SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)
website: www.ir.shangri-la.com
(Stock code: 00069)

2016 FINAL RESULTS ANNOUNCEMENT

The board of directors ("**Board**") of Shangri-La Asia Limited ("**Company**") wishes to announce the audited results of the Company and its subsidiaries ("**Group**"), and associates for the year ended 31 December 2016. These results have been audited by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and reviewed by the audit committee of the Board.

For the year ended 31 December 2016, consolidated profit attributable to equity holders of the Company before non-operating items increased by 60% to US$137.6 million. Consolidated profit attributable to equity holders of the Company after accounting for non-operating items was US$106.1 million compared to US$140.1 million last year.

	Year ended 31 December	
	2016	2015
	US$ million	*US$ million*
Consolidated profit attributable to equity holders of the Company before non-operating items	**137.6**	85.8
Non-operating items		
– Share of net fair value gains on investment properties	**48.3**	131.4
– Share of impairment losses on hotels properties and property under development (leasehold land; and property, plant and equipment)	**(76.6)**	(71.4)
– Reversal of impairment losses for a hotel property and a self-used property	**5.5**	–
– Other non-operating items	**(8.7)**	(5.7)
	(31.5)	54.3
Consolidated profit attributable to equity holders of the Company	**106.1**	140.1

The Board has recommended a final dividend of **HK8 cents** per share for 2016 (2015: HK5 cents per share) payable to the Company's shareholders whose names appear on the registers of members of the Company on Wednesday, 7 June 2017. With the interim dividend of HK5 cents per share (2015: HK5 cents per share) paid in October 2016, the total dividend for 2016 is HK13 cents per share (2015: HK10 cents per share).

Subject to shareholders' approval of the payment of the final dividend at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on Friday, 16 June 2017.

GROUP FINANCIAL HIGHLIGHTS

Consolidated Results

			Year ended 31 December	
			2016	2015
			Audited	Audited
Sales		*US$'000*	**2,055,423**	2,122,624
Profit attributable to the equity holders of the Company		*US$'000*	**106,054**	140,131
Earnings per share		*US cents*	**2.97**	3.93
	equivalent to	*HK cents*	**23**	30
Dividend per share		*HK cents*	**13**	10

Consolidated Statement of Financial Position

		As at 31 December	
		2016	2015
		Audited	Audited
Total equity	*US$'000*	**6,412,434**	6,889,685
Net assets attributable to the Company's equity holders	*US$'000*	**5,990,828**	6,392,293
Net borrowings (total of bank loans, convertible bonds and fixed rate bonds less cash and bank balances)	*US$'000*	**4,351,275**	4,083,003
Net assets per share attributable to the Company's equity holders	*US$*	**1.67**	1.79
Net assets (total equity) per share	*US$*	**1.79**	1.92
Net borrowings to total equity ratio		**67.9%**	59.3%

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	As at 31 December 2016 US$'000	2015 US$'000
LIABILITIES			
Non-current liabilities			
Bank loans		**4,486,869**	2,965,774
Fixed rate bonds	*8*	**–**	598,758
Derivative financial instruments		**919**	3,612
Amounts due to non-controlling shareholders		**29,547**	28,563
Deferred income tax liabilities		**310,144**	317,319
		4,827,479	3,914,026
Current liabilities			
Accounts payable and accruals	*9*	**885,132**	834,916
Amounts due to non-controlling shareholders		**22,769**	22,059
Current income tax liabilities		**22,504**	19,885
Bank loans		**208,894**	1,052,082
Convertible bonds	*7*	**–**	550,458
Fixed rate bonds	*8*	**599,730**	–
Derivative financial instruments		**1,497**	2,302
		1,740,526	2,481,702
Liabilities of disposal group classified as held for sale	*5*	**13,345**	–
		1,753,871	2,481,702
Total liabilities		**6,581,350**	6,395,728
Total equity and liabilities		**12,993,784**	13,285,413

