



SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with Limited Liability)

Stock code: 69



INTERIM REPORT

2017

CORPORATE INFORMATION

As at 23 August 2017

Board of Directors

Executive Director(s)

Ms KUOK Hui Kwong (Chairman)
Mr LIM Beng Chee (Chief Executive Officer)
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO

Non-executive Director(s)

Mr HO Kian Guan (alternate – Mr HO Chung Tao)

Independent Non-executive Director(s)

Mr Alexander Reid HAMILTON
Professor LI Kwok Cheung Arthur
Dr LEE Kai-Fu

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

Senior Management

Ms KUOK Hui Kwong (Chairman)
Mr LIM Beng Chee (Chief Executive Officer)
Mr Madhu Rama Chandra RAO (Executive Director)
Mr TOH Hup Hock (Chief Financial Officer)

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

00069	Hong Kong
S07	Singapore
SHALY	American Depository Receipt

Websites

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

Investor Relations Contact

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Key Dates

Record date for 2017 interim dividend
26 September 2017

Payment of 2017 interim dividend
6 October 2017

The board of directors ("Board") of Shangri-La Asia Limited ("Company") wishes to announce the unaudited interim results of the Company and its subsidiaries ("Group"), and associates for the six months ended 30 June 2017. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the audit committee of the Board. The review report of the auditor is set out on page 4.

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

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

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

GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

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

Consolidated Statement of Financial Position

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

Twelve months ended 30 June

2017	2016
Unaudited	Unaudited

Return on equity for the last twelve months

$$\text{Return on equity} = \frac{\text{Profit attributable to equity holders of the Company for the last twelve months}}{\text{Average equity attributable to equity holders of the Company for the last twelve months}}$$

2.74% 0.58%



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SHANGRI-LA ASIA LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 33, which comprises the interim condensed consolidated statement of financial position of Shangri-La Asia Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2017 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 August 2017

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in US dollar thousands)

	Note	As at 30 June 2017	31 December 2016
		Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,157,352	6,002,690
Investment properties	5	1,335,021	1,328,352
Leasehold land and land use rights	5	503,225	499,341
Intangible assets	5	90,164	90,367
Interest in associates		3,683,268	3,634,559
Deferred income tax assets		5,893	6,213
Derivative financial instruments	15	–	2
Available-for-sale financial assets	6	10,896	10,189
Other receivables	7	14,359	13,929
		11,800,178	11,585,642
Current assets			
Inventories		37,647	41,790
Properties for sale		8,831	18,581
Accounts receivable, prepayments and deposits	8	344,121	304,836
Amounts due from associates		104,826	66,971
Amounts due from non-controlling shareholders	16	72	69
Derivative financial instruments	15	–	2
Financial assets held for trading	9	18,657	14,963
Cash and bank balances		898,273	944,218
		1,412,427	1,391,430
Assets of disposal group classified as held for sale		–	16,712
		1,412,427	1,408,142
Total assets		13,212,605	12,993,784
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	3,192,700	3,191,801
Other reserves	12	811,497	606,320
Retained earnings		2,217,560	2,192,707
		6,221,757	5,990,828
Non-controlling interests		407,924	421,606
Total equity		6,629,681	6,412,434

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

	Note	As at 30 June 2017 Unaudited	31 December 2016 Audited
LIABILITIES			
Non-current liabilities			
Bank loans	13	5,065,724	4,486,869
Derivative financial instruments	15	1,498	919
Amounts due to non-controlling shareholders	16	29,559	29,547
Deferred income tax liabilities		315,150	310,144
		5,411,931	4,827,479
Current liabilities			
Accounts payable and accruals	17	856,320	885,132
Amounts due to non-controlling shareholders	16	31,190	22,769
Current income tax liabilities		20,366	22,504
Bank loans	13	260,890	208,894
Fixed rate bonds	14	-	599,730
Derivative financial instruments	15	2,227	1,497
		1,170,993	1,740,526
Liabilities of disposal group classified as held for sale		-	13,345
		1,170,993	1,753,871
Total liabilities		6,582,924	6,581,350
Total equity and liabilities		13,212,605	12,993,784

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in US dollar thousands unless otherwise stated)

		Six months ended 30 June	
	Note	2017 Unaudited	2016 Unaudited
Sales	4	989,755	992,211
Cost of sales	18	(427,083)	(426,342)
Gross profit		562,672	565,869
Other gains/(losses) – net	19	2,404	(144,829)
Marketing costs	18	(41,129)	(41,826)
Administrative expenses	18	(102,704)	(100,080)
Other operating expenses	18	(355,288)	(350,295)
Operating profit/(loss)		65,955	(71,161)
Finance costs – net			
– Interest expense	20	(65,536)	(59,214)
– Foreign exchange gains/(losses)	20	3,482	(8,239)
Share of profit of associates	21	97,202	149,835
Profit before income tax		101,103	11,221
Income tax expense	22	(47,353)	(44,348)
Profit/(Loss) for the period		53,750	(33,127)
Profit/(Loss) attributable to:			
Equity holders of the Company		61,700	(3,743)
Non-controlling interests		(7,950)	(29,384)
		53,750	(33,127)
Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the period			
(expressed in US cents per share)			
– basic	23	1.729	(0.105)
– diluted	23	1.729	(0.105)
Dividends	24	27,641	23,029

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in US dollar thousands)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY *(continued)*
(All amounts in US dollar thousands)

