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)

2017 INTERIM RESULTS ANNOUNCEMENT

The board of directors ("**Board**") of Shangri-La Asia Limited ("**Company**") wishes to announce the unaudited interim results of the Company and its subsidiaries ("**Group**"), and associates for the six months ended 30 June 2017. 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.

For the six months ended 30 June 2017, consolidated profit attributable to equity holders of the Company before non-operating items increased by US$7.9 million (21%). Consolidated financial results attributable to equity holders of the Company after accounting for non-operating items recorded a profit of US$61.7 million compared to a loss of US$3.7 million for the same period last year.

	Six months ended 30 June	
	2017	2016
	US$ million	*US$ million*
Consolidated profit attributable to equity holders of the Company before non-operating items	**44.9**	37.0
Non-operating items		
– Share of net fair value gains on investment properties	**8.5**	38.0
– Share of impairment losses for hotels (leasehold land; and property, plant and equipment)	**–**	(76.6)
– Gain on disposal of a subsidiary and an associate	**14.9**	–
– Discarding of property, plant and equipment due to major renovation of hotels	**(9.8)**	–
– Other non-operating items	**3.2**	(2.1)
	16.8	(40.7)
Consolidated profit/(loss) attributable to equity holders of the Company	**61.7**	(3.7)

The Board has declared an interim dividend of **HK6 cents** per share for 2017 (2016: HK5 cents per share) payable on Friday, 6 October 2017, to shareholders whose names appear on the registers of members of the Company on Tuesday, 26 September 2017.

GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

		Six months ended 30 June	
		2017	2016
		Unaudited	Unaudited
Sales	*US$'000*	**989,755**	992,211
Profit/(Loss) attributable to the equity holders of the Company	*US$'000*	**61,700**	(3,743)
Earnings/(Loss) per share	*US cents*	**1.729**	(0.105)
equivalent to	*HK cents*	**13.400**	(0.814)
Dividend per share	*HK cents*	**6**	5

Consolidated Statement of Financial Position

		As at	
		30 June	31 December
		2017	2016
		Unaudited	Audited
Total equity	*US$'000*	**6,629,681**	6,412,434
Net assets attributable to the Company's equity holders	*US$'000*	**6,221,757**	5,990,828
Net borrowings (total of bank loans and fixed rate bonds less cash and bank balances)	*US$'000*	**4,428,341**	4,351,275
Net assets per share attributable to the Company's equity holders	*US$*	**1.74**	1.67
Net assets (total equity) per share	*US$*	**1.85**	1.79
Net borrowings to total equity ratio		**66.8%**	67.9%

	Twelve months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Return on equity for the last twelve months	**2.74%**	0.58%

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

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

		As at	
		30 June	31 December
		2017	2016
	Note	**Unaudited**	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**6,157,352**	6,002,690
Investment properties		**1,335,021**	1,328,352
Leasehold land and land use rights		**503,225**	499,341
Intangible assets		**90,164**	90,367
Interest in associates		**3,683,268**	3,634,559
Deferred income tax assets		**5,893**	6,213
Derivative financial instruments		**–**	2
Available-for-sale financial assets		**10,896**	10,189
Other receivables		**14,359**	13,929
		11,800,178	11,585,642
Current assets			
Inventories		**37,647**	41,790
Properties for sale		**8,831**	18,581
Accounts receivable, prepayments and deposits	*4*	**344,121**	304,836
Amounts due from associates		**104,826**	66,971
Amounts due from non-controlling shareholders		**72**	69
Derivative financial instruments		**–**	2
Financial assets held for trading		**18,657**	14,963
Cash and bank balances		**898,273**	944,218
		1,412,427	1,391,430
Assets of disposal group classified as held for sale		**–**	16,712
		1,412,427	1,408,142
Total assets		**13,212,605**	12,993,784
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*6*	**3,192,700**	3,191,801
Other reserves		**811,497**	606,320
Retained earnings		**2,217,560**	2,192,707
		6,221,757	5,990,828
Non-controlling interests		**407,924**	421,606
Total equity		**6,629,681**	6,412,434

	Note	As at 30 June 2017 Unaudited	31 December 2016 Audited
LIABILITIES			
Non-current liabilities			
Bank loans		**5,065,724**	4,486,869
Derivative financial instruments		**1,498**	919
Amounts due to non-controlling shareholders		**29,559**	29,547
Deferred income tax liabilities		**315,150**	310,144
		5,411,931	4,827,479
Current liabilities			
Accounts payable and accruals	*8*	**856,320**	885,132
Amounts due to non-controlling shareholders		**31,190**	22,769
Current income tax liabilities		**20,366**	22,504
Bank loans		**260,890**	208,894
Fixed rate bonds	*7*	**–**	599,730
Derivative financial instruments		**2,227**	1,497
		1,170,993	1,740,526
Liabilities of disposal group classified as held for sale		**–**	13,345
		1,170,993	1,753,871
Total liabilities		**6,582,924**	6,581,350
Total equity and liabilities		**13,212,605**	12,993,784

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in US dollar thousands unless otherwise stated)

		Six months ended 30 June	
		2017	2016
	Note	**Unaudited**	Unaudited
Sales	*3*	**989,755**	992,211
Cost of sales	*9*	**(427,083)**	(426,342)
Gross profit		**562,672**	565,869
Other gains/(losses) – net	*10*	**2,404**	(144,829)
Marketing costs	*9*	**(41,129)**	(41,826)
Administrative expenses	*9*	**(102,704)**	(100,080)
Other operating expenses	*9*	**(355,288)**	(350,295)
Operating profit/(loss)		**65,955**	(71,161)
Finance costs – net			
– Interest expense	*11*	**(65,536)**	(59,214)
– Foreign exchange gains/(losses)	*11*	**3,482**	(8,239)
Share of profit of associates	*12*	**97,202**	149,835
Profit before income tax		**101,103**	11,221
Income tax expense	*13*	**(47,353)**	(44,348)
Profit/(Loss) for the period		**53,750**	(33,127)
Profit/(Loss) attributable to:			
Equity holders of the Company		**61,700**	(3,743)
Non-controlling interests		**(7,950)**	(29,384)
		53,750	(33,127)
Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the period *(expressed in US cents per share)*			
– basic	*14*	**1.729**	(0.105)
– diluted	*14*	**1.729**	(0.105)
Dividends	*15*	**27,641**	23,029

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(All amounts in US dollar thousands)

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Profit/(Loss) for the period	**53,750**	(33,127)
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Fair value changes of interest-rate swap contracts – hedging	**(1,312)**	(3,478)
Fair value changes of available-for-sale financial assets	**592**	–
Currency translation differences – subsidiaries	**134,386**	(939)
Currency translation differences – associates	**84,074**	(56,964)
Other comprehensive income/(loss) for the period	**217,740**	(61,381)
Total comprehensive income/(loss) for the period	**271,490**	(94,508)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**266,672**	(68,538)
Non-controlling interests	**4,818**	(25,970)
	271,490	(94,508)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands)