AUDITED CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	**2016**	2015
		US$'000	*US$'000*
Sales	*3*	**2,055,423**	2,122,624
Cost of sales	*10*	**(879,390)**	(934,037)
Gross profit		**1,176,033**	1,188,587
Other losses – net	*11*	**(193,092)**	(21,111)
Marketing costs	*10*	**(86,508)**	(89,914)
Administrative expenses	*10*	**(204,402)**	(202,434)
Other operating expenses	*10*	**(705,444)**	(721,802)
Operating (loss)/profit		**(13,413)**	153,326
Finance costs – net	*12*	**(130,569)**	(135,351)
Share of profit of associates	*13*	**293,543**	254,358
Profit before income tax		**149,561**	272,333
Income tax expense	*14*	**(87,529)**	(102,355)
Profit for the year		**62,032**	169,978
Profit/(Loss) attributable to:			
Equity holders of the Company		**106,054**	140,131
Non-controlling interests		**(44,022)**	29,847
		62,032	169,978
Earnings per share for profit attributable to the equity holders of the Company during the year *(expressed in US cents per share)*			
– basic	*15*	**2.97**	3.93
– diluted	*15*	**2.97**	3.93
Dividends	*16*	**59,876**	46,058

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied during the year unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets, financial liabilities (including derivative financial instruments) and investment properties are stated at fair value.

Going concern

The consolidated financial statements as at 31 December 2016 have been prepared on a going-concern basis although the Group's consolidated current liabilities exceeded its consolidated current assets by US$345,729,000. The future funding requirements can be met through the committed available bank loan facilities of US$1,960,858,000 which are maturing after 31 December 2017 and the net cash inflows to be generated from operating activities. The Group is also currently negotiating with certain banks for additional long-term loan facilities for loan refinancing and to meet the scheduled project funding requirements. The Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Amendments to standards adopted by the Group

The following amendments to standards effective in 2016 which are relevant to the Group's operations have been adopted by the Group for the first time for the financial year beginning on 1 January 2016. All these new amendments adopted by the Group did not have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendment to HKAS 27	Equity Method in Separate Financial Statements
Annual improvements 2014 on HKFRS 5	Non-current assets held for sale and discontinued operations
Annual improvements 2014 on HKFRS 7	Financial instruments: Disclosures
Annual improvements 2014 on HKAS 19	Employee benefits
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

New standards not yet adopted by the Group

The following new standards and amendments to standards are relevant to the Group's operations but are not effective for the year 2016 and have not been early adopted:

Amendments to HKAS 12	Income taxes
Amendments to HKAS 7	Statement of cash flows
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases

The Group is now assessing the impact of these new standards and amendments to standards on the Group's financial statements.

3. SALES AND SEGMENT INFORMATION

The Group owns/leases and operates hotels and associated properties; and provides hotel management and related services. The Group also owns investment properties for property rentals and engages in property sales business. Most of the associates are engaged in hotel ownership, property rentals and property sales businesses and these revenues of the associates are not included in the consolidated sales revenue of the Group. Sales recognised in the consolidated financial statements during the year are as follows:

	2016	2015
	US$'000	*US$'000*
Sales		
Hotel ownership		
Room rentals	**986,371**	1,022,903
Food and beverage sales	**824,536**	861,918
Rendering of ancillary services	**107,182**	112,813
Hotel management and related service fees	**63,786**	47,618
Property rentals	**73,548**	77,372
	2,055,423	2,122,624

The Group is domiciled in Hong Kong. The sales revenue from external customers attributed to Hong Kong and other countries are US$300,103,000 (2015: US$315,477,000) and US$1,755,320,000 (2015: US$1,807,147,000), respectively.

The total of non-current assets other than available-for-sale financial assets, derivative financial instruments, deferred income tax assets and interest in associates located in Hong Kong and other countries are US$843,694,000 (2015: US$690,016,000) and US$7,090,985,000 (2015: US$7,461,693,000), respectively.

In accordance with HKFRS 8 "Operating Segments", segment information disclosed in the financial statements has been prepared in a manner consistent with the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group's sales revenue is derived from various external customers in which there is no significant sales revenue derived from a single external customer of the Group. The Group's management considers the business from both a geographic and business perspective.

