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)

2016 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 2016. 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 2016, consolidated profit attributable to equity holders of the Company before non-operating items decreased by 7.7% to US$37.0 million. Consolidated financial results attributable to equity holders of the Company after accounting for non-operating items recorded a loss of US$3.7 million compared to a profit of US$98.4 million for the same period last year.

	Six months ended 30 June	
	2016	2015
	US$ million	*US$ million*
Consolidated profit attributable to equity holders of the Company before non-operating items	**37.0**	40.1
Non-operating items		
– Share of net fair value gains on investment properties	**38.0**	126.2
– Share of impairment losses for hotels (leasehold land; and property, plant and equipment)	**(76.6)**	(68.9)
– Other non-operating items	**(2.1)**	1.0
	(40.7)	58.3
Consolidated (loss)/profit attributable to equity holders of the Company	**(3.7)**	98.4

The Board has declared an interim dividend of **HK5 cents** per share for 2016 (2015: HK5 cents per share) payable on Friday, 7 October 2016, to shareholders whose names appear on the registers of members of the Company on Wednesday, 28 September 2016.

GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

		Six months ended 30 June	
		2016	2015
		Unaudited	Unaudited
Sales	*US$'000*	**992,211**	1,023,729
(Loss)/Profit attributable to the equity holders of the Company	*US$'000*	**(3,743)**	98,381
(Loss)/Earnings per share	*US cents*	**(0.105)**	2.756
equivalent to	*HK cents*	**(0.814)**	21.359
Dividend per share	*HK cents*	**5**	5

Consolidated Statement of Financial Position

		As at	
		30 June	31 December
		2016	2015
		Unaudited	Audited
Total equity	*US$'000*	**6,764,264**	6,889,685
Net assets attributable to the Company's equity holders	*US$'000*	**6,300,726**	6,392,293
Net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances)	*US$'000*	**4,360,076**	4,083,003
Net assets per share attributable to the Company's equity holders	*US$*	**1.76**	1.79
Net assets (total equity) per share	*US$*	**1.89**	1.92
Net borrowings to total equity ratio		**64.5%**	59.3%

	Twelve months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Return on equity for the last twelve months	**0.58%**	3.09%

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

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

		As at	
		30 June	31 December
		2016	2015
	Note	**Unaudited**	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**6,112,061**	6,386,127
Investment properties		**1,377,686**	1,120,279
Leasehold land and land use rights		**527,550**	542,360
Intangible assets		**89,616**	89,770
Interest in associates		**3,608,034**	3,535,739
Deferred income tax assets		**4,032**	4,363
Derivative financial instruments		**–**	34
Available-for-sale financial assets		**4,829**	4,692
Other receivables		**15,466**	13,173
		11,739,274	11,696,537
Current assets			
Inventories		**39,006**	42,797
Properties for sale		**21,172**	21,309
Accounts receivable, prepayments and deposits	*4*	**330,470**	315,443
Amounts due from associates		**138,964**	109,588
Amounts due from non-controlling shareholders		**111**	106
Derivative financial instruments		**–**	31
Financial assets held for trading		**13,890**	15,533
Cash and bank balances		**969,830**	1,084,069
		1,513,443	1,588,876
Assets of disposal group classified as held for sale	*5*	**9,032**	–
		1,522,475	1,588,876
Total assets		**13,261,749**	13,285,413
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*6*	**3,191,801**	3,191,801
Other reserves		**1,002,471**	1,114,421
Retained earnings		**2,106,454**	2,086,071
		6,300,726	6,392,293
Non-controlling interests		**463,538**	497,392
Total equity		**6,764,264**	6,889,685

	Note	As at 30 June 2016 Unaudited	As at 31 December 2015 Audited
LIABILITIES			
Non-current liabilities			
Bank loans		**4,342,979**	2,965,774
Fixed rate bonds	*8*	**–**	598,758
Derivative financial instruments		**5,028**	3,612
Amounts due to non-controlling shareholders		**29,055**	28,563
Deferred income tax liabilities		**318,382**	317,319
		4,695,444	3,914,026
Current liabilities			
Accounts payable and accruals	*9*	**754,561**	834,916
Amounts due to non-controlling shareholders		**25,189**	22,059
Current income tax liabilities		**25,681**	19,885
Bank loans		**387,683**	1,052,082
Fixed rate bonds	*8*	**599,244**	–
Convertible bonds	*7*	**–**	550,458
Derivative financial instruments		**4,299**	2,302
		1,796,657	2,481,702
Liabilities of disposal group classified as held for sale	*5*	**5,384**	–
		1,802,041	2,481,702
Total liabilities		**6,497,485**	6,395,728
Total equity and liabilities		**13,261,749**	13,285,413

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in US dollar thousands unless otherwise stated)

		Six months ended 30 June	
		2016	2015
	Note	**Unaudited**	Unaudited
Sales	*3*	**992,211**	1,023,729
Cost of sales	*10*	**(426,342)**	(447,715)
Gross profit		**565,869**	576,014
Other losses – net	*11*	**(144,829)**	(31,743)
Marketing costs	*10*	**(41,826)**	(41,733)
Administrative expenses	*10*	**(100,080)**	(100,024)
Other operating expenses	*10*	**(350,295)**	(345,676)
Operating (loss)/profit		**(71,161)**	56,838
Finance costs – net			
– Interest expense	*12*	**(59,214)**	(64,625)
– Foreign exchange (losses)/gains	*12*	**(8,239)**	4,437
Share of profit of associates	*13*	**149,835**	177,328
Profit before income tax		**11,221**	173,978
Income tax expense	*14*	**(44,348)**	(60,463)
(Loss)/Profit for the period		**(33,127)**	113,515
(Loss)/Profit attributable to:			
Equity holders of the Company		**(3,743)**	98,381
Non-controlling interests		**(29,384)**	15,134
		(33,127)	113,515
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the period *(expressed in US cents per share)*			
– basic	*15*	**(0.105)**	2.756
– diluted	*15*	**(0.105)**	2.756
Dividends	*16*	**23,029**	23,029

