, financial liabilities (including derivative financial instruments) and investment properties are stated at fair value.

The consolidated financial statements as at 31 December 2011 have been prepared on a going concern basis although the Group's consolidated current liabilities exceeded its consolidated current assets by US$102,899,000 mainly caused by the increase in construction cost payable to the contractors for the ongoing projects. These future funding requirements can be met through the available bank loan facilities at year end date of US$723,436,000 which are maturing after 31 December 2012 and the net cash inflows to be generated from operating activities.

The following amendment to standard and new interpretations are relevant to the Group's operation and are mandatory for financial year ended 31 December 2011:

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

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

The following new standards and amendments to standards are relevant to the Group's operation but are not effective for year 2011 and have not been early adopted:

– Amendments to HKAS 1 (Revised)	Presentation of Financial Statements
– Amendments to HKAS 12	Income Taxes
– HKAS 19(2011)	Employee Benefits
– HKAS 27(2011)	Separate Financial Statements
– HKAS 28(2011)	Investments in Associates and Joint Ventures
– HKAS 32	Financial Instruments: Presentation
– Amendments to HKFRS 7	Financial Instruments: Disclosures
– HKFRS 9	Financial Instruments
– HKFRS10	Consolidated Financial Statements
– HKFRS 12	Disclosure of Interests in Other Entities
– HKFRS 13	Fair Value Measurement

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:

	2011	2010
	US$'000	*US$'000*
Sales		
Hotel operation:		
Room rentals	**911,743**	759,082
Food and beverage sales	**790,866**	639,497
Rendering of ancillary services	**111,367**	95,258
Hotel management and related service fees	**39,683**	30,707
Property rentals	**58,430**	50,551
	1,912,089	1,575,095

The Group is domiciled in Hong Kong. The sales revenue from external customers attributed to Hong Kong and other countries are US$290,600,000 (2010: US$243,700,000) and US$1,621,489,000 (2010: US$1,331,395,000), respectively.

The total of non-current assets other than available-for-sale financial assets, and deferred income tax assets and interest in associates located in Hong Kong and other countries are US$269,635,000 (2010: US$275,260,000) and US$6,127,116,000 (2010: US$5,627,913,000), 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
– France
– Other countries (including Fiji, Myanmar, Maldives, Indonesia and Australia)

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 2011 and 2010 (US$ million)

	2011		2010	
	Sales *(Note ii)*	**Profit/(Loss) after tax** *(Note i)*	Sales *(Note ii)*	Profit/(Loss) after tax *(Note i)*
Hotel operation				
Hong Kong	**260.0**	**65.8**	221.6	47.7
Mainland China	**844.0**	**71.9**	713.2	67.6
Singapore	**167.3**	**31.5**	125.4	23.1
Malaysia	**132.9**	**14.1**	124.1	13.2
The Philippines	**180.7**	**5.0**	163.4	0.9
Japan	**41.5**	**(19.8)**	46.3	(15.8)
Thailand	**49.1**	**1.8**	38.6	(3.1)
France	**37.8**	**(37.6)**	0.7	(1.6)
Other countries	**100.7**	**(5.7)**	60.5	(3.8)
	1,814.0	**127.0**	1,493.8	128.2
Property rentals				
Mainland China	**21.6**	**46.1**	18.3	42.3
Singapore	**16.1**	**10.7**	14.0	9.8
Malaysia	**6.2**	**1.5**	6.7	1.8
Other countries	**14.5**	**3.6**	11.6	5.1
	58.4	**61.9**	50.6	59.0
Hotel management	**113.6**	**13.2**	89.4	16.4
Total	**1,986.0**	**202.1**	1,633.8	203.6
Less: Hotel management – Inter-segment sales	**(73.9)**		(58.7)	
Total external sales	**1,912.1**		1,575.1	
Corporate finance costs (net)		**(19.4)**		(9.0)
Land cost amortization and pre-opening expenses for projects		**(26.5)**		(31.0)
Corporate expenses		**(19.6)**		(16.6)
Exchange losses of corporate investment holding companies		**(0.6)**		(2.6)
Profit before non-operating items		**136.0**		144.4

	2011 Profit/(Loss) after tax *(Note i)*	2010 Profit/(Loss) after tax *(Note i)*
Profit before non-operating items	**136.0**	144.4
Non-operating items		
Fair value gains on investment properties	**137.0**	176.4
Net unrealized (losses)/gains on financial assets held for trading	**(9.0)**	0.6
Fair value losses on interest-rate swap contracts	**(5.0)**	(21.6)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	**(0.9)**	(1.9)
Provision for impairment losses on projects and hotel properties	**–**	(5.3)
Impairment loss on goodwill arising from acquisition of a subsidiary	**(12.0)**	–
Negative goodwill arising from acquisition of a subsidiary and an associate	**9.0**	–
Provision for taxation relating to a rationalization of the ownership structure of property in Mainland China	**(2.5)**	(2.0)
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)
Realized gain on disposal of long term investment	**0.4**	–
Total non-operating items	**117.0**	142.7
Profit attributable to equity holders of the Company	**253.0**	287.1

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 (before non-operating items) by operating segments included in profit before non-operating items in the segment income statement are analyzed as follows:

(US$ million)	**2011 Share of profit of associates**	2010 Share of profit of associates
Hotel operation		
Hong Kong	**0.4**	0.2
Mainland China	**2.1**	8.2
Singapore	**5.2**	3.8
Malaysia	**4.5**	1.1
The Philippines	**0.9**	0.7
Other countries	**1.9**	1.2
	15.0	15.2
Property rentals		
Mainland China	**43.3**	40.0
Singapore	**4.4**	4.4
	47.7	44.4
Total	**62.7**	59.6

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 (excluding projects under development) are analyzed as follows:

	2011		2010	
(US$ million)	**Depreciation and amortization**	**Income tax expense/ (credit)**	Depreciation and amortization	Income tax expense/ (credit)
Hotel operation				
Hong Kong	**15.6**	**14.8**	15.1	11.0
Mainland China	**136.8**	**35.0**	124.3	24.1
Singapore	**18.1**	**4.1**	11.8	1.7
Malaysia	**16.0**	**4.1**	16.8	2.5
The Philippines	**34.3**	**5.6**	33.1	4.2
Japan	**4.0**	**0.1**	3.7	–
Thailand	**21.2**	**(10.8)**	17.2	(2.8)
France	**23.6**	**–**	0.6	–
Other countries	**18.3**	**0.5**	16.0	0.5
	287.9	**53.4**	238.6	41.2
Property rentals				
Mainland China	**–**	**3.3**	–	3.3
Singapore	**–**	**1.4**	–	1.2
Malaysia	**–**	**0.9**	–	1.1
Other countries	**–**	**–**	–	2.1
	–	**5.6**	–	7.7
Hotel management	**2.7**	**7.6**	2.0	4.2
Total	**290.6**	**66.6**	240.6	53.1