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 Thailand, Australia, Myanmar and Mongolia)

iii. Hotel management services

iv. Property sales

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

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

Segment income statement

For the year ended 31 December 2016 and 2015 (US$ million)

	2016		2015	
	Sales	**Profit/(Loss) after tax**	Sales	Profit/(Loss) after tax
	(Note b)	***(Note a)***	*(Note b)*	*(Note a)*
Hotel ownership				
Hong Kong	**258.2**	**58.3**	264.0	62.7
Mainland China	**751.7**	**(12.5)**	780.5	(55.8)
Singapore	**198.1**	**23.7**	218.9	29.9
Malaysia	**115.5**	**13.9**	121.4	17.6
The Philippines	**189.7**	**5.6**	199.4	16.2
Japan	**62.6**	**0.8**	56.3	(0.7)
Thailand	**60.4**	**8.8**	67.4	12.4
Australia	**95.9**	**3.9**	92.1	(0.1)
France	**41.0**	**(16.3)**	48.3	(22.4)
United Kingdom	**47.6**	**(18.6)**	51.7	(21.7)
Mongolia	**14.3**	**(7.1)**	7.8	(6.3)
Sri Lanka	**4.4**	**(7.9)**	–	–
Other countries	**78.7**	**(6.8)**	89.8	(4.6)
	1,918.1	**45.8**	1,997.6	27.2
Property rentals				
Mainland China	**22.2**	**118.5**	27.5	121.4
Singapore	**14.3**	**9.9**	13.9	10.1
Malaysia	**6.1**	**1.5**	6.4	1.8
Other countries	**30.9**	**1.7**	29.6	5.7
	73.5	**131.6**	77.4	139.0
Hotel management services	**151.8**	**33.2**	133.8	10.7
Property sales	**–**	**54.7**	–	22.8
Other business	**–**	**(1.3)**	–	(1.5)
Total	**2,143.4**	**264.0**	2,208.8	198.2
Less: Hotel management – Inter-segment sales	**(88.0)**		(86.2)	
Total external sales	**2,055.4**		2,122.6	
Net corporate finance costs (including foreign exchange gains and losses)		**(83.2)**		(74.7)
Land cost amortisation and pre-opening expenses for projects		**(24.9)**		(23.6)
Corporate expenses		**(18.3)**		(14.1)
Profit before non-operating items		**137.6**		85.8

	2016 **Profit/(Loss) after tax** ***(Note a)***	2015 Profit/(Loss) after tax *(Note a)*
Profit before non-operating items	**137.6**	85.8
Non-operating items		
Share of net fair value gains on investment properties	**48.3**	131.4
Net realised and unrealised losses on financial assets held for trading	**(0.6)**	(4.2)
Fair value adjustments on loans from non-controlling shareholders and security deposit on leased premises	**(0.9)**	(0.9)
Share of provision for impairment losses on hotel properties and property under development	**(76.6)**	(71.4)
Reversal of impairment losses on a hotel property and a self-used property	**5.5**	–
Loss on major renovation of a hotel	**(7.2)**	–
Gain on disposal of controlling interests in a subsidiary which owns a land site for composite development	**–**	3.1
Exchange losses arising from the refinancing of Euro shareholder's loan	**–**	(3.7)
Total non-operating items	**(31.5)**	54.3
Profit attributable to equity holders of the Company	**106.1**	140.1

Notes:

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.

The Group's share of profit of associates (excluding projects under development) by operating segments included in profit before non-operating items in the Segment Income Statement is analysed as follows:

(US$ million)	**2016 Share of profit/(loss) of associates**	2015 Share of profit/(loss) of associates
Hotel ownership		
Hong Kong	**(0.5)**	(0.4)
Mainland China	**5.9**	(1.3)
Singapore	**(1.3)**	(2.4)
Malaysia	**3.8**	3.7
The Philippines	**(2.9)**	1.2
Other countries	**(0.4)**	(3.7)
	4.6	(2.9)
Property rentals		
Mainland China	**117.7**	118.7
Singapore	**4.2**	4.8
	121.9	123.5
Property sales	**56.6**	22.8
Other business	**(1.3)**	(1.4)
Total	**181.8**	142.0

