SHANGRI-LA ASIA LIMITED
香格里拉(亞洲)有限公司

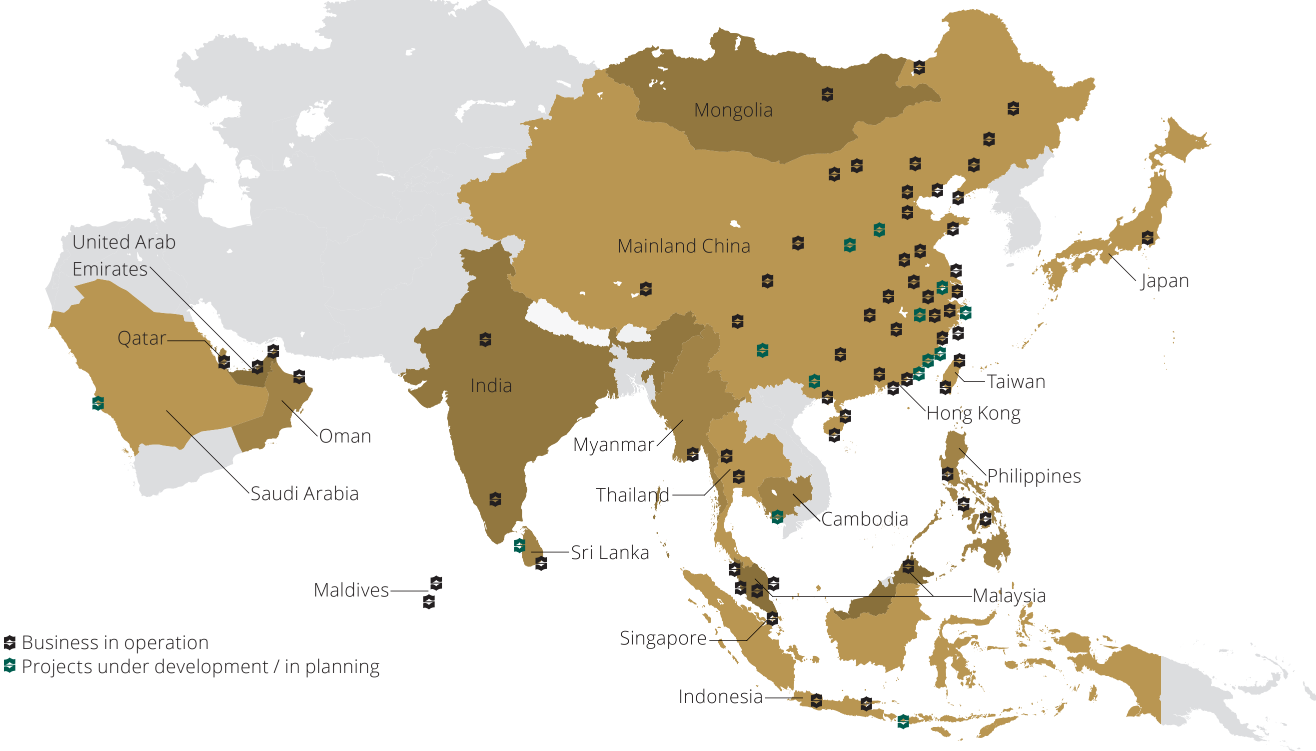
(Incorporated in Bermuda with Limited Liability)
Stock code: 69

ANNUAL REPORT 2016

Cover Photo - Midtown Shangri-La, Hangzhou

Contents

As at 23 March 2017



ASIA

Cambodia
Phnom Penh

Hong Kong

India
Bengaluru
New Delhi

Indonesia
Bali
Jakarta
Surabaya

Japan
Tokyo

Mainland China
Baotou
Beihai
Beijing
Changchun
Changzhou
Chengdu
Dalian
Diqing
Fuzhou
Guangzhou
Guilin
Haikou
Hangzhou
Harbin
Hefei
Huhhot
Jinan
Kunming
Lhasa
Manzhouli
Nanchang
Nanjing
Nanning
Ningbo
Putian
Qiantan
Qingdao
Qinhuangdao
Qufu
Sanya
Shanghai
Shaoxing
Shenyang
Shenzhen
Suzhou
Tangshan
Tianjin
Wenzhou
Wuhan
Xiamen
Xian
Yangzhou
Yiwu
Zhengzhou
Zhoushan

Malaysia
Johor
Kota Kinabalu
Kuala Lumpur
Penang
Putrajaya

Maldives
Male
Villingili

Mongolia
Ulaanbaatar

Myanmar
Yangon

Oman
Muscat

Philippines
Boracay
Cebu
Manila

Qatar
Doha

Saudi Arabia
Jeddah

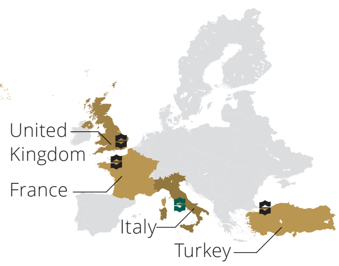
Singapore

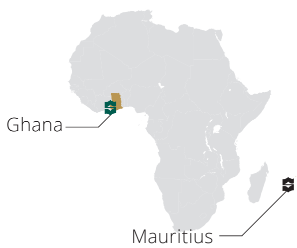
Sri Lanka
Colombo
Hambantota

Taiwan
Tainan
Taipei

Thailand
Bangkok
Chiang Mai

United Arab Emirates
Abu Dhabi
Dubai





OCEANIA

Australia
Brisbane
Cairns
Sydney

Fiji
Yanuca

EUROPE

France
Paris

Italy
Rome

Turkey
Istanbul

United Kingdom
London

AFRICA

Ghana
Accra

Mauritius

NORTH AMERICA

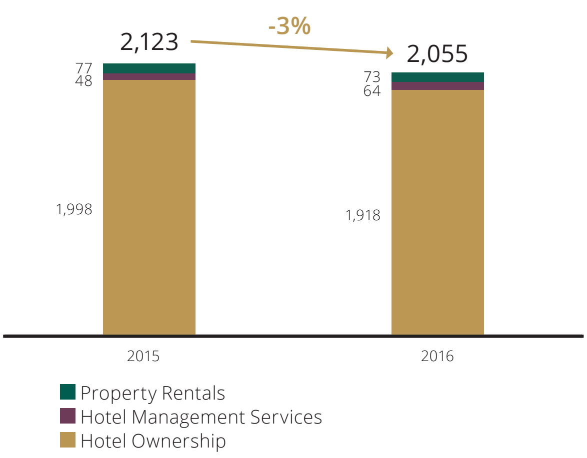
Canada
Toronto
Vancouver

CONSOLIDATED

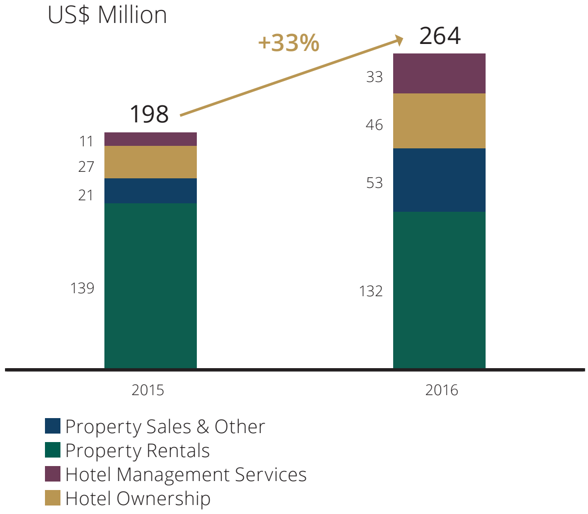
For the year ended 31 December 2016

	2016 US$ Million	2015 US$ Million	2016/15 % Change
Sales	2,055	2,123	-3.2%
Segment results	264	198	33.2%
Profit attributable to equity holders of the Company	106	140	-24.3%
EBITDA	523	530	-1.3%
Earnings per share (US cents)	2.97	3.93	-24.4%
Total equity	6,412	6,890	-6.9%

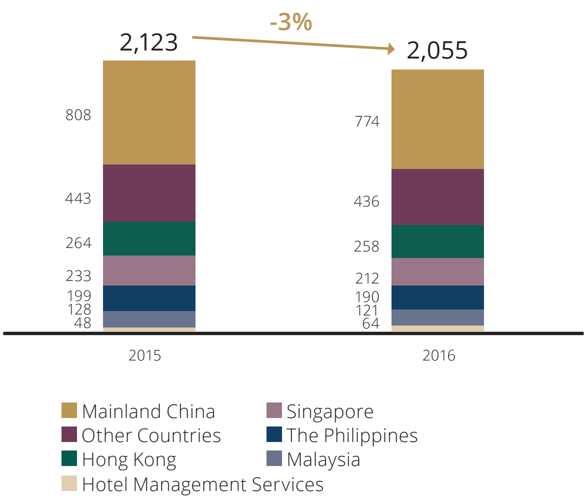
SEGMENT SALES BY CATEGORY



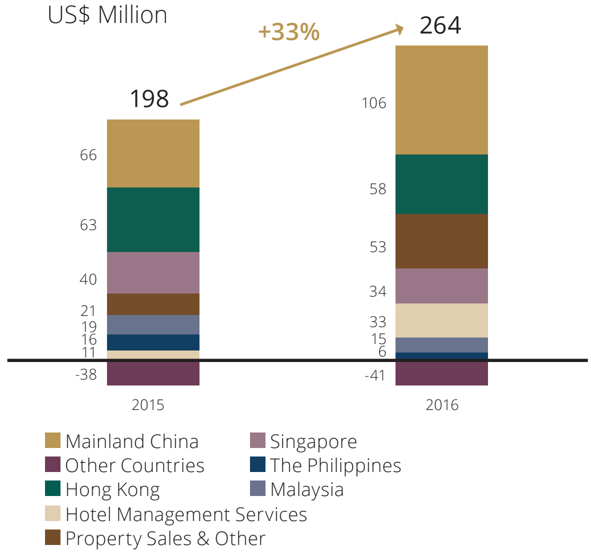
SEGMENT PROFIT BY CATEGORY



SEGMENT SALES BY GEOGRAPHY



SEGMENT PROFIT BY GEOGRAPHY



As at 23 March 2017

BOARD OF DIRECTORS

Executive Directors

Ms KUOK Hui Kwong *(Chairman)*
Mr LIM Beng Chee *(CEO)*
Mr LIU Kung Wei Christopher *(MD & COO)*
(until 31 March 2017)
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO

Non-executive Directors

Mr KUOK Khoon Chen *(until 2 June 2017)*
Mr HO Kian Guan
Mr HO Chung Tao *(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

EXECUTIVE COMMITTEE

Ms KUOK Hui Kwong *(chairman)*
Mr LIM Beng Chee
Mr Madhu Rama Chandra RAO

NOMINATION COMMITTEE

Ms KUOK Hui Kwong *(chairman)*
Mr Alexander Reid HAMILTON
Professor LI Kwok Cheung Arthur

REMUNERATION COMMITTEE

Mr Alexander Reid HAMILTON *(chairman)*
Ms KUOK Hui Kwong
Professor LI Kwok Cheung Arthur

AUDIT COMMITTEE

Mr Alexander Reid HAMILTON *(chairman)*
Mr HO Kian Guan
Professor LI Kwok Cheung Arthur

COMPANY SECRETARY

Ms TEO Ching Leun

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building
Central
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28/F Kerry Centre
683 King's Road
Quarry Bay
Hong Kong

REGISTERED ADDRESS

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

STOCK CODES

HKSE – 00069
Singapore stock exchange – S07
American Depositary Receipt – SHALY

WEBSITES

Corporate – www.ir.shangri-la.com
Business – www.shangri-la.com

INVESTOR RELATIONS CONTACT

Ms Lori LINCOLN
enquiry.ir@shangri-la.com
28/F Kerry Centre
683 King's Road
Quarry Bay
Hong Kong

KEY DATES

Closure of registers of members for Annual General Meeting

29 May 2017 to 2 June 2017, both dates inclusive

Annual General Meeting

2 June 2017

Record date for 2016 final dividend

7 June 2017

Payment of 2016 final dividend

16 June 2017
(subject to Shareholders' approval at the Annual General Meeting)

Announcement of 2017 interim results

August 2017

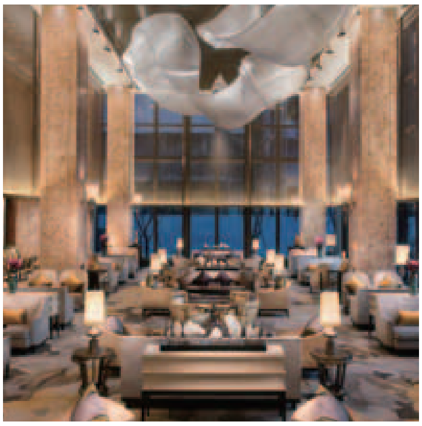
The Group opened three hotels in 2016 and enhanced its Golden Circle loyalty programme

Shangri-La Hotel, Zhoushan

Shangri-La at the Fort, Manila

Shangri-La Events Collection

Jinji Lake Shangri-La, Suzhou



Midtown Shangri-La, Hangzhou

Golden Circle Event Planner Rewards

JANUARY

Shangri-La breaks ground on **Shangri-La Hotel, Zhoushan**, further expanding its portfolio in southeastern China. The 230-room city resort is scheduled to open in 2019.

Shangri-La signs a management contract for **Jinji Lake Shangri-La, Suzhou**. Targeted to open in 2018, the property will have a combined inventory of 328 guestrooms and serviced apartments and will form part of the upscale Xiexin Plaza multi-use complex.

MARCH

Shangri-La at the Fort, Manila opens in Bonifacio Global City in a landmark mixed-used development along with Kerry Sports Manila, 97 Shangri-La Residences and 98 premier Horizon Homes.

Shangri-La unveils its second hotel in Hangzhou, the 417-room **Midtown Shangri-La**. The hotel is part of the vibrant Hangzhou Kerry Centre.

APRIL

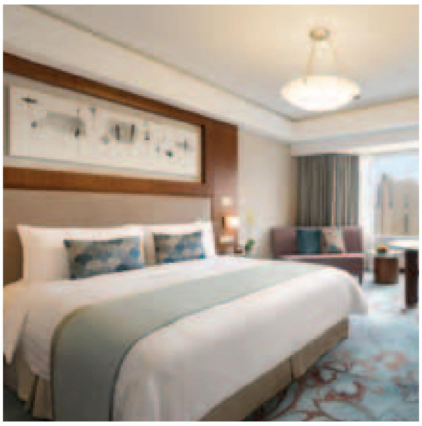
Shangri-La introduces the **Shangri-La Events Collection** and **Golden Circle Event Planner Rewards**. The new meeting and events loyalty programme offers meeting and travel professionals and any Golden Circle member the ability to earn elite status and redeem and earn points for groups, meetings, conferences and events across the Shangri-La, Kerry, Traders and Hotel Jen portfolio.


Shangri-La's Hambantota Resort & Spa, Sri Lanka

The first ICBC Shangri-La Credit Card Holders


The Table By Golden Circle


Par 70 golf course designed by Rodney Wright


Shangri-La Hotel, Qingdao


Instant Dining Rewards, Island Shangri-La, Hong Kong

JUNE

The 300-room oceanfront **Shangri-La's Hambantota Resort & Spa** opens on the southern coastline of Sri Lanka, boasting the first resort golf course in the country—a par-70 course designed by Rodney Wright. The resort is the first of two Shangri-La hotels in Sri Lanka, with Shangri-La Hotel, Colombo scheduled to open in 2017.

JULY

Shangri-La Hotels and Resorts becomes Industrial and Commercial Bank of China's first co-branded credit card hotel partner with the launch of the high-end platinum "**ICBC Shangri-La Credit Card**". ICBC is the world's largest credit card issuing bank.

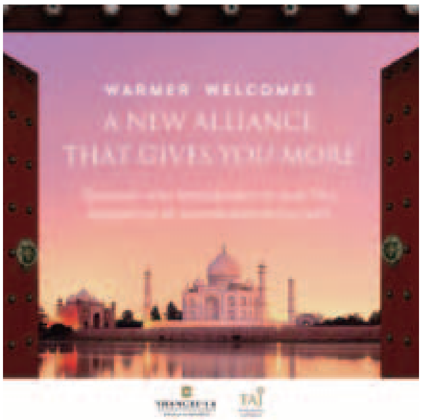
Shangri-La Hotel, Qingdao unveils 202 redesigned Deluxe Grand Rooms following the completion of a renovation programme for its City Wing.

AUGUST

Shangri-La introduces **The Table by Golden Circle**, a new food and beverage loyalty programme fully integrated with Shangri-La's award-winning Golden Circle loyalty programme. The Table recognises members through instant dining rewards, achievable redemptions and access to signature food experiences, exclusive events, unique surprises and special offers.

Infinite Journeys

Chef Mok Kit Keung, Kowloon Shangri-La, Hong Kong



Warmer Welcomes

Shangri-La Hotel, Changchun

Chef Christophe Moret, Shangri-La Hotel, Paris

Warmer Welcomes, China World Hotel, Beijing

SEPTEMBER

Singapore Airlines partners with Shangri-La to provide members of the KrisFlyer and Golden Circle loyalty programmes enhanced benefits and greater recognition with the launch of "Infinite Journeys".

Shangri-La Hotel, Changchun showcases new guestrooms, service apartments and dining experiences after completing an 11-month renovation.

OCTOBER

The **Shangri-La International Festival of Gastronomy** returns for a second year co-sponsored by evian and BADOIT. The culinary event takes place simultaneously in 11 Shangri-La hotels in international gateway cities in Asia and Europe and features 12 celebrated chefs holding a total of 20 Michelin Stars between them.

NOVEMBER

Shangri-La Hotels and Resorts and **Taj Hotels Resorts and Palaces** form a ground-breaking strategic alliance which integrates Shangri-La's Golden Circle and Taj's InnerCircle guest loyalty programmes. The "Warmer Welcomes" initiative is scheduled to launch in March 2017 and will provide members reciprocal and seamless benefits and the ability to earn points across 200 hotels, 27 countries and 131 destinations.

Brand Awards

- **Best Business Hotel Brand in Asia-Pacific**, *Business Traveller Asia-Pacific* Awards 2016
- **Best Business Hotel Chain in Asia Pacific**, *Business Traveller UK* Awards 2016
- **Best Hotel Brand in China, 2016** *Business Traveller China* Awards
- **Best Business Hotel Chain in China, 2016** Best in Business Travel Awards, *Business Traveler USA*
- **Best Hotel Chain in Asia Pacific**, *DestinAsian* Readers' Choice Awards 2016 (Asia)
- **One of the World's Best Hotel Groups**, *Telegraph* Travel Awards 2016 (UK)
- **Best Hotel Brand in Asia**, *SmartTravelAsia.com* 2016 Best in Travel Poll (Hong Kong)
- **Best Luxury Hotel Brand**, *TTG* Travel Awards 2016 (Asia)
- **Best Luxury Hotel Brand in Greater China**, *TTG China* Travel Awards 2016
- **Best Regional Hotel Group of the Year, 2016** *Travel Weekly China*'s China Travel & Meetings Industry Awards – Leisure Travel
- **Best Hotel/Group in the Australasia & Far East, 2016** *Selling Travel* Agents Choice Awards (UK)
- **Annual Best Hotel Group**, *Voyage* Best Hotel & Resort Value Award 2016 (China)

Dear Shareholders,

On behalf of the Board, I would like to present the Annual Report of Shangri-La Asia Limited for the financial year ended 31 December 2016.

The Group achieved improved hotel performance in Mainland China and Southeast Asia despite the challenging global and regional business environment and the impact of weakening local currencies on hotels' operating performance. The Group also opened three hotels, including our first property in Sri Lanka, and signed a management agreement for one hotel being developed by a third party.

The performance of our investment property portfolio again recorded a healthy improvement. Property sales increased in 2016 mainly from residential sales in Mainland China, and property rentals and sales made a positive contribution to the Group's results for the year.

Consolidated sales revenue decreased slightly by 3% over 2015 to US$2,055.4 million. After tax profit (before non-operating items) attributable to shareholders increased by 60% compared to the previous year. After tax profit (inclusive of non-operating items) attributable to shareholders decreased by 24% to US$106.1 million.

"The Group achieved improved hotel performance in Mainland China and Southeast Asia..."

A final dividend of HK8 cents per ordinary share has been proposed, which when added to the interim dividend will amount to a total dividend of HK13 cents per share for the financial year.

I wish to thank all our staff and management for their dedication and hard work, my fellow Directors for their valued guidance and our shareholders for their continued support.

It has been a privilege and honour to serve as Chairman these past few years, and I appreciate you extending your full support to the Group's new Chairman, KUOK Hui Kwong.

KUOK Khoon Chen
Immediate Past Chairman

23 March 2017

EXECUTIVE DIRECTORS

KUOK Hui Kwong

Aged 39, Malaysian
Executive Director
Chairman

Period of service with the Group

- NED from October 2014 to June 2016
- ED and Deputy Chairman from June 2016 to December 2016
- ED and Chairman since January 2017

Other current major position(s) held within the Group

- Executive Committee – chairman
- Nomination Committee – chairman
- Remuneration Committee – member

Directorship of listed companies in the past three years

- China World Trade Center Company Limited (listed on the Shanghai stock exchange), an associate of the Company – director since April 2015
- SCMP Group Limited (currently known as Great Wall Pan Asia Holdings Limited) (listed on HKSE with stock code 00583) – executive director from February 2004 to June 2016
- The Post Publishing Public Company Limited (listed on the Thailand stock exchange) – director from November 2012 to June 2016

Other current major appointments

- Kerry Group Kuok Foundation (Hong Kong) Limited (charitable organisation) – governor

Other experience and previous major appointments

- SCMP Group Limited (currently known as Great Wall Pan Asia Holdings Limited) – managing director and chief executive officer from January 2009 to June 2012

Academic/professional qualification(s)

- Bachelor's degree in East Asian Studies – Harvard University, United States

Relationship with significant shareholders

- **Shareholding interest**
  - KGL (Substantial Shareholder) – deemed interest of more than 5%
  - Kuok Brothers Sdn Berhad (Other Major Shareholder) – deemed interest of less than 5%
  - Kuok (Singapore) Limited (Other Major Shareholder) – deemed interest of less than 5%
- **Directorship/office/employment**
  - KGL (Substantial Shareholder) – director
  - KHL (Substantial Shareholder) – director

Relationship with Directors and Senior Management

- LIU Kung Wei Christopher (ED) is the son of her cousin
- KUOK Khoon Chen (NED) is her brother
- TEO Ching Leun (company secretary) is her cousin

LIM Beng Chee

Aged 49, Singaporean
Executive Director
CEO

Period of service with the Group

- NED from September 2016 to December 2016
- ED and CEO since January 2017

Other current major position(s) held within the Group

- Executive Committee – member

Directorship of listed companies in the past three years

- Raffles Medical Group Limited (listed on the Singapore stock exchange) – independent director since July 2015
- CapitaLand Mall Asia Limited (listed on the Singapore stock exchange and HKSE until 2014) – director and chief executive officer from November 2008 to September 2014
- CapitaLand Malaysia Mall Trust (listed on the Malaysia stock exchange and is managed by CapitaLand Malaysia Mall REIT Management Sdn Berhad) – alternate director from May 2013 to September 2014

Other current major appointments

- Changi Airports International Pte Limited – non-executive director and member of the audit committee
- SCPG Holdings Co, Limited – non-executive director

Other experience and previous major appointments

- CapitaLand Mall Asia Limited (formerly known as CapitaMalls Asia Limited) – chief executive officer
- has more than 15 years of experience in retail real estate investment, development, mall operations, asset management and fund management in Asia

Academic/professional qualification(s)

- Bachelor's degree in Physics (Hons) – University of Oxford, United Kingdom
- MBA (Accountancy) – Nanyang Technological University, Singapore

LIU Kung Wei Christopher

Aged 49, Malaysian
Executive Director
MD and COO
(until 31 March 2017)

Period of service with the Group

- worked for the Group from January 2001 to September 2006
- rejoined the Group in May 2013 as executive vice president – projects
- ED, MD and COO from April 2016 to March 2017

Other experience and previous major appointments

- spearheaded the Group's development division and oversaw new hotel construction and renovation projects

Academic/professional qualification(s)

- Bachelor's degree in Architecture – Cornell University, United States
- qualified architect

Relationship with significant shareholders

- **Shareholding interest**
  - KGL (Substantial Shareholder) – less than 5%

Relationship with Directors and Senior Management

- KUOK Hui Kwong (ED) is a cousin of his mother
- KUOK Khoon Chen (NED) is a cousin of his mother
- TEO Ching Leun (company secretary) is a cousin of his mother

LUI Man Shing

Aged 73, Chinese
Executive Director

Period of service with the Group

- ED since March 2002
- Deputy Chairman from March 2007 to June 2016

Directorship of listed companies in the past three years

- Shangri-La Hotel Public Company Limited (listed on the Thailand stock exchange), a subsidiary of the Company – vice chairman since May 1994; managing director since May 2013

Other experience and previous major appointments

- has significant management and consultancy experience in the hospitality and property development industries since 1990

Relationship with significant shareholders

- **Shareholding interest**
  - KGL (Substantial Shareholder) – less than 5%
  - Kuok (Singapore) Limited (Other Major Shareholder) – less than 5%

Madhu Rama Chandra RAO

Aged 65, Indian
Executive Director

Period of service with the Group

- joined the Group as group financial controller in 1988
- CFO from 1997 to April 2016
- ED since December 2008

Other current major position(s) held within the Group

- Executive Committee – member
- SLIM-HK – acting president

Other experience and previous major appointments

- worked with a leading chartered accountancy practice in Mumbai, India for 17 years, including 12 years as partner

Academic/professional qualification(s)

- Bachelor's degree in Accountancy – University of Mumbai, India
- Fellow – Institute of Chartered Accountants of India

Relationship with significant shareholders

- **Shareholding interest**
  - KGL (Substantial Shareholder) – less than 5%

NON-EXECUTIVE DIRECTORS

KUOK Khoon Chen

Aged 62, Malaysian
Non-executive Director
(until 2 June 2017)

Period of service with the Group

- ED and Chairman from September 1997 to October 2000
- ED, CEO and Chairman from August 2013 to December 2016

Directorship of listed companies in the past three years

- China World Trade Center Company Limited (listed on the Shanghai stock exchange), an associate of the Company – executive director since May 2002
- Wilmar International Limited (listed on the Singapore stock exchange) – non-executive director from February 2010 to June 2016

Academic/professional qualification(s)

- Bachelor's degree in Economics – Monash University, Australia

Relationship with significant shareholders

- **Shareholding interest**
  - KGL (Substantial Shareholder) – deemed interest of more than 5%
  - Kuok Brothers Sdn Berhad (Other Major Shareholder) – deemed interest of more than 5%
  - Kuok (Singapore) Limited (Other Major Shareholder) – deemed interest of less than 5%
- **Directorship/office/employment**
  - KGL (Substantial Shareholder) – chairman and managing director
  - Kuok Brothers Sdn Berhad (Other Major Shareholder) – chairman

Relationship with Directors and Senior Management

- KUOK Hui Kwong (ED) is his sister
- LIU Kung Wei Christopher (ED) is the son of his cousin
- TEO Ching Leun (company secretary) is his cousin

HO Kian Guan

Aged 71, Singaporean
Non-executive Director

Period of service with the Group

- NED since May 1993

Other current major position(s) held within the Group

- Audit Committee – member

Directorship of listed companies in the past three years

- Keck Seng (Malaysia) Berhad (listed on the Malaysia stock exchange) – executive chairman since September 1970
- Keck Seng Investments (Hong Kong) Limited (listed on HKSE with stock code 00184) – executive chairman since December 1979

Academic/professional qualification(s)

- Bachelor's degree in Business Administration and Commerce – Nanyang Technological University, Singapore

Relationship with Directors and Senior Management

- HO Chung Tao (his alternate) is his son

HO Chung Tao

Aged 42, Singaporean
Alternate Director
(to HO Kian Guan)

Period of service with the Group

- alternate Director since October 2016

Directorship of listed companies in the past three years

- Keck Seng Investments (Hong Kong) Limited (listed on HKSE with stock code 00184) – executive director since October 2008

Other experience and previous major appointments

- worked for a major US investment bank based in Japan focusing on real estate acquisitions, a venture capital firm in Japan and a securities firm in Singapore

Academic/professional qualification(s)

- Bachelor's degree in Hotel Administration – Cornell University, United States

Relationship with Directors and Senior Management

- HO Kian Guan (NED) is his father

INDEPENDENT NON-EXECUTIVE DIRECTORS

Alexander Reid HAMILTON

Aged 75, British
Independent Non-executive Director

Period of service with the Group

- INED since November 2001

Other current major position(s) held within the Group

- Nomination Committee – member
- Remuneration Committee – chairman
- Audit Committee – chairman

Directorship of listed companies in the past three years

- Esprit Holdings Limited (listed on HKSE with stock code 00330) – independent non-executive director since August 1995
- COSCO SHIPPING International (Hong Kong) Co, Ltd (formerly known as COSCO International Holdings Limited) (listed on HKSE with stock code 00517) – independent non-executive director since June 2011
- JP Morgan China Region Fund Inc (a US-registered closed-end fund quoted on the New York stock exchange) – independent non-executive director from December 1994 to July 2016
- CITIC Limited (listed on HKSE with stock code 00267) – independent non-executive director from May 1994 to June 2015

Other current major appointments

- Octopus Cards Limited – independent non-executive director

Other experience and previous major appointments

- Price Waterhouse (currently known as PricewaterhouseCoopers) – partner for 16 years

Academic/professional qualification(s)

- Member – Institute of Chartered Accountants of Scotland
- Fellow – Hong Kong Institute of Certified Public Accountants
- Fellow – Institute of Directors

Timothy David DATTELS

Aged 59, American
Independent Non-executive Director

Period of service with the Group

- INED since February 2004

Directorship of listed companies in the past three years

- BlackBerry Limited (listed on the Toronto stock exchange and NASDAQ) – director since July 2012

Other current major appointments

- TPG Capital Asia – managing partner

Other experience and previous major appointments

- Goldman Sachs – partner and managing director; head of investment banking for Asia ex-Japan from 1996 to 2000 and advised several leading Asian entrepreneurs and governments

Academic/professional qualification(s)

- Bachelor’s degree – University of Western Ontario, Canada
- MBA – Harvard Business School, United States

LI Kwok Cheung Arthur

Aged 71, Chinese
Independent Non-executive Director

Period of service with the Group

- INED since March 2011

Other current major position(s) held within the Group

- Nomination Committee – member
- Remuneration Committee – member
- Audit Committee – member

Directorship of listed companies in the past three years

- The Bank of East Asia, Limited (listed on HKSE with stock code 00023) – non-executive director since January 2008; non-executive deputy chairman since April 2009
- Nature Home Holding Company Limited (listed on HKSE with stock code 02083) – independent non-executive director since May 2011
- AFFIN Holdings Berhad (listed on the Malaysia stock exchange) – non-executive director from May 2008 to December 2014
- CaixaBank, SA (listed on the Spain stock exchange) – director from November 2014 to December 2015

Other current major appointments

- The Executive Council of the Hong Kong Special Administrative Region – member
- Council for Sustainable Development of the Government of the Hong Kong Special Administrative Region – chairman
- The National Committee of the Chinese People's Political Consultative Conference – member
- The Chinese University of Hong Kong – emeritus professor of surgery
- The University of Hong Kong – council chairman

Other experience and previous major appointments

- The Chinese University of Hong Kong – vice-chancellor (president) from 1996 to 2002
- Education and Manpower Bureau of the Hong Kong Special Administrative Region – Secretary for Education and Manpower from 2002 to June 2007

Academic/professional qualification(s)

- Medical degree – University of Cambridge, United Kingdom

LEE Kai-Fu

Aged 55, Taiwanese
Independent Non-executive Director

Period of service with the Group

- INED since November 2015

Directorship of listed companies in the past three years

- LightInTheBox Holding Company, Limited (listed on NASDAQ) – independent director since June 2013
- Hon Hai Precision Industry Company, Limited (listed on Taiwan stock exchange) – independent director since July 2016
- Meitu, Inc (listed on HKSE with stock code 01357) – non-executive director since August 2016

Other current major appointments

- Innovation Works (China) – chairman and chief executive officer

Other experience and previous major appointments

- Google Greater China – president
- Microsoft Corp – corporate vice president
- Microsoft Research Asia (China) – founder and managing director
- Silicon Graphics Inc – vice president

Academic/professional qualification(s)

- Honorary Doctorate degree of Business Practice – Carnegie Mellon University, United States
- Honorary Doctorate degree – City University of Hong Kong
- Doctor of Philosophy in Computer Science – Carnegie Mellon University, United States
- Bachelor's degree in Computer Science – Columbia University, United States
- Fellow – Institute of Electrical and Electronics Engineers

COMPANY SECRETARY

TEO Ching Leun

Aged 56, Singaporean
Company Secretary

Period of service with the Group

- company secretary since March 2008

Academic/professional qualification(s)

- LLB (Hons) degree – National University of Singapore
- LLM degree in Laws – University of London, United Kingdom
- Solicitor – Hong Kong
- Solicitor – Supreme Court of England and Wales
- Advocate and solicitor – Supreme Court of Singapore

Relationship with Directors and Senior Management

- KUOK Hui Kwong (ED) is her cousin
- LIU Kung Wei Christopher (ED) is the son of her cousin
- KUOK Khoon Chen (NED) is her cousin

SENIOR MANAGEMENT

KUOK Hui Kwong

Aged 39, Malaysian
Chairman

- The biography is set out in the previous subsection.

LIM Beng Chee

Aged 49, Singaporean
CEO

- The biography is set out in the previous subsection.

Madhu Rama Chandra RAO

Aged 65, Indian
Executive Director

- The biography is set out in the previous subsection.

TOH Hup Hock

Aged 51, Singaporean
CFO

Period of service with the Group

- joined the Group in April 2016 as CFO

Directorship of listed companies in the past three years

- Sands China Limited (listed on HKSE with stock code 01928) – executive director from June 2010 to April 2016

Other experience and previous major appointments

- Sands China Limited – chief financial officer, executive vice president and executive director
- General Electric Company – chief financial officer or similar position in Asia, including GE Lighting Asia, GE Consumer Products Asia, GE Consumer & Industrial Asia and GE Plastics Greater China

Academic/professional qualification(s)

- MBA – University of Queensland, Australia
- Bachelor's degree in Accounting – Murdoch University, Australia
- Fellow – CPA, Australia

DISCUSSION AND ANALYSIS

Lobby
Shangri-La's Hambantota Resort & Spa, Sri Lanka

1. PERFORMANCE REVIEW

The principal activities of the Group remain the same as in 2015. 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 currently owns and/or manages hotels under five brands:

Shangri-La Hotels are five-star luxury hotels characterised by extensive facilities and exceptional hospitality, located in premier cities.

Shangri-La Resorts offer travellers and families relaxing and engaging holiday experiences in some of the world's most exotic destinations.

SHANGRI-LA HOTELS and RESORTS

Kerry Hotels are five-star hotels with unique contemporary design and sincere, intuitive service.

KERRY HOTELS

Hotel Jen caters to an emerging generation of independently-minded business and leisure travellers with vibrant, mid-range hotels in key locations in Asia.

HOTEL JEN By Shangri-La

Traders Hotels are four-star business hotels that also appeal to leisure travellers, offering smart functionality and practical efficiency.

TRADERS HOTELS

Sales

For the year ended 31 December 2016, consolidated sales were US$2,055.4 million, a decrease of US$67.2 million or 3%, compared to US$2,122.6 million for the year ended 31 December 2015. This was mainly driven by local currency depreciation as most of the local currencies in which the Group has its operation, barring Hong Kong and Japan, have depreciated against the United States dollar ("**US dollar**"). Consequently, the revenues of the properties in these countries expressed in US dollar were adversely affected. The percentage of appreciation/(depreciation) of different local currencies against the US dollar based on the average exchange rates of 2016 and 2015 are as follows:

–	Renminbi	(6.2%)
–	Singapore dollar	(0.6%)
–	Malaysian ringgit	(5.9%)
–	Philippines peso	(4.1%)
–	Thai baht	(2.8%)
–	Australian dollars	(1.3%)
–	Euros	(0.4%)
–	British pound	(12.0%)
–	Japanese yen	11.1%
–	Turkish lira	(9.3%)
–	Mauritian rupee	(2.9%)
–	Mongolian tugrik	(7.6%)
–	Sri Lankan rupee	(7.1%)

Shangri-La Hotel, Nanchang

Shangri-La at the Fort, Manila

Profit before non-operating items

Profit before non-operating items for the year ended 31 December 2016 was US$137.6 million, an increase of US$51.8 million or 60%, compared to US$85.8 million for the year ended 31 December 2015. This performance was driven by an increase in profits from hotel ownership, hotel management services and property sales operating segments.

Aggregate profit of the hotel ownership segment and the hotel management services segment for the year ended 31 December 2016 was US$79.0 million, an increase of US$41.1 million or 108%, compared to US$37.9 million for the year ended 31 December 2015. The increase was primarily due to a US$43.3 million reduction of operating loss of the Mainland China hotel portfolio. Mainland China continued to be the primary focus of the Group's principal business activities, accounting for more than half of the Group's hotel ownership portfolio.

The property rentals segment profit for the year ended December 2016 was US$131.6 million, a decrease of 5%, compared to US$139.0 million for the year ended 31 December 2015. The decrease in profit was primarily due to:

- Renminbi depreciation;
- major renovations to the China World Trade Center in Beijing;
- start-up costs of the Hangzhou Kerry Centre in Mainland China, Sule Square in Yangon and the Shangri-La Centre, Ulaanbaatar, all of which opened in the last quarter of the year; and
- poor occupancies at the Sule Square and the Shangri-La Centre, Ulaanbaatar.

The property sales segment profit for the year ended 31 December 2016 was US$54.7 million, an increase of US$31.9 million or 140%, compared to US$22.8 million for the year ended 31 December 2015. The Group has equity interest 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. Benefiting from a strong demand for residential apartments in Mainland China, the Group recorded a substantial increase in net profit from property sales for the year.

The Group also engaged in the following businesses:

- 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 year ended 31 December 2016.

Segment Results

Segment information details are provided in Note 5 to the consolidated financial statements included in this Annual Report.

(i) Hotel Ownership

The following Group-owned hotels opened for business during the year:

- The 576-room Shangri-La at the Fort, Manila together with the Shangri-La Residences (with 97 apartments) 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.

At 31 December 2016, the Group had equity interest in 76 operating hotels (including the Portman Ritz-Carlton Hotel, Shanghai ("**Portman**") (2015: 73) and 3 hotels under operating lease (2015: 3), representing a room inventory of 34,705 (2015: 33,202) across Asia Pacific, Europe and Africa.

Details of these 79 hotels:

		Group's Equity Interest	Available Rooms
(A)	**Hotels owned by the Group**		
	Hong Kong		
	Kowloon Shangri-La, Hong Kong	100%	688
	Island Shangri-La, Hong Kong	80%	565
	Hotel Jen Hong Kong	30%	283
	Mainland China		
	Shangri-La Hotel, Beijing	38%	670
	China World Hotel, Beijing	50%	716
	China World Summit Wing, Beijing	40.32%	278
	Traders Hotel, Beijing	50%	570
	Kerry Hotel, Beijing	23.75%	485
	Pudong Shangri-La, East Shanghai	100%	952
	Jing An Shangri-La, West Shanghai	49%	508
	Kerry Hotel Pudong, Shanghai	23.2%	574
	Portman Ritz-Carlton Hotel, Shanghai	30%	610
	Shangri-La Hotel, Shenzhen	72%	522
	Futian Shangri-La, Shenzhen	100%	528
	Golden Flower Hotel, Xian *	100%	382
	Shangri-La Hotel, Xian	100%	393
	Shangri-La Hotel, Hangzhou	45%	382
	Shangri-La Hotel, Beihai	100%	362
	Shangri-La Hotel, Changchun	100%	457
	Hotel Jen Shenyang	100%	407
	Shangri-La Hotel, Shenyang	25%	383
	Shangri-La Hotel, Qingdao	100%	696
	Shangri-La Hotel, Dalian	100%	563
	Shangri-La Hotel, Wuhan	92%	442
	Shangri-La Hotel, Harbin	100%	404
	Shangri-La Hotel, Fuzhou	100%	414
	Shangri-La Hotel, Guangzhou	80%	704
	Shangri-La Hotel, Chengdu	80%	593
	Shangri-La Hotel, Wenzhou	75%	409
	Shangri-La Hotel, Ningbo	95%	562
	Shangri-La Hotel, Guilin	100%	439
	Shangri-La Hotel, Baotou	100%	360
	Shangri-La Hotel, Huhhot	100%	365
	Shangri-La Hotel, Manzhouli	100%	235

	Group's Equity Interest	Available Rooms
Shangri-La Hotel, Yangzhou	100%	369
Shangri-La Hotel, Qufu	100%	322
Shangri-La Hotel, Lhasa	100%	289
Shangri-La's Sanya Resort & Spa, Hainan	100%	496
Shangri-La Hotel, Nanjing	55%	450
Shangri-La Hotel, Qinhuangdao	100%	330
Shangri-La Hotel, Hefei	100%	401
Hylandia by Shangri-La, Diqing	100%	228
Shangri-La Hotel, Tianjin	20%	304
Shangri-La Hotel, Nanchang	20%	473
Shangri-La Hotel, Tangshan	35%	301
Midtown Shangri-La, Hangzhou	25%	417
Singapore		
Shangri-La Hotel, Singapore	100%	747
Shangri-La's Rasa Sentosa Resort & Spa, Singapore	100%	454
Hotel Jen Tanglin Singapore	44.6%	565
Malaysia		
Shangri-La Hotel, Kuala Lumpur	52.78%	655
Shangri-La's Rasa Sayang Resort & Spa, Penang	52.78%	303
Golden Sands Resort, Penang	52.78%	387
Hotel Jen Penang	31.67%	443
Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu	64.59%	499
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu	40%	492
The Philippines		
Makati Shangri-La, Manila	100%	696
Edsa Shangri-La, Manila	100%	630
Shangri-La's Mactan Resort & Spa, Cebu	93.95%	530
Shangri-La's Boracay Resort & Spa	100%	219
Shangri-La at the Fort, Manila	40%	576
Thailand		
Shangri-La Hotel, Bangkok	73.61%	802
Shangri-La Hotel, Chiang Mai	73.61%	277
Australia		
Shangri-La Hotel, Sydney	100%	565
Shangri-La Hotel, The Marina, Cairns	100%	255
Hotel Jen Brisbane	100%	191
France		
Shangri-La Hotel, Paris	100%	101
Maldives		
Shangri-La's Villingili Resort & Spa, Maldives	70%	132
Hotel Jen Malé, Maldives	100%	117

		Group's Equity Interest	Available Rooms
	Other areas		
	Shangri-La Bosphorus, Istanbul	50%	186
	Shangri-La's Fijian Resort & Spa, Yanuca, Fiji	71.64%	442
	Sule Shangri-La, Yangon	59.16%	479
	Shangri-La Hotel, Jakarta, Indonesia	25%	619
	Shangri-La Hotel, Surabaya, Indonesia	11.34%	368
	Shangri-La Hotel, Ulaanbaatar	51%	290
	Shangri-La's Le Touessrok Resort & Spa, Mauritius	26%	203
	Shangri-La's Hambantota Resort & Spa, Sri Lanka	90%	300
	Total of 76 owned hotels		33,804
(B)	**Hotels under operating lease agreements**		
	Shangri-La Hotel, Tokyo		200
	Shangri-La Hotel, At The Shard, London		202
	Hotel Jen Orchardgateway Singapore		499
	Total of 3 leased hotels		901
Grand total			34,705

* In June 2016, the Group entered into a sale and purchase agreement to dispose of its entire equity interest of 100% in an investment holding company which owns the Golden Flower Hotel, Xian. The sale and purchase transaction has been completed in February 2017. Details of this transaction are provided in the section headed "Disposal".

For the year ended 31 December 2016, on an unconsolidated basis (simple total of subsidiaries and associates' balances), the share of room revenues and food and beverage revenues as a percentage of total hotel operation revenues remained unchanged at approximately 50% and 44%, respectively. Despite the opening of three new hotels during the year and the full year operation of hotels opened in 2015, total sales from hotel operations marginally decreased by less than 1% as compared to 2015 when expressed in US dollar terms.

The key performance indicators of the Group-owned hotels (including hotels under lease) on an unconsolidated basis for the year ended 31 December 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	**77**	**300**	**232**	78	307	239
Mainland China	**63**	**122**	**77**	58	138	79
Singapore	**70**	**210**	**148**	69	221	152
Malaysia	**72**	**123**	**89**	71	123	87
The Philippines	**70**	**189**	**132**	70	201	140
Japan	**85**	**531**	**451**	87	467	406
Thailand	**62**	**148**	**93**	68	148	101
Australia	**89**	**208**	**184**	83	206	172
France	**52**	**1,136**	**596**	64	1,226	783
United Kingdom	**75**	**502**	**377**	68	588	402
Other countries	**49**	**188**	**92**	54	203	110
Weighted Average	**65**	**160**	**104**	62	175	109

Overall, the weighted average Room Yields ("**RevPAR**") and the weighted Average Room Rate ("**ADR**") decreased by 5% and 9%, respectively, during the year.