Segment assets
As at 31 December 2011 and 2010 (US$ million)

	As at 31 December	
	2011	2010
Hotel operation		
Hong Kong	**238.4**	229.1
Mainland China	**2,598.9**	2,289.8
Singapore	**569.3**	553.9
Malaysia	**367.2**	373.4
The Philippines	**578.3**	572.6
Japan	**41.9**	42.1
Thailand	**231.6**	251.4
France	**417.4**	421.0
Other countries	**374.9**	317.1
	5,417.9	5,050.4
Property rentals		
Mainland China	**313.8**	277.9
Singapore	**442.7**	415.1
Malaysia	**87.8**	88.1
Other countries	**89.6**	69.9
	933.9	851.0
Hotel management	**118.1**	73.1
Elimination	**(30.7)**	(18.8)
Total segment assets	**6,439.2**	5,955.7
Assets allocated to projects	**984.5**	600.0
Unallocated assets	**73.9**	90.2
Intangible assets	**93.1**	92.9
Total assets of the Company and its subsidiaries	**7,590.7**	6,738.8
Interest in associates	**2,381.8**	1,799.8
Total assets	**9,972.5**	8,538.6

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

	2011	2010
	US$'000	*US$'000*
Trade receivables	**78,237**	68,836
Less: provision for impairment of receivables	**(697)**	(800)
Trade receivables – net	**77,540**	68,036
Deposits for land bids	**38,140**	10,469
Deposit for acquisition of an associate	**7,344**	–
Prepayments and other deposits	**50,318**	38,947
Other receivables	**52,385**	45,116
	225,727	162,568

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:

	2011	2010
	US$'000	*US$'000*
0 – 3 months	**73,143**	63,618
4 – 6 months	**2,016**	1,779
Over 6 months	**2,381**	2,639
	77,540	68,036

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 2010 and 31 December 2011	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid				
– Ordinary shares of HK$1 each				
At 1 January 2011	2,888,677	372,989	1,573,668	1,946,657
Exercise of share options				
– allotment of shares	1,646	212	2,282	2,494
– transfer from option reserve	–	–	644	644
– rights issue	240,752	31,065	570,929	601,994
At 31 December 2011	**3,131,075**	**404,266**	**2,147,523**	**2,551,789**

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$29,200,000 (equivalent to US$3,768,000). 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$57,955,000 (equivalent to US$7,478,000) retained as general working capital and for immediate capital expenditure.

During the year, a subsidiary of the Company disposed of 316,000 ordinary shares in the Company for a net cash consideration of approximately US$826,000 on The Stock Exchange of Hong Kong Limited. The amount was credited to equity. As at 31 December 2011, 10,501,055 ordinary shares in the Company were still held by the subsidiary.

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 originally has two share option schemes: the Executive Option Scheme and the New Option Scheme. Following the exercise of the remaining outstanding option shares by the option holders in 2010, the Executive Option Scheme has been terminated in 2010.

The following option shares at various exercise prices granted to option holders of the Company under the New Option Scheme was exercised during 2011:

	Number of option shares issued			
	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	–	308,000	209,000	855
February	100,000	29,000	20,000	169
March	–	200,000	–	299
April	–	80,000	–	120
May	–	50,000	30,000	131
July	–	–	150,000	282
August	170,000	–	40,000	225
September	–	50,000	–	75
November	–	150,000	60,000	338
For the year ended 31 December 2011	270,000	867,000	509,000	2,494

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$19.55 (2010: HK$17.86).

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

	For the year ended 31 December 2011		For the year ended 31 December 2010	
	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	**12.57**	**11,257,500**	12.48	13,769,466
Exercised	**11.74**	**(1,646,000)**	11.81	(1,698,116)
Lapsed	**13.05**	**(155,000)**	12.64	(813,850)
At 31 December	**12.71**	**9,456,500**	12.57	11,257,500

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

Last exercisable date	Exercise price in HK$ per option share	Number of option shares as at 31 December 2011	31 December 2010
31 December 2011	11.60	–	30,000
31 December 2011	14.60	–	15,000
28 May 2012	6.81	**220,000**	490,000
27 April 2015	11.60	**5,395,000**	6,312,000
15 June 2016	14.60	**3,841,500**	4,410,500
		9,456,500	11,257,500

There was no option granted during the year ended 31 December 2011 and 2010.

Options on 60,000 shares, 100,000 shares and 172,500 shares with exercise prices of HK$6.81, HK$11.60 and HK$14.60 per share, respectively have been exercised subsequent to 31 December 2011 and up to the date of this announcement. No options have lapsed subsequent to 31 December 2011 and up to the date of this announcement.

6 CONVERTIBLE BONDS

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 ("**Maturity Date**"), in the aggregate principal amount of US$500 million with an initial conversion price of HK$29.03 per ordinary share of the Company (subject to adjustment). 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 by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves.

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

	US$'000
Face value of convertible bonds issued on 12 May 2011	**500,000**
Issuing expenses	**(4,400)**
Equity component credited to the equity	**(44,518)**
Liability component on initial recognition at 12 May 2011	**451,082**
Accumulated interest expense *(Note 10)*	**12,445**
Liability component at 31 December 2011	**463,527**

The face value of outstanding bonds at 31 December 2011 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 2011 and up to the date of this announcement. The carrying value of the liability component is calculated using cash flows discounted at an initial market interest rate of 4.34% per annum.