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

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Cash flows from operating activities	88,403	40,008
Cash flows from investing activities		
– purchases of property, plant and equipment, investment properties and land use rights	(196,113)	(274,447)
– proceeds from disposal of property, plant and equipment	268	780
– decrease/(increase) in short-term bank deposits with more than 3 months maturity	23,687	(36,063)
– capital contribution and net movement of loans to associates	5,833	(26,809)
– dividends received from associates	42,922	17,816
– proceeds from disposal of equity interest in an associate	53,300	–
– other investing cash flow – net	7,138	5,476
Net cash used in investing activities	(62,965)	(313,247)
Cash flows from financing activities		
– dividend paid	(50,684)	(38,104)
– net proceeds from issuance of ordinary shares	711	–
– net increase in bank loans	596,229	713,092
– redemption of fixed rate bonds	(600,000)	–
– redemption of convertible bonds	–	(559,200)
– Short term advance to a third party	(3,500)	–
– net increase in loans and capital from non-controlling shareholders	1,649	9,545
Net cash (used in)/generated from financing activities	(55,595)	125,333
Net decrease in cash and cash equivalents	(30,157)	(147,906)
Cash and cash equivalents at 1 January	777,577	893,424
Exchange gains/(losses) on cash and cash equivalents	7,899	(1,436)
Cash and cash equivalents at 30 June	755,319	744,082
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	452,530	471,361
Short-term bank deposits	445,743	499,429
Cash and bank balances	898,273	970,790
Less: Short-term bank deposits with more than 3 months maturity	(142,954)	(226,708)
Cash and cash equivalents	755,319	744,082

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

1. General information

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

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited with secondary listing on the Singapore Exchange Securities Trading Limited.

These condensed consolidated interim financial statements were approved by the Board for issue on 23 August 2017. These condensed consolidated interim financial statements have been reviewed by the Company's auditor.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2016 with the addition of certain amendments to standards and new interpretations which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2017. These amendments to standards and new interpretations had no material impact on the Group's financial statements.

3. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

4. Segment information

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

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

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

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

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

iii. **Hotel management services**

iv. **Property sales**

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

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

4. Segment information (continued)

Segment income statement

For the six months ended 30 June 2017 and 2016 (US\$ million)

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

4. Segment information (continued)

Segment income statement (continued)

For the six months ended 30 June 2017 and 2016 (US\$ million)

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

Notes:

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

5. Capital expenditure

	Property, plant and equipment	Investment properties	Leasehold land and land use rights	Intangible assets
Opening net book amount as at 1 January 2017	6,002,690	1,328,352	499,341	90,367
Additions	204,033	4,494	–	–
Fair value losses (<i>Note 19</i>)	–	(25,522)	–	–
Exchange differences	114,236	27,712	11,207	501
Disposals	(11,387)	(15)	–	–
Depreciation/amortisation charge (<i>Note 18</i>)	(152,220)	–	(7,323)	(704)
Closing net book amount as at 30 June 2017	6,157,352	1,335,021	503,225	90,164
Opening net book amount as at 1 January 2016	6,386,127	1,120,279	542,360	89,770
Additions	237,151	61,547	37	18
Provision for impairment losses (<i>Note 19</i>)	(70,485)	–	–	–
Fair value losses (<i>Note 19</i>)	–	(79,789)	–	–
Exchange differences	(10,133)	12,885	(7,165)	204
Disposals	(3,505)	(52)	–	–
Transfer	(262,816)	262,816	–	–
Depreciation/amortisation charge (<i>Note 18</i>)	(157,209)	–	(7,682)	(376)
Classified as held for sale	(7,069)	–	–	–
Closing net book amount as at 30 June 2016	6,112,061	1,377,686	527,550	89,616

Investment properties were stated at fair value (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 were recorded in the income statement.

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, when the hotel continues to operate at a loss position and its financial performance is worse than expected. Internal assessments were carried out during the current period and no impairment loss was recognised. For the six months ended 30 June 2016, the Group recognised an impairment loss of US\$70,485,000 for a hotel wholly owned by the Group in Qufu, Mainland China in the consolidated income statement under “Other gains/(losses) – net”, to write down the carrying value of property, plant and equipment; and leasehold land and land use rights related to this hotel to the recoverable amount of US\$75,401,000 based on the professional valuation carried out by an independent firm of valuer as at 30 June 2016.

All intangible assets are also subject to internal review for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

6. Available-for-sale financial assets

	As at	
	30 June 2017	31 December 2016
Equity securities:		
Overseas unlisted shares, at cost	2,562	2,562
– exchange differences	192	88
	<hr/>	<hr/>
Club debentures, at fair value	2,754	2,650
	<hr/>	<hr/>
	8,142	7,539
	<hr/>	<hr/>
	10,896	10,189
	<hr/>	<hr/>

There were no disposals of available-for-sale financial assets during the six months ended 30 June 2017 and 2016. The maximum exposure to credit risk at the reporting date is the fair value of the club debentures mentioned above.

7. Other receivables

	As at	
	30 June 2017	31 December 2016
Security deposit on leased premises	14,359	13,929
	<hr/>	<hr/>

An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to US\$15,700,000) (31 December 2016: JPY1,751,000,000 (equivalent to US\$15,273,000)) 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.

8. Accounts receivable, prepayments and deposits

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

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

- (a) The fair values of the trade and other receivables are not materially different from their carrying values. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.
- (b) A significant part of the Group's sales are by credit cards or against payment of deposits. The remaining amounts are with general credit term of 30 days. The Group has a defined credit policy. The ageing analysis of the trade receivables based on invoice date after provision for impairment is as follows:

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

- (c) A short term advance of US\$3,500,000 bearing interest at a fixed rate of 6.25% per annum maturing in June 2018 was provided to the purchaser under the sale and purchase transaction in relation to the disposal of equity interest in an associate incorporated in Indonesia. Details of the disposal are set out in Note 10(b) to the condensed consolidated interim financial statements. The maximum exposure to credit risk at the reporting date is the fair value of the advance.