Comments on performance by geography:

The People's Republic of China

Hong Kong

Visitors from Mainland China and overall visitor arrivals to the city for the year decreased by 6.7% and 4.5%, respectively. Visitors from Mainland China continued to decrease as a result of the depreciation of the Renminbi and the slowdown of economic growth in Mainland China. Hotel room rates were affected by the resultant competitive pressure. Both the weighted average RevPAR of the two Shangri-La hotels and the overall weighted average RevPAR of the three hotels in Hong Kong decreased by 3%.

The overall net profit of the Hong Kong hotel ownership segment decreased by US$4.4 million to US$58.3 million for the year.

Mainland China

Following the opening of Midtown Shangri-La, Hangzhou, the Group had equity interest in 43 operating hotels in Mainland China as at 31 December 2016.

The negative market sentiment in the country persisted in the first half of the year. Demand has gradually improved in the second half of the year and most of the hotels have recorded improvement in occupancy. The depreciation of the Renminbi resulted in most of the hotels recording declines in weighted ADR in US dollar terms. This led to a decrease in the overall weighted ADR by 12%. The overall weighted average occupancies increased by 5 percentage points. Overall weighted average RevPAR decreased by 4%. The Group has focused on both cost-control measures and optimising market share of newly opened hotels. The hotels in Hefei, Lhasa, Nanjing, Qufu, Jing An (Shanghai), Tianjin, Yangzhou and Tangshan registered increases in RevPAR ranging from 4% to 27%. With the improved performance of a large number of loss-making hotels, net losses of this segment were reduced significantly to US$12.5 million in the year from US$55.8 million in 2015.

The 344-room Songbei Shangri-La, Harbin (a wholly owned hotel) opened for business on 10 January 2017. In February 2017, the Group completed the sale and purchase agreement executed in June 2016 for the disposal of its entire interest of 100% in an investment holding company which owns the Golden Flower Hotel, Xian after obtaining all the necessary approvals from the local government authorities and completion of the change of registration as required by local laws.

Singapore

Hotels in Singapore registered a marginal overall decrease in weighted average RevPAR of 3%, mainly due to a 5% reduction in the overall weighted ADR. While the Hotel Jen Tanglin Singapore recorded an increase in RevPAR of 39% with the completion of its major renovations during the year, the RevPAR of Shangri-La Hotel, Singapore was down by 14%, led by a 9 percentage point decline in occupancy as a result of the major renovation of the Tower Wing which commenced gradually and led to its total closure in the second half of the year. The overall Group's share of net profit of the four hotels reduced to US$23.7 million for the year from US$29.9 million in 2015.

Malaysia

The overall weighted ADR of all the hotels and resorts in the country in US dollar terms remained at the same level as 2015 despite a 5.9% depreciation of the Malaysian ringgit during the year. This resulted in an overall increase in the weighted average RevPAR of 2%, on the back of a 1 percentage point increase in weighted average occupancies.

While the occupancy of Shangri-La Hotel, Kuala Lumpur remained stable at 70% for the year, the hotel registered a 7% reduction in RevPAR due to a corresponding drop of its ADR. The hotel underwent a major renovation to its ballroom, function rooms and a restaurant that commenced in November 2016 and was completed in March 2017. The Golden Sands Resort, Penang, Shangri-La's Rasa Ria Resort & Spa and Shangri-La's Tanjung Aru Resort & Spa in Kota Kinabalu registered increases in their RevPAR of 7%, 8% and 10%, respectively, with a rise in visitor arrivals from key markets. Due to an ongoing major renovation programme of its guestrooms from July 2016, the Hotel Jen Penang recorded an 8% decline in ADR and a 13 percentage point drop in its occupancy. The RevPAR of the property decreased by 25%.

The Group's share of net profit from the hotels and resorts in the country was adversely affected by a US$1.5 million reduction in profit contribution from Shangri-La Hotel, Kuala Lumpur and a reduction of exchange gains of US$2.0 million relating to shareholder loans in US dollars granted to its associates. Overall, the Group's share of net profit decreased by US$3.7 million in 2016.

The Philippines

Performance of the city hotels in the country was adversely affected by the influx of new hotel supply. The RevPAR of the Shangri-La Hotel, Manila declined by 13%, mainly due to a 10% reduction in ADR. Net profit from this hotel reduced by US$5.0 million in 2016. In comparison, the performance of the resorts was relatively better. Shangri-La's Mactan Resort & Spa, Cebu recorded an increase in RevPAR of 3%. However, the Group had to account for its share of start-up losses amounting to US$4.1 million of the Shangri-La at the Fort, Manila which opened in March 2016. Consequently, the Group's share of net profit from the hotels and resorts in the country decreased substantially by US$10.6 million in 2016.

Thailand

Shangri-La Hotel, Bangkok's business was affected by the increased supply in the city and renovations to the Krungthep Wing. The hotel recorded a decrease in ADR and RevPAR of 3% and 10%, respectively. Occupancy decreased by 5 percentage points. Food and beverage revenues also decreased accordingly. Performance of Shangri-La Hotel, Chiang Mai was relatively better with increased visitor arrivals to the city. Due to the depreciation of the local currency, the hotel recorded a RevPAR decrease in US dollars terms of 3% although the RevPAR expressed in local currency terms remained unchanged. The overall weighted average RevPAR of the two hotels decreased by 8%.

In line with performance indicators, the Group's share of net profit from these two hotels decreased by US$3.6 million during the year.

Japan

Shangri-La Hotel, Tokyo recorded an increase in RevPAR of 11% during the year, largely due to an increase in its ADR by 14%. While the hotel still has to contend with the burden of a high lease rental, the hotel's financial results turned around from a net loss of US$0.7 million in 2015 to a net profit of US$0.8 million.

France

Shangri-La Hotel, Paris recorded a decrease in RevPAR of 24% during the year largely due to a decrease of 11 percentage points in occupancy as a result of the terrorism-related incidents in the city. However, the net loss of the hotel was reduced by US$6.1 million during the year following a reduction in depreciation charges.

Australia

The three hotels in the country registered an overall increase in weighted average RevPAR of 7%, mainly supported by an overall increase in weighted average occupancies of 5 percentage points. The hotels in Sydney, Cairns and Brisbane recorded an increase in occupancy of 3 percentage points, 7 percentage points and 11 percentage points, respectively. The Group has also refinanced its local maturing bank loans through a new local bank loan carrying a lower interest rate.

The Group recorded a net profit of US$3.9 million from the hotels in the country during the year, as compared to a marginal loss of US$0.1 million in 2015.

The United Kingdom

Shangri-La Hotel, At The Shard, London's occupancy increased by 7 percentage points, but the hotel recorded a drop in ADR of 15%, mainly due to the depreciation of the local currency. RevPAR in US dollar terms was down by 6% as a result. The amount of net loss for the year was reduced by US$3.1 million to US$18.6 million due to improved operating performance.

Mongolia

Shangri-La Hotel, Ulaanbaatar (opened for business in June 2015) recorded an increase in ADR of 25%. This, together with a 2 percentage point increment in occupancy, led to an increase in RevPAR of 32%. However, completing a full year of operation in 2016, the Group's effective share of depreciation charges increased to US$5.7 million in the current year compared to US$3.3 million in 2015. As a result, the amount of net loss shared by the Group increased by US$0.8 million for the year.

Sri Lanka

Shangri-La's Hambantota Resort & Spa, Sri Lanka registered an average room rate of US$134 and an occupancy of 32% since its opening in June 2016. Due to start-up costs, high depreciation charges and exchange losses on its US dollar bank borrowings, the Group recorded a net loss of US$7.9 million from this hotel.

Other Countries

Shangri-La Bosphorus, Istanbul in Turkey was adversely affected by the local political environment including terrorism related incidents and recorded a drop in occupancy of 20 percentage points. The hotel registered a decrease in ADR of 22% due to a reduction in demand as well as a 9% depreciation of the local currency during the year. RevPAR of the hotel was down by 47%. The Group's share of net loss for the year increased by US$2.2 million after accounting for its share of the exchange loss of US$2.6 million arising from the US dollar bank borrowings.

The performance of the two hotels in the Maldives was adversely affected by a decline in arrivals during the year due to political and security concerns in the country. The properties recorded a drop in weighted average occupancies and weighted ADR of 9 percentage points and 7%, respectively. This led to a 24% decrease in weighted average RevPAR. The Group's share of net loss for the year, however, was only marginally higher by US$0.1 million due to reduced burden of depreciation charges of Shangri-La's Villingili Resort & Spa, Maldives.

Shangri-La's Le Touessrok Resort & Spa, Mauritius recorded a 12% increase in RevPAR, supported by a 32% increase in ADR. The Group recorded a marginal loss of US$0.5 million for the year.

Shangri-La's Fijian Resort & Spa, Yanuca, Fiji registered a decrease in occupancy and RevPAR of 4 percentage points and 3%, respectively. The Group's share of net profit from this resort for the year decreased by US$0.8 million.

While the Shangri-La Hotel, Jakarta experienced weak demand during the year and registered a decrease in RevPAR of 11%, the Group's share of net profit from this hotel for the year increased by US$2.7 million after inclusion of its share of a US$4.0 million tax credit under a local tax incentive scheme.

The performance of Sule Shangri-La, Yangon in Myanmar continued to be affected by weak demand growth and increasing hotel supply in the market and recorded a drop in ADR of 17%, which led to a decrease in RevPAR of 20%. The Group's share of net profit for the year from this hotel decreased by US$1.2 million.

The Group's share of the overall net loss for the year from these hotels in other countries increased by US$2.2 million.

(ii) Hotel Management Services

At 31 December 2016, out of the 76 hotels and resorts in which the Group has equity interest and three leased hotels, the Group's wholly owned subsidiary, SLIM International Limited and its subsidiaries ("**SLIM**"), managed a total of 77 (2015: 75) hotels and resorts. Portman was not managed by SLIM, and the Group terminated the management agreement of Golden Flower Hotel, Xian at the end of October 2016 as a condition to complete the sale and purchase agreement of the hotel.

In December 2016, SLIM ceased to manage Hotel Jen Upper East, Beijing, a third-party owned hotel, as the owner of the hotel decided to redevelop the property.

At 31 December 2016, SLIM managed 19 operating hotels (6,248 available rooms) owned by third parties located in Toronto and Vancouver (Canada), Manila (the Philippines), Muscat (Oman), Doha (Qatar), Abu Dhabi (two hotels); Dubai (UAE); Putrajaya, Johor and Kuala Lumpur (Malaysia); New Delhi and Bengaluru (India); Taipei and Tainan (Taiwan); and Changzhou (two hotels), Haikou and Suzhou (Mainland China). SLIM also had management agreements on hand for eight new hotel projects owned by third parties.

For the year ended 31 December 2016, overall weighted average RevPAR of the hotels under third-party hotel management agreements registered a decrease of 10% as compared to last year. However, net profit of SLIM, after elimination of revenue earned from fellow subsidiaries, has increased substantially by US$22.5 million for the year as a result of cost saving measures instituted, an increase in consultancy fee income from associates for projects under development and the credit for the fair value of the expired points and those anticipated to expire under the Group's guest loyalty programme under contracts executed by SLIM directly with third-party strategic partners.

(iii) Property Rentals

At 31 December 2016, the Group's subsidiaries and associates owned a portfolio comprising operating investment properties with 1,374,361 square metres of leasable area* (2015: 1,173,273 square metres) and investment properties under development with approximately 704,351 square metres gross floor area under completion (2015: 1,081,218 square metres).

	Total leasable area* of operating investment properties as at 31 December 2016		
(in square metres)	Office spaces	Commercial spaces	Serviced apartments
Mainland China	622,396	283,337	221,756
Singapore	2,119	14,724	20,345
Malaysia	30,651	2,065	8,800
Other countries	67,416	36,696	64,056
Total	722,582	336,822	314,957

The above mentioned total leasable area included the following new area of investment properties opened for business in 2016:

		Total leasable area* as at 31 December 2016		
(in square metres)	Group's equity interest	Office spaces	Commercial spaces	Serviced apartments
Hangzhou Kerry Centre	25%	12,651	61,305	–
China World Trade Center Phase 3B (partially opened)	40.32%	–	26,169	–
Sule Square	59.28%	28,800	5,618	–
Shangri-La Centre, Ulaanbaatar	51%	18,170	16,999	19,554

* Being the total leasable area owned by subsidiaries and associates.

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 have been adversely affected by the depreciation of local currencies against the US dollar.

Mainland China

(in square metres)	Group's equity interest	Total leasable area* as at 31 December 2016 Office spaces	Commercial spaces	Serviced apartments
China World Trade Center	40.32%-50%	189,376	71,229	50,761
Century Towers, Beijing	50%	–	–	28,348
Beijing Kerry Centre	23.75%	80,348	17,006	33,311
Shanghai Centre	30%	30,262	9,641	39,780
Kerry Parkside Shanghai Pudong	23.2%	92,932	26,410	24,336
Jing An Kerry Centre – Phase I	24.75%	34,397	6,032	16,671
Jing An Kerry Centre – Phase II	49%	109,000	37,189	–
Shangri-La Centre, Chengdu	80%	41,519	4,212	–
Shangri-La Residences, Dalian	100%	–	–	28,549
Shangri-La Centre, Qingdao	100%	31,911	8,029	–
Tianjin Kerry Centre	20%	–	42,284	–
Hangzhou Kerry Centre	25%	12,651	61,305	–
Total		622,396	283,337	221,756

* Being the total leasable area of operating investment properties owned by subsidiaries and associates.

Following the slowdown in economic growth, occupancies and rental rates have softened. On an average, yields of the office and commercial spaces (excluding Phase 3B) at the China World Trade Center in Beijing recorded decreases of 4% and 14%, respectively, while yields of the serviced apartments recorded an improvement of 3%. Major renovations to convert the original exhibition hall and its connecting area to the shopping mall are ongoing and will be completed in the first half of 2017. Phase 3B development has been partially completed in late 2016, adding approximately 26,000 square metres of commercial spaces; 30% of the new area was leased out before the year end.

Yields of the commercial spaces at Beijing Kerry Centre recorded an increase of 5% while yields of the office spaces recorded a marginal decrease of 3%. Yields of this centre's serviced apartments remained stable at the same level as 2015.

The occupancy of the serviced apartments of Century Towers, Beijing was down by 4 percentage points. This, together with a 6% reduction in rental rate, led to a decrease in yields of 10%.

In Shanghai, yields of the serviced apartments at Jing An Kerry Centre Phase I and the office spaces at both Phase I and Phase II of the centre remained at around the same level as last year. However, following a reduction in rental rates, yields of the commercial spaces of Phase I and Phase II were down by 7% and 10%, respectively. Yields of the serviced apartments, commercial spaces and office spaces at the Shanghai Centre were down by 11%, 16% and 17%, respectively, primarily due to reduction in rental rates. For Kerry Parkside Shanghai Pudong, yields of its commercial and office spaces recorded marginal decreases of 1% and 3%, respectively. Yields of its serviced apartments were down by 11% due to a 6 percentage point decrease in occupancy and a 4% decrease in rental rate.

The Shangri-La Residences, Dalian recorded a decrease in yields of 7%, and the yields of commercial and office spaces at the Chengdu Shangri-La Centre recorded decreases of 14% and 29%, respectively. Likewise, yields of the commercial and office spaces at the Shangri-La Centre, Qingdao also registered decreases of 13% and 20%, respectively.

China World Trade Center (together with the Century Towers in Beijing) and Jing An Kerry Centre continued to be the key profit contributors of this segment. The Group's share of total net profit from these two centres increased marginally by US$1.0 million during the year. Due to cost saving measures initiated, financial results of most of the other investment properties in Mainland China remained at similar levels as in 2015 despite a general decrease in yields. The Group recorded a US$2.7 million share of net loss for the year from Hangzhou Kerry Centre since its opening in mid 2016. The Group's share of the net profit from the investment properties in Mainland China for the year decreased by US$2.9 million.

Singapore

Yields of the wholly owned Shangri-La Apartments registered an increase of 4% led by an identical increase in average rental rates. The wholly owned Shangri-La Residences also saw yields increase marginally by 1% supported by an occupancy increase of 1 percentage point. In comparison, the commercial spaces at Tanglin Place and Tanglin Mall (both 44.6% owned by the Group) recorded modest declines in yields of 2% and 4%, respectively. Yields of office spaces at Tanglin Place decreased marginally by 1%. The Group's share of net profit from the investment properties in Singapore for the year remained the same as last year.

Malaysia

Due to the depreciation of the Malaysian ringgit, the commercial and office spaces at the UBN Tower and the UBN Apartments recorded decreases in yields of 3%, 4% and 5%, respectively. The two properties (both 52.78% owned by the Group) are located in Kuala Lumpur. The Group's share of net profit from the investment properties in Malaysia for the year reduced marginally by US$0.3 million.

Other countries

In Myanmar, the Shangri-La Residences in Yangon (55.86% owned by the Group) registered further growth in yields of 3% after a 67% increase in 2015. Due to the slowdown of the local economy, yields of the office and commercial spaces at the Central Tower, Ulaanbaatar in Mongolia (51% owned by the Group) were down by 25% and 26%, respectively. The Group's share of net profit from the investment properties in other countries for the year decreased by US$4.0 million for the year largely as a result of the start-up losses of the newly opened Sule Square in Yangon and Shangri-La Centre, Ulaanbaatar.

(iv) Property Sales

The Group has equity interests in certain composite developments in Mainland China which include the development of Shangri-La hotels together with office buildings and/or residential buildings for sales and/or rental purposes. Since the second half of 2015, there has been a marked improvement in the property sales market in tier 1 and tier 2 cities in Mainland China. The Group, through its associates, continued to dispose of the residential and office inventories in an orderly manner and recognised its share of net profit of US$54.7 million in 2016 from sales of the following residential units and office spaces during the year:

– *Arcadia Court, Tangshan (35% owned by the Group)*

  Phase I to III comprise fourteen residential towers. After a further 185 units were sold, a cumulative 1,410 units out of the total 1,498 units had been sold by 31 December 2016. Most of the sold units have been handed over to the buyers with the remaining 38 units to be handed over in 2017.

– *Arcadia Court, Tianjin (Phase I of Tianjin Kerry Centre) (20% owned by the Group)*

  The development comprises three residential towers. After a further 221 units were sold during the year, a cumulative 1,015 units out of the total 1,126 units had been sold by 31 December 2016. Most of the sold units have been handed over to the buyers with the remaining 18 units to be handed over in 2017.

– *Arcadia Court and Enterprise Square, Shenyang (25% owned by the Group)*

: Phase I, comprising four residential towers (Arcadia Court) and the Enterprise Square (office spaces), has been completed and delivered for occupation. After a further 277 residential units and 1 office unit were sold during the year, a cumulative 758 residential units and 135 office units out of the total 972 residential units and 229 office units had been sold as at 31 December 2016. Most of the sold units have been handed over to the buyers with the remaining 159 residential units to be handed over in 2017.

: Phase II comprises two residential towers which are under construction and will be completed in late 2017. During the year, 43 units out of the 273 units launched had been pre-sold. It is expected that the pre-sales revenue of these 43 units can be recognised in 2018 upon handover to the buyers.

– *Arcadia Court, Putian (40% owned by the Group)*

The development comprises twenty residential towers. At 31 December 2016, all 1,820 units had been sold of which 765 units were sold during the year. Most of the sold units have been handed over to the buyers with the remaining 90 units to be handed over in 2017.

– *Arcadia Court, Nanchang (20% owned by the Group)*

Following the completion of two new towers during the year, the development now has five residential towers. After a further 224 units were sold during the year, a cumulative 408 units out of the total 436 units had been sold as at 31 December 2016. Most of the sold units have been handed over to the buyers with the remaining 62 units to be handed over in 2017.

EBITDA and Consolidated Profits

	EBITDA of the Company and subsidiaries		**Effective share of EBITDA of associates**	
	2016 US$ Mil	2015 US$ Mil	**2016 US$ Mil**	2015 US$ Mil
Hotel ownership	**474.7**	493.0	**60.4**	61.7
Hotel management	**48.8**	24.5	**–**	–
Sub-total	**523.5**	517.5	**60.4**	61.7
Property rentals	**32.2**	36.8	**191.0**	187.6
Property sales	**–**	–	**65.5**	26.5
Other business	**–**	–	**(0.6)**	(1.6)
Corporate and project expenses	**(32.7)**	(24.6)	**(1.4)**	(3.0)
Grand total	**523.0**	529.7	**314.9**	271.2

For the hotel ownership and hotel management segments, total EBITDA of the Company and subsidiaries together with the Group's effective share of EBITDA of associates marginally increased by US$4.7 million in 2016. However, the total net profit from these two segments increased by US$41.1 million during the year largely due to a decrease in depreciation charges (US$15.3 million) and interest expenses (US$15.4 million) of the subsidiaries. For the property rental segment, total EBITDA of the Company and subsidiaries together with the Group's effective share of EBITDA of associates decreased marginally by US$1.2 million in 2016 which was in line with the reduction in net profit of this segment of US$7.4 million.

Aggregate EBITDA (EBITDA of the Company and its subsidiaries and the Group's effective share of EBITDA of associates) increased by US$37.0 million during the year to US$837.9 million due to the incremental contribution of US$39.0 million from the property sales segment.

The percentage of EBITDA of the Company and subsidiaries to consolidated sales improved to 25.4% from 25.0% in 2015.

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 on investment properties; fair value gains or losses on interest-rate swap contracts and financial assets held for trading; and impairment loss on fixed assets.

Important comments on the consolidated income statement for the year as compared to those of 2015 are as follows:

– Gross profit margin of the hotels owned by subsidiaries improved to 58.5% from 57.7% in 2015 as a result of the continuing efforts on cost savings.

– The consolidated labour cost decreased slightly by US$6.0 million to US$669.7 million in 2016 despite the opening of new properties during the year.

– Impairment provision of US$70.5 million was made for a wholly owned hotel during the year compared to the provision of US$72.4 million (before share of non-controlling interests) for six hotels owned/leased by subsidiaries in 2015. Reversal of the prior year's impairment provision for a wholly owned hotel in Cairns and a wholly owned self-used property in Paris resulted in a credit of US$5.5 million. Fair value losses on investment properties owned by subsidiaries for the year was US$143.9 million (before share of non-controlling interests) compared to a gain of US$36.3 million (before share of non-controlling interests) in 2015. These movements on subsidiaries' impairment provisions for hotels and other properties, and the fair value change on investment properties owned by subsidiaries, were included under "Other losses – net" of the consolidated income statement.

– Share of profit of associates increased by US$39.1 million in 2016 due to the additional contribution of US$31.9 million from the property sales segment. Incremental fair value gains on investment properties of US$4.8 million (non-operating item) were recorded but this balance was entirely offset by the share of impairment loss of US$6.2 million for a 25% owned hotel in Shenyang. Most of the revaluation gains in 2016 were attributable to the China World Trade Center complex's ongoing developments (Phase 3B) and the newly opened Hangzhou Kerry Centre.

In summary, the profit before non-operating items increased by US$51.8 million. However, total of the non-operating items was a loss of US$31.5 million as compared to a profit of US$54.3 million in 2015. Accordingly, the Group recorded a decrease of US$34.0 million in consolidated profits attributable to the equity holders of the Company in 2016.

2. CORPORATE DEBT AND FINANCIAL CONDITIONS

At the corporate level, in 2016 the Group executed nine unsecured corporate loan agreements totaling an equivalent of US$1,642.1 million:

- one 3-year bank loan agreement of US$64.1 million;
- one 4-year bank loan agreement of US$110 million;
- two 5-year bank loan agreements totaling HK$2,100 million (approximately US$271.0 million); and
- five 5-year bank loan agreements totaling US$1,197 million.

These new loans were used to refinance maturing loans and other loans with a higher interest margin as well as to provide funds for on-going development projects and funds for redemption of the US$600 million fixed rate bonds maturing in April 2017. The Group has already redeemed the US$500 million convertible bonds in May 2016.

At the subsidiary level, the Group also executed the following bank loan agreements in 2016:

- six 3-year bank loan agreements totaling RMB1,122 million (approximately US$161.7 million);
- one 3-year bank loan agreement of EUR75 million (approximately US$79.1 million);
- one 3-year bank loan agreement of A$160 million (approximately US$117.4 million);
- one 5-year bank loan agreement of RMB450 million (approximately US$64.9 million);
- one 5-year bank loan agreement of US$300 million; and
- one 10-year bank loan agreement of RMB370 million (approximately US$53.3 million).

It is the Group's current policy to progressively increase borrowings in local currencies to the extent appropriate in order to provide natural hedging against currency risks.

The Group has not encountered any difficulty when drawing loans from committed banking facilities. None of the banking facilities were cancelled by the banks during or after the close of the 2016 financial year.

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 67.9% as at 31 December 2016.

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

The analysis of borrowings outstanding as at 31 December 2016 is as follows:

(US$ million)	Maturities of Borrowings Contracted as at 31 December 2016				
	Within 1 year	In the 2nd year	Repayment In the 3rd to 5th year	After 5 years	Total
Borrowings					
Corporate borrowings					
– unsecured bank loans	–	746.2	2,161.7	–	2,907.9
– fixed rate bonds	599.7	–	–	–	599.7
Bank loans of subsidiaries					
– secured	6.6	6.6	137.4	3.3	153.9
– unsecured	202.3	228.3	1,158.3	45.1	1,634.0
Total outstanding balance	808.6	981.1	3,457.4	48.4	5,295.5
Undrawn but committed facilities					
Bank loans and overdrafts	153.8	104.4	1,136.0	720.4	2,114.6

As at 31 December 2016, the Group had net current liabilities of US$345.7 million, primarily due to the outstanding US$600 million fixed rate bonds maturing in April 2017. These funding obligations can be met through the committed and available bank loan facilities of US$1,960.8 million (which are expiring after 31 December 2017), a new 3-year loan facility of US$75 million executed by a subsidiary subsequent to the year end, and the net cash inflows to be generated from operating activities.

The currency mix of borrowings and cash and bank balances as at 31 December 2016 is as follows:

(US$ million)	Borrowings	Cash and Bank Balances
In United States dollars	2,693.8	201.4
In Hong Kong dollars	1,726.2	83.3
In Renminbi	377.1	398.3
In Euros	221.1	3.0
In Australian dollars	117.4	19.5
In Singapore dollars	60.6	57.7
In British pounds	55.7	4.7
In Japanese yen	43.6	3.0
In Philippine pesos	–	11.5
In Thai baht	–	68.3
In Malaysian ringgit	–	32.1
In Fiji dollars	–	14.1
In Mongolian tugrik	–	10.3
In Sri Lankan rupee	–	34.6
In Myanmar kyat	–	0.2
In Maldivian rufiyaa	–	2.1
In other currencies	–	0.1
	5,295.5	944.2

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 31 December 2016 are disclosed in Note 38 to the consolidated financial statements included in this Annual Report.

3. TREASURY POLICIES

The Group's treasury policies are aimed at minimising interest and currency risks. The Group assesses the market environment and its financial position and adjusts its tactics from time to time.

(A) Minimising Interest Risks

The majority of the Group's borrowings are in US dollars and Hong Kong dollars and arranged at the corporate level. Anticipating the onset of an increasing interest rate cycle, the Group has closely monitored the cash flow forecasts of all its subsidiaries and arranged to transfer any surplus cash to the corporate to reduce corporate debts. The Group's cash and bank balances at 31 December 2016 were US$139.9 million lower than the balances at 2015 year end. In Mainland China, the Group arranged entrusted loans through local banks to utilise the surplus cash of certain subsidiaries which cannot immediately repatriate their excess funds to meet the temporary funding requirements of other Group companies to minimise interest costs. The balance of entrusted loans at 31 December 2016 has been reduced by US$131.7 million and most of the funds thus released have been repatriated to the corporate.

The Group has endeavoured to hedge its medium term interest rate risks by entering into interest-rate swap contracts. No new contract was executed in 2016. As at 31 December 2016, the outstanding HIBOR and LIBOR interest-rate swap contracts are:

– HK$1,900 million (approximately US$245.2 million) at fixed rates ranging between 0.94% and 1.635% per annum maturing during January 2018 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

Taking into account the interest-rate swap contracts, fixed rate bonds and the Renminbi bank loans, the Group has fixed its interest liability on 27% of its outstanding borrowings as at 31 December 2016.

In February 2017, the Group executed new 5-year interest-rate swap contracts of US$600 million at fixed interest rates ranging between 1.825% and 1.85% per annum.

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

(B) Minimising Currency Risks

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 response to the depreciation of the Renminbi, the Group is progressively reducing its Renminbi cash balances. The Group has arranged new local bank borrowings in Renminbi to refinance foreign currency bank borrowings and entrusted loans by subsidiaries in order to reduce exchange risk. The Group aims at using bank borrowings in local currency to finance the capital expenditure and fund operational requirements of the properties in a country to achieve a natural hedge of its assets. The Group is arranging further Renminbi bank borrowings.

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 year ended 31 December 2016, the Group recorded its share of net fair value losses (net of deferred tax credit) of US$75.1 million for the investment properties owned by subsidiaries, while the Group's associates recorded their share of net fair value gains (net of deferred tax charges) of US$123.4 million, based on the opinion from independent professional valuers as obtained by the Group and the relevant associates which own the investment properties.

Investment properties are stated at professional valuations carried out by the following independent firms of professional valuers engaged by the Group or the relevant associates as at 31 December 2016:

Crowe Horwath (HK) Consulting & Valuation Limited, DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited	:	For properties in Mainland China
Crowe Horwath (HK) Consulting & Valuation Limited	:	For properties in Mongolia
Colliers International Consultancy & Valuation (Singapore) Pte Ltd and Edmund Tie & Company (SEA) Pte Ltd	:	For properties in Singapore
W.M. Malik & Kamaruzaman	:	For properties in Malaysia
Jones Lang LaSalle Advisory Services Pty Ltd	:	For properties in Australia
Knight Frank Chartered (Thailand) Company Limited	:	For properties in Myanmar

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 when 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 as at 30 June 2016, the Group recognised total impairment losses for two hotels in Mainland China located in Qufu (wholly owned) and Shenyang (25% equity interest owned by the Group) amounting to US$70.5 million and US$6.2 million, respectively. The impairment loss of the subsidiary was included in the consolidated income statement under "Other losses – net" to write down the carrying values of the hotel's fixed assets to the recoverable amount while the impairment loss of the associate was included in "Share of profit of associates". Based on a review at year end 2016, no further provision was required for these two properties. Based on the updated valuation reports obtained at year end 2016, the Group has partially reversed the impairment provision made in prior years for a wholly owned hotel in Cairns, Australia and a wholly owned self-used property in Paris of US$3.8 million and US$1.7 million, respectively. The credit is also included in the consolidated income statement under "Other losses – net".

The recoverable amount of each property 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

At 31 December 2016, the market value of the Group's investment portfolio was US$15.0 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$0.6 million and dividend income of US$1.3 million during the year.

7. DEVELOPMENT PROGRAMMES

On 10 January 2017, the wholly owned 344-room Songbei Shangri-La, Harbin 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				
Hotel Jen Beijing				
(part of a composite development project in China World Trade Center – Phase 3B)	40.32%	450	–	2nd quarter 2017
Kerry Hotel, Hong Kong	100%	546	–	2nd quarter 2017
Shangri-La Hotel, Xiamen	100%	433	–	3rd quarter 2017
Shangri-La Hotel, Jinan				
(part of a composite development project in Jinan City)	45%	364	32	3rd quarter 2017
Shangri-La Hotel, Zhoushan	100%	230	–	2019
Shangri-La Hotel, Kunming				
(part of a composite development project in Kunming City)	45%	292	–	2019
Hotels in other countries				
Shangri-La Hotel, Colombo, Sri Lanka				
(part of a 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 metres)* Residential	Office	Commercial	Serviced Apartments	Scheduled Completion
In Mainland China						
Hangzhou Kerry Centre	25%	34,065	–	–	–	2nd quarter 2017
China World Trade Center Phase 3B	40.32%	–	51,591	68,996	–	Late 2017
Phase II of Shangri-La Hotel, Dalian	100%	18,650	–	4,600	12,150	Late 2017
Shenyang Kerry Centre (Phase I & II) [(1)]	25%	503,818	165,484	217,886	–	2017 onwards*
Jinan City Project	45%	–	34,568	5,479	–	Late 2017
Kunming City Project	45%	41,993	10,528	4,500	–	2019
In other countries						
Composite development project in Colombo, Sri Lanka [(2)]	90%	111,100	59,984	68,585	–	Late 2018
		709,626	322,155	370,046	12,150	

* 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 in 2015.

Note: Further details of the Group's properties under development as at year end 2016 are disclosed under the section headed "Properties Under Development" included in this Annual Report.

The Group is currently reviewing the development plans of the following projects in which land use rights and leasehold land 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)
- Tianjin Kerry Centre – Phase II, Mainland China (20% 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 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.

The estimated incremental funding required directly by subsidiaries and the Group's share of the funding obligations of associates for all projects and other renovations involving fund commitments as at 31 December 2016 is estimated at US$815.7 million, including US$526.8 million payable in the next 12 months which is expected to be sourced from operating cash flow, available and new bank facilities and cash balances.

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 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$8.1 million) subject to adjustment in accordance with the change in working capital of the investment holding 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. Given the hotel's historical financial performance and its prospects, the Group assessed that the consideration is fair and such disposal would be beneficial to the Group.

The Group terminated the management agreement of the hotel by end of October 2016 as one of the conditions for completion of the sale and purchase agreement. The sale and purchase transaction was completed in mid-February 2017, and the Group will record approximately US$4 million net profit from this disposal.

9. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

During the year ended 31 December 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. The hotel will open for business in the first half of 2018. 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. This agreement was terminated in October 2016 following the owner's decision to drop the development project.

In December 2016, SLIM ceased to manage the Hotel Jen Upper East, Beijing as the owner of the hotel decided to redevelop the property.

As at the date of this report, the Group has management agreements for 19 operating hotels owned by third parties. In addition, the Group also has agreements on hand for the development of eight new hotels owned by third parties. The development projects are located in Shaoxing, Nanning, Qiantan, Yiwu and Suzhou (Mainland China); Kota Kinabalu (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

While geopolitical risks remain unchanged, the global economic sentiment appears more positive than it did a year ago.

The competitive situation in several cities in Mainland China, where the Group has most of its hotels and investment properties, is gradually easing as supply is absorbed by demand. However, overall revenue improvement has been marginal due to devaluation of Renminbi. The hotels' profit performance have gradually improved due to operational efficiency. We expect profit performance will continue to improve through 2017 if the demand continues and Renminbi stabilise.

On the cost front, while the Group's efforts have resulted in a material improvement in operating margins, further significant improvements in 2017 are unlikely. On the other hand, it is generally expected that the global interest rate environment will become increasingly unfavourable, exerting pressure on the Group's profit prospects.

The year's operating results have also been materially influenced by profits derived from the sale of residential units in Mainland China which may not be at a comparable level in 2017 as most of the inventory has been sold.

The rental property yields will gradually improve as long as the China economy continues to recover and Renminbi stabilise. The performance of the Group's investment properties should continue to make a positive contribution to the Group's profitability.

The Group's hotels will continue to focus on optimising their market share and profit performance by leveraging on the strengths of the brands. In order to maintain competitive position, some of the Group's older and more profitable hotels will undergo renovation and repositioning in the future. The substantial capital expenditures and resulting temporary disruption to operations due to the renovations and repositioning are expected to impact profitability, but the investment should put those hotels in a favourable position in the medium to longer term.

Barring unforeseen circumstances, the Group will experience some improvements in its operating performance, relative to the previous year.

11. HUMAN RESOURCES

As of 31 December 2016, the Company and its subsidiaries had approximately 27,600 employees. The headcount of all the Group's managed hotels and resorts totalled approximately 45,600. Salaries and benefits, including provident fund contributions, insurance and medical coverage, housing and share option schemes, were maintained at competitive levels. Bonuses were awarded based on contract terms and individual performance as well as the financial performance of business units.

Details of the share option scheme and share award scheme adopted by the shareholders on 28 May 2012 are provided in the section headed "Share Option Schemes" and "Share Award Scheme" of the Directors' Report, respectively. The Group has not granted any new share option under the share option scheme or shares under the share award scheme in 2016.

The Group's total employee benefit expenses (excluding directors' emoluments and share options granted during the year) amounted to US$672.9 million (2015: US$678.6 million).

Turnover dropped from 25% to 24.2% as a result of efforts to engage and drive colleague loyalty through personal development opportunities as well as competitive compensation strategies.

The use of social media sites continues to be important as a source of recruitment as well as to enhance our employer branding. The uses of Weibo, LinkedIn, Facebook and other social media channels have realised impressive results and will continue to improve as cost-effective sources of candidates. With the introduction of Careers WeChat in 2017, we aim to extend and broaden our external talent pipeline.

New proprietary leadership programmes have been rolled out to junior and senior managers to further enhance their skills and provide a platform for business success. These programmes will be augmented in 2017 with individualised career development planning and targeted talent development initiatives.

The Shangri-La Academy continues to offer a range of specialised hospitality courses run by field-based and external specialists. These targeted programmes, designed to support specific strategic initiatives, are delivered in diverse locations, close to where participating colleagues are based.

PROPERTIES UNDER DEVELOPMENT

Coast gazebo
Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu

(A) HOTELS OWNED AND MANAGED BY THE GROUP

Location	Properties	Group's equity interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)	Number of projected rooms
Hotels in the People's Republic of China					
1. Beijing, China	Hotel Jen (part of China World Trade Center Phase 3B)	40.32%	N/A	N/A	450
2. Hung Hom, Hong Kong	Kerry Hotel	100%	15,623	62,492	546
3. Xiamen, China	Shangri-La Hotel	100%	13,852	45,886	433
4. Jinan, China	Shangri-La Hotel (part of a composite development)	45%	N/A	64,507	364
5. Zhoushan, China	Shangri-La Hotel	100%	28,541	85,623	230
6. Kunming, China	Shangri-La Hotel (part of a composite development)	45%	N/A	28,559	292
Hotels in other countries					
1. Colombo, Sri Lanka	Shangri-La Hotel (part of a composite development)	90%	N/A	67,317	500
2. Yangon, Myanmar	Lakeside Shangri-La Hotel	55.86%	36,038	75,035	276
	Total				3,091

Number of apartments or villas	Stage of completion	Projected opening	Address
–	Completion verification in progress	2nd quarter 2017	1 Jian Guo Men Wai Avenue, Chaoyang District, Beijing 100004, China
–	Completion verification in progress	2nd quarter 2017	38 Hung Luen Road, Hung Hom Bay, Kowloon, Hong Kong
–	Main building completed; interior work and mechanical and engineering work in progress	3rd quarter 2017	Southeast section of intersection of Taibei Road and Taidong Road, Guan Yin Shan Area, Land 03–07, Siming District, Xiamen, Fujian Province, China
32	Main building completed; interior work and mechanical and engineering work in progress	3rd quarter 2017	Site No. 2011–G043 to G044 South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, Shandong Province, China
–	Piling work commenced	2019	LKC 1–3 Block of Lincheng Street, Dinghai District, Zhoushan, Zhejiang Province, China
–	Trial piling work in progress	2019	88–96 Dong Feng Road, Panlong District, Kunming, Yunnan Province, China
41	Superstructure work in progress	Late 2017	1 Galle Road, Colombo, Sri Lanka
15	Piling completed	2021	No. 150/150 (A), Kan Yeik Thar Road, Between Upper Pansodan Road and Thein Phyu Road, Mingalar Tuang Nyunt Township, Yangon, Myanmar
88			

(B) OTHER PROPERTIES OWNED BY THE GROUP

Location	Properties/ Purpose	Group's equity interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)
In the People's Republic of China				
1. Hangzhou, China	Hangzhou Kerry Centre	25%	13,272	
	– Residential			34,065
2. Dalian, China	Composite Development	100%	5,887	
	– Residential			18,650
	– Commercial			4,600
	– Serviced apartment			12,150
3. Beijing, China	China World Trade Center Phase 3B	40.32%	40,763	
	– Office			51,591
	– Commercial			68,996
4. Shenyang, China	Shenyang Kerry Centre	25%	141,851	
	– Residential			503,818
	– Office			165,484
	– Commercial			217,886
5. Jinan, China	Composite Development	45%	22,293	
	– Office			34,568
	– Commercial			5,479
6. Kunming, China	Composite Development	45%	15,446	
	– Residential			41,993
	– Office			10,528
	– Commercial			4,500
In other countries				
1. Colombo, Sri Lanka	Composite Development	90%	40,469	
	– Residential			111,100
	– Office			59,984
	– Commercial			68,585

Stage of completion	Projected opening	Address
Completion verification in progress	2nd quarter 2017	385 Yanan Road, Xiacheng District, Hangzhou, Zhejiang Province, China
Internal work in progress	Phase II in late 2017	Chang Jiang Road South, Zhi Gong Jie West, Zhi Fu Jie East, Zhongshan District, Dalian, Liaoning Province, China
External work, internal work and mechanical and engineering work in progress	Late 2017	1 Jian Guo Men Wai Avenue, Chaoyang District, Beijing 100004, China
Phase I Residential: mechanical and engineering and landscape work in progress Phase II Residential: superstructure topped up Commercial and office: mechanical and engineering and curtain wall installation work in progress	2017 onwards	Lot No. 2007–053, No. 8 Golden Corridor, 113 Qingnian Da Street, Shenhe District, Shenyang, Liaoning Province, China
External work, internal work and mechanical and engineering work in progress	Late 2017	Site No. 2011–G043 to G044 South of Luoyuan Main Street, East of Nanjuanmen Lane, Lixia District, Jinan, Shandong Province, China
Trial piling work in progress	2019	88–96 Dong Feng Road, Panlong District, Kunming, Yunnan Province, China
Superstructure work in progress	Late 2018	1 Galle Road, Colombo, Sri Lanka

(C) PROPERTIES UNDER CONCEPT PLANNING

Location	Purpose	Group's equity interest as at Year End	Approximate total site area (m^2)	Approximate total gross floor area (m^2)
In the People's Republic of China				
1. Zhengzhou, China	Composite Development	45%	44,573	188,526
2. Putian, China	Hotel	40%	50,258	33,349
3. Nanchang, China (Phase II)	Composite Development	20%	6,568	46,690
4. Dalian Wolong Bay, China	Hotel	100%	47,615	151,094
5. Tianjin, China (Phase II)	Hotel	20%	N/A	164,543
In other countries				
1. Accra, The Republic of Ghana	Hotel	45%	49,874	35,545
2. Bali Nusa Dua, Indonesia	Hotel and golf club	53.30%	64,460	52,197
3. Rome, Italy	Hotel	100.00%	1,489	8,840

Address
East of Huayuan Road, South of Weier Road, Zhengzhou, Henan Province, China
666 Jiuhua Road, Chengxiang District, Putian, Fujian Province, China
667 Cui Lin Road, Honggutan New District, Nanchang, Jiangxi Province, China
Zhong Yang Chuang Zhi District, Xiao Yao Bay, Jin Zhou Xin District, Dalian, Liaoning Province, China
Junction of Liuwei Road and Liujin Road, Hedong District, Tianjin, China
Airport North on Spintex Road, City of Accra, The Republic of Ghana
Jl Terompong, Bualu, Dusa Dua, Kei Venoa, Kec Kuta Selatan, Kab/Badung, Bali, Indonesia
Roma via Vittorio Veneto 90, 92, 94, 96, 98, 98A, 100, 102 and Roma via Lombardia 4, 6, 8, Rome, Italy

RESPONSIBLE BUSINESS

Coral planting
Shangri-La's Villingili Resort & Spa, Maldives

The Group's approach to corporate social responsibility reflects our tradition of hospitality from the heart and our mission to operate a responsible business that improves the lives of people and cares for the environment.

The Board evaluates environmental, social and governance ("**ESG**") related risks and ensures that appropriate management systems are in place. We are committed to operating in an economically, socially and environmentally responsible manner whilst balancing the interests of our stakeholders. We envision a community that is responsible and environmentally conscious, where social responsibility is practised in our daily lives and we inspire others to do the same. Ultimately, we strive to show leadership in corporate citizenship and sustainable development, caring for our employees and customers, enriching the quality of life for communities in which we do business, and serving as good stewards of society and the environment.

SUSTAINABILITY REPORTING

This report covers the Financial Year. During the year, we welcomed two notable developments in the sustainability reporting landscape; content in this report has subsequently been prepared with reference to the latest ESG Reporting Guide issued by HKSE and with consideration of newly launched GRI Standards from the Global Reporting Initiative.

In 2016, Shangri-La was included in the Dow Jones Sustainability Index for a fourth consecutive year, consolidating our position as a leader in the Asia Pacific region. We are also a member of the Hang Seng Sustainability Index and have disclosed information to the Carbon Disclosure Project each year since 2011, showing continuous improvement in our score.