7 ACCOUNTS PAYABLE AND ACCRUALS

	2011	2010
	US$'000	*US$'000*
Trade payables	**97,476**	80,537
Construction cost payable, payable for land use rights and accrued expenses	**610,405**	447,608
	707,881	528,145

At 31 December 2011, the ageing analysis of the trade payables is as follows:

	2011	2010
	US$'000	*US$'000*
0 – 3 months	**88,032**	73,123
4 – 6 months	**6,284**	4,476
Over 6 months	**3,160**	2,938
	97,476	80,537

8 EXPENSES BY NATURE

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

	2011	2010
	US$'000	*US$'000*
Depreciation of property, plant and equipment (net of amount capitalized of US$93,000 (2010: US$94,000))	**282,280**	231,441
Amortization of leasehold land and land use rights	**12,730**	11,756
Amortization of trademark and website development	**548**	830
Employee benefit expenses excluding directors' emoluments (net of amount capitalized and amount grouped under pre-opening expenses)	**563,319**	443,246
Cost of inventories sold or consumed in operation	**271,097**	221,077
Loss on disposal of property, plant and equipment and partial replacement of investment properties	**1,717**	1,949
Discarding of property, plant and equipment due to renovation of hotels and a resort	**9,990**	9,158
Operating lease expenses	**32,207**	28,117
Pre-opening expenses	**4,996**	14,446
Auditors' remuneration	**1,393**	1,294

9 OTHER GAINS – NET

	2011	2010
	US$'000	*US$'000*
Fair value gains on investment properties	**48,377**	61,955
Net unrealized (losses)/gains on financial assets held for trading	**(9,202)**	557
Fair value losses on derivative financial instruments – interest-rate swap contracts	**(5,039)**	(21,599)
Impairment of goodwill on acquisition of a subsidiary	**(11,984)**	–
Negative goodwill arising from acquisition of a subsidiary	**3,598**	–
Provision for impairment losses on leasehold land, properties under development and hotel properties	**–**	(5,834)
Provision for taxation relating to a rationalization of the ownership structure of properties in Mainland China	**(2,500)**	(2,000)
Non-operating items	**23,250**	33,079
Interest income	**11,917**	6,880
Dividend income	**988**	817
Others	**884**	140
	37,039	40,916

10 FINANCE COSTS – NET

	2011	2010
	US$'000	*US$'000*
Interest expense:		
– bank loans	**65,022**	48,609
– convertible bonds *(Note 6)*	**12,445**	–
– other loans	**1,203**	2,018
	78,670	50,627
Less: amount capitalized	**(7,705)**	(3,953)
	70,965	46,674
Net foreign exchange transaction gains	**(27,006)**	(18,847)
	43,959	27,827

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 2.8% per annum (2010: 1.9%).

11 SHARE OF PROFIT OF ASSOCIATES

	2011	2010
	US$'000	*US$'000*
Share of profit before tax and non-operating items of associates	**78,917**	69,396
Share of net increase in fair value of investment properties	**140,356**	166,385
Negative goodwill arising from acquisition of an associate	**5,408**	–
Share of profit before tax of associates	**224,681**	235,781
Share of associates' taxation before provision for taxation for non-operating items	**(24,633)**	(19,015)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(34,469)**	(40,956)
Deferred tax credit arising from fixed assets transfer between an associate and its subsidiary	**–**	4,144
Share of associates' taxation	**(59,102)**	(55,827)
Share of profit of associates	**165,579**	179,954

12 INCOME TAX EXPENSE

	2011	2010
	US$'000	*US$'000*
Current income tax		
– Hong Kong profits tax	**15,504**	10,227
– Overseas taxation	**57,339**	46,405
Deferred income tax	**4,378**	3,279
	77,221	59,911

Share of associates' taxation for the year ended 31 December 2011 of US$59,102,000 (2010: US$55,827,000) is included in the consolidated income statement as share of profit of associates.

Hong Kong profits tax is provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profit of group companies operating in Hong Kong.

Taxation outside Hong Kong includes withholding tax paid and payable on dividends from subsidiaries and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

13 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to 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.

	2011	2010
Profit attributable to equity holders of the Company *(US$'000)*	**252,979**	287,076
Weighted average number of ordinary shares in issue *(thousands)*	**3,092,831**	2,876,706
Basic earnings per share *(US cents per share)*	**8.18**	9.98

Diluted

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

For the year ended 31 December 2011 and 2010, all share options issued under the New Option Scheme have the greatest dilution effect.

	2011	2010
Profit attributable to equity holders of the Company *(US$'000)*	**252,979**	287,076
Weighted average number of ordinary shares in issue *(thousands)*	**3,092,831**	2,876,706
Adjustments for – share options *(thousands)*	**3,096**	2,832
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**3,095,927**	2,879,538
Diluted earnings per share *(US cents per share)*	**8.17**	9.97

14 DIVIDENDS

	2011	2010
	US$'000	*US$'000*
Interim dividend paid of HK10 cents (2010: HK10 cents) per ordinary share	**40,263**	37,121
Proposed final dividend of HK10 cents (2010: HK10 cents) per ordinary share	**40,270**	40,251
	80,533	77,372

At a meeting held on 19 March 2012, the Board proposed a final dividend of HK10 cents per ordinary share for the year ended 31 December 2011. This proposed dividend is not shown as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

The proposed final dividend of US$40,270,000 for the year ended 31 December 2011 is calculated based on 3,131,406,799 shares in issue as at 19 March 2012, after elimination on consolidation the amount of US$135,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (Note 5).

15 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

As at 31 December 2011, 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$226,455,000 (2010: US$91,466,000). 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 2011, 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$3,397,000 (2010: US$26,577,000). These facilities were undrawn as at 31 December 2011.

(c) Charges over assets

As at 31 December 2011, bank borrowings of certain subsidiaries amounting to US$158,472,000 (2010: US$97,323,000) were secured by:

(i) Freehold land and constructions of a subsidiary with net book value of US$38,794,000 (2010: US$42,095,000).

(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$152,537,000 (2010:US$160,876,000).

(iii) Legal mortgage over the property owned by a subsidiary with net book value of US$102,421,000 (2010: US$88,061,000).

(iv) Legal mortgage over the property owned by a subsidiary acquired during the year with net book value of US$51,790,000 (2010: Nil).

16 COMMITMENTS

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

	2011 US$'000	2010 US$'000
Existing properties – Property, plant and equipment and investment properties		
Contracted but not provided for	**112,411**	103,453
Authorized but not contracted for	**68,580**	98,279
Development projects		
Contracted but not provided for	**938,444**	1,393,849
Authorized but not contracted for	**2,680,283**	1,392,040
	3,799,718	2,987,621

17 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

(a) On 4 January 2012, a wholly owned subsidiary of the Company executed the memorandum of agreement in relation to the grant of a land site situated in Hung Hom, Hong Kong at the consideration of HK$2,328,000,000 (equivalent to US$300,387,000) pursuant to the acceptance of the tender submitted. The acquisition was completed and cash consideration was fully paid before the end of January 2012.

(b) In March 2012, a non-wholly owned subsidiary of the Company executed a 3-year unsecured bilateral bank loan agreement of RMB70,000,000 (equivalent to US$11,109,000).

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. While Mainland China remains the primary focus of the Group's investment activities, the Group continues to seek out other destinations which serve its strategic growth objectives, including Australia, South Asia, gateway cities in the Euro zone and West Africa.