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
Balance at 1 January 2016	3,191,801	1,114,421	2,086,071	6,392,293	497,392	6,889,685
Fair value changes of interest-rate swap contracts – hedging	–	(3,478)	–	(3,478)	–	(3,478)
Currency translation differences	–	(61,317)	–	(61,317)	3,414	(57,903)
Other comprehensive (loss)/income recognised directly in equity	–	(64,795)	–	(64,795)	3,414	(61,381)
Loss for the period	–	–	(3,743)	(3,743)	(29,384)	(33,127)
Total comprehensive loss for the six months ended 30 June 2016	–	(64,795)	(3,743)	(68,538)	(25,970)	(94,508)
Transfer of share option reserve to retained earnings upon expiry of share options	–	(2,637)	2,637	–	–	–
Transfer of convertible bonds reserve to retained earnings upon maturity of convertible bonds	–	(44,518)	44,518	–	–	–
Payment of 2015 final dividend	–	–	(23,029)	(23,029)	–	(23,029)
Dividend paid and payable to non-controlling shareholders	–	–	–	–	(17,429)	(17,429)
Net change in equity loans due to non-controlling shareholders	–	–	–	–	9,545	9,545
	–	(47,155)	24,126	(23,029)	(7,884)	(30,913)
Balance at 30 June 2016	**3,191,801**	**1,002,471**	**2,106,454**	**6,300,726**	**463,538**	**6,764,264**

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	3,191,801	606,320	2,192,707	5,990,828	421,606	6,412,434
Fair value changes of interest-rate swap contracts – hedging	–	(1,312)	–	(1,312)	–	(1,312)
Fair value changes of available-for-sale financial assets	–	592	–	592	–	592
Currency translation differences	–	205,692	–	205,692	12,768	218,460
Other comprehensive income recognised directly in equity	–	204,972	–	204,972	12,768	217,740
Profit/(Loss) for the period	–	–	61,700	61,700	(7,950)	53,750
Total comprehensive income for the six months ended 30 June 2017	–	204,972	61,700	266,672	4,818	271,490
Exercise of share options – allotment of shares	711	–	–	711	–	711
Exercise of share options – transfer from option reserve to share premium	188	(188)	–	–	–	–
Transfer of exchange fluctuation reserve to profit or loss upon disposal of a subsidiary and an associate	–	393	–	393	–	393
Payment of 2016 final dividend	–	–	(36,847)	(36,847)	–	(36,847)
Dividend paid and payable to non-controlling shareholders	–	–	–	–	(18,988)	(18,988)
Equity injected by non-controlling shareholders	–	–	–	–	488	488
	899	205	(36,847)	(35,743)	(18,500)	(54,243)
Balance at 30 June 2017	**3,192,700**	**811,497**	**2,217,560**	**6,221,757**	**407,924**	**6,629,681**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

1. General information

The Group owns/leases and operates hotels and associated properties; and provides hotel management and related services. The Group also owns investment properties for property rentals and engages in property sales business.

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 2017. These condensed consolidated interim financial statements have been reviewed by the Company's auditor.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 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 2016, 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 2016 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 2017. These amendments to standards and new interpretations had no material impact on the Group's financial statements.

3. Segment information

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

i. ***Hotel ownership (including hotels under lease)***

- Hong Kong
- Mainland China
- Singapore
- Malaysia
- The Philippines
- Japan
- Thailand
- Australia
- France
- United Kingdom
- Mongolia
- Sri Lanka
- Other countries (including Fiji, Myanmar, Maldives, Indonesia, Turkey and Mauritius)

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

- Mainland China
- Singapore
- Malaysia
- Other countries (including Australia, Myanmar and Mongolia)

iii. ***Hotel management services***

iv. ***Property sales***

The Group is also engaged in other businesses including wines trading and golf course operation. These other businesses did not have a material impact on the Group's results.

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

Segment income statement
For the six months ended 30 June 2017 and 2016 (US$ million)

	2017		2016	
	Sales ***(Note b)***	**Profit/(Loss) after tax** ***(Note a)***	Sales *(Note b)*	Profit/(Loss) after tax *(Note a)*
Hotel ownership				
Hong Kong	**130.3**	**25.6**	123.3	28.8
Mainland China	**361.4**	**0.1**	363.7	(21.0)
Singapore	**78.3**	**4.7**	100.7	16.8
Malaysia	**54.3**	**3.8**	56.4	6.6
The Philippines	**94.5**	**6.0**	98.1	5.9
Japan	**30.9**	**0.7**	30.1	0.2
Thailand	**31.8**	**5.1**	29.7	3.7
Australia	**47.2**	**1.9**	45.2	1.1
France	**19.0**	**(9.0)**	19.9	(8.8)
United Kingdom	**22.2**	**(8.4)**	22.9	(10.6)
Mongolia	**5.4**	**(2.3)**	5.6	(4.6)
Sri Lanka	**4.4**	**(5.2)**	0.3	(0.7)
Other countries	**32.9**	**(5.6)**	38.2	(3.8)
	912.6	**17.4**	934.1	13.6
Property rentals				
Mainland China	**8.3**	**60.0**	10.2	62.9
Singapore	**6.8**	**4.1**	7.0	5.0
Malaysia	**2.9**	**0.6**	3.1	0.6
Other countries	**17.4**	**0.5**	14.4	3.1
	35.4	**65.2**	34.7	71.6
Hotel management services	**73.2**	**14.1**	65.4	8.8
Property sales	**10.1**	**15.2**	–	15.6
Other businesses	**–**	**(0.5)**	–	(0.7)
Total	**1,031.3**	**111.4**	1,034.2	108.9
Less: Hotel management – Inter-segment sales	**(41.5)**		(42.0)	
Total external sales	**989.8**		992.2	

	2017		2016	
	Sales	**Profit/(Loss) after tax**	Sales	Profit/(Loss) after tax
	(Note b)	***(Note a)***	*(Note b)*	*(Note a)*
Corporate finance costs (net)		**(41.3)**		(39.3)
Land cost amortisation and pre-opening expenses for projects		**(15.7)**		(16.9)
Corporate expenses		**(12.7)**		(8.9)
Exchange gains/(losses) of corporate investment holding companies		**3.2**		(6.8)
Consolidated profit attributable to equity holders of the Company before non-operating items		**44.9**		37.0
Non-operating items				
Share of net fair value gains on investment properties		**8.5**		38.0
Gain on disposal of interests in a subsidiary and an associate		**14.9**		–
Share of impairment losses for hotel properties		**–**		(76.6)
Discarding of property, plant and equipment due to major renovation of hotels		**(9.8)**		–
Net gains/(losses) on financial assets held for trading		**3.7**		(1.6)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises		**(0.5)**		(0.5)
Consolidated profit/(loss) attributable to equity holders of the Company		**61.7**		(3.7)

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.

4. Accounts receivable, prepayments and deposits

	As at 30 June 2017	31 December 2016
Trade receivables – net	**101,263**	92,985
Prepayments and other deposits	**102,953**	112,006
Other receivables	**136,405**	99,845
Short term advance to a third party *(note (c))*	**3,500**	–
	344,121	304,836

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 based on invoice date after provision for impairment is as follows:

	As at 30 June 2017	31 December 2016
0 – 3 months	**86,317**	79,959
4 – 6 months	**6,619**	4,156
Over 6 months	**8,327**	8,870
	101,263	92,985

(c) A short term advance of US$3,500,000 bearing interest at a fixed rate of 6.25% per annum maturing in June 2018 was provided to the purchaser under the sale and purchase transaction in relation to the disposal of equity interest in an associate incorporated in the Republic of Indonesia. Details of the disposal are set out in Note 5(b) to the condensed consolidated interim financial statements. The maximum exposure to credit risk at the reporting date is the fair value of the advance.

5. Gain on disposal of interests in a subsidiary and an associate

(a) Disposal of interest in a subsidiary

On 16 June 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest of 100% in an investment holding company which owns the Golden Flower Hotel, Xian in Mainland China for a cash consideration of RMB56,000,000 (equivalent to US$8,266,000) subject to adjustment in accordance with the change in working capital of the investment holding company.