Shangri-La's Care for People Project focuses on children's health and education.

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Hang Seng Corporate Sustainability Index Series Member 2015-2016

SCOPE OF ESG DISCLOSURES

As one of the world's premier hotel ownership and management companies, significant economic, environmental and social impacts of the Group arise within its hotel management services, the activities of Group-owned hotels, and hotels owned by third parties. The scope of ESG data in this report includes 94 operating hotels managed by subsidiaries of Shangri-La that have been in operation for at least one year, as summarised in the following table. Three hotels that were newly opened in 2016 are not reported as they have not yet completed one full year of operation.

Scope of ESG Disclosures

OPERATING HOTELS	
Subsidiaries	52
Associates**	19
Management	19
Under Operating Lease	3
Aberdeen Marina Club	1

STAKEHOLDER ENGAGEMENT

We seek to understand our stakeholders' expectations and priorities for sustainable development in order to be able to act on their concerns. To this end, we work with non-governmental organisations and engage with the communities where we operate through various channels on an on-going basis. We seek feedback from guests through guest satisfaction surveys and participate in external investor surveys such as the Dow Jones Sustainability Index and Hang Seng Sustainability Index, which help us to identify specific issues relevant to the hospitality and tourism industry.

The first comprehensive materiality assessment of our business was conducted in 2012. To ensure that the issues we identified at that time continue to be relevant, in 2016 we interviewed a selection of our stakeholders, including management, key suppliers, industry bodies and customers. We heard a common message from our interviewees: Shangri-La must continue to embed sustainability into its core values and guiding principles.

Stakeholder Views

RESPONSIBLE BUSINESS

To stay competitive, we must adapt to changes in our customers' needs and expectations, whilst at the same time deliver hospitality in an environmentally and socially responsible way.

To build on our energy and water footprint measurements, we need to set robust, data-based targets against a baseline.

COMMUNICATION

We recognise the need to communicate our sustainability strategy and commitments more consistently and effectively.

INNOVATION

We need to be more innovative in the way we do things, particularly in reducing our waste.

GOVERNANCE

We recognise the need to work within a strong robust governance framework with greater transparency, mandated from the top and cascaded evenly.

PEOPLE

We recognise our staff are the crux of our business, and we will continue to invest in our staff training so they do not just deliver the best customer service and experience, but do so in the most responsible and sustainable way too.

We are committed to a diverse workforce, however we recognise we still need to do more to empower women through the different stages of their career development.

OUR VALUE CHAIN

We must not forget the importance of managing our supply chain responsibly, which includes robust supplier audits and more effective engagement. Our business begins much earlier and much further from our premises, and ends much later and further than the point of delivering our products and services.

* Subsidiaries are entities over which Shangri-La has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

** For the purpose of ESG disclosures, Associates are entities over which Shangri-La has significant influence but not control, generally accompanying a shareholding of more than 20% but less than 51% of the voting rights.

MATERIAL ISSUES

Shangri-La's goals for sustainable development reflect the environmental, social and governance issues that are most material to our business. Some issues, such as corporate procurement and labour practices, give rise to generalised impacts throughout the Group and our value chain. Others, such as biodiversity and conservation and community development, give rise to impacts that are more definitively within the direct control and influence of each individual hotel.

Sustainable Development Priorities

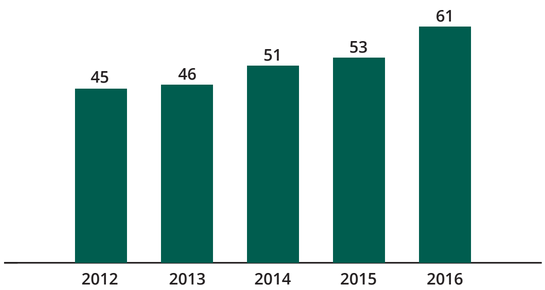
	OUR ENVIRONMENT	OUR BUSINESS	OUR PEOPLE	OUR COMMUNITIES
Environmental, Social and Governance Issues	Climate Change and Greenhouse Gas Emissions	Corporate Procurement	Employment Practices – Diversity and Equal Opportunities	Community Development – Embrace, Shangri-La's Care for People Project
	Water	Guest Engagement	Training and Development	Disaster Relief and Rehabilitation
	Waste	Guest Safety and Security – Fire and life safety – Food safety – Indoor air quality – Guest security – Data privacy	Occupational Health and Safety	
	Biodiversity and Conservation – Sanctuary, Shangri-La's Care for Nature Project	Sustainable Choices	Employee Wellbeing	Volunteering

We believe that the most effective way to achieve sustainable development is to cultivate ownership and responsibility for our performance within the management and culture of every Shangri-La hotel. To this end, Shangri-La establishes priorities, and monitors progress through a Corporate Social Responsibility (CSR) scorecard. Within this framework each hotel adapts its management approach to suit its own specific circumstances. Since the CSR Scorecard system was launched in 2011, it has been updated to capture information on new initiatives with respect to Supply Chain/Sustainable Sourcing, Guest Engagement and Communications.

OUR ENVIRONMENT

Safeguarding the environment in which we live and work is important. Environmental protection is cited in Shangri-La's guiding principles and our **Code of Conduct and Ethics**. We expect every member of staff to play their part in reducing waste, reducing energy use and conserving water. In 2016, a total of 61 hotels were certified to the standard of ISO 14001 Environmental Management System, an increase of eight hotels from the year before. Our goal is that all hotels will obtain this certification by 2020.

Number of ISO 14001 Certified Hotels



Waste

The success of our business depends on avoiding waste while maintaining our value proposition. Our goal is to reduce material usage and waste, including food waste, and boost recycling. We also try to find innovative ways to "upcycle" (i.e. turning certain types of waste into more valuable resources). The small amount of hazardous waste produced in our operations is handled responsibly in accordance with locally applicable regulations and procedures.

An audit conducted in 2014 identified food waste as our most significant source of waste by weight. To address this, we are focusing on minimising food waste by targeting three areas: food preparation, spoilage, and food provisioning and/or serving. Each hotel has to measure the food waste discarded, devise and implement a plan for waste reduction, then measure its success and make amendments to its plan as necessary.

In 2016, 10,730 tonnes was diverted from landfill. We are working to improve waste measurement and recycling in order to formalise an overall waste reduction target.

Soap for Hope and Linens for Life

In partnership with Sealed Air's *Soap for Hope* programme, our hotels collaborate with local partners to collect and sanitise leftover soap from guestrooms and then sell or donate the new bars to benefit the community. This has the additional benefit of promoting hand washing and good hygiene in poorer communities. *Soap for Hope* now operates in 22 hotels in 10 countries, benefiting over 160,000 people. To date, Shangri-La has saved over 192 tonnes of soap from being disposed of into landfill through *Soap for Hope*.

Launched together with Sealed Air in 2016, the *Linens for Life* programme provides training and resources for local communities to repurpose waste linens such as towels and sheets into useable household items. Given that an average 400-room hotel discards two to three tonnes of linen per year, this will result in a significant diversion of materials from disposal in landfills.

Climate Change and Greenhouse Gas Emissions

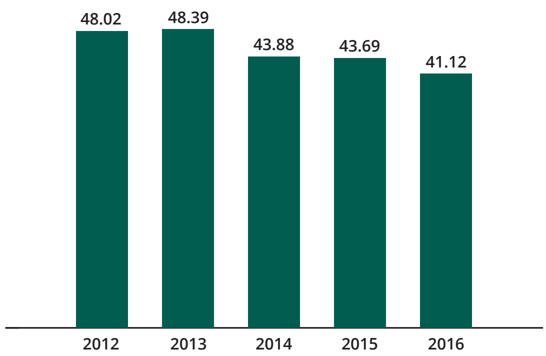
We recognise that climate change caused by greenhouse gas emissions poses both financial and physical risks to our business. A number of our hotels are located in areas that are vulnerable to the effects of climate change through extreme heat, flooding and typhoons. Fiscal initiatives to curb emissions such as carbon trading may also affect our bottom line. In 2016, six hotels in Mainland China were involved in regional carbon emission trading scheme pilot projects. During the year, these hotels purchased offsets equalling 5,510.45 tonnes to meet our obligations under those schemes.

We invest in green buildings wherever possible, integrating sustainable design features from the outset of each new project. A quarter of our current portfolio is certified to LEED or equivalent green building standards, with more of these kinds of initiatives targeted for the future.

All hotels that have been in operation for more than two years are expected to meet annual targets for reduction of water, energy and greenhouse gas emissions intensity. The intensity calculations reflect a measure of the number of overnight guests and other guests in each hotel during the year, known as "business unit". The performance of each hotel against its targets is reviewed annually. In 2016, we evaluated the performance of 85 hotels.

In 2016, the average scope 1 and scope 2 emissions intensity of our hotels was 41.12 kilograms CO_2e per business unit. This represents a 6% decrease from 2015 and a 26% reduction compared with the level in 2010. During the year 51 hotels achieved their target of a 3% reduction of greenhouse gas emissions intensity compared with 2015. Our total scope 1 and scope 2 greenhouse gas emissions amounted to 0.96 million tonnes of carbon dioxide equivalent (tonnes CO_2e), a small decrease of just over 1% compared with 2015.

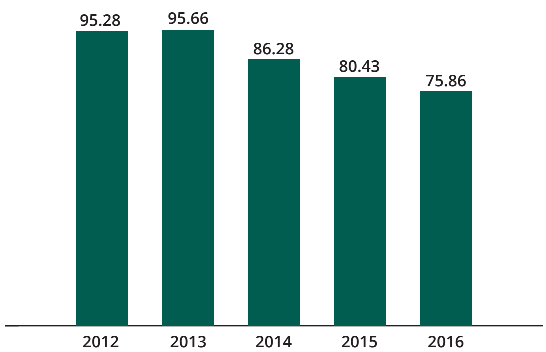
Average Scope 1 and Scope 2 GHG Emissions Intensity (kilograms CO_2e per business unit)



* Comparative information in 2015 has been restated to conform to the current year's presentation.

In line with our greenhouse gas emissions performance, in 2016 the average energy intensity of our hotels also decreased approximately 6% from 80.43 kilowatt-hours per business unit in 2015 to 75.86 kilowatt-hours per business unit.

Average Energy Consumption Intensity (kilowatt-hours per business unit)



* Comparative information in 2015 has been restated to conform to the current year's presentation.

We strive to continuously reduce energy consumption in our hotels. In 2016, total energy consumption amounted to 773.99 GWh, a decrease of about 1% compared to the previous year. According to our estimates, during the year engineering initiatives in our hotels saved up to 4.8 million kilowatt-hours of electricity through upgrades to lighting, chillers and other similar energy saving initiatives.

Low Temperature Laundry Programme

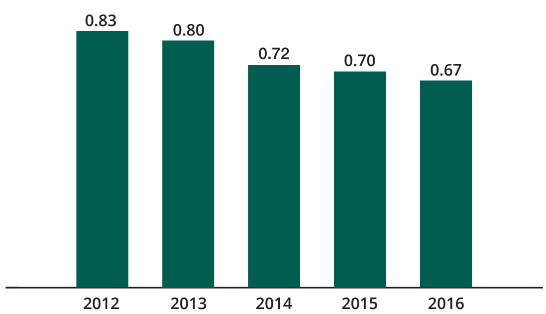
Reducing the temperature at which laundry is washed can considerably reduce energy usage. Implemented in 2016, our low temperature laundry programme has been adopted by 56 hotel laundries. We also encourage guests to reuse towels and linens to reduce the amount of water and energy we use.

Water

In 2016 our hotels reduced water consumption from 0.7 cubic meters per business unit to 0.67 cubic meters per business unit against 2015 levels, representing a group-wide reduction of 4%. Thirty-eight hotels reached or exceeded their target to reduce water consumption intensity by 3% compared with 2015. We recognise that although we are making progress to reduce our water footprint, water is still a very important issue, particularly in Northern China and other locations that experience water stress.

Our hotels dispose of wastewater in a responsible way. In 2016, we recorded one breach of environmental legislation and regulations involving the discharge of wastewater from a hotel in Beijing. We took immediate action to mitigate and rectify the situation in full cooperation with local authorities.

Average Potable Water Consumption Intensity (cubic meters per business unit)



* Comparative information in 2015 has been restated to conform to the current year's presentation.

Partnership with Tarsheed Qatar

In 2016, Shangri-La Hotel, Doha partnered with Tarsheed Qatar, a national organisation dedicated to the efficient use of water and energy, in an innovative and engaging campaign to highlight the importance of water conservation in one of the driest countries on earth. A fake mirror was installed in some restrooms. Every time a guest left the tap running, the guest's image was replaced by a message promoting water conservation. Many guests agreed to share their reactions to the interactive mirror, further promoting the message through social media channels.

Biodiversity and Conservation

Shangri-La is privileged to operate hotels in some of the most ecologically diverse and beautiful areas in the world. We are committed to conserving and protecting the biodiversity in these areas for future generations.

Sanctuary

Sanctuary is Shangri-La's *Care for Nature* programme. In 2016, there were 16 registered Sanctuary projects across 16 hotels. Each project focuses on the protection of the habitats of endangered species found on the International Union for the Conservation of Nature (IUCN) Red List. Shangri-La's Eco Centre initiative seeks to engage staff, guests and the local community on the importance and preservation of these precious ecosystems by providing an interactive learning and exhibition space and activities. In 2016, 11 hotels and resorts had Eco Centres.

Sanctuary, Shangri-La's Care for Nature Projects

Care for Reefs

Shangri-La's Fijian Resort & Spa, Yanuca organises marine conservation activities such as coral planting and fish house building to protect the fragile reef ecosystem. Shangri-La's Villingili Resort & Spa in the Maldives conducts regular surveys of the Addu Atoll to monitor the population of marine species. Shangri-La's Mactan Report & Spa, Cebu maintains a marine sanctuary on six hectares of beachfront. It runs a conservation programme for over 160 species of fish, clams and coral, including an artificial reef. In 2016, a total of 167 fish houses were installed and over 500 corals planted across the Care for Reef initiative to preserve the habitats of species such as Tridacna Clam and the bumphead parrot fish.

Care for Nature

Several resorts have Eco Centres dedicated to highlighting the plight of native threatened species. The Eco Zone at Shangri-La's Sanya Resort & Spa, Hainan in China is dedicated to raising awareness around the endangered Hainan Gibbon, whilst Shangri-La's Hambantota Resort & Spa, Sri Lanka focuses on elephant conservation and habitat loss. In conjunction with the Sabah State Wildlife Department, Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu in Malaysia established a 64-hectare reserve, home to the western tarsier, slow lorris and pangolin.

Care for Clownfish

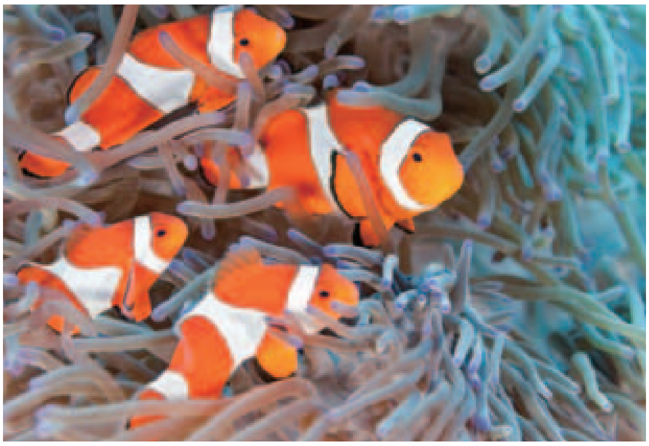
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu in Malaysia is home to the Clownfish Discovery Centre. It is a dedicated clownfish breeding centre, and educates guests on the threat to reefs and the immense biodiversity of the area.

Care for Turtles

Shangri-La Barr Al Jissah Resort and Spa, Muscat runs a turtle care project, which aims to protect the endangered Hawksbill and Green turtle, native to the beaches of Oman. The hotel holds a daily "turtle talk" and a dedicated ranger ensures that the nests are protected from any dangers. By allowing the adult turtles a peaceful and uninterrupted breeding ground, an estimated 26,000 turtles have hatched since the start of the programme.

Care for Horseshoe Crabs

In 2016, the Aberdeen Marina Club initiated the Care for Horseshoe Crab project. Over 280 staff and 20 students participated in nurturing juvenile Horseshoe crabs, native to the mangroves of Hong Kong, which are under threat from development and pollution.



OUR BUSINESS

Guest Satisfaction

Our aim is to be the first choice for guests, colleagues, shareholders and business partners, and to delight our guests by providing service and experiences straight from our hearts. We carry out guest surveys annually to measure the level of guest satisfaction and also identify areas of improvement. In 2016, 59% of guests rated us "excellent" as part of the overall stay experience, an increase of 2.2% from last year. Our Eco Centres proved particularly popular, as 63% of guests (who stayed in a hotel with an Eco Centre) would recommend them to a friend. We continue to improve areas where guests are least satisfied and report on these regularly. We recognise that we must adapt to changes in our customers' needs and expectations, whilst at the same time deliver hospitality in an environmentally and socially responsible way.

Guest Safety and Security

"Guest safety is our number one priority. We will continue to respond to any security risks as a matter of urgency and work with the relevant authorities for the safety of our customers."

At Shangri-La, guest safety and security is our utmost priority. Our staff awareness programme reinforces that "all staff are part of the security team" and responsible for guest safety. We ensure the maintenance of annual security and safety audits, as well as comprehensive standard operating and crisis management response procedures. These combined with a Group standardised Business Continuity Plan for all hotels enables us to offer the highest standards of security and safety for both our guests and staff.

- Fire and Life Safety is of the highest importance to us, and we have a zero-tolerance policy for non-compliance. Our Engineering conducts yearly inspections and audits in all hotels against Shangri-La standards, which reference to operational sections of the USA National Fire Protection Association's regulations, China Green Building codes and other national local codes of the countries in which we operate. In 2016, 88 hotels were audited and the overall rate of compliance was 83.2%, which exceeds our benchmark of 80%.

- Food Safety is governed by Shangri-La's food safety management system. We are accelerating uptake of certification under ISO 22000 or HACCP so that all hotels and resorts will be covered by 2020. Currently 70 hotels have such certification in place. Food safety performance is tracked as part of each hotel's CSR scorecard.

- Shangri-La has a number of policies in place pertaining to guest security, including but not limited to conflict resolution, managing incidents of crime, medical emergencies and emergency evacuations. Our Security division is responsible for the implementation and operational compliance of these policies, and managing incidents in line with Shangri-La's commitment to integrity, anti-corruption and the protection of human rights. Comprehensive security audits are carried out at each hotel every year. Shangri-La's Security and Safety Reporting System began operation in 2015 and assists in the timely reporting and management of incidents. Cross-functional security teams are on site at all times.

- Shangri-La's Global Privacy and Data Protection Policy is available on our website. This sets out our commitment to safeguard the personal information of guests, respect privacy and maintain the highest standards of ethical and legal conduct pertaining to individuals. There were no significant data breaches in 2016.

Corporate Procurement

At Shangri-La, we recognise that our operations have significant impacts throughout our value chain, and that we are in a position to influence our suppliers to adopt better environmental and social practices. Our **Supply Chain Code of Conduct** is available on our website, and requires all suppliers to provide safe and healthy working conditions, use fair hiring practices, treat employees with dignity and respect, and adhere to environmentally responsible practices.

At the Group level, we audit suppliers on their compliance with the **Supply Chain Code of Conduct**, and strive to work with them to improve in areas where they underperform. Our goal is to ensure 100% compliance with our Supply Chain Code of Conduct. In 2016, 31 major suppliers were audited with a pass rate of 61%. We recognise that whilst we have made some progress in ensuring our supply chain is responsible, we can further strengthen our supply chain engagement, including conducting more robust audits. This is important not only from a risk management perspective, but also in delivering the best and most sustainable products and services to our customers.

In 2016, Shangri-La took a closer look into the sustainability practices of our Group contract suppliers. We asked 129 trading companies contracting with our procurement hubs in Hong Kong, Malaysia, Singapore, Southern China, Beijing and Shanghai to respond to a questionnaire about their own supply chain practices. Among the 83 respondents, about one third indicated that they do require the companies they source from to adhere to standards on labour and human rights, health and safety and environmental impacts.

Our hotel based procurement teams regularly engage with local supply chain partners on sustainability topics. In 2016, 76 hotels hosted 91 open-house sessions with their suppliers.

Sustainable Choices

We acknowledge the need to respond to growing environmental and social consciousness among our guests by offering more sustainable choices and better articulating our sustainability initiatives. In 2016, 38.1% of guests surveyed indicated that they agreed with the statement "The Hotel does things that are good for society and the environment." This was the highest scoring statement within the Emotional Connection category of our survey.

We are always looking for new ways to offer more sustainable choices. For example, in 2016, we collaborated with one of our key suppliers, Ming Fai, to adjust the size and packaging of the dental-hygiene sets we provide to guests. In line with changing consumption patterns, the toothpaste tube is now packaged separately from the toothbrush and its size has been increased to provide sufficient toothpaste for three to four uses.

Rooted In Nature

Introduced in 2014, Rooted in Nature is a global programme promoting the finest locally and ethically sourced ingredients. Through Rooted in Nature, we are committed to:

- supporting local agricultural and fishing communities
- chemical and pesticide free
- free range and ethically reared livestock and poultry
- sustainably caught seafood
- organic or fair trade

By the end of 2016 there were over 1,900 Rooted in Nature menu items served in our hotels, representing an increase of almost 200 compared with 2015 offerings.

2016 saw the first on-site farmers market hosted by one of our hotels in China, at Shangri-La Hotel, Beijing. Hotel guests and the general public enjoyed a wide range of organic fruit and vegetables, dairy, cheese and other goods from local producers.

Shangri-La has prohibited the use of shark fin in all food and beverage operations since 2010. As part of our on-going commitment to sustainable seafood, we are also committed to procuring responsibly sourced seafood that is certified by the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) wherever possible. Our goal is to offer 75% more sustainable and locally sourced food items on our menus compared with 2013 levels. We do not serve fish products such as Bluefin tuna and Chilean sea bass, which are critically endangered.

In 2016, Island Shangri-La, Hong Kong, and Kowloon Shangri-La, Hong Kong became the first hotels in Hong Kong to achieve MSC and ASC chain of custody certification, authorising them to make use of sustainability labels for fisheries produce. We also hosted MSC public awareness events in Beijing, Shanghai, Shenzhen and Qingdao, and organised a sustainable seafood week for employees.

OUR PEOPLE

We strive to be an organisation that attracts and retains talented people. We cultivate a fair and inclusive workplace where colleagues treat each other with courtesy and everyone feels empowered to pursue their personal and professional goals.

In 2016, the number of people employed at Shangri-La and the operating hotels was 43,725, of which 44% were female and 83% were employed on full-time permanent contracts. The rate of turnover was similar among male and female colleagues at 23% and 24%, respectively.

Total Employment by gender, age group, geographical region and contract type

		Percentage of total
By Gender	Male	44%
	Female	56%
By Age Group	Under 20 years	3%
	20 – 40 years	67%
	Over 40 years	30%
By Region	Southern China	28%
	Northern China	19%
	East Asia and Australia	20%
	Southeast Asia	18%
	Europe, Middle East and North America	15%
By Contract Type	Permanent Full Time	83%
	Permanent Part Time	4%
	Temporary	13%

Turnover of Full Time Permanent Employees by gender, age group and geographic region

		Turnover rate*
Total		
By Gender	Male	23%
	Female	24%
By Age Group	Under 20 years	26%
	20 – 40 years	35%
	Over 40 years	7%
By Region	Asia	24%
	Non-Asia	23%

* Turnover rate: Total number of leavers during 2016 divided by the average headcount between December 2015 and December 2016.

"We are very much focused on people — on developing talent, providing the right platform and giving them the ability to perform. We want to cultivate great talent to grow our business." Mr LIM Beng Chee, CEO, Shangri-La Asia Limited

Employment Practices

As a signatory to the United Nations Global Compact, Shangri-La is committed to upholding fundamental human rights and prohibits the use of forced and child labour in our workforce or supply chain. However, we recognise the need to strengthen our training in this area, not only with our own staff, but also throughout our supply chain.

Our **Code of Conduct and Ethics** sets out the standards required by employees to uphold our core values of integrity, fairness, respect, ethical business conduct and excellence in service. We are committed to providing a workplace that embraces diversity and is free from all forms of discrimination, including on the basis of gender, race, religion, disability, marital status, sexual orientation, family status or any other personal characteristic. Harassment is strictly prohibited, as is any form of conduct that may cause another employee to feel embarrassed or uncomfortable. Employees have a duty of care to report any violations of the code, and our publicly available whistleblowing policy is in place to support this.

We strongly encourage our hotels to employ people from their local communities, and particularly to provide opportunities for upward mobility for people with disabilities. Our hotels partner with local organisations to offer training and employment for people with disabilities in our hotels. In 2016, 1.76% of our workforce was composed of people with disabilities. This is slightly under our target of 2%. We will continue to partner with local organisations and work alongside them to provide more opportunities for people with disabilities within our workforce.

Wellbeing

We want to support every colleague to achieve their own personal and career goals through a combination of wellness programmes for colleagues and their families and by providing comprehensive training and development opportunities for career progression. Raindrop, a new counselling service, was launched in December 2016 to provide support for colleagues experiencing hardship or stress. Shangri-La colleagues also participated in Global Wellness Day in June, promoting healthy and active living.

Training and Development

"We recognise that our staff are the crux of our business. We will continue to invest in training and engaging them so they do not just deliver the best customer service and experience, but they do so in the most responsible and sustainable way too". Ms Kay Kuok, Managing Director, Shangri-La Hotels (Malaysia) Berhad

All new employees are required to undertake induction training and complete a four-day service culture learning programme in order to become fully acquainted with our corporate values and standards of conduct. All full-time employees are required to complete our core programmes, which range from five to 21 days depending on the position. Leadership development programmes are also offered to leaders at various levels, supporting them to continue to grow within the organisation and reach their full potential. As of 2016, 99% of new hires went through the colleague's orientation and 57% of our leaders have undergone the Leadership Development Programme launched in February 2016.

The Shangri-La Global Academy was set up in 2004 with a focus on innovation and employability. In 2016, 2,067 colleagues received training across 32 training areas ranging from leadership development to technical training. The mission of the Academy is to nurture emerging talent, develop exceptional hospitality leaders and address Shangri-La's future human resource needs and challenges.

Occupational Health and Safety

Safeguarding the health and safety of our employees, guests and those with whom we work is a top priority at Shangri-La. To this end, reducing the rate of accidents and absenteeism is one of our strategic goals for 2020. Health and Safety is an integral part of our **Code of Conduct and Ethics**. Our hotels conduct regular needs' analysis to ensure that all training needs are identified and met, particularly for new and inexperienced colleagues. In 2016, 58 hotels had obtained OHSAS 18001 management system certification, an increase of 12 from the year before. **Shangri-La's Security and Safety Reporting System**, implemented in 2015, has led to improved reporting and investigation of accidents, lost time injuries and absenteeism. We are also vigilant about combating the spread of infectious diseases such as the Zika virus and other forms of influenza. We provide training and information briefings to our colleagues to minimise the threat of disease transmission.

OUR COMMUNITIES

"We recognise that our business operations must be beneficial to local communities – not only through programmes such as Embrace, but also through direct economic benefits such as employment and training." Mr LIM Beng Chee, CEO, Shangri-La Asia Limited

At Shangri-La, we recognise that if the communities in which we operate prosper, so does our business. We are in a position to create positive impacts in our local communities through increased economic activity such as sourcing local produce and attracting more tourists, and also by providing training and career opportunities to local people.

Embrace

Through Embrace, Shangri-La's *Care for People* Project, our hotels are committed to forming long-standing partnerships focused on children's health and education. The aim of the programme, set up in 2009, is to foster a sense of ownership and responsibility between each hotel and its local community. The hotels are free to form partnerships that suit their local circumstances – albeit by providing financing, infrastructure and facilities, life skills training or hotel apprenticeships. Each project must have measurable and achievable outcomes, and success is measured annually as part of a hotel's CSR scorecard.

Currently 84 of our hotels have active Embrace projects. The majority of our hotels have chosen to work with children and young adults, particularly people with disabilities or special needs, to increase access to education and skills training.

One such programme is the Big Brother & Big Sister volunteer programme to support the Dong Ying Primary School, a special school for migrant labourers in Shenzhen. A significant number of hotels have also decided to invest in healthcare and rehabilitation, such as surgeries or cancer treatments for people who would not otherwise have access to them. In 2016, our Embrace programme contributed over US$1.5 million and benefited over an estimated 10,000 people.

Embrace Project at Sule Shangri-La, Yangon

May 2016 saw the successful culmination of a six-year partnership between Sule Shangri-La, Yangon and Sasana Hita Kari Pri Yatti Monastic Education Centre, with the opening of a fully equipped three-storey school. When the partnership commenced in 2010, children studied in an open courtyard and torrential monsoon rains regularly disrupted lessons. Staff at Sule Shangri-La began by erecting a new roof in the courtyard, following up with windows and walls to further protect staff and students from the heavy rain. Fast-forward to 2016, and the students have a new school building including individual classrooms, changing facilities, a library and new uniforms as a result of Sule Shangri-La's sponsorship. The hotel also provides assistance to the students, teachers and the wider community in the form of medical check-ups.

Embrace ++

One of our goals for 2020 is to continue to contribute to the social and economic development of local communities by providing employment and training opportunities. We do this through the Embrace ++ programme. Introduced in 2012, Embrace ++ encourages hotels to provide training in hotel skills to less fortunate members of the community, with a view to them obtaining permanent employment within the hotel or with its partners. Training includes but is not limited to housekeeping, administration, kitchen and service skills, engineering and carpentry. In 2016, 311 new positions were awarded under the scheme.

In 2016, Shangri-La Hotel, Shenzhen renewed a five-year partnership to provide training and internships to underprivileged students from Shenzhen Yuanping Special Education School. Between 2010 and 2015, the hotel provided internships to 36 students, going on to employ seven of them fulltime.

Volunteering

We offer one day of paid volunteering leave every year to each member of staff to encourage them to participate in community events. In 2016, staff representing 70% of the workforce dedicated 109,000 volunteer hours to our signature projects, Embrace and Sanctuary, and other approved activities. Staff also participated in voluntary programmes such as blood donations, sponsored activities such as Biking for Autism and the Shangri-La Hotel, Sydney Vertical Run.

Disaster Relief and Rehabilitation

Shangri-La operates hotels in some of the most beautiful locations in the world, but unfortunately some of these locations are also subject to devastating natural disasters. On 20 February 2016, Cyclone Winston, a category five storm and the largest in the country's history, ripped through Fiji, leaving a trail of destruction in its wake. The country's third largest Island, Tavauni, was particularly badly hit. Colleagues at Shangri-La's Fijian Resort & Spa, Yanuca were quick to respond, providing medical assistance and provisions of food and fresh water. Two teams of volunteers subsequently visited the island to help with the clean-up operation and provide additional assistance.

Over US$55,000 was raised for the "Nanumi Fiji" or "Feel for Fiji" campaign by Shangri-La properties. The money raised will be used to repair schools and houses damaged by the storm, and to build a new community hall to act as a shelter in the event of another natural disaster. Golden Circle members were also encouraged to donate Golden Circle Award points through the Fijian Red Cross. For every 1,000 Golden Circle Award points donated, US$20 was donated on behalf of Shangri-La to support relief efforts.

River Wing Horizon Club Lounge
Pudong Shangri-La, East Shanghai

The Directors submit this Directors' Report together with the Financial Statements for the Financial Year.

GENERAL DISCLOSURE ITEMS

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding.

The principal activities of the Group are the ownership and operation of hotels, the provision of hotel management and related services, and the ownership of investment properties for property rentals and property sales. The Group operates its business under various brand names including "Shangri-La", "Kerry Hotel", "Hotel Jen", "Traders Hotel", "Rasa", "Summer Palace", "Shang Palace" and "CHI, The Spa at Shangri-La".

The principal activities of the Group's associates are the ownership of investment properties for property rentals and property sales as well as the ownership and operation of hotels.

An analysis of the performance of the Group for the Financial Year by geographical and business segments is set out in Note 5 to the Financial Statements.

Business Review

The details of the Group's business review are set out in:

(1) the section entitled "Discussion and Analysis" for the review of business and financial performances; and

(2) the section entitled "Responsible Business" for the review of corporate social responsibilities.

Dividends

The Board has declared an interim dividend of HK5 cents per Share and proposes a final dividend of HK8 cents per Share for the Financial Year.

The details of dividends paid and proposed for the Financial Year are set out in Note 36 to the Financial Statements.

Reserves

The details of movements in reserves during the Financial Year are set out in Notes 19 and 20 to the Financial Statements.

Donations

Charitable donations and other donations made by the Group during the Financial Year amounted to US$805,000.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Bye-Laws or laws of Bermuda.

Share Capital

The details of the Company's share capital are set out in Note 19 to the Financial Statements.

Management Contracts

No contract with any person or entity concerning the management and administration of the whole or any substantial part of the business of the Group (other than contract of service with any Director or employee of the Group) was entered into or existed during the Financial Year.

Directors and Officers Liability Insurance

An insurance policy with permitted indemnity provision insuring claims made against, amongst others, the directors and the management officers of the Group members and the persons representing the Group in associates as directors or management officers was in effect throughout the Financial Year and remained in effect up to the date of the Annual Report.

Major Customers and Suppliers

The percentages of the five largest customers combined and the five largest suppliers combined are less than 10% of the Group's total revenue and purchases, respectively.

DIRECTORS

The Directors who held office during the Financial Year and the period thereafter up to the date of this Directors' Report were:

Executive Directors	
Ms KUOK Hui Kwong *(Chairman)*	*(was re-designated from NED to ED and appointed Deputy Chairman on 23 June 2016; was appointed Chairman on 1 January 2017)*
Mr LIM Beng Chee *(CEO)*	*(was appointed NED on 26 September 2016; was re-designated from NED to ED and CEO on 1 January 2017)*
Mr LIU Kung Wei Christopher *(MD & COO)*	*(was appointed on 5 April 2016 and will resign on 31 March 2017)*
Mr LUI Man Shing	*(relinquished the role of Deputy Chairman on 23 June 2016)*
Mr Madhu Rama Chandra RAO	*(retired as CFO on 15 April 2016)*
Mr Gregory Allan DOGAN	*(relinquished the role of COO on 5 April 2016 and retired as Director on 2 June 2016)*
Non-executive Directors	
Mr KUOK Khoon Chen	*(relinquished the role of Chairman and was re-designated from ED to NED on 1 January 2017; will retire on 2 June 2017)*
Mr HO Kian Guan	
Mr HO Chung Tao *(alternate to Mr HO Kian Guan)*	*(was appointed on 18 October 2016)*
Mr HO Kian Hock *(alternate to Mr HO Kian Guan)*	*(resigned on 18 October 2016)*
Independent Non-executive Directors	
Mr Alexander Reid HAMILTON	
Mr Timothy David DATTELS	
Professor LI Kwok Cheung Arthur	
Dr LEE Kai-Fu	

At the Annual General Meeting, (1) Mr LIM Beng Chee will retire in accordance with Bye-Law 102(B), and (2) Mr Madhu Rama Chandra RAO, Mr KUOK Khoon Chen and Professor LI Kwok Cheung Arthur will retire by rotation in accordance with Bye-Law 99. Mr KUOK Khoon Chen has informed the Board that he will not offer himself for re-election. Save as above-mentioned, all other retiring Directors, being eligible, offer themselves for re-election.

Independence of Independent Non-executive Directors

The Board has received from each Independent Non-executive Director confirmation of his independence according to the guidelines set out in Rule 3.13 of the Listing Rules. The Nomination Committee, on behalf of the Board, has assessed the independence of each of the existing Independent Non-executive Directors and considers all the Independent Non-executive Directors independent.

Changes in Directors' Information

There have been changes in the information of some of the Directors since the date of the Company's last interim report. Details of the changes as required to be disclosed under Rule 13.51B(1) of the Listing Rules are as follows:

(1) On 2 August 2016, Dr LEE Kai-Fu was appointed a non-executive director of Meitu, Inc (listed on HKSE on 15 December 2016 with stock code 01357).

(2) On 1 September 2016, Mr LUI Man Shing ceased as a director of KHL.

(3) On 15 September 2016, Mr KUOK Khoon Chen ceased as a director of KHL and Paruni Limited (both are Substantial Shareholders).

(4) On 26 September 2016, Mr LIM Beng Chee was appointed a Non-executive Director.

(5) On 18 October 2016, Mr HO Chung Tao was appointed the Alternate Director to Mr HO Kian Guan, Non-executive Director, in place of Mr HO Kian Hock.

(6) On 1 January 2017,

  (a) Board

    (i) Mr KUOK Khoon Chen relinquished the positions of Chairman and CEO and was re-designated as a Non-executive Director.

    (ii) Ms KUOK Hui Kwong assumed the position of Chairman.

    (iii) Mr LIM Beng Chee was re-designated as an Executive Director and assumed the position of CEO.

  (b) Executive Committee

    (i) Mr KUOK Khoon Chen stepped down as a member and chairman of the Executive Committee and Ms KUOK Hui Kwong, being a member, assumed the position of chairman.

    (ii) Mr LIM Beng Chee was appointed a new member.

    (iii) Mr LIU Kung Wei Christopher stepped down as a member.

  (c) Nomination Committee

    (i) Mr KUOK Khoon Chen stepped down as a member and chairman of the Nomination Committee and Ms KUOK Hui Kwong was appointed to the committee as member and chairman in place of Mr KUOK Khoon Chen.

  (d) Remuneration Committee

    (i) Mr KUOK Khoon Chen stepped down as a member of the Remuneration Committee and Ms KUOK Hui Kwong was appointed to the committee in place of Mr KUOK Khoon Chen.

(7) As part of the regular annual salary review, the Remuneration Committee has reviewed and approved the proposed monthly salary of the Executive Directors for 2017. Change(s) in monthly salary was/were in the range of 0% to 16.67%.

(8) Mr LIU Kung Wei Christopher will resign as a Director and from his role on the Board on 31 March 2017.

(9) Mr KUOK Khoon Chen will retire as a Director on 2 June 2017.

SIGNIFICANT SHAREHOLDERS' INTERESTS

As at Year End, the interests and short positions of those persons (other than the Directors) in Shares and underlying Shares as recorded in the register that is required to be kept by the Company under Section 336 of the SFO or as ascertained by the Company after reasonable enquiry were as follows:

Name	Capacity	Number of Shares held	Approximate % of total issued Shares
Substantial Shareholders			
KGL *(Note 1)*	Interest of controlled corporation(s)	1,790,828,045	50.02
KHL *(Notes 1 and 2)*	Beneficial owner	87,237,052	2.44
	Interest of controlled corporation(s)	1,546,890,118	43.21
Caninco Investments Limited ("**Caninco**") *(Note 2)*	Beneficial owner	568,568,684	15.88
	Interest of controlled corporation(s)	157,280,233	4.39
Paruni Limited ("**Paruni**") *(Note 2)*	Beneficial owner	382,904,547	10.70
	Interest of controlled corporation(s)	25,163,449	0.70
Other Major Shareholders			
Darmex Holdings Limited ("**Darmex**") *(Note 2)*	Beneficial owner	267,068,070	7.46
Kuok Brothers Sdn Berhad	Beneficial owner	84,441,251	2.36
	Interest of controlled corporation(s)	225,569,761	6.30
Kuok (Singapore) Limited ("**KSL**") *(Note 3)*	Interest of controlled corporation(s)	218,008,907	6.09
Baylite Company Limited ("**Baylite**") *(Note 3)*	Beneficial owner	218,008,907	6.09

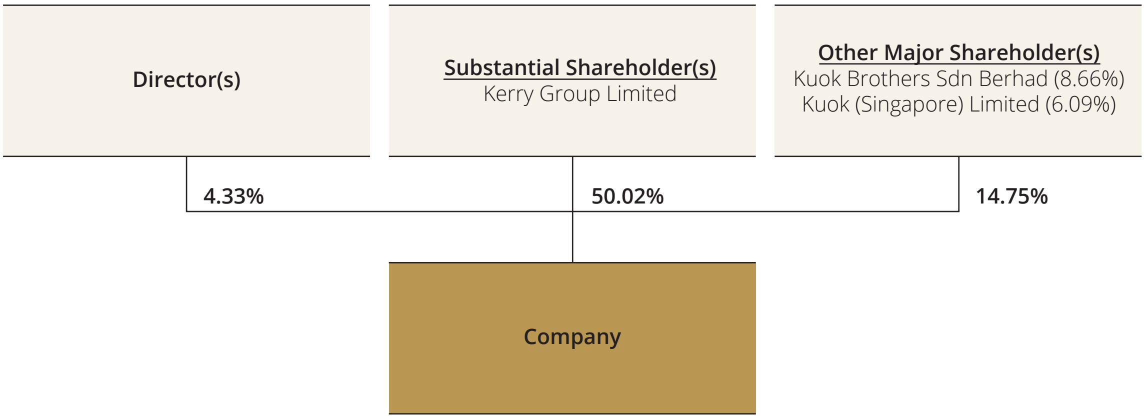
Notes:

1. KHL is a wholly owned subsidiary of KGL and accordingly, the Shares in which KHL is shown as interested are also included in the Shares in which KGL is shown as interested.

2. Caninco, Paruni and Darmex are wholly owned subsidiaries of KHL and accordingly, the Shares in which Caninco, Paruni and Darmex are shown as interested are also included in the Shares in which KHL is shown as interested.

3. Baylite is a wholly owned subsidiary of KSL and accordingly, the Shares in which Baylite is shown as interested are also included in the Shares in which KSL is shown as interested.

DEEMED INTERESTS OF DIRECTOR(S), SUBSTANTIAL SHAREHOLDER(S) AND OTHER MAJOR SHAREHOLDER(S) (AS AT YEAR END)



DIRECTORS' INTERESTS

Director's Interest in Securities of the Company and its Associated Corporation(s)

As at Year End, the interests and short positions of the Directors in shares, underlying shares and debentures in/of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) ("**Associated Corporation(s)**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and HKSE pursuant to the Securities Model Code were as follows:

(A) Long positions in shares in the Company and Associated Corporations

Name of company	Name of Director	Class of shares	Number of shares held: Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate % of total issued shares in the relevant company
The Company	KUOK Hui Kwong	Ordinary	[1] 102,833	[2] 1,038,000	–	[3] 3,930,170	5,071,003	0.142
	LIM Beng Chee	Ordinary	50,000	–	–	–	50,000	0.001
	LIU Kung Wei Christopher	Ordinary	120,000	–	–	–	120,000	0.003
	LUI Man Shing	Ordinary	902,777	–	–	–	902,777	0.025
	Madhu Rama Chandra RAO	Ordinary	74,032	–	–	–	74,032	0.002
	KUOK Khoon Chen	Ordinary	32,000	–	[4] 1,950,194	[3] 842,614	2,824,808	0.079
	HO Kian Guan	Ordinary	911,116	–	[5] 145,887,718	–	146,798,834	4.100
Associated Corporation								
Shangri-La Hotel Public Company Limited	LUI Man Shing	Ordinary	10,000	–	–	–	10,000	0.008

Notes:

1. 32,000 shares were held jointly by Ms KUOK Hui Kwong and her spouse.

2. These shares were the deemed interest of Ms KUOK Hui Kwong's spouse.

3. These shares were held through discretionary trusts of which the relevant director is a contingent beneficiary.

   842,614 shares were held through discretionary trusts, the contingent beneficiaries of which include both Ms KUOK Hui Kwong and Mr KUOK Khoon Chen.

4. 1,672,743 shares were held through a company that was wholly owned by Mr KUOK Khoon Chen.

   277,451 shares were held through companies in which Mr KUOK Khoon Chen was entitled to exercise or control the exercise of one-third or more of voting power at their respective general meetings.

5. 95,537,377 shares were held through companies that were owned as to 33.33% by Mr HO Kian Guan.

   11,083,411 shares were held through companies that were owned as to 31.34% by Mr HO Kian Guan.

   39,266,930 shares were held through companies that were owned as to 6.75% by Mr HO Kian Guan.

(B) Long positions in underlying shares in the Company and Associated Corporations

As at Year End, there were share options held by Directors with rights to subscribe for Shares. Details of such options are set out in the section entitled "Share Option Schemes" of this Directors' Report.

Directors' Dealings

During the Financial Year, the particulars of the deemed dealings in Shares by the Directors (other than exercise/lapse of share options, if any) having been notified to the Company are set out below:

Director	Date of dealing	Number of Shares bought/(sold)	Average dealing price per Share (HK$)
KUOK Hui Kwong	3 October 2016	10,000	8.500
	4 October 2016	20,000	8.495
	6 October 2016	10,000	8.500
	7 October 2016	30,000	8.451

Directors' Interests in Contracts

Save as disclosed, if any, in the sections entitled "Connected Transaction(s)" and "Continuing Connected Transaction(s)", no contract of significance in relation to the Group's business to which any member of the Group was a party and in which any Director had a material interest subsisted at Year End or at any time during the Financial Year.