The amount of depreciation and amortisation and income tax expense before share of non-controlling interests included in the results of operating segments from subsidiaries (excluding projects under development) are analysed as follows:

	2016		2015	
(US$ million)	**Depreciation and amortisation**	**Income tax expense**	Depreciation and amortisation	Income tax expense
Hotel ownership				
Hong Kong	**12.3**	**13.8**	12.9	13.9
Mainland China	**155.0**	**30.6**	166.8	27.0
Singapore	**16.5**	**6.3**	17.7	7.4
Malaysia	**14.8**	**4.5**	15.9	3.1
The Philippines	**38.2**	**7.2**	38.2	8.2
Japan	**0.2**	**–**	1.0	–
Thailand	**7.4**	**4.8**	9.3	4.6
Australia	**13.5**	**0.2**	13.4	–
France	**16.1**	**–**	23.3	–
United Kingdom	**9.6**	**–**	9.8	–
Mongolia	**11.1**	**–**	6.6	–
Sri Lanka	**5.6**	**0.6**	–	–
Other countries	**18.8**	**1.9**	19.3	0.7
	319.1	**69.9**	334.2	64.9
Property rentals				
Mainland China	**–**	**6.9**	–	6.1
Singapore	**–**	**1.2**	–	1.1
Malaysia	**–**	**0.9**	–	0.7
Other countries	**–**	**5.1**	–	4.4
	–	**14.1**	–	12.3
Hotel management services	**3.1**	**12.4**	3.4	9.8
Property sales	**–**	**1.9**	–	–
Total	**322.2**	**98.3**	337.6	87.0

Segment assets
As at 31 December 2016 and 2015 (US$ million)

	As at 31 December	
	2016	2015
Hotel ownership		
Hong Kong	**180.2**	238.3
Mainland China	**3,089.0**	3,446.2
Singapore	**492.4**	524.1
Malaysia	**277.3**	289.4
The Philippines	**415.0**	466.4
Japan	**10.2**	8.7
Thailand	**242.0**	243.6
Australia	**307.8**	315.5
France	**290.2**	315.7
United Kingdom	**134.0**	171.2
Mongolia	**209.5**	233.5
Sri Lanka	**145.6**	–
Other countries	**286.1**	298.0
	6,079.3	6,550.6
Property rentals		
Mainland China	**345.7**	392.0
Singapore	**392.7**	405.8
Malaysia	**72.9**	73.8
Other countries	**706.3**	263.1
	1,517.6	1,134.7
Hotel management services	**183.6**	183.2
Elimination	**(76.6)**	(51.2)
Total segment assets	**7,703.9**	7,817.3
Assets allocated to projects	**1,496.6**	1,712.3
Unallocated assets	**121.3**	130.3
Intangible assets	**90.4**	89.8
Assets of disposal group classified as held for sale	**16.7**	–
Total assets of the Company and its subsidiaries	**9,428.9**	9,749.7
Interest in associates	**3,564.9**	3,535.7
Total assets	**12,993.8**	13,285.4

Unallocated assets mainly comprise other assets of the Company and non-properties holding companies of the Group as well as the available-for-sale financial assets, financial assets held for trading and deferred income tax assets.

4. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2016	2015
	US$'000	*US$'000*
Trade receivables	**94,960**	90,305
Less: Provision for impairment of receivables	**(1,975)**	(2,126)
Trade receivables – net	**92,985**	88,179
Other receivables	**99,845**	110,736
Prepayments and other deposits	**112,006**	116,528
	304,836	315,443

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

(a) The fair values of the trade and other receivables are not materially different from their carrying values.

(b) A significant part of the Group's sales are by credit cards or against payment of deposits. The remaining amounts are with general credit term of 30 days. The Group has a defined credit policy. The ageing analysis of the trade receivables based on invoice date after provision for impairment is as follows:

	2016	2015
	US$'000	*US$'000*
0 – 3 months	**79,959**	78,891
4 – 6 months	**4,156**	3,940
Over 6 months	**8,870**	5,348
	92,985	88,179