The sale and purchase transaction was completed in February 2017 after obtaining the necessary approvals from the local government authorities and the changes of registration of the investment holding company as required by local laws. The final adjusted cash consideration of RMB53,015,000 (equivalent to US$7,826,000) was received on 4 July 2017 and the financial effects of the disposal transaction are as follows:

Assets and liabilities disposed of:

Gross assets	17,190
Gross liabilities	(12,963)
Net assets disposed of	4,227

Final adjusted cash consideration received on 4 July 2017	7,826
Less: Net assets disposed of	(4,227)
Add: Cumulative exchange differences in respect of the net assets of the subsidiary released from exchange fluctuation reserve to profit or loss	1,053
Gain on disposal recognised for the six months ended 30 June 2017	4,652

(b) Disposal of interest in an associate

On 22 June 2017, the Group completed a sale and purchase transaction to dispose of its entire equity interest of 100% in an investment holding company which owns 53.3% equity interest in an associate incorporated in the Republic of Indonesia for the development of a hotel project and the operation of a golf course in Bali, Indonesia for a total cash consideration of US$53,300,000. Under the agreement, the Group granted a one-year short term advance of US$3,500,000 bearing interest at a fixed rate of 6.25% per annum maturing in June 2018 to the purchaser. The financial effects of the disposal transaction are as follows:

Assets disposed of – interest in associates	41,620

Cash consideration received	53,300
Less: Assets disposed of	(41,620)
Less: Cumulative exchange differences in respect of the net assets of the associate released from exchange fluctuation reserve to profit or loss	(1,446)
Gain on disposal recognised for the six months ended 30 June 2017	10,234

6. Share capital

		Amount		
	No. of shares *('000)*	Ordinary shares	Share premium	Total
Authorised – Ordinary shares of HK$1 each				
At 1 January 2017 and 30 June 2017	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid – Ordinary shares of HK$1 each				
At 1 January 2017	3,580,024	462,195	2,729,606	3,191,801
Exercise of share options				
– allotment of shares	455	59	652	711
– transfer from option reserve	–	–	188	188
At 30 June 2017	**3,580,479**	**462,254**	**2,730,446**	**3,192,700**

As at 30 June 2017, 10,501,055 ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognised in equity as in prior years.

Share options

The shareholders of the Company approved the adoption of a new share option scheme on 28 May 2012 ("**2012 Option Scheme**"). The options granted on 23 August 2013 under the 2012 Option Scheme are immediately exercisable on the grant date and have a contractual option term of ten years with 22 August 2023 being the last exercisable date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Certain share options granted to option holders of the Company were exercised and the following new shares were issued:

	Number of option shares issued at HK$12.11 per option share	Total consideration *US$'000*
June 2017	455,000	711
For the six months ended 30 June 2017	**455,000**	**711**

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 2017 was HK$13.33. No share option was exercised for the six months ended 30 June 2016.

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 2017		For the year ended 31 December 2016	
	Weighted average exercise price in HK$ per option share	**Number of outstanding option shares**	Weighted average exercise price in HK$ per option share	Number of outstanding option shares
At 1 January	**12.11**	**14,603,000**	12.50	18,726,000
Granted	**–**	**–**	–	–
Exercised	**12.11**	**(455,000)**	–	–
Lapsed	**12.11**	**(400,000)**	13.87	(4,123,000)
At 30 June/31 December	**12.11**	**13,748,000**	12.11	14,603,000

As at 30 June 2017 and 31 December 2016, the exercise price of all the outstanding option shares was HK$12.11.

No new option was granted during the six months ended 30 June 2017 and 2016.

Options on 300,000 shares and 225,000 shares with exercise price of HK$12.11 per share have been exercised and lapsed, respectively subsequent to 30 June 2017 and up to the approval date of the financial statements.

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.

During the period, the entire outstanding fixed rate bonds with face value of US$600,000,000 were redeemed on the maturity date of 10 April 2017. The fixed rate bonds recognised in the statement of financial position is calculated as follows:

	As at	
	30 June 2017	31 December 2016
Face value of fixed rate bonds issued on 10 April 2012	**600,000**	600,000
Issuing expenses	**(4,859)**	(4,859)
Net bonds proceeds received	**595,141**	595,141
Accumulated amortisation of issuing expenses	**4,859**	4,589
Final redemption at maturity	**(600,000)**	–
Carrying value of fixed rate bonds	**–**	599,730

8. Accounts payable and accruals

	As at 30 June 2017	As at 31 December 2016
Trade payables	**87,573**	118,741
Construction cost payable, other payables and accrued expenses	**768,747**	766,391
	856,320	885,132

The ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2017	As at 31 December 2016
0 – 3 months	**70,784**	105,892
4 – 6 months	**7,705**	6,086
Over 6 months	**9,084**	6,763
	87,573	118,741

9. Expenses by nature

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

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Depreciation of property, plant and equipment (net of amount capitalised of US$34,000 (2016: US$32,000))	**152,186**	157,177
Amortisation of leasehold land and land use rights (net of amount capitalised of US$196,000 (2016: US$182,000))	**7,127**	7,500
Amortisation of trademark and website development	**704**	376
Employee benefit expenses	**318,403**	317,978
Cost of inventories sold or consumed in operation	**133,596**	133,633
Loss on disposal of property, plant and equipment and partial replacement of investment properties	**1,352**	470
Discarding of property, plant and equipment and investment properties due to renovation	**9,782**	2,307
Pre-opening expenses	**9,978**	8,518

10. Other gains/(losses) – net

	For the six months ended	
	30 June 2017	30 June 2016
Net realised and unrealised gains/(losses) on financial assets held for trading	**3,694**	(1,643)
Interest income	**7,569**	6,204
Fair value losses of investment properties	**(25,522)**	(79,789)
Provision for impairment losses for hotel properties	**–**	(70,485)
Gain on disposal of interests in a subsidiary and an associate	**14,886**	–
Dividend income	**958**	884
Others	**819**	–
	2,404	(144,829)

11. Finance costs – net

	For the six months ended	
	30 June 2017	30 June 2016
Interest expense		
– bank loans	**64,458**	50,012
– interest-rate swap contracts – hedging	**3,014**	2,768
– convertible bonds	**–**	8,742
– fixed rate bonds	**8,189**	14,740
– other loans	**2,059**	1,912
	77,720	78,174
Less: amount capitalised	**(12,184)**	(18,960)
	65,536	59,214
Net foreign exchange (gains)/losses	**(3,482)**	8,239
	62,054	67,453

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 2.84% per annum for the period (2016: 2.91% per annum).

12. Share of profit of associates

	For the six months ended	
	30 June 2017	30 June 2016
Share of profit before tax of associates before share of net fair value gains of investment properties and impairment loss of a hotel property	**108,058**	105,998
Share of impairment loss of a hotel property	**–**	(6,154)
Share of net fair value gains of investment properties	**27,792**	104,360
Share of profit before tax of associates	**135,850**	204,204
Share of associates' taxation before provision for deferred tax liabilities on fair value gains of investment properties	**(31,700)**	(28,279)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(6,948)**	(26,090)
Share of associates' taxation	**(38,648)**	(54,369)
Share of profit of associates	**97,202**	149,835

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% (2016: 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 2017	30 June 2016
Current income tax		
– Hong Kong profits tax	**1,462**	6,854
– overseas taxation	**42,335**	33,311
Deferred income tax	**3,556**	4,183
	47,353	44,348

14. Earnings/(Loss) per share

Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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 2017	30 June 2016
Profit/(Loss) attributable to equity holders of the Company *(US$'000)*	**61,700**	(3,743)
Weighted average number of ordinary shares in issue *(thousands)*	**3,569,541**	3,569,523
Basic earnings/(loss) per share *(US cents per share)*	**1.729**	(0.105)

Diluted

Diluted earnings/(loss) 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 the potential dilutive effect on the outstanding share options. A calculation is done to determine the number of shares that would be issued at fair value (determined as the average annual market share price of the Company's shares) 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 2017 and 30 June 2016, there is no dilution effect on the earnings per share and loss per share, respectively.