Directors' Service Contracts

None of the Directors proposed for re-election at the Annual General Meeting has entered into service contracts with any member of the Group, and in which such contracts are not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Competing Business

Pursuant to Rule 8.10(2) of the Listing Rules, the Directors below have disclosed that during the Financial Year and up to the date of this Directors' Report (for the period the respective Directors acted as Directors), they are considered to have interests (other than as directors representing the Group's interest) in businesses that compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

(1) Ms KUOK Hui Kwong was a director of some of the subsidiaries of SCMP Group Limited (currently known as Great Wall Pan Asia Holdings Limited) (listed on HKSE with stock code 00583). The principal businesses of SCMP Group Limited include property investment.

The business activity of the said subsidiaries of which Ms KUOK Hui Kwong was a director is leasing of industrial/commercial space. Each such company and the Group do not compete directly in the same business activity in the same geographical location.

Accordingly, the Group is capable of carrying on its business independent of, and at arm's length from, the competing business mentioned above.

Ms KUOK Hui Kwong has ceased as a director of the said companies before Year End.

(2) Mr LUI Man Shing is a director of some of the subsidiaries of KPL. The principal businesses of KPL include (a) property development in Hong Kong, China and the Asia Pacific region, and/or (b) hotel ownership and operations in Hong Kong and China.

The business activity of the said subsidiaries of which Mr LUI Man Shing is a director is property development. Each such company and the Group do not compete directly in the same business activity in the same geographical location.

Accordingly, the Group is capable of operating its business independent of, and at arm's length from, the competing businesses mentioned above.

(3) Mr KUOK Khoon Chen was a director of a subsidiary of KHL. The principal businesses of KHL and its subsidiaries include property investment.

The business activity of the said subsidiary of which Mr KUOK Khoon Chen was a director is leasing of commercial space. Such company and the Group do not compete directly in the same business activity in the same geographical location.

Accordingly, the Group is capable of carrying on its business independent of, and at arm's length from, the competing business mentioned above.

Mr KUOK Khoon Chen has ceased as a director of the said company before Year End.

(4) Mr HO Kian Guan, Mr HO Kian Hock (who ceased as the Alternate Director to Mr HO Kian Guan in the Financial Year) and Mr HO Chung Tao (who was appointed the Alternate Director to Mr HO Kian Guan in the Financial Year) are substantial shareholders and/or directors of companies that hold various hotels and commercial/office investment properties across different territories.

While such businesses may compete with the Group's businesses, the Directors believe that this competition does not pose any material threat to the Group's business prospects because:

(a) the hotels operated by the Group and those by the above Directors with competing interests are targeting different geographical markets and/or different segments or groups of customers in the market, and the differentiation of the clientele segments is based on a combination of factors, such as the geographical locations of the hotels, the breadth of services and amenities available, the positioning of the hotels in the local market, the level of room rates, the size and scale of the hotels, and the guest recognition programme; and/or

(b) the Group's hotel business is effectively marketed on the strength of SLIM-HK's renowned position in the hotel industry worldwide built on its strong brand recognition and high-quality services; and/or

(c) the investment properties as interested by the above Directors are situated in territories/locations in which the Group maintains no similar business operations.

The above-mentioned competing businesses are operated and managed by companies with independent management and administration. The Board is independent of the board of each of the above-mentioned companies operating the competing businesses.

Accordingly, the Group is capable of operating its business independent of, and at arm's length from, the competing businesses mentioned above.

SHARE OPTION SCHEMES

A share option scheme of the Company was adopted by Shareholders on 24 May 2002 ("**2002 Option Scheme**") and expired on 23 May 2012. A new share option scheme of the Company was adopted by Shareholders on 28 May 2012 ("**2012 Option Scheme**") to replace the expired 2002 Option Scheme.

The major terms of the 2002 Option Scheme and the 2012 Option Scheme (referred to as "**Option Scheme**", individually or collectively, as the case may be) are as follows:

(1) Purpose of the Option Scheme

The purpose of the Option Scheme is to motivate eligible participants of the Option Scheme to optimise their future contributions to the Company and its subsidiaries and associates, and the entities in which any of the aforesaid companies holds an interest (collectively referred to as "**Enlarged Group**"); and/or to reward them for their past contributions; and to attract and retain or otherwise maintain on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Enlarged Group.

(2) Eligible participants of the Option Scheme

The eligible participants of the Option Scheme include:

(a) an employee or proposed employee of any member of the Enlarged Group or a person seconded to work for any member of the Enlarged Group;

(b) a director or proposed director of any member of the Enlarged Group;

(c) an officer or proposed officer of any member of the Enlarged Group;

(d) a direct or indirect shareholder of any member of the Enlarged Group;

(e) a supplier of goods or services to any member of the Enlarged Group;

(f) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Enlarged Group;

(g) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Enlarged Group;

(h) a landlord or tenant (including a sub-tenant) of any member of the Enlarged Group;

(i) any person approved by Shareholders; and

(j) an associate of any of the foregoing persons.

(3) Life of the Option Scheme

The Option Scheme shall remain valid and effective for 10 years from its date of adoption unless the Option Scheme is terminated early by a resolution of Shareholders.

(4) Maximum number of Shares available to be granted under the Option Scheme

The maximum number of Shares in respect of which options may be granted under the Option Scheme (and under any other share option scheme) shall not in aggregate exceed 10% of the Shares in issue as at the adoption date of the Option Scheme. The Company may from time to time as the Board may think fit seek approval from Shareholders to refresh this limit, save that the maximum number of Shares that may be issued upon exercise of all options to be granted under the Option Scheme (and under any other share option scheme) shall not exceed 10% of the Shares in issue as at the date of Shareholders' resolution refreshing the limit. Notwithstanding the above, the maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme (and under any other share option scheme) shall not exceed 30% of the Shares in issue from time to time.

As at the date of this Directors' Report, only the 2012 Option Scheme was in effect, under which options with right to subscribe for a total of 298,630,679 Shares (representing about 8.34% of the issued Shares thereby) were available for grant.

(5) Maximum number of Shares allowed to be granted to any one grantee under the Option Scheme

The maximum number of Shares issued and issuable upon full exercise of the options granted to any one grantee (including exercised, lapsed, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

(6) Exercise period

The period within which an option may be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that the period shall not be beyond 10 years commencing on the date of grant of an option. The minimum period for which an option must be held (if any) or the fulfilment of any condition (if any) before it can be exercised shall be determined by the Board upon the grant of an option. The amount payable on acceptance of an option is HK$1 under the 2002 Option Scheme and nil under the 2012 Option Scheme. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.

(7) Exercise price for Shares under the Option Scheme

The exercise price for any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option, but the exercise price shall not be less than the highest of:

(a) the nominal value of a Share;

(b) the closing price of the Shares as stated in HKSE's daily quotation sheets on the date of the resolution of the Board approving the grant of options, which must be a day on which HKSE is open for the business of dealing in securities; and

(c) the average of the closing price of the Shares as stated in HKSE's daily quotation sheets for the five trading days immediately preceding the date of grant.

Details and movements of option shares that were granted under the Option Scheme and remained outstanding during the Financial Year are as follows:

Grantees	Date of grant	Tranche	Number of option shares: Held as at 1 Jan 2016	Granted during the year	Transferred from other category during the year
2002 Option Scheme					
1. Directors					
LIU Kung Wei Christopher *(Note 3)*	16 Jun 2006	I	–	–	25,000
	16 Jun 2006	II	–	–	25,000
LUI Man Shing	16 Jun 2006	II	60,000	–	–
Madhu Rama Chandra RAO	16 Jun 2006	I	50,000	–	–
	16 Jun 2006	II	50,000	–	–
Gregory Allan DOGAN *(Note 4)*	16 Jun 2006	I	37,500	–	–
	16 Jun 2006	II	37,500	–	–
Timothy David DATTELS	16 Jun 2006	I	30,000	–	–
	16 Jun 2006	II	30,000	–	–
2. Employees	16 Jun 2006	I	660,000	–	–
	16 Jun 2006	II	731,500	–	–
3. Other participants	16 Jun 2006	I	509,000	–	37,500
	16 Jun 2006	II	722,500	–	37,500
Sub-total			2,918,000	–	125,000
2012 Option Scheme					
1. Directors					
KUOK Khoon Chen	23 Aug 2013	–	350,000	–	–
LIU Kung Wei Christopher *(Note 3)*	23 Aug 2013	–	–	–	350,000
LUI Man Shing	23 Aug 2013	–	350,000	–	–
Madhu Rama Chandra RAO	23 Aug 2013	–	350,000	–	–
Gregory Allan DOGAN *(Note 4)*	23 Aug 2013	–	350,000	–	–
HO Kian Guan	23 Aug 2013	–	100,000	–	–
Alexander Reid HAMILTON	23 Aug 2013	–	100,000	–	–
Timothy David DATTELS	23 Aug 2013	–	100,000	–	–
LI Kwok Cheung Arthur	23 Aug 2013	–	100,000	–	–
2. Employees	23 Aug 2013	–	12,988,000	–	–
3. Other participants	23 Aug 2013	–	1,020,000	–	350,000
Sub-total			15,808,000	–	700,000
Total			18,726,000	–	825,000

Notes:

1. No options were cancelled during the Financial Year.

2. The weighted average closing price of the Shares immediately before the dates on which the options were exercised (if any) is set out in Note 19 to the Financial Statements.

3. Mr LIU Kung Wei Christopher was appointed Director on 5 April 2016 and his options were re-categorised.

4. Mr Gregory Allan DOGAN retired as Director on 2 June 2016 and his options were re-categorised.

Number of option shares					
Transferred to other category during the year	Exercised during the year[2]	Lapsed during the year	Held as at 31 Dec 2016	Exercise price per option share (HK$)	Exercise period
–	–	(25,000)	–	14.60	16 Jun 2007 – 15 Jun 2016
–	–	(25,000)	–	14.60	16 Jun 2008 – 15 Jun 2016
–	–	(60,000)	–	14.60	16 Jun 2008 – 15 Jun 2016
–	–	(50,000)	–	14.60	16 Jun 2007 – 15 Jun 2016
–	–	(50,000)	–	14.60	16 Jun 2008 – 15 Jun 2016
(37,500)	–	–	–	14.60	16 Jun 2007 – 15 Jun 2016
(37,500)	–	–	–	14.60	16 Jun 2008 – 15 Jun 2016
–	–	(30,000)	–	14.60	16 Jun 2007 – 15 Jun 2016
–	–	(30,000)	–	14.60	16 Jun 2008 – 15 Jun 2016
(25,000)	–	(635,000)	–	14.60	16 Jun 2007 – 15 Jun 2016
(25,000)	–	(706,500)	–	14.60	16 Jun 2008 – 15 Jun 2016
–	–	(546,500)	–	14.60	16 Jun 2007 – 15 Jun 2016
–	–	(760,000)	–	14.60	16 Jun 2008 – 15 Jun 2016
(125,000)	–	(2,918,000)	–		
–	–	–	350,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	350,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	350,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	350,000	12.11	23 Aug 2013 – 22 Aug 2023
(350,000)	–	–	–	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	23 Aug 2013 – 22 Aug 2023
(350,000)	–	(1,205,000)	11,433,000	12.11	23 Aug 2013 – 22 Aug 2023
–	–	–	1,370,000	12.11	23 Aug 2013 – 22 Aug 2023
(700,000)	–	(1,205,000)	14,603,000		
(825,000)	–	(4,123,000)	14,603,000		

SHARE AWARD SCHEME

A share award scheme of the Company was adopted by Shareholders on 28 May 2012 and was revised on 10 August 2012 with further restraints/limits imposed ("**Award Scheme**").

The major terms of the Award Scheme (as amended) are as follows:

(1) Purpose of the Award Scheme

The purpose of the Award Scheme is to motivate qualified participants of the Award Scheme to optimise their future contributions to the Group, and/or to reward them for their past contributions, and to attract and retain or otherwise maintain on-going relationships with such qualified participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

(2) Qualified participants of the Award Scheme

The qualified participants of the Award Scheme include:

(a) a director;

(b) an employee; or

(c) an officer,

of any member of the Group other than those who reside in jurisdictions where the grant of Shares or the transfer of Shares to such persons under the Award Scheme will not be permitted under the laws and regulations of such jurisdictions, or will be subject to requirements with which compliance will, at the Board's sole discretion, be unduly burdensome or impractical.

(3) Life of the Award Scheme

The Award Scheme shall remain valid and effective for an initial term of 10 years from its date of adoption ("**Initial Term**"), which shall be automatically extended by 7 successive extended terms of 10 years each ("**Subsequent Term**") unless (a) the Board decides not to continue with any new Subsequent Term; or (b) the Award Scheme is terminated early by a resolution of the Board or the Shareholders, provided that the duration of the Award Scheme shall not exceed 80 years.

(4) Maximum number of Shares available to be granted under the Award Scheme

The total number of the Shares, excluding those that would not be vested or have been forfeited ("**Lapsed Shares**"), granted and to be granted to qualified participants under the Award Scheme shall not exceed 10% of the Shares in issue from time to time. Subject to the aforesaid limit, in addition, no further grant may be made under the Award Scheme if (i) in the Initial Term, the total number of Shares (excluding Lapsed Shares) granted and to be granted pursuant to the Award Scheme exceed 3% of the Shares in issue at the time of the relevant grant; and (ii) in each Subsequent Term, the total number of Shares (excluding Lapsed Shares) granted and to be granted pursuant to the Award Scheme exceed such limit as determined by the Board from time to time for each such Subsequent Term. No further grant may be made under the Award Scheme if this will result in any of the aforesaid limits being exceeded.

As at the date of this Directors' Report, a maximum of 107,400,721 Shares (representing 3% of the issued Shares thereby) were available for grant under the Award Scheme.

(5) Maximum number of Shares allowed to be granted to any one grantee under the Award Scheme

The maximum number of Shares granted and to be granted to any one grantee (including Shares that have been vested and/or accepted and Lapsed Shares) in any 12-month period shall not exceed 0.1% of the Shares in issue from time to time.

(6) Vesting

The vesting conditions (if any) of Shares granted under the Award Scheme shall be determined by the Board in its absolute discretion at the time of grant, provided that the grantee shall accept the Shares within six months from the Shares becoming vested. If no acceptance is received within the stipulated period, such unaccepted vested Shares shall be forfeited.

(7) Consideration for Shares granted under the Award Scheme

The price/consideration (if any) per Share to be granted under the Award Scheme shall be determined by the Board in its absolute discretion at the time of grant and shall be payable by the grantee upon the grantee accepting the vested Shares.

(8) Operation and administration of the Award Scheme

The Board may select and grant to any qualified participant Shares under the Award Scheme for free or at a price/consideration per Share. A trust has been set up for the operation of the Award Scheme. The Board may from time to time pay to the trustee monies to enable the trustee to purchase on the HKSE Shares that will be held upon trust pending the making of grants to qualified participants under the Award Scheme. BOCI-Prudential Trustee Limited has been appointed the first trustee of the trust and will hold and deal with the assets of the trust for the benefit of the qualified participants.

During the Financial Year, no award shares were granted under the Award Scheme.

CONNECTED TRANSACTION(S)

During the Financial Year, the Group entered into a connected transaction that is subject to the reporting requirements under Chapter 14A of the Listing Rules. Details of the transaction are as follows:

(1) On 23 November 2016, SLIM-HK and Xiang Heng Real Estate (Jinan) Co, Limited ("**Jinan Co**", a company owned as to 45% by the Company and 55% by KPL) entered into a project management consultancy services agreement pursuant to which SLIM-HK would provide project management consultancy services for the design and construction of a multi-purpose complex with a hotel and office together with all related supporting facilities ("**Jinan Project**") developed by the Jinan Co in Jinan, China. The fee under the project management consultancy services agreement shall be US$2,149,418. SLIM-HK shall also be reimbursed the expenses incurred by SLIM-HK in connection with the Jinan Project.

Jinan Co is a subsidiary of KPL, which is a subsidiary of KHL (Substantial Shareholder). Accordingly, Jinan Co is a connected person of the Company at holding level, and the agreement as described above constitutes a connected transaction for the Company.

CONTINUING CONNECTED TRANSACTION(S)

During the Financial Year, there were also continuing connected transactions for the Company in effect that are subject to the reporting requirements under Chapter 14A of the Listing Rules. Details of these transactions are as follows:

(1) On 28 January 1995, the Company entered into a disclosable and connected transaction to acquire various hotel interests from certain parties, including connected persons of the Company. Included in these hotel interests was Edsa Shangri-La, Manila ("**Edsa Hotel**") which is built on land leased from Shang Properties, Inc ("**SPI**") under a 25-year lease commencing in 1992, with an option to renew the lease for a further term of 25 years. Upon expiration of the further term, SPI agrees to grant to Edsa Shangri-La Hotel & Resort, Inc (the owner of Edsa Hotel) a new lease term of 25 years subject to the prevailing Philippines laws.

SPI is an associate of KPL, which is a subsidiary of KHL (Substantial Shareholder). Accordingly, SPI is a connected person of the Company at holding level, and the lease as described above constitutes a continuing connected transaction for the Company.

For the Financial Year, an aggregate amount of US$1,886,000 (2015: US$1,866,000) was paid to SPI under the said lease.

(2) SLIM provided Hotel Management Services to various hotels (which are owned by certain connected persons of the Company) pursuant to certain hotel management, marketing and related agreements entered into between a member of SLIM and each of the said connected persons of the Company. The provision of Hotel Management Services to Kerry Hotel, Beijing remained as a continuing connected transaction for the Company during the Financial Year and is required for disclosure in this Annual Report.

Kerry Hotel, Beijing is owned by Beijing Kerry Hotel Co, Limited ("**BKH**"), which is owned as to 23.75% by the Company, 71.25% by KPL and 5% by a third party, and is a subsidiary of KPL. KPL is a subsidiary of KHL (Substantial Shareholder). Accordingly, BKH is regarded as a connected person of the Company at holding level.

Details of relevant agreement in relation to the Hotel Management Services for the above and the transaction amounts involved in the Financial Year and the prior year are set out below:

Hotel	Date of transaction	Nature of agreement	Counter party	Aggregate amount received by SLIM (US$) 2016	2015
Kerry Hotel, Beijing	30 June 1998 (as supplemented)	Management and marketing services agreement	BKH	**2,499,000**	2,763,000

The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of this transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) to the Financial Statements.

(3) On 2 June 2010, SLIM-HK and Shanghai Pudong Kerry City Properties Co, Limited ("**SPKCP**", a company owned as to 23.2% by the Company, 40.8% by KPL, 16% by Allgreen Properties Limited ("**Allgreen**") and 20% by a third party) entered into a hotel management agreement pursuant to which SLIM-HK was appointed the manager to provide Hotel Management Services to Kerry Hotel Pudong, Shanghai ("**Pudong Hotel**"), a hotel owned by SPKCP.

On 11 June 2013, the Company announced that the hotel management agreement had been renewed for another consecutive three-year term that would expire on 5 January 2017 and SLIM-HK has the right to decide whether the term shall be renewed for another consecutive three-year term provided that the entire term of the agreement as renewed shall not be longer than 20 years.

On 26 January 2017, the Company announced that the hotel management agreement had been renewed for another consecutive three-year term that would expire on 5 January 2020 and SLIM-HK has the right to decide whether the term shall be renewed for another consecutive three-year term provided that the entire term of the agreement as renewed shall not be longer than 20 years.

SPKCP is an associate of KPL which is a subsidiary of KHL (Substantial Shareholder). Accordingly, SPKCP is a connected person of the Company at holding level, and the agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement, the expected occupancy of Pudong Hotel, possible inflation, and reasonable increases in occupancy and reasonable allowance for unexpected increases in occupancy and/or the room rates of Pudong Hotel, the Company has set an annual cap for each of the following financial years:

Financial year	**Annual cap (US$)**
2016	11,000,000
2017	4,600,000
2018	4,800,000
2019	5,000,000

For the Financial Year, an aggregate amount of US$3,652,000 (2015: US$3,943,000) was received from SPKCP. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(b) to the Financial Statements.

(4) Since 18 November 2010, SLIM-HK has been leasing/licensing from Ubagan Limited ("**Ubagan**"), a subsidiary of KHL (Substantial Shareholder), various office premises and car parking spaces at Kerry Centre.

On 25 October 2013, SLIM-HK and Ubagan (a) entered into a tenancy offer letter to renew the tenancies in respect of various office premises at Kerry Centre for another three-year term that would expire on 18 November 2016, and (b) agreed to continue the licences of the car parking spaces.

On 9 February 2015, SLIM-HK entered into a supplemental and partial surrender agreement with Ubagan in respect of the surrender to Ubagan of some of the office premises that were leased under the tenancy as mentioned above.

On 18 October 2016, SLIM-HK and Ubagan (a) entered into a new tenancy offer letter to renew the tenancies in respect of various office premises at Kerry Centre for another three-year term that would expire on 18 November 2019, and (b) agreed to continue the licences of the car parking spaces.

As of Year End, the monthly rental/fee(s) for (a) the tenancy of the office premises was HK$3,900,690.90 (excluding the management fee and air-conditioning charge of HK$514,622.70); and (b) each floating car parking space and each fixed car parking space were HK$2,700 and HK$3,500, respectively.

Ubagan is a subsidiary of KHL (Substantial Shareholder). Accordingly, Ubagan is a connected person of the Company at holding level, and the agreements as described above constitute continuing connected transactions for the Company.

Based on the rentals and fees payable under the said agreements, and taking into account possible additional costs for management fees, air-conditioning charges and any further lease(s) or licence(s) of office premises or car parking space(s) in the event of business expansion/change of the Group, the Company has set an annual cap for each of the following financial years:

Financial year	Annual cap (HK$)
2016	55,000,000
2017	60,000,000
2018	62,000,000
2019 (up to expiry of the lease)	56,000,000

For the Financial Year, an aggregate amount of HK$52,021,000 (equivalent to US$6,712,000) (2015: US$7,128,000) was paid to Ubagan. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the payment of office rental, management fees and rates under Note 40(a) to the Financial Statements.

(5) On 17 October 2012, SLIM-HK and Shanghai Ji Xiang Properties Co, Limited ("**SJXP**", a company owned as to 49% by the Company and 51% by KPL) entered into a hotel management agreement pursuant to which SLIM-HK would provide Hotel Management Services to Jing An Shangri-La, West Shanghai ("**Jing An Hotel**"), a hotel owned by SJXP. The agreement has a 20-year term commencing from the opening date of the Jing An Hotel. The Company has obtained an independent financial adviser's opinion confirming that it is normal business practice for the agreement to be of such duration.

SJXP is a subsidiary of KPL which is a subsidiary of KHL (Substantial Shareholder). Accordingly, SJXP is a connected person of the Company at holding level, and the agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement and the expected occupancy of the Jing An Hotel, and taking into account possible inflation and possible reasonable increases in occupancy of the Jing An Hotel and the prevailing Renminbi to US dollar exchange rate, the annual cap for each financial year throughout the duration of the said agreement ending 31 December 2033 will not exceed US$14,000,000.

For the Financial Year, an aggregate amount of US$4,545,000 (2015: US$4,612,000) was received from SJXP. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) to the Financial Statements.

(6) On 20 June 2013, SLIM-HK and Kerry (Shenyang) Real Estate Development Co, Limited ("**KSRE**", a company owned as to 25% by the Company, 60% by KPL and 15% by Allgreen) entered into a hotel management agreement pursuant to which SLIM-HK would provide Hotel Management Services to Shangri-La Hotel, Shenyang ("**Shenyang Hotel**"), a hotel that was originally owned by KSRE. Subsequently, Shangri-La Hotel (Shenyang) Co, Limited ("**SLHS**"), having the same shareholding structure of KSRE, was formed through the division of KSRE and had become the owner of the Shenyang Hotel in place of KSRE. On 20 May 2014, SLIM-HK, KSRE and SLHS entered an assignment agreement pursuant to which the hotel management agreement was assigned by KSRE to SLHS. The agreement has a three-year term commencing from the opening date of the Shenyang Hotel, and SLIM-HK has the right to decide whether the term shall be renewed for another consecutive three-year term provided that the entire term of the agreement as renewed shall not be longer than 20 years.

Both KSRE and SLHS are subsidiaries of KPL which is a subsidiary of KHL (Substantial Shareholder). Accordingly, KSRE and SLHS are connected persons of the Company at holding level, and the hotel management agreement as described above constitutes a continuing connected transaction for the Company.

Based on the terms of the said agreement and the expected occupancy of the Shenyang Hotel, and taking into account possible inflation and a reasonable buffer to allow for increases in room rates and the occupancy of the Shenyang Hotel, the Company has set an annual cap for the Financial Year as follows:

Financial year	Annual cap (US$)
2016 (assuming the hotel management agreement will be renewed upon expiry in the year)	2,800,000

For the Financial Year, an aggregate amount of US$1,253,000 (2015: US$1,322,000) was received from SLHS. The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) to the Financial Statements.

In view of the transaction amount involved, the above continuing connected transaction would be exempted from the relevant disclosure and annual review requirements under Chapter 14A of the Listing Rules in subsequent financial years.

(7) On 26 June 2014, SLIM-HK and each of Shangri-La Hotel (Nanjing) Co, Limited (previously known as Ji Xiang Real Estate (Nanjing) Co, Limited) ("**Nanjing Co**", a company owned as to 55% by the Company and 45% by KPL) and Tianjin Kerry Real Estate Development Co, Limited ("**Tianjin Co**", a company owned as to 20% by the Company, 49% by KPL and 31% by Allgreen) (altogether "**Project Cos**") entered into a hotel management agreement, pursuant to which SLIM-HK would provide Hotel Management Services to Shangri-La Hotel, Nanjing and Shangri-La Hotel, Tianjin which are owned by Nanjing Co and Tianjin Co, respectively. Each of the said agreements has a three-year term commencing from the opening date of the hotel concerned and SLIM-HK has the right to decide whether the term shall be renewed for another consecutive three-year term provided that the entire term of each of the said agreements shall not be longer than 20 years.

The Project Cos are associates of KPL, which is a subsidiary of KHL (Substantial Shareholder). Accordingly, the Project Cos are connected persons of the Company at holding level, and the agreements as described above constitute continuing connected transactions for the Company.

Based on the terms of the said agreements and the expected occupancy of each of the said hotels, and taking into account possible inflation and a reasonable buffer to allow for increases in room rates and the occupancy of the said hotels, the Company has set annual caps for each of the following financial years:

Financial year	Annual cap for Shangri-La Hotel, Nanjing (US$)	Annual cap for Shangri-La Hotel, Tianjin (US$)
31 December 2016	2,100,000	1,900,000
31 December 2017 (for the entire year assuming the hotel management agreement will be renewed upon expiry in the year)	2,600,000	2,100,000

For the Financial Year, the aggregate amounts of US$1,701,000 and US$1,146,000 (2015: US$1,438,000 and US$1,014,000) were received from Nanjing Co and Tianjin Co, respectively. The transaction in respect of Tianjin Co also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(b) to the Financial Statements.

(8) On 4 March 2016, each of SLIM-HK and Shangri-La Hotel Management (Shanghai) Co, Limited ("**SLIM-PRC**", a wholly owned subsidiary of the Company), and Kerry Real Estate (Hangzhou) Co, Limited ("**Hangzhou Co**", a company owned as to 25% by the Company and 75% by KPL) entered into a hotel management agreement and a marketing services agreement, respectively, pursuant to which SLIM-HK and SLIM-PRC would provide Hotel Management Services to Midtown Shangri-La Hotel, Hangzhou, which is owned by Hangzhou Co. Each of the said agreements has a 20-year term commencing from the opening date of the hotel. The Company has obtained an independent financial adviser's opinion confirming that it is normal business practice for the agreements to be of such duration.

It was simultaneously announced that, on 17 July 2015, SLIM-HK and Ruihe Real Estate (Tangshan) Co, Limited ("**Tangshan Co**", a company owned as to 35% by the Company, 40% by KPL and 25% by Allgreen) entered into a hotel management agreement pursuant to which SLIM-HK would provide Hotel Management Services to Shangri-La Hotel, Tangshan, a hotel owned by Tangshan Co. The agreement has a 20-year term commencing from the opening date of the hotel. The Company has obtained an independent financial adviser's opinion confirming that it is normal business practice for the agreement to be of such duration.

Hangzhou Co and Tangshan Co are associates of KPL, which is a subsidiary of KHL (Substantial Shareholder). Accordingly, Hangzhou Co and Tangshan Co are connected persons of the Company at holding level, and the agreements as described above constitute continuing connected transactions for the Company.

Based on the terms of the said agreements and the expected occupancy of each of the Midtown Shangri-La Hotel, Hangzhou and Shangri-La Hotel, Tangshan, and taking into account possible inflation, the annual caps for each financial year throughout the duration of the said agreements ending 31 December 2036 and 31 December 2035 will not exceed RMB93,000,000 and RMB39,000,000, respectively.

For the Financial Year, the aggregate amounts of US$1,182,000 and US$493,000 (2015: US$ Nil and US$167,000) were received from Hangzhou Co and Tangshan Co, respectively.

The transactions also constitute related party transactions in accordance with HKFRS and the amounts of the transactions for the Financial Year are included in the receipt of hotel management, consultancy and related services and royalty fees under Note 40(a) and Note 40(b) to the Financial Statements, respectively.

(9) On 23 August 2016, the Company announced that certain subsidiaries of the Group order wines from wine suppliers on an ongoing basis for the food and beverage segments of the Group's hotel operations. The Group has maintained a wine programme with various wine suppliers including Kerry Wines Limited ("**Kerry Wines**", a company owned as to 20% by the Company, 60% by KHL and 20% by a company which is an associate of Ms KUOK Hui Kwong and Mr KUOK Khoon Chen, both being Directors, under the Listing Rules). Throughout the Financial Year, certain subsidiaries of the Group respectively placed purchase orders with Kerry Wines or its subsidiary ("**KW Member(s)**") in connection with the purchase of wines under the wine programme. Under the wine programme, the KW Member(s) offer such subsidiaries of the Group certain stock wines listed under the wine programme at agreed unit prices, subject to revision from time to time, and/or other specific types of wines at prices to be agreed between them when the purchase orders are placed. In addition, the Group may, if it considers appropriate and necessary, also purchase wines en primeur from KW Member(s). All wines purchased from KW Member(s) were/will be effected by purchase orders in written form.

Each KW Member is a subsidiary of KHL (Substantial Shareholder). Accordingly, the KW Members are connected persons of the Company at holding level, and the purchases of wines described above constitute continuing connected transactions for the Company.

Based on (i) the value of the wine orders recognised during the period from 1 January 2016 to 30 June 2016, and (ii) the business plans of the Group for the remaining months of 2016, the Group has set the annual cap of the wine orders to be placed with the KW Members for the Financial Year at US$5,000,000.

For the Financial Year, the actual aggregate value of such purchases amounted to US$3,138,000 (2015: US$3,367,000). The transaction also constitutes a related party transaction in accordance with HKFRS and the amount of the transaction for the Financial Year is included in the purchase of wine under Note 40(a) to the Financial Statements.

The continuing connected transactions mentioned in (1) to (9) above have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of Shareholders as a whole.

The Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to HKSE.

On behalf of the Board

KUOK Hui Kwong
Chairman

Hong Kong, 23 March 2017

CORPORATE GOVERNANCE REPORT

Bridal Room
Midtown Shangri-La, Hangzhou

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.

DIRECTORS HANDBOOK AND CORPORATE GOVERNANCE FUNCTIONS

Directors Handbook

The Board has adopted a composite handbook ("**Directors Handbook**") comprising the Securities Principles and the CG Principles, terms of both which align with or are stricter than the requirements set out in the Securities Model Code and the CG Model Code, save for the provision in the Directors Handbook that the positions of the Chairman and the CEO may be served by the same person. The Directors Handbook serves as a comprehensive guidebook for all Directors.

The Directors Handbook incorporates (amongst other things):

(1) Securities Principles

(a) restrictions on Directors' dealings in relation to the Company's securities;

(b) the Directors' obligations and the board procedures for the mandatory notification to and acknowledgement from the Company prior to any deemed dealings of Directors and the required notification to the Company subsequent to such dealings;

(c) the requirements of the Directors' mandatory filing with the regulatory body(ies) of their deemed dealings; and

(d) extended application of the Securities Principles to non-Directors.

(2) CG Principles

(a) the terms of the operation of the Board including the obligations of each Director;

(b) the establishment of each Board committee, including the terms of reference of and/or the policy for each such committee;

(c) the terms of the corporate governance functions;

(d) the rights of each Director (including members of any Board committee) for and/or the procedures for independent access to the Group's information and professional advice;

(e) the written procedures resolved by the Board for Shareholders to exercise certain rights in the Company; and

(f) the references to and/or the summary of various important regulatory rules and the Company's corporate policies that the Directors are obliged to strictly observe.

The Directors Handbook is updated and revised from time to time where necessary to, amongst other things, (a) align with the relevant mandatory requirements under the Listing Rules and/or any other governing rules, and (b) incorporate any corporate governance terms that the Board considers necessary for better corporate governance of the Company. Any change to the terms of the Securities Principles and the CG Principles shall be determined and approved by the Board.

Code on Securities Transactions

The Company has made specific enquiry of each of the Directors, and all the Directors have confirmed compliance with the Securities Principles throughout the Financial Year.

The Securities Principles also applied to certain employees ("**Relevant Employees**") in respect of their dealings in the securities of the Company for the Financial Year. The code with which the Relevant Employees are obliged to comply is similar to that with which the Directors are obliged to comply except that the Relevant Employees are not required to fulfil the public filing requirement. The Company has made specific enquiry of each of the Relevant Employees and they have confirmed compliance with the Securities Principles throughout the Financial Year.

Code on Corporate Governance

The Company has met the CG Principles and the CG Model Code for the Financial Year except for the deviation(s) summarised below:

CG Model Code		Deviation(s) and reason
A.2.1	The roles of the Chairman and the CEO should be separate and should not be performed by the same individual.	During the Financial Year, Mr KUOK Khoon Chen served as both the Chairman and the CEO. The Company believes that the non-separation of the two roles was not significant given that the Company's MD and/ or COO was responsible for the day-to-day operations of the Group, reporting directly to Mr KUOK Khoon Chen. Subsequent to the Financial Year and with effect from 1 January 2017, the roles of the Chairman and the CEO have been separate and performed by Ms KUOK Hui Kwong and Mr LIM Beng Chee, respectively.

Corporate Governance Functions

Under the CG Principles, the Audit Committee has the delegated responsibility to oversee, monitor and observe the terms of the Company's corporate governance functions, which include the following major duties:

(1) to review the Company's policies and practices on corporate governance and to make recommendations to the Board;

(2) to review and monitor the training and continuous professional development of Directors and senior management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the members of the Group;

(5) to review the Company's compliance with the relevant code and disclosure requirements in relation to corporate governance in accordance with the Listing Rules;

(6) to review the Directors Handbook from time to time to ensure the Directors Handbook has sufficiently covered the corporate governance matters that the Board and the Company are required to observe under the Listing Rules; and

(7) to monitor whether the terms set out in the Directors Handbook are duly observed and complied with.

The Audit Committee had duly performed its duties relating to the corporate governance functions, and save for the deviation(s) from the CG Model Code as aforesaid, it was not aware of any terms of corporate governance being violated during the Financial Year.

BOARD

The Board is accountable to Shareholders for leading the Group in a responsible and effective manner.

List of the members of the Board and their designations during the Financial Year and up to the date of the Annual Report has been set out in the Directors' Report.

Members, Meetings Held and Attendance

During the Financial Year, the Board held four board meetings. The Directors during the Financial Year, along with the attendance of each of them at the meetings, are as follows:

Name of Director	Meetings attended/ eligible to attend
Executive Directors	
KUOK Khoon Chen *(was re-designated from ED to NED on 1 January 2017)*	4/4
KUOK Hui Kwong *(was re-designated from NED to ED on 23 June 2016)*	4/4
LIU Kung Wei Christopher *(was appointed on 5 April 2016)*	3/3
LUI Man Shing	4/4
Madhu Rama Chandra RAO	4/4
Gregory Allan DOGAN *(retired on 2 June 2016)*	1/1
Non-executive Directors	
HO Kian Guan *(alternate – HO Chung Tao, was appointed in place of HO Kian Hock on 18 October 2016)*	4 (1)/4
LIM Beng Chee *(was appointed on 26 September 2016 and was re-designated from NED to ED on 1 January 2017)*	1/1
Independent Non-executive Directors	
Alexander Reid HAMILTON	4/4
Timothy David DATTELS	3/4
LI Kwok Cheung Arthur	4/4
LEE Kai-Fu	4/4

Other than the above full Board meetings, the Chairman also held an annual meeting in December 2016 with the Directors without the presence of other Executive Directors, except Ms KUOK Hui Kwong who would assume the role of the Chairman on 1 January 2017. The attendance of the Directors at the meeting was as follows:

Name of Director	Attendance
Chairman	
KUOK Khoon Chen *(relinquished the role of Chairman on 1 January 2017)*	✓
KUOK Hui Kwong *(assumed the role of Chairman on 1 January 2017)*	✓
Non-executive Directors	
HO Kian Guan *(alternate – HO Chung Tao)*	✓ (✓)
LIM Beng Chee *(re-designated from NED to ED on 1 January 2017)*	✓
Independent Non-executive Directors	
Alexander Reid HAMILTON	✓
Timothy David DATTELS	✓
LI Kwok Cheung Arthur	✓
LEE Kai-Fu	✓
Total attendance	8/8

The relationship between members of the Board, if any, is set out in the section entitled "Board of Directors, Company Secretary and Senior Management" in the Annual Report.

Term of Appointment of Directors

Each Director shall be subject to terms of retirement, but shall be eligible for re-election, in accordance with the Bye-Laws, the Listing Rules and the Company's nomination policy, in particular:

(1) any Director who was newly appointed by the Board or by the Shareholders in a general meeting to fill a casual vacancy, or as an addition to the Board, shall retire from office at the next general meeting of the Company;

(2) every Director shall retire from office by rotation no later than the third annual general meeting after he was last elected or re-elected; and

(3) at each annual general meeting, not less than one-third (or otherwise the number nearest one-third) of the Directors for the time being shall retire from office by rotation.

Accordingly, the term of appointment of each Director is effectively not more than about three years.

Directors' Training

The Directors participate in continuous professional development to enhance and refresh their skills and knowledge for their role as Directors. The Company also organises presentations and training sessions that help update Directors on the latest corporate governance and regulatory/legal issues as well as other current topics (including the Group's business developments/operations). In addition to these activities, some Directors also attend external training sessions and presentations.

A summary of the current Directors' professional development initiatives during the Financial Year is set out below:

	Category of training topics	
	Regulatory and corporate governance	Others
Executive Directors		
KUOK Hui Kwong *(re-designated from NED to ED on 23 June 2016)*	✓	✓
LIM Beng Chee *(re-designated from NED to ED on 1 January 2017)*	✓	✓
LIU Kung Wei Christopher	✓	✓
LUI Man Shing	✓	✓
Madhu Rama Chandra RAO	✓	✓
Non-executive Directors		
KUOK Khoon Chen *(re-designated from ED to NED on 1 January 2017)*	✓	✓
HO Kian Guan *(alternate – HO Chung Tao, was appointed in place of HO Kian Hock on 18 October 2016)*	✓(✓)	✓(✓)
Independent Non-executive Directors		
Alexander Reid HAMILTON	✓	✓
Timothy David DATTELS	✓	✓
LI Kwok Cheung Arthur	✓	✓
LEE Kai-Fu	✓	✓

EXECUTIVE COMMITTEE

The Executive Committee was established by the Board on 21 June 1993. The Executive Committee is delegated with the power and authority to oversee the Group's ordinary business, transactions and development. The Executive Committee's written terms of reference include its defined powers and duties, except that the following matters are explicitly reserved for the Board for decision:

(1) constitution and share capital

(2) corporate objectives and strategy

(3) corporate policies relating to securities transactions by Directors and senior management

(4) interim and annual results

(5) significant investments

(6) major financings, borrowings and guarantees other than those of ordinary terms and for the ordinary operations or for general working capital requirements of the Group

(7) corporate governance and internal controls

(8) risk management

(9) major acquisitions and disposals

(10) material contracts

(11) Board members and Auditor

(12) any other significant matters that will affect the operations of the Group as a whole

During the Financial Year, the majority of material decisions of the Executive Committee were recorded by written resolutions. The members of the Executive Committee during the Financial Year were as follows:

Member	Board capacity during committee membership
KUOK Khoon Chen *(as chairman and member until 31 December 2016)*	ED, Chairman & CEO
LUI Man Shing *(as member until 22 June 2016)*	ED
Madhu Rama Chandra RAO	ED
KUOK Hui Kwong *(as member since 23 June 2016 and as chairman since 1 January 2017)*	ED & Deputy Chairman
LIU Kung Wei Christopher *(as member from 23 June 2016 to 31 December 2016)*	ED, MD & COO

NOMINATION COMMITTEE

The Nomination Committee was established by the Board on 19 March 2012. The Nomination Committee, amongst other things, considers any proposed change to members or composition of the Board and/or evaluates the performance of Directors in accordance with the Company's nomination policy. The written terms of reference of the Nomination Committee included the following major duties:

(1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(2) to identify individuals suitably qualified to become members of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;

(3) to assess the independence of each newly proposed Independent Non-executive Director and existing Independent Non-executive Director on an annual basis or as and when the Nomination Committee considers necessary;

(4) to make recommendations to the Board on the proposed appointment, designation, election or re-election of Directors and succession planning for Directors, in particular the Chairman and the CEO;

(5) to make recommendations to the Board on the tendered resignation or proposed removal of Directors;

(6) to provide opinions on any proposed election or re-election of person(s) as Independent Non-executive Director(s) at general meeting(s) of the Company and to provide reasons why they consider the nominated person(s) to be independent;

(7) if a Director has been serving the Board as an Independent Non-executive Director for more than nine years and will make himself available for re-election at a general meeting of the Company, to consider if such Director remains independent and suitable to continue to act as an Independent Non-executive Director and to make recommendations to the Board accordingly; and

(8) to observe the terms of the Company's nomination policy and to make recommendations to the Board on the nomination policy.

The latest full version of the terms of reference of the Nomination Committee has been posted on the Company's corporate website.

Members, Meetings Held and Attendance

During the Financial Year, the majority of the Nomination Committee's material decisions were recorded by written resolutions and the Nomination Committee held a meeting in September 2016. The members of the Nomination Committee and the attendance of each of them at the meeting are as follows:

Member	Board capacity during committee membership	Meeting(s) attended/eligible to attend
KUOK Khoon Chen *(as chairman and member until 31 December 2016)*	ED, Chairman & CEO	1/1
Alexander Reid HAMILTON	INED	1/1
LI Kwok Cheung Arthur	INED	1/1

During the Financial Year, the work performed by the Nomination Committee included:

(i) For the purpose of re-election of the retiring Directors at the 2016 annual general meeting of the Company, the Nomination Committee had:

- assessed and confirmed the independence of all Independent Non-executive Directors;
- evaluated and confirmed the contribution of each of those relevant retiring Directors;
- in respect of the retiring Directors who had served as Independent Non-executive Directors for more than nine years, considered and concluded that each of them remained independent and suitable to continue to act as an Independent Non-executive Director; and
- recommended to the Board to propose the re-election of each of those relevant retiring Directors at the 2016 annual general meeting of the Company.

(ii) The Nomination Committee had, on an annual and regular basis, assessed the Board's composition and the Directors' particulars against the parameters set in the nomination policy (including board size, board diversity policy, skills/knowledge/experience, Directors' performance review) and recommended that the structure, size and composition of the Board was satisfactory.

(iii) In relation to the proposed new appointments to the Board, the Nomination Committee had:

- assessed the record and personal particulars of Mr LIU Kung Wei Christopher and Mr LIM Beng Chee; and
- considered the structure, size and composition of the Board assuming the appointments were effected.

(iv) In relation to the changes and/or re-designations of the Board members proposed during the Financial Year, the Nomination Committee had, after due assessment and/or consideration, recommended to the Board the approval/acceptance of:

- Mr Gregory Allan DOGAN's relinquishment of the position of COO in April 2016 and his retirement as a Director with effect from the close of the 2016 annual general meeting of the Company held in June 2016;
- Mr LIU Kung Wei Christopher's new appointment to the Board as the Company's Managing Director and COO in April 2016;
- Mr LUI Man Shing's relinquishment of the position of Deputy Chairman in June 2016;
- Ms KUOK Hui Kwong's re-designation from NED to ED and appointment as Deputy Chairman in June 2016;
- Mr LIM Beng Chee's appointment to the Board as NED in September 2016 and his re-designation as ED and CEO with effect from 1 January 2017;
- Mr KUOK Khoon Chen's relinquishment of the positions of Chairman and CEO and his re-designation from ED to NED with effect from 1 January 2017; and
- Ms KUOK Hui Kwong's appointment as Chairman with effect from 1 January 2017.

