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)

2012 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of Shangri-La Asia Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "**Group**"), and associates for the six months ended 30 June 2012. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit Committee of the Board. The review report of the auditor will be included in the interim report sent to the shareholders of the Company.

The consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2012 increased to US$198.4 million (US6.356 cents per share) from US$108.4 million (US3.538 cents per share) in the same period last year.

The Board has declared an interim dividend of **HK10 cents** per share for 2012 (2011: HK10 cents per share) payable on Wednesday, 10 October 2012, to shareholders whose names appear on the Registers of Members of the Company on Thursday, 27 September 2012.

GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

		Six months ended 30 June	
		2012	2011
		Unaudited	Unaudited
Sales	*US$'000*	**973,481**	894,602
Profit attributable to the equity holders of the Company	*US$'000*	**198,364**	108,425
Earnings per share	*US cents*	**6.356**	3.538
equivalent to	*HK cents*	**49.259**	27.420
Dividend per share	*HK cents*	**10**	10
Annualized Return on Equity		**7.0%**	4.3%

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

Consolidated Statement of Financial Position

		As at	
		30 June 2012	31 December 2011
		Unaudited	Audited
Total equity	*US$'000*	**6,166,206**	6,027,854
Net assets attributable to the Company's equity holders	*US$'000*	**5,723,775**	5,606,103
Net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances)	*US$'000*	**2,991,802**	2,088,836
Net assets per share attributable to the Company's equity holders	*US$*	**1.83**	1.79
Net assets (total equity) per share	*US$*	**1.97**	1.93
Net borrowings to total equity ratio		**48.5%**	34.7%

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in US dollar thousands)

		As at	
		30 June 2012	31 December 2011
	Note	**Unaudited**	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**5,119,456**	4,659,689
Investment properties		**891,248**	884,907
Leasehold land and land use rights		**719,268**	739,099
Intangible assets		**93,057**	93,058
Interest in associates		**2,596,469**	2,381,770
Deferred income tax assets		**3,880**	2,237
Available-for-sale financial assets		**4,327**	4,364
Other receivables		**33,939**	19,998
		9,461,644	8,785,122
Current assets			
Inventories		**47,709**	49,373
Properties for sale		**25,819**	27,346
Accounts receivable, prepayments and deposits	*4*	**244,813**	225,727
Due from associates		**51,665**	30,433
Derivative financial instruments		**3,964**	–
Financial assets held for trading		**191,753**	15,741
Cash and bank balances		**791,471**	838,786
		1,357,194	1,187,406
Total assets		**10,818,838**	9,972,528
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*5*	**2,552,982**	2,551,789
Other reserves		**1,741,152**	1,782,763
Retained earnings			
– Proposed interim/final dividend	*15*	**40,274**	40,270
– Others		**1,389,367**	1,231,281
		5,723,775	5,606,103
Non-controlling interests		**442,431**	421,751
Total equity		**6,166,206**	6,027,854

	Note	As at 30 June 2012 Unaudited	31 December 2011 Audited
LIABILITIES			
Non-current liabilities			
Bank loans		**1,976,042**	1,927,745
Convertible bonds	*6*	**473,594**	463,527
Fixed rate bonds	*7*	**595,366**	–
Derivative financial instruments		**1,964**	3,537
Due to non-controlling shareholders		**25,402**	24,904
Deferred income tax liabilities		**232,297**	234,656
		3,304,665	2,654,369
Current liabilities			
Accounts payable and accruals	*8*	**563,126**	707,881
Due to non-controlling shareholders		**6,515**	7,298
Current income tax liabilities		**28,471**	18,609
Bank loans		**738,271**	536,350
Derivative financial instruments		**11,584**	20,167
		1,347,967	1,290,305
Total liabilities		**4,652,632**	3,944,674
Total equity and liabilities		**10,818,838**	9,972,528
Net current assets/(liabilities)		**9,227**	(102,899)
Total assets less current liabilities		**9,470,871**	8,682,223

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in US dollar thousands unless otherwise stated)

		Six months ended 30 June	
		2012	2011
	Note	**Unaudited**	Unaudited
Sales	*3*	**973,481**	894,602
Cost of sales	*9*	**(411,679)**	(374,216)
Gross profit		**561,802**	520,386
Other gains – net	*10*	**11,486**	3,553
Marketing costs	*9*	**(35,975)**	(33,182)
Administrative expenses	*9*	**(84,504)**	(76,776)
Other operating expenses	*9*	**(313,643)**	(285,874)
Operating profit		**139,166**	128,107
Finance costs – net	*11*	**(46,921)**	(13,274)
Share of profit of associates	*12*	**160,286**	51,120
Profit before income tax		**252,531**	165,953
Income tax expense	*13*	**(42,282)**	(45,158)
Profit for the period		**210,249**	120,795
Profit attributable to:			
Equity holders of the Company		**198,364**	108,425
Non-controlling interests		**11,885**	12,370
		210,249	120,795
Earnings per share for profit attributable to the equity holders of the Company during the period *(expressed in US cents per share)*			
– basic	*14*	**6.356**	3.538
– diluted	*14*	**6.352**	3.533
Dividends	*15*	**40,274**	40,261

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
Profit for the period	**210,249**	120,795
Other comprehensive income:		
Fair value changes of an interest-rate swap contract	**(565)**	–
Fair value changes of currency forward contracts	**3,964**	–
Currency translation differences – subsidiaries	**(33,906)**	125,301
Currency translation differences – associates	**(11,723)**	41,209
Other comprehensive (loss)/income for the period	**(42,230)**	166,510
Total comprehensive income for the period	**168,019**	287,305
Total comprehensive income attributable to:		
Equity holders of the Company	**156,978**	264,430
Non-controlling interests	**11,041**	22,875
	168,019	287,305