	For the six months ended	
	30 June 2017	30 June 2016
Profit/(Loss) attributable to equity holders of the Company *(US$'000)*	**61,700**	(3,743)
Weighted average number of ordinary shares in issue *(thousands)*	**3,569,541**	3,569,523
Adjustments *(thousands)*	**–**	–
Weighted average number of ordinary shares for diluted earnings/(loss) per share *(thousands)*	**3,569,541**	3,569,523
Diluted earnings/(loss) per share *(US cents per share)*	**1.729**	(0.105)

15. Dividends

	For the six months ended	
	30 June 2017	30 June 2016
Interim dividend of **HK6** cents (2016: HK5 cents) per ordinary share	**27,641**	23,029

Notes:

(a) At a meeting held on 23 March 2017, the Board proposed a final dividend of HK8 cents per ordinary share for the year ended 31 December 2016, which was paid on 16 June 2017, and has been reflected as a charge against retained earnings for the six months ended 30 June 2017.

(b) At a meeting held on 23 August 2017, the Board declared an interim dividend of HK6 cents per ordinary share for the year ending 31 December 2017. 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 2017. The declared interim dividend of US$27,641,000 for the six months ended 30 June 2017 is calculated based on 3,580,779,056 shares of the Company in issue as at 23 August 2017 after elimination on consolidation the amount of US$81,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company *(Note 6)*.

16. Financial guarantees, contingencies and charges over assets

(a) Financial guarantees

The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees for these associates as at 30 June 2017 amounts to US$121,125,000 (31 December 2016: US$102,986,000).

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 30 June 2017, the Group executed guarantee for securing standby documentary credit granted by a bank in favour of a building contractor relating to the execution of construction works for a hotel building owned by a subsidiary with the amount of US$7,381,000 (31 December 2016: US$7,208,000).

(c) Charges over assets

As at 30 June 2017, bank borrowings of certain subsidiaries amounting to US$142,967,000 (31 December 2016: US$153,898,000) are secured by legal mortgage over the property owned by two subsidiaries with an aggregate net book value of US$338,657,000 (31 December 2016: US$338,385,000).

17. Commitments

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

	As at	
	30 June 2017	31 December 2016
Existing properties – property, plant and equipment and investment properties		
– contracted but not provided for	**82,580**	124,267
– authorised but not contracted for	**25,671**	24,325
Development projects		
– contracted but not provided for	**223,776**	416,957
– authorised but not contracted for	**502,444**	250,134
	834,471	815,683

1. OPERATIONS REVIEW

(Performance compared to the corresponding period last year)

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

(i) Hotel ownership (including hotels under lease)

(ii) Hotel management services for Group-owned hotels and for hotels owned by third parties

(iii) Property rentals from ownership and leasing of office properties, commercial properties and serviced apartments/residences

(iv) Property sales

The Group also engaged in the following businesses:

– wine trading in Hong Kong and Mainland China (a 20%-owned business); and

– the operation of a golf course in Bali, Indonesia (a 53.3%-owned business) which had been disposed together with the hotel development project in Bali during the current period. Details of the disposal transaction are set out in the section headed "DISPOSALS".

These other businesses did not have a material impact on the Group's consolidated results for the six months ended 30 June 2017.

(a) Segment Results

Details of the segment information are provided in Note 3 to the condensed consolidated interim financial statements included in this announcement.

For the six months ended 30 June 2017, the revenues of most segments continued to be adversely affected by the depreciation of local currencies against the US dollar. The percentage of appreciation/(depreciation) of different local currencies against the US dollar based on the average exchange rate during the six months ended 30 June 2017 and 30 June 2016 are as follows:

–	Renminbi	(4.7%)
–	Singapore dollar	(1.5%)
–	Thai baht	2.6%
–	Malaysia ringgit	(6.2%)
–	Philippines peso	(6.2%)
–	Australian dollar	2.4%
–	Japanese yen	(0.5%)
–	British pound	(10.8%)
–	Euros	(2.6%)
–	Sri Lankan rupee	(6.2%)
–	Mongolian tugrik	(17.4%)

(i) Hotel Ownership

During the six months ended 30 June 2017, three Group-owned new hotels opened for business:

– The 344-room Songbei Shangri-La, Harbin (wholly owned by the Group) opened for business on 10 January 2017.

– The 546-room Kerry Hotel, Hong Kong (wholly owned by the Group) opened for business on 28 April 2017.

– The 450-room Hotel Jen Beijing (part of the China World Trade Center Phase 3B project in which the Group has 40.32% equity interest) opened for business on 22 May 2017.

The Traders Hotel, Beijing (part of China World Trade Center in which the Group has 50% equity interest) ceased its operation on 15 April 2017 for redevelopment. The Golden Flower Hotel, Xian (wholly owned by the Group) was disposed during the current period.

As at 30 June 2017, the Group had equity interest in 77 operating hotels (including the Portman Ritz-Carlton Hotel, Shanghai ("**Portman**")) and 3 hotels under operating lease, representing a room inventory of 34,882 across Asia Pacific, Europe and Africa.

For the six months ended 30 June 2017, on an unconsolidated basis (simple total of subsidiaries' and associates' balances), room revenues accounted for around 51% of the total revenues from hotel operation while food and beverage revenues accounted for around 43%. Overall, room revenues expressed in US dollar terms marginally increased by 1% while food and beverage revenues marginally decreased by 1% as compared to the same period last year.

The key performance indicators of the Group-owned hotels (including hotels under lease) on an unconsolidated basis for the six months ended 30 June 2017 and 2016 are as follows:

	2017 Weighted Average			2016 Weighted Average		
Country	**Occupancy** *(%)*	**Room Rate** *(US$)*	**RevPAR** *(US$)*	Occupancy *(%)*	Room Rate *(US$)*	RevPAR *(US$)*
The People's Republic of China						
Hong Kong *(Note)*	**71**	**291**	**208**	73	303	221
Mainland China *(Note)*	**63**	**122**	**77**	58	126	73
Singapore	**62**	**199**	**124**	73	210	152
Malaysia	**69**	**119**	**82**	71	119	84
The Philippines	**68**	**184**	**126**	73	193	140
Japan	**85**	**544**	**463**	84	526	441
Thailand	**67**	**146**	**98**	62	152	94
Australia	**88**	**212**	**187**	86	202	175
France	**54**	**1,035**	**558**	46	1,154	533
United Kingdom	**77**	**477**	**367**	69	506	348
Other countries	**50**	**183**	**92**	45	202	91
Weighted Average	**64**	**157**	**101**	62	163	101

Note: Performance indicators for 2017 in respect of hotels in Hong Kong included the newly opened Kerry Hotel, Hong Kong and that of Mainland China included the newly opened Songbei Shangri-La, Harbin and Hotel Jen Beijing.

Overall, the weighted average occupancy of the Group-owned hotels increased by 2 percentage points while the weighted Average Room Rate ("**ADR**") decreased by 4% as compared to the same period last year. Weighted Average Room Yields ("**RevPAR**") remained at the same level as last year.