Nomination Policy

The terms of the nomination policy of the Company in effect during the Financial Year were as follows:

(1) the total number of Directors (excluding their alternates) shall not exceed 20, with at least three Independent Non-executive Directors and at least one-third of the Board members being Independent Non-executive Directors;

(2) the Board shall be composed of members with mixed skills and experience, with appropriate qualifications necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities;

(3) each new Director shall complement the existing Board composition to ensure that there is an appropriate mix of Directors with different abilities and experiences; shall have the required skills, knowledge and expertise to add value to the Board; and shall be able to commit the necessary time to the position;

(4) each Independent Non-executive Director shall meet the mandatory qualification requirements as set out in the Listing Rules from time to time;

(5) the Board shall observe the board diversity policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, including diversity of age, culture and gender;

(6) the Board shall have the primary responsibility for identifying appropriate candidates to act as new members of the Board;

(7) Shareholders may also propose candidates for election as a Director provided that the proposal follows the procedures posted on the Company's corporate website;

(8) each proposed new appointment, election or re-election of a Director shall be evaluated, assessed and/or considered against the criteria and qualifications set out in the Company's nomination policy by the Nomination Committee, which shall recommend its views to the Board and/or the Shareholders for consideration and determination; and

(9) each resignation or removal of a Director shall also be considered by the Nomination Committee, which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Board on 17 October 1997. The Remuneration Committee shall, amongst other things, review, endorse and/or approve the remuneration of each Director and the Senior Management in accordance with the Company's remuneration policy for Directors and Senior Management. During the Financial Year, the written terms of reference of the Remuneration Committee included the following major duties:

(1) to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(2) to determine the remuneration packages of individual Executive Directors and Senior Management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, taking into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

(3) to make recommendations to the Board on the Directors' fees and the fees for members of each committee of the Board;

(4) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(5) to review and approve compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(6) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are reasonable and appropriate; and

(7) to advise Shareholders on how to vote with respect to any Director's service contract that requires Shareholders' approval under the Listing Rules.

The latest full version of the Remuneration Committee's terms of reference has been posted on the Company's corporate website.

Members, Meetings Held and Attendance

During the Financial Year, the Remuneration Committee held three meetings in January 2016, September 2016 and November 2016, respectively. The members of the Remuneration Committee and the attendance of each of them at the meeting are as follows:

Member	Board capacity during committee membership	Meetings attended/eligible to attend
Alexander Reid HAMILTON *(chairman)*	INED	3/3
KUOK Khoon Chen *(as member until 31 December 2016)*	ED, Chairman & CEO	3/3
LI Kwok Cheung Arthur	INED	3/3

During the Financial Year, the work performed by the Remuneration Committee included:

(i) assessing the performance of the Executive Directors and Senior Management in the context of the financial performance of the Group and its development strategy in the medium term;

(ii) approving the terms of remuneration and/or bonus of the Executive Directors and Senior Management (including the annual salary review), having considered the financial results of the Group, its growth plans, the competitive environment in the hotel industry for obtaining competent management talent, and the need to adequately reward outstanding performances; and

(iii) recommending to the Board the fees payable to the Non-executive Directors and the members of the Board committees.

Remuneration Policy for Executive Directors and Senior Management

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of the individual Executive Directors and the Senior Management.

The remuneration for the Executive Directors and Senior Management comprises salary, discretionary bonus, pensions and/or housing, and annual leave fare for expatriate Executive Directors and expatriate Senior Management.

Salaries are reviewed annually. Salary increases of Executive Directors and Senior Management are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

In addition to salary, Executive Directors and Senior Management are eligible to receive a discretionary bonus the amount of which shall be reviewed and approved by the Remuneration Committee, which shall take into consideration factors such as market conditions as well as corporate and individual performances.

In order to attract, retain and motivate executives and key employees serving any member of the Group, Directors and Senior Management are also eligible to participate in the Company's share option scheme and share award scheme. The grant of share options and share awards to Directors and/or Senior Management and the terms thereto shall be approved by the Remuneration Committee.

Remuneration of Directors and Senior Management

The Non-executive Directors (including Independent Non-executive Directors) and the members of the Board committees (other than Executive Director(s)) were entitled to annual fees that were approved by Shareholders at the annual general meeting prior to payment. Such annual fees are determined with reference to the level of fees payable by listed companies in Hong Kong and the respective level of responsibilities, skills and commitments required of the Non-executive Directors, and the amount for the Financial Year and the previous year are as follows:

Annual fee	**Basis of pro-rating for the year**	**Amount (HK$)**	
		2016	2015
As NED/INED	Period of directorship	**230,000**	200,000
As Nomination Committee member	Period of membership	**50,000**	50,000
As Remuneration Committee member	Period of membership	**50,000**	50,000
As Audit Committee member	Period of membership	**130,000**	100,000
	Attendance rate at meetings	**100,000**	100,000

Details of the remuneration paid to each of the Directors for the Financial Year and the previous year are set out in Note 31 to the Financial Statements.

The remuneration (including bonus but excluding other benefits) paid to the current Senior Management (which included certain current Executive Directors) for the Financial Year are set out below (by band):

Range of remuneration (HK$)	**Number of members of Senior Management**
1 to 1,000,000	1
5,000,001 to 6,000,000	2
13,000,001 to 14,000,000	1
Total	4

Note: Two members of the Senior Management joined the Group during the Financial Year. The remuneration of such members are the actual amount received for the Financial Year.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 25 August 1998. The Audit Committee shall, amongst other things, supervise the financial reporting and the internal controls within the Group. During the Financial Year, the written terms of reference of the Audit Committee included the following major duties:

(1) to make recommendations to the Board on the appointment, re-appointment and removal of the Auditor, to approve the remuneration and terms of engagement of the Auditor, and to consider any questions of its resignation or dismissal;

(2) to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(3) to review and monitor the integrity of the Company's interim and annual financial statements, reports and accounts, and to review significant financial reporting judgements contained therein, before submission to the Board;

(4) to review the Company's financial controls, risk management and internal control systems;

(5) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;

(6) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;

(7) to review the internal audit programme to ensure co-ordination between the internal and the external auditors, and to review and monitor its effectiveness;

(8) to review the Group's financial and accounting policies and practices;

(9) to report to the Board on the matters set out in the terms of reference and, in particular, the matters required to be performed by the Audit Committee under the Listing Rules;

(10) to review whistleblowing policy(ies) or arrangements established for employees of and/or those who deal with the Group who may, in confidence, raise concerns about possible improprieties in financial reporting, internal controls or other matters; and

(11) to oversee, monitor and observe the Company's corporate governance matters.

The latest full version of the terms of reference of the Audit Committee has been posted on the Company's corporate website.

The whistleblowing and whistleblower protection policy (for external users) has also been posted on the Company's corporate website for external users' use.

Members, Meetings Held and Attendance

During the Financial Year, the Audit Committee held four meetings. The members of the Audit Committee and the attendance of each of them at the meetings are as follows:

Member	Board capacity during committee membership	Meetings attended/eligible to attend
Alexander Reid HAMILTON *(chairman)*	INED	4/4
LI Kwok Cheung Arthur	INED	4/4
HO Kian Guan	NED	4/4

During the Financial Year, the work performed by the Audit Committee included:

(i) reviewing the Group's financial controls, internal controls and risk management systems, and the conducting of the internal audit of the Group;

(ii) making recommendations on the remuneration payable to the Auditor for the Financial Year and the re-appointment of the Auditor, and satisfying itself on the Auditor's independence and objectivity;

(iii) reviewing financial issues with the Auditor in the committee meetings;

(iv) reviewing the interim and annual financial statements before these were submitted to the Board for approval;

(v) reviewing the reports issued by the internal audit team and discussing the risk and internal controls of the Group;

(vi) reviewing significant legal, litigation or in-house investigation matters of the Group; and

(vii) overseeing the Company's corporate governance matters with reference to the Company's terms of reference for corporate governance functions.

The Audit Committee was satisfied with its review for the Financial Year and concluded that no material issues were identified that needed to be brought to the particular attention of the Board or the Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

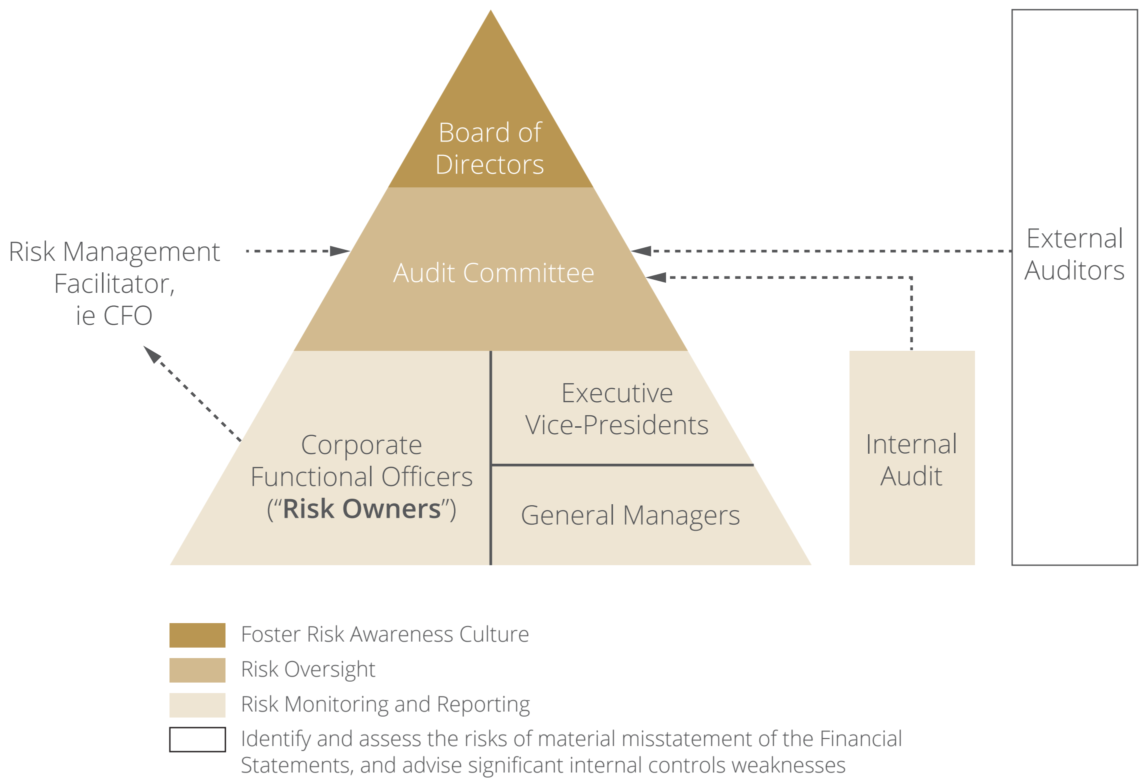
The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems in the Group and reviews the effectiveness of these systems on an ongoing basis as required by the revised corporate governance code released by the HKSE.

Risk Management Framework

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems on an ongoing basis. The Board recognises that strengthening corporate governance on an ongoing basis is crucial in enhancing the long term shareholder value and believes that a sound and effective system of risk management and internal controls is the cornerstone for good corporate governance. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss. With effect from 1 January 2016, the Company has enhanced its existing risk management process and formalised an improved risk management framework. The Company's risk management framework comprises the following key elements:

- Establish the context
- Risk assessment (including identification, analysis and evaluation)
- Risk responses and mitigation controls
- Communication and risk reporting
- Continuous risk monitoring and review of risk profiles

Risk Management Governance Structure



The Company has also formalised its risk management structure and allocated responsibilities in order to achieve the Company's business objectives:

- The Board has the overall responsibility to ensure that the Company has maintained sound and effective risk management and internal control systems. The Board has delegated the responsibility for overseeing the adequacy and effectiveness of the risk management and internal control systems to the Audit Committee. The terms of reference of the Audit Committee have been revised such that, amongst other things, the Audit Committee has been made explicitly responsible for overseeing the risk management and internal control systems of the Group. The Board considers the works, findings and advice of the Audit Committee in forming its own view on the effectiveness of the systems. Audit Committee members report to the Board at the quarterly Board meetings.

- The Audit Committee, acting on behalf of the Board, reviews the effectiveness of the Company's risk management and internal control systems on an on-going basis and reports to the Board. It also provides advice on enhancing the business performance and risk management process. The Audit Committee reviews:

  (a) The internal audit reports provided by the Internal Audit Team of the Group which assess and evaluates the effectiveness of the internal control system.

  (b) The results of the semi-annual assessments reported by the CFO and the annual confirmations on the effectiveness of the risk management system provided by the Risk Owners.

  (c) The annual summary of key internal control observations provided by the external auditors.

- The CFO acts as a facilitator in the risk management process, reviews regularly the risk profile of different functions to ensure that all risks faced by the Company are identified. He reviews and assesses the effectiveness of the risk management system and reports to the Audit Committee semi-annually.

- Risk Owners have the responsibility to ensure that key risks under their respective functions are properly identified and prioritised regularly. They are also responsible for executing the risk mitigation measures to protect the Group's interests and ensure that the control measures are properly designed and implemented effectively. Risk Owners report their assessment and monitoring status of the key risks to the CFO on a semi-annual basis. They provide annual confirmation on the effectiveness of the system.

- The Group uses a hub structure to monitor the daily operations of its businesses. Properties are grouped into different hubs based on their geographical location. The primary focus of the hub structure is to drive business performance and to collaborate with operational teams to implement the Group's global strategies, programmes and initiatives. Each hub is led by an Executive Vice-President who reports directly to the President of the Group. The General Manager of each property reports directly to the Executive Vice-President of the hub. General Managers have an obligation to ensure compliance with internal control systems and procedures at the operational level. The Executive Vice-Presidents frequently communicate with the Risk Owners, providing feedback and advice to them to ensure that the control measures are effectively applied in managing existing risks and new risks faced by the Group.

- The Internal Audit Team facilitates improvement in the risk management process. The team assesses the effectiveness of the internal control system and reports their audit results together with the results of the periodic compliance checking performed by Risk Owners to the Audit Committee on an ongoing basis.

Policies and Guidelines

Detailed and comprehensive corporate policy manuals and procedural guidelines are drawn up by the Risk Owners for the properties owned and/or managed by the Group. These guidelines encompass every area of the operation of a property. The procedural guidelines place great emphasis on organisational structure, level of authority for decision making, granting of approvals and the sequence of internal controls. These policies and guidelines are posted on the Group's intranet. The Risk Owners conduct periodic compliance checks at the operational level and share their results with the Internal Audit Team.

Code of Conduct, Handling and Dissemination of Inside Information

- The Group has a Code of Conduct and Ethics setting out the Group's integrity and ethical values with fundamental principles and guidelines. This code applies to all officers, employees and Directors of the Company, its subsidiaries, business units and controlled affiliates as well as employees of properties managed by the Company. Employees are also obliged to maintain and protect the confidentiality of all non-public information relating to the Company's affairs ("**Confidential Information**"). Employees must not disclose Confidential Information to outside parties unless authorised to do so by the Company or unless such disclosure is required by law. Employees may not use Confidential Information for any other purpose other than work-related matters. Employees must at all times take reasonable precautions to safeguard inadvertent disclosure of Confidential Information. All employees have been provided with a copy of the Code of Conduct and Ethics when hired and are required to confirm compliance therewith.

- The Company has standard procedures to handle the reporting of financial and operating performance to its shareholders, the issuing of public announcements and addressing the enquires of its Shareholders and investors. These procedures are detailed under the heading "Shareholders' and Investors' Communications" in this report.

- The Directors and relevant executives of the Group are required to observe the Securities Principles and they are required to provide semi-annual and annual confirmations to the Company.

- The Company has provided the Directors' Handbook to all Directors. Summary of certain responsibilities and legal obligations under the Listing Rules and the SFO have been included in this handbook. This handbook also includes the rules regarding the obligation on timely disclosure of price sensitive information under the SFO. They are reminded to take reasonable measures to ensure that proper safeguards exist to prevent a breach of the rules.

Whistleblowing Policy

- The Group has a whistleblowing and whistleblower protection policy posted on the Company's website which aims:

  (a) to encourage the business associates to report suspected wrongdoing as soon as possible, with the confidence that their concerns will be taken seriously and investigated as appropriate, and that their confidentially will be respected;

  (b) to provide avenues for business associates to raise concerns and define a way to handle these concerns;

  (c) to enable the Company's management to be informed at an early stage about acts of misconduct;

  (d) to reassure business associates that they should be able to raise genuine concerns in good faith without fear of reprisals, even if they turn out to be mistaken;

  (e) to help develop a culture of openness, accountability and integrity.

- The whistleblowing officers include the chairman of the Audit Committee who is an Independent Non-executive Director. All reported cases will be properly documented including initial investigation result, undertaking of detailed investigation (if any) and results, and the action taken.

Annual Review Cycle

Audit Committee meetings and Board meetings are conducted quarterly. The most recent meeting was held in late March 2017.

(a) Late March

CFO advises the annual confirmations of the Risk Owners on the effectiveness of the risk management system (and exception report, if any) and reports the results of his assessment to the Audit Committee.

External auditors report to the Audit Committee the results of the annual audit for last year and the results of their key internal control observations.

Corporate Director of Internal Audit reports to the Audit Committee the results of the recent internal audit tasks and the recent compliance checks performed by the Risk Owners.

Audit Committee advises the Board its own view on the effectiveness of the risk management and internal control systems in the last year; and reports exception issues noted in the recent internal control report and the report from the external auditors.

The Board makes confirmation on the effectiveness of the risk management and internal control systems in the last financial year.

(b) Early June

CFO provides the finalised risk register for the current year to the Audit Committee.

External auditors provide the summary of the key internal control observations for the last year to the Audit Committee.

Corporate Director of Internal Audit reports to the Audit Committee the results of the recent internal audit tasks and the recent compliance checks performed by the Risk Owners.

Audit Committee advises the Board the summary of the risk register for the current year and exception issues noted in the recent internal control report and report from external auditors.

(c) Late August

CFO reports to the Audit Committee the results of the semi-annual assessments on the effectiveness of the risk management system.

External auditors report to the Audit Committee on the results of the interim review for the first half year.

Corporate Director of Internal Audit reports to the Audit Committee the results of the recent internal audit tasks and the recent compliance checks performed by the Risk Owners.

Audit Committee advises the Board its own view on the effectiveness of the risk management and internal control systems in the first half year, and reports exception issues noted in the recent internal control report and report from external auditors.

(d) Early December

CFO updates the Audit Committee on the progress of the risk mitigation progress status provided by the Risk Owners.

External auditors report to the Audit Committee the audit service plan of the annual audit for the current year.

Corporate Director of Internal Audit reports to the Audit Committee the results of the recent internal audit tasks and the recent compliance checks performed by the Risk Owners.

Audit Committee advises the Board the recent risk mitigation progress status as reported by the CFO and exceptional issues noted in the recent internal control report.

In the Financial Year, meetings were held in late March, early June, late August and early December. The CFO, the Corporate Director of Internal Audit and the external auditors of the Company attended all the Audit Committee meetings.

Top Risk Areas

The Company has incorporated all the identified risks into a risk register. The Company has classified all the identified risks into four categories:

- Financial/Reporting
- Operational
- Regulatory Compliance
- Strategic/External Risks

The high-level assessments performed by the management identified 28 risk areas. Out of these identified risk areas, six areas are considered to be the top risk areas of the Company.

	Top Risk Areas	Risk Owners
(1)	Investment (new projects and renovations)	Policy Implementation Committee ("**PIC**")*
(2)	Competition, customer and pricing	Chief Marketing Officer
(3)	Human resources	Group Chief Human Resources Officer
(4)	Security – physical – cyber	Director of Corporate Security Chief Technology Officer
(5)	Global forces (including foreign exchange, interest rate and sources of funds)	CFO
(6)	Food safety	Group Director of Food & Beverage

* Each new project/renovation project is led by an owner's representative, PIC, who reports directly to the Chairman and the CEO.

Risk Change in 2016:

	Top Risk Areas	Risk Change
(1)	Investment	Increased
(2)	Competition, customer and pricing	No change
(3)	Human resources	No change
(4)	Security – physical – cyber	No change Increased
(5)	Global forces	Increased
(6)	Food safety	No change

Internal Controls

Internal control policies and procedures are designed to identify and manage the risks that the Group may be exposed to, thereby providing reasonable assurance regarding the achievement of corporate objectives. Internal financial systems also allow the Board to monitor the Group's overall financial position, to protect the Group's assets and to mitigate against material financial misstatement or loss. Through the Audit Committee, the Board has conducted reviews of the effectiveness of the system of internal controls of the Group. The reviews cover all material controls, including financial, operational and compliance controls and risk management functions.

Internal Audit

The Company also monitors its internal financial control systems through management reviews and a programme of internal audits. The internal audit team reviews the major operational and financial systems of the Group on a continuing basis and aims to cover all major operations within every division on a rotational basis. The scope of its review and of the audit programme is determined and approved by the Audit Committee at the beginning of each financial year. The Corporate Director of Internal Audit reports directly to the Audit Committee and submits regular reports for its review in accordance with the approved programme.

2016 Effectiveness of the Company's Risk Management and Internal Control Systems

The Audit Committee has received the management's annual confirmation that the Company's risk management and internal control systems were effective and adequate for the Financial Year. The annual review of the Audit Committee has not identified any significant control failings or weaknesses during the Financial Year and it concurred with the management's confirmation. The Audit Committee has also reviewed and ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. Based on the duties performed by the Audit Committee and its recommendation, the Board confirmed that the Company's risk management and internal control systems were effective and adequate for the Financial Year; and the effectiveness of the Company's processes for financial reporting and Listing Rule compliance.

EXTERNAL AUDITORS

The Company's Auditor is PricewaterhouseCoopers, Hong Kong.

For the Financial Year, the external auditors (including their other member firms) that provided audit and non-audit services to the Group are as follows:

Services	Fees charged (US$'000)
PricewaterhouseCoopers	
Audit services (including interim review)	1,077
Non-audit services	
(a) tax services	240
(b) other advisory services	166
Total	1,483
Other auditor(s)	
Audit services	726
Non-audit services	
(a) tax services	171
(b) other advisory services	55
Total	952

Auditor

The Financial Statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment as the Auditor at the Annual General Meeting.

Responsibility for Financial Statements

The Directors acknowledge their responsibility for the preparation of the Financial Statements. In preparing the Financial Statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the Financial Statements.

The statement of the Auditor in regard to its reporting responsibilities on the Financial Statements is set out in the section entitled "Independent Auditor's Report".

GENERAL MEETING(S)

During the Financial Year, the following general meeting of Shareholders was held:

- annual general meeting held on 2 June 2016 at 10:30 am in Hong Kong

All proposed Shareholders' resolutions put to the above general meeting were resolved by poll vote and were duly passed. The vote tally of each such resolution was set out in the Company's announcement released on the day of the general meeting.

The Auditor has attended the general meeting. The attendance of the members of the Board and/or each Board committee at the general meeting is as follows:

	Attended in the capacity of a member of				
Meeting date: 2 June 2016	Board	Designation on meeting date	Nomination Committee	Remuneration Committee	Audit Committee
KUOK Khoon Chen	✓	ED, Chairman & CEO	✓	✓	
LUI Man Shing	✓	ED & Deputy Chairman			
LIU Kung Wei Christopher	✓	ED, MD & COO			
Madhu Rama Chandra RAO	✓	ED			
Gregory Allan DOGAN *(retired on 2 June 2016)*	X	ED			
KUOK Hui Kwong	✓	NED			
HO Kian Guan *(alternate – HO Chung Tao, was appointed in place of HO Kian Hock on 18 October 2016)*	✓(X)	NED			✓
LIM Beng Chee *(was appointed NED on 26 September 2016)*	N/A	N/A			
Alexander Reid HAMILTON	✓	INED	✓	✓	✓
Timothy David DATTELS	✓	INED			
LI Kwok Cheung Arthur	✓	INED	✓	✓	✓
LEE Kai-Fu	✓	INED			
Total attendance	10/11				

GENERAL MANDATES GRANTED TO DIRECTORS

New Issue Mandate

At the Company's annual general meeting in 2016, Shareholders granted to the Directors a general mandate to issue new Shares (subject to the requirements of the Listing Rules) representing not more than 20% of the issued Shares as at the date of the general meeting.

Up to the date of the Annual Report, the general mandate has not been exercised. The general mandate will expire not later than the conclusion of the Annual General Meeting.

The approval of a similar and refreshed general mandate will also be sought from Shareholders at the Annual General Meeting. Details of the mandate have been set out in the notice convening the Annual General Meeting which is issued simultaneously with the Annual Report.

Share Repurchase Mandate

At the Company's annual general meeting in 2016, Shareholders granted to the Directors a general mandate to repurchase Shares (subject to the requirements of the Listing Rules) representing not more than 10% of the issued Shares as at the date of the general meeting.

Up to the date of the Annual Report, the general mandate has not been exercised. The general mandate will expire not later than the conclusion of the Annual General Meeting.

The approval of a similar and refreshed general mandate will also be sought from Shareholders at the Annual General Meeting. Details of the mandate have been set out in the notice convening the Annual General Meeting and a separate circular of the Company, both of which are issued simultaneously with the Annual Report.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

DIVIDEND POLICY

The Board considered that the Company's dividend policy should be based on the profits of the Group that were not affected by exceptional items (ie, based on operating/recurring profits). Given the capital expenditure requirements to support the Group's expansion plans, the Board was of the view that 50% to 55% of operating/recurring profits could be a general yet non-mandatory yardstick/benchmark for the Board's consideration as payment of dividends to Shareholders.

The total dividend paid/declared for the Financial Year represents 44% of the annual operating/recurring profits.

The Board reviews the Company's dividend policy regularly to ensure that the policy is in line with market practice and is appropriate considering the Group's ongoing development plans.

INVESTOR RELATIONS

Shareholders' Right to Propose a Person for Election as a Director

Shareholders shall have the right to propose a person for election as a Director at the Company's general meeting. Detailed procedures for this right have been posted on the Company's corporate website, referred to as "Procedures for Shareholders to Propose a Person for Election as a Director".

Shareholders’ Right to Request to Convene a General Meeting

Shareholders shall also have the right to request the Board to convene a general meeting of the Company. Detailed procedures for this right have been posted on the Company’s corporate website. Any Shareholder who wishes to exercise his/her right hereof shall refer to the “Procedures for Shareholders’ Requests to Convene a General Meeting” (“**Procedures to Convene General Meeting**”) as posted on the Company’s corporate website. The major terms of the Procedures to Convene General Meeting are summarised as follows:

(1) Holder(s) of Shares who are registered in the Company’s register(s) of members as registered Shareholder(s) (“**Requisitionist(s)**”) may submit a written request (“**Requisition**”) to convene a special general meeting provided that the Requisitionist(s) is/are holding not less than one-tenth of the paid up capital of the Company as at the date of the request.

(2) The Requisition must:

 (a) state the purpose(s) of the special general meeting and, where appropriate, be accompanied with all necessary materials and information for the purposes of the subject matter of the special general meeting;

 (b) state the full name of each Requisitionist;

 (c) state the number of the Shares held by each Requisitionist as at the date of the Requisition;

 (d) state the valid contact details of each Requisitionist, including phone number and email address;

 (e) be signed by each Requisitionist;

 (f) be accompanied with a sum reasonably sufficient to meet the Company’s expenses in giving any notice or statement to Shareholders; and

 (g) be delivered to the Company at its registered office in Bermuda as well as its principal place of business in Hong Kong and shall be addressed to the attention of the Company’s company secretary.

(3) If the Board receives a due Requisition:

 (a) the Board shall convene a special general meeting within 21 calendar days immediately after the Requisition is duly lodged with the Company in accordance with the Procedures to Convene General Meeting; and

 (b) the Board shall simultaneously issue notice and information of the special general meeting (specifying the place, date and hour of the meeting and the general nature of the business to be considered) to all Shareholders subject to and in accordance with the Bye-Laws, the Listing Rules and the Bermuda Companies Act to convene the meeting, which shall be held at least (i) 10 clear business days in Hong Kong (excluding Saturdays) and (ii) 14 clear calendar days (excluding the day of notice and the day it is deemed to have been served as well as the day of the meeting) after the notice.

(4) If the Board fails to convene a special general meeting in accordance with (3)(a) hereinabove, the Requisitionist(s) or any of them may convene a special general meeting for the Requisition provided that:

 (a) the aggregate voting rights of the Shares registered in the name of such Requisitionist(s) convening the special general meeting represent more than one half of the total voting rights of the Shares registered in the name of all the Requisitionist(s); and

(b) such Requisitionist(s) shall issue proper notice of the special general meeting to all Shareholders in a similar manner to that set out in (3)(b) hereinabove to convene a special general meeting, and such meeting shall be held within three calendar months immediately after the Requisition is duly lodged with the Company in accordance with the Procedures to Convene General Meeting.

(5) The Board shall have the absolute right to request the Requisitionist(s) to provide further materials or information in relation to the Requisition that the Board considers necessary to facilitate the convening, if appropriate, of the special general meeting as requested. The Requisitionist(s) shall provide such further materials and information that the Company may request in a timely fashion. The Board may reject a Requisition that does not fulfil any conditions as set out in the Procedures to Convene General Meeting, or if a special general meeting is, in the Board's reasonable and absolute discretion, not appropriately requested to be convened, and the Board shall inform the Requisitionists within 21 calendar days therefrom that the request under the Requisition will not be progressed.

Shareholders' and Investors' Communications

The Company reports on its financial and operating performance to Shareholders through interim and annual reports. At annual general meetings of the Company, Shareholders may raise questions with the Directors relating to the performance and future direction of the Group.

In addition, press conferences and analyst briefings are held at least twice a year subsequent to the interim and the final results announcements at which appropriate Executive Directors and management members are available to answer queries on the Group.

Shareholders and investors may also address their enquiries to the Board through the enquiry channel available on the Company's corporate website.

In the event any Shareholder wishes to put forward any proposal to a general meeting of Shareholders or for the Board's consideration, the Shareholder shall raise his/her proposal to the Board in writing to the Company's head office and principal place of business in Hong Kong or through the enquiry channel on the Company's corporate website. If the Board considers the proposal appropriate, the Board will take appropriate action or arrangement for consideration at the next available general meeting or Board meeting.

Key Dates for Shareholders in 2017

The key dates are set out in the section entitled "Corporate Information" in the Annual Report.

PUBLIC FLOAT

Based on the information recorded in the registers required to be kept by the Company under Sections 336 and 352 of the SFO or otherwise notified to the Company and within the knowledge of the Directors:

(1) as at Year End, the public float of the Shares made up 45.65% or a capitalisation of approximately HK$13.37 billion based on the closing price of the Shares as at Year End; and

(2) a sufficient public float of the Shares as required by the Listing Rules has been maintained during the Financial Year and the period thereafter up to the date of the Annual Report.

羅兵咸永道

To the Shareholders of Shangri-La Asia Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Shangri-La Asia Limited (the "Company") and its subsidiaries (the "Group") set out on pages 118 to 232, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of loss-making hotels
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of loss-making hotels Refer to note 2.10 (Summary of significant accounting policies), note 4.1(a) (Critical accounting estimates and assumptions), note 7 (Property, plant and equipment), note 9 (Leasehold land and land use rights), note 12 (Interest in associates), note 29 (other losses – net) and note 33 (share of profit of associates) to the consolidated financial statements. The Group, through its subsidiaries and associates, holds equity interests in a number of hotel properties across Asia Pacific, Europe and Africa. The carrying values of these hotel properties included in Property, plant and equipment ("PPE") and Leasehold land and land use rights amounted to US$6,003 million and US$499 million and the Group's proportionate share of the carrying value of hotel properties included in the Interest in associates amounted to US$1,079 million respectively on the consolidated statement of financial position at 31 December 2016. Given the different political and economic environments in which the Group operates, the trading performance of the Group's hotels varies with some recording losses. There is a risk that the carrying amounts of the loss making hotels are higher than their recoverable amounts. Management performs impairment assessments on the loss-making hotels with impairment indicators, and considers each hotel as a separate cash-generating unit ("CGU"). The recoverable amount is determined as the higher of the CGU's value-in-use and fair value less costs to sell. External valuations by independent professional valuers are obtained when the internal assessments need independent confirmation. As a result of the impairment assessments carried out by management during the year ended 31 December 2016, the Group recorded impairment charges of US$70.5 million and US$6.2 million against its PPE and Interest in associates respectively. In addition, the Group also recorded a reversal of impairment losses of US$3.8 million against its PPE. We focused on this area as the impairment assessments involve significant judgements and estimation uncertainty about future business performance with key assumptions including sales growth rate, occupancy rate, and discount rate.	Our audit procedures in relation to management's impairment assessments included: – Assessing how management identified impairment indicators including their conclusion as to which hotel properties required impairment testing; – Evaluating management's future cash flow forecasts and the processes by which they were drawn up, including testing the underlying calculations and comparing them to the latest Board approved budgets and the actual results of the prior period; – Assessing the appropriateness of methodologies used by management or external valuers; – Assessing the sales growth rate and occupancy rate applied in the forecasts by comparing them to historic results and economic and industry forecasts; – Assessing the country-specific discount rates with reference to market data or our in-house valuation experts; – Considering the potential impact of reasonably possible downside changes of the key assumptions on management's impairment assessments; – Assessing external professional valuers' competence, capabilities and objectivity, and reading the valuation reports prepared by the external valuers; – Checking, on a sample basis, the accuracy and relevance of the input data used by the external valuers. Based on our work and the evidence obtained, we found the significant judgements and estimates adopted by management in the value-in-use and fair value less costs to sell calculations were supportable in light of the current market environments.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to note 2.6 (Summary of significant accounting policies), note 4.1(c) (Critical accounting estimates and assumptions), note 8 (Investment properties), note 12 (Interest in associates) and note 33 (share of profit of associates) to the consolidated financial statements. Investment properties held by the Group's subsidiaries were carried at fair value of US$1,328 million and the Group's proportionate share of fair value of Investment properties were carried at US$3,454 million in the Interest in associates respectively at 31 December 2016. The Group's share of the net fair value changes in investment properties held by subsidiaries and associates amounting to loss of US$143.9 million and profit of US$160.5 million respectively were recorded in the consolidated income statement during the year ended 31 December 2016. The fair values of investment properties were supported by property valuations carried out by independent firms of professional valuers engaged by the Group or the relevant associates at 31 December 2016. For completed properties, the valuation methods were based on the income capitalisation approach and direct comparison approach, which required judgement and estimates on open market rents, capitalisation rates and occupancy rates. For properties under construction, the residual approach was used and significant judgement and estimates applied in the valuations also included the estimated costs to completion and allowance for contingencies. The existence of significant judgement and estimates in the property valuations, and the size of the Group's investment property portfolio warrant specific audit attention to this area.	Our audit procedures in relation to valuation of investment properties held by the Group's subsidiaries and associates included: – Evaluating the external valuers' competence, capabilities and objectivity by considering their independence, professional qualifications and relevant experience in the markets where the Group's investment properties are located, and reading their valuation reports prepared for financial reporting purposes; – Considering the appropriateness and consistency of methodologies used in the property valuations based on our knowledge of the industry and market practice; – Assessing the reasonableness of the key assumptions adopted in the property valuations by comparing them to recent lettings of the Group's investment properties, actual occupancy rates achieved, recent market transactions, industry reports, the Group's budgets and actual costs incurred for properties under construction, and the key assumptions used in the prior year and with reference to our in-house valuation experts; – Checking, on a sample basis, the accuracy and relevance of the valuation input data on existing leases by agreeing the rental income and lease terms to the signed lease agreements. Based on our work and the evidence obtained, we found the methodologies used and key assumptions adopted in the valuation of investment properties were supportable and in line with the industry and the relevant markets.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsang Nga Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2016 US$'000	2015 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	6,002,690	6,386,127
Investment properties	8	1,328,352	1,120,279
Leasehold land and land use rights	9	499,341	542,360
Intangible assets	10	90,367	89,770
Interest in associates	12	3,634,559	3,535,739
Deferred income tax assets	26	6,213	4,363
Available-for-sale financial assets	13	10,189	4,692
Derivative financial instruments	24	2	34
Other receivables	14	13,929	13,173
		11,585,642	11,696,537
Current assets			
Inventories		41,790	42,797
Properties for sale		18,581	21,309
Accounts receivable, prepayments and deposits	15	304,836	315,443
Amounts due from associates	12	66,971	109,588
Derivative financial instruments	24	2	31
Amounts due from non-controlling shareholders	25	69	106
Financial assets held for trading	16	14,963	15,533
Cash and bank balances	18	944,218	1,084,069
		1,391,430	1,588,876
Assets of disposal group classified as held for sale	17	16,712	–
		1,408,142	1,588,876
Total assets		12,993,784	13,285,413
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	3,191,801	3,191,801
Other reserves	20	606,320	1,114,421
Retained earnings		2,192,707	2,086,071
		5,990,828	6,392,293
Non-controlling interests	25	421,606	497,392
Total equity		6,412,434	6,889,685

	Note	As at 31 December 2016 US$'000	2015 US$'000
LIABILITIES			
Non-current liabilities			
Bank loans	21	4,486,869	2,965,774
Fixed rate bonds	23	–	598,758
Derivative financial instruments	24	919	3,612
Amounts due to non-controlling shareholders	25	29,547	28,563
Deferred income tax liabilities	26	310,144	317,319
		4,827,479	3,914,026
Current liabilities			
Accounts payable and accruals	27	885,132	834,916
Amounts due to non-controlling shareholders	25	22,769	22,059
Current income tax liabilities		22,504	19,885
Bank loans	21	208,894	1,052,082
Convertible bonds	22	–	550,458
Fixed rate bonds	23	599,730	–
Derivative financial instruments	24	1,497	2,302
		1,740,526	2,481,702
Liabilities of disposal group classified as held for sale	17	13,345	–
		1,753,871	2,481,702
Total liabilities		6,581,350	6,395,728
Total equity and liabilities		12,993,784	13,285,413

The notes on pages 125 to 232 are an integral part of these consolidated financial statements.

The financial statements on pages 118 to 232 were approved by the Board of Directors on 23 March 2017 and were signed on its behalf.

KUOK Hui Kwong
Director

LIM Beng Chee
Director

	Note	Year ended 31 December 2016 US$'000	2015 US$'000
Sales	5	2,055,423	2,122,624
Cost of sales	28	(879,390)	(934,037)
Gross profit		1,176,033	1,188,587
Other losses – net	29	(193,092)	(21,111)
Marketing costs	28	(86,508)	(89,914)
Administrative expenses	28	(204,402)	(202,434)
Other operating expenses	28	(705,444)	(721,802)
Operating (loss)/profit		(13,413)	153,326
Finance costs – net	32	(130,569)	(135,351)
Share of profit of associates	33	293,543	254,358
Profit before income tax		149,561	272,333
Income tax expense	34	(87,529)	(102,355)
Profit for the year		62,032	169,978
Profit/(Loss) attributable to:			
Equity holders of the Company		106,054	140,131
Non-controlling interests		(44,022)	29,847
		62,032	169,978
Earnings per share for profit attributable to the equity holders of the Company during the year *(expressed in US cents per share)*			
– basic	35	2.97	3.93
– diluted	35	2.97	3.93
Dividends	36	59,876	46,058

	Year ended 31 December	
	2016	2015
	US$'000	US$'000
Profit for the year	62,032	169,978
Other comprehensive (loss)/income:		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligation	(538)	(1,170)
Items that may be reclassified subsequently to profit or loss		
Fair value changes of interest-rate swap contracts – hedging	3,436	(2,874)
Fair value changes of available-for-sale financial assets	5,210	–
Currency translation differences – subsidiaries	(257,029)	(413,994)
Currency translation differences – associates	(225,063)	(238,292)
Other comprehensive loss for the year	(473,984)	(656,330)
Total comprehensive loss for the year	(411,952)	(486,352)
Total comprehensive loss attributable to:		
Equity holders of the Company	(355,407)	(461,285)
Non-controlling interests	(56,545)	(25,067)
	(411,952)	(486,352)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non–controlling interests US$'000	Total equity US$'000
		Attributable to equity holders of the Company					
Balance at 1 January 2016		3,191,801	1,114,421	2,086,071	6,392,293	497,392	6,889,685
Remeasurements of post-employment benefit obligations		–	–	(515)	(515)	(23)	(538)
Fair value changes of interest-rate swap contracts – hedging		–	3,436	–	3,436	–	3,436
Fair value changes of available-for-sale financial assets		–	5,210	–	5,210	–	5,210
Currency translation differences		–	(469,592)	–	(469,592)	(12,500)	(482,092)
Other comprehensive loss for the year recognised directly in equity		–	(460,946)	(515)	(461,461)	(12,523)	(473,984)
Profit/(Loss) for the year		–	–	106,054	106,054	(44,022)	62,032
Total comprehensive income/(loss) for the year ended 31 December 2016		–	(460,946)	105,539	(355,407)	(56,545)	(411,952)
Transfer of share option reserve to retained earnings upon expiry of share options	20	–	(2,637)	2,637	–	–	–
Transfer of convertible bonds reserve to retained earnings upon maturity of convertible bonds	20	–	(44,518)	44,518	–	–	–
Payment of 2015 final dividend		–	–	(23,029)	(23,029)	–	(23,029)
Payment of 2016 interim dividend		–	–	(23,029)	(23,029)	–	(23,029)
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(29,046)	(29,046)
Net change in equity loans due to non-controlling shareholders		–	–	–	–	9,805	9,805
		–	(47,155)	1,097	(46,058)	(19,241)	(65,299)
Balance at 31 December 2016		3,191,801	606,320	2,192,707	5,990,828	421,606	6,412,434

		Attributable to equity holders of the Company					
	Note	Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non–controlling interests US$'000	Total equity US$'000
Balance at 1 January 2015		3,191,745	1,716,784	1,995,669	6,904,198	535,049	7,439,247
Remeasurements of post-employment benefit obligations		–	–	(1,163)	(1,163)	(7)	(1,170)
Fair value changes of interest-rate swap contracts – hedging		–	(2,874)	–	(2,874)	–	(2,874)
Currency translation differences		–	(597,379)	–	(597,379)	(54,907)	(652,286)
Other comprehensive loss for the year recognised directly in equity		–	(600,253)	(1,163)	(601,416)	(54,914)	(656,330)
Profit for the year		–	–	140,131	140,131	29,847	169,978
Total comprehensive income/(loss) for the year ended 31 December 2015		–	(600,253)	138,968	(461,285)	(25,067)	(486,352)
Exercise of share options – allotment of shares	19	44	–	–	44	–	44
Exercise of share options – transfer from share option reserve to share premium	19, 20	12	(12)	–	–	–	–
Transfer of share option reserve to retained earnings upon expiry of share options	20	–	(2,098)	2,098	–	–	–
Payment of 2014 final dividend		–	–	(27,635)	(27,635)	–	(27,635)
Payment of 2015 interim dividend		–	–	(23,029)	(23,029)	–	(23,029)
Dividend paid and payable to non-controlling shareholders		–	–	–	–	(19,405)	(19,405)
Net change in equity loans due to non-controlling shareholders		–	–	–	–	6,815	6,815
		56	(2,110)	(48,566)	(50,620)	(12,590)	(63,210)
Balance at 31 December 2015		3,191,801	1,114,421	2,086,071	6,392,293	497,392	6,889,685

Included in the retained earnings are statutory funds of approximately US$61,888,000 (2015: US$63,154,000). These funds are set up by way of appropriation from the profit after taxation of the respective companies, established and operating in Mainland China, in accordance with the relevant laws and regulations.

	Note	Year ended 31 December 2016 US$'000	2015 US$'000
Cash flows from operating activities			
Cash generated from operations	37	613,500	559,424
Interest paid		(140,901)	(141,808)
Hong Kong profits tax paid		(14,678)	(15,936)
Overseas tax paid		(65,617)	(62,768)
Net cash generated from operating activities		392,304	338,912
Cash flows from investing activities			
Purchase of property, plant and equipment		(114,452)	(142,359)
Capital expenditure on properties under development		(364,681)	(581,303)
Addition of leasehold land and land use rights		(38)	(3,568)
Capital expenditure on investment properties		(116,134)	(49,210)
Capital expenditure on intangible assets		(1,993)	(525)
Proceeds from disposal of property, plant and equipment; and investment properties		1,513	725
Final consideration payment for acquisition of a subsidiary		–	(31,650)
Net proceeds from disposal of controlling interests in a subsidiary		–	14,333
Capital contribution to associates		–	(8,824)
Net increase in loans to associates		(17,224)	(3,628)
Interest received		12,960	12,884
Dividends received from associates		32,850	51,625
Dividends received from listed securities		1,301	1,050
Disposal of financial assets held for trading		–	2,266
Addition of available-for-sale financial assets		(297)	–
Decrease/(Increase) in short-term bank deposits with original maturities over 3 months		24,004	(76,224)
Net cash used in investing activities		(542,191)	(814,408)
Cash flows from financing activities			
Dividends paid to the Company's equity holders		(46,058)	(50,664)
Dividends paid to non-controlling shareholders		(30,564)	(18,118)
Net proceeds from issuance of ordinary shares		–	44
Net increase in loans from non-controlling shareholders		9,805	17,210
Decrease in short-term advance from an associate of the Company's controlling shareholder		(15,400)	–
Redemption of convertible bonds		(559,200)	–
Repayment of bank loans		(1,528,519)	(1,367,461)
Bank loans drawn down		2,240,618	1,505,068
Net cash generated from financing activities		70,682	86,079
Net decrease in cash and cash equivalents		(79,205)	(389,417)
Cash and cash equivalents at beginning of the year		893,424	1,327,835
Exchange losses on cash and cash equivalents		(26,900)	(44,994)
Cash and cash equivalents of a subsidiary reclassified as assets held for sale	17	(9,742)	–
Cash and cash equivalents at end of the year	18	777,577	893,424

1 GENERAL INFORMATION

Shangri-La Asia Limited ("**Company**") and its subsidiaries (together, "**Group**") own/lease and operate hotels and associated properties; and provide 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 ("**HKSE**") with secondary listing on the Singapore Exchange Securities Trading Limited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets, financial liabilities (including derivative financial instruments) and investment properties are stated at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Going concern

The consolidated financial statements as at 31 December 2016 have been prepared on a going-concern basis although the Group's consolidated current liabilities exceeded its consolidated current assets by US$345,729,000. The future funding requirements can be met through the committed available bank loan facilities of US$1,960,858,000 which are maturing after 31 December 2017 and the net cash inflows to be generated from operating activities. The Group is also currently negotiating with certain banks for additional long-term loan facilities for loan refinancing and to meet the scheduled project funding requirements. The Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 21.