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands)

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
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	–	156,005	–	156,005	10,505	166,510
Net income recognized directly in equity	–	156,005	–	156,005	10,505	166,510
Profit for the period	–	–	108,425	108,425	12,370	120,795
Total comprehensive income for the six months ended 30 June 2011	–	156,005	108,425	264,430	22,875	287,305
Exercise of share options – allotment of shares	1,574	–	–	1,574	–	1,574
Exercise of share options – transfer from share option reserve to share premium	415	(415)	–	–	–	–
Rights issue	601,994	–	–	601,994	–	601,994
Payment of 2010 final dividend	–	–	(40,251)	(40,251)	–	(40,251)
Issue of convertible bonds – equity component	–	44,518	–	44,518	–	44,518
Net consideration received from the resale of the Company's shares held by a subsidiary	–	–	609	609	217	826
Dividend paid and payable to non-controlling shareholders	–	–	–	–	(4,000)	(4,000)
Acquisition of a non wholly owned subsidiary	–	–	–	–	4,367	4,367
Equity injected by a non-controlling shareholder	–	–	–	–	5,083	5,083
	603,983	44,103	(39,642)	608,444	5,667	614,111
Balance at 30 June 2011	2,550,640	1,793,865	1,166,228	5,510,733	380,890	5,891,623

	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited					
	Attributable to equity holders of the Company					
Balance at 1 January 2012	2,551,789	1,782,763	1,271,551	5,606,103	421,751	6,027,854
Fair value changes of an interest-rate swap contract – hedging	–	(565)	–	(565)	–	(565)
Fair value changes of currency forward contracts – hedging	–	3,964	–	3,964	–	3,964
Currency translation differences	–	(44,785)	–	(44,785)	(844)	(45,629)
Net loss recognized directly in equity	–	(41,386)	–	(41,386)	(844)	(42,230)
Profit for the period	–	–	198,364	198,364	11,885	210,249
Total comprehensive (loss)/income for the six months ended 30 June 2012	–	(41,386)	198,364	156,978	11,041	168,019
Exercise of share options – allotment of shares	968	–	–	968	–	968
Exercise of share options – transfer from share option reserve to share premium	225	(225)	–	–	–	–
Payment of 2011 final dividend	–	–	(40,274)	(40,274)	–	(40,274)
Dividend paid and payable to non-controlling shareholders	–	–	–	–	(7,136)	(7,136)
Equity injected by non-controlling shareholders	–	–	–	–	16,775	16,775
	1,193	(225)	(40,274)	(39,306)	9,639	(29,667)
Balance at 30 June 2012	**2,552,982**	**1,741,152**	**1,429,641**	**5,723,775**	**442,431**	**6,166,206**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

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.

These condensed consolidated interim financial statements were approved by the Board for issue on 23 August 2012.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011 with the addition of certain amendments to standards and new interpretations which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2012. These amendments to standards and new interpretations had no material impact on the Group's financial statements.

In addition, the Group has entered into an interest-rate swap contract used for hedging bank loan interest payment under a bank loan agreement in order to swap the floating interest rate borrowings to fixed interest rate borrowings and currency forward contracts to hedge the currency risk associated with the forecast foreign currency payment obligation under certain sale and purchase agreements for capital expenditure investment executed during the year. In order to determine whether the instruments qualify for hedge accounting or not, the Group performs an analysis to assess whether changes in the cash flows of the instruments are deemed highly effective in offsetting changes in the cash flows of the hedged items. The accounting policy for derivative instruments qualify for hedge accounting is as follows:

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

For interest-rate swap contract, the related cash flows in the same period of the hedged transaction are classified as interest expenses in the income statement.

For currency forward contract to hedge against payment obligation of capital expenditure investment, the amounts accumulated in the "Hedging reserve" are transferred out and are included in the initial investment cost of the net asset acquired when the payment is made.

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

3. Segment information

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

Hotel operation (hotel ownership and operation)

– Hong Kong

– Mainland China

– Singapore

– Malaysia

– The Philippines

– Japan

– Thailand

– France

– Other countries (including Fiji, Australia, Myanmar, Maldives and Indonesia)

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

– Mainland China

– Singapore

– Malaysia

– Other countries (including Thailand and the Republic of Mongolia)

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 profit after tax and non-controlling interests. This measurement basis excludes the effects of pre-opening expenses of projects, corporate expenses and other non-operating items such as fair value gains or losses on investment properties, fair value adjustments on monetary items and impairments for any isolated non-recurring event.

Segment income statement
For the six months ended 30 June 2012 and 2011 (US$ million)

	2012		2011	
	Sales *(Note b)*	**Profit/(Loss) after tax** *(Note a)*	Sales *(Note b)*	Profit/(Loss) after tax *(Note a)*
Hotel operation				
Hong Kong	**128.5**	**34.9**	125.0	34.8
Mainland China *(Note c)*	**405.0**	**15.1**	384.1	31.6
Singapore	**86.2**	**19.0**	76.8	15.5
Malaysia	**68.5**	**9.0**	66.9	8.5
The Philippines	**98.1**	**7.3**	90.2	5.7
Japan	**25.2**	**(8.1)**	15.6	(11.4)
Thailand	**30.6**	**1.2**	25.6	(1.1)
France	**28.3**	**(8.9)**	16.6	(18.9)
Other countries	**50.6**	**(2.8)**	45.8	(1.9)
	921.0	**66.7**	846.6	62.8
Property rentals				
Mainland China	**12.3**	**33.7**	10.3	24.3
Singapore	**8.0**	**5.7**	8.1	5.6
Malaysia	**3.3**	**0.8**	3.1	0.8
Other countries	**7.6**	**3.0**	6.8	2.0
	31.2	**43.2**	28.3	32.7
Hotel management	**57.7**	**11.7**	55.8	16.4
Total	**1,009.9**	**121.6**	930.7	111.9
Less: Hotel management – Inter-segment sales	**(36.4)**		(36.1)	
Total external sales	**973.5**		894.6	
Corporate finance costs (net)		**(17.3)**		(6.1)
Land cost amortization and pre-opening expenses for projects		**(20.5)**		(14.1)
Corporate expenses		**(11.2)**		(7.4)
Exchange gains of corporate investment holding companies		**–**		0.7
Profit before non-operating items		**72.6**		85.0