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

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
(Loss)/Profit for the period	**(33,127)**	113,515
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss		
Fair value changes of interest-rate swap contracts – hedging	**(3,478)**	(3,713)
Currency translation differences – subsidiaries	**(939)**	(101,066)
Currency translation differences – associates	**(56,964)**	(14,499)
Other comprehensive loss for the period	**(61,381)**	(119,278)
Total comprehensive loss for the period	**(94,508)**	(5,763)
Total comprehensive loss attributable to:		
Equity holders of the Company	**(68,538)**	(2,839)
Non-controlling interests	**(25,970)**	(2,924)
	(94,508)	(5,763)

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 2015	3,191,745	1,716,784	1,995,669	6,904,198	535,049	7,439,247
Fair value changes of interest-rate swap contracts – hedging	–	(3,713)	–	(3,713)	–	(3,713)
Currency translation differences	–	(97,507)	–	(97,507)	(18,058)	(115,565)
Other comprehensive loss recognised directly in equity	–	(101,220)	–	(101,220)	(18,058)	(119,278)
Profit for the period	–	–	98,381	98,381	15,134	113,515
Total comprehensive (loss)/income for the six months ended 30 June 2015	–	(101,220)	98,381	(2,839)	(2,924)	(5,763)
Exercise of share options – allotment of shares	44	–	–	44	–	44
Exercise of share options – transfer from share option reserve to share premium	12	(12)	–	–	–	–
Payment of 2014 final dividend	–	–	(27,635)	(27,635)	–	(27,635)
Dividend paid and payable to non-controlling shareholders	–	–	–	–	(12,036)	(12,036)
Net change in equity loans due to non-controlling shareholders	–	–	–	–	225	225
	56	(12)	(27,635)	(27,591)	(11,811)	(39,402)
Balance at 30 June 2015	**3,191,801**	**1,615,552**	**2,066,415**	**6,873,768**	**520,314**	**7,394,082**

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
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**

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 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 25 August 2016. 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 2016 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**").

The consolidated financial statements as at 30 June 2016 have been prepared on a going-concern basis although the Group's consolidated current liabilities exceeded its consolidated current assets by US$279,566,000. The future funding requirements can be met through the committed and available bank loan facilities of US$1,096,818,000 which are maturing after 30 June 2017, new bank loan facilities committed subsequent to the period end and the net cash inflows to be generated from operating activities. The Group has adequate resources to continue its operation for the foreseeable future.

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, 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 2015 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 2016. 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
- Other countries (including Fiji, Myanmar, Maldives, Indonesia, Turkey, Mauritius, Mongolia and Sri Lanka)

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

- Mainland China
- Singapore
- Malaysia
- Other countries (including Thailand, 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 2016 and 2015 (US$ million)

	2016		2015	
	Sales ***(Note b)***	**Profit/(Loss) after tax** ***(Note a)***	Sales *(Note b)*	Profit/(Loss) after tax *(Note a)*
Hotel ownership				
Hong Kong	**123.3**	**28.8**	126.0	30.2
Mainland China	**363.7**	**(21.0)**	366.8	(34.3)
Singapore	**100.7**	**16.8**	106.9	14.8
Malaysia	**56.4**	**6.6**	59.2	6.3
The Philippines	**98.1**	**5.9**	102.0	9.9
Japan	**30.1**	**0.2**	27.0	(1.6)
Thailand	**29.7**	**3.7**	34.1	6.2
Australia	**45.2**	**1.1**	44.9	(1.3)
France	**19.9**	**(8.8)**	22.0	(12.3)
United Kingdom	**22.9**	**(10.6)**	23.6	(14.2)
Other countries	**44.1**	**(9.1)**	47.2	(4.6)
	934.1	**13.6**	959.7	(0.9)
Property rentals				
Mainland China	**10.2**	**62.9**	14.6	65.8
Singapore	**7.0**	**5.0**	6.8	5.2
Malaysia	**3.1**	**0.6**	3.4	0.9
Other countries	**14.4**	**3.1**	14.9	2.7
	34.7	**71.6**	39.7	74.6
Hotel management services	**65.4**	**8.8**	66.9	8.3
Property sales	**–**	**15.6**	–	1.3
Other businesses	**–**	**(0.7)**	–	(0.5)
Total	**1,034.2**	**108.9**	1,066.3	82.8
Less: Hotel management – Inter-segment sales	**(42.0)**		(42.6)	
Total external sales	**992.2**		1,023.7	

	2016		2015	
	Sales *(Note b)*	**Profit/(Loss) after tax** *(Note a)*	Sales *(Note b)*	Profit/(Loss) after tax *(Note a)*
Corporate finance costs (net)		**(39.3)**		(31.8)
Land cost amortisation and pre-opening expenses for projects		**(16.9)**		(6.1)
Corporate expenses		**(8.9)**		(5.5)
Exchange (losses)/gains of corporate investment holding companies		**(6.8)**		0.7
Consolidated profit attributable to equity holders of the Company before non-operating items		**37.0**		40.1
Non-operating items				
Share of net fair value gains on investment properties		**38.0**		126.2
Share of impairment losses for hotel properties		**(76.6)**		(68.9)
Net (losses)/gains on financial assets held for trading		**(1.6)**		1.4
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises		**(0.5)**		(0.4)
Consolidated (loss)/profit attributable to equity holders of the Company		**(3.7)**		98.4

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.