5. ASSETS/(LIABILITIES) OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 16 June 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest of 100% in an investment holding company which owns the Golden Flower Hotel, Xian in Mainland China for a cash consideration of RMB56,000,000 (equivalent to US$8,073,000) subject to adjustment in accordance with the change in working capital of the investment holding company. The sale and purchase transaction was completed in February 2017 after obtaining the necessary approvals from the local government authorities and the changes of registration of the investment holding company as required by local laws. Major classes of assets and liabilities of the investment holding company to be disposed as at 31 December 2016 are as follows:

	As at 31 December 2016 *US$'000*
Assets	
Property, plant and equipment	**6,181**
Inventories	**164**
Accounts receivable, prepayments and deposits	**625**
Cash and bank balances	**9,742**
Assets of the disposal group reclassified as held for sale	**16,712**
Liabilities	
Accounts payable and accruals	**(11,064)**
Deferred income tax liabilities	**(2,281)**
Liabilities of the disposal group reclassified as held for sale	**(13,345)**

6. SHARE CAPITAL

		Amount		
	No. of shares	Ordinary shares	Share premium	Total
	('000)	*US$'000*	*US$'000*	*US$'000*
Authorised – Ordinary shares of HK$1 each				
At 31 December 2015 and 31 December 2016	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid – Ordinary shares of HK$1 each				
At 1 January 2015	3,579,994	462,191	2,729,554	3,191,745
Exercise of share options				
– allotment of shares	30	4	40	44
– transfer from share option reserve	–	–	12	12
At 31 December 2015 and 1 January 2016	3,580,024	462,195	2,729,606	3,191,801
Exercise of share options				
– allotment of shares	–	–	–	–
– transfer from share option reserve	–	–	–	–
At 31 December 2016	**3,580,024**	**462,195**	**2,729,606**	**3,191,801**

As at 31 December 2016, 10,501,055 (2015: 10,501,055) ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognised in equity in prior years.

Share options

The share option scheme approved by the shareholders of the Company on 24 May 2002 ("**2002 Option Scheme**") expired on 23 May 2012. No further option shares will be granted under the 2002 Option Scheme thereafter and the subsisting share options granted in the past years under the 2002 Option Scheme were entirely expired during the year.

The shareholders of the Company approved the adoption of a new share option scheme on 28 May 2012 ("**2012 Option Scheme**") to replace the expired 2002 Option Scheme. The options granted on 23 August 2013 under the 2012 Option Scheme are immediately exercisable on the grant date and have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No share option was exercised for the year ended 31 December 2016. Certain share options granted to option holders of the Company were exercised in 2015 and the following new shares were issued.

	Number of option shares issued			
	At HK$11.60 per option share	**At HK$14.60 per option share**	**At HK$12.11 per option share**	**Total consideration** *US$'000*
For the year ended 31 December 2016	**–**	**–**	**–**	**–**
For the year ended 31 December 2015	30,000	–	–	44

The closing price of the shares immediately before the dates on which the options were exercised for the year ended 31 December 2015 was HK$11.82.

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

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	Weighted average exercise price in HK$ per option share	**Number of outstanding option shares**	Weighted average exercise price in HK$ per option share	Number of outstanding option shares
At 1 January	**12.50**	**18,726,000**	12.33	24,478,500
Granted	**–**	**–**	–	–
Exercised	**–**	**–**	11.60	(30,000)
Lapsed	**13.87**	**(4,123,000)**	11.79	(5,722,500)
At 31 December	**12.11**	**14,603,000**	12.50	18,726,000

No new option was granted during the year ended 31 December 2016 and 2015.

Outstanding option shares at the end of the year are as follows:

		Number of outstanding option shares as at	
	Exercise price in HK$ per option share	**31 December 2016**	31 December 2015
Last exercisable date			
15 June 2016	14.60	**–**	2,918,000
22 August 2023	12.11	**14,603,000**	15,808,000
		14,603,000	18,726,000

No options have been exercised subsequent to 31 December 2016 and up to the approval date of the financial statements.

Options on 200,000 shares with exercise price of HK$12.11 per share have lapsed subsequent to 31 December 2016 and up to the approval date of the financial statements.