9. Financial assets held for trading

	As at	
	30 June 2017	31 December 2016
Equity securities, at market value		
Shares listed in Hong Kong	<u>18,657</u>	14,963

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

(a) Disposal of interest in a subsidiary

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

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

Assets and liabilities disposed of:

Gross assets	17,190
Gross liabilities	(12,963)

Net assets disposed of	4,227
------------------------	-------

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

Gain on disposal recognised for the six months ended 30 June 2017	4,652
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(b) Disposal of interest in an associate

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

Assets disposed of – interest in associates	41,620
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Cash consideration received	53,300
Less: Assets disposed of	(41,620)
Add: Cumulative exchange differences in respect of the net assets of the associate released from exchange fluctuation reserve to profit or loss	(1,446)

Gain on disposal recognised for the six months ended 30 June 2017	10,234
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11. Share capital

	No. of shares ('000)	Amount		
	No. of shares ('000)	Ordinary shares	Share premium	Total
Authorised – Ordinary shares of HK\$1 each				
At 31 December 2016 and 30 June 2017	5,000,000	646,496	–	646,496
Issued and fully paid				
– Ordinary shares of HK\$1 each				
At 1 January 2016	3,580,024	462,195	2,729,606	3,191,801
Exercise of share options				
– allotment of shares	–	–	–	–
– transfer from option reserve	–	–	–	–
At 30 June 2016 and 31 December 2016	3,580,024	462,195	2,729,606	3,191,801
Exercise of share options				
– allotment of shares	455	59	652	711
– transfer from option reserve	–	–	188	188
At 30 June 2017	3,580,479	462,254	2,730,446	3,192,700

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

Share options

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

Details of the 2012 Option Scheme are set out under the section headed "SHARE OPTION SCHEMES" of the Company's 2016 annual report.

11. Share capital (continued)

Share options (continued)

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

	Number of option shares issued at HK\$12.11 per option share	Total consideration US'\$'000
June 2017	455,000	711
For the six months ended 30 June 2017	455,000	711
For the six months ended 30 June 2016	–	–
For the year ended 31 December 2016	–	–

The weighted average closing price of the shares immediately before the dates on which the options were exercised for the six months ended 30 June 2017 was HK\$13.33. No share option was exercised for the six months ended 30 June 2016.

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

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

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

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

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

12. Other reserves

	Share option reserve	Hedging Reserve	Convertible bonds reserve	Capital redemption reserve	Exchange fluctuation reserve	Capital reserve	Available-for-sale financial assets reserve	Other reserve	Contributed surplus	Total
At 1 January 2016	10,452	(5,849)	44,518	10,666	62,035	601,490	-	1,368	389,741	1,114,421
Currency translation differences	-	-	-	-	(61,317)	-	-	-	-	(61,317)
Transfer of share options reserve to retained earnings upon expiry of share options	(2,637)	-	-	-	-	-	-	-	-	(2,637)
Transfer of convertible bonds reserve to retained earnings upon maturity of convertible bonds	-	-	(44,518)	-	-	-	-	-	-	(44,518)
Fair value changes of interest-rate swap contracts	-	(3,478)	-	-	-	-	-	-	-	(3,478)
At 30 June 2016	7,815	(9,327)	-	10,666	718	601,490	-	1,368	389,741	1,002,471
Currency translation differences	-	-	-	-	(408,275)	-	-	-	-	(408,275)
Fair value changes of interest-rate swap contracts	-	6,914	-	-	-	-	-	-	-	6,914
Fair value changes of available-for-sale financial assets	-	-	-	-	-	-	5,210	-	-	5,210
At 31 December 2016 and 1 January 2017	7,815	(2,413)	-	10,666	(407,557)	601,490	5,210	1,368	389,741	606,320
Currency translation differences	-	-	-	-	205,692	-	-	-	-	205,692
Transfer of exchange fluctuation reserve to profit or loss upon disposal of a subsidiary and an associate	-	-	-	-	393	-	-	-	-	393
Exercise of share options - transfer to share premium	(188)	-	-	-	-	-	-	-	-	(188)
Fair value changes of interest-rate swap contracts	-	(1,312)	-	-	-	-	-	-	-	(1,312)
Fair value changes of available-for-sale financial assets	-	-	-	-	-	-	592	-	-	592
At 30 June 2017	7,627	(3,725)	-	10,666	(201,472)	601,490	5,802	1,368	389,741	811,497

13. Bank loans

	As at	
	30 June 2017	31 December 2016
Bank loans – secured (Note 25 (c))	142,967	153,898
Bank loans – unsecured	<u>5,183,647</u>	<u>4,541,865</u>
Total	<u>5,326,614</u>	<u>4,695,763</u>
Less: Non-current portion	<u>(5,065,724)</u>	<u>(4,486,869)</u>
Current portion	<u>260,890</u>	<u>208,894</u>

The maturity of bank loans is as follows:

	As at	
	30 June 2017	31 December 2016
Within 1 year	260,890	208,894
Between 1 and 2 years	867,699	981,074
Between 2 and 5 years	<u>4,169,978</u>	<u>3,457,403</u>
Repayable within 5 years	5,298,567	4,647,371
Over 5 years	<u>28,047</u>	<u>48,392</u>
Total	<u>5,326,614</u>	<u>4,695,763</u>

The effective interest rates at the date of the statement of financial position are as follows:

	30 June 2017							
	HK\$	RMB	GBP	US\$	JPY	Euros	SGD	AUD
Bank loans	1.45%	4.85%	1.70%	2.25%	0.60%	0.99%	1.31%	2.94%
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%