Comments on performance by geography:

The People's Republic of China

Hong Kong

Market condition in Hong Kong improved in the current period. The two Shangri-La hotels together with the Hotel Jen Hong Kong registered an increase in weighted average RevPAR of 2%. Adversely affected by the newly opened Kerry Hotel, Hong Kong which has relatively low occupancy and ADR during initial start-up stage, the Hong Kong hotel ownership segment registered a decrease in weighted average RevPAR of 6% as compared to the same period last year.

Net profit of the hotels in Hong Kong for the six months ended 30 June 2017 decreased by US$3.2 million to US$25.6 million after accounting for the start-up loss of Kerry Hotel, Hong Kong which amounted to US$3.6 million.

Mainland China

The Group had equity interest in 43 operating hotels in Mainland China as at 30 June 2017. Occupancy of most of the hotels recorded satisfactory improvements and the weighted average occupancies of the hotels in Mainland China registered an increase of 5 percentage points. Most hotels still recorded declines in ADR in US dollar terms as a result of the depreciation of Renminbi. Overall weighted average RevPAR expressed in US dollar terms registered a growth of 6% as compared to the same period last year.

Performance of the hotels in the first-tier cities and second-tier cities continued to improve. Most of the new hotels (opened for business in 2014 to 2016) registered notable improvements in operating results with substantial reduction in net loss during the current period. As a result, the Mainland China hotel segment turned around from a net loss of US$21.0 million for the corresponding period ended 30 June 2016 to a marginal net profit of US$0.1 million in the current period.

Singapore

The performance of the Shangri-La Hotel, Singapore was adversely affected by the major renovation of its Tower Wing during the period. All the guestrooms in Tower Wing were closed down in the second half of 2016 and only re-opened for business again in mid May 2017. The weighted average RevPAR of the other three hotels in the country remained at the same level as last year. The overall weighted average RevPAR of the hotels in Singapore registered a significant drop of 19% during the current period as compared to the same period last year.

In line with the performance indicators, the net profit of the Singapore hotel segment registered a decline of US$12.1 million as compared to the same period last year.

The Philippines

Performance of the hotels in Manila was adversely affected by the influx of new hotel supply, decline in arrivals due to security concerns and the depreciation of Philippines peso. The overall weighted average RevPAR of the Philippines hotel segment expressed in US dollar terms registered a decrease of 10% as compared to the same period last year, notwithstanding that the resort in Mactan recorded remarkable improvement in RevPAR of 9% during the current period.

The incremental year-on-year profit contribution from the two resorts in Mactan and Boracay was entirely offset by the profit reduction from the three hotels in Manila. As a result, net profit of the Philippines hotel segment only marginally increased by US$0.1 million to US$6.0 million in the current period.

Malaysia

The performance of the Malaysia hotel segment was largely affected by the renovation of Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu and the Hotel Jen Penang during the current period. This, together with the currency depreciation of Malaysian ringgit led to a decrease in the weighted average RevPAR of 3% as compared to the same period last year.

The overall net profit of the hotels and resorts in Malaysia decreased by US$2.8 million to US$3.8 million in the current period.

Thailand

The Shangri-La Hotel, Bangkok registered a year-on-year occupancy growth of 7 percentage points benefited by the increase of foreign arrivals during the current period. The weighted average RevPAR of the Thailand hotel segment increased by 4% as compared to the same period last year.

The net profit of the two hotels in Thailand increased by US$1.4 million to US$5.1 million in the current period.

Japan

Shangri-La Hotel, Tokyo recorded an increase in RevPAR of 5% during the current period. The net profit of the hotel increased by US$0.5 million to US$0.7 million in the current period.

Australia

The Shangri-La Hotel, Sydney and the Shangri-La Hotel, The Marina, Cairns registered an increase in RevPAR of 7% and 14%, respectively, supported by the further improvement in occupancy and ADR. Adversely affected by the influx of new hotel supply in the city, the Hotel Jen Brisbane registered a drop of 6% in its ADR during the current period. Overall, the weighted average RevPAR of the hotels in the country increased by 7% as compared to the same period last year.

As a result, the net profit of the Australia hotel segment increased by US$0.8 million to US$1.9 million in the current period.

France

The hotel in Paris recorded an increase in RevPAR of 5% mainly supported by an increase in occupancy of 8 percentage points. The net loss of the hotel however increased marginally by US$0.2 million during the current period as 2016 interim result included a credit of US$0.9 million for insurance claims relating to the recovery of business interruption.

The United Kingdom

Shangri-La Hotel, At The Shard, London recorded an increase in RevPAR of 5% largely due to an increase in occupancy of 8 percentage points. Net loss of the hotel reduced from US$10.6 million to US$8.4 million in the current period.

Mongolia

Shangri-La Hotel, Ulaanbaatar recorded an increase in ADR of 13% but a decrease in occupancy of 4 percentage points which led to a decrease in RevPAR of 5%. Net loss of the hotel however reduced by US$2.3 million as a result of the incremental profit contribution from its health and sports club which only opened for business in the second half of 2016 and some of the operating expenses being shared by the newly opened Phase II investment properties.

Sri Lanka

Shangri-La's Hambantota Golf Resort & Spa, Sri Lanka (opened for business in June 2016) recorded an increase in occupancy of 25 percentage points and ADR of 12% in the current period. However, net loss of the hotel increased by US$4.5 million in the current period as a result of the increase in proportionate depreciation charge and interest expenses.

Other Countries

The two hotels in Maldives were adversely affected by the influx of new hotel supply and recorded decreases in both the weighted average occupancies and weighted average ADR by 4 percentage points and 11%, respectively. As a result, the weighted average RevPAR was down by 19%. The amount of net loss of the two hotels increased by US$0.7 million in the period.

The performance of Sule Shangri-La, Yangon in Myanmar continued to be affected by weak demand growth and increasing supply in the market. The hotel recorded a decrease in occupancy and ADR of 3 percentage points and 11%, respectively. A net loss of US$0.3 million was recorded in the current period while last year was a net gain of US$0.7 million.

There was no material change in the financial results of the hotels in Indonesia, Fiji, Mauritius and Turkey in the current period.

(ii) Hotel Management Services

As at 30 June 2017, the Group's wholly owned subsidiary, SLIM International Limited and its subsidiaries ("**SLIM**") managed a total of 99 hotels and resorts. Except for the Portman, all the other 76 hotels in which the Group has equity interest and 3 hotels under operating lease agreements are managed by SLIM. Following the opening of the 362-room Shangri-La Hotel, Yiwu in Mainland China on 24 June 2017, SLIM now manages a total of 20 operating hotels (6,610 available rooms) owned by third parties located in the following cities:

– Canada: Toronto and Vancouver

– The Philippines: Manila

– Oman: Muscat

– Qatar: Doha

– UAE: Abu Dhabi (2 hotels) and Dubai

– Malaysia: Putrajaya, Johor and Kuala Lumpur

– India: New Delhi and Bengaluru

– Taiwan: Taipei and Tainan

– Mainland China: Changzhou (2 hotels), Haikou, Suzhou and Yiwu

For the six months ended 30 June 2017, overall weighted average RevPAR of the hotels under third-party hotel management agreements registered an increase of 7% in US dollar terms as compared to the same period last year. Consolidated revenues (after elimination of revenue earned from fellow subsidiaries) and net profit of SLIM recorded significant increases of 35% and 59%, respectively mainly due to an increase in consultancy fee income from associates for projects under development and the credit for the fair value of the points anticipated to expire under the Group's guest loyalty programme under contracts executed by SLIM directly with third-party strategic partners. The net profit contribution from the hotel management segment increased by US$5.3 million to US$14.1 million for the six months ended 30 June 2017.

During the current period, SLIM signed a new management agreement with a third party for the management and operation of a hotel under development in Melbourne, Australia. As at 30 June 2017, SLIM had management agreements on hand for nine new hotel projects which were owned by third parties.