7. CONVERTIBLE BONDS

On 12 May 2011, a wholly owned subsidiary of the Company issued zero coupon guaranteed convertible bonds due 12 May 2016 ("**Maturity Date**"), in the aggregate principal amount of US$500 million. Each bond will, at the option of the holder, be convertible on or after 22 June 2011 up to the close of business on the business day immediately prior to 2 May 2016 into fully paid ordinary shares of the Company with a par value of HK$1.00 each at an initial conversion price of HK$29.03 per ordinary share of the Company (subject to adjustment) and the conversion price has been adjusted to HK$27.63 per ordinary share of the Company on 11 June 2015. Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at 111.84% of their principal amount on the Maturity Date.

The initial fair values of the liability component and the equity conversion component, based on net proceeds, were determined at issuance of the bonds. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves.

During the year, the entire outstanding convertible bonds with face value of US$500,000,000 were redeemed on the Maturity Date and the equity conversion component recognised in the convertible bonds reserve was released directly to retained earnings. The convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	2016	2015
	US$'000	*US$'000*
Face value of convertible bonds issued on 12 May 2011	**500,000**	500,000
Issuing expenses	**(4,400)**	(4,400)
Equity component credited to the equity	**(44,518)**	(44,518)
Liability component on initial recognition at 12 May 2011	**451,082**	451,082
Accumulated interest expense	**108,118**	99,376
Final redemption at maturity	**(559,200)**	–
Liability component at 31 December	**–**	550,458

8. FIXED RATE BONDS

On 10 April 2012, a wholly owned subsidiary of the Company issued fixed rate bonds in the aggregate principal amount of US$600,000,000 which carry a coupon rate of 4.75% per annum and have a maturity term of 5 years. The fixed rate bonds recognised in the statement of financial position is calculated as follows:

	2016	2015
	US$'000	*US$'000*
Face value of fixed rate bonds issued on 10 April 2012	**600,000**	600,000
Issuing expenses	**(4,859)**	(4,859)
Net bonds proceeds received	**595,141**	595,141
Accumulated amortisation of issuing expenses	**4,589**	3,617
Carrying amount of fixed rate bonds at 31 December	**599,730**	598,758

As at 31 December 2016, the outstanding interest payable for the fixed rate bonds included in accounts payable and accruals is US$6,333,000 (31 December 2015: US$6,333,000). The carrying amount of the bonds approximates to its fair value.

9. ACCOUNTS PAYABLE AND ACCRUALS

	2016	2015
	US$'000	*US$'000*
Trade payables	**118,741**	105,341
Construction cost payable, other payables and accrued expenses	**766,391**	714,175
Short term advance from an associate of the Company's controlling shareholder	**–**	15,400
	885,132	834,916

The short term advance from an associate of the Company's controlling shareholder is entirely repaid during the year. It is unsecured and bearing interest at a fixed rate of 5.21% per annum as at 31 December 2015.

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

	2016	2015
	US$'000	*US$'000*
0 – 3 months	**105,892**	94,116
4 – 6 months	**6,086**	7,412
Over 6 months	**6,763**	3,813
	118,741	105,341

10. EXPENSES BY NATURE

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

	2016	2015
	US$'000	*US$'000*
Depreciation of property, plant and equipment (net of amount capitalised of US$53,000 (2015: US$81,000))	**309,462**	324,779
Amortisation of leasehold land and land use rights (net of amount capitalised of US$382,000 (2015: US$431,000)	**14,724**	15,823
Amortisation of trademark; and website and system development	**1,147**	786
Employee benefit expenses excluding directors' emoluments (net of amount capitalised and amount grouped under pre-opening expenses)	**669,683**	675,690
Cost of inventories sold or consumed in operation	**263,329**	275,308
Loss on disposal of property, plant and equipment; and partial replacement of investment properties	**5,721**	2,819
Discarding of property, plant and equipment due to renovation of hotels and resorts	**9,722**	4,088
Operating lease expenses	**68,946**	69,734
Pre-opening expenses	**16,359**	4,937
Auditors' remuneration		
– audit services	**1,803**	1,776
– non-audit services	**632**	595

