

**SHANGRI-LA ASIA LTD:
NUMBERS PROVE**

Anybody studying philosophy learns of the logical fallacy: Numbers prove.

It has been said that one may be able to prove, or disprove, anything by figures.

No doubt, Senior Management of Shangri-La Asia Ltd ([]) (Code: 69, Main Board, The Stock Exchange of Hongkong Ltd) would be only too happy to accuse **TARGET** () of indulging in a little chicanery or sophistry in stating that the 2009 Financial Year of this company was much worse than, perhaps, many people realise.

On scanning the 2009 Annual Report of Shangri-La Asia Ltd, a pre-eminent, owner/management company of 5-star hotels, one is met, at Page 73, with the Bottom Line:

Profit for the Year – \$US260,746,000 (about \$HK2.03 billion)

For most people, especially those who have difficulty in understanding a Profit and Loss Account, the immediate reaction on skimming over the Bottom Line with regard to the 2009-Year, is along the lines that that figure of \$US260,746,000 is an increase, Year-On-Year, of about 42.12 percent.

But, looking carefully at the composition of the 2009 Net Profit Attributable to Shareholders, one notes that the Operating Profit of the Company – which operated 65 luxury hotels in 2009 – was \$US51,348,000.

That was a fall of about 68.53 percent, compared with the Operating Profit of the 2008-Year of \$US163,165,000.

Financing costs were about \$US24,430,000 in the 2009-Year, but, in the 2008-Year, there was a '*Finance Gain*' of \$US12,851,000.

The '*Finance Gain*' came about due to a gain of \$US50,626,000, described at Note 29 to the Accounts as, '*Net foreign exchange transaction gains*'.

Actual interest expense in the 2008-Year was \$US53,973,000, of which figure, \$US16,198,000 was capitalised, resulting in the figure of \$US37,775,000, being the actual charge in relation to interest expenses.

That charge against the profits of the company disappeared, however, when one tacks on the '*Net foreign exchange transaction gains*' of \$US50,626,000.

The relevance of the untangling of the interest expenses in the 2008-Year and the 2009-Year is, simply, to be able to compared apples with apples.

If it had not been for the '*Net foreign exchange transaction gains*' in the 2008-Year, then, there would, definitely, have been a charge against profits in the amount of \$US37,775,000.

And that charge of \$US37,775,000 would have impacted on the Net Profit Attributable to Shareholders by

that amount of money, less a reduced charge against the Bottom Line in respect of Income Tax Expense.

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