(iii) Property Rentals

The property rentals segment continued to be the Group's main source of operating profits for the current period. The Group's major investment properties are located principally in Shanghai and Beijing and are owned by associates. Yields of most of the investment properties were also affected by the depreciation of local currency against the US dollar.

Mainland China

In Beijing, overall yields of the office spaces and commercial spaces at the China World Trade Center (the Group owns between 40.32% and 50% equity interest) recorded decreases of 13% and 28%, respectively as compared to the same period last year due to the increase in supply following the opening for business of all lettable area for office and commercial spaces totalling 69,200 square meters of Phase 3B in April 2017. The adjusted comparative yields of the office spaces and commercial spaces at the Center (on a like-for-like basis) only decreased by 12% and 10%, respectively after excluding all the new spaces of Phase 3B. Yields of the serviced apartments of the Center only marginally decreased by 1% in the current period. Major renovations to the Center's original exhibition hall and its connecting area are ongoing and are expected to be completed in late 2017. These spaces will be converted into a shopping mall with much higher rental yields and the total lettable area will be increased by approximately 26,000 square meters upon completion. Yields of the serviced apartments of Century Towers, Beijing (50% owned by the Group) remained at the same level as the same period in last year. Yields of the commercial spaces at the Beijing Kerry Centre (23.75% owned by the Group) recorded a decrease of 5% while yields of the office spaces and serviced apartments recorded increases of 1% and 6%, respectively.

In Shanghai, the serviced apartments and office spaces at the Jing An Kerry Centre Phase I (24.75% owned by the Group) recorded growth in yields of 3% and 1%, respectively while yields of the commercial spaces decreased by 4%. Likewise, yields of the office spaces at the Jing An Kerry Centre Phase II (49% owned by the Group) recorded an increase of 6% while yields of the commercial spaces decreased by 3%. On the contrary, the Kerry Parkside Shanghai Pudong (23.2% owned by the Group) recorded a decline in yields of its serviced apartments of 13% while yields of its office spaces and commercial spaces increased by 2% and 4%, respectively. Yields of serviced apartments at the Shanghai Centre (30% owned by the Group) also recorded a decrease of 3% while yields of the offices spaces and commercial spaces recorded increases of 2% and 3%, respectively.

In other cities, the Shangri-La Residences, Dalian (a 100%-owned property) recorded a decrease in yields of 10% as compared to last year. The office spaces at the Shangri-La Centre, Qingdao (a 100%-owned property) and Chengdu Shangri-La Centre (an 80%-owned property) registered substantial decreases in yields of 19% and 32%, respectively. In terms of commercial spaces, these two centres both recorded a decrease in yields of 18%.

The investment properties in Mainland China continued to be the key profit contributors. However, affected by drop in yields of different components of the China World Trade Center and the depreciation of Renminbi, the overall profit contributed by the investment properties in Mainland China expressed in US dollar terms decreased by US$2.9 million to US$60.0 million in the current period.

Singapore

In Singapore, the Shangri-La Apartments (wholly owned by the Group) registered an increase in yields of 2% but the Shangri-La Residences (wholly owned by the Group) recorded a decrease in yields of 13%. The commercial spaces at the Tanglin Place and Tanglin Mall (both 44.60% owned by the Group) recorded decreases in yields of 21% and 13%, respectively. Office spaces at the Tanglin Place recorded a marginal decline in yields of 2%.

As a result of the negative impact in yields, the overall net profit of the investment properties in Singapore decreased by US$0.9 million to US$4.1 million in the current period.

Malaysia

Adversely affected by the depreciation of the Malaysian ringgit during the current period, the office spaces and commercial spaces of the UBN Tower (a 52.78%-owned property) recorded decreases in yields of 6% and 5%, respectively. The UBN Apartments (a 52.78%-owned property) however registered a marginal increase in yields of 2% as compared to the same period last year.

The overall net profit of the investment properties in Malaysia remained at the same level of US$0.6 million as last year.

Other Countries

The Shangri-La Residences in Yangon, Myanmar (a 55.86%-owned property) registered a modest decline in yields of 1%. The newly opened Sule Square in Yangon (a 59.28%-owned property) recorded an average occupancy of 95% for commercial spaces and 14% for office spaces during the current period. It is now gradually building up its tenant base and its office spaces has achieved an occupancy of 25% in June 2017. The difficult market conditions, together with the opening of Shangri-La Centre, Ulaanbaatar (a 51%-owned property) adversely affected the performance of the Central Tower, Ulaanbaatar (a 51%-owned property). The office spaces and commercial spaces of the Central Tower, Ulaanbaatar registered declines in yields of 19% and 35%, respectively during the current period. The office spaces, commercial spaces and serviced apartments of the new Shangri-La Centre, Ulaanbaatar recorded an average occupancy of 23%, 64% and 18%, respectively.

(iv) Property Sales

The Group has equity interests in certain composite developments in Mainland China and the Philippines which included the development of Shangri-La hotels together with office buildings and/or residential buildings for sales and/or rental purposes. The property sales market in Mainland China remained relatively strong in the current period. The Group, mainly through its associates, continued to dispose of the inventories in an orderly manner. The Group recognised a net profit of US$15.2 million from the sales of the following residential units and office spaces during the current period:

– *Arcadia Court, Tangshan (a 35%-owned project)*

Phases I to III comprise fourteen towers and 76 units were sold during the current period. Approximately 99% of the total 1,498 units had been sold as at 30 June 2017.

– *Arcadia Court, Tianjin (part of Phase I of Tianjin Kerry Centre, a 20%-owned project)*

The development comprises three residential towers and 6 units were sold during the current period. Approximately 91% of the total inventory had been sold as at 30 June 2017.

– *Arcadia Court and Enterprise Square, Shenyang (part of Phase I of Shenyang Kerry Centre, a 25%-owned project)*

Six residential towers and a tower of the Enterprise Square (office spaces) have been completed and delivered for occupation. 110 residential units and 14 office units were sold during the current period. Approximately 89% of all the 972 Phase I residential units and 65% of the total of 229 office units had been sold as at 30 June 2017. Phase II of the project is still under construction. As at 30 June 2017, 10% of the total 495 Phase II residential units had been pre-sold.

– *Arcadia Court, Putian (a 40%-owned project)*

The development comprises twenty residential towers and all the 1,820 units had already been sold in last year. Most of the sold units had been handed over to the buyers by year end 2016. Remaining 90 units have been handed over in the current period and the corresponding profit was recorded.

– *Arcadia Court, Nanchang (a 20%-owned project)*

The development comprises five residential towers and a total of 436 units. 408 units were sold as at 31 December 2016. Most of the sold units had been handed over to the buyers by 31 December 2016 with 62 units have been handed over in the current period. 7 units were sold in the current period.

– *Yangzhou Lakeview Residence (a 100%-owned project)*

The development comprises three residential towers and most units were sold by year end 2016. 38 units were sold during the current period out of a total of 39 unsold units.

– *Horizon Homes at Shangri-La at the Fort, Manila (a 40%-owned project)*

The development comprises 98 residential units which are located on the top floors of Shangri-La at the Fort, Manila. Construction of these units is substantially completed. 47 units were pre-sold by 31 December 2016 and 21 units were sold in the current period. 21 sold units have been handed over to the buyers.