4. Accounts receivable, prepayments and deposits

	As at 30 June 2016	As at 31 December 2015
Trade receivables – net	**83,969**	88,179
Prepayments and other deposits	**134,668**	116,528
Other receivables	**111,833**	110,736
	330,470	315,443

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 2016	31 December 2015
0 – 3 months	**72,723**	78,891
4 – 6 months	**5,496**	3,940
Over 6 months	**5,750**	5,348
	83,969	88,179

5. Assets/(liabilities) of disposal group classified as held for sale

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 a project company which owns the Golden Flower Hotel, Xian in Mainland China for a cash consideration of RMB56,000,000 (equivalent to US$8,445,000) subject to adjustment in accordance with the change in working capital of the project company. Completion of the disposal is subject to certain conditions including obtaining the necessary approvals from the local government authorities and completion of the change of registration as required by local laws. Major classes of assets and liabilities of the project company to be disposed as at 30 June 2016 are as follows:

	As at 30 June 2016
Assets	
Property, plant and equipment	**7,069**
Inventories	**194**
Accounts receivable, prepayments and deposits	**809**
Cash and bank balances	**960**
Assets of the disposal group reclassified as held for sale	**9,032**
Liabilities	
Accounts payable and accruals	**(3,075)**
Deferred income tax liabilities	**(2,309)**
Amounts due to group companies	**(9,116)**
	(14,500)
Add: Amounts due to group companies eliminated upon consolidation	**9,116**
Liabilities of the disposal group reclassified as held for sale	**(5,384)**

6. Share capital

	No. of shares *('000)*	Amount		
		Ordinary shares	**Share premium**	**Total**
Authorised – Ordinary shares of HK$1 each				
At 1 January 2016 and 30 June 2016	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid – Ordinary shares of HK$1 each				
At 1 January 2016	3,580,024	462,195	2,729,606	3,191,801
Exercise of share options				
– allotment of shares	–	–	–	–
– transfer from option reserve	–	–	–	–
At 30 June 2016	**3,580,024**	**462,195**	**2,729,606**	**3,191,801**

As at 30 June 2016, 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**") to replace the expired share option scheme adopted on 24 May 2002 ("**2002 Option Scheme**"). The subsisting option shares granted in the past years under the 2002 Option Scheme were entirely expired during the period. 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. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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 2016		For the year ended 31 December 2015	
	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	**12.50**	**18,726,000**	12.33	24,478,500
Granted	**–**	**–**	–	–
Exercised	**–**	**–**	11.60	(30,000)
Lapsed	**14.33**	**(3,268,000)**	11.79	(5,722,500)
At 30 June/31 December	**12.11**	**15,458,000**	12.50	18,726,000

As at 30 June 2016 and 31 December 2015, outstanding option shares are as follows:

		Number of outstanding option shares as at	
Last exercisable date	**Exercise price in HK$ per option share**	**30 June 2016**	31 December 2015
15 June 2016	14.60	**–**	2,918,000
22 August 2023	12.11	**15,458,000**	15,808,000
		15,458,000	18,726,000

No new option was granted during the six months ended 30 June 2016 and 2015.

Options on 545,000 shares with exercise price of HK$12.11 per share have lapsed subsequent to 30 June 2016 and up to the approval date of the financial statements.

7. Convertible bonds

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 ("**Maturity Date**"), in the aggregate principal amount of US$500 million. Each bond will, at the option of the holder, be convertible on or after 22 June 2011 up to the close of business on the business day immediately prior to 2 May 2016 into fully paid ordinary shares of the Company with a par value of HK$1.00 each at 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$27.63 per ordinary share of the Company on 11 June 2015. 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 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.

During the period, the entire outstanding convertible bonds with face value of US$500,000,000 were redeemed on Maturity Date. The convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	As at	
	30 June 2016	31 December 2015
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
Accumulated interest expense	**108,118**	99,376
Final redemption at maturity	**(559,200)**	–
Liability component	**–**	550,458

The carrying amount of the liability component which approximates its fair value is calculated using cash flows discounted at an initial market interest rate of 4.34% per annum.

8. 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 recognised in the statement of financial position is calculated as follows:

	As at	
	30 June 2016	31 December 2015
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	**4,103**	3,617
Carrying value of fixed rate bonds	**599,244**	598,758

As at 30 June 2016, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US$6,333,000. The carrying amount of the bonds approximates its fair value.

9. Accounts payable and accruals

	As at	
	30 June	31 December
	2016	2015
Trade payables	**97,286**	105,341
Construction cost payable, other payables and accrued expenses	**642,195**	714,175
Short term advance from an associate of the Company's controlling shareholder	**15,080**	15,400
	754,561	834,916

The short term advance from an associate of the Company's controlling shareholder is unsecured and bearing interest at a fixed rate of 4.68% per annum (31 December 2015: 5.21% per annum).

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

	As at	
	30 June	31 December
	2016	2015
0 – 3 months	**84,369**	94,116
4 – 6 months	**6,495**	7,412
Over 6 months	**6,422**	3,813
	97,286	105,341

10. 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	30 June
	2016	2015
Depreciation of property, plant and equipment (net of amount capitalised of US\$32,000 (2015: US\$91,000))	**157,177**	161,909
Amortisation of leasehold land and land use rights (net of amount capitalised of US\$182,000 (2015: US\$234,000))	**7,500**	8,092
Amortisation of trademark and website development	**376**	337
Employee benefit expenses	**317,978**	314,512
Cost of inventories sold or consumed in operation	**133,633**	139,348
Loss on disposal of property, plant and equipment and partial replacement of investment properties	**470**	851
Discarding of property, plant and equipment and investment properties due to renovation	**2,307**	659

11. Other losses – net

	For the six months ended 30 June 2016	30 June 2015
Net realised and unrealised (losses)/gains on financial assets held for trading	**(1,643)**	1,477
Interest income	**6,204**	7,835
Fair value (losses)/gains of investment properties	**(79,789)**	27,090
Provision for impairment losses for hotel properties	**(70,485)**	(68,948)
Dividend income	**884**	803
	(144,829)	(31,743)

12. Finance costs – net

	For the six months ended 30 June 2016	30 June 2015
Interest expense		
– bank loans	**50,012**	56,136
– interest-rate swap contracts – hedging	**2,768**	3,088
– convertible bonds	**8,742**	11,452
– fixed rate bonds	**14,740**	14,740
– other loans	**1,912**	1,677
	78,174	87,093
Less: amount capitalised	**(18,960)**	(22,468)
	59,214	64,625
Net foreign exchange losses/(gains)	**8,239**	(4,437)
	67,453	60,188

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 2.91% per annum for the period (2015: 3.35% per annum).