	2012		2011	
		Profit/(Loss)		Profit/(Loss)
	Sales	**after tax**	Sales	after tax
	(Note b)	***(Note a)***	*(Note b)*	*(Note a)*
Non-operating items				
Fair value gains on investment properties		**122.7**		20.7
Negative goodwill arising from acquisition of a subsidiary and an associate		**–**		9.0
Unrealized gains/(losses) on equity securities		**4.2**		(2.0)
Unrealized gains and interest income on fixed rate bonds investment		**1.8**		–
Fair value losses on interest-rate swap contracts – non-hedging		**(0.9)**		(4.2)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises		**(0.4)**		(0.5)
Realized (loss)/gain on disposal of long term investment		**(1.6)**		0.4
Profit attributable to equity holders of the Company		**198.4**		108.4

Notes:

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

b. Sales exclude sales of associates.

c. Profit after tax for 2012 has been adversely affected by the absence of currency translation gains relative to 2011 (US$17.9 million) and start-up losses in newly opened hotels (US$5.2 million).

4. Accounts receivable, prepayments and deposits

	As at	
	30 June 2012	31 December 2011
Trade receivables – net	**80,537**	77,540
Deposits for land bids	**–**	38,140
Deposit for acquisition of an associate	**7,344**	7,344
Deposit for acquisition of subsidiaries	**37,795**	–
Prepayments and other deposits	**53,963**	50,318
Other receivables	**65,174**	52,385
	244,813	225,727

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

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

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

	As at **30 June 2012**	31 December 2011
0 – 3 months	**74,342**	73,143
4 – 6 months	**3,675**	2,016
Over 6 months	**2,520**	2,381
	80,537	77,540

5. Share capital

	No. of shares *('000)*	**Amount** Ordinary shares	Share premium	Total
Authorized – Ordinary shares of HK$1 each				
At 1 January 2012 and 30 June 2012	5,000,000	646,496	–	646,496
Issued and fully paid – Ordinary shares of HK$1 each				
At 1 January 2012	3,131,075	404,266	2,147,523	2,551,789
Exercise of share options				
– allotment of shares	682	88	880	968
– transfer from option reserve	–	–	225	225
At 30 June 2012	**3,131,757**	**404,354**	**2,148,628**	**2,552,982**

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.

Certain share options at various exercise prices granted to option holders of the Company under the Company's share option scheme adopted on 24 May 2002 ("**Share Option Scheme**") were exercised during the six months ended 30 June 2012 and the following new shares were issued:

	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*
In year 2012				
February	–	50,000	32,500	136
March	60,000	50,000	140,000	391
April	40,000	50,000	40,000	186
May	120,000	50,000	–	180
June	–	50,000	–	75
For the six months ended 30 June 2012	**220,000**	**250,000**	**212,500**	**968**

The weighted average closing price of the shares immediately before the dates on which the options were exercised for the six months ended 30 June 2012 was HK$17.36 (six months ended 30 June 2011: HK$20.65).

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

	For the six months ended 30 June 2012		For the year ended 31 December 2011	
	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	**12.71**	**9,456,500**	12.57	11,257,500
Exercised	**10.99**	**(682,500)**	11.74	(1,646,000)
Lapsed	**14.60**	**(45,000)**	13.05	(155,000)
At 30 June/31 December	**12.83**	**8,729,000**	12.71	9,456,500

As at 30 June 2012 and 31 December 2011, outstanding option shares of the Share Option Scheme at the end of the period/year are as follows:

		Number of option shares as at	
Last exercisable date	**Exercise price in HK$ per option share**	**30 June 2012**	31 December 2011
28 May 2012	6.81	**–**	220,000
31 December 2012	11.60	**180,000**	–
31 December 2012	14.60	**80,000**	–
27 April 2015	11.60	**4,965,000**	5,395,000
15 June 2016	14.60	**3,504,000**	3,841,500
		8,729,000	9,456,500

No new option was granted during the six months ended 30 June 2012 and 2011.

No options have been exercised subsequent to 30 June 2012 and up to the approval date of the financial statements. Options on 20,000 shares with exercise price of HK$14.60 per share have lapsed subsequent to 30 June 2012 and up to the approval date of the financial statements.

6. Convertible bonds

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 (the "**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) and the conversion price has been adjusted to HK$28.72 per ordinary share of the Company on 10 October 2011. 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 in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves.