(b) EBITDA and Consolidated Profits

	EBITDA of the Company and subsidiaries		**Effective share of EBITDA of associates**	
	2017	2016	**2017**	2016
	US$ Mil	*US$ Mil*	***US$ Mil***	*US$ Mil*
Hotel ownership	**227.8**	230.6	**41.7**	32.6
Hotel management services	**21.8**	15.8	**–**	–
Sub-total	**249.6**	246.4	**41.7**	32.6
Property rentals	**15.0**	16.8	**89.8**	98.8
Property sales	**(0.4)**	–	**18.0**	17.9
Other business	**–**	–	**(0.3)**	(0.4)
Total of business segments	**264.2**	263.2	**149.2**	148.9
Corporate and project expenses	**(17.5)**	(22.9)	**(0.5)**	(0.7)
Grand total	**246.7**	240.3	**148.7**	148.2

In line with the increase in consolidated profit before non-operating items, aggregate EBITDA (EBITDA of the Company and subsidiaries and the Group's effective share of EBITDA of associates) of all the business segments marginally increased by US$6.9 million during the current period. The corporate and project expenses of the Company and subsidiaries of US$17.5 million for the current period included US$3.2 million exchange gain mainly arising from foreign currency receivables at the corporate level. The corresponding amount of US$22.9 million for last year included US$6.8 million exchange loss mainly arising from a corporate bank borrowing denominated in Japanese yen.

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

Important comments on the consolidated income statement for the current period as compared to that of the corresponding period in 2016 are as follows:

– Gross profit margin of the hotels owned by subsidiaries improved from 58.4% to 58.7% while the consolidated gross profit margin of the Group decreased marginally from 57.0% to 56.8% in 2017. The additional sales contributed by the newly opened hotels were offset by the depreciation of most currencies against the US dollar during the current period. Consolidated sales of the subsidiaries registered a marginal decrease of US$2.5 million (0.2%) compared to 2016 which also led to a marginal decrease in consolidated gross profit of the subsidiaries by US$3.2 million (0.6%).

– Fair value losses of investment properties held by subsidiaries decreased by US$54.3 million from US$79.8 million in 2016 to US$25.5 million during the current period. There was no incremental impairment provision for hotel properties during the current period (2016: US$70.5 million provision). In addition, gain on disposal of interests in a subsidiary and an associate amounted to US$14.9 million was recorded in 2017. As a result, consolidated operating profit of the Company and subsidiaries registered a profit of US$65.9 million in the current period compared to a loss of US$71.2 million in last year.

– Consolidated interest expenses of the Company and subsidiaries increased by US$6.3 million to US$65.5 million as a result of the lower interest capitalisation following the completion of new hotel projects. The Group however recorded a net foreign exchange gain of US$3.5 million in the current period compared to a net loss of US$8.2 million in the same period last year. The resulting consolidated finance costs of the Company and subsidiaries therefore decreased by US$5.4 million in the current period as compared to the same period last year.

– Share of net profit after tax from associates decreased by US$52.6 million in the current period mainly due to a decrease in the share of net fair value gains after tax on investment properties of US$57.4 million.

2. CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Group executed three 5-year unsecured bank loan agreements totaling an equivalent of US$248.1 million for refinancing maturing loans. The outstanding fixed rate bonds of US$600 million were entirely redeemed by the Group on the maturity date in April 2017.

At the subsidiary level, the Group executed the following bank loan agreements during the period:

– one 10-year local bank loan agreement of RMB185 million (approximately US$27.3 million), one 9-year local bank loan agreement of US$75 million and one 7-year local bank loan agreement of US$55 million for project financing;

– four 3-year local bank loan agreements totaling RMB706.7 million (approximately US$104.3 million) for refinancing maturing bank loans and shareholder loans.

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

The Group's net borrowings (total bank loans and fixed-rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, improved to 66.8% as at 30 June 2017 (31 December 2016: 67.9%).

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

The analysis of borrowings outstanding as at 30 June 2017 is as follows:

	Maturities of Borrowings Contracted as at 30 June 2017				
			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	–	301.3	3,148.5	–	3,449.8
Bank loans of subsidiaries					
– secured	7.1	7.1	128.8	–	143.0
– unsecured	253.8	559.3	892.7	28.0	1,733.8
Total outstanding balance	260.9	867.7	4,170.0	28.0	5,326.6
Undrawn but committed facilities					
Bank loans and overdrafts	60.0	51.6	766.9	145.5	1,024.0

The currency mix of borrowings and cash and bank balances as at 30 June 2017 is as follows:

(US$ million)	**Borrowings**	**Cash and Bank Balances**
In United States dollars	2,601.0	198.5
In Hong Kong dollars	1,727.4	75.7
In Renminbi	452.0	389.9
In Euros	233.2	3.5
In Australian dollars	107.5	15.6
In British pounds	58.2	2.5
In Singapore dollars	102.5	54.2
In Japanese yen	44.8	3.1
In Philippine pesos	–	16.6
In Thai baht	–	75.6
In Malaysian ringgit	–	24.5
In Fiji dollars	–	10.6
In Mongolian tugrik	–	11.2
In Sri Lankan rupees	–	14.7
In Myanmar kyat	–	1.2
In Maldivian rufiyaa	–	0.5
In other currencies	–	0.4
	5,326.6	898.3

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

Details of financial guarantees, contingencies and charges over assets as at 30 June 2017 are disclosed in Note 16 to the condensed consolidated interim financial statements included in this announcement.

3. TREASURY POLICIES

The Group's treasury policies aim at minimising interest and currency risks:

The Group has endeavoured to hedge its medium term interest rate risks by entering into interest-rate swap contracts. In April 2017, the Group has executed new LIBOR 5-year term interest-rate swap contracts totalling US$600 million (at fixed rates ranging between 1.825% and 1.85% per annum) in order to fix the base interest rates of the US$600 million corporate bank loan drawdown for final redemption of the Group's fixed rate bonds. As at 30 June 2017, the outstanding HIBOR and LIBOR interest-rate swap contracts are:

– HK$1,600 million (approximately US$206.4 million) at fixed rates ranging between 1.395% and 1.635% per annum maturing during July 2018 to October 2018

– US$806 million at fixed rates ranging between 1.42% and 1.85% per annum maturing during August 2018 to April 2022

All these interest-rate swap contracts qualify for hedge accounting.

Taking into account these interest-rate swap contracts and the Renminbi bank loans, the Group has fixed its interest liability on 28% of its borrowings outstanding as at 30 June 2017.

In order to minimise the overall interest cost, the Group arranged intra-group loans to utilise the surplus cash of certain subsidiaries to meet the funding requirements of other group companies. In response to the depreciation of the Renminbi, the Group has arranged new local bank borrowings in Renminbi to refinance bank borrowings in foreign currency in order to reduce exchange risk. The Group aims at using bank borrowings in local currency to finance the capital expenditure and operational funding requirements of the properties and/or development projects in the corresponding country to achieve natural hedging of its assets.

It is the Group's practice, wherever and to the extent possible, to quote tariffs in the stronger currency and maintain bank balances in that currency, if legally permitted. In general, the Group has not felt it appropriate to substantially hedge against currency risks through currency forward contracts upon consideration of the currency risks involved in normal operations and the cost of obtaining such cover.

4. INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed semi-annually (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). All changes in the fair value of investment properties (including those under construction) are recorded in the income statement. For the six months ended 30 June 2017, the investment properties owned by the Group's subsidiaries recorded fair value losses of US$25.5 million before non-controlling interests and tax effect (net share of fair value losses of US$12.3 million after non-controlling interests and net of deferred tax credit) while the Group's associates recorded share of net fair value gains (net of deferred tax charges) of US$20.8 million, based on the opinions obtained from independent professional valuers.