13. Share of profit of associates

	For the six months ended	
	30 June 2016	30 June 2015
Share of profit before tax of associates before share of net fair value gains of investment properties and impairment loss of a hotel property	**105,998**	83,782
Share of impairment loss of a hotel property	**(6,154)**	–
Share of net fair value gains of investment properties	**104,360**	153,397
Share of profit before tax of associates	**204,204**	237,179
Share of associates' taxation before provision for deferred tax liabilities on fair value gains of investment properties	**(28,279)**	(20,874)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(26,090)**	(38,977)
Share of associates' taxation	**(54,369)**	(59,851)
Share of profit of associates	**149,835**	177,328

14. 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% (2015: 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 2016	30 June 2015
Current income tax		
– Hong Kong profits tax	**6,854**	7,414
– overseas taxation	**33,311**	34,745
Deferred income tax	**4,183**	18,304
	44,348	60,463

15. (Loss)/Earnings per share

Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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 2016	30 June 2015
(Loss)/profit attributable to equity holders of the Company *(US$'000)*	**(3,743)**	98,381
Weighted average number of ordinary shares in issue *(thousands)*	**3,569,523**	3,569,504
Basic (loss)/earnings per share *(US cents per share)*	**(0.105)**	2.756

Diluted

Diluted (loss)/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 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 2015 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 2016	30 June 2015
(Loss)/profit attributable to equity holders of the Company *(US$'000)*	**(3,743)**	98,381
Weighted average number of ordinary shares in issue *(thousands)*	**3,569,523**	3,569,504
Adjustments *(thousands)*	**–**	–
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**3,569,523**	3,569,504
Diluted (loss)/earnings per share *(US cents per share)*	**(0.105)**	2.756

16. Dividends

	For the six months ended	
	30 June 2016	30 June 2015
Interim dividend of **HK5** cents (2015: HK5 cents) per ordinary share	**23,029**	23,029

Notes:

(a) At a meeting held on 24 March 2016, the Board proposed a final dividend of HK5 cents per ordinary share for the year ended 31 December 2015, which was paid on 16 June 2016, and has been reflected as a charge against retained earnings for the six months ended 30 June 2016.

(b) At a meeting held on 25 August 2016, the Board declared an interim dividend of HK5 cents per ordinary share for the year ending 31 December 2016. 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 2016. The declared interim dividend of US$23,029,000 for the six months ended 30 June 2016 is calculated based on 3,580,024,056 shares of the Company in issue as at 25 August 2016 after elimination on consolidation the amount of US$68,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (Note 6).

17. 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 2016 amounts to US$111,912,000 (31 December 2015: US$375,945,000).

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 2016, 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 with the amount of US$7,540,000 (31 December 2015: US$16,940,000).

(c) Charges over assets

As at 30 June 2016, bank borrowings of certain subsidiaries amounting to US$190,845,000 (31 December 2015: US$191,132,000) are secured by legal mortgage over the property owned by four subsidiaries with an aggregate net book value of US$410,631,000 (31 December 2015: US$403,079,000).

18. 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 2016	31 December 2015
Existing properties – property, plant and equipment and investment properties		
– contracted but not provided for	**83,714**	48,814
– authorised but not contracted for	**80,305**	95,669
Development projects		
– contracted but not provided for	**434,198**	185,946
– authorised but not contracted for	**429,021**	866,718
	1,027,238	1,197,147

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

Subsequent to 30 June 2016 and up to the date of this announcement, the Group executed one 5-year bank loan agreement of HK$1,700,000,000 (equivalent to US$219,355,000) and three bank loan agreements totaling RMB835,000,000 (equivalent to US$125,920,000).

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 is also engaged in businesses other than the above-mentioned main business segments. These include:

– the operation of a golf course in Bali, Indonesia (a 53.3%-owned business); and

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

These other businesses did not have a material impact on the Group's consolidated results for the six months ended 30 June 2016.

(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 2016, the revenues of all the segments were 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 2016 and 30 June 2015 are as follows:

– Renminbi (6.3%)

– Singapore dollar (2.3%)

– Thai baht (7.2%)

– Malaysia ringgit (11.4%)

– Philippines peso (5.0%)

– Australian dollar (6.3%)

– Japanese yen 7.8%

– British pound (7.3%)

(i) Hotel Ownership

During the six months ended 30 June 2016, the following Group-owned new hotels opened for business:

– The 576-room Shangri-La at the Fort, Manila together with the Shangri-La Residences at Bonifacio Global City in Metro Manila (the Group has 40% equity interest) opened for business on 1 March 2016.

– The 417-room Midtown Shangri-La, Hangzhou, (part of the Hangzhou Kerry Centre in which the Group has 25% equity interest) opened for business on 12 March 2016.

– The 300-room Shangri-La's Hambantota Resort & Spa, Sri Lanka (the Group has 90% equity interest) opened for business on 1 June 2016.

As at 30 June 2016, the Group had equity interest in 76 operating hotels (including the Portman Ritz-Carlton Hotel, Shanghai ("**Portman**")) and 3 hotels under operating lease, representing a room inventory of 34,429 across Asia Pacific, Europe and Africa.

For the six months ended 30 June 2016, on an unconsolidated basis, room revenues accounted for around 50% of the total revenues from hotel operation while food and beverage revenues accounted for around 43%. Despite the opening of new hotels in the second half of 2015 and the first half of 2016, room revenues expressed in US dollar terms decreased by 1% principally affected by the currency depreciation while food and beverage revenues remained at the same level as 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 2016 and 2015 are as follows:

	2016 Weighted Average			2015 Weighted Average		
Country	**Occupancy** *(%)*	**Room Rate** *(US$)*	**RevPAR** *(US$)*	Occupancy *(%)*	Room Rate *(US$)*	RevPAR *(US$)*
The People's Republic of China						
Hong Kong	**73**	**303**	**221**	75	307	232
Mainland China	**58**	**126**	**73**	54	144	78
Singapore	**73**	**210**	**152**	69	220	152
Malaysia	**71**	**119**	**84**	67	128	86
The Philippines	**73**	**193**	**140**	72	207	148
Japan	**84**	**526**	**441**	85	460	391
Thailand	**62**	**152**	**94**	69	154	106
Australia	**86**	**202**	**175**	79	215	169
France	**46**	**1,154**	**533**	59	1,154	677
United Kingdom	**69**	**506**	**348**	63	552	347
Other countries	**45**	**202**	**91**	55	238	131
Weighted Average	**62**	**163**	**101**	60	181	109

Overall, the weighted average occupancy increased by 2 percentage points while the weighted Average Room Rate ("**ADR**") and the weighted Average Room Yields ("**RevPAR**") decreased by 10% and 8%, respectively in 2016.