13. Bank loans (continued)

The carrying amounts of the bank loans approximate their fair values and are denominated in the following currencies:

	As at	
	30 June 2017	31 December 2016
Hong Kong dollars	1,727,458	1,726,168
United States dollars	2,601,058	2,094,051
Renminbi	451,964	377,125
Euros	233,192	221,152
Australian dollars	107,470	117,423
Singapore dollars	102,470	60,580
British pounds	58,170	55,652
Japanese yen	44,832	43,612
	<hr/>	<hr/>
	5,326,614	4,695,763
	<hr/>	<hr/>

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2017	31 December 2016
Floating rate		
– expiring within one year	60,042	152,912
– expiring beyond one year	934,690	1,867,530
Fixed rate		
– expiring within one year	–	865
– expiring beyond one year	29,290	93,328
	<hr/>	<hr/>
	1,024,022	2,114,635
	<hr/>	<hr/>

14. Fixed rate bonds

On 10 April 2012, a wholly owned subsidiary of the Company issued fixed rate bonds in the aggregate principal amount of US\$600,000,000 which carry a coupon rate of 4.75% per annum and have a maturity term of 5 years.

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

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

15. Derivative financial instruments

	As at	
	30 June 2017	31 December 2016
Interest-rate swap contracts – hedging		
– included in non-current assets	-	2
– included in current assets	-	2
	<hr/>	<hr/>
	-	4
Interest-rate swap contracts – hedging		
– included in non-current liabilities	1,498	919
– included in current liabilities	2,227	1,497
	<hr/>	<hr/>
	3,725	2,416
	<hr/>	<hr/>

The Group has endeavored to hedge its medium term interest rate risk by entering into fixed HIBOR and LIBOR interest-rate swap contracts and all interest-rate swap contracts qualify for hedge accounting.

All the interest-rate swap contracts were initially recognised at fair value on the date the contract was entered and are subsequently re-measured at fair value at each date of statement of financial position. The recorded fair value could be an asset or liability depending on the prevailing financial market conditions and the anticipated interest rate environment.

15. Derivative financial instruments (*continued*)

During the six months ended 30 June 2017, new 5-year term interest-rate swap contracts totalling US\$600,000,000 at fixed rates ranging between 1.825% and 1.85% per annum have been executed. All these new contracts qualify for hedging.

The notional principal amounts of the outstanding HIBOR and LIBOR interest-rate swap contracts at 30 June 2017 are as follows:

- HK\$1,600,000,000 (31 December 2016: HK\$1,900,000,000) with fixed interest rates vary from 1.395% to 1.635% per annum (31 December 2016: 0.940% to 1.635% per annum);
- US\$806,000,000 (31 December 2016: US\$206,000,000) with fixed interest rates vary from 1.420% to 1.850% per annum (31 December 2016: 1.420% to 1.785% per annum).

16. Amounts due to/(from) non-controlling shareholders

- (a) Amounts due to non-controlling shareholders (non-current portion) are unsecured and with the following terms:

	As at	
	30 June 2017	31 December 2016
– interest-free and not payable within 12 months	29,559	29,547

The effective interest rate applied to calculate the fair value upon initial recognition of the interest-free portion of the amounts due to non-controlling shareholders is 4.1% per annum.

- (b) Amounts due to/(from) non-controlling shareholders (current portion) are unsecured and with the following terms:

	As at	
	30 June 2017	31 December 2016
– interest-free with no fixed repayment terms	31,190	22,769
– interest-free with no fixed repayment terms	(72)	(69)
	31,118	22,700

The fair values of the amounts due to/(from) non-controlling shareholders (both current and non-current portion under (a) and (b) above) are not materially different from their carrying values.

17. Accounts payable and accruals

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

17. Accounts payable and accruals (continued)

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

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

18. Expenses by nature

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

	For the six months ended	
	30 June 2017	30 June 2016
Depreciation of property, plant and equipment (net of amount capitalised of US\$34,000 (2016: US\$32,000)) (Note 5)	152,186	157,177
Amortisation of leasehold land and land use rights (net of amount capitalised of US\$196,000 (2016: US\$182,000)) (Note 5)	7,127	7,500
Amortisation of trademark and website development (Note 5)	704	376
Employee benefit expenses excluding directors' emoluments	318,403	317,978
Cost of inventories sold or consumed in operation	133,596	133,633
Loss on disposal of property, plant and equipment and partial replacement of investment properties	1,352	470
Discarding of property, plant and equipment and investment properties due to renovation	9,782	2,307
Pre-opening expenses	9,978	8,518

19. Other gains/(losses) – net

	For the six months ended	
	30 June 2017	30 June 2016
Net realised and unrealised gains/(losses) on financial assets held for trading	3,694	(1,643)
Interest income	7,569	6,204
Fair value losses of investment properties (Note 5)	(25,522)	(79,789)
Provision for impairment losses for hotel properties (Note 5)	-	(70,485)
Gain on disposal of interests in a subsidiary and an associate	14,886	–
Dividend income	958	884
Others	819	–
	<hr/>	<hr/>
	2,404	(144,829)
	<hr/>	<hr/>

20. Finance costs – net

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

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

21. Share of profit of associates

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

22. Income tax expense

Income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong includes withholding tax paid and payable on dividends from subsidiaries and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

	For the six months ended	
	30 June 2017	30 June 2016
Current income tax		
– Hong Kong profits tax	1,462	6,854
– overseas taxation	42,335	33,311
Deferred income tax	3,556	4,183
	<hr/>	<hr/>
	47,353	44,348

23. Earnings/(Loss) per share

Basic

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

	For the six months ended	
	30 June 2017	30 June 2016
Profit/(Loss) attributable to equity holders of the Company (US\$'000)	61,700	(3,743)
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	3,569,541	3,569,523
	<hr/>	<hr/>
Basic earnings/(loss) per share (US cents per share)	1.729	(0.105)

Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has the potential dilutive effect on the outstanding share options. A calculation is done to determine the number of shares that would be issued at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is increased by the number of shares that would have been issued assuming the exercise of the share options.