5. IMPAIRMENT PROVISION

The Group assesses the carrying value of a group-owned operating hotel when there is any indication that the asset may be impaired. Indicative criteria include continuing adverse changes in the local market conditions in which the hotel operates or will operate, when the hotel continues to operate at a loss position and its financial performance is worse than expected. Professional valuations will only be carried out by independent firms of professional valuers for those properties for which the internal assessment results need independent confirmation. Based on a review at 30 June 2017, no new provision or reversal of provision made in prior years was considered necessary for the hotel properties held by the Group's subsidiaries and associates in the current period. For the six months ended 30 June 2016, the Group recorded an impairment loss of US$70.5 million for a hotel owned by a wholly owned subsidiary and a share of impairment loss of US$6.2 million for a hotel owned by an associate.

6. FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

As at 30 June 2017, the market value of the Group's investment portfolio was US$18.7 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited and 2,241,725 ordinary shares in Kerry Logistics Network Limited. The Group recorded unrealised fair value gains of US$3.7 million and dividend income of US$1.0 million during the period.

7. DEVELOPMENT PROGRAMMES

On 21 August 2017, the wholly owned 325-room Shangri-La Hotel, Xiamen in Mainland China opened for business.

Construction work on the following projects is on-going:

(a) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Long Stay Apartments	Projected Opening
Hotels in the People's Republic of China				
Shangri-La Hotel, Jinan (part of composite development project in Jinan City)	45%	364	32	Early 2018
Shangri-La Hotel, Zhoushan	100%	211	–	2019
Shangri-La Hotel, Kunming (part of composite development project in Kunming City)	45%	292	–	2019
Shangri-La Hotel, Putian	40%	250	–	2021
Hotels in other countries				
Shangri-La Hotel, Colombo, Sri Lanka (part of composite development project in Colombo)	90%	500	41	Late 2017
Lakeside Shangri-La, Yangon, Myanmar	55.86%	276	15	2021

(b) Composite Developments and Investment Properties Developments

	Group's Equity Interest	Total gross floor area upon completion (excluding hotel component) *(approximate in square meters)* Residential	Office	Commercial	Apartments	Scheduled Completion
In Mainland China						
Hangzhou Kerry Centre	25%	30,960	–	–	–	Late 2017
Phase II of Shangri-La Hotel, Dalian	100%	18,650	–	4,600	12,150	Late 2017
Jinan City Project	45%	–	34,568	5,479	–	Late 2017
Shenyang Kerry Centre (Phase II & III)	25%	440,666	165,484	208,462	–	2018 onwards*
Kunming City Project	45%	36,190	10,854	4,404	–	2019
Phase II of Shangri-La Hotel, Fuzhou	100%	–	38,800	28,200	–	2019
Phase II of Shangri-La Hotel, Wuhan	92%	–	46,410	–	–	2019
In other countries						
Composite development project in Colombo, Sri Lanka *(Note)*	90%	111,100	59,984	68,585	–	2018 to 2019
		637,566	356,100	319,730	12,150	

* Being developed in phases

Note: The pre-sale of residences was officially launched in 2015.

The Group is currently reviewing the development plans of the following projects in which the land sites and/or properties were acquired in recent years:

Hotel development

– Wolong Bay in Dalian, Mainland China (wholly owned by the Group)

– Rome, Italy (wholly owned by the Group)

Composite development

– Zhengzhou, Mainland China (45% equity interest owned by the Group)

– Nanchang city project – Phase II, Mainland China (20% equity interest owned by the Group)

– Accra, the Republic of Ghana (45% equity interest owned by the Group)

The Group continues to review its asset portfolio, and may sell assets that it considers non-core at an acceptable price and introduce strategic investors for some of its operating assets/development projects. The Group adjusts its development plans and investment strategy from time to time in response to changing market conditions and in order to improve the financial position of the Group.

8. DISPOSALS

(a) Disposal of interest in a subsidiary

On 16 June 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest of 100% in an investment holding company which owns the Golden Flower Hotel, Xian in Mainland China for a cash consideration of RMB56 million (approximately US$8.3 million) subject to adjustment in accordance with the change in working capital of the investment holding company.

The sale and purchase transaction was finally completed in February 2017 after obtaining the necessary approvals from the local government authorities and the changes of registration of the investment holding company as required by local laws. The final adjusted cash consideration of RMB53.0 million (approximately US$7.8 million) was received on 4 July 2017 and the Group had recorded a gain of US$4.7 million from this disposal during the period.

(b) Disposal of interest in an associate

On 22 June 2017, the Group completed a sale and purchase transaction to dispose of its entire equity interest of 100% in an investment holding company which in turn owns 53.3% equity interest in an associate incorporated in the Republic of Indonesia for the development of a hotel project and the operation of a golf course in Bali, Indonesia. The cash consideration amounted to US$53.3 million was received on the completion date of the sale and purchase transaction. According to the agreement, a one-year short term advance of US$3.5 million bearing interest at a fixed rate of 6.25% per annum maturing in June 2018 was provided to the purchaser. The Group had recorded a gain of US$10.2 million from this disposal during the period. The Group will manage the hotel when it opens for business.

9. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

In June 2017, the Group signed an agreement for the management of a 500-room Shangri-La hotel in Melbourne, Australia scheduled to open in 2022. The hotel will form part of the planned landmark luxury development in Melbourne's central business district.

The 362-room Shangri-La Hotel, Yiwu in Mainland China also opened for business on 24 June 2017.

As at the date of this announcement, the Group has management agreements in respect of 20 operating hotels owned by third parties. In addition, the Group also has agreements on hand for 9 new hotels currently under development and owned by third parties. The development projects are located in Shaoxing, Nanning, Qiantan and Suzhou (Mainland China); Kota Kinabalu (Malaysia), Bali (Indonesia), Jeddah (Saudi Arabia), Phnom Penh (Cambodia) and Melbourne (Australia).

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

10. PROSPECTS

The global economy in general and many of the regional economies are showing signs of a turnaround, notwithstanding several political uncertainties at the international level and the on-going incidents and continued threats of terrorist activities. There is also a growing resilience in global and regional travel which bodes well for the future of the Group's business.

While the Group has recorded improvement in operating profits relative to last year in its interim results, the impact of start-up costs associated with newly opened hotels, the reduction in yields in its property portfolio and the weakening of most global/regional currencies relevant to the Group's business will dampen some of this profit growth for the year as a whole. Profit contributions from sales of residential units are likely to be lower than last year following a reduction in unsold inventories of completed units.

Barring any unforeseen developments, the Group remains cautiously optimistic about its overall profit prospects for this year.

11. 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.

12. CORPORATE GOVERNANCE

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

The Board has adopted a composite handbook ("**Directors Handbook**") comprising (among other principles) a set of corporate governance principles of the Company ("**CG Principles**"), terms of which align with or are stricter than the requirements set out in the code provisions under the Corporate Governance Code and Corporate Governance Report ("**CG Model Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Directors Handbook serves as a comprehensive guidebook for all directors of the Company.

The Company has complied with all the CG Principles and the CG Model Code throughout the underlying six-month period.

13. QUALIFICATION FOR INTERIM DIVIDEND

To qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 pm on 26 September 2017.

On behalf of the Board of
Shangri-La Asia Limited
KUOK Hui Kwong
Chairman

Hong Kong, 23 August 2017

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

Executive director(s)
Ms KUOK Hui Kwong (Chairman)
Mr LIM Beng Chee (CEO)
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO

Non-executive director(s)
Mr HO Kian Guan (alternate – Mr HO Chung Tao)

Independent non-executive director(s)
Mr Alexander Reid HAMILTON
Professor LI Kwok Cheung Arthur
Dr LEE Kai-Fu