2.1.2 Amendments to standards adopted by the Group

The following amendments to standards effective in 2016 which are relevant to the Group's operations have been adopted by the Group for the first time for the financial year beginning on 1 January 2016. All these new amendments adopted by the Group did not have any significant impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Amendments to standards adopted by the Group (continued)

Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation"

Amendments to HKAS 16 and HKAS 38 clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

The amendments to HKAS 38 establish a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

- where the intangible asset is expressed as a measure of revenue; or
- where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 "Equity method in separate financial statements"

Amendments to HKAS 27 allow entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual improvements 2014 on HKFRS 5 "Non-current assets held for sale and discontinued operations"

Amendments to HKFRS 5 clarify that when an asset (or disposal group) is reclassified from "held for sale" to "held for distribution", or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as "held for sale" or "held for distribution" simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as "held for sale".

Annual improvements 2014 on HKFRS 7 "Financial instruments: disclosures"

If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, HKFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. It provides guidance about what is meant by continuing involvement.

Annual improvements 2014 on HKAS 19 "Employee benefits"

Amendments to HKAS 19 clarify when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Amendments to standards adopted by the Group (continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: applying the consolidation exception"

The amendments to HKFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The intermediate parent would also need to meet the other criteria for exception listed in HKFRS 10.

The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity's investment activities, such that it acts as an extension of the investment entity. However, the amendments also confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties.

The amendments to HKAS 28 allow an entity which is not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a relief to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture for their subsidiaries when applying the equity method.

Amendments to HKAS 1 "Disclosure initiative"

The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

2.1.3 New standards not yet adopted by the Group

The following new standards and amendments to standards are relevant to the Group's operations but are not effective for the year 2016 and have not been early adopted:

Amendments to HKAS 12	Income taxes
Amendments to HKAS 7	Statement of cash flows
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
HKFRS 9	Financial instruments
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture
HKFRS 15	Revenue from contracts with customers
HKFRS 16	Leases

The Group is now assessing the impact of these new standards and amendments to standards on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

The consolidated financial statements included the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to obtain, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets.

The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement as negative goodwill.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of additional interest in subsidiaries from non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interest in subsidiaries to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(c) Disposal of subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests and no gain or loss is recognised.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (see Note 2.8).

If the ownership interest in an associate is reduced but significant influence is retained, only the proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performances of the operating segments, has been identified as the executive directors of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's principal subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The consolidated financial statements are presented in United States dollars (**US$**), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except those arising from qualifying cash flow hedges and qualifying net investment hedges which would be recognised in other comprehensive income.

Foreign exchange gains and losses including those relate to borrowings and cash and bank balances are presented in the consolidated income statement within "Finance costs – net".

Translation differences on non-monetary items, such as financial assets held for trading at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments on assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

Buildings comprise mainly hotel properties. Property, plant and equipment, including leasehold land classified as finance lease, are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation is calculated to write off the cost to their residual value on a straight-line basis over the expected useful lives. The useful lives or principal annual rates used are:

Leasehold land classified as finance lease	Underlying land lease term
Hotel properties and other buildings	Lower of underlying land lease term or 50 years
Plant and machinery	5% to 10%
Furniture, fixtures and equipment	10% to $33^1/_3$%
Motor vehicles	20% to 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

Properties under development and freehold land for hotel properties are not subject to depreciation and are stated at cost less accumulated impairment, if any. Leasehold land classified as finance lease commences depreciation from the time when the land is available for its intended use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating expenses in the income statement if the disposal is arising from normal operation of the business.

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Property that is being constructed or developed for future use as investment property is also classified as investment property before construction or development is completed.

Investment property comprises land held under operating lease or freehold and buildings. Land held under operating leases is classified and accounted for as investment property without amortisation when the rest of the definition of investment property is met.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties (continued)

Investment property is measured initially at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value, representing open market value determined by external professional valuers. Property under construction that is being classified as investment property is revalued to fair value when it becomes reliably determinable on a continuing basis. The valuations performed by the independent valuers for financial reporting purposes would be reviewed by the Group's management and discussions of valuation processes and results are held with the valuers at least once every six months to be in line with the Group's interim and annual reporting requirements. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

2.7 Leasehold land and land use rights

Prepaid leasehold land premiums or land use rights for hotel properties or for development of hotel properties, other than those considered as finance lease as grouped under property, plant and equipment, are classified and accounted for as leasehold land and land use rights and are stated at cost and amortised over the period of the lease on a straight-line basis to the income statement.

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in interest in associates. Goodwill on acquisitions is tested for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 20 to 50 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (continued)

(c) Website and system development costs

Website and system development costs that are directly associated with the development of identifiable and unique products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Such development costs are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 years upon commencement of operation.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Impairment of investments in subsidiaries, associates and non-financial assets

Intangible assets that have an indefinite useful life, for example goodwill, or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.11 Investments

The Group classifies its investments in the following categories: financial assets held for trading, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this classification at every reporting date.

(a) Financial assets held for trading

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months from the date of the statement of financial position; otherwise, they are classified as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the date of the statement of financial position which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position (Note 2.15).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the date of the statement of financial position.

Purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets held for trading are subsequently carried at fair value based on current market closing bid prices with realised and unrealised gains and losses arising from changes in the fair value included in the income statement in the period in which they arise. Loans and receivables are carried at amortised cost using the effective interest method less impairment with changes in carrying value to be recognised in the income statement. Unlisted equity as included in available-for-sale financial assets are stated at cost less impairment (which is charged to the income statement) as the fair value of these unlisted financial assets cannot be reliably measured. Club debentures held for long-term investment purpose and included in available-for-sale financial assets are stated at fair value and the changes in fair value are recognised in equity.

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value below its cost is considered as an indicator whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment testing of loans and receivables is the same as trade and other receivables as disclosed in Note 2.15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Derivative financial instruments (hedging and non-hedging)

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values.

In order to determine whether the instruments qualify for hedge accounting or not, the Group performs an analysis to assess whether changes in the cash flows of the instruments are deemed highly effective in offsetting changes in the cash flows of the hedged items.

(a) *Hedging*

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

For interest-rate swap contracts used for hedging bank loan interest payment under bank loan agreements in order to swap the floating interest rate borrowings to fixed interest rate borrowings, the related cash flows in the same period of the hedged transaction are classified as interest expenses in the income statement.

For currency forward contracts used to hedge the currency risk associated with the forecast foreign currency payment obligation under certain sale and purchase agreements for capital expenditure investment executed, the amounts accumulated in the "Hedging reserve" were transferred out and were included in the initial investment cost of the net asset acquired when the payment was made.

For currency forward contracts used to hedge the currency risk associated with the forecast foreign currency receipt during the year, the difference between the net cash received and the then book value of the receivable are classified as finance cost.

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

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement within "Other gains/(losses) – net".

(b) *Non-hedging*

Derivative financial instruments that do not qualify for hedge accounting are categorised as derivatives at fair value through profit or loss and changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement within "Other gains/(losses) – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost, being cost of purchase, is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

2.14 Properties for sale

Properties for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, the properties are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within bank loans in current liabilities on the statement of financial position.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the consolidated equity attributable to the Company's equity holders until the shares are resold. Where such shares are subsequently resold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, will increase the consolidated equity attributable to the Company's equity holders. The dividends on these own shares held are excluded from the dividend distribution to the Company's equity holders recognised in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. The difference between the proceeds received and fair value at inception (fair value gain/loss) is recognised in the income statement. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

2.20 Convertible bonds

Convertible bonds issued are split into their liability and equity components at initial recognition. The liability component at its fair value is determined using a market interest rate for equivalent non-convertible bonds. The difference between the net proceeds from the issue and the fair value of the liability component is the equity component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible bonds reserve until the bond is either converted (in which case it is transferred to share premium) or the bond is redeemed (in which case it is released directly to retained earnings).

2.21 Pre-operating expenditure

Pre-operating expenditure is charged to the income statement in the year in which it is incurred.

2.22 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted for the year, and any adjustment to tax payable in respect of previous years in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, associates and joint arrangements, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profit is not recognised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

2.23 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a number of defined benefit and defined contribution plans, most of the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the applicable laws and regulations at different jurisdictions and the recommendations of independent qualified actuaries for defined benefit plans.

For the Group's defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, where applicable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits (continued)

(b) Pension obligations (continued)

For defined benefit plans, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans at least every 3 years. The pension obligation is measured as the present value of the estimated future cash outflows less the fair value of plan assets. Actuarial gains and losses are recognised in full in the period in which they occur, in other comprehensive income.

The Group's defined benefit plans are funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries.

(c) Bonus plans

The Group recognises a provision where contractually obliged or when it prepares to declare discretionary bonus after evaluating employee performance as well as the financial performance of business units.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of an amount can be made. Provisions are not recognised for future operating losses.

2.25 Revenue recognition

Revenue comprises the fair value for the sales of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue/income is recognised as follows:

(i) Hotel revenue from room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(ii) Revenue in respect of hotel management and related services is recognised when the services are rendered.

(iii) Rental revenue from investment properties is recognised on a straight-line basis over the periods of the respective leases.

(iv) Revenue from sales of properties is recognised when the significant risks and rewards of ownership of properties are transferred to the purchasers.

(v) Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

(vi) Dividend income from other investments is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Operating leases

(a) As the lessee

Leases, other than those leasehold land and land use rights as stated in Note 2.7, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the leases.

(b) As the lessor

Assets leased out under operating leases are included in either property, plant and equipment or investment properties in the statement of financial position. In case of property, plant and equipment, they are depreciated over their expected useful lives on a basis consistent with other similar property, plant and equipment owned by the Group. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.28 Share-based compensation

The Group operates two equity-settled, share-based compensation plans. For options granted on or before 7 November 2002, the Group has taken advantage of the transitional provisions in HKFRS 2 under which the fair value recognition and measurement policies have not been applied. For options granted after 7 November 2002, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets) and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each date of the statement of financial position, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The related balance previously recognised in the option reserve is also credited to the share premium.

2.29 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are charged to the income statement in the year in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

The Company has not charged any fee for guarantee issued on behalf of its subsidiaries and associates and does not expect the guarantees issued by the Company will be called upon.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group Treasury under guidance of the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management and covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group has investments in different foreign operations, whose net assets are exposed to foreign currency translation risk.

There is a natural economic hedge to the extent that all the Group's business units in Hong Kong, Mainland China, the Philippines, Singapore, Malaysia, Thailand, Japan, France, United Kingdom, Turkey, Australia, Indonesia, Mauritius and Sri Lanka derive their revenues (and most of the expenses associated therewith) in local currencies. Most of the Group's hotels are quoting room tariffs in the local currency. It is the Group's endeavour, wherever and to the extent possible, to quote tariffs in the stronger currency and maintain bank balances in that currency, if legally permitted.

The Group has not felt it appropriate to substantially hedge against currency risks through forward exchange contracts upon consideration of the currency risk involved and the cost of obtaining such cover.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group analyses its exchange exposure based on the financial position at year end. The Group's exchange risk mainly arises from long-term bank loans and shareholders' loans and the Group calculates such impact on the income statement. The Group also calculates the impact on the exchange fluctuation reserve of the exchange risk on consolidation arising from the translation of the net investment in foreign entities. At 31 December 2016, if US dollar has weakened/strengthened by 5% (2015: 5%) against all other currencies (except Hong Kong dollar) with all other variables held constant, the Group's profit attributable to the equity holders of the Company and exchange fluctuation reserve would have increased/decreased by US$6,668,000 (2015: US$9,274,000) and US$414,044,000 (2015: US$454,137,000), respectively. The exchange rate between US dollar and Hong Kong dollar is only allowed to fluctuate in a narrow range under the Hong Kong's linked exchange rate system.

(ii) Equity securities price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position as financial assets held for trading and are stated at fair value through profit or loss. Available-for-sale financial assets are mainly investments in unquoted shares which are not subject to price risk. The Group is not exposed to commodity price risk.

Equity securities price risk is the risk that the fair values of the trading securities decrease as a result of changes in the value of individual securities which are also affected by the change in the level of equity indices.

For every 5% increase/decrease in the fair value of the trading securities classified under financial assets held for trading, the carrying value of the trading securities will increase/decrease by US$749,000 (2015: US$778,000) while the Group's profit attributable to the equity holders of the Company will increase/decrease by US$749,000 (2015: US$778,000) assuming that no account is given for factors such as impairment which may have additional impact on the income statement.

Based on the market value of all the trading securities as at 31 December 2016, 100% (2015: 100%) of the Group's trading securities are listed on HKSE and are valued at closing market bid prices at the date of the statement of financial position. The market equity index for the HKSE, at the close of business of the nearest trading day in the year to the date of the statement of financial position, and the highest and lowest points during the year were as follows:

	31 December 2016	High/low 2016	31 December 2015	High/low 2015
Hong Kong – Hang Seng Index	22,001	24,364/ 18,278	21,914	28,588/ 20,368

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest-rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from long-term bank loans under floating rates.

Bank loans issued at variable rates expose the Group to cash flow interest-rate risk. Group policy is to maintain an optimal portion of its borrowings at fixed rate, considering fixed rate bonds and Renminbi bank loans are fixed rate in nature and taking into account the principal amount of all interest-rate swap contracts executed. As at 31 December 2016, 27% (31 December 2015: 37%) of borrowings were at fixed rates on that basis.

The Group analyses its interest rate exposure on bank loans not hedged by interest-rate swap contracts based on the assumption that the loan position at year end could be wholly refinanced and/or renewed. The Group calculates the impact on income statement of a defined interest rate shift. The same interest rate shift is used for all currencies. The sensitivity test is run only for bank loans that represent the major interest bearing portion. Based on the simulation performed, the impact on income statement of one percentage point increase would be a decrease of the Group's profit attributable to the equity holders of the Company of US$29,781,000 (2015: US$23,658,000) after interest capitalisation for properties under development.

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest-rate swap contracts which qualify for hedge accounting. Such interest-rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term bank loans at floating rates. The Group closely monitors the movement of interest rates from time to time and enters into interest-rate swap contracts. Under the interest-rate swap contracts, the Group agrees with other parties to exchange the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sale of rooms to wholesalers are made to customers with an appropriate credit history. Sales to retail customers are made via credit cards to a significant extent. Sales to corporate customers are made to customers with good credit history. The Group has policies that limit the amount of global credit exposure to any customer. Cash and bank deposits are mainly placed in major international and local banks.

The maximum exposure of credit risk at the reporting date in respect of each class of financial assets is disclosed in the notes to the consolidated financial statements of the relevant financial assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The analysis of the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date is as follows. The Group's estimated and actual financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

	Less than 3 months US$'000	Between 3 months and 1 year US$'000	Between 1 and 2 years US$'000	Over 2 years US$'000
At 31 December 2016				
Bank loans	57,558	151,336	981,074	3,505,795
Fixed rate bonds	–	600,000	–	–
Interest payable for bank loans	25,128	74,543	82,581	111,042
Interest payable for fixed rate bonds	–	14,250	–	–
Derivative financial instruments	374	1,123	919	–
Due to non-controlling shareholders	–	22,769	–	30,531
Accounts payable and accruals	105,892	779,240	–	–
Financial guarantee contracts for bank loans granted to associates	930	22,208	18,501	61,347
At 31 December 2015				
Bank loans	462,524	589,558	348,470	2,617,304
Convertible bonds	–	559,200	–	–
Fixed rate bonds	–	–	600,000	–
Interest payable for bank loans	19,263	52,354	56,851	74,316
Interest payable for fixed rate bonds	–	28,500	14,250	–
Derivative financial instruments	575	1,727	3,612	–
Due to non-controlling shareholders	–	22,059	–	30,531
Accounts payable and accruals	94,116	740,800	–	–
Financial guarantee contracts for bank loans granted to associates	1,120	65,901	100,546	208,377

The amounts disclosed in the table are the contractual undiscounted cash flows which are equal to their carrying balances in the respective consolidated statement of financial position except that the amount due to non-controlling shareholders with maturities over two years, the convertible bonds and the fixed rate bonds included in the consolidated statement of financial position as at 31 December 2016 are US$29,547,000 (2015: US$ 28,563,000), nil (2015: US$ 550,458,000) and US$599,730,000 (2015: US$598,758,000), respectively; and that the estimated amount of interest payable for bank loans are arrived at based on the principal loan balance and prevailing interest rates at year end date up to the final maturity date of the loan agreements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current bank loans; convertible bonds and fixed rate bonds as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as "equity", as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 US$'000	2015 US$'000
Total borrowings	5,295,493	5,167,072
Less: Cash and bank balances (Note 18)	(944,218)	(1,084,069)
Net debt	4,351,275	4,083,003
Total equity	6,412,434	6,889,685
Gearing ratio (net debt over total equity)	67.9%	59.3%

The Group's bank loan facilities require it to meet certain ratios based on adjusted consolidated capital and reserves attributable to the Company's equity holders and adjusted consolidated total equity. The Group monitors compliance with these ratios on a monthly basis. The Group has satisfactorily complied with all covenants under its borrowing agreements.

3.3 Accounting for interest-rate swap contracts

Interest-rate swap contracts, a kind of derivative financial instruments, are set up for the purpose of managing risk (since the Group's policy does not permit speculative transactions). Interest-rate swap contracts are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value.

As at 31 December 2016, the Group had interest-rate swap contracts with a total principal amount of HK$1,900,000,000 (equivalent to US$245,161,000) (2015: HK$2,200,000,000 (equivalent to US$283,871,000)) and US$206,000,000 (2015: US$206,000,000), all these contracts qualify for hedge accounting. Under the accounting treatment of interest-rate swap contracts, the effective portion of the change in the fair value of the contracts is recognised in "Hedging reserve" in equity while the gain or loss relating to the ineffective portion is recognised immediately in "Other gains/(losses) – net" of income statement and the related cash flows arising from these interest-rate swap contracts in the period is classified as interest expenses in the income statement.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value estimation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 – Quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

The fair value of financial instruments traded in active markets (such as publicly traded equity securities and available-for-sale securities) is based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The Group uses widely recognised valuation models for determining the fair value of common and simple financial instruments, like interest-rate swap contracts, that use only observable market data and require little management judgement and estimation.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016. See Note 8 for disclosures of the investment properties that are measured at fair value.

	Level 1 US$'000	Level 2 US$'000	Total US$'000
Assets			
Available-for-sale financial assets (Note 13)			
– Club debentures	7,539	–	7,539
Financial assets held for trading (Note 16)			
– Equity securities	14,963	–	14,963
Derivative financial instruments (Note 24)			
– Interest-rate swap contracts	–	4	4
Total assets	22,502	4	22,506
Liabilities			
Derivative financial instruments (Note 24)			
– Interest-rate swap contracts	–	2,416	2,416

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value estimation of financial instruments (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 US$'000	Level 2 US$'000	Total US$'000
Assets			
Available-for-sale financial assets (Note 13)			
– Club debentures	2,060	–	2,060
Financial assets held for trading (Note 16)			
– Equity securities	15,533	–	15,533
Derivative financial instruments (Note 24)			
– Interest-rate swap contracts	–	65	65
Total assets	17,593	65	17,658
Liabilities			
Derivative financial instruments (Note 24)			
– Interest-rate swap contracts	–	5,914	5,914

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. There were no transfers between Level 1 and 2 during the year.

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to arrive at the fair value of an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments.
- The fair value of interest-rate swap contracts is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statement of financial position, with the resulting value discounted back to present value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Estimated impairment of goodwill; property, plant and equipment; and investments in subsidiaries, associates and non-financial assets

The Group tests whether goodwill and investments in subsidiaries, associates and non-financial assets have suffered any impairment in accordance with the accounting policies stated in Note 2.8 and Note 2.10, respectively. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts of cash-generating units are predominantly determined based on value-in-use calculations which require the use of estimates. The Group assesses the fair value of some of its property, plant and equipment based on valuations determined by independent professional qualified valuers on an open market for existing use basis or sales basis.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in accordance with local tax practice and professional advice. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Estimate of fair value of investment properties

The Group assesses the fair value of its investment properties based on valuations determined by independent professional qualified valuers. The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the date of the statement of financial position, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. For investment properties under construction, the estimated costs to completion and allowances for contingencies would be taken into account.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for these portions separately. If the portions cannot be sold separately, the entire property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

5 SALES AND SEGMENT 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. Most of the associates are engaged in hotel ownership, property rentals and property sales businesses and these revenues of the associates are not included in the consolidated sales revenue of the Group. Sales recognised in the consolidated financial statements during the year are as follows:

	2016 US$'000	2015 US$'000
Sales		
Hotel ownership		
Room rentals	986,371	1,022,903
Food and beverage sales	824,536	861,918
Rendering of ancillary services	107,182	112,813
Hotel management and related service fees	63,786	47,618
Property rentals	73,548	77,372
	2,055,423	2,122,624

The Group is domiciled in Hong Kong. The sales revenue from external customers attributed to Hong Kong and other countries are US$300,103,000 (2015: US$ 315,477,000) and US$1,755,320,000 (2015: US$1,807,147,000), respectively.

The total of non-current assets other than available-for-sale financial assets, derivative financial instruments, deferred income tax assets and interest in associates located in Hong Kong and other countries are US$843,694,000 (2015: US$690,016,000) and US$7,090,985,000 (2015: US$7,461,693,000), respectively.

In accordance with HKFRS 8 "Operating Segments", segment information disclosed in the financial statements has been prepared in a manner consistent with the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group's sales revenue is derived from various external customers in which there is no significant sales revenue derived from a single external customer of the Group. The Group's management considers the business from both a geographic and business perspective.

5 SALES AND SEGMENT INFORMATION (CONTINUED)

The Group is managed on a worldwide basis in the following 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 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.

5 SALES AND SEGMENT INFORMATION (CONTINUED)

Segment income statement

For the year ended 31 December 2016 and 2015 (US$ million)

	2016		2015	
	Sales (Note ii)	Profit/ (Loss) after tax (Note i)	Sales (Note ii)	Profit/ (Loss) after tax (Note i)
Hotel ownership				
Hong Kong	258.2	58.3	264.0	62.7
Mainland China	751.7	(12.5)	780.5	(55.8)
Singapore	198.1	23.7	218.9	29.9
Malaysia	115.5	13.9	121.4	17.6
The Philippines	189.7	5.6	199.4	16.2
Japan	62.6	0.8	56.3	(0.7)
Thailand	60.4	8.8	67.4	12.4
Australia	95.9	3.9	92.1	(0.1)
France	41.0	(16.3)	48.3	(22.4)
United Kingdom	47.6	(18.6)	51.7	(21.7)
Mongolia	14.3	(7.1)	7.8	(6.3)
Sri Lanka	4.4	(7.9)	–	–
Other countries	78.7	(6.8)	89.8	(4.6)
	1,918.1	45.8	1,997.6	27.2
Property rentals				
Mainland China	22.2	118.5	27.5	121.4
Singapore	14.3	9.9	13.9	10.1
Malaysia	6.1	1.5	6.4	1.8
Other countries	30.9	1.7	29.6	5.7
	73.5	131.6	77.4	139.0
Hotel management services	151.8	33.2	133.8	10.7
Property sales	–	54.7	–	22.8
Other business	–	(1.3)	–	(1.5)
Total	2,143.4	264.0	2,208.8	198.2
Less: Hotel management – Inter-segment sales	(88.0)		(86.2)	
Total external sales	2,055.4		2,122.6	
Net corporate finance costs (including foreign exchange gains and losses)		(83.2)		(74.7)
Land cost amortisation and pre-opening expenses for projects		(24.9)		(23.6)
Corporate expenses		(18.3)		(14.1)
Profit before non-operating items		137.6		85.8

5 SALES AND SEGMENT INFORMATION (CONTINUED)

Segment income statement (continued)

For year ended 31 December 2016 and 2015 (US$ million)

	2016	2015
	Profit/(Loss) after tax (Note i)	Profit/(Loss) after tax (Note i)
Profit before non-operating items	137.6	85.8
Non-operating items		
Share of net fair value gains on investment properties	48.3	131.4
Net realised and unrealised losses on financial assets held for trading	(0.6)	(4.2)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	(0.9)	(0.9)
Share of provision for impairment losses on hotel properties and property under development	(76.6)	(71.4)
Reversal of impairment losses on a hotel property and a self-used property	5.5	–
Loss on major renovation of a hotel	(7.2)	–
Gain on disposal of controlling interests in a subsidiary which owns a land site for composite development	–	3.1
Exchange losses arising from the refinancing of Euro shareholder's loan	–	(3.7)
Total non-operating items	(31.5)	54.3
Profit attributable to equity holders of the Company	106.1	140.1

Notes:

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

ii. Sales exclude sales of associates.

5 SALES AND SEGMENT INFORMATION (CONTINUED)

Segment income statement (continued)

For year ended 31 December 2016 and 2015 (US$ million)

The Group's share of profit of associates (excluding projects under development) by operating segments included in profit before non-operating items in the Segment Income Statement is analysed as follows:

	2016	2015
	Share of profit/ (loss) of associates	Share of profit/ (loss) of associates
Hotel ownership		
Hong Kong	(0.5)	(0.4)
Mainland China	5.9	(1.3)
Singapore	(1.3)	(2.4)
Malaysia	3.8	3.7
The Philippines	(2.9)	1.2
Other countries	(0.4)	(3.7)
	4.6	(2.9)
Property rentals		
Mainland China	117.7	118.7
Singapore	4.2	4.8
	121.9	123.5
Property sales	56.6	22.8
Other business	(1.3)	(1.4)
Total	181.8	142.0

5 SALES AND SEGMENT INFORMATION (CONTINUED)

Segment income statement (continued)

For year ended 31 December 2016 and 2015 (US$ million)

The amount of depreciation and amortisation and income tax expense before share of non-controlling interests included in the results of operating segments from subsidiaries (excluding projects under development) are analysed as follows:

	2016		2015	
	Depreciation and amortisation	Income tax expense	Depreciation and amortisation	Income tax expense
Hotel ownership				
Hong Kong	12.3	13.8	12.9	13.9
Mainland China	155.0	30.6	166.8	27.0
Singapore	16.5	6.3	17.7	7.4
Malaysia	14.8	4.5	15.9	3.1
The Philippines	38.2	7.2	38.2	8.2
Japan	0.2	–	1.0	–
Thailand	7.4	4.8	9.3	4.6
Australia	13.5	0.2	13.4	–
France	16.1	–	23.3	–
United Kingdom	9.6	–	9.8	–
Mongolia	11.1	–	6.6	–
Sri Lanka	5.6	0.6	–	–
Other countries	18.8	1.9	19.3	0.7
	319.1	69.9	334.2	64.9
Property rentals				
Mainland China	–	6.9	–	6.1
Singapore	–	1.2	–	1.1
Malaysia	–	0.9	–	0.7
Other countries	–	5.1	–	4.4
	–	14.1	–	12.3
Hotel management services	3.1	12.4	3.4	9.8
Property sales	–	1.9	–	–
Total	322.2	98.3	337.6	87.0

5 SALES AND SEGMENT INFORMATION (CONTINUED)

Segment assets

As at 31 December 2016 and 2015 (US$ million)

	As at 31 December	
	2016	**2015**
Hotel ownership		
Hong Kong	180.2	238.3
Mainland China	3,089.0	3,446.2
Singapore	492.4	524.1
Malaysia	277.3	289.4
The Philippines	415.0	466.4
Japan	10.2	8.7
Thailand	242.0	243.6
Australia	307.8	315.5
France	290.2	315.7
United Kingdom	134.0	171.2
Mongolia	209.5	233.5
Sri Lanka	145.6	–
Other countries	286.1	298.0
	6,079.3	6,550.6
Property rentals		
Mainland China	345.7	392.0
Singapore	392.7	405.8
Malaysia	72.9	73.8
Other countries	706.3	263.1
	1,517.6	1,134.7
Hotel management services	183.6	183.2
Elimination	(76.6)	(51.2)
Total segment assets	7,703.9	7,817.3
Assets allocated to projects	1,496.6	1,712.3
Unallocated assets	121.3	130.3
Intangible assets	90.4	89.8
Assets of disposal group classified as held for sale	16.7	–
Total assets of the Company and its subsidiaries	9,428.9	9,749.7
Interest in associates	3,564.9	3,535.7
Total assets	12,993.8	13,285.4

Unallocated assets mainly comprise other assets of the Company and non-properties holding companies of the Group as well as the available-for-sale financial assets, financial assets held for trading and deferred income tax assets.

6 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables US$'000	Assets at fair value through income statement US$'000	Derivatives qualifying for hedge accounting US$'000	Available-for-sale assets US$'000	Total US$'000
Assets as per consolidated statement of financial position					
31 December 2016					
Available-for-sale financial assets (Note 13)	–	–	–	10,189	10,189
Other receivables (Note 14)	13,929	–	–	–	13,929
Accounts receivable (Note 15)	192,830	–	–	–	192,830
Due from associates (Note 12)	191,914	–	–	–	191,914
Due from non-controlling shareholders (Note 25)	69	–	–	–	69
Financial assets held for trading (Note 16)	–	14,963	–	–	14,963
Derivative financial instruments (Note 24)	–	–	4	–	4
Cash and bank balances (Note 18)	944,218	–	–	–	944,218
Total	1,342,960	14,963	4	10,189	1,368,116
31 December 2015					
Available-for-sale financial assets (Note 13)	–	–	–	4,692	4,692
Other receivables (Note 14)	13,173	–	–	–	13,173
Accounts receivable (Note 15)	198,915	–	–	–	198,915
Due from associates (Note 12)	157,847	–	–	–	157,847
Due from non-controlling shareholders (Note 25)	106	–	–	–	106
Financial assets held for trading (Note 16)	–	15,533	–	–	15,533
Derivative financial instruments (Note 24)	–	–	65	–	65
Cash and bank balances (Note 18)	1,084,069	–	–	–	1,084,069
Total	1,454,110	15,533	65	4,692	1,474,400

6 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Derivatives qualifying for hedge accounting US$'000	Other financial liabilities US$'000	Total US$'000
Liabilities as per consolidated statement of financial position			
31 December 2016			
Bank loans (Note 21)	–	4,695,763	4,695,763
Fixed rate bonds (Note 23)	–	599,730	599,730
Derivative financial instruments (Note 24)	2,416	–	2,416
Due to non-controlling shareholders (Note 25)	–	52,316	52,316
Accounts payable and accruals (Note 27)	–	885,132	885,132
Total	2,416	6,232,941	6,235,357
31 December 2015			
Bank loans (Note 21)	–	4,017,856	4,017,856
Convertible bonds (Note 22)	–	550,458	550,458
Fixed rate bonds (Note 23)	–	598,758	598,758
Derivative financial instruments (Note 24)	5,914	–	5,914
Due to non-controlling shareholders (Note 25)	–	50,622	50,622
Accounts payable and accruals (Note 27)	–	834,916	834,916
Total	5,914	6,052,610	6,058,524

7 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Vehicles and machinery US$'000	Furniture, fixtures and equipment US$'000	Properties under development US$'000	Total US$'000
At 1 January 2015					
Cost	6,353,340	599,439	1,517,784	918,521	9,389,084
Accumulated depreciation and impairment provision	(1,657,542)	(347,296)	(918,425)	–	(2,923,263)
Net book amount	4,695,798	252,143	599,359	918,521	6,465,821
Year ended 31 December 2015					
Opening net book amount	4,695,798	252,143	599,359	918,521	6,465,821
Exchange differences	(328,304)	(16,221)	(37,925)	(46,087)	(428,537)
Additions	71,353	18,942	52,064	629,193	771,552
Provision for impairment loss (Note 29)	(64,445)	(1,258)	(3,245)	(3,431)	(72,379)
Disposals	(4,381)	(263)	(2,516)	(104)	(7,264)
Disposal of controlling interests in a subsidiary	–	–	–	(2,767)	(2,767)
Transfer (Note 8)	652,465	99,943	(91,004)	(676,843)	(15,439)
Depreciation	(164,154)	(49,314)	(111,392)	–	(324,860)
Closing net book amount	4,858,332	303,972	405,341	818,482	6,386,127
At 31 December 2015					
Cost	6,567,647	674,584	1,345,507	818,482	9,406,220
Accumulated depreciation and impairment provision	(1,709,315)	(370,612)	(940,166)	–	(3,020,093)
Net book amount	4,858,332	303,972	405,341	818,482	6,386,127
Year ended 31 December 2016					
Opening net book amount	4,858,332	303,972	405,341	818,482	6,386,127
Exchange differences	(195,584)	(18,700)	(18,729)	6,933	(226,080)
Additions	57,541	18,225	38,686	402,092	516,544
Provision for impairment loss (Note 29)	(70,485)	–	–	–	(70,485)
Reversal of impairment loss (Note 29)	5,451	–	–	–	5,451
Disposals	(12,607)	(470)	(1,421)	(1,103)	(15,601)
Reclassified as disposal group classified as held for sale (Note 17)	(3,827)	(670)	(1,684)	–	(6,181)
Transfer (Note 8)	64,416	27,417	22,186	(391,589)	(277,570)
Depreciation	(161,059)	(54,837)	(93,619)	–	(309,515)
Closing net book amount	4,542,178	274,937	350,760	834,815	6,002,690
At 31 December 2016					
Cost	6,361,023	678,080	1,297,786	834,815	9,171,704
Accumulated depreciation and impairment provision	(1,818,845)	(403,143)	(947,026)	–	(3,169,014)
Net book amount	4,542,178	274,937	350,760	834,815	6,002,690

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) All depreciation expenses (net of amount capitalised of US$53,000 in 2016 (2015: US$81,000)) have been included as part of the other operating expenses.

(b) For year 2016, bank loans of US$153,898,000 (2015: US$191,132,000) are secured on certain fixed assets as disclosed under Note 38(c).

(c) Buildings comprise mainly hotel properties. Details of the hotel properties of the Company's subsidiaries are summarised in Note 42(a).

(d) Properties under development include construction work in progress in respect of the renovation of certain hotel properties.

(e) The Group assesses the carrying value of property, plant and equipment; and leasehold land and land use rights when there is any indication that the assets may be impaired. These indications include continuing adverse changes in the local market conditions in which the hotel operates or will operate, or 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. During the year, the Group recognised an impairment loss of US$70,485,000 for the property, plant and equipment of a hotel wholly owned by the Group in Qufu, Mainland China in the consolidated income statement under "Other losses – net", to write down the carrying value of the hotel to the recoverable amount of US$75,401,000 (for the hotel property as a whole including the leasehold land where the hotel is situated).

The recoverable amount of this 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 obtained by the Group using the market comparison approach. The average price of approximately US$174,000 per hotel room was the key assumption used in the valuation. The fair value on which the recoverable amount is based on is categorised as a Level 3 measurement (based on significant unobservable inputs) in accordance with HKAS 36.

(f) For the year 2015, the Group recognised impairment losses totaling US$68,948,000 for the property, plant and equipment in respect of five hotels in Mainland China wholly owned by the Group and a hotel operated under operating lease in Japan. An impairment loss of US$3,431,000 was also recognised in respect of the renovation of a hotel.

8 INVESTMENT PROPERTIES

	2016 US$'000	2015 US$'000
At 1 January	1,120,279	1,071,038
Exchange differences	(40,248)	(66,052)
Additions	116,134	49,210
Disposals	(1,438)	(367)
Transferred from leasehold land and land use right	–	14,678
Transferred from property, plant and equipment	277,570	15,439
Fair value (losses)/gains (Note 29)	(143,945)	36,333
At 31 December	1,328,352	1,120,279

(a) As at 31 December 2016, all investment properties are recorded at fair value which were revalued by independent professionally qualified valuers on the basis of their market value as fully operational entities for existing use which equates to the highest and best use of the assets. The fair value gains or losses on revaluation are included in "Other losses – net" in the income statement (Note 29).

(b) The carrying values of investment properties comprised:

	2016 US$'000	2015 US$'000
Outside Hong Kong, held on:		
Freehold	439,649	450,535
Leases of over 50 years	241,000	100,900
Leases of between 10 and 50 years	647,703	568,844
	1,328,352	1,120,279

(c) Details of investment properties of the Company's subsidiaries are summarised in Note 43(a).

8 INVESTMENT PROPERTIES (CONTINUED)

The following table presents the Group's investment properties that are measured at fair value at 31 December 2016.

	Fair value measurements at 31 December 2016 using		
	Quoted prices in active markets for identical assets (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000
Recurring fair value measurements			
Investment properties:			
– Office, serviced apartments and commercial complex in Mainland China	–	–	309,500
– Serviced apartments in Singapore	–	–	375,261
– Office, serviced apartments and commercial complex in Mongolia	–	–	308,898
– Office, serviced apartments and commercial complex in other regions	–	–	334,693
	–	–	1,328,352

	Fair value measurements at 31 December 2015 using		
	Quoted prices in active markets for identical assets (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000
Recurring fair value measurements			
Investment properties:			
– Office, serviced apartments and commercial complex in Mainland China	–	–	351,731
– Serviced apartments in Singapore	–	–	383,250
– Office and commercial complex in Mongolia	–	–	100,900
– Office, serviced apartments and commercial complex in other regions	–	–	284,398
	–	–	1,120,279

The fair value of an asset to be transferred between the levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, 2 and 3 during the year.

8 INVESTMENT PROPERTIES (CONTINUED)

The following table shows a reconciliation of Level 3 fair values using significant unobservable inputs.

	Office, serviced apartments and commercial complex in Mainland China US$'000	Serviced apartments in Singapore US$'000	Office, serviced apartments and commercial complex in Mongolia US$'000	Office, serviced apartments and commercial complex in other regions US$'000	Total US$'000
At 1 January 2016	351,731	383,250	100,900	284,398	1,120,279
Transferred from property, plant and equipment	–	–	277,570	–	277,570
Additions	13,645	53	48,922	53,514	116,134
Disposals	(13)	(53)	(1,346)	(26)	(1,438)
Changes in fair value	(33,916)	–	(109,699)	(330)	(143,945)
Exchange differences	(21,947)	(7,989)	(7,449)	(2,863)	(40,248)
At 31 December 2016	309,500	375,261	308,898	334,693	1,328,352

	Office, serviced apartments and commercial complex in Mainland China US$'000	Serviced apartments in Singapore US$'000	Office and commercial complex in Mongolia US$'000	Office, serviced apartments and commercial complex in other regions US$'000	Total US$'000
At 1 January 2015	328,648	413,840	98,140	204,547	1,045,175
Investment properties measured at historical cost in prior year	–	–	–	25,863	25,863
Transferred from/(to) leasehold land and land use right	15,729	–	–	(1,051)	14,678
Transferred from property, plant and equipment	15,407	32	–	–	15,439
Additions	15,581	575	–	33,054	49,210
Disposals	(7)	(26)	(73)	(261)	(367)
Changes in fair value	(3,643)	(3,636)	5,210	38,402	36,333
Exchange differences	(19,984)	(27,535)	(2,377)	(16,156)	(66,052)
At 31 December 2015	351,731	383,250	100,900	284,398	1,120,279

8 INVESTMENT PROPERTIES (CONTINUED)

The following table shows the valuation techniques used by the valuers in the determination of Level 3 fair values. There were no significant changes to the valuation techniques during the year.

Description	Fair value at 31 December 2016 US$'000	Valuation technique	Unobservable inputs	
Mainland China				
– Office, serviced apartments and commercial complex	309,500	Direct comparison approach and income capitalisation approach	Rental rate from US$12 to US$40 per sq.m. and occupancy from 85% to 95%	Capitalisation rate in the range of 4.5% to 9%
Singapore				
– Serviced apartments	375,261	Direct comparison approach and income capitalisation approach	Rental rate at US$228 per room per day and occupancy at 84%	Capitalisation rate of 3%
Mongolia				
– Office, serviced apartments and commercial complex	308,898	Direct comparison approach and income capitalisation approach	Rental rate from US$8 to US$27 per sq.m. per month	Capitalisation rate in the range of 7.25% to 9%
Other regions				
– Office, serviced apartments and commercial complex	334,693	Direct comparison approach and income capitalisation approach	Rental rate from US$11 to US$65 per sq.m. per month	Capitalisation rate in the range of 6% to 11.5%

Description	Fair value at 31 December 2015 US$'000	Valuation technique	Unobservable inputs	
Mainland China				
– Office, serviced apartments and commercial complex	351,731	Direct comparison approach and income capitalisation approach	Rental rate from US$13 to US$47 per sq.m. and occupancy from 85% to 95%	Capitalisation rate in the range of 4.5% to 9%
Singapore				
– Serviced apartments	383,250	Direct comparison approach and income capitalisation approach	Rental rate at US$230 per room per day and occupancy at 83%	Capitalisation rate of 3%
Mongolia				
– Office and commercial complex	100,900	Direct comparison approach and income capitalisation approach	Rental rate at US$30 per sq.m. per month	Capitalisation rate of 9%
Other regions				
– Office, serviced apartments and commercial complex	284,398	Direct comparison approach and income capitalisation approach	Rental rate from US$7 to US$75 per sq.m. per month	Capitalisation rate in the range of 6% to 10%

8 INVESTMENT PROPERTIES (CONTINUED)

Under the income capitalisation approach, fair value is determined by discounting the projected cash flow streams with the properties using risk-adjusted discount rate. An exit or terminal value based on capitalisation rate is also included in the projection. The valuation takes into account expected market rental rate and occupancy rate of the respective properties. The capitalisation rates used are based on the quality and location of the properties and taking into account market data at the valuation date. The fair value measurement is positively correlated to the rental rate and occupancy rate, and negatively correlated to the capitalisation rate and discount rate.

Under the direct comparison approach, fair value is determined with reference to recent sales price of comparable properties in nearby locations and adjusting a premium or a discount specific to the quality of the respective properties compared to the recent sales. Higher premium for higher quality properties will result in a higher fair value measurement.

9 LEASEHOLD LAND AND LAND USE RIGHTS

	2016 US$'000	2015 US$'000
At 1 January		
Cost	705,962	774,269
Accumulated amortisation and impairment provision	(163,602)	(158,371)
Net book amount	542,360	615,898
Opening net book amount	542,360	615,898
Exchange differences	(27,951)	(37,086)
Transferred to investment properties	–	(14,678)
Additions	38	3,568
Disposal of controlling interests in a subsidiary	–	(9,088)
Amortisation of prepaid operating lease payment	(15,106)	(16,254)
Closing net book value	499,341	542,360
At 31 December		
Cost	669,330	705,962
Accumulated amortisation	(169,989)	(163,602)
Net book amount	499,341	542,360

All amortisation expenses (net of amount capitalised of US$382,000 in 2016 (2015: US$431,000)) have been included as part of the other operating expenses.

	2016 US$'000	2015 US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	70,552	73,145
Leases of between 10 and 50 years	428,789	469,215
	499,341	542,360

10 INTANGIBLE ASSETS

	Goodwill US$'000	Trademark and licences US$'000	Website and system development US$'000	Total US$'000
At 1 January 2015				
Cost	84,108	12,197	2,642	98,947
Accumulated amortisation	–	(5,123)	(2,591)	(7,714)
Net book amount	84,108	7,074	51	91,233
Year ended 31 December 2015				
Opening net book amount	84,108	7,074	51	91,233
Exchange difference	(981)	(43)	–	(1,024)
Additions	–	–	525	525
Disposal	–	(178)	–	(178)
Amortisation expenses	–	(571)	(215)	(786)
Closing net book amount	83,127	6,282	361	89,770
At 31 December 2015				
Cost	83,127	11,958	3,167	98,252
Accumulated amortisation	–	(5,676)	(2,806)	(8,482)
Net book amount	83,127	6,282	361	89,770
Year ended 31 December 2016				
Opening net book amount	83,127	6,282	361	89,770
Exchange difference	(249)	–	–	(249)
Additions	–	–	1,993	1,993
Amortisation expenses	–	(568)	(579)	(1,147)
Closing net book amount	82,878	5,714	1,775	90,367
At 31 December 2016				
Cost	82,878	11,958	5,160	99,996
Accumulated amortisation	–	(6,244)	(3,385)	(9,629)
Net book amount	82,878	5,714	1,775	90,367

The principal component of goodwill represented the excess of cost of acquisition of the hotel management group, SLIM International Limited, over the fair value of the identified net assets acquired. Due to the synergies of the combination of the hotel operation and hotel management sub-groups, the goodwill impairment assessment is based on the future cash flow generated from the hotel management group. The future cash flow is based on the recent forecasts taking into account the terms and final maturities of all existing management agreements, the past performance of the hotels and the prevailing market conditions. A growth rate of 5% per annum (2015: 5% per annum) on net cash inflow from 2016 and a discount rate of 5% (2015: 5%) have been applied to the cash flow projection. In view of the cash flow projection, provision for impairment losses is not considered necessary.