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

	As at	
	30 June 2012	31 December 2011
Face value of convertible bonds issued on 12 May 2011	**500,000**	500,000
Issuing expenses	**(4,400)**	(4,400)
Equity component credited to the equity	**(44,518)**	(44,518)
Liability component on initial recognition at 12 May 2011	**451,082**	451,082
Accrued interest expense and accumulated amortization of issuing expenses	**22,512**	12,445
Liability component	**473,594**	463,527

The face value of outstanding bonds at 30 June 2012 amounted to US$500,000,000. No convertible bonds were converted to ordinary shares of the Company during the period or subsequent to 30 June 2012 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. Fixed rate bonds

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

Face value of fixed rate bonds issued on 10 April 2012	**600,000**
Issuing expenses	**(4,850)**
Net bonds proceeds received	**595,150**
Accumulated amortization of issuing expenses	**216**
Carrying value of fixed rate bonds at 30 June 2012	**595,366**

The fixed rate bonds have accrued bonds interest of US$6,333,000 as at 30 June 2012.

8. Accounts payable and accruals

	As at 30 June 2012	31 December 2011
Trade payables	**70,165**	97,476
Consideration payable for acquisition of a wholly owned subsidiary	**37,509**	–
Construction cost payable, payable for land use rights and accrued expenses	**455,452**	610,405
	563,126	707,881

The ageing analysis of the trade payables is as follows:

	As at 30 June 2012	31 December 2011
0 – 3 months	**63,314**	88,032
4 – 6 months	**2,434**	6,284
Over 6 months	**4,417**	3,160
	70,165	97,476

9. Expenses by nature

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

	For the six months ended 30 June 2012	30 June 2011
Depreciation of property, plant and equipment (net of amount capitalized of US$80,000 (2011: US$411,000))	**144,391**	135,980
Amortization of leasehold land and land use rights	**9,821**	6,142
Amortization of trademark and website development	**331**	274
Employee benefit expenses	**273,827**	251,620
Cost of inventories sold or consumed in operation	**131,884**	123,810
Loss on disposal of property, plant and equipment and partial replacement of investment properties	**758**	609
Discarding of property, plant and equipment and investment properties due to renovation	**1,917**	23

10. Other gains – net

	For the six months ended	
	30 June 2012	30 June 2011
Net unrealized gains/(losses) on financial assets held for trading		
– equity securities	**4,196**	(2,063)
– fixed rate bonds	**172**	–
Fair value (losses)/gains on derivative financial instruments		
– interest-rate swap contracts – non-hedging	**(886)**	(4,208)
– currency forward contract – non-hedging	**–**	219
Interest income		
– fixed rate bonds	**1,621**	–
– bank deposit and others	**5,940**	4,891
Negative goodwill arising from acquisition of a subsidiary	**–**	3,598
Dividend income	**443**	479
Others	**–**	637
	11,486	3,553

11. Finance costs – net

	For the six months ended	
	30 June 2012	30 June 2011
Interest expense		
– bank loans and overdrafts	**39,020**	28,492
– interest-rate swap contract – hedging	**91**	–
– convertible bonds	**10,067**	2,592
– fixed rate bonds	**6,549**	–
– other loans	**805**	581
	56,532	31,665
Less: amount capitalized	**(12,829)**	(3,527)
	43,703	28,138
Net foreign exchange transactions losses/(gains)	**3,218**	(14,864)
	46,921	13,274

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 3.11% per annum for the period (2011: 2.37%).

12. Share of profit of associates

	For the six months ended 30 June 2012	30 June 2011
Share of profit before tax of associates before negative goodwill and share of net increase in fair value of investment properties	**51,622**	35,607
Negative goodwill arising from acquisition of an associate	**–**	5,408
Share of net increase in fair value of investment properties	**163,609**	27,546
Share of profit before tax of associates	**215,231**	68,561
Share of associates' taxation before provision for deferred tax liabilities on fair value gains of investment properties	**(14,043)**	(10,555)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(40,902)**	(6,886)
Share of associates' taxation	**(54,945)**	(17,441)
Share of profit of associates	**160,286**	51,120

13. Income tax expense

Income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong includes withholding tax paid and payable on dividends from subsidiaries and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

	For the six months ended 30 June 2012	30 June 2011
Current income tax		
– Hong Kong profits tax	**8,642**	8,478
– Overseas taxation	**36,108**	31,156
Deferred income tax	**(2,468)**	5,524
	42,282	45,158

14. Earnings per share

Basic

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

	For the six months ended 30 June 2012	30 June 2011
Profit attributable to equity holders of the Company *(US$'000)*	**198,364**	108,425
Weighted average number of ordinary shares in issue *(thousands)*	**3,120,882**	3,064,884
Basic earnings per share *(US cents per share)*	**6.356**	3.538

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 six months ended 30 June 2012 and 2011, all the share options issued under the Share Option Scheme have the greatest dilution effect.

	For the six months ended	
	30 June 2012	30 June 2011
Profit attributable to equity holders of the Company *(US$'000)*	**198,364**	108,425
Weighted average number of ordinary shares in issue *(thousands)*	**3,120,882**	3,064,884
Adjustments for share options *(thousands)*	**2,083**	3,946
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**3,122,965**	3,068,830
Diluted earnings per share *(US cents per share)*	**6.352**	3.533

15. Dividends

	For the six months ended	
	30 June 2012	30 June 2011
Interim dividend of HK10 cents (2011: HK10 cents) per ordinary share	**40,274**	40,261

Notes:

(a) 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, which was paid on 13 June 2012, and has been reflected as a charge against retained earnings for the six months ended 30 June 2012.

(b) At a meeting held on 23 August 2012, the Board declared an interim dividend of HK10 cents per ordinary share for the year ending 31 December 2012. This declared dividend is not reflected as a dividend payable in these financial statements but reflected as an appropriation of retained earnings for the year ending 31 December 2012. The declared interim dividend of US$40,274,000 for the six months ended 30 June 2012 is calculated based on 3,131,756,799 shares of the Company in issue as at 23 August 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.