For the six months ended 30 June 2017 and 30 June 2016, there is no dilution effect on the earnings per share and loss per share, respectively.

23. Earnings/(Loss) per share (continued)

Diluted (continued)

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

24. Dividends

For the six months ended
30 June 2017 30 June 2016

Interim dividend of HK6 cents (2016: HK5 cents) per ordinary share	27,641	23,029
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Notes:

- (a) At a meeting held on 23 March 2017, the Board proposed a final dividend of HK8 cents per ordinary share for the year ended 31 December 2016, which was paid on 16 June 2017, and has been reflected as a charge against retained earnings for the six months ended 30 June 2017.
- (b) At a meeting held on 23 August 2017, the Board declared an interim dividend of HK6 cents per ordinary share for the year ending 31 December 2017. This declared dividend is not reflected as a dividend payable in these financial statements but reflected as an appropriation of retained earnings for the year ending 31 December 2017. The declared interim dividend of US\$27,641,000 for the six months ended 30 June 2017 is calculated based on 3,580,779,056 shares of the Company in issue as at 23 August 2017 after elimination on consolidation the amount of US\$81,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (Note 11).

25. Financial guarantees, contingencies and charges over assets

(a) Financial guarantees

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

Guarantees are stated at their respective contracted amounts. The Board is of the opinion that it is not probable that the above guarantees will be called upon.

(b) Contingent liabilities

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

25. Financial guarantees, contingencies and charges over assets (continued)

(c) Charges over assets

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

26. Commitments

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

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

27. Related party transactions

Kerry Holdings Limited ("KHL"), which owns approximately 45.64% 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 30 June 2017, has significant influence over the Company.

The following transactions were carried out with related parties:

	For the six months ended	
	30 June 2017	30 June 2016
(a) Transactions with subsidiaries of KHL		
(other than subsidiaries of the Company)		
Receipt of hotel management and related services fees and royalty fees	6,465	5,395
Reimbursement of office expenses and payment of administration and related expenses	909	1,317
Payment of office rental, management fees and rates	3,655	3,496
Purchase of wines	1,437	1,622

27. Related party transactions (continued)

	For the six months ended 30 June 2017	30 June 2016
(b) Transactions with associates of the Group		
Receipt of hotel management and related services fees and royalty fees	10,600	9,450
Receipt of laundry services fees	267	242
	As at	
	30 June 2017	31 December 2016
(c) Financial assistance provided to subsidiaries of KHL (other than subsidiaries of the Company)		
Balance of loan to associates of the Group	160,268	160,009
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	27,408	15,499
	As at	
	30 June 2017	31 December 2016
(d) Financial assistance provided to associates of the Group (excluding item (c) above)		
Balance of loan to associates of the Group	88,966	85,890
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	93,717	87,487
There are no material changes to the terms of the above transactions during the period.		
	For the six months ended	
	30 June 2017	30 June 2016
(e) Key management compensation		
Fees, salaries and other short-term employee benefits of executive directors	3,330	1,420
Post employment benefits of executive directors	53	61
	3,383	1,481

28. Financial instruments measured at fair value

The Group measures financial assets and liabilities 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 definitions, the valuation technique and inputs used in the fair value measurements for financial assets and liabilities under Level 1 and Level 2 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2016.

28. Financial instruments measured at fair value (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2017.

	Level 1	Level 2	Total
Assets			
Available-for-sale financial assets			
– club debentures	8,142	–	8,142
Financial assets held for trading			
– equity securities	18,657	–	18,657
	<hr/>	<hr/>	<hr/>
	26,799	–	26,799
Liabilities			
Derivative financial instruments			
– interest-rate swap contracts	–	3,725	3,725
	<hr/>	<hr/>	<hr/>

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016.

	Level 1	Level 2	Total
Assets			
Derivative financial instruments			
– interest-rate swap contracts	–	4	4
Available-for-sale financial assets			
– club debentures	7,539	–	7,539
Financial assets held for trading			
– equity securities	14,963	–	14,963
	<hr/>	<hr/>	<hr/>
	22,502	4	22,506
Liabilities			
Derivative financial instruments			
– interest-rate swap contracts	–	2,416	2,416
	<hr/>	<hr/>	<hr/>

During the six months ended 30 June 2017, there was no transfer between Level 1 and Level 2 of the Group's financial assets and liabilities.

1. OPERATIONS REVIEW

(Performance compared to the corresponding period last year)

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

- (i) Hotel ownership (including hotels under lease)
- (ii) Hotel management services for Group-owned hotels and for hotels owned by third parties
- (iii) Property rentals from ownership and leasing of office properties, commercial properties and serviced apartments/residences
- (iv) Property sales

The Group also engaged in the following businesses:

- wine trading in Hong Kong and Mainland China (a 20%-owned business); and
- the operation of a golf course in Bali, Indonesia (a 53.3%-owned business) which had been disposed together with the hotel development project in Bali during the current period. Details of the disposal transaction are set out in the section headed "DISPOSALS".

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

(a) Segment Results

Details of the segment information are provided in Note 4 to the condensed consolidated interim financial statements included in this report.