Comments on performance by geography:

The People's Republic of China

Hong Kong

Hotels in Hong Kong registered a decrease in weighted average RevPAR of 4% as a result of the continuous decline in visitors from both Mainland China and other countries. The decline is attributable to both the political environment in the city and the loss of attractiveness as cheaper alternative destinations are available following the weakening of most currencies against the US and Hong Kong dollars.

The overall net profit of the Hong Kong hotel ownership segment for the six months ended 30 June 2016 decreased by US$1.4 million to US$28.8 million as compared to the same period last year.

Mainland China

As at 30 June 2016, the Group has equity interest in 43 operating hotels in Mainland China. The slower economic growth and the depreciation of Renminbi resulted in most of the hotels recording declines in weighted average ADR. However, the weighted average occupancies of most of the hotels recorded improvement. The overall weighted average RevPAR registered a 7% decrease when compared to the same period last year.

However, as a result of the cost savings effort and the increased contribution from food and beverage sales, the performance of most of the loss-making hotels improved. The performance of the Pudong Shangri-La, East Shanghai has also shown remarkable improvement with its net profit for the current period increasing by US$4.0 million. Overall, net loss of the hotel ownership segment in Mainland China reduced by US$13.3 million during the current period.

Singapore

Hotels in Singapore registered an overall decrease in weighted average ADR of 5%. However, the overall weighted average occupancy of all the hotels registered a 3 percentage points increment, largely benefiting from the completion of major renovations at the Hotel Jen Tanglin Singapore.

The overall net profit of the hotels in Singapore increased by US$2.0 million during the current period.

The Philippines

The hotels in the country recorded a decrease in weighted average RevPAR of 5%, mainly due to the 7% reduction in weighted average ADR.

Net profit for the current period decreased by US$4.0 million after recording US$1.3 million start-up loss of the Shangri-La at the Fort, Manila.

Malaysia

The weighted average ADR of all the six hotels was down by 7%, adversely affected by the 11.4% currency depreciation. The overall weighted average occupancy increased by 4 percentage points.

The overall net profit of the hotels and resorts in the country increased marginally by US$0.3 million.

Thailand

The weighted average occupancy of the hotels was down by 7 percentage points. This, together with a 1% reduction in the weighted average ADR, led to a decrease in weighted average RevPAR by 12%.

The net profit from the two hotels in Thailand reduced by US$2.5 million during the current period.

Japan

Supported by an increase in weighted average ADR of 14% on the back of an appreciating Japanese yen, the Shangri-La Hotel, Tokyo registered an increase in RevPAR of 13%.

The hotel recorded a net profit of US$0.2 million during the current period, as compared to a net loss of US$1.6 million in the same period last year.

Australia

The three hotels in Australia registered an increase in weighted average RevPAR of 3%, mainly supported by an increase in weighted average occupancy of 8 percentage points.

The Group recorded a net profit of US$1.1 million during the period, as compared to a loss of US$1.3 million in the same period last year.

France

The hotel in Paris recorded a decrease in RevPAR in US dollar terms of 21% largely due to a decrease of 12 percentage points in occupancy as a result of the terrorism related incidents in the city.

However, due to a decline in depreciation charges following the full depreciation of certain fixed assets under the accounting policy, net loss of the hotel reduced from US$12.3 million to US$8.8 million for the current period.

The United Kingdom

The leased hotel in London recorded an increase in occupancy of 6 percentage points but a decrease in ADR of 8% in the first half of 2016, mainly due to the depreciation of local currency.

The amount of net loss reduced by US$3.6 to US$10.6 million in the current period.

Other Countries

The two hotels in Maldives were adversely affected by a decline in arrivals from key source markets following political and economic uncertainties and security concerns in the country and recorded a drop in weighted average occupancy and ADR of 9 percentage points and 10%, respectively, which led to a decrease in weighted average RevPAR of 25%. The amount of net loss increased by US$0.9 million to US$2.5 million in the current period.

The hotel in Ulaanbaatar (opened for business in June 2015) recorded an increase in occupancy of 6 percentage points and ADR of 3%. However, net loss of the hotel increased by US$2.8 million during the period as a result of the increase in depreciation charge by US$5.0 million.

Affected by the political environment in Turkey, the hotel in Istanbul recorded a decrease in RevPAR of 46% following a substantial decrease in occupancy of 30 percentage points. However, the amount of net loss shared by the Group reduced by US$0.5 million to US$1.6 million in the current period as the corresponding period in last year included an exchange loss of US$2.2 million mainly arising from the US dollar bank borrowing.

The new resort in Hambantota recorded a net loss of US$0.7 million during the current period due to the start-up costs while the hotels in Jakarta, Fiji, Yangon and Mauritius recorded marginal changes in their financial results during the current period.

(ii) Hotel Management

As at 30 June 2016, the Group's wholly owned subsidiary, SLIM International Limited and its subsidiaries ("**SLIM**") managed a total of 98 hotels and resorts. Except for the Portman, all the other 75 hotels in which the Group has equity interest and 3 hotels under operating lease agreements are managed by SLIM. SLIM also managed a total of 20 operating hotels (6,649 available rooms) owned by third parties located in Toronto and Vancouver (Canada), Manila (the Philippines), Muscat (Oman), Doha (Qatar), Abu Dhabi (2 hotels) and Dubai (UAE); Putrajaya, Johor and Kuala Lumpur (Malaysia); New Delhi and Bengaluru (India); Taipei and Tainan (Taiwan); and Beijing, Changzhou (2 hotels), Haikou and Suzhou (Mainland China).

For the six months ended 30 June 2016, overall weighted average RevPAR of those hotels under third party hotel management agreements registered a decrease of 15% in US dollar terms as compared to last year. Consolidated revenues of SLIM, after elimination of revenue earned from fellow subsidiaries, recorded a decline of 4%. However, the net profit contribution from the hotel management segment increased marginally by US$0.5 million to US$8.8 million in the current period as a result of cost savings measures instituted.