16. Acquisition of interest in a subsidiary

In May 2012, the Group acquired the entire equity interest in a local company in Italy which owns a very well located building in Rome at a net cash consideration of EUR31,431,000 (equivalent to US$38,937,000 based on the prevailing exchange rate on the date of acquisition). The building will be converted into a 106-room Shangri-La hotel after all the existing tenants are vacated. Under the agreement, the Group made a cash payment of EUR1,611,000 (equivalent to US$1,995,000) to the vendor in May 2012 and the balance of the cash consideration of EUR29,820,000 (equivalent to US$36,942,000) is payable once the remaining tenants are vacated. The Group provided a bank guarantee of EUR30,602,000 (equivalent to US$38,493,000) issued in favour of the vendor to secure the payment of the balance of the cash consideration.

Details of purchase consideration and the fair values of assets and liabilities acquired for the aforesaid acquisition are as follows:

Purchase consideration:	
Purchase consideration already paid	1,995
Balance of consideration payable	36,942
Total purchase considerations	38,937
Fair value of net assets acquired:	
Property, plant and equipment	123,885
Cash and bank balances	309
Other assets less current liabilities	17,485
Bank loans	(102,742)
	38,937

17. Financial guarantees, contingencies and charges over assets

(a) Financial guarantees

As at 30 June 2012, 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$284,384,000 (31 December 2011: US$226,455,000). The guarantees are stated at their respective contracted amounts. The Board is of the opinion that it is not probable that such guarantees will be called upon.

(b) Contingent liabilities

As at 30 June 2012, 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$25,966,000 (31 December 2011: US$3,397,000). These facilities were undrawn as at 30 June 2012.

(c) Charges over assets

As at 30 June 2012, bank borrowings of certain subsidiaries amounting to US$250,958,000 (31 December 2011: US$158,472,000) were secured by:

(i) Freehold land and buildings of a subsidiary with net book value of US$37,300,000 (31 December 2011: US$38,794,000).

(ii) Land use rights 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$146,588,000 (31 December 2011: US$152,537,000).

(iii) Legal mortgage over the property owned by two subsidiaries with an aggregate net book value of US$150,992,000 (31 December 2011: US$154,211,000).

(iv) Legal mortgage over the property owned by a subsidiary acquired during the period with net book value of US$125,786,000 (31 December 2011: Nil).

18. Commitments

Capital expenditure at the date of the statement of financial position committed but not yet incurred is as follows:

	As at	
	30 June 2012	31 December 2011
Existing properties – Property, plant and equipment and investment properties		
– Contracted but not provided for	**76,733**	112,411
– Authorized but not contracted for	**106,275**	68,580
Development projects and properties to be acquired		
– Contracted but not provided for	**1,637,867**	938,444
– Authorized but not contracted for	**2,552,464**	2,680,283
	4,373,339	3,799,718

19. Events after the date of the statement of financial position

(a) On 7 August 2012, the Group completed the acquisition of an operating hotel in Brisbane, Australia. A deposit of A$4,795,000 (equivalent to US$4,942,000) was paid in February 2012 and the balance of the consideration of A$43,155,000 (equivalent to US$42,182,000) was paid on 7 August 2012 after all the conditions included in the sale and purchase agreement relating to the acquisition were fulfilled.

(b) In July 2012, a wholly owned subsidiary of the Company executed three 3-year unsecured bilateral bank loan agreements with an aggregate amount of HK$2,400,000,000 (equivalent to US$309,677,000). A non wholly owned subsidiary of the Company also executed a 3-year unsecured bilateral bank loan agreement of HK$360,000,000 (equivalent to US$46,452,000) in August 2012.

(c) In July 2012, the Group has executed currency forward contracts between Australia dollars and United States dollars maturing between August and September 2012 amounting to A$300,000,000 with an average forward exchange rate of US$1 to A$0.964 to hedge for the remaining foreign exchange risk arising from the balance of consideration payment to be made in Australia dollars under a sale and purchase agreement and the associated transaction expenses. These contracts qualify for hedge accounting.

OPERATIONS REVIEW

(Performance compared to the corresponding period last year)

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

(a)	Hotel operation	–	Hotel ownership and operation
(b)	Hotel management	–	Provision of hotel management and related services to Group-owned hotels and to hotels owned by third parties
(c)	Property rentals from investment properties	–	Ownership and leasing of office properties, commercial properties and serviced apartments

Revenues

(a) Hotel Operation

– Continued to be the main source of revenue and operating profit.

– As at 30 June 2012, the Group has equity interest in 56 operating hotels with 26,414 available guest rooms, 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.

– The momentum of revenue growth of the hotels in 2011 maintained in the first half of the year. The weighted average room yields ("**RevPAR**") of the Group's hotels recorded a 9% year-on-year growth, led by increase in room rates.

– In terms of key performance indicators, most of the Group's hotels recorded an increase in RevPAR save for some of the Mainland China hotels located in the second and third tier cities which were affected by the temporary slow down of the economy growth in Mainland China. Performance of the hotels in Tokyo and Paris improved significantly. The hotel in Myanmar continued to experience improved results with the improving political environment in that country. Segment results are set out in Note 3 to the condensed consolidated interim financial statements included in this announcement.

The key performance indicators of the Group on an unconsolidated basis for the period are as follows:

Country	2012 Weighted Average Occupancy (%)	2012 Weighted Average Transient Room Rate (US$)	2012 Weighted Average RevPAR (US$)	2011 Weighted Average Occupancy (%)	2011 Weighted Average Transient Room Rate (US$)	2011 Weighted Average RevPAR (US$)
The People's Republic of China						
Hong Kong	**76**	**338**	**251**	79	322	248
Mainland China	**57**	**167**	**93**	59	152	88
Singapore	**74**	**251**	**198**	70	248	186
Malaysia	**70**	**144**	**103**	69	132	90
The Philippines	**73**	**200**	**151**	72	184	131
Japan	**66**	**495**	**316**	50	460	225
Thailand	**56**	**156**	**86**	47	157	72
France	**92**	**1,366**	**1,167**	46	1,357	531
Other countries	**64**	**196**	**123**	67	185	118
Weighted Average	**62**	**196**	**122**	63	179	111

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

(b) *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 30 June 2012.