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

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

1. OPERATIONS REVIEW *(continued)*

(a) Segment Results *(continued)*

(i) Hotel Ownership

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

- The 344-room Songbei Shangri-La, Harbin (wholly owned by the Group) opened for business on 10 January 2017.
- The 546-room Kerry Hotel, Hong Kong (wholly owned by the Group) opened for business on 28 April 2017.
- The 450-room Hotel Jen Beijing (part of the China World Trade Center Phase 3B project in which the Group has 40.32% equity interest) opened for business on 22 May 2017.

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

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

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

1. OPERATIONS REVIEW *(continued)*

(a) Segment Results *(continued)*

(i) Hotel Ownership *(continued)*

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

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

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

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

1. OPERATIONS REVIEW *(continued)*

(a) Segment Results *(continued)*

(i) Hotel Ownership *(continued)*

Comments on performance by geography:

The People's Republic of China

Hong Kong

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

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

Mainland China

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

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

Singapore

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

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

1. OPERATIONS REVIEW *(continued)*

(a) Segment Results *(continued)*

(i) Hotel Ownership *(continued)*

The Philippines

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

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

Malaysia

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

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

Thailand

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

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

Japan

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

Australia

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

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

1. OPERATIONS REVIEW *(continued)*

(a) Segment Results *(continued)*

(i) Hotel Ownership *(continued)*

France

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

The United Kingdom

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

Mongolia

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

Sri Lanka

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

Other Countries

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

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

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

1. OPERATIONS REVIEW *(continued)*

(a) Segment Results *(continued)*

(ii) Hotel Management Services

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

- Canada: Toronto and Vancouver
- The Philippines: Manila
- Oman: Muscat
- Qatar: Doha
- UAE: Abu Dhabi (2 hotels) and Dubai
- Malaysia: Putrajaya, Johor and Kuala Lumpur
- India: New Delhi and Bengaluru
- Taiwan: Taipei and Tainan
- Mainland China: Changzhou (2 hotels), Haikou, Suzhou and Yiwu

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

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

1. OPERATIONS REVIEW *(continued)*

(a) Segment Results *(continued)*

(iii) Property Rentals

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

Mainland China

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

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

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

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

1. OPERATIONS REVIEW *(continued)*

(a) Segment Results *(continued)*

(iii) Property Rentals *(continued)*

Singapore

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

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

Malaysia

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

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

Other Countries

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

1. OPERATIONS REVIEW *(continued)*

(a) Segment Results *(continued)*

(iv) Property Sales

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

- *Arcadia Court, Tangshan (a 35%-owned project)*
Phases I to III comprise fourteen towers and 76 units were sold during the current period. Approximately 99% of the total 1,498 units had been sold as at 30 June 2017.
- *Arcadia Court, Tianjin (part of Phase I of Tianjin Kerry Centre, a 20%-owned project)*
The development comprises three residential towers and 6 units were sold during the current period. Approximately 91% of the total inventory had been sold as at 30 June 2017.
- *Arcadia Court and Enterprise Square, Shenyang (part of Phase I of Shenyang Kerry Centre, a 25%-owned project)*
Six residential towers and a tower of the Enterprise Square (office spaces) have been completed and delivered for occupation. 110 residential units and 14 office units were sold during the current period. Approximately 89% of all the 972 Phase I residential units and 65% of the total of 229 office units had been sold as at 30 June 2017. Phase II of the project is still under construction. As at 30 June 2017, 10% of the total 495 Phase II residential units had been pre-sold.
- *Arcadia Court, Putian (a 40%-owned project)*
The development comprises twenty residential towers and all the 1,820 units had already been sold in last year. Most of the sold units had been handed over to the buyers by year end 2016. Remaining 90 units have been handed over in the current period and the corresponding profit was recorded.
- *Arcadia Court, Nanchang (a 20%-owned project)*
The development comprises five residential towers and a total of 436 units. 408 units were sold as at 31 December 2016. Most of the sold units had been handed over to the buyers by 31 December 2016 with 62 units have been handed over in the current period. 7 units were sold in the current period.
- *Yangzhou Lakeview Residence (a 100%-owned project)*
The development comprises three residential towers and most units were sold by year end 2016. 38 units were sold during the current period out of a total of 39 unsold units.

1. OPERATIONS REVIEW *(continued)*

(a) Segment Results *(continued)*

(iv) Property Sales *(continued)*

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

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

(b) EBITDA and Consolidated Profits

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

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

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

1. OPERATIONS REVIEW *(continued)*

(b) EBITDA and Consolidated Profits *(continued)*

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

- Gross profit margin of the hotels owned by subsidiaries improved from 58.4% to 58.7% while the consolidated gross profit margin of the Group decreased marginally from 57.0% to 56.8% in 2017. The additional sales contributed by the newly opened hotels were offset by the depreciation of most currencies against the US dollar during the current period. Consolidated sales of the subsidiaries registered a marginal decrease of US\$2.5 million (0.2%) compared to 2016 which also led to a marginal decrease in consolidated gross profit of the subsidiaries by US\$3.2 million (0.6%).
- Fair value losses of investment properties held by subsidiaries decreased by US\$54.3 million from US\$79.8 million in 2016 to US\$25.5 million during the current period. There was no incremental impairment provision for hotel properties during the current period (2016: US\$70.5 million provision). In addition, gain on disposal of interests in a subsidiary and an associate amounted to US\$14.9 million was recorded in 2017. As a result, consolidated operating profit of the Company and subsidiaries registered a profit of US\$65.9 million in the current period compared to a loss of US\$71.2 million in last year.
- Consolidated interest expenses of the Company and subsidiaries increased by US\$6.3 million to US\$65.5 million as a result of the lower interest capitalisation following the completion of new hotel projects. The Group however recorded a net foreign exchange gain of US\$3.5 million in the current period compared to a net loss of US\$8.2 million in the same period last year. The resulting consolidated finance costs of the Company and subsidiaries therefore decreased by US\$5.4 million in the current period as compared to the same period last year.
- Share of net profit after tax from associates decreased by US\$52.6 million in the current period mainly due to a decrease in the share of net fair value gains after tax on investment properties of US\$57.4 million.