11 SUBSIDIARIES

(a) Details of principal subsidiaries are set out in Note 41(a).

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2016 is US$421,606,000 (2015: US$497,392,000), of which US$167,888,000 (2015: US$171,924,000) is attributable to Shangri-La Hotels (Malaysia) Berhad Group, US$-5,358,000 (2015: US$45,474,000) is attributable to Intense Power Limited and US$5,131,000 (2015: US$11,355,000) is attributable to Shangri-La International Hotels (Pacific Place) Limited. The remaining non-controlling interests in respect of other subsidiaries are not material in terms of profit contribution.

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These summarised financial information are based on the local statutory financial statements of the relevant subsidiaries after adjustments for compliance with the Group's accounting policies.

Summarised statement of financial position as at 31 December

	Shangri-La Hotels (Malaysia) Berhad		Intense Power Limited		Shangri-La International Hotels (Pacific Place) Limited	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Current						
Assets	40,964	32,186	87,392	59,225	27,702	56,412
Liabilities	(61,603)	(58,094)	(84,108)	(70,576)	(16,923)	(17,605)
Total net current (liabilities)/ assets	(20,639)	(25,908)	3,284	(11,351)	10,779	38,807
Non-current						
Assets	353,602	368,759	445,389	480,234	65,799	68,904
Liabilities	(9,331)	(10,704)	(327,007)	(207,778)	(50,925)	(50,935)
Total non-current net assets	344,271	358,055	118,382	272,456	14,874	17,969
Net assets	323,632	332,147	121,666	261,105	25,653	56,776
Attributable to:						
Equity holders of the Company	155,744	160,223	127,024	215,631	20,522	45,421
Non-controlling interests	167,888	171,924	(5,358)	45,474	5,131	11,355
	323,632	332,147	121,666	261,105	25,653	56,776

11 SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (continued)

Summarised statement of comprehensive income for the year ended 31 December

	Shangri-La Hotels (Malaysia) Berhad		Intense Power Limited		Shangri-La International Hotels (Pacific Place) Limited	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Revenue	121,570	127,802	16,588	7,807	145,694	148,863
Profit/(Loss) before income tax	27,330	34,494	(113,856)	(10,915)	48,173	50,378
Income tax expense	(5,435)	(3,849)	–	–	(8,327)	(8,230)
Other comprehensive income/(loss)	(14,281)	(72,667)	10,116	(1,290)	–	–
Total comprehensive income/(loss)	7,614	(42,022)	(103,740)	(12,205)	39,846	42,148
Attributable to:						
Equity holders of the Company	3,342	(23,331)	(52,907)	(6,225)	31,877	33,718
Non-controlling interests	4,272	(18,691)	(50,833)	(5,980)	7,969	8,430
	7,614	(42,022)	(103,740)	(12,205)	39,846	42,148
Dividends paid to non-controlling interests	6,998	6,355	–	–	14,194	7,742

Summarised cash flow for the year ended 31 December

	Shangri-La Hotels (Malaysia) Berhad		Intense Power Limited		Shangri-La International Hotels (Pacific Place) Limited	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Net cash generated from/(used in) operating activities	34,783	34,118	16,493	(4,789)	45,167	45,224
Net cash used in investing activities	(19,982)	(11,976)	(52,584)	(196,306)	(2,082)	(1,208)
Net cash generated from/(used in) financing activities	(15,011)	(12,655)	79,329	163,391	(70,968)	(38,710)
Net increase/ (decrease) in cash and cash equivalents	(210)	9,487	43,238	(37,704)	(27,883)	5,306
Cash and cash equivalents at beginning of the year	22,710	16,263	14,893	53,494	41,919	36,613
Exchange gains/(losses) on cash and cash equivalents	(970)	(3,040)	38	(897)	–	–
Cash and cash equivalent at end of the year	21,530	22,710	58,169	14,893	14,036	41,919

12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

	2016 US$'000	2015 US$'000
Interest in associates		
At 1 January	3,351,748	3,365,448
Share of profit of associates (Note 33)		
– profit before taxation	387,411	342,376
– taxation	(93,868)	(88,018)
	293,543	254,358
Exchange difference	(223,502)	(236,201)
Capital contribution to associates	–	8,824
Dividends declared by associates	(48,625)	(53,076)
Disposal of controlling interests in a subsidiary	–	12,395
Investment in associates under equity method	3,373,164	3,351,748
Equity loans (Note (a))	136,452	135,732
Other long term shareholder loans (Note (b))	124,943	48,259
	3,634,559	3,535,739
Amounts due from associates (Note (c))	66,971	109,588

Notes:

(a) Equity loans are unsecured, interest-free and with no fixed repayment terms.

(b) Other long term shareholder loans are interest bearing at:

	2016 US$'000	2015 US$'000
– HIBOR plus 1.5% per annum and wholly repayable on 17 November 2019 (in Hong Kong dollars)	3,250	3,250
– HIBOR plus 2% per annum and wholly repayable on 21 November 2017 (in Hong Kong dollars)	–	7,312
– HIBOR plus 2.6% per annum and wholly repayable on 17 July 2018 (in Hong Kong dollars)	21,677	21,677
– PBOC rate per annum and wholly repayable on 2 January 2017 (in Renminbi)	–	3,770
– LIBOR plus 2% per annum and wholly repayable on 31 December 2020 (in United States dollars)	12,250	12,250
– Fixed rate at 1% per annum and wholly repayable on 21 April 2026 (in Renminbi)	10,811	–
– HIBOR plus 1.5% per annum and wholly repayable on 15 May 2021 (in Hong Kong dollars)	36,982	–
– HIBOR plus 2% per annum and wholly repayable on 31 Dec 2020 (in Hong Kong dollars)	29,210	–
– PBOC rate per annum and wholly repayable on 15 March 2018 (in Renminbi)	10,763	
	124,943	48,259

Other long term shareholder loans are unsecured and not repayable within twelve months. The fair values of other long term shareholder loans are not materially different from their carrying amounts.

12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(c) Amounts due from associates are unsecured and with the following terms:

	2016 US$'000	2015 US$'000
– interest bearing at HIBOR plus 2% per annum and wholly repayable on 21 November 2017 (in Hong Kong dollars)	7,312	–
– interest bearing at HIBOR plus 1.5% per annum and wholly repayable on 15 May 2016 (in Hong Kong dollars)	–	36,982
– interest bearing at PBOC rate per annum and wholly repayable on 12 December 2016 (in Renminbi)	–	1,540
– interest-free and repayable within one year	59,659	71,066
	66,971	109,588

(d) The maximum exposure to credit risk at the reporting date is the fair value of the long term shareholder loans of US$124,943,000 (2015: US$48,259,000) and amounts due from associates of US$66,971,000 (2015: US$109,588,000).

(e) The Group's proportionate share of the carrying value of hotel properties (including properties, plant and equipment; and leasehold land and land use rights) owned by the Group's associates amounted to US$1,078,812,000 (2015: US$1,090,027,000). The Group's proportionate share of the fair value of investment properties owned by the Group's associates amounted to US$3,453,982,000 (2015: US$3,486,820,000).

(f) Set out below are the associates of the Group as at 31 December 2016, which, in the opinion of the directors, are material to the Group. The associates as listed below are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Nature of investment in the associates as at 31 December 2016 and 2015:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the business	Measurement method
China World Trade Center Limited	The People's Republic of China	50	Note	Equity
Shanghai Ji Xiang Properties Co, Limited	The People's Republic of China	49	Note	Equity

Note: Both China World Trade Center Limited and Shanghai Ji Xiang Properties Co, Limited own and operate hotels and investment properties.

12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(f) (continued)

Summarised financial information for associates

Set out below are the summarised financial information for China World Trade Center Limited and Shanghai Ji Xiang Properties Co, Limited which are accounted for using the equity method. These summarised financial information are based on the local statutory financial statements of the relevant associates after adjustments for compliance with the Group's accounting policies.

	China World Trade Center Limited		Shanghai Ji Xiang Properties Co, Limited	
	As at 31 December		As at 31 December	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Current				
Assets	184,572	189,946	44,311	76,296
Liabilities	(421,128)	(375,616)	(110,465)	(101,400)
Net current liabilities	(236,556)	(185,670)	(66,154)	(25,104)
Non-current				
Assets	5,126,735	5,091,110	1,866,409	1,883,532
Liabilities	(1,901,385)	(1,916,735)	(637,467)	(774,899)
Net non-current assets	3,225,350	3,174,375	1,228,942	1,108,633
Net assets	2,988,794	2,988,705	1,162,788	1,083,529

Summarised statement of comprehensive income

	China World Trade Center Limited		Shanghai Ji Xiang Properties Co, Limited	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Revenue	478,580	498,478	214,326	223,993
Profit before tax (including fair value gains on investment properties)	316,937	488,383	138,837	114,943
Income tax expense	(78,766)	(121,412)	(33,244)	(27,520)
Other comprehensive loss	(190,724)	(169,380)	(78,247)	(67,143)
Total comprehensive income	47,447	197,591	27,346	20,280
Dividends received from associates (net of tax)	–	24,385	–	–

12 INTEREST IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Notes: (continued)

(f) (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associates.

	China World Trade Center Limited		Shanghai Ji Xiang Properties Co, Limited	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Closing net assets	2,988,794	2,988,705	1,162,788	1,083,529
Respective equity interest	50%	50%	49%	49%
Interest in associates	1,494,397	1,494,353	569,766	530,929
Goodwill	–	–	290	290
Carrying amount	1,494,397	1,494,353	570,056	531,219

(g) The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The aggregated financial information on these associates are as follows:

	2016 US$'000	2015 US$'000
Aggregate carrying amount of individually immaterial associates	1,570,106	1,510,167
Aggregate amounts of the Group's share of		
Profit after tax	122,717	28,035
Other comprehensive loss	(89,796)	(118,845)
Total comprehensive income/(loss)	32,921	(90,810)

There were no contingent liabilities relating to the Group's interest in associates as at 31 December 2016 and 2015.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 US$'000	2015 US$'000
Equity securities:		
Overseas unlisted shares, at cost	2,562	2,562
– Exchange differences	88	70
	2,650	2,632
Club debentures, at fair value	7,539	2,060
	10,189	4,692

There were no disposals on available-for-sale financial assets in 2016 and 2015.

14 OTHER RECEIVABLES

	2016 US$'000	2015 US$'000
Security deposit on leased premises	13,929	13,173

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US$15,273,000) (31 December 2015: JPY1,751,000,000 (equivalent to US$14,526,000)) was paid to the lessor of the leased premises and will only be recoverable after expiry of the lease. The effective interest rate applied to calculate the fair value upon initial recognition of the deposit is 0.556% per annum.

The fair values of these 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 other receivables mentioned above.

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2016 US$'000	2015 US$'000
Trade receivables	94,960	90,305
Less: Provision for impairment of receivables	(1,975)	(2,126)
Trade receivables – net	92,985	88,179
Other receivables	99,845	110,736
Prepayments and other deposits	112,006	116,528
	304,836	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.

(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:

	2016 US$'000	2015 US$'000
0 – 3 months	79,959	78,891
4 – 6 months	4,156	3,940
Over 6 months	8,870	5,348
	92,985	88,179

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

(b) (continued)

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2016, trade receivables of US$46,789,000 (2015: US$44,112,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 US$'000	2015 US$'000
Up to 3 months	33,938	35,242
4 – 6 months	3,997	3,831
Over 6 months	8,854	5,039
	46,789	44,112

As of 31 December 2016, trade receivables of US$1,975,000 (2015: US$2,126,000) were considered impaired. These receivables were all overdue for more than three months.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2016 US$'000	2015 US$'000
Hong Kong dollars	30,732	26,059
United States dollars	7,066	7,537
Renminbi	55,791	48,352
Singapore dollars	14,642	15,214
Malaysian Ringgit	5,412	5,499
Thai Baht	4,412	4,500
Philippines Pesos	15,583	15,658
Japanese Yen	5,100	3,426
Euros	5,819	5,170
Australian dollars	4,383	7,838
British Pounds	1,729	2,183
Mongolian Tugrik	29,256	48,980
Sri Lankan Rupee	6,005	4,437
Other currencies	6,900	4,062
	192,830	198,915

15 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (CONTINUED)

(b) (continued)

Movements on the Group's provision for impairment of trade receivables are as follows:

	2016 US$'000	2015 US$'000
At 1 January	2,126	1,506
Exchange differences	(119)	(138)
Provision for receivables impairment	2,915	3,426
Receivables written off during the year as uncollectible	(71)	(590)
Unused amounts reversed	(2,874)	(2,078)
Reclassed to disposal group classified as held for sale	(2)	–
At 31 December	1,975	2,126

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

16 FINANCIAL ASSETS HELD FOR TRADING

	2016 US$'000	2015 US$'000
Equity securities, at market value		
Shares listed in Hong Kong	14,963	15,533

17 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 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$8,073,000) 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. Major classes of assets and liabilities of the investment holding company to be disposed as at 31 December 2016 are as follows:

	As at 31 December 2016 US$'000
Assets	
Property, plant and equipment	6,181
Inventories	164
Accounts receivable, prepayments and deposits	625
Cash and bank balances	9,742
Assets of the disposal group reclassified as held for sale	16,712
Liabilities	
Accounts payable and accruals	(11,064)
Deferred income tax liabilities	(2,281)
Liabilities of the disposal group reclassified as held for sale	(13,345)

18 CASH AND BANK BALANCES

	2016 US$'000	2015 US$'000
Cash at bank and in hand	508,488	488,746
Short-term bank deposits	435,730	595,323
Cash and bank balances	944,218	1,084,069
Maximum exposure to credit risk for all balances at bank	938,982	1,077,768

The effective interest rate on short-term bank deposits was 2.0% per annum (2015: 1.8% per annum); these deposits have an average maturity of 3.9 months (2015: 3.9 months).

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	2016 US$'000	2015 US$'000
Cash and bank balances (as above)	944,218	1,084,069
Less: Short-term bank deposits with original maturities over 3 months	(166,641)	(190,645)
Cash and cash equivalents	777,577	893,424

19 SHARE CAPITAL

		Amount		
	No. of shares ('000)	Ordinary shares US$'000	Share premium US$'000	Total US$'000
Authorised – Ordinary shares of HK$1 each				
At 31 December 2015 and 31 December 2016	5,000,000	646,496	–	646,496
Issued and fully paid – Ordinary shares of HK$1 each				
At 1 January 2015	3,579,994	462,191	2,729,554	3,191,745
Exercise of share options				
– allotment of shares	30	4	40	44
– transfer from share option reserve	–	–	12	12
At 31 December 2015 and 1 January 2016	3,580,024	462,195	2,729,606	3,191,801
Exercise of share options				
– allotment of shares	–	–	–	–
– transfer from share option reserve	–	–	–	–
At 31 December 2016	3,580,024	462,195	2,729,606	3,191,801

As at 31 December 2016, 10,501,055 (2015: 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 in prior years.

Share options

The share option scheme approved by the shareholders of the Company on 24 May 2002 ("**2002 Option Scheme**") expired on 23 May 2012. No further share option will be granted under the 2002 Option Scheme thereafter and the subsisting share options granted in the past years under the 2002 Option Scheme were entirely expired during the year.

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 2002 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. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No share option was exercised for the year ended 31 December 2016. Certain share options granted to option holders of the Company were exercised in 2015 and the following new shares were issued.

	Number of option shares issued			
	At HK$11.60 per option share	At HK$14.60 per option share	At HK$12.11 per option share	Total consideration US$'000
For the year ended 31 December 2016	–	–	–	–
In year 2015				
April	30,000	–	–	44
For the year ended 31 December 2015	30,000	–	–	44

19 SHARE CAPITAL (CONTINUED)

Share options (continued)

The closing price of the shares immediately before the dates on which the options were exercised for the year ended 31 December 2015 was HK$11.82.

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

	For the year ended 31 December 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	13.87	(4,123,000)	11.79	(5,722,500)
At 31 December	12.11	14,603,000	12.50	18,726,000

No new option was granted during the year ended 31 December 2016 and 2015.

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

		Number of outstanding option shares as at	
Last exercisable date	Exercise price in HK$ per option share	31 December 2016	31 December 2015
15 June 2016	14.60	–	2,918,000
22 August 2023	12.11	14,603,000	15,808,000
		14,603,000	18,726,000

No options have been exercised subsequent to 31 December 2016 and up to the approval date of the financial statements.

Options on 200,000 shares with exercise price of HK$12.11 per share have lapsed subsequent to 31 December 2016 and up to the approval date of the financial statements.

20 OTHER RESERVES

	Share option reserve US$'000	Hedging reserve US$'000
Balance at 1 January 2015	12,562	(2,975)
Currency translation differences	–	–
Exercise of share options		
– transfer to share premium	(12)	–
Transfer of share option reserve to retained earnings upon expiry of share options	(2,098)	–
Fair value changes of interest-rate swap contracts	–	(2,874)
Balance at 31 December 2015 and 1 January 2016	10,452	(5,849)
Currency translation differences	–	–
Transfer of share options reserve to retained earnings upon expiry of share options	(2,637)	–
Transfer of convertible bonds reserve to retained earnings upon maturity of convertible bonds	–	–
Fair value changes of interest-rate swap contracts	–	3,436
Fair value changes of available-for-sale financial assets	–	–
Balance at 31 December 2016	7,815	(2,413)

(a) A subsidiary is required by local law to appropriate a certain percentage of its annual net profits as other reserve until the reserve reaches 10% of its registered share capital. This reserve is not available for dividend distribution.

(b) The contributed surplus of the Group arises when the Group issues shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's issued shares and the value of net assets of the companies acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At the Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries, whenever appropriate.

Convertible bonds reserve US$'000	Capital redemption reserve US$'000	Exchange fluctuation reserve US$'000	Capital reserve US$'000	Available-for-sale financial assets reserve US$'000	Other reserve US$'000 (Note (a))	Contributed surplus US$'000 (Note (b))	Total US$'000
44,518	10,666	659,414	601,490	–	1,368	389,741	1,716,784
–	–	(597,379)	–	–	–	–	(597,379)
–	–	–	–	–	–	–	(12)
–	–	–	–	–	–	–	(2,098)
–	–	–	–	–	–	–	(2,874)
44,518	10,666	62,035	601,490	–	1,368	389,741	1,114,421
–	–	(469,592)	–	–	–	–	(469,592)
–	–	–	–	–	–	–	(2,637)
(44,518)	–	–	–	–	–	–	(44,518)
–	–	–	–	–	–	–	3,436
–	–	–	–	5,210	–	–	5,210
–	10,666	(407,557)	601,490	5,210	1,368	389,741	606,320

21 BANK LOANS

	2016 US$'000	2015 US$'000
Bank loans – secured (Note 38(c))	153,898	191,132
Bank loans – unsecured	4,541,865	3,826,724
Total	4,695,763	4,017,856
Less: Non-current portion	(4,486,869)	(2,965,774)
Current portion	208,894	1,052,082

The maturity of bank loans is as follows:

	2016 US$'000	2015 US$'000
Within 1 year	208,894	1,052,082
Between 1 and 2 years	981,074	348,470
Between 2 and 5 years	3,457,403	2,538,500
Repayable within 5 years	4,647,371	3,939,052
Over 5 years	48,392	78,804
	4,695,763	4,017,856

The effective interest rates at the date of the statement of financial position were as follows:

	31 December 2016							
	HK$	RMB	GBP	US$	JPY	Euros	SGD	AUD
Bank loans	1.73%	4.96%	1.69%	2.14%	1.31%	0.99%	1.18%	2.96%

	31 December 2015								
	HK$	RMB	GBP	US$	JPY	Pesos	Euros	SGD	AUD
Bank loans	1.39%	5.38%	1.94%	1.89%	1.40%	2.11%	1.32%	2.15%	3.41%

The carrying amounts of the bank loans approximate their fair values and are denominated in the following currencies:

	2016 US$'000	2015 US$'000
Hong Kong dollars	1,726,168	1,320,361
Renminbi	377,125	284,675
United States dollars	2,094,051	1,848,093
Euros	221,152	234,771
Japanese Yen	43,612	41,480
Philippines Pesos	–	11,654
Singapore dollars	60,580	65,933
Australian dollars	117,423	144,203
British pounds	55,652	66,686
	4,695,763	4,017,856

21 BANK LOANS (CONTINUED)

The Group has the following undrawn borrowing facilities:

	2016 US$'000	2015 US$'000
Floating rate		
– expiring within one year	152,912	190,687
– expiring beyond one year	1,867,530	1,796,845
Fixed rate		
– expiring within one year	865	–
– expiring beyond one year	93,328	2,500
	2,114,635	1,990,032

22 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 (Note 20).

During the year, the entire outstanding convertible bonds with face value of US$500,000,000 were redeemed on the Maturity Date and the equity conversion component recognised in the convertible bonds reserve was released directly to retained earnings. The convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	2016 US$'000	2015 US$'000
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 at 31 December	–	550,458

23 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:

	2016 US$'000	2015 US$'000
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	4,589	3,617
Carrying amount of fixed rate bonds at 31 December	599,730	598,758

As at 31 December 2016, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US$6,333,000 (31 December 2015: US$6,333,000). The carrying amount of the bonds approximates to its fair value.

24 DERIVATIVE FINANCIAL INSTRUMENTS

	2016 US$'000	2015 US$'000
Non-current liabilities		
Interest-rate swap contracts – hedging	919	3,612
Current liabilities		
Interest-rate swap contracts – hedging	1,497	2,302
Total	2,416	5,914
Non-current assets		
Interest-rate swap contracts – hedging	2	34
Current assets		
Interest-rate swap contracts – hedging	2	31
Total	4	65

All the interest-rate swap contracts qualify for hedge accounting. The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 31 December 2016 were as follows:

– HK$1,900,000,000 (31 December 2015: HK$2,200,000,000) with fixed interest rate of 0.940% to 1.635% per annum (31 December 2015: 0.940% to 1.635% per annum).

– US$206,000,000 (31 December 2015: US$206,000,000) with fixed interest rates of 1.420% to 1.785% per annum (31 December 2015: 1.420% to 1.785% per annum).

25 NON-CONTROLLING INTERESTS AND BALANCES WITH NON-CONTROLLING SHAREHOLDERS

	2016 US$'000	2015 US$'000
Non-controlling interests		
Share of equity	280,975	366,859
Equity loans (Note (a))	140,631	130,533
	421,606	497,392

Notes:

(a) Equity loans are unsecured, with no fixed repayment terms and bearing interest at:

	2016 US$'000	2015 US$'000
– LIBOR per annum	8,724	8,724
– LIBOR plus 1% per annum	107,180	101,335
– fixed rate of 2.5% per annum	22,177	17,924
– interest-free	2,550	2,550
	140,631	130,533

(b) Amounts due to non-controlling shareholders (non-current portion) are unsecured and with the following terms:

	2016 US$'000	2015 US$'000
– interest-free and not payable within 12 months	29,547	28,563

The effective interest rate of the interest-free portion of the amounts due to non-controlling shareholders at the date of the statement of financial position is 4.1% (2015: 4.1%) per annum.

(c) Amounts due to/(from) non-controlling shareholders (current portion) are unsecured and with the following terms:

	2016 US$'000	2015 US$'000
Amounts due to non-controlling shareholders – interest-free with no fixed repayment terms	22,769	22,059
Amounts due from non-controlling shareholders – interest-free with no fixed repayment terms	(69)	(106)
	22,700	21,953

The fair values of the amounts due to/(from) non-controlling shareholders (both current and non-current portions under Notes (b) and (c) above) are not materially different from their carrying values.

26 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2015: 16.5%) for subsidiaries operating in Hong Kong. Deferred income tax assets and liabilities of overseas subsidiaries are calculated at the rates of taxation prevailing in the countries in which the respective subsidiaries operate.

The movement on the deferred income tax account is as follows:

	2016 US$'000	2015 US$'000
At 1 January	312,956	304,404
Exchange differences	(5,207)	(10,673)
Deferred taxation (credited)/charged to consolidated income statement (Note 34)	(1,158)	20,158
Deferred taxation credited to other comprehensive income	(379)	(312)
Transfer to liability of disposal group classified as held for sale	(2,281)	–
Disposal of controlling interests in a subsidiary	–	(621)
At 31 December	303,931	312,956

The following amounts which are expected only to be substantially recovered/settled after more than twelve months from the date of the statement of financial position, determined after appropriate offsetting, are shown in the consolidated statement of financial position. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2016 US$'000	2015 US$'000
Deferred income tax assets	(6,213)	(4,363)
Deferred income tax liabilities	310,144	317,319
	303,931	312,956

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2016, the Group has the following unrecognised tax losses to carry forward against future taxable income.

	2016 US$'000	2015 US$'000
With no expiry date	165,886	135,987
Lapsed within the next five years	508,252	412,858
Lapsed within the next ten years	17,553	27,004
	691,691	575,849

26 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities	Accelerated tax depreciation		Properties valuation surplus		Dividend withholding tax		Others		Total	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
At 1 January	187,373	189,293	63,536	55,532	72,757	71,896	1,010	-	324,676	316,721
Charged/(credited) to income statement	6,739	7,499	(14,904)	9,900	8,458	2,733	117	1,010	410	21,142
Transfer to liability of disposal group classified as held for sale	(2,281)	-	-	-	-	-	-	-	(2,281)	-
Disposal of controlling interests in a subsidiary	-	(621)	-	-	-	-	-	-	-	(621)
Exchange differences	(2,209)	(8,798)	(1,541)	(1,896)	(1,541)	(1,872)	-	-	(5,291)	(12,566)
At 31 December	189,622	187,373	47,091	63,536	79,674	72,757	1,127	1,010	317,514	324,676

Deferred income tax assets	Provision of assets		Tax losses		Others		Total	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
At 1 January	(2,805)	(3,116)	(36)	(707)	(8,879)	(8,494)	(11,720)	(12,317)
Charged/(credited) to income statement	(115)	137	-	637	(1,453)	(1,758)	(1,568)	(984)
Credited to other comprehensive income	-	-	-	-	(405)	(312)	(405)	(312)
Exchange differences	(262)	174	5	34	367	1,685	110	1,893
At 31 December	(3,182)	(2,805)	(31)	(36)	(10,370)	(8,879)	(13,583)	(11,720)

27 ACCOUNTS PAYABLE AND ACCRUALS

	2016 US$'000	2015 US$'000
Trade payables	118,741	105,341
Construction cost payable, other payables and accrued expenses	766,391	714,175
Short-term advance from an associate of the Company's controlling shareholder	–	15,400
	885,132	834,916

The short-term advance from an associate of the Company's controlling shareholder is entirely repaid during the year. It is unsecured and bearing interest at a fixed rate of 5.21% per annum as at 31 December 2015.

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

	2016 US$'000	2015 US$'000
0 – 3 months	105,892	94,116
4 – 6 months	6,086	7,412
Over 6 months	6,763	3,813
	118,741	105,341

28 EXPENSES BY NATURE

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

	2016 US$'000	2015 US$'000
Depreciation of property, plant and equipment (net of amount capitalised of US$53,000 (2015: US$81,000)) (Note 7)	309,462	324,779
Amortisation of leasehold land and land use rights (net of amount capitalised of US$382,000 (2015: US$431,000)) (Note 9)	14,724	15,823
Amortisation of trademark; and website and system development (Note 10)	1,147	786
Employee benefit expenses excluding directors' emoluments (net of amount capitalised and amount grouped under pre-opening expenses) (Note 30)	669,683	675,690
Cost of inventories sold or consumed in operation	263,329	275,308
Loss on disposal of property, plant and equipment; and partial replacement of investment properties	5,721	2,819
Discarding of property, plant and equipment due to renovation of hotels and resorts	9,722	4,088
Operating lease expenses	68,946	69,734
Pre-opening expenses	16,359	4,937
Auditors' remuneration		
– audit services	1,803	1,776
– non-audit services	632	595

29 OTHER LOSSES – NET

	2016 US$'000	2015 US$'000
Net fair value (losses)/gains on investment properties (Note 8)	(143,945)	36,333
Net realised and unrealised losses on financial assets held for trading – equity securities	(570)	(4,111)
Provision for impairment losses on hotel properties (Note 7)	(70,485)	(72,379)
Reversal of impairment loss on a hotel property (Note 7)	3,794	–
Reversal of impairment loss on a self-used property (Note 7)	1,657	
Gain on disposal of controlling interests in a subsidiary which owns a land site for composite development	–	3,051
Non-operating items	(209,549)	(37,106)
Interest income	15,156	14,945
Dividend income	1,301	1,050
	(193,092)	(21,111)

30 EMPLOYEE BENEFIT EXPENSES

(excluding Directors' emoluments and share options granted to Directors and employees)

	2016 US$'000	2015 US$'000
Wages and salaries (including unutilised annual leave)	512,219	517,670
Pension costs – defined contribution plans	37,968	39,487
Pension costs – defined benefit plans	1,634	1,481
Other welfare	121,128	119,930
	672,949	678,568
Less: Amount included in pre-opening expenses	(3,266)	(2,878)
	669,683	675,690

Total pension cost including charges for Directors charged to the income statement for the year under all pension schemes was US$39,717,000 (2015: US$41,090,000).

Pension scheme arrangement

The Group operates and participates in a number of pension and retirement schemes of both the defined contribution and defined benefit types. Principal schemes are described below:

(a) Defined contribution retirement plan

The Company and subsidiaries in Hong Kong participate in a mandatory provident fund scheme ("**MPF**") which requires both the employers and employees in Hong Kong to contribute 5% of their monthly gross earnings with a ceiling of HK$1,500 (equivalent to US$194). Normally, the employees can only take all the benefits when reaching the statutory retirement age. These companies also participate in other defined contribution schemes which only require the employers to make monthly contribution of the net difference between 10% of the employees' monthly basic salaries (subject to a ceiling of HK$10,000) and the amount already contributed by the employers to the MPF for the relevant employees. Under such schemes, any unvested benefits of employees terminating employment can be utilised by the employers to reduce their future contributions. The assets of these schemes are held separately in independently administrated funds. Contributions made by the employers were charged to income statements as incurred.

The Group's subsidiaries in Mainland China, Singapore and Malaysia participate in defined contribution schemes managed by the respective local governments in these countries. The Group's subsidiaries in Australia participate in the government-supported superannuation fund scheme (a defined contribution scheme). Contributions are made based on a percentage, ranging from 9.5% to 20%, of the employees' salaries and bonuses, as applicable, and are charged to the income statement as incurred. The maximum contributions by the subsidiaries for each employee for the Group's subsidiaries in Singapore are fixed by the government at S$1,020 (equivalent to US$709) per month for monthly salaries and bonus payment. The employees of the Group's subsidiaries in Singapore and Malaysia are also required to contribute 20% and 8%, respectively, of their gross salaries and bonus, if applicable, to the respective local fund.

The Group also operates a global defined contribution scheme for senior expatriates employed by the Group which requires the employers to contribute 6% to 10% (varying with staff grading) of the employees' basic salaries. Employees can contribute to the scheme on a voluntary basis. Under such scheme, the unvested benefits of employees terminating employment can be utilised by the employers to reduce their future contributions. The assets of the scheme are held separately in independently administered funds. Contributions made by the employers were charged to income statements as incurred.

30 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

Pension Scheme Arrangement (continued)

(b) Defined benefit retirement plan

The hotels in the Philippines and Malaysia have adopted funded non-contributory defined benefit pension plans covering their regular employees. The benefits are based on years of service and the employees' final covered compensation. The plans require periodic contributions by the participating subsidiaries as determined by periodic actuarial reviews. For the hotels in the Philippines and Malaysia, actuarial valuations were performed by qualified actuaries at 31 December 2016 using the Projected Unit Credit Actuarial Cost Method.

Movements in the present value of the defined benefit obligations:

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Balance at 1 January	16,327	16,150	(7,227)	(7,204)	9,100	8,946
Exchange difference	(817)	(1,721)	369	409	(447)	(1,312)
Included in income statement						
Current service cost	1,195	1,054	–	–	1,195	1,054
Past service cost	–	–	–	–	–	–
Interest cost on benefit obligation	797	738	(357)	(311)	439	427
	1,992	1,792	(357)	(311)	1,634	1,481
Included in other comprehensive income						
Actuarial loss	347	1,564	–	–	347	1,564
Loss/(Return) on assets excluding amount included in net interest cost	–	–	596	(83)	596	(83)
	347	1,564	596	(83)	943	1,481
Other						
Contributions	–	–	(1,140)	(1,347)	(1,140)	(1,347)
Benefits paid	(1,028)	(1,458)	602	1,309	(426)	(149)
	(1,028)	(1,458)	(538)	(38)	(1,566)	(1,496)
Balance at 31 December	16,821	16,327	(7,157)	(7,227)	9,664	9,100

The distribution of the plan assets at year end is as follows:

	2016	2015
Cash equivalents	36%	31%
Equity securities	12%	28%
Government bonds, treasury notes and other assets	52%	41%

30 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

Pension Scheme Arrangement (continued)

(b) Defined benefit retirement plan (continued)

The principal actuarial assumptions used to determine retirement benefits costs are as follows:

	2016		2015	
For hotels in	Malaysia	The Philippines	Malaysia	The Philippines
Discount rate at 31 December	5.5%	5.16% to 5.33%	5.5%	4.78% to 4.94%
Future salary growth rate	4% to 7%	4% to 5%	4% to 7%	4%

The average duration of the defined benefit obligation as of 31 December 2016 ranged from 12 years to 18.66 years (31 December 2015: ranged from 11.99 years to 17.36 years).

The pension liability is subject to several key assumptions. The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation by assuming all other assumptions were held constant. The defined benefit obligation would be affected by the amount as shown below.

	Increase/ (decrease) in percentage points	Increase/(decrease) in the Group's net defined benefit obligation 2016 US$'000	2015 US$'000
Discount rate	1%	(1,446)	(1,412)
	(1%)	1,674	1,578
Future salary growth rate	1%	1,731	1,721
	(1%)	(1,522)	(1,525)

31 BENEFIT AND INTERESTS OF DIRECTORS

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2016 is set out below:

Name of Director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Inducement fees US$'000	Allowances and benefits in kind[9] US$'000	Employer's Contribution to retirement benefit schemes US$'000	Remunerations paid or receivable in respect of accepting office as director US$'000	Compensation paid or receivable in respect of loss office as director US$'000	Emoluments paid or receivable in respect of director other service in connection with the management of the affairs of the company or its subsidiary undertaking US$'000	Total US$'000
KUOK Khoon Chen [1]	-	743	1,548	-	14	13	-	-	-	2,318
LUI Man Shing	5	418	774	-	17	15	-	-	-	1,229
Madhu Rama Chandra RAO	-	472	1,226	-	242	47	-	-	-	1,987
Gregory Allan DOGAN [3]	-	209	272	-	97	21	-	860	-	1,459
KUOK Hui Kwong [2]	14	218	516	-	2	8	-	-	-	758
LIU Kung Wei Christopher [4]	-	458	812	-	10	11	-	-	-	1,291
HO Kian Guan	59	-	-	-	-	-	-	-	-	59
Alexander Reid HAMILTON	72	-	-	-	-	-	-	-	-	72
Timothy David DATTELS	30	-	-	-	-	-	-	-	-	30
LI Kwok Cheung Arthur	72	-	-	-	-	-	-	-	-	72
LEE Kai-Fu [7]	30	-	-	-	-	-	-	-	-	30
LIM Beng Chee [5]	8	-	-	-	-	-	-	-	-	8
HO Kian Hock [6]	-	-	-	-	-	-	-	-	-	-
HO Chung Tao [6]	-	-	-	-	-	-	-	-	-	-

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

The remuneration received from the Group by every Director of the Company for the year ended 31 December 2015 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Allowances and benefits in kind[9]	Employer's Contribution to retirement benefit schemes	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director other service in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
KUOK Khoon Chen [1]	–	743	1,161	–	12	12	–	–	1.928
LUI Man Shing	5	418	903	–	22	15	–	–	1,363
Madhu Rama Chandra RAO	–	449	1,097	–	241	45	–	–	1,832
Gregory Allan DOGAN [3]	–	495	1,290	–	228	50	–	–	2,063
KUOK Hui Kwong [2]	26	–	–	–	–	–	–	–	26
HO Kian Guan	37	–	–	–	–	–	–	–	37
Alexander Reid HAMILTON	64	–	–	–	–	–	–	–	64
Timothy David DATTELS	27	–	–	–	–	–	–	–	27
WONG Kai Man [8]	27	–	–	–	–	–	–	–	27
LI Kwok Cheung Arthur	64	–	–	–	–	–	–	–	64
LEE Kai-Fu [7]	3	–	–	–	–	–	–	–	3
HO Kian Hock [6]	–	–	–	–	–	–	–	–	–

Notes:

(1) Mr KUOK Khoon Chen was re-designated as Non-executive Director on 1 January 2017.

(2) Ms KUOK Hui Kwong was re-designated as Executive Director on 23 June 2016.

(3) Mr Gregory Allan DOGAN retired as Director on 2 June 2016.

(4) Mr LIU Kung Wei Christopher was appointed as Director on 5 April 2016 and will resign as Director on 31 March 2017.

(5) Mr LIM Beng Chee was appointed as Non-executive Director on 26 September 2016 and re-designated as Executive Director on 1 January 2017.

(6) Mr HO Chung Tao was appointed as Alternate Director to Mr HO Kian Guan in place of Mr HO Kian Hock on 18 October 2016.

(7) Dr LEE Kai-Fu was appointed as Director on 18 November 2015.

(8) Mr WONG Kai Man resigned as Director on 28 May 2015.

(9) Other benefits include housing, holiday warrant, medical expenses and insurance premium. Pursuant to the existing option scheme of the Company (Note 19), the Company granted to the Directors options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of share option granted to the Directors in the past years were included in the total expenses on share options granted in the same year.

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2016 are as follows:

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2016	No. of option shares granted during the year	Transfer from other category during the year
KUOK Khoon Chen	23 Aug 2013	–	11.92	350,000	–	–
LUI Man Shing	16 Jun 2006	II	14.00	60,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Madhu Rama Chandra RAO	16 Jun 2006	I	14.00	50,000	–	–
	16 Jun 2006	II	14.00	50,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Gregory Allan DOGAN	16 Jun 2006	I	14.00	37,500	–	–
	16 Jun 2006	II	14.00	37,500	–	–
	23 Aug 2013	–	11.92	350,000	–	–

Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2016	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	(60,000)	–	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	(50,000)	–	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	(50,000)	–	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
(37,500)	–	–	–	14.60	–	16 Jun 2007 – 15 Jun 2016
(37,500)	–	–	–	14.60	–	16 Jun 2008 – 15 Jun 2016
(350,000)	–	–	–	12.11	–	23 Aug 2013 – 22 Aug 2023

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2016 are as follows: (continued)

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2016	No. of option shares granted during the year	Transfer from other category during the year
HO Kian Guan	23 Aug 2013	–	11.92	100,000	–	–
Alexander Reid HAMILTON	23 Aug 2013	–	11.92	100,000	–	–
Timothy David DATTELS	16 Jun 2006	I	14.00	30,000	–	–
	16 Jun 2006	II	14.00	30,000	–	–
	23 Aug 2013	–	11.92	100,000	–	–
LI Kwok Cheung Arthur	23 Aug 2013	–	11.92	100,000	–	–
LIU Kung Wei Christopher	16 Jun 2006	I	14.00	–	–	25,000
	16 Jun 2006	II	14.00	–	–	25,000
	23 Aug 2013	–	11.92	–	–	350,000

Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2016	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	(30,000)	–	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	(30,000)	–	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	(25,000)	–	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	(25,000)	–	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2015 are as follows:

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2015	No. of option shares granted during the year	Transfer from other category during the year
KUOK Khoon Chen	23 Aug 2013	–	11.92	350,000	–	–
LUI Man Shing	16 Jun 2006	II	14.00	60,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Madhu Rama Chandra RAO	28 Apr 2005	II	11.75	250,000	–	–
	16 Jun 2006	I	14.00	50,000	–	–
	16 Jun 2006	II	14.00	50,000	–	–
	23 Aug 2013	–	11.92	350,000	–	–
Gregory Allan DOGAN	28 Apr 2005	II	11.75	50,000	–	–
	16 Jun 2006	I	14.00	37,500	–	–
	16 Jun 2006	II	14.00	37,500	–	–
	23 Aug 2013	–	11.92	350,000	–	–
HO Kian Guan	23 Aug 2013	–	11.92	100,000	–	–

Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2015	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	60,000	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	(250,000)	–	11.60	–	28 Apr 2007 – 27 Apr 2015
–	–	–	50,000	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	–	50,000	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	(50,000)	–	11.60	–	28 Apr 2007 – 27 Apr 2015
–	–	–	37,500	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	–	37,500	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	350,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Movement of option shares granted to the Directors for the year ended 31 December 2015 are as follows: (continued)

Grantees	Date of grant	Tranche	Closing price per share on the business day immediately before date of grant HK$	No. of option shares held as at 1 January 2015	No. of option shares granted during the year	Transfer from other category during the year
Alexander Reid HAMILTON	23 Aug 2013	–	11.92	100,000	–	–
Timothy David DATTELS	28 Apr 2005	I	11.75	75,000	–	–
	28 Apr 2005	II	11.75	75,000	–	–
	16 Jun 2006	I	14.00	30,000	–	–
	16 Jun 2006	II	14.00	30,000	–	–
	23 Aug 2013	–	11.92	100,000	–	–
WONG Kai Man	23 Aug 2013	–	11.92	100,000	–	–
LI Kwok Cheung Arthur	23 Aug 2013	–	11.92	100,000	–	–

Transfer to other category during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	No. of option shares held as at 31 December 2015	Exercise price per option share HK$	Excess of weighted average closing price per share on exercise date over exercise price HK$	Exercise period
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	(75,000)	–	11.60	–	28 Apr 2006 – 27 Apr 2015
–	–	(75,000)	–	11.60	–	28 Apr 2007 – 27 Apr 2015
–	–	–	30,000	14.60	–	16 Jun 2007 – 15 Jun 2016
–	–	–	30,000	14.60	–	16 Jun 2008 – 15 Jun 2016
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023
(100,000)	–	–	–	12.11	–	23 Aug 2013 – 22 Aug 2023
–	–	–	100,000	12.11	–	23 Aug 2013 – 22 Aug 2023

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

Five highest paid individuals

The five highest paid individuals in the Group for the year were all Directors of the Company who held office during the year (2015: four) after also taking into account the emoluments of US$871,000 paid to two Directors by the Group before or after their tenure of services as Directors of the Company during the year. Details of the emoluments of the Directors of the Company during their tenure of services are reflected in the analysis presented above. The emoluments payable to the remaining one individual in 2015 are as follows:

	2015 US$'000
Basic salaries, housing allowances, other allowances and benefits in kind	512
Employer's contribution to pension scheme	16
Discretionary bonuses	974
Inducement fee to join the Group	–
Compensation for loss of office:	
– contractual payments	–
– other payment	–
	1,502

The emoluments of the five highest paid individuals fell within the following bands:

	Number of individuals	
Emolument bands	2016	2015
HK$9,500,001 – HK$10,000,000	1	
HK$10,500,001 – HK$11,000,000		1
HK$11,500,001 – HK$12,000,000		1
HK$13,000,001 – HK$13,500,000	1	
HK$14,000,001 – HK$14,500,000		1
HK$14,500,001 – HK$15,000,000	1	1
HK$15,000,001 – HK$15,500,000	1	
HK$15,500,001 – HK$16,000,000		1
HK$17,500,001 – HK$18,000,000	1	

Pursuant to the 2012 Option Scheme of the Company (Note 19), the Company also granted to the individual options to subscribe for shares in the Company subject to terms and conditions stipulated therein.

32 FINANCE COSTS – NET

	2016 US$'000	2015 US$'000
Interest expense:		
– bank loans	112,345	112,641
– convertible bonds	8,742	23,153
– fixed rate bonds	29,476	29,476
– other loans	3,805	3,364
	154,368	168,634
Less: amount capitalised	(36,976)	(42,307)
	117,392	126,327
Net foreign exchange losses	13,177	9,024
	130,569	135,351

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.4% per annum (2015: 3.2%).