– SLIM had hotel management agreements in respect of 16 operating hotels owned by third parties as at 30 June 2012. Overall weighted average room rate and RevPAR of these 16 hotels increased marginally.

– Revenue of SLIM on consolidation, after elimination of revenue earned from fellow subsidiaries, recorded an increase of 8%.

– In April 2012, SLIM signed a new management agreement in respect of a hotel under development in Guiyang City, Guizhou Province in Mainland China. As at the date of this announcement, SLIM has management agreements on hand for 12 hotels under development owned by third parties.

(c) *Property Rentals*

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

– Save for Beijing Kerry Centre, Shanghai Kerry Centre and Shangri-La Residences, Dalian which are under renovation, the other investment properties in Mainland China generally recorded an improvement in yields. Notably all different components of the China World Trade Center in Beijing recorded improvement in yields ranging from 6% to 96% as compared to the same period last year. The yields of the office spaces and commercial spaces of the Shangri-La Centre in Qingdao also recorded an increase of 77% and 69% respectively as compared to the same period last year.

– The Kerry Parkside, Pudong in Shanghai (a 23.2% owned high-end composite development which commenced business in February 2011) performed well with occupancies of office spaces, commercial spaces and serviced apartments reaching 83%, 100% and 63%, respectively.

– The investment properties in other countries generally recorded an increase in yields save for a marginal decrease recorded by the serviced apartments in Singapore.

Consolidated Profits

– On a segment basis, net profit attributable to equity holders of the Company from hotel operation and investment properties increased by US$3.9 million and US$10.5 million, respectively compared to the same period last year. The reduction in operating losses of the hotels in Tokyo and Paris was offset by the decrease in profits contributed by the Mainland China hotels which was attributable to the start-up losses of the hotels that newly opened for business in the years 2010 and 2011 and a US$17.9 million reduction in foreign exchange gains arising from foreign currency loans following a slow down in the rate of appreciation of the Renminbi. Consequently, the earnings before net finance costs, tax, depreciation, amortization and non-operating items ("**EBITDA**") for the current period was US$281.7 million, marginally lower than the US$282.4 million for the same period last year. The EBITDA to Sales ratio was 28.94% as compared to 28.07% for the year ended 31 December 2011.

– The corporate finance cost for the current period increased by US$11.2 million relative to last year on account of the convertible bonds issued in May 2011 and the fixed rate bonds issued in April 2012.

– Net credit from non-operating items during the current period was US$125.8 million (US$23.4 million in the same period last year), mainly contributed by the US$122.7 million fair value gains on investment properties (net of tax) held by associates and US$4.2 million unrealized gains on equity securities held for trading.

CORPORATE DEBT AND FINANCIAL CONDITIONS

On 10 April 2012, the Group issued 5-year fixed rate bonds due April 2017 in the aggregate principal amount of US$600 million at a fixed rate of 4.75% per annum. The net proceeds from the issue, after deduction of fees and commissions, were approximately US$595.2 million. A large portion of the net proceeds were used to finance new development projects. Pending investment into project companies to finance new project development, part of the bonds proceeds of US$172.9 million were temporarily invested in low-risk and good quality bonds issued by large multinational enterprises with annual average yield in excess of 4% to reduce the interest burden. US$90 million was used to repay corporate bank loans maturing in 2012 and US$64 million was used to temporarily repay revolving corporate loans. Details of the fixed rate bonds issued are provided in Note 7 to the condensed consolidated interim financial statements included in this announcement.

At the corporate level, the Group executed three 3-year bilateral unsecured bank loan agreements of HK$1,650 million (approximately US$212.9 million) and US$75 million during the period. These loan agreements were executed for securing project funding as well as refinancing of loans maturing in 2012. Subsequent to the period end and up to the date of this announcement, the Group executed three new 3-year unsecured corporate bank loan agreements totaling HK$2,400 million (approximately US$309.7 million). The Group is currently negotiating with certain banks to finalize additional long term loan facilities in order to meet project funding requirements.

At the subsidiary level, the Group executed one 2-year and one 3-year unsecured bank loan agreement totaling RMB135 million (approximately US$21.2 million) to refinance outstanding bank borrowings matured in 2012. A wholly owned subsidiary in Singapore also executed a 4-year unsecured bank loan agreement of S$65 million (approximately US$51.1 million) to finance its hotel renovation. Subsequent to the period end and up to the date of this announcement, a non wholly owned subsidiary executed a new 3-year unsecured bank loan agreement of HK$360 million (approximately US$46.5 million) to refinance its maturing bank loan.

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

The net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, increased from 34.7% as at 31 December 2011 to 48.5% as at 30 June 2012.