The Group continued with its roll-out plan in 2011 and opened two Group-owned Shangri-La hotels in Mainland China (the Shangri-La Hotel, Manzhouli and the Kerry Hotel, Pudong, Shanghai) and acquired a controlling interest in the Shangri-La Hotel, The Marina, Cairns in Australia, an operating hotel which has been managed by the Group since 2004. In January 2011, the Group re-opened its Shangri-La's Rasa Sentosa Resort, Singapore (a wholly owned hotel) for business after completion of major renovations since its temporary closure in March 2010.

The recovering corporate travel market and improving leisure travel trends helped sustain the momentum of revenue growth in 2011. The Group hotels' weighted average room yields ("**RevPAR**") increased by 16% over 2010, led mainly by improvements in room rates. Most of the Group's hotels performed well through the year with the exception of those in Thailand (affected by the political environment and the severe flooding), Tokyo (affected by the temporary closure from mid March to mid April following the catastrophic event in Fukushima) and the newly opened hotels which in general experienced a slow pick-up in business and high depreciation charges in their initial years of operation.

Yields of the Group's investment properties generally registered improvements over 2010.

(a) Revenues

Hotel Operation

As at 31 December 2011, the Group had equity interest in 56 operating hotels (2010: 53) comprising 26,457 available guest rooms (2010: 25,419) 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 50% while food and beverage revenues accounted for over 43% of the total revenues from hotel operation. Room revenues and food and beverage revenues increased by 21% and 27% to US$1,182.8 million and US$1,018.1 million, respectively over 2010.

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

	2011 Weighted Average			2010 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	**80**	**327**	**258**	74	282	225
Mainland China	**62**	**155**	**94**	63	137	85
Singapore	**73**	**250**	**193**	63	205	162
Malaysia	**70**	**138**	**97**	64	134	83
The Philippines	**71**	**184**	**131**	72	164	115
Japan	**56**	**493**	**273**	63	461	287
Thailand	**46**	**155**	**68**	38	142	59
France	**55**	**1,296**	**623**	25	1,578	348
Other countries	**68**	**181**	**121**	69	144	97
Weighted Average	**65**	**182**	**117**	64	158	101

Notes:

1) Statistics in respect of France in 2010 refer to the performance of the Shangri-La Hotel, Paris in the short period since its opening on 17 December 2010.

2) The RevPAR of hotels has been computed by excluding the number of rooms under renovation.

Comments on performance by geography:

The People's Republic of China ("PRC")

Hong Kong

The two Shangri-La hotels recorded an increase in weighted average room rate of 13% and an increase in RevPAR between 10% and 16%. Benefiting from the strong demand for 4-star hotels in the city, The Traders Hotel, Hong Kong recorded a significant increase in weighted average room rate and RevPAR of 40% and 33%, respectively over 2010.

Mainland China

The 574-room Kerry Hotel, Pudong, Shanghai (a 23.2% owned hotel) and the 235-room Shangri-La Hotel, Manzhouli (a wholly owned hotel) opened for business on 18 February 2011 and 15 April 2011, respectively, bringing the total number of Group-owned operating hotels in Mainland China to 30.

In general, most of the hotels continued to perform well in 2011 and recorded a double digit growth rate in RevPAR, mainly led by the increase in the weighted average room rates. Notably, the Shangri-La hotels in Baotou, Chengdu, Huhhot, Ningbo, Futian, Xian and the Traders Hotel, Shenyang recorded an increase in RevPAR ranging from 31% to 55%. The performance of the Pudong Shangri-La, Shanghai was adversely affected by the citywide decrease in hotel occupancies after the Shanghai EXPO.

Renovations of the lobby, lobby lounge and Chinese restaurant at the Shangri-La Hotel, Qingdao were completed in May 2011. Function rooms renovations at the China World Hotel, Beijing were completed in August 2011. Lobby, Lobby lounge, commercial spaces and function rooms renovations at the Shangri-La Hotel, Changchun were completed in December 2011. Renovations of the guestrooms, ballroom and function rooms at the Shangri-La Hotel, Wuhan were completed in December 2011. Renovations of the lobby, lobby lounge, Chinese restaurant and the presidential suite of the Shangri-La Hotel, Dalian were completed in June 2011. Major renovations at the Shangri-La Hotel, Beihai were completed in May 2011 while major renovation works at the Shangri-La Hotel, Huhhot commenced in May 2011 and are expected to be completed by mid 2012.

The 486-room Shangri-La's Kerry Centre Hotel, Beijing (a 23.75% owned hotel) was re-branded as the Kerry Hotel, Beijing on 19 November 2011. This is the second Kerry hotel in the Group's portfolio. Major renovation work at this hotel commenced in 2010 and is expected to be completed by end of 2012.

Singapore

The 454-room Shangri-La's Rasa Sentosa Resort, Singapore (a wholly owned resort) re-opened for business on 18 January 2011 in a phased manner after completion of major renovations. This newly renovated resort was well received by the market and registered an increase in weighted average occupancy, room rate and RevPAR of 48 percentage points, 71% and 62%, respectively. The demand from business travelers continued to increase and the two city hotels also recorded an increase in weighted average room rates between 19% and 25% and an increase in RevPAR between 19% and 21%.

Philippines

The performance of the Group's four hotels continued to improve in 2011, especially the Shangri-La's Boracay Resort & Spa (a wholly owned resort opened for business in March 2009). The resort registered an increase in occupancy, room rate and RevPAR of 22 percentage points, 10% and 63%, respectively. The weighted average room rate and RevPAR of the Group's hotels increased by 13% and 14%, respectively.

Renovations of the guestrooms at the Shangri-La's Mactan Resort & Spa, Cebu commenced in July 2011 and are expected to be completed by mid 2012.

Malaysia

All the six Group-owned hotels in the country continued to record an increase in RevPAR, ranging from 7% at the Shangri-La's Rasa Sayang Resort & Spa, Penang to 36% at the Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu ("**TAH**"). The Shangri-La Hotel, Kuala Lumpur and the Traders Hotel, Penang benefited from the buoyant corporate business with occupancy rate increasing by 13 percentage points. TAH delivered a good performance after its recent renovation and helped by higher leisure demand, its occupancy also increased by 13 percentage points.

The guestroom renovations at the Shangri-La's Rasa Ria Resort, Kota Kinabalu commenced in March 2011 and are expected to be completed by mid 2012.

Thailand

Weighted average RevPAR of the two hotels increased by 14%, largely contributed by the 75% increase at the Shangri-La Hotel, Chiang Mai as a result of increase in corporate demand especially from group meetings and functions. The Shangri-La Hotel, Bangkok recorded a marginal increment in RevPAR of 2% under a difficult market environment.