33 SHARE OF PROFIT OF ASSOCIATES

	2016 US$'000	2015 US$'000
Share of profit before tax of associates before share of net fair value gains of investment properties and impairment loss of a hotel property	233,024	184,889
Share of impairment loss of a hotel property	(6,154)	–
Share of net fair value gains of investment properties	160,541	157,487
Share of profit before tax of associates	387,411	342,376
Share of associates' taxation before provision for deferred tax liabilities on fair value gains of investment properties	(56,705)	(49,093)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(37,163)	(38,925)
Share of associates' taxation	(93,868)	(88,018)
Share of profit of associates	293,543	254,358

34 INCOME TAX EXPENSE

	2016 US$'000	2015 US$'000
Current income tax		
– Hong Kong profits tax	14,690	14,578
– overseas taxation	73,997	67,619
Deferred income tax (Note 26)	(1,158)	20,158
	87,529	102,355

Share of associates' taxation for the year ended 31 December 2016 of US$93,868,000 (2015: US$88,018,000) is included in the consolidated income statement as share of profit of associates.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2016 US$'000	2015 US$'000
Profit before income tax	149,561	272,333
Calculated at a taxation rate of 16.5% (2015: 16.5%)	24,678	44,935
Effect of different taxation rates of subsidiaries operating in other countries	12,928	17,027
Income not subject to taxation	(63,875)	(50,596)
Tax effect on unrecognised tax losses	25,693	29,330
Expenses not deductible for taxation purposes	71,838	47,741
Utilisation of previously unrecognised tax losses	(495)	(356)
Over provision in prior year	(328)	(143)
Withholding tax	17,201	14,510
Tax incentive	(111)	(93)
Taxation charge	87,529	102,355

(a) Hong Kong profits tax is provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profits of group companies operating in Hong Kong.

(b) 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.

35 EARNINGS PER SHARE

Basic

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

	2016	2015
Profit attributable to equity holders of the Company (US$'000)	106,054	140,131
Weighted average number of ordinary shares in issue (thousands)	3,569,523	3,569,513
Basic earnings per share (US cents per share)	2.97	3.93

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In 2015, the Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds have been wholly redeemed in 2016. Accordingly, the Company only has the potential dilutive effect of the outstanding share options for the year ended 31 December 2016. 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 for the year) 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. 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 year ended 31 December 2016 and 2015, there is no dilution effect on the earnings per share.

	2016	2015
Profit attributable to equity holders of the Company (US$'000)	106,054	140,131
Weighted average number of ordinary shares in issue (thousands)	3,569,523	3,569,513
Adjustments	–	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,569,523	3,569,513
Diluted earnings per share (US cents per share)	2.97	3.93

36 DIVIDENDS

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Interim dividend paid of HK5 cents (2015: HK5 cents) per ordinary share	23,029	23,029	23,097	23,097
Proposed final dividend of HK8 cents (2015: HK5 cents) per ordinary share	36,847	23,029	36,955	23,097
	59,876	46,058	60,052	46,194

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. This proposed dividend is not reflected as a dividend payable in these financial statements.

The proposed final dividend of US$36,847,000 for the year ended 31 December 2016 is calculated based on 3,580,024,056 shares in issue as at 23 March 2017, after elimination on consolidation the amount of US$108,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (Note 19).

37 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash generated from operations

	2016 US$'000	2015 US$'000
Profit before income tax	149,561	272,333
Share of profit of associates	(293,543)	(254,358)
Fair value losses/(gains) on investment properties	143,945	(36,333)
Gain on disposal of controlling interests in a subsidiary which owns a land site for composite development	–	(3,051)
Provision for impairment losses on hotel properties	70,485	72,379
Reversal of impairment loss on a hotel property	(3,794)	–
Reversal of impairment loss on an other property	(1,657)	–
Depreciation	309,462	324,779
Amortisation of leasehold land and land use rights, trademark; and website and system development	15,871	16,609
Interest on convertible bonds, fixed rate bonds, bank loans and overdrafts	117,392	126,327
Interest income	(15,156)	(14,945)
Dividend income	(1,301)	(1,050)
Loss on disposal of fixed assets and discarding of fixed assets due to properties renovations	15,443	6,907
Net realised and unrealised losses on financial assets held for trading	570	4,111
Net foreign exchange losses	13,177	9,024
Operating profit before working capital changes	520,455	522,732
Decrease in inventories	843	3,636
Increase in accounts receivable, prepayments and deposits	(2,603)	(39,841)
(Increase)/Decrease in amounts due from associates	(3,712)	3,809
Increase in accounts payable and accruals	98,517	69,088
Net cash generated from operations	613,500	559,424

38 FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

As at 31 December 2016, financial guarantees of the Company and the Group were as follows:

(i) The Company executed proportionate guarantees in favour of banks for securing banking facilities granted to certain subsidiaries and associates. The utilised amount of such facilities covered by the Company's guarantees and which also represented the financial exposure of the Company at the date of the statement of financial position amounts to US$3,840,383,000 (2015: US$3,408,708,000) for the subsidiaries and US$102,986,000 (2015: US$375,945,000) for associates.

(ii) The Company executed guarantees in favour of banks for securing certain banking facilities granted to four non-wholly owned subsidiaries. The non-controlling shareholders of four non-wholly owned subsidiaries provided proportionate counter guarantees to the Company under the joint venture agreements. The utilised amount of these facilities covered by the Company's guarantees after setting off the amount of counter guarantees from the non-controlling shareholders and which also represented the net financial exposure of the Company at the date of the statement of financial position amounts to US$349,445,602 (2015: US$261,315,000).

(iii) 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 amounts to US$102,986,000 (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 31 December 2016, the Group executed guarantees for securing standby documentary credit granted by banks in favour of certain building contractors relating to the execution of construction works for hotel buildings with the amount of US$7,208,000 (2015: US$16,940,000). These facilities were undrawn as at 31 December 2016.

(c) Charges over assets

As at 31 December 2016, bank loans of certain subsidiaries amounting to US$153,898,000 (2015: US$191,132,000) were secured by legal mortgage over the property owned by two subsidiaries with an aggregate net book value of US$338,385,000 (2015: US$403,079,000).

39 COMMITMENTS

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

	2016 US$'000	2015 US$'000
Existing properties – Property, plant and equipment and investment properties		
– contracted but not provided for	124,267	48,814
– authorised but not contracted for	24,325	95,669
Development projects		
– contracted but not provided for	416,957	185,946
– authorised but not contracted for	250,134	866,718
	815,683	1,197,147

(b) The Group's commitments under operating leases to make future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2016 US$'000	2015 US$'000
Not later than one year	52,014	53,820
Later than one year and not later than five years	213,375	180,393
Later than five years	1,011,203	905,412
	1,276,592	1,139,625

(c) At 31 December 2016, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2016 US$'000	2015 US$'000
Not later than one year	39,553	49,359
Later than one year and not later than five years	29,599	33,437
Later than five years	3,620	437
	72,772	83,233

40 RELATED PARTY TRANSACTIONS

Kerry Holdings Limited ("**KHL**"), which owns approximately 45.65% of the Company's issued ordinary shares as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance as at 31 December 2016, has significant influence over the Company. The ultimate parent of the Company is Kerry Group Limited (incorporated in Cook Islands) which is also the ultimate controlling party of the Company.

The following transactions were carried out with related parties:

		2016 US$'000	2015 US$'000
(a)	Transactions with subsidiaries of KHL during the year (other than subsidiaries of the Company)		
	Receipt of hotel management, consultancy and related services and royalty fees	(Note ii) 13,111	11,051
	Reimbursement of office expenses and payment of administration and related expenses	3,287	2,912
	Reimbursement of office rental, management fees and rates	338	332
	Payment of office rental, management fees and rates	6,712	7,128
	Purchase of wine	3,138	3,367
(b)	Transactions with associates of the Group during the year (other than the subsidiaries of KHL included under item (a) above)		
	Receipt of hotel management, consultancy and related services and royalty fees	(Note iii) 19,858	17,532
	Receipt for laundry services	(Note i) 509	342
(c)	Financial assistance provided to subsidiaries of KHL as at 31 December (other than subsidiaries of the Company)		
	Balance of loan to associates of the Group	160,009	154,510
	Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	15,499	251,813
(d)	Financial assistance provided to associates of the Group as at 31 December (excluding item (c) above)		
	Balance of loan to associates of the Group	85,890	83,940
	Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to an associate of the Group	87,487	114,636
There are no material changes to the terms of the above transactions during the year.			
(e)	Key management compensation		
	Fees, salaries and other short-term employee benefits of executive directors	8,927	7,064
	Post employment benefits of executive directors	115	122

Notes:

(i) These transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of The Rules Governing the Listing of Securities on HKSE ("**Listing Rules**") and are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

(ii) These transactions include continuing connected transactions as defined in Chapter 14A of Listing Rules of US$2,027,000 which are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

(iii) These transactions include continuing connected transactions as defined in Chapter 14A of Listing Rules of US$1,568,000 which are exempted from reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of Listing Rules.

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) At 31 December 2016, the Company held interests in the following principal subsidiaries:

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Seanoble Assets Limited	The British Virgin Islands	HK$578,083,745	100	–	Investment holding	1
Shangri-La Asia Treasury Limited	The British Virgin Islands	HK$8,530	100	–	Group financing	1
Shangri-La China Limited	Hong Kong	HK$1,162,500,000	–	100	Investment holding	1
Shangri-La Hotels (Europe)	Luxembourg	EUR206,600,000	100	–	Investment holding	
Kerry Industrial Company Limited	Hong Kong	HK$10,000,002	–	100	Investment holding	1
Shangri-La Hotel (Kowloon) Limited	Hong Kong	HK$10,000,002	–	100	Hotel ownership and operation	1
Shangri-La International Hotels (Pacific Place) Limited	Hong Kong	HK$10,005,000	–	80	Hotel ownership and operation	1
Shenzhen Shangri-La Hotel Limited	The People's Republic of China	US$32,000,000	–	72	Hotel ownership and operation	2,6,8
Beihai Shangri-La Hotel Limited	The People's Republic of China	US$16,000,000	–	100	Hotel ownership and operation	7,8
Shanghai Pudong New Area Shangri-La Hotel Co, Limited	The People's Republic of China	US$47,000,000	–	100	Hotel ownership and operation	2,5,8
Shenyang Hotel Jen Limited	The People's Republic of China	US$39,040,470	–	100	Hotel ownership and operation	7,8
Changchun Shangri-La Hotel Co, Limited	The People's Republic of China	RMB167,000,000	–	100	Hotel ownership and operation and real estate operation	7,8
Jilin Province Kerry Real Estate Development Limited	The People's Republic of China	RMB25,000,000	–	100	Real estate development and operation	7,8
Qingdao Shangri-La Hotel Co, Limited	The People's Republic of China	US$79,000,000	–	100	Hotel ownership and operation and real estate development and operation	7,8
Dalian Shangri-La Hotel Co, Limited	The People's Republic of China	US$149,000,000	–	100	Hotel ownership and operation and real estate development and operation	7,8
Harbin Shangri-La Hotel Co, Limited	The People's Republic of China	US$20,767,000	–	100	Hotel ownership and operation	7,8
Wuhan Shangri-La Hotel Co, Limited	The People's Republic of China	US$34,599,000	–	92	Hotel ownership and operation	6,8

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2016, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares Direct	Indirect	Nature of business	Notes
Fujian Kerry World Trade Centre Co, Limited	The People's Republic of China	HK$700,000,000	–	100	Real estate development	3,7,8
Fuzhou Shangri-La Hotel Co, Limited	The People's Republic of China	US$22,200,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Chengdu) Co, Limited	The People's Republic of China	US$53,340,000	–	80	Hotel ownership and operation and real estate development and operation	7,8
Shangri-La Hotel (Guangzhou Pazhou) Co, Limited	The People's Republic of China	US$60,340,000	–	80	Hotel ownership and operation	7,8
Shangri-La Hotel (Shenzhen Futian) Co, Limited	The People's Republic of China	US$71,000,000	–	100	Hotel ownership and operation	2,7,8
Shangri-La Hotel (Ningbo) Co, Limited	The People's Republic of China	US$83,000,000	–	95	Hotel ownership and operation	7,8
Shangri-La Hotel (Wenzhou) Co, Limited	The People's Republic of China	US$46,250,000	–	75	Hotel ownership and operation	7,8
Shangri-La Hotel (Xian) Co, Limited	The People's Republic of China	US$42,800,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Guilin) Co, Limited	The People's Republic of China	US$70,150,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Baotou) Co, Limited	The People's Republic of China	US$24,400,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Huhhot) Co, Limited	The People's Republic of China	US$43,670,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Manzhouli) Co, Limited	The People's Republic of China	US$84,615,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Zhoushan) Co, Limited	The People's Republic of China	RMB120,000,000	–	100	Hotel ownership and operation	3,7,8
Shangri-La Hotel (Hefei) Co, Limited	The People's Republic of China	US$90,000,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Qinhuangdao) Co, Limited	The People's Republic of China	RMB880,000,000	–	100	Hotel ownership and operation	7,8
Sanya Shangri-La Hotel Co, Limited	The People's Republic of China	RMB1,775,614,140	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Lhasa) Co, Limited	The People's Republic of China	US$132,000,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Qufu) Co, Limited	The People's Republic of China	RMB844,000,000	–	100	Hotel ownership and operation	7,8

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2016, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Shangri-La Hotel (Nanjing) Co, Limited	The People's Republic of China	RMB750,000,000	–	55	Hotel ownership and operation	7,8
Shangri-La Hotel (Diqing) Co, Limited	The People's Republic of China	RMB610,000,000	–	100	Hotel ownership and operation	7,8
Shangri-La Hotel (Xiamen) Co, Limited	The People's Republic of China	RMB640,000,000	–	100	Hotel ownership and operation	3,7,8
Dalian Wolong Bay Shangri-La Hotel Co, Limited	The People's Republic of China	RMB430,000,000	–	100	Hotel ownership and operation and real estate development and operation	3,7,8
Kerry Real Estate (Yangzhou) Co, Limited	The People's Republic of China	US$102,600,000	–	100	Hotel ownership and operation and real estate development	7,8
Harbin Songbei Shangri-La Hotel Co, Limited	The People's Republic of China	RMB658,000,000	–	100	Hotel ownership and operation	6,7
Shangri-La Ulaanbaatar LLC	Mongolia	US$5,000,000	–	51	Office ownership and operation	
Shangri-La Ulaanbaatar Hotel LLC	Mongolia	US$20,000,000	–	51	Hotel, serviced apartments and office ownership and operation	
Makati Shangri-La Hotel & Resort, Inc	The Philippines	Peso1,100,000,000	–	100	Hotel ownership and operation	
Edsa Shangri-La Hotel & Resort, Inc	The Philippines	Peso 792,128,700	–	100	Hotel ownership and operation	
Mactan Shangri-La Hotel & Resort, Inc	The Philippines	Common Peso 272,630,000 Preferred Peso 170,741,500 Redeemable Common Peso 285,513,000	–	93.95	Hotel ownership and operation	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2016, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Addu Investments Private Limited	Republic of Maldives	Rufiyaa 640,000,000	–	70	Hotel ownership and operation	
Traders Hotel Malé Private Limited	Republic of Maldives	Rufiyaa 64,000,000	–	100	Hotel ownership and operation	
Yanuca Island Limited	Fiji	F$1,262,196	–	71.64	Hotel ownership and operation	2
Shangri-La Hotel Limited	Singapore	S$165,433,560	–	100	Investment holding, hotel ownership and operation and leasing of residential and serviced apartments	2
Sentosa Beach Resort Pte Limited	Singapore	S$30,000,000	–	100	Hotel ownership and operation	2
Traders Hotel Management Pte Limited	Singapore	S$1	–	100	Hotel operation	2
Shangri-La Hotels (Malaysia) Berhad	Malaysia	RM440,000,000	–	52.78	Investment holding and hotel ownership and operation	
Shangri-La Hotel (KL) Sdn Berhad	Malaysia	RM150,000,000	–	52.78	Hotel ownership and operation	
Golden Sands Beach Resort Sdn Berhad	Malaysia	RM6,000,000	–	52.78	Hotel ownership and operation	
Pantai Dalit Beach Resort Sdn Berhad	Malaysia	RM135,000,000	–	64.59	Hotel and golf club ownership and operation	
Komtar Hotel Sdn Berhad	Malaysia	RM6,000,000	–	31.67	Hotel ownership and operation	
UBN Tower Sdn Berhad	Malaysia	RM500,000	–	52.78	Property investment and office management	
UBN Holdings Sdn Berhad	Malaysia	RM45,000,000	–	52.78	Investment holding and property investment	
Traders Yangon Company Limited	Myanmar	Kyat 21,600,000	–	59.16	Hotel ownership and operation	
Shangri-La Yangon Company Limited	Myanmar	Kyat 11,880,000	–	55.86	Serviced apartments and hotel ownership and operation	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2016, the Company held interests in the following principal subsidiaries: (continued)

Name	Place of establishment/ operation	Paid up/ issued capital	Percentage holding in the voting shares		Nature of business	Notes
			Direct	Indirect		
Traders Square Company Limited	Myanmar	Kyat 522,000	–	59.28	Real estate development and operation	
Shangri-La Hotel Public Company Limited	Thailand	Baht1,300,000,000	–	73.61	Hotel, serviced apartments and office ownership and operation	
Shangri-La Hotels (Paris)	France	EUR 13,772,210	–	100	Hotel ownership and operation	2
Shangri-La Hotels Japan KK	Japan	YEN902,500,000	–	100	Hotel operation	2
Shangri-La Hotels Pte Limited	United Kingdom	GBP81,000,000	–	100	Hotel operation	2
Shangri-La Hotel (Cairns) Pty Limited	Australia	AUD8,250,000	–	100	Investment holding and hotel operation	9
Abelian Pty Limited	Australia	AUD 1	–	100	Investment holding and hotel operation	9
Roma Hotel Pty Limited	Australia	AUD34,000,000	–	100	Hotel ownership and operation	9
Lilyvale Hotel Pty Limited	Australia	AUD140,000,004	–	100	Hotel ownership and operation	2,9
Shangri-La Hotels Lanka (Private) Limited	Sri Lanka	LKR2,219,000,000	–	90	Hotel ownership and operation and real estate development and operation	3
Shangri-La Investments Lanka (Private) Limited	Sri Lanka	LKR1,214,245,300	–	90	Hotel ownership and operation	
Turati Properties Srl	Italy	EUR10,000	–	100	Hotel ownership and operation	2,3
SLIM International Limited	Cook Islands	US$1,000	100	–	Investment holding	1
Shangri-La International Hotel Management Limited	Hong Kong	HK$10,000,000	–	100	Hotel management, marketing, consultancy and reservation services	1
Shangri-La Hotel Management (Shanghai) Co, Limited	The People's Republic of China	US$7,340,000	–	100	Hotel management, marketing and consultancy services	7,8
Shangri-La International Hotel Management BV	The Netherlands	EUR18,151	–	100	Licensing use of intellectual property rights	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) At 31 December 2016, the Company held interests in the following principal subsidiaries: (continued)

Notes:

1 Subsidiaries audited by PricewaterhouseCoopers, Hong Kong.

2 Subsidiaries audited by other member firms of PricewaterhouseCoopers.

3 Subsidiaries which are under various stages of real estate and hotel development and have not yet commenced business operations as at the date of the statement of financial position.

4 Subsidiaries which are under various stages of real estate and hotel development and have partially commenced business operations as at the date of the statement of financial position.

5 Co-operative Joint Venture.

6 Equity Joint Venture.

7 Wholly Foreign Owned Enterprise.

8 The amount of paid up/issued capital for subsidiaries incorporated in The People's Republic of China represented the amount of paid in registered capital.

9 A Deed of Cross Guarantee was entered on 24 December 2015 between Shangri-La Asia Limited and its wholly owned Australian subsidiaries for the purpose of obtaining the benefit of the Class Order to relieve the entities from the requirement to lodge reports with ASIC (Australian Securities and Investments Commission). Apart from the stated principal subsidiaries, this deed also includes Shangri-La Investments (Australian) Pty Ltd (Australian parent company), Shangri-La Hotels Pty Ltd (hotel management company), Langley Terrace Hotel Pty Ltd (dormant), Traders Hotel Pty Ltd (dormant) and The Piers Cairns Management Services Pty Ltd (agent company for Pier Cairns). All of these entities form a Closed Group. There are no other Extended Closed Group Entities involved.

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) At 31 December 2016, the Group held interests in the following principal associates:

Name	Place of establishment/ operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
China World Trade Center Limited	The People's Republic of China	50	Hotel ownership and operation and property investment	2
Beijing Shangri-La Hotel Co, Limited	The People's Republic of China	38	Hotel ownership and operation	
Hangzhou Shangri-La Hotel Limited	The People's Republic of China	45	Hotel ownership and operation	
Seacliff Limited	The People's Republic of China	30	Hotel ownership and operation and property investment	1
Beijing Jia Ao Real Estate Development Co, Limited	The People's Republic of China	23.75	Real estate development and operation	2
Beijing Kerry Hotel Co, Limited	The People's Republic of China	23.75	Hotel ownership and operation	2
Shanghai Xin Ci Hou Properties Co, Limited	The People's Republic of China	24.75	Real estate development and operation	2
Shanghai Ji Xiang Properties Co, Limited	The People's Republic of China	49	Hotel ownership and operation and property investment	2
Shanghai Pudong Kerry City Properties Co, Limited	The People's Republic of China	23.20	Hotel ownership and operation and property investment	2
Tianjin Kerry Real Estate Development Co, Limited	The People's Republic of China	20	Hotel ownership and operation and property investment	4
Kerry Real Estate (Nanchang) Co, Limited	The People's Republic of China	20	Hotel ownership and operation and property investment	4
Hengyun Real Estate (Tangshan) Co, Limited	The People's Republic of China	35	Property investment	4
Ruihe Real Estate (Tangshan) Co, Limited	The People's Republic of China	35	Hotel ownership and operation	
Xiang Heng Real Estate (Jinan) Co, Limited	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Kerry (Shenyang) Real Estate Development Co, Limited	The People's Republic of China	25	Property investment	4
Sheng Xiang Real Estate (Shenyang) Co, Limited	The People's Republic of China	25	Property investment	3
Shangri-La Hotel (Shenyang) Co, Limited	The People's Republic of China	25	Hotel ownership and operation	

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) At 31 December 2016, the Group held interests in the following principal associates: (continued)

Name	Place of establishment/ operation	Percentage holding in the registered capital by the Group	Nature of business	Notes
Kerry Real Estate (Hangzhou) Co Limited	The People's Republic of China	25	Hotel ownership and operation and property investment	
Full Fortune Real Estate (Putian) Co, Limited	The People's Republic of China	40	Property investment	3
Well Fortune Real Estate (Putian) Co, Limited	The People's Republic of China	40	Hotel ownership and operation	3
Zhengzhou Yuheng Real Estate Co, Limited	The People's Republic of China	45	Hotel ownership and operation and property investment	3
Jian'an Real Estate (Kunming) Co, Limited	The People's Republic of China	45	Hotel ownership and operation	3
Cuscaden Properties Pte Limited	Singapore	44.60	Hotel ownership and operation and property investment	
Tanjong Aru Hotel Sdn. Bhd.	Malaysia	40	Hotel ownership and operation	
Komtar Hotel Sdn Bhd	Malaysia	31.67	Hotel ownership and operation	
PT Swadharma Kerry Satya	Indonesia	25	Hotel ownership and operation	2
PT Narendra Interpacific Indonesia	Indonesia	53.30	Hotel and golf club ownership and operation	3,5
Fine Winner Holdings Limited	Hong Kong	30	Hotel ownership and operation	1
Shang Global City Properties, Inc	The Philippines	40	Hotel ownership and operation and property investment	
SRL Touessrok Hotel Limited	Mauritius	26	Hotel ownership and operation	
Besiktas Emlak Yatirim ve Turizm Anonim Sirketi	Turkey	50	Hotel ownership and operation	
Kerry Wines Limited	Hong Kong	20	Wines trading	1
Perennial Ghana Development Limited	The Republic of Ghana	45	Hotel ownership and operation	3

41 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) At 31 December 2016, the Group held interests in the following principal associates: (continued)

Notes:

1 Associates audited by PricewaterhouseCoopers, Hong Kong.

2 Associates audited by other member firms of PricewaterhouseCoopers.

3 Associates which are under various stages of real estate and hotel development and have not yet commenced business operations as at the date of the statement of financial position.

4 Associates which are under various stages of real estate and hotel development and have partially commenced business operations as at the date of the statement of financial position.

5 This company is treated as an associate as at 31 December 2016 as the Group only has significant influence but not control according to the terms of the shareholder's agreement.

(c) The above tables list out the subsidiaries and associates of the Company as at 31 December 2016 which, in the opinion of the Directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries and associates would, in the opinion of the Directors, result in particulars of excessive length.

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

(a) Details of hotel properties of the Company's subsidiaries are as follows:
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Kowloon Shangri-La, Hong Kong 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong	Hotel operation	Medium lease
Island Shangri-La, Hong Kong Pacific Place, Supreme Court Road, Central, Hong Kong	Hotel operation	Medium lease
Shangri-La Hotel, Shenzhen East Side, Railway Station, 1002 Jianshe Road, Shenzhen 518001, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Beihai 33 Chating Road, Beihai, Guangxi 536007, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Pudong Shangri-La, East Shanghai 33 Fu Cheng Lu, Pudong New Area, Shanghai 200120, The People's Republic of China	Hotel operation	Medium lease
Hotel Jen, Shenyang 68 Zhong Hua Road, He Ping District, Shenyang 110001, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Changchun 569 Xian Road, Changchun 130061, The People's Republic of China	Hotel operation and commercial and residential rental	Medium lease
Shangri-La Hotel, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Harbin 555 You Yi Road, Dao Li District, Harbin 150018, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Wuhan No. 700, Jianshe Avenue, Hankou, Wuhan 430015, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Fuzhou No. 9 Xin Quan Nan Road, Fuzhou 350005, The People's Republic of China	Hotel operation	Long lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, Guangzhou 1 Hui Zhan Dong Road, Hai Zhu District, Guangzhou 510308, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Chengdu 9 Binjiang Dong Road, Chengdu, Sichuan 610021, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Xian 38B Keji Road, Xian 710075, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Baotou 66 Min Zu East Road, Qing Shan District, Baotou 014030, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Yangzhou 472 Wen Chang Xi Lu, New Western District, Yangzhou Jiangsu Province, 225009, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Huhhot 5 Xi Lin Guo Le South Road, Huhhot 010020, Inner Mongolia, The People's Republic of China	Hotel operation	Medium lease
Futian Shangri-La, Shenzhen 4088 Yi Tian Road Futian District Shenzhen 518048 The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, Wenzhou 1 Xiangyuan Road, Wenzhou 325000, Zhejiang Province, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Ningbo 88 Yuyuan Road, Jiangdong District, Ningbo 315040, Zhejiang, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Guilin 111 Huan Cheng Bei Er Lu, Guilin 541004, Guangxi, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Manzhouli 99 Liudao Street, Manzhouli Inner Mongolia, 021400, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Qufu 3 Chunqiu Road, Qufu, Shandong, 273100, The People's Republic of China	Hotel operation	Medium lease
Shangri-La's Sanya Resort & Spa, Hainan No.88 North Hai Tang Road, Sanya Hainan, 572000, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Lhasa 19 Norbulingka Road, Lhasa, Tibet Autonomous Region, 850000, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Nanjing 329 Zhongyang Road, Gulou District, Nanjing, Jiangsu Province, 210037, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, Qinhuangdao 123 Hebin Road, Haigang District, Qinhuangdao, Hebei, 066000, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Hefei No.256 Suixi Road, Luyang District, Hefei, Anhui Province, 230041 The People's Republic of China	Hotel operation	Medium lease
Hylandia by Shangri-La No.1, Chicika Street, Jiantang Town, Shangri-La City, Diqing Tibetan Autonomous Prefecture, Yunnan Province, The People's Republic of China	Hotel operation	Medium lease
Makati Shangri-La, Manila Ayala Avenue, corner Makati Avenue, Makati City, Metro Manila 1200, The Philippines	Hotel operation	Medium lease
Edsa Shangri-La, Manila 1 Garden Way, Ortigas Center, Mandaluyong City 1650, Metro Manila, The Philippines	Hotel operation	Medium lease
Shangri-La's Mactan Resort & Spa, Cebu Punta Engano Road, Lapu Lapu City, Cebu 6015, The Philippines	Hotel operation	Medium lease
Shangri-La's Boracay Resort & Spa Barangay Yapak Boracay Island Malay, Aklan 5608, The Philippines	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La's Fijian Resort & Spa, Yanuca Yanuca Island Cuvu, Sigatoka, Fiji	Hotel operation	Long lease
Shangri-La Hotel, Singapore 22 Orange Grove Road, Singapore 258350	Hotel operation	Freehold
Shangri-La's Rasa Sentosa Resort & Spa, Singapore 101 Siloso Road, Sentosa, Singapore 098970	Hotel operation	Long lease
Hotel Jen Orchardgateway Singapore 277 Orchard Road, Singapore 238858	Hotel operation	Medium lease for building
Shangri-La Hotel, Kuala Lumpur 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	Hotel operation	Freehold
Shangri-La's Rasa Sayang Resort & Spa, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold
Hotel Jen Penang Magazine Road, George Town, 10300 Penang, Malaysia	Hotel operation	Long lease
Golden Sands Resort, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu Pantai Dalit Beach, Tuaran, Sabah 89208, Malaysia	Hotel and golf club operation	Long lease
Sule Shangri-La, Yangon 223 Sule Pagoda Road, Yangon, Myanmar	Hotel operation	Medium lease
Shangri-La Hotel, Bangkok 89 Soi Wat Suan Plu, New Road, Bangrak, Bangkok 10500, Thailand	Hotel operation, residential and office rental	Freehold
Shangri-La Hotel, Chiang Mai 89/8 Chang Klan Road, Muang, Chiang Mai 50100, Thailand	Hotel operation	Freehold
Shangri-La's Villingili Resort & Spa, Maldives Villingili Island, Addu Atoll, Republic of Maldives	Hotel operation	Medium lease
Hotel Jen Maldives Ameer Ahmed Magu, Malé 20096, Republic of Maldives	Hotel operation	Medium lease
Shangri-La Hotel, Tokyo Marunouchi Trust Tower Main, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-8283, Japan	Hotel operation	Medium lease for building
Shangri-La Hotel, At The Shard, London 31 St Thomas Street, SE1 9QU, London United Kingdom	Hotel operation	Medium lease for building

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of hotel properties of the Company's subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, Paris 10 Avenue d'Iena, 75116 Paris, France	Hotel operation	Freehold
Shangri-La Hotel, The Marina, Cairns Pierpoint Road, Marlin Marina, Cairns, Queensland 4870, Australia	Hotel operation	Medium lease
Shangri-La Hotel, Sydney 176 Cumberland Street, The Rocks, Sydney NSW 2000, Australia	Hotel operation	Long lease
Hotel Jen Brisbane 159, Roma Street, Brisbane, Queensland 4000, Australia	Hotel operation	Freehold
Shangri-La Hotel, Ulaanbaatar 19 Olympic Street, Sukhbaatar District-1, Ulaanbaatar, 14241, Mongolia	Hotel operation	Long lease
Shangri-La's Hambantota Resort & Spa, Sri Lanka Sittrakala Estate, Chithragala, Ambalantota, Sri Lanka	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) Details of hotel properties of the operating associates are as follows:
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
China World Hotel, Beijing 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
Traders Hotel, Beijing 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
China World Summit Wing, Beijing 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Hotel operation	Medium lease
Kerry Hotel, Beijing 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Beijing 29 Zizhuyuan Road, Beijing 100089, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Hangzhou 78 Beishan Road, Hangzhou 310007, The People's Republic of China	Hotel operation	Medium lease
Kerry Hotel Pudong, Shanghai No. 1388 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Hotel operation	Medium lease
Jing An Shangri-La, West Shanghai 1218 Middle Yan'an Road, Jing An Kerry Centre, West Nanjing Road, Shanghai 200040, The People's Republic of China	Hotel operation	Medium lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) Details of hotel properties of the operating associates are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Hotel, Shenyang 115 Qingnian Avenue Shenhe District, Shenyang Liaoning, 110016, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Tianjin No. 328 Haihe East Road, Hedong District, Tianjin, 300019 The People's Republic of China	Hotel operation	Medium lease
The Portman Ritz-Carlton, Shanghai 1376 Nanjing Road West, Shanghai 200040, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Nanchang No. 669, Cui Lin Road, Honggutan New District, Nanchang, Jiangxi Province, 330038, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Tangshan 889, Changhong West Road, Lubei District, Tangshan, Hebei, 063000, The People's Republic of China	Hotel operation	Medium lease
Midtown Shangri-La, Hangzhou 6 Changshou Road, Kerry Central, Yan'an Roan, Hangzhou, 310006, China	Hotel operation	Medium lease
Hotel Jen Tanglin Singapore 1A Cuscaden Road, Singapore 249716	Hotel operation	Long lease

42 HOTEL PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(b) Details of hotel properties of the operating associates are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu 20 Jalan Aru, Kota Kinabalu, Sabah 88100, Malaysia	Hotel operation	Long lease
Shangri-La Hotel, Jakarta Kota BNI, Jalan Jend. Sudirman Kav. 1, Jakarta 10220, Indonesia	Hotel operation	Medium lease
Hotel Jen Hong Kong No. 508 Queen's Road West, Western District, Hong Kong	Hotel operation	Long lease
Shangri-La Bosphorus, Istanbul Sinanpasa Mah, Hayrettin, Iskelesi Sok, No.1, Besiktas, Istanbul, 34353 Turkey	Hotel operation	Freehold
Shangri-La's Le Touessrok Resort & Spa, Mauritius Coastal Road, Trou d'Eau Douce, 42212, Mauritius	Hotel operation	Freehold/Long lease
Shangri-La at the Fort, Manila 30th street corner 5th Avenue, Bonifacio Global City, Taguig City, Philippines	Hotel operation	Freehold

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES

(a) Details of principal investment properties of the subsidiaries are as follows:
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Shangri-La Residences, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Residential rental	Medium lease
Shangri-La Centre, Chengdu 9 Binjiang Dong Road Chengdu, Sichuan 610021, The People's Republic of China	Office and commercial rental	Medium lease
Shangri-La Centre, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Office and commercial rental	Medium lease
Central Tower, Ulaanbaatar 2 Sukhbaatar Square, SBD -8, Ulaanbaatar 210620a, Mongolia	Office rental	Medium lease
Shangri-La Centre, Ulaanbaatar 19A-C Olympic Street, Sukhbaatar District 1, Ulaanbaatar 14241, Mongolia	Office, commercial and residential rental	Long lease
Shangri-La Apartments, Singapore 1 Anderson Road, Singapore 259983	Residential rental	Freehold
Shangri-La Residences, Singapore No. 1A Lady Hill Road, Singapore 258685	Residential rental	Freehold
UBN Tower, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia	Office and commercial rental	Freehold
UBN Apartments, Kuala Lumpur UBN Complex, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia	Residential rental	Freehold

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of principal investment properties of the subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Sule Square 221, Sule Pagoda Road, Yangon, Myanmar	Office and commercial rental	Medium lease
Shangri-La Residences, Yangon Kan Yeik Tha Street, Yangon, Myanmar	Residential rental	Medium lease
The Pier Retail Complex, Cairns Pierpoint Road, Marlin Marina, Cairns, Queensland 4870, Australia	Office and commercial rental	Medium lease
China World Trade Center 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Office, commercial and residential rental	Medium lease
Century Towers, Beijing 18 Guang Qu Men Wai Avenue, Beijing 100022, The People's Republic of China	Residential rental	Long lease
Shanghai Centre 1376 Nanjing Road West, Suite 710, Shanghai 200040, The People's Republic of China	Office, commercial, residential and exhibition hall space rental	Medium lease
Beijing Kerry Centre 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Office, commercial and residential rental	Medium lease
Jing An Kerry Centre 1218, 1228 and 1238 Yanan Zhong Road, 1539, 1551 and 1563 Nanjing Xi Road, 1515 Nanjing Road West, Jing An District, Shanghai 200040, The People's Republic of China	Office, commercial and residential rental	Medium lease

43 INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATES (CONTINUED)

(a) Details of principal investment properties of the subsidiaries are as follows: (continued)
(lease term represents unexpired lease term of land use rights unless otherwise stated)

Address	Existing use	Lease term
Kerry Parkside Shanghai Pudong No. 1378 Hua Mu Road, Pudong, Shanghai 201204, The People's Republic of China	Office, commercial and residential rental	Medium lease
Tianjin Kerry Centre Liuwei Road, Hedong District, Tianjin 300171, The People's Republic of China	Office, commercial and residential rental	Medium lease
Hangzhou Kerry Centre 385 Yan'an Road, Xiacheng District, Hangzhou, The People's Republic of China	Office and commercial rental	Medium lease
Tanglin Mall, Singapore 163 Tanglin Road, Singapore 247933	Commercial rental	Long lease
Tanglin Place, Singapore 91 Tanglin Road, Singapore 247918	Office and commercial rental	Freehold

44 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

(a) 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$8,073,000) 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.

(b) In February 2017, new LIBOR 5-year term interest-rate swap contracts totaling US$600,000,000 (at fixed rates ranging between 1.825% and 1.85% per annum) were executed in order to fix the base interest rates of specified US dollar bank loan folio.

(c) The Group executed a 10-year bank loan agreement of US$75,000,000 in January 2017 for project financing.

45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2016	2015
	US$'000	US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,068	1,104
Investments in subsidiaries	4,513,195	4,439,175
Club debentures	1,362	840
	4,515,625	4,441,119
Current assets		
Amounts due from subsidiaries	17,608	12,277
Dividends receivable, prepayments and deposits	653,150	649,703
Cash and bank balances	5,751	4,330
	676,509	666,310
Total assets	5,192,134	5,107,429
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	3,191,801	3,191,801
Other reserves	1,543,197	1,545,349
Retained earnings	47,899	58,658
Total equity	4,782,897	4,795,808
LIABILITIES		
Current liabilities		
Accounts payable and accruals	8,255	7,149
Amounts due to subsidiaries	400,982	304,472
	409,237	311,621
Total liabilities	409,237	311,621
Total equity and liabilities	5,192,134	5,107,429
Net current assets	267,272	354,689
Total assets less current liabilities	4,782,897	4,795,808

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2017 and were signed on its behalf.

KUOK Hui Kwong
Director

LIM Beng Chee
Director

45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement of other reserves of the Company:

	Share option reserve US$'000	Capital redemption reserve US$'000	Available-for-sale financial assets reserve US$'000	Contributed surplus US$'000 (Note)	Total US$'000
Balance at 1 January 2015	12,562	10,666	–	1,524,231	1,547,459
Exercise of share options – transfer to share premium	(12)	–	–	–	(12)
Transfer of share option reserve to retained earnings upon expiry of share options	(2,098)	–	–	–	(2,098)
Balance at 31 December 2015 and 1 January 2016	10,452	10,666	–	1,524,231	1,545,349
Transfer of share option reserve to retained earnings upon expiry of share options	(2,637)	–	–	–	(2,637)
Fair value changes of available-for-sale financial assets	–	–	485	–	485
Balance at 31 December 2016	7,815	10,666	485	1,524,231	1,543,197

Note:

The contributed surplus of the Company arises when the Company issues shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's issued shares and the value of net assets of the companies acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders.

45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement of retained earnings of the Company:

	2016 US$'000	2015 US$'000
Balance at 1 January	58,658	70,259
Transfer from share option reserve upon expiry of share options	2,637	2,098
Profit for the year	32,798	37,114
2015/2014 final dividend paid	(23,097)	(27,716)
2016/2015 interim dividend paid (Note 36)	(23,097)	(23,097)
Balance at 31 December	47,899	58,658
Representing:		
2016/2015 final dividend proposed (Note 36)	36,955	23,097
Others	10,944	35,561
Balance at 31 December	47,899	58,658

46 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 23 March 2017.

The financial summary of the Group for the last five years is as follows:

	Year ended 31 December				
	2016 US$'000	2015 US$'000	2014 US$'000	2013 US$'000	2012 US$'000
Results					
Profit/(Loss) attributable to:					
Equity holders	106,054	140,131	180,889	392,298	358,986
Non-controlling interests	(44,022)	29,847	26,606	48,818	23,311

	As at 31 December				
	2016 US$'000	2015 US$'000	2014 US$'000	2013 US$'000	2012 US$'000
Assets and liabilities					
Total assets	12,993,784	13,285,413	13,740,279	12,898,257	11,919,120
Total liabilities	6,581,350	6,395,728	6,301,032	6,030,913	5,391,570
Total equity	6,412,434	6,889,685	7,439,247	6,867,344	6,527,550

ABBREVIATIONS

In this Annual Report (except for the independent Auditor's report and the Financial Statements), the following expressions have the following meanings:

"Annual General Meeting"	forthcoming 2017 annual general meeting of the Company
"Annual Report"	this 2016 annual report of the Company
"Audit Committee"	audit committee of the Company
"Auditor"	statutory auditor of the Company, currently being PricewaterhouseCoopers, Hong Kong
"Board"	board of Directors
"Bye-Laws"	bye-laws of the Company
"CEO", "CFO" and "COO"	chief executive officer, chief financial officer and chief operating officer, respectively, of the Company
"CG Model Code"	code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules
"CG Principles"	corporate governance principles of the Company adopted by the Board on 19 March 2012 and as revised from time to time, and such principles align with and/or incorporate terms that are stricter than the CG Model Code, save for that disclosed in the corporate governance report in this Annual Report
"Chairman" or "Deputy Chairman"	chairman and deputy chairman (if any), respectively, of the Board
"China" or "Mainland China"	The People's Republic of China, excluding Hong Kong and Macau
"Company"	Shangri-La Asia Limited
"Director(s)"	director(s) of the Company
"Directors' Report"	the Directors' report as set out in this Annual Report
"EBITDA"	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 on investment properties; fair value gains or losses on interest-rate swap contracts and financial assets held for trading; and impairment loss on fixed assets
"Executive Committee"	executive committee of the Company
"Executive Director(s)" or "ED(s)"	executive Director(s)
"Financial Statements"	consolidated financial statements of the Group for the Financial Year as set out on pages 118 to 232 of this Annual Report
"Financial Year"	financial year ended 31 December 2016
"Group"	Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSE"	The Stock Exchange of Hong Kong Limited
"Hotel Management Services"	hotel management, marketing, communication and/or reservation services, and/or any hotel related services

"Independent Non-executive Director(s)" or "INED(s)"	independent non-executive Director(s)
"KGL"	Kerry Group Limited, a Substantial Shareholder, and a connected person of the Company
"KHL"	Kerry Holdings Limited, a Substantial Shareholder and a subsidiary of KGL, and a connected person of the Company
"KPL"	Kerry Properties Limited, whose controlling shareholders include KHL and KGL, and thus is an associate of each of them, and accordingly a connected person of the Company
"Listing Rules"	Rules Governing the Listing of Securities on HKSE
"Managing Director" or "MD"	managing director of the Company
"Nomination Committee"	nomination committee of the Company
"Non-executive Director(s)" or "NED(s)"	non-executive Director(s)
"Other Major Shareholder(s)"	Shareholder(s) (other than Substantial Shareholder(s)) whose interests and short positions in Shares and underlying Shares are recorded in the register required to be kept by the Company under Section 336 of the SFO, and in general, being Shareholder(s) deemed to have interest of 5% or more but less than 10% in the Company
"Remuneration Committee"	remuneration committee of the Company
"Securities Model Code"	code set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
"Securities Principles"	principles for securities transactions by Directors or any non-Directors of the Company adopted by the Board on 19 March 2012 and as revised from time to time, and such principles align with and/or incorporate terms that are stricter than the Securities Model Code
"Senior Management"	member(s) of the senior management of the Group as indicated in the section entitled "Board of Directors, Company Secretary and Senior Management" in the Annual Report
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$1.00 each in the Company
"Shareholder(s)"	shareholder(s) of the Company
"SLIM"	SLIM International Limited, a wholly owned subsidiary of the Company incorporated in the Cook Islands, and its subsidiaries (including SLIM-HK) whose principal businesses include the provision of Hotel Management Services
"SLIM-HK"	Shangri-La International Hotel Management Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong and entrusted with the primary responsibility of operating the assets of the Group, and whose principal business is the provision of Hotel Management Services
"substantial shareholder(s)"	as defined in the Listing Rules and in general, being shareholder(s) deemed to have interest of 10% or more in a company, and "Substantial Shareholder(s)" shall mean substantial shareholder(s) of the Company
"Year End"	31 December 2016

THE GROUP'S LISTED MEMBERS

Shangri-La Asia Limited
(stock exchange - Hong Kong)
(stock code - 00069)

(subsidiary)

Shangri-La Hotels (Malaysia) Berhad
(stock exchange - Malaysia)
(stock code - 5517)

(subsidiary)

Shangri-La Hotels Public Company Limited
(stock exchange - Thailand)
(stock code - SHANG)

(associate)

China World Trade Center Company Limited
(stock exchange - Shanghai, China)
(stock code - 600007)

SHANGRI-LA ASIA LIMITED
香格里拉(亞洲)有限公司