As at 30 June 2016, SLIM had management agreements on hand for 9 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 adversely affected by the depreciation of local currencies against the US dollar.

Mainland China

In Beijing, yields of the office spaces and commercial spaces at the China World Trade Center (the Group owns between 40.32% and 50% equity interests) recorded decrease of 1% and 11%, respectively while yields of the serviced apartments remained at the same level as last year. Major renovations to the Center's original exhibition hall and its connecting area are ongoing and are expected to be completed by late 2016. These spaces will be converted into a shopping mall with much higher rental yields and the total lettable area will be increased by approximately 21,500 square meters upon completion. The serviced apartments of Century Towers, Beijing (50% owned by the Group) recorded a decrease in yields of 4% due to a decrease in occupancy by 8 percentage points. Yields of the commercial spaces at the Beijing Kerry Centre (23.75% owned by the Group) recorded an increase of 7% while yields of the office spaces and serviced apartments recorded a marginal decrease of 1%.

In Shanghai, the serviced apartments at the Jing An Kerry Centre Phase I (24.75% owned by the Group) recorded growth in yields of 5% while yields of the office spaces and commercial spaces decreased by 4% and 10%, respectively. Likewise, yields of the office spaces and commercial spaces at the Jing An Kerry Centre Phase II (49% owned by the Group) recorded decreases of 3% and 9%, respectively. The Kerry Parkside Shanghai Pudong (23.2% owned by the Group) recorded an improvement in yields of its commercial spaces of 3% while its serviced apartments and office spaces performed at the same level as last year. Yields of the office spaces, commercial spaces and serviced apartments at the Shanghai Centre (30% owned by the Group) recorded decreases of 6%, 5% and 5%, respectively.

In other cities, the Shangri-La Residences, Dalian (a 100%-owned property) recorded a decrease in yields of 3% 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 a decrease in yields of 15% and 23%, respectively. In terms of commercial spaces, these two centres recorded decrease in yields of 24% and 8%, respectively.

The investment properties in Mainland China continued to be the key profit contributors. The share of net profit of the China World Trade Center remained the same as last year but the contribution from the Jing An Kerry Centre reduced by US$2.9 million during the period.

Singapore

In Singapore, the Shangri-La Residences and Shangri-La Apartments (both 100% owned by the Group) registered an increase in yields of 2% and 4%, respectively, supported by an increase in occupancy of 3 and 7 percentage points, respectively. In comparison, the commercial spaces at the Tanglin Place and Tanglin Mall (both 44.60% owned by the Group) recorded modest declines in yields of 2% and 3%, respectively. Office spaces at the Tanglin Place recorded a marginal decline in yields of 1%.

The overall net profit of the investment properties reduced marginally by US$0.2 million as compared to 2015.

Malaysia

Following the depreciation of the Malaysian ringgit during the current period, the UBN Apartments (a 52.78%-owned property); and the commercial spaces and office spaces of UBN Tower (a 52.78%-owned property) recorded decreases in yields of 12%, 8% and 9%, respectively.

The overall net profit of the investment properties reduced by US$0.3 million.

Other Countries

The Shangri-La Residences in Yangon, Myanmar (a 55.86%-owned property) registered an increase in yields of 5%. Due to the slowdown of the local economy, the office spaces and commercial spaces at the Central Tower in Ulaanbaatar (a 51%-owned property) recorded declines in yields of 27% and 23%, respectively during the period.

(iv) Property Sales

The Group has equity interests in certain composite developments in Mainland China which included the development of Shangri-La hotels together with office buildings and/or residential buildings for sales and/or rental purposes. Following the improvement of the property sales market in Mainland China, the Group recognised a net profit of US$15.6 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 with fourteen towers are available for sale. 111 units were sold during the current period. Approximately 89% of the units had been sold as at 30 June 2016.

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

  Three residential towers are available for sale. 174 units were sold during the current period. Approximately 86% of the units had been sold as at 30 June 2016.

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

Four residential towers and the Enterprise Square (office spaces) have been completed. Two residential towers are under construction and will be completed in 2017. 120 residential units and one office unit were sold during the period. Approximately 62% of all the residential units and 59% of the office units had been sold as at 30 June 2016.

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

All the twenty residential towers are available for sale. 643 units were sold during the current period. Approximately 93% of the units had been sold as at 30 June 2016.

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

Three residential towers have been completed and another two residential towers are under construction and will be completed in late 2016. 153 units were sold during the current period. Approximately 77% of all the units had been sold as at 30 June 2016.

The net profit contributed by this segment increased substantially by US$14.3 million during the current period.

(b) EBITDA and Consolidated Profits

	EBITDA of the Company and subsidiaries		**Effective share of EBITDA of associates**	
	2016	2015	**2016**	2015
	US$ Mil	*US$ Mil*	***US$ Mil***	*US$ Mil*
Hotel ownership	**230.6**	237.8	**32.6**	29.1
Hotel management	**15.8**	16.6	**–**	–
Sub-total	**246.4**	254.4	**32.6**	29.1
Property rentals	**16.8**	19.0	**98.8**	99.2
Property sales	**–**	–	**17.9**	2.2
Other business	**–**	–	**(0.4)**	(1.3)
Total of business segments	**263.2**	273.4	**148.9**	129.2
Corporate and project expenses	**(22.9)**	0.1	**(0.7)**	(2.3)
Grand total	**240.3**	273.5	**148.2**	126.9

Aggregate EBITDA (EBITDA of the Company and subsidiaries and the Group's effective share of EBITDA of associates) of all the business segments increased marginally by US$9.5 million during the current period. The corporate and project expenses of the Company and subsidiaries of US$22.9 million for the current period included US$6.8 million exchange loss mainly arising from a corporate bank borrowing denominated in Japanese yen while the amount of US$0.1 million for last year was stated after the reversal of a provision of US$8.3 million previously made for a terminated hotel project.