Japan

The Shangri-La Tokyo suffered from the effects of the catastrophic event in Fukushima including the temporary closure of the hotel, and registered a decrease in occupancy and RevPAR of 7 percentage points and 5%, respectively. Domestic demand has started to pick-up recently though foreign arrivals remain weak.

France

The performance of the 81-room Shangri-La Hotel, Paris (a wholly owned hotel opened for business on 17 December 2010) was adversely affected by a slow pick-up in business generally experienced by newly opened hotels. Construction of its 20-room extension is ongoing and is expected to be completed in the first quarter of 2013.

Other Countries

Performance of the Group's hotels in Fiji, Indonesia and Myanmar continued to improve, registered an increase in RevPAR ranging from 13% to 32%, mainly led by an increase in room rate.

Shangri-La's Villingili Resort and Spa, Maldives (a 70% owned resort) recorded an increase in RevPAR of 50%, mainly led by an increase in occupancy of 19 percentage points. The performance of the Traders Hotel, Male (a wholly owned hotel acquired in November 2010) was stable. The Shangri-La Hotel, The Marina, Cairns in Australia recorded an increase in RevPAR of 11%.

Hotel Management

Except for the Portman, all the other 55 hotels in which the Group has equity interest together with Shangri-La Tokyo, are managed by the hotel management subsidiary, SLIM International Limited and its subsidiaries ("**SLIM**") as at 31 December 2011.

SLIM also had hotel management agreements in respect of 16 operating hotels (5,631 available rooms) owned by third parties located in Sydney, Vancouver, New Delhi, Oman, Manila, Abu Dhabi (2 hotels), Dubai (2 hotels), Putrajaya and Kuala Lumpur (in Malaysia), Taipei and Tainan (in Taiwan); and Beijing, Changzhou and Suzhou (in Mainland China). Overall weighted average occupancies, room rates and RevPAR for these 16 hotels increased by 3 percentage points, 6% and 11%, respectively.

Revenue of SLIM on consolidation, after elimination of revenue earned from fellow subsidiaries, recorded an increase of 29%.

As at 31 December 2011, SLIM had management agreements on hand for 11 new hotels 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 commercial spaces in Beijng Kerry Centre (under renovation) and the investment property forming part of the Shangri-La Hotel, Changchun. Among all, the serviced apartments in the China World Trade Center, the Beijing Kerry Centre and the Century Apartments in Beijing recorded an increase in yields of 20%, 22% and 27%, respectively. The Shangri-La Centre in Qingdao (a wholly owned office building with commercial spaces) recorded increase in yields of office spaces and commercial spaces of 88% and 484%, respectively.

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) commenced business in February 2011 and recorded an average occupancy of 41% for office spaces and 64% for commercial spaces. The serviced apartments of the Shanghai Kerry Centre were under major renovation since December 2010.

Save for the UBN Tower in Malaysia, the investment properties in other countries registered a significant improvement in yields generally. Among all, the commercial spaces and the office spaces of the Central Tower in Ulaanbaatar, the Republic of Mongolia (a 51% owned office building) recorded increase in yields of 30% and 66%, respectively. The commercial spaces and the serviced apartments in Singapore recorded increase in yields of 14% and 16%, respectively.

(b) Segment Results

Details of the segment information are provided in Note 3 to the consolidated financial statements included in this announcement. Net profit before non-operating items in 2011 decreased by 6% to US$136.0 million.

In general, hotels which have been operating for over 3 years since their opening have recorded a net profit during the year. Net profit attributable to the Company's equity holders from hotel operations in 2011 decreased slightly to US$127.0 million, principally affected by the net loss of the Shangri-La Hotel, Paris in its first year of operation (attributable to the high initial depreciation charges) and the poor performance of the Shangri-La Tokyo after the Fukushima disaster. Hotels in Hong Kong, Mainland China and Singapore continued to be the key profit contributors of the Group. Profit contribution from the hotels in Mainland China have been adversely affected by the net loss of the Shangri-La Hotel, Wuhan and the Kerry Hotel, Beijing (both hotels undergoing major renovation during the year); and the start-up losses of the hotels newly opened for business in 2010 and 2011. Overall performance of the Singapore segment improved significantly after the re-opening of Shangri-La's Rasa Sentosa Resort, Singapore. In Thailand, the net loss of the Shangri-La Hotel, Chiang Mai reduced. The segment result of the Philippines improved significantly following improvement in the Shangri-La's Boracay Resort and Spa.

While revenues of SLIM recorded a satisfactory increase in 2011, its net profit for the year recorded a decrease of US$3.2 million, mainly due to the increase in operating expenses as the organization gears itself for the expansion of its portfolio of hotels in the near term.

The Mainland China segment continued to be the key profit contributor for the Group's investment properties portfolio. Net profit of the Mainland China segment increased by US$3.8 million benefiting from the full year operating results of the newly opened China World Tower in Beijing (a 40.33% owned investment property which commenced business in August 2010).

(c) Consolidated Profits

The consolidated gross profit margin decreased slightly from 56.9% to 56.1%, mainly due to the start-up losses of the newly opened hotels in their first year of operation. Consolidated operating profit for 2011 increased from US$220.7 million to US$239.5 million though the net credit of non-operating items (before tax and share of non-controlling interests) recorded under "Other gains – net" as detailed in Note 9 to the consolidated financial statements included in this announcement, reduced by US$9.8 million during the year. The key non-operating items in 2011 were the gross fair value gains on investment properties of US$48.4 million, fair value losses on interest-rate swap contracts of US$5.0 million, unrealized losses on financial assets held for trading of US$9.2 million and the net charge of goodwill of US$8.4 million upon acquisition of subsidiaries.

The total borrowings of the Group increased to service the funding requirements of the new development projects. This, together with the general widening of interest spreads of new bank loan facilities in the prevailing market conditions, have pushed up the consolidated finance costs by US$16.1 million.

In terms of the associates, share of profits after tax for the year included a net credit after tax of US$105.9 million (2010: US$125.4 million) for fair value gains of investment properties and a credit of US$5.4 million for negative goodwill arising from acquisition of an associate. The 2010 balance also included a deferred tax credit of US$4.1 million arising from fixed assets transferred between an associate and its subsidiary.

CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Company completed the rights issue of ordinary shares on 11 February 2011 resulting in 240,751,561 new shares being issued at HK$19.50 per share. Gross proceeds on the issue were approximately HK$4,694.7 million (approximately US$605.8 million) with issue expenses amounting to approximately HK$29.2 million (approximately US$3.8 million). On 12 May 2011, the Group issued zero coupon guaranteed convertible bonds due May 2016 in the aggregate principal amount of US$500 million with an initial conversion price of HK$29.03 per share of the Company (subject to adjustment). The net proceeds from the convertible bonds which carry an effective interest rate of 4.34% per annum were applied to fund capital expenditure. Details of the rights issue and the convertible bonds are disclosed in Notes 5 and 6 to the consolidated financial statements of this announcement.

The Group has also executed 5-year tenor unsecured bank loan agreements for project financing and refinancing of maturing bank loans. A total of seven separate bank loan agreements were executed for an aggregate loan amount of equivalent US$796.8 million.

At the subsidiary level, the Group executed five 3-year term unsecured bank loan agreements totaling US$36 million and RMB460 million (approximately US$73.0 million); and a 5-year term unsecured bank loan agreement of RMB80 million (approximately US$12.7 million) to refinance maturing bank loans in 2011. For its project financing needs in Mainland China, the Group executed a 5-year term unsecured bank loan agreement of RMB250 million (approximately US$39.7 million) and a 6-year unsecured bank loan agreement of RMB15 million (approximately US$2.4 million). A non-wholly owned subsidiary in The Republic of Mongolia also executed a 10-year term US$50 million project loan agreement with the International Finance Corporation, Washington.

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 convertible bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, reduced from 43.0% as at 31 December 2010 to 34.7% as at 31 December 2011.

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

The analysis of borrowings outstanding as at 31 December 2011 is as follows:

	Maturities of Borrowings Contracted as at 31 December 2011				
			Repayment		
(US$ million)	**Within 1 year**	**In the 2nd year**	**In the 3rd to 5th year**	**After 5 years**	**Total**
Borrowings					
Corporate borrowings					
– unsecured bank loans	251.6	91.6	863.6	–	1,206.8
– convertible bonds	–	–	463.5	–	463.5
Project bank loans					
– secured	21.9	78.4	58.2	–	158.5
– unsecured	262.8	340.7	482.5	12.8	1,098.8
Total	536.3	510.7	1,867.8	12.8	2,927.6
Undrawn but committed facilities					
Bank loans and overdrafts	150.6	4.9	683.2	35.3	874.0

In March 2012, the Group executed a 3-year unsecured bank loan agreement of RMB70 million (approximately US$11.1 million). The Group has recently received firm offers from banks for five new 3-year bank loan facilities totaling HK$3,650 million (approximately US$471.0 million) and US$75 million. The Group is also currently negotiating with certain banks for additional long term loan facilities in order to refinance the loans maturing in 2012 and to meet project funding requirements. The Group does not expect any problems in honoring the repayment obligations of bank borrowings maturing in 2012.

The currency-mix of the borrowings and cash and bank balances as at 31 December 2011 is as follows:

(US$ million)	**Borrowings**	**Cash and Bank Balances**
In Hong Kong dollars	956.2	105.4
In United States dollars	925.6	153.6
In Renminbi	576.2	428.0
In Euros	193.8	6.1
In Japanese Yen	77.3	1.8
In Philippine Pesos	65.2	53.6
In Singapore dollars	57.0	36.8
In Australian dollars	54.5	2.0
In Malaysian Ringgit	15.4	7.0
In Thai Baht	6.4	8.7
In Mongolia Tugrik	–	17.9
In Fiji dollars	–	13.4
In British Pound	–	3.4
In Maldive Rufiyaa	–	0.5
In other currencies	–	0.6
	2,927.6	838.8

Except for the convertible bonds and the loans in Renminbi which carry interest at rates specified by The People's Bank of China from time to time, generally all the other borrowings are at floating interest rates. A 5-year term loan facility of HK$300 million (approximately US$38.7 million) was executed by end of 2011 and fully drawn down in one lump sum by end of February 2012.

Details of financial guarantees, contingencies and charges over assets as at 31 December 2011 are disclosed in Note 15 to 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

Intra-group financing between subsidiaries in Mainland China by way of entrusted loan agreements through local banks amounted to RMB101.5 million (approximately US$16.1 million) as at 31 December 2011. 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. As at 31 December 2011, the principal amount of the outstanding HIBOR interest-rate swap contracts (with fixed interest rates ranging between 4.28% and 4.63% per annum) and LIBOR interest-rate swap contracts (with a fixed interest rate of 4.70% per annum) was HK$3,460 million (approximately US$446.5 million) and US$100 million, respectively. The interest cover continues through January 2014. Taking into account these interest-rate swap contracts, convertible bonds and the Renminbi loans, the Group has fixed its interest liability on 54% of its borrowings outstanding as at 31 December 2011.

Subsequent to year end, a 5-year term HIBOR interest-rate swap contract of HK$300 million (approximately US$38.7 million) with a fixed interest rate of 1.087% per annum aimed to hedge against a corporate loan facility of the same amount and same tenor was executed upon the drawdown of the hedged loan in February 2012.

(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, Japan, France, Australia and Indonesia 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.

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 2011). 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 net increase in their fair value over their book value (net of provision for deferred taxation) amounted to US$137.0 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 2011.

FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The investment portfolio remained unchanged during the year. The Group recorded net unrealized fair value losses of US$9.2 million (US$9.0 million after share of non-controlling interests) and dividend income of US$1.0 million (US$0.9 million after share of non-controlling interests) during the year.

DEVELOPMENT PROGRAMMES

Construction work on the following projects is on-going:

	Group's Equity Interest	Hotel Rooms	Serviced Apartments/ Villas	Projected Opening
Hotels in Mainland China				
Shangri-La Hotel, Qufu	100%	501	–	2012
Shangri-La Hotel, Yangzhou	100%	369	–	2012
Shangri-La Resort, Sanya	100%	503	22 Villas	2013
Shangri-La Hotel, Lhasa	100%	284	–	2013
Shangri-La Hotel, Diqing	100%	220	–	2014
Shangri-La Hotel, Qinhuangdao	100%	328	–	2014
Hotels in other countries				
Shangri-La Hotel, Istanbul, Turkey	50%	188	–	2013
Extension of Shangri-La Hotel, Paris, France	100%	20	–	2013
Shangri-La Hotel, Ulaanbaatar, the Republic of Mongolia	51%	273	–	2013
Shangri-La Hotel, at The Shard, London, the United Kingdom	Operating lease	202	–	2013
Composite developments in Mainland China				
Jing An Kerry Centre, Shanghai (with Jing An Shangri-La, Shanghai)	49%	508	–	2013
Tianjin Kerry Centre (with Shangri-La Hotel, Tianjin)	20%	468	36	2013
Nanjing City Project (with Shangri-La Hotel, Nanjing)	55%	516	40	2013
Tangshan City Project (with Shangri-La Hotel, Tangshan)	35%	436	–	2013
Nanchang City Project (with Shangri-La Hotel, Nanchang)	20%	468	–	2014
Composite development in the Philippines				
Bonifacio Global City, Metro Manila (with Shangri-La At the Fort, Manila)	40%	577	–	2014

The Group has acquired land use rights for strategically located plots of land situated in Zhoushan, Hefei, Xiamen, Wolong Bay in Dalian and Fuzhou in Mainland China in recent years. Development plans for these land sites are being reviewed. On 24 February 2012, the Group commenced construction for its new hotel development in Colombo in Sri Lanka. The Group acquired the local land site in 2010.