2. CORPORATE DEBT AND FINANCIAL CONDITIONS

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

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

- one 10-year local bank loan agreement of RMB185 million (approximately US\$27.3 million), one 9-year local bank loan agreement of US\$75 million and one 7-year local bank loan agreement of US\$55 million for project financing;
- four 3-year local bank loan agreements totalling RMB706.7 million (approximately US\$104.3 million) for refinancing maturing bank loans and shareholder loans.

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

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

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

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

Maturities of Borrowings Contracted as at 30 June 2017					
(US\$ million)	Repayment				
	Within 1 year	In the 2nd year	In the 3rd to 5th year	After 5 years	Total
Borrowings					
Corporate borrowings					
- unsecured bank loans	-	301.3	3,148.5	-	3,449.8
Bank loans of subsidiaries					
- secured	7.1	7.1	128.8	-	143.0
- unsecured	253.8	559.3	892.7	28.0	1,733.8
Total outstanding balance	260.9	867.7	4,170.0	28.0	5,326.6
Undrawn but committed facilities					
Bank loans and overdrafts	60.0	51.6	766.9	145.5	1,024.0

2. CORPORATE DEBT AND FINANCIAL CONDITIONS *(continued)*

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

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

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

Details of financial guarantees, contingencies and charges over assets as at 30 June 2017 are disclosed in Note 25 to the condensed consolidated interim financial statements included in this report.

3. TREASURY POLICIES

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

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

- HK\$1,600 million (approximately US\$206.4 million) at fixed rates ranging between 1.395% and 1.635% per annum maturing during July 2018 to October 2018
- US\$806 million at fixed rates ranging between 1.42% and 1.85% per annum maturing during August 2018 to April 2022

3. TREASURY POLICIES *(continued)*

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

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

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

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

4. INVESTMENT PROPERTIES VALUATIONS

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

5. IMPAIRMENT PROVISION

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

6. FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

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

7. DEVELOPMENT PROGRAMMES

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

Construction work on the following projects is on-going:

(a) Hotel Developments

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

(b) Composite Developments and Investment Properties Developments

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

* Being developed in phases

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

7. DEVELOPMENT PROGRAMMES *(continued)*

(b) Composite Developments and Investment Properties Developments *(continued)*

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

Hotel development

- Wolong Bay in Dalian, Mainland China (wholly owned by the Group)
- Rome, Italy (wholly owned by the Group)

Composite development

- Zhengzhou, Mainland China (45% equity interest owned by the Group)
- Nanchang city project – Phase II, Mainland China (20% equity interest owned by the Group)
- Accra, the Republic of Ghana (45% equity interest owned by the Group)

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

8. DISPOSALS

(a) Disposal of interest in a subsidiary

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

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

(b) Disposal of interest in an associate

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

9. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

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

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

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

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

10. PROSPECTS

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

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

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

11. HUMAN RESOURCES

As of 30 June 2017, the Company and its subsidiaries had approximately 28,600 employees. The headcount of all the Group's managed hotels and resorts totalled approximately 45,100.

Remuneration policies, share option scheme, share award scheme and training schemes have been consistently applied by the Group as disclosed in the 2016 annual report.

12. CORPORATE GOVERNANCE

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

12. CORPORATE GOVERNANCE *(continued)*

Directors Handbook

The Board has adopted a composite handbook ("Directors Handbook") comprising (amongst other things) a set of principles for securities transactions by directors or any non-directors of the Company ("Securities Principles") and a set of corporate governance principles of the Company ("CG Principles"), terms of both of which align with or are stricter than the requirements set out in, respectively, the Model Code for Securities Transactions by Directors of Listed Issuers ("Securities Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("HKSE") and the code provisions under the Corporate Governance Code and Corporate Governance Report ("CG Model Code") as contained in Appendix 14 to the Listing Rules. The Directors Handbook serves as a comprehensive guidebook for all directors of the Company.

During the underlying six-month period, the Securities Principles and the CG Principles were the codes for the directors' securities transactions and the Company's corporate governance, respectively.

Code on Securities Transactions

The Company has made specific enquiry of each of the directors of the Company and all the directors have confirmed compliance with the Securities Principles throughout the underlying six-month period.

Code on Corporate Governance

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

Changes in Directors' Information

There have been changes in the information of some of the directors since the date of the Company's 2016 annual report. Details of the changes as reported to the Company and as required to be disclosed under Rule 13.51B(1) of the Listing Rules are as follows:

1. Mr LIM Beng Chee ceased to act as a non-executive director and a member of the audit committee of Changi Airports International Pte Limited on 30 June 2017.
2. Mr LIU Kung Wei Christopher ceased to act as an executive director of the Company and stepped down from his roles on the Board on 31 March 2017.
3. Mr KUOK Khoon Chen retired by rotation as a non-executive director of the Company on 2 June 2017.
4. Mr HO Kian Guan was appointed an independent non-executive director of Parkway Life REIT (listed on the Singapore stock exchange) on 21 October 2016 and became the chairman of its board on 24 April 2017.
5. Mr HO Chung Tao was appointed the alternate director to Mr CHAN Lui Ming Ivan at Keck Seng (Malaysia) Berhad (listed on the Malaysia stock exchange) on 26 June 2014.
6. Mr Alexander Reid HAMILTON informed the Company that Securities and Futures Commission ("SFC"), which announced on 22 October 2008 about a formal investigation into the affairs of CITIC Limited ("CITIC", and formerly CITIC Pacific Limited), has issued a letter confirming that Mr HAMILTON, previously a director of CITIC and thus was a subject of the investigation, is no longer a person under investigation and that SFC does not propose to take any action against him on the information currently known to SFC.
7. Mr Timothy David DATTELS ceased to act as an independent non-executive director of the Company on 29 May 2017.
8. Dr LEE Kai-Fu became the chairman of Sinovation (Beijing) Enterprise Management Limited (listed on National Equities Exchange and Quotations) in September 2015. He was also appointed an independent non-executive director of Fosun International Limited (listed on HKSE with stock code 00656) on 28 March 2017.