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 those of interim 2015 are as follows:

– Gross profit margin of the hotels owned by subsidiaries improved from 58.0% to 58.4% and the consolidated gross profit margin of the Group increased from 56.3% to 57.0% in 2016 as a result of the continuing emphasis on cost savings. As a result of the depreciation of most currencies against the US dollar during the current period, sales by subsidiaries reduced by US$31.5 million (3.1%) compared to 2015 which led to a decrease in gross profit of the subsidiaries by US$10.1 million (1.8%).

– Impairment provision for a hotel owned by a subsidiary of US$70.5 million (2015: US$68.9 million) and fair value losses on investment properties owned by subsidiaries of US$79.8 million (2015: fair value gains of US$27.1 million) were grouped under "Other losses – net" included in the consolidated operating profit before finance costs.

– Consolidated finance costs of the Company and subsidiaries increased by US$7.3 million mainly due to US$8.2 million exchange loss recorded during the current period which included US$7.1 million loss on a corporate bank loan denominated in Japanese yen compared to a credit of US$4.4 million in last year.

– Share of net profit after tax from associates decreased by US$27.5 million primarily due to a decrease in the share of net fair value gains after tax on investment properties of US$36.2 million and an increase in the impairment provision made for a hotel by US$6.2 million despite the share of profits after tax from property sales increased by US$14.3 million during the current period.

2. CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, the Group executed four 5-year unsecured bank loan agreements totaling an equivalent of US$468.6 million and one 3-year unsecured bank loan agreement of US$64.1 million during the period. The outstanding convertible bonds of US$500 million were entirely redeemed by the Group in May 2016.

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

– one 5-year local bank loan agreement of RMB450 million (approximately US$67.9 million) and one 5-year local bank loan agreement of US$300 million for project financing;

– two 3-year local bank loan agreements totaling RMB369 million (approximately US$55.6 million) and one 3-year local bank loan agreement of EUR75 million (approximately US$84.2 million) for refinancing maturing 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, convertible bonds and fixed-rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, increased from 59.3% as at 31 December 2015 to 64.5% as at 30 June 2016.

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

The analysis of borrowings outstanding as at 30 June 2016 is as follows:

	Maturities of Borrowings Contracted as at 30 June 2016				
			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	74.8	445.2	2,458.9	–	2,978.9
– fixed-rate bonds	599.2	–	–	–	599.2
Bank loans of subsidiaries					
– secured	155.6	7.1	21.2	7.0	190.9
– unsecured	157.3	225.6	1,122.7	55.3	1,560.9
Total outstanding balance	986.9	677.9	3,602.8	62.3	5,329.9
Undrawn but committed facilities					
Bank loans and overdrafts	219.9	45.0	928.8	123.0	1,316.7

As at 30 June 2016, the Group had net current liabilities of US$279.6 million. These funding obligations can be met through the committed and available bank loan facilities of US$1,096.8 million, which are expiring after 30 June 2017, new bank loan facilities committed subsequent to the period end and the net cash inflows to be generated from operating activities.

Subsequent to the period end, the Group executed a 5-year bank loan agreement of HK$1,700 million (approximately US$219.4 million) at the corporate level. Certain subsidiaries also executed two 3-year bank loan agreements totaling RMB465 million (approximately US$70.1 million) for refinancing of local entrusted loans and a 10-year bank loan agreement of RMB370 million (approximately US$55.8 million) for project financing. The Group is also finalising the documentation of two 3-year bank loan agreements at the subsidiary level totaling RMB288 million (approximately US$43.4 million).

The currency mix of borrowings and cash and bank balances as at 30 June 2016 is as follows:

(US$ million)	**Borrowings**	**Cash and Bank Balances**
In United States dollars	2,808.3	271.0
In Hong Kong dollars	1,678.4	112.9
In Renminbi	286.7	299.3
In Euros	238.8	8.2
In Australian dollars	148.5	32.9
In British pounds	60.4	3.0
In Singapore dollars	56.9	54.4
In Japanese yen	48.6	3.6
In Philippine pesos	3.3	32.0
In Thai baht	–	60.9
In Malaysian ringgit	–	24.2
In Fiji dollars	–	14.7
In Mongolian tugrik	–	14.6
In Sri Lankan rupees	–	28.0
In Myanmar kyat	–	9.6
In Maldivian rufiyaa	–	0.4
In other currencies	–	0.1
	5,329.9	969.8

Excepting fixed-rate bonds and 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 2016 are disclosed in Note 17 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. No new contract was executed during the period. As at 30 June 2016, the outstanding HIBOR and LIBOR interest-rate swap contracts are:

– HK$2,200 million (approximately US$283.9 million) at fixed rates ranging between 0.94% and 1.635% per annum maturing during December 2016 to October 2018

– US$206 million at fixed rates ranging between 1.42% and 1.785% per annum maturing during August 2018 to October 2018

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

Taking into account these interest-rate swap contracts, fixed rate bonds and the Renminbi bank loans, the Group has fixed its interest liability on 26% of its borrowings outstanding as at 30 June 2016.

In Mainland China, the Group arranged entrusted loans through local banks to utilise the surplus cash of certain subsidiaries to meet the funding requirements of other group companies to minimise interest cost. In response to the depreciation of the Renminbi, the Group is arranging new local bank borrowings in Renminbi to refinance these entrusted loans and surplus cash in Renminbi will be repatriated to the corporate for the repayment of corporate bank borrowings. The Group is also arranging new local bank borrowings in Renminbi to refinance foreign currency bank borrowings by subsidiaries in order to reduce exchange risk. The Group aims at using bank borrowings in local currency to finance the capital expenditure and operation funding requirements of the properties and/or development projects in a 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 2016, the investment properties owned by the Group's subsidiaries recorded share of net fair value losses (net of deferred tax credit) of US$40.3 million while the Group's associates recorded share of net fair value gains (net of deferred tax charges) of US$78.3 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 were carried out by independent firms of professional valuers during the year for those properties for which the internal assessment results needed independent confirmation. Based on the valuation reports obtained at 30 June 2016, the Group's share of the impairment losses for two hotels in Mainland China located in Qufu (wholly owned) and Shenyang (the Group has 25% equity interest) amounted to US$70.5 million and US$6.2 million, respectively. The impairment loss of the subsidiary is included in the consolidated income statement under "Other losses – net" to write down the carrying value of the hotel's fixed assets to the recoverable amount while the impairment loss of the associate is included in "Share of profit of associates". The recoverable amount of each hotel is the higher of its fair value less costs of disposal and its value in use based on the opinion of independent firms of professional valuers using the market comparison approach and/or income approach.

6. FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

As at 30 June 2016, the market value of the Group's investment portfolio was US$13.9 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 losses of US$1.6 million and dividend income of US$0.9 million during the period.

7. DEVELOPMENT PROGRAMMES

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				
Hotel Jen Beijing (part of composite development project in China World Trade Center – Phase 3B)	40.32%	450	–	Late 2016
Shangri-La Harbin, Songbei District	100%	344	33	Late 2016
Kerry Hotel, Hong Kong	100%	546	–	Late 2016
Shangri-La Hotel, Xiamen	100%	325	–	2017
Shangri-La Hotel, Jinan (part of composite development project in Jinan City)	45%	364	32	2017
Shangri-La Hotel, Zhoushan	100%	300	–	2019
Hotels in other countries				
Shangri-La Hotel, Colombo, Sri Lanka (part of composite development project in Colombo)	90%	500	41	2017
Lakeside Shangri-La, Yangon, Myanmar	55.86%	276	15	2019

(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%	–	–	102,215	30,800	Late 2016
Phase II of Shangri-La Hotel, Dalian	100%	18,650	–	4,600	12,150	Late 2016
China World Trade Center Phase 3B	40.32%	–	72,316	68,996	–	Late 2016
Nanchang City Project (Phase I)[1]	20%	32,645	70,546	9,144	–	2016 onwards*
Shenyang Kerry Centre (Phase I & II)[1]	25%	503,818	165,484	205,584	–	2016 onwards*
Jinan City Project	45%	–	34,568	5,479	–	2017 onwards*
In other countries						
Bonifacio Global City, Metro Manila, the Philippines	40%	37,522	–	–	–	Late 2016
Sule Square, Yangon, Myanmar	59.28%	–	37,725	9,864	–	Late 2016
Composite development project in Ulaanbaatar, Mongolia	51%	–	24,274	24,697	28,071	Late 2016
Composite development project in Colombo, Sri Lanka[2]	90%	111,100	59,984	68,585	–	2018
		703,735	464,897	499,164	71,021	

* Being developed in phases

(1) Part of Phase I development (office and residential) has been sold and handed over.

(2) The pre-sale of residences was officially launched on 22 May 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)

– Putian, Mainland China (40% equity interest owned by the Group)

– Bali, Indonesia (53.3% equity interest owned by the Group)

– Rome, Italy (wholly owned by the Group)

Composite development

- Zhengzhou, Mainland China (45% equity interest owned by the Group)
- Kunming, Mainland China (45% equity interest owned by the Group)
- Tianjin Kerry Centre – 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. DISPOSAL

On 16 June 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interest of 100% in a project company which owns the Golden Flower Hotel, Xian in Mainland China for a cash consideration of RMB56 million (approximately US$8.4 million) subject to adjustment in accordance with the change in working capital of the project company. Completion of the disposal is subject to certain conditions including obtaining the necessary approvals from the local government authorities and completion of the change of registration as required by local laws. The Group will terminate the hotel management agreement upon completion of the transaction. After considering the hotel's historical financial performance and its prospects, the Group considered the consideration is fair and such disposal would be beneficial to the Group. It is currently envisaged that the Group will record a marginal profit on completion of the disposal.

9. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

During the six months ended 30 June 2016, the Group signed the following hotel management agreements with third parties:

- In January 2016, the Group signed an agreement for the management of a 328-room Shangri-La hotel at Jinji Lake Suzhou in Mainland China scheduled to open at the end of 2017. The hotel will form part of the upscale Xiexin Plaza complex that comprises luxury living and a grade A office tower in the Suzhou Industrial Park.
- In March 2016, the Group signed an agreement for the management of a 200-room Hotel Jen Kuala Lumpur in Malaysia scheduled to open in 2019. The hotel will be located in the heart of the city.

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 the development of 9 new hotels owned by third parties. The development projects are located in Shaoxing, Nanning, Qiantan, Yiwu and Suzhou (Mainland China); Kota Kinabalu and Kuala Lumpur (Malaysia), Jeddah (Saudi Arabia) and Phnom Penh (Cambodia).

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 political and economic outlook continues to be uncertain. Many of the Group's hotels in Mainland China are operating in a market that is characterised by oversupply relative to demand growth. Most of the currencies in which the Group has its operations, barring Hong Kong and Japan, have depreciated against the US dollar.

All these factors taken together are continuing to exert pressure on the Group's profit performance. However, the Group's hotels in some cities in Mainland China have seen improvements in yields relative to last year. Rental yields from investment properties in some of the Mainland Chinese cities have also weakened. However, the quality and premium location of these properties are helping them out-perform their competitive set.

Given present indications, with little change in the geo political or economic environment, it appears unlikely that the Group will experience any major improvement in its operating performance, relative to the previous 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 save for the provision in the Directors Handbook that the positions of the chairman and the chief executive officer of the Company may be served by the same person. The Directors Handbook serves as a comprehensive guidebook for all directors of the Company.

The Company has met the CG Principles and the CG Model Code throughout the underlying six-month period except for the deviation(s) summarised below:

CG Model Code	Deviation(s) and reason
A.2.1 The roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual	Mr KUOK Khoon Chen served 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 the Company's current managing director and chief operating officer, Mr LIU Kung Wei Christopher, is responsible for the day-to-day operations of the Group, reporting directly to Mr KUOK Khoon Chen.

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 28 September 2016.

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

Hong Kong, 25 August 2016

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

Executive directors
Mr KUOK Khoon Chen (Chairman & CEO)
Ms KUOK Hui Kwong (Deputy Chairman)
Mr LIU Kung Wei Christopher (MD & COO)
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO

Non-executive directors
Mr HO Kian Guan
Mr HO Kian Hock (alternate to Mr HO Kian Guan)

Independent non-executive directors
Mr Alexander Reid HAMILTON
Mr Timothy David DATTELS
Professor LI Kwok Cheung Arthur
Dr LEE Kai-Fu