Project companies for a high-end composite development project in Bayuquan, Yingkou City in Mainland China have also been established in 2011. Shareholders' agreements for these project companies were entered between the Group, the wholly owned subsidiaries of Kerry Properties Limited ("**KPL**") and Wilmar International Limited ("**WIL**") in December 2010 following the successful biddings of the land sites. KPL is a subsidiary of the Company's controlling shareholder Kerry Holdings Limited ("**KHL**"). The Group has a 25% equity interest in the project companies.

On 3 June 2011, the Group entered into a hotel lease agreement with OCBC Singapore for a Traders hotel in Singapore comprising around 500 rooms opening in 2013. The operating lease agreement has an initial term of 10 years. The Group does not have any capital commitment with regards to this lease nor are there any minimum guaranteed lease rents payable.

ACQUISITIONS AND NEW JOINT VENTURES

(i) Shangri-La Hotel, The Marina, Cairns

On 31 March 2011, the Group completed the acquisition of 55% equity interest in a joint venture which owns the Shangri-La Hotel, The Marina, Cairns and associated properties in Australia at a total consideration of A$8,353,000 (equivalent to US$8,465,000) which included the conversion of A$6,000,000 loan previously granted by the Group to the hotel as part of the equity in the joint venture. The hotel has been managed by the Group since 2004. The Group has also provided a proportionate shareholder loan of A$2,750,000 (equivalent to US$2,787,000) to the joint venture for partial refinancing of bank loan of the hotel.

(ii) Jinan City, Shandong Province, Mainland China

Following the successful biddings for the land use rights for land sites in Jinan City in Mainland China on 26 May 2011, the Group entered into a supplemental shareholders' agreement with a wholly owned subsidiary of KPL. The Group's 45% share of the maximum total investment amount in this high-end composite development project was RMB554.1 million (approximately US$87.9 million). The land sites are designated for commercial and hotel uses.

(iii) Yangzhou City, Jiangsu Province, Mainland China

Following the obtaining of necessary approvals from the local government authorities and completion of certain changes in local registration by end of June 2011, the Group completed the acquisition of 100% equity interest in a project company in Yangzhou City in Mainland China from a wholly owned subsidiary of KPL. A deposit of RMB11,329,000 (equivalent to US$1,718,000) was paid in January 2011. Balance of the cash consideration of RMB215,257,000 (equivalent to US$33,851,000) was paid in August 2011. The project company owns the land use rights in respect of a land site for the development of a hotel (structural work completed) and three blocks of completed residential towers (some units have been sold).

(iv) Shenyang City, Liaoning Province, Mainland China

Following the obtaining of necessary approvals from the local government authorities and completion of certain changes in local registration by end of June 2011, the Group also completed the acquisition of 10% and 15% equity interests in a project company in Shenyang City, Mainland China from each of a wholly owned subsidiary of KHL and Allgreen Properties Limited (a subsidiary of which is a substantial shareholder of an indirect non-wholly owned subsidiary of the Company), respectively. Total deposits of RMB204,488,000 (equivalent to US$31,308,000) were initially paid and the balance of cash consideration of RMB750,262,000 (equivalent to US$117,241,000) was paid in August 2011. The project company owns the land use rights in respect of a land site for a high-end composite development comprising a hotel, offices, serviced apartments, residential and a commercial retail mall.

(v) Istanbul, Turkey

On 30 June 2011, the Group entered into an agreement for the sale and purchase of shares with a third party to acquire 50% equity interest in a project company which owns the Shangri-La Hotel, Istanbul in Turkey for a cash consideration of US$92 million. The hotel is currently under development and is expected to open for business by early 2013. The Group had earlier signed a hotel management agreement for this 188-room hotel in April 2010. All necessary government approvals for the acquisition were obtained by mid August 2011 and the acquisition was completed upon payment of the cash consideration in early September 2011.

(vi) Zhengzhou City, Henan Province, Mainland China

On 23 September 2011, the Group and KPL formed a consortium and jointly won the land bid at the public bidding to acquire the land use rights in respect of a land site in Zhengzhou City, Henan Province in Mainland China which is designated for residential, hotel and commercial uses. Following the successful bidding of the project site, the Group and KPL entered into a master joint venture agreement to establish a wholly foreign-owned enterprise ("**Zhengzhou JVCO**") for the acquisition, holding and development of the land site. Pursuant to the master joint venture agreement, the Group and KPL will own 45% and 55% equity interest in the Zhengzhou JVCO, respectively. The Group's 45% share of the maximum total investment cost will be RMB1,180.6 million (approximately US$187.4 million).

(vii) Bali, Indonesia

On 27 October 2011, the Group entered into an agreement for the sale and purchase of shares with a third party to acquire 49% equity interest in a project company ("**Bali JVCO**") which owns an operating golf course and club as well as vacant lands in Nusa Dua, Bali, Indonesia for a cash consideration of US$34.3 million. The Group also reimbursed the seller the withholding tax of US$1.3 million for this transaction. The Group has entered into a shareholders agreement with the joint venture party of the Bali JVCO. Pursuant to the shareholders agreement, the vacant lands owned by the Bali JVCO would be used for development of a 5-star resort hotel and villas which will be managed by the Group. The existing golf course will be appropriately redesigned to incorporate these elements such that the development when completed will feature an 18 hole golf course, a resort hotel and villas.

(viii) Putian City, Fujian Province, Mainland China

On 28 October 2011, the Group and KPL formed a consortium and jointly won the land bid at the public bidding to acquire the land use rights in respect of a land site in Putian City, Fujian Province in Mainland China which is designated for residential, hotel and commercial uses. Following the successful bidding of the project site, the Group and KPL entered into a master joint venture agreement to establish one or more wholly foreign-owned enterprises ("**Putian JVCO(s)**") for the acquisition, holding and development of the land site. Pursuant to the master joint venture agreement, the Group and KPL will own 40% and 60% equity interest in the Putian JVCO(s), respectively. The Group's 40% share of the maximum total investment cost will be RMB1,422.0 million (approximately US$225.7 million).