13. SIGNIFICANT SHAREHOLDERS' INTERESTS

As at 30 June 2017, the interests and short positions of those persons (other than the directors of the Company) in shares and underlying shares in the Company as recorded in the register that is required to be kept by the Company under Section 336 of the Securities and Futures Ordinance ("SFO") or as ascertained by the Company after reasonable enquiry were as follows:

Name	Capacity	Number of ordinary shares held	Approximate % of total issued share of the Company
Substantial shareholders			
Kerry Group Limited ("KGL") (Note 1)	Interest of controlled corporation(s)	1,790,828,045	50.02
Kerry Holdings Limited ("KHL") (Notes 1 and 2)	Beneficial owner	87,237,052	2.44
	Interest of controlled corporation(s)	1,546,890,118	43.20
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	10.69
	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.

14. DIRECTORS' INTERESTS

As at 30 June 2017, the interests and short positions of the directors of the Company 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 that is 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				Total	Approximate % of total issued shares in the relevant company	
			Personal interests	Family interests	Corporate interests	Other interests			
The Company	KUOK Hui Kwong	Ordinary	102,833 (Note 1)	1,038,000 (Note 2)	-	6,930,170 (Note 3)	8,071,003	0.225	
	LIM Beng Chee	Ordinary	50,000	-	-	-	50,000	0.001	
	LUI Man Shing	Ordinary	902,777	-	-	-	902,777	0.025	
	Madhu Rama Chandra RAO	Ordinary	74,032	-	-	-	74,032	0.002	
	HO Kian Guan	Ordinary	1,091,116	-	145,887,718	-	146,978,834 (Note 4)	4.105	
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 Ms KUOK Hui Kwong is a contingent beneficiary.
4. 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 6.79% by Mr HO Kian Guan.

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

As at 30 June 2017, there were share options held by the directors of the Company with rights to subscribe for shares in the Company. Details of such options are set out in the section entitled "SHARE OPTIONS" of this report.

15. SHARE OPTIONS

The share options having been granted by the Company and remaining outstanding during the underlying six-month period were granted under the Company's share option scheme adopted by the shareholders of the Company on 28 May 2012. Details and movements of such option shares during the underlying six-month period are as follows:

Grantees	Date of grant	1 Jan 2017	Number of option shares							Exercise price per option share (HK\$)	Exercise period		
			Transferred from other category		Transferred to other category		Exercised during the period	Lapsed during the period	Held as at 30 Jun 2017				
			Granted during the period	category	Granted during the period	category							
			Held as at during the period										
1. Directors													
KUOK Khoon Chen (Note 2)	23 Aug 2013	350,000	-	-	(350,000)	-	-	-	-	12.11	23 Aug 2013 - 22 Aug 2023		
LIU Kung Wei Christopher (Note 3)	23 Aug 2013	350,000	-	-	(350,000)	-	-	-	-	12.11	23 Aug 2013 - 22 Aug 2023		
LUI Man Shing	23 Aug 2013	350,000	-	-	-	-	-	350,000	12.11	23 Aug 2013 - 22 Aug 2023			
Madhu Rama Chandra RAO	23 Aug 2013	350,000	-	-	-	-	-	350,000	12.11	23 Aug 2013 - 22 Aug 2023			
HO Kian Guan	23 Aug 2013	100,000	-	-	-	(100,000)	-	-	-	12.11	23 Aug 2013 - 22 Aug 2023		
Alexander Reid HAMILTON	23 Aug 2013	100,000	-	-	-	-	-	100,000	12.11	23 Aug 2013 - 22 Aug 2023			
Timothy David DATTELS (Note 4)	23 Aug 2013	100,000	-	-	-	-	(100,000)	-	-	12.11	23 Aug 2013 - 22 Aug 2023		
LI Kwok Cheung Arthur	23 Aug 2013	100,000	-	-	-	-	-	100,000	12.11	23 Aug 2013 - 22 Aug 2023			
2. Employees	23 Aug 2013	11,433,000	-	-	-	(355,000)	(300,000)	10,778,000	12.11	23 Aug 2013 - 22 Aug 2023			
3. Other participants	23 Aug 2013	1,370,000	-	700,000	-	-	-	2,070,000	12.11	23 Aug 2013 - 22 Aug 2023			
Total		14,603,000	-	700,000	(700,000)	(455,000)	(400,000)	13,748,000					

Notes:

- No options were cancelled during the underlying six-month period.
- Mr KUOK Khoon Chen retired as a non-executive director of the Company on 2 June 2017 and his option has been re-categorised.
- Mr LIU Kung Wei Christopher ceased to act as an executive director of the Company on 31 March 2017 and his option has been re-categorised.
- Mr Timothy David DATTELS resigned as an independent non-executive director of the Company on 29 May 2017 and his option has been lapsed.

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

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

17. QUALIFICATION FOR INTERIM DIVIDEND

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

On behalf of the Board

KUOK Hui Kwong

Chairman

Hong Kong, 23 August 2017