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

The analysis of borrowings outstanding as at 30 June 2012 is as follows:

	Maturities of Borrowings Contracted as at 30 June 2012				
			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	201.3	50.4	1,188.3	–	1,440.0
– convertible bonds	–	–	473.6	–	473.6
– fixed rate bonds	–	–	595.4	–	595.4
Project bank loans					
– secured	88.1	29.8	83.4	49.7	251.0
– unsecured	448.9	232.6	335.8	6.0	1,023.3
Total	738.3	312.8	2,676.5	55.7	3,783.3
Undrawn but committed facilities					
Bank loans and overdrafts	135.8	9.0	666.0	37.5	848.3

The currency-mix of the borrowings and cash and bank balances as at 30 June 2012 is as follows:

(US$ million)	**Borrowings**	**Cash and Bank Balances**
In Hong Kong dollars	1,204.6	128.8
In United States dollars	1,458.6	233.9
In Renminbi	551.6	292.9
In Euros	288.0	7.6
In Japanese Yen	75.6	1.6
In Singapore dollars	66.4	34.4
In Philippines Pesos	63.5	32.9
In Australian dollars	54.0	2.9
In Malaysian Ringgit	14.7	5.9
In Thai Baht	6.3	12.8
In Mongolian Tugrik	–	3.2
In Fiji dollars	–	13.2
In British Pound	–	20.8
In Maldive Rufiyaa	–	0.2
In other currencies	–	0.4
	3,783.3	791.5

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

Details of financial guarantees, contingencies and charges over assets as at 30 June 2012 are disclosed in Note 17 to the condensed consolidated interim financial statements included in this announcement.

TREASURY POLICIES

Treasury policies aimed at minimizing interest and currency risk have been consistently followed by the Group as disclosed in the 2011 Annual Report. As at 30 June 2012, the outstanding HIBOR and LIBOR interest-rate swap contracts are:

i) *Interest-rate swap contracts not qualify for hedge accounting*

- HK$3,460 million (at fixed rates ranging between 4.28% to 4.63% per annum maturing during October 2012 to January 2014); and

- US$100 million (at a fixed rate of 4.70% per annum maturing in October 2012).

ii) *Interest-rate swap contract qualify for hedge accounting to fix the effective interest expenses under a corporate bank loan facility of the same principal amount*

- HK$300 million (at a fixed rate of 1.087% per annum maturing in December 2016).

Taking into account the interest-rate swap contracts, convertible bonds, fixed rate bonds and the Renminbi borrowings, the Group has fixed its interest liability on 58% of its borrowings outstanding as at 30 June 2012.

In general, the Group has not felt it appropriate to substantially hedge against currency risks through currency forward contracts upon consideration of the currency risks involved in normal operation and the cost of obtaining such cover. During the current period, the Company has entered into currency forward contracts to hedge the currency risk associated with the forecast foreign currency payment obligations under the sale and purchase agreements to acquire an operating hotel in Brisbane, Australia and the entire equity interest in a group of companies which own the Shangri-La Hotel, Sydney, Australia as detailed under the section headed "ACQUISITIONS" of this announcement. As at 30 June 2012, the Company has outstanding short term currency forward contracts totaling A$107 million between Australia dollars and United States dollars maturing between July and August 2012 which qualify for hedge accounting.

INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value (including those properties being constructed for future use as investment properties of which fair value becomes reliably determinable at 30 June 2012). All changes in the fair value are recorded in the income statement. For the six months ended 30 June 2012, the Group's share of the increase in fair value of investment properties (including those under construction) being owned by certain associates (net of deferred taxation) amounted to US$122.7 million based on the opinion from independent professional valuers as obtained by the Company and the major shareholder of certain associates.

FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

The equity securities within the investment portfolio remained unchanged during the period. The Group recorded net unrealized fair value gain of US$4.2 million (US$4.2 million after share of non-controlling interests) and dividend income of US$0.4 million (US$0.4 million after share of non-controlling interests) for these equity securities.

The Company also acquired fixed rate bonds with principal amount of US$165 million for short term investment during the period. Net unrealized fair value gain of US$0.2 million and interest income of US$1.6 million were recorded.

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's Sanya Resort & Spa, Hainan	100%	506	TBD	2013
Shangri-La Hotel, Lhasa	100%	284	–	2013
Shangri-La Hotel, Diqing	100%	220	–	2014
Shangri-La Hotel, Qinhuangdao	100%	326	–	2014
Hotels in other countries				
Shangri-La Hotel, Paris, France (extension)	100%	20	–	2013
Shangri-La Hotel, At The Shard, London, the United Kingdom	Operating lease	202	–	2013
Traders Orchard Gateway, Singapore	Operating lease	502	–	2013
Shangri-La Hotel, Bosphorus, Istanbul, Turkey	50%	186	–	2013
Shangri-La Hotel, Ulaanbaatar, the Republic of Mongolia	51%	273	–	2014
Shangri-La's Hambantota Resort & Spa, Sri Lanka	100%	377	TBD	2014
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	39	2013
Nanjing City Project (with Shangri-La Hotel, Nanjing)	55%	529	40	2013
Tangshan City Project (with Shangri-La Hotel, Tangshan)	35%	436	–	2013
Shenyang City Project (with Shangri-La Hotel, Shenyang)	25%	423	38	2013
Nanchang City Project (with Shangri-La Hotel, Nanchang)	20%	468	–	2014
Yingkou City Project (with Shangri-La Hotel, Yingkou)	25%	344	–	2015
Jinan City Project (with Shangri-La Hotel, Jinan)	45%	402	–	2015

	Group's Equity Interest	Hotel Rooms	Serviced Apartments/ Villas	Projected Opening
Composite developments in other countries				
Bali Project, Indonesia (with Shangri-La's Nusa Dua Resort & Spa, Bali)	49%	231	TBD	2013*
Bonifacio Global City, Metro Manila, the Philippines (with Shangri-La Hotel, At The Fort, Manila)	40%	574	97	2015
High-end composite development project in Colombo, Sri Lanka (with Shangri-La Hotel, Colombo, Sri Lanka)	100%	661	TBD	2015
Investment properties developments in other countries				
Shangri-La Residences in Yangon, Myanmar	55.86%	–	240	2013
Traders Square in Yangon, Myanmar (office and commercial complex)	59.28%	–	–	2014

TBD: To be determined

* Phased opening of villas only

In mid January 2012, the Group 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).