(ix) Hangzhou City, Mainland China

The Group entered into a sale and purchase agreement on 31 December 2010 with a wholly owned subsidiary of KPL for the acquisition of 25% equity interest in a project company which owns the land use rights in respect of a land site in Hangzhou City in Mainland China for a high-end composite development comprising a hotel, offices, serviced apartments and a large-scale commercial retail mall complex for a cash consideration of RMB968.62 million (approximately US$153.7 million). Development work is on-going. Completion of the acquisition is subject to certain conditions including obtaining the necessary approvals from the local government authorities and completion of the change of registration as required by local laws. The Group will also enter into a joint venture agreement with that 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 U$238.1 million).

On 23 December 2011, the Group and the wholly owned subsidiary of KPL entered into a supplemental agreement to extend the long stop date for fulfilling the conditions precedent for completion of the transfer of equity interests by one year to 31 December 2012.

(x) Land Use Rights and Freehold Lands

The Group has acquired the following land use rights and leasehold land in Mainland China and the Republic of Ghana; and freehold lands in Sri Lanka during the year:

– Harbin, Mainland China (hotel development)

– Zhuhai, Mainland China (hotel and training centre development)

– Dalian, Mainland China (extension of the Shangri-La Hotel, Dalian)

– Colombo, Sri Lanka (contiguous with the land acquired in 2010 for high-end composite development)

– Hambantota, Sri Lanka (resort development)

– Accra, the Republic of Ghana (hotel development)

Total cash consideration for all these lands was approximately US$139 million.

The Group commenced construction for the new resort in Hambantota on 25 February 2012.

In mid January 2012, the Group also completed the acquisition of a leasehold land site in Hung Hom, Hong Kong at a cash consideration of HK$2,328 million (approximately US$300.4 million). The Group intends to build and operate on the land a multi-use complex including a hotel and retail facilities.

(xi) Investment in a Wines Trading Company

In March 2011, the Group and other joint venture parties jointly set up a joint venture company (in which the Group has 20% equity interest) with a paid up share capital of HK$250 million (approximately US$32.3 million) with operations to include sourcing, trading, wholesale and retailing of quality wine products, and wine related services. In July 2011, the joint venture parties provided shareholders' loan of HK$250 million (approximately US$32.3 million) to the joint venture company pro-rata to their respective shareholding. The Group had contributed an aggregate funding of HK$100 million (approximately US$12.9 million) to the joint venture company during the year. The food and beverage business of the Group's hotels is expected to benefit from the sourcing of wines through the joint venture company in view of the emerging strong demand for fine wines across Asia.

(xii) Proposed Acquisition of a Hotel in Brisbane, Australia

On 17 February 2012, the Group entered into a sale and purchase agreement with a third party to acquire 100% interest in an operating hotel in Brisbane, Australia. A deposit of A$4.8 million (approximately US$4.8 million) was paid and the acquisition is expected to be completed by end of June 2012 once all conditions precedent have been fulfilled. The hotel will be re-branded as a Traders hotel.

The estimated incremental funding required directly by the subsidiaries and the Group's share of the funding obligations of the associates for all the projects and other renovations involving fund commitments is currently estimated at US$3,683 million.

DILUTION OF INTEREST AND PROJECT TERMINATION

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 to deliver the hotel property by the deadline mutually agreed.

On 23 December 2011, the Group entered into the transfer agreement to transfer 24% equity interest in the original 75% owned project company and assigned 24% of the shareholder's loan previously advanced to this project company to the non-controlling shareholder of the project company at a cash consideration of approximately US$15.0 million. The project company was set up to construct, develop, own and operate a hotel on a piece of land in Ulaanbaatar, the Republic of Mongolia. The transaction was completed by end of December 2011. Upon receipt of the cash consideration, the Group's shareholding in the project company was diluted from 75% to 51%.

In view of the fact that the Group, KPL and WIL already contracted for the earlier mentioned project at Bayuquan in Yingkou City, the parties entered into a termination agreement with the local land resources bureau in Laobian, Yingkou City on 23 December 2011. Pursuant to this agreement, the confirmation notices regarding the parties' winning of the land bids for the land use rights of land sites in Laobian were cancelled. The deposit paid will be refunded to all the parties. The parties had successfully bid for the land sites on 5 January 2011.

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

As at the date of this announcement, the Group has 16 management agreements in respect of operating hotels owned by third parties.

In March 2011, SLIM exited its management agreements in respect of the two hotels under development in Macau which had experienced significant completion delays. In early July 2011, SLIM also terminated its management agreement in respect of a hotel under development in Moscow since the project was abandoned by the developer.

Currently the Group has agreements on hand for development of 11 new hotels. 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) 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

The recovery of the global economy from the financial crisis continues to be slow and uncertain. While the economy of the United States remains weak, the economies of the Euro zone are continuing to confront the risk of sovereign debt defaults and their effects on their banking system and economies. The general consensus points to a period of prolonged economic hardship for some of the Euro zone economies. However, in contrast, the economies of South East Asia have performed relatively well in 2011 though most of them are expected to experience some slow down in 2012. The Group's presence in South East Asia and predominantly in Mainland China has enabled its hotels to post year on year improvement in operating results in respect of its mature hotels. Rising incomes, increase in domestic travel in Mainland China and regional travel in Asia are expected to sustain gradual improvements in the operating performance of the Group's hotels.

The Group's focus will be to drive RevPAR growth at its hotels and manage costs with a view to relieve inflationary pressures on operating margins. In respect of newly opened hotels, the efforts will focus on improving their operations to a sustainable level within the shortest possible time based on local market conditions so as to augment the Group's earnings.

In general, the Group remains cautiously optimistic about its prospects for 2012.

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

During the year ended 31 December 2011, 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 listed securities of the Company.

CORPORATE GOVERNANCE

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

During the year ended 31 December 2011, 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 The Stock Exchange of Hong Kong Limited, 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.

QUALIFICATION FOR PROPOSED FINAL DIVIDEND

The proposed final dividend of HK10 cents per share in the Company for 2011 (subject to shareholders' approval at the forthcoming annual general meeting of the Company) will be payable on 13 June 2012 to shareholders whose names appear on the Registers of Members of the Company on 1 June 2012.

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 1 June 2012.

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

Hong Kong, 19 March 2012

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

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)

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

* *For identification purpose only*