On 13 June 2012, the joint venture company formed among the Group, a wholly owned subsidiary of Kerry Properties Limited ("**KPL**") and Moneyeasy Holdings Limited ("**MHL**") won the land bid for the land use rights of the project sites in Kunming City, Yunnan Province in Mainland China which are designated for hotel and commercial uses. Pursuant to the master joint venture agreement, the joint venture company was established and owned as to 45% by the Group, 35% by KPL and 20% by MHL. The Group's 45% share of the maximum total investment cost will be RMB481.5 million (approximately US$76.4 million). KPL is a subsidiary of the Company's controlling shareholder, Kerry Holdings Limited.

The Group has also acquired land use rights and freehold lands in the following cities in prior years. The Group is now finalizing the development plan of these projects:

In Mainland China:

– Zhoushan (hotel development)

– Hefei (hotel development)

– Xiamen (hotel development)

– Harbin (hotel development)

In the Republic of Ghana:

– Accra (hotel development)

The Group has also paid for the land cost for the following cities in Mainland China and is now drafting the development plan:

– Wolong Bay in Dalian (hotel development)

– Fuzhou (extension of the Shangri-La Hotel, Fuzhou)

– Zhuhai (hotel and training centre development)

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

Additionally, as disclosed in the 2011 Annual Report of the Company, the Group has a 45% and 40% equity interest in composite developments in Zhengzhou City and Putian City respectively, in Mainland China. These developments are in the planning stage.

ACQUISITIONS

Details of the Group's acquisition of 100% equity interest in a local company in Italy which owns a building in Rome which is slated for conversion into a hotel are provided in Note 16 to the condensed consolidated interim financial statements included in this announcement.

On 17 February 2012, the Group entered into a sale and purchase agreement with a third party to acquire 100% equity interest in an operating hotel in Brisbane, Australia. A deposit of A$4.79 million (approximately US$4.94 million) was paid in February 2012 and the acquisition was completed on 7 August 2012 upon payment of the balance of the consideration of A$43.16 million (approximately US$42.18 million). The hotel has been rebranded as Traders Hotel, Brisbane.

On 22 June 2012, the Group entered into a sale and purchase agreement with the hotel owner to acquire 100% equity interest in the existing Shangri-La Hotel, Sydney in Australia (which has been managed by the Group since 2003) at a consideration of A$330 million. A deposit of A$33 million was paid in June 2012 and the balance of the consideration of A$297 million will be payable after all the conditions included in the sale and purchase agreement relating to the acquisition have been fulfilled.

MANAGEMENT AGREEMENTS

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

In addition, the Group has agreements on hand for the management of 12 new hotels. The new hotel projects are located in Bangalore (2 hotels), Chennai and Mumbai (India), Changzhou, Chongqing, Haikou and Guiyang (Mainland China), Doha (2 hotels) (Qatar), Iskandar (Malaysia) and Toronto (Canada).

PROSPECTS

Despite unsettled business conditions in the global business environment and the continuing economic problems and uncertainties confronting the major global economies, the Group's portfolio of hotels and investment properties have recorded an overall year-on-year increase in yields and have also recorded an increase in operating profits. A few of the Group's hotels in secondary cities in Mainland China have experienced marginal declines in operating profits due to increased competition. The effects of the economic crisis afflicting Europe and North America are now being increasingly felt in the economies of Asia. Thus far, however, the Group's hotels have not experienced a meaningful slowdown in their business. The Group nevertheless remains cautious about the near term prospects for its business.

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

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

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.

On 19 March 2012, the Board adopted a Directors handbook which incorporated a set of principles for securities transactions by Directors and certain non-Directors of the Company ("**Securities Principles**") and a set of corporate governance principles for the Group ("**CG Principles**") terms of both of which align with or are stricter than the requirements set out in, respectively, the Model Code for Securities Transactions by Directors of Listed Issuers ("**Securities Model Code**") as contained in Appendix 10 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**HKSE**") and the revised Corporate Governance Code ("**CG Model Code**") as contained in Appendix 14 to the Listing Rules which took effect from 1 April 2012 except that the Chairman and the Chief Executive Officer of the Company may be served by the same person.

During the underlying six month period, the CG Model Code and the CG Principles were applicable to the Company respectively before and after the adoption of the Directors handbook on 19 March 2012. Upon the adoption of the CG Principles, the Audit Committee of the Company has been designated the responsibility to oversee, monitor and observe the terms for the Company's corporate governance functions. Throughout the underlying six month period, the Company has fulfilled the applicable CG Model Code and CG Principles except for the deviation summarized below:

CG Model Code	Deviation and reason
A.2.1 The roles of the Chairman and the Chief Executive Officer of the Company should be separate and should not be performed by the same individual	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, 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.
C.3.7 Audit Committee should review arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters (should have been fulfilled by 1 April 2012)	Before 1 April 2012, the Audit Committee has formulated a whistleblowing policy which accommodates such requirement. The policy was subsequently issued in June 2012.

QUALIFICATION FOR INTERIM DIVIDEND

The interim dividend of HK10 cents per share in the Company for 2012 will be payable on 10 October 2012 to shareholders whose names appear on the Registers of Members of the Company on 27 September 2012.

In order to qualify for the interim dividend, all share transfers must be lodged for registration 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, no later than 4:30 pm on 27 September 2012.

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

Hong Kong, 23 August 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 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*