11. OTHER LOSSES – NET

	2016	2015
	US$'000	*US$'000*
Net fair value (losses)/gains on investment properties	**(143,945)**	36,333
Net realised and unrealised losses on financial assets held for trading – equity securities	**(570)**	(4,111)
Provision for impairment losses on hotel properties	**(70,485)**	(72,379)
Reversal of impairment loss on a hotel property	**3,794**	–
Reversal of impairment loss on a self-used property	**1,657**	–
Gain on disposal of controlling interests in a subsidiary which owns a land site for composite development	**–**	3,051
Non-operating items	**(209,549)**	(37,106)
Interest income	**15,156**	14,945
Dividend income	**1,301**	1,050
	(193,092)	(21,111)

12. FINANCE COSTS – NET

	2016	2015
	US$'000	*US$'000*
Interest expense		
– bank loans	**112,345**	112,641
– convertible bonds	**8,742**	23,153
– fixed rate bonds	**29,476**	29,476
– other loans	**3,805**	3,364
	154,368	168,634
Less: amount capitalised	**(36,976)**	(42,307)
	117,392	126,327
Net foreign exchange losses	**13,177**	9,024
	130,569	135,351

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.4% per annum (2015: 3.2%).

13. SHARE OF PROFIT OF ASSOCIATES

	2016	2015
	US$'000	*US$'000*
Share of profit before tax of associates before share of net fair value gains of investment properties and impairment loss of a hotel property	**233,024**	184,889
Share of impairment loss of a hotel property	**(6,154)**	–
Share of net fair value gains of investment properties	**160,541**	157,487
Share of profit before tax of associates	**387,411**	342,376
Share of associates' taxation before provision for deferred tax liabilities on fair value gains of investment properties	**(56,705)**	(49,093)
Share of provision for deferred tax liabilities on fair value gains of investment properties	**(37,163)**	(38,925)
Share of associates' taxation	**(93,868)**	(88,018)
Share of profit of associates	**293,543**	254,358

14. INCOME TAX EXPENSE

	2016	2015
	US$'000	*US$'000*
Current income tax		
– Hong Kong profits tax	**14,690**	14,578
– overseas taxation	**73,997**	67,619
Deferred income tax	**(1,158)**	20,158
	87,529	102,355

Share of associates' taxation for the year ended 31 December 2016 of US$93,868,000 (2015: US$88,018,000) is included in the consolidated income statement as share of profit of associates.

Hong Kong profits tax is provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profits of group companies operating in Hong Kong.

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.

15. EARNINGS PER SHARE

Basic

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

	2016	2015
Profit attributable to equity holders of the Company *(US$'000)*	**106,054**	140,131
Weighted average number of ordinary shares in issue *(thousands)*	**3,569,523**	3,569,513
Basic earnings per share *(US cents per share)*	**2.97**	3.93

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In 2015, the Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds have been wholly redeemed in 2016. Accordingly, the Company only has the potential dilutive effect of the outstanding share options for the year ended 31 December 2016. For the share options, a calculation is done to determine the number of shares that would be issued at fair value (determined as the average annual market share price of the Company's shares for the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is increased by the number of shares that would have been issued assuming the exercise of the share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense.

For the year ended 31 December 2016 and 2015, there is no dilution effect on the earnings per share.

	2016	2015
Profit attributable to equity holders of the Company *(US$'000)*	**106,054**	140,131
Weighted average number of ordinary shares in issue *(thousands)*	**3,569,523**	3,569,513
Adjustments *(thousands)*	**–**	–
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**3,569,523**	3,569,513
Diluted earnings per share *(US cents per share)*	**2.97**	3.93

16. DIVIDENDS

	2016	2015
	US$'000	*US$'000*
Interim dividend paid of HK5 cents (2015: HK5 cents) per ordinary share	**23,029**	23,029
Proposed final dividend of HK8 cents (2015: HK5 cents) per ordinary share	**36,847**	23,029
	59,876	46,058

At a meeting held on 23 March 2017, the Board proposed a final dividend of HK8 cents per ordinary share for the year ended 31 December 2016. This proposed dividend is not reflected as a dividend payable in these financial statements.

The proposed final dividend of US$36,847,000 for the year ended 31 December 2016 is calculated based on 3,580,024,056 shares in issue as at 23 March 2017, after elimination on consolidation the amount of US$108,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (Note 6).

17. FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees for these associates as at 31 December 2016 amounts to US$102,987,000 (31 December 2015: US$375,945,000).

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

(b) Contingent liabilities

As at 31 December 2016, the Group executed guarantees for securing standby documentary credit granted by banks in favour of certain building contractors relating to the execution of construction works for hotel buildings with the amount of US$7,208,000 (2015: US$16,940,000). These facilities were undrawn as at 31 December 2016.

(c) Charges over assets

As at 31 December 2016, bank loans of certain subsidiaries amounting to US$153,898,000 (2015: US$ 191,132,000) were secured by legal mortgage over the property owned by two subsidiaries with an aggregate net book value of US$338,385,000 (2015: US$403,079,000).

18. COMMITMENTS

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

	2016	2015
	US$'000	*US$'000*
Existing properties – Property, plant and equipment and investment properties		
– contracted but not provided for	**124,267**	48,814
– authorised but not contracted for	**24,325**	95,669
Development projects		
– contracted but not provided for	**416,957**	185,946
– authorised but not contracted for	**250,134**	866,718
	815,683	1,197,147

19. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

(a) On 16 June 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest of 100% in an investment holding company which owns the Golden Flower Hotel, Xian in Mainland China for a cash consideration of RMB56,000,000 (equivalent to US$8,073,000) subject to adjustment in accordance with the change in working capital of the investment holding company. The sale and purchase transaction was completed in February 2017 after obtaining the necessary approvals from the local government authorities and the changes of registration of the investment holding company as required by local laws.

(b) In February 2017, new LIBOR 5-year term interest-rate swap contracts totaling US$600,000,000 (at fixed rates ranging between 1.825% and 1.85% per annum) were executed in order to fix the base interest rates of specified US dollar bank loan folio.

(c) The Group executed a 10-year bank loan agreement of US$75,000,000 in January 2017 for project financing.

1. PERFORMANCE REVIEW

The principal activities of the Group remain the same as in 2015. The Group's business is organised into four main segments:

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

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

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

(iv) **Property sales**

The Group currently owns and/or manages hotels under five brands:

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

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

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

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

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

Sales

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

– Renminbi	(6.2%)
– Singapore dollar	(0.6%)
– Malaysian ringgit	(5.9%)

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

Profit before non-operating items

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

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

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

– Renminbi depreciation,

– major renovations to the China World Trade Center in Beijing,

– start-up costs of the Hangzhou Kerry Centre in Mainland China, Sule Square in Yangon and the Shangri-La Centre, Ulaanbaatar, all of which opened in the last quarter of the year; and

– poor occupancies at the Sule Square and the Shangri-La Centre, Ulaanbaatar.

The property sales segment profit for the year ended 31 December 2016 was US$54.7 million, an increase of US$31.9 million or 140%, compared to US$22.8 million for the year ended 31 December 2015. The Group has equity interest in certain composite developments in Mainland China and the Philippines which included the development of Shangri-La hotels together with office buildings and/or residential buildings for sales and/or rental purposes. Benefiting from a strong demand for residential apartments in Mainland China, the Group recorded a substantial increase in net profit from property sales for the year.

The Group also engaged in the following businesses:

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

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

These other businesses did not have a material impact on the Group's consolidated results for the year ended 31 December 2016.

Segment Results

Segment information details are provided in Note 3 to the consolidated financial statements included in this announcement.

(i) Hotel Ownership

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

– The 576-room Shangri-La at the Fort, Manila together with the Shangri-La Residences (with 97 apartments) at Bonifacio Global City in Metro Manila (the Group has 40% equity interest) opened for business on 1 March 2016.

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

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

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

Details of these 79 hotels:

	Group's Equity Interest	Available Rooms
(A) Hotels owned by the Group		
Hong Kong		
Kowloon Shangri-La, Hong Kong	100%	688
Island Shangri-La, Hong Kong	80%	565
Hotel Jen Hong Kong	30%	283
Mainland China		
Shangri-La Hotel, Beijing	38%	670
China World Hotel, Beijing	50%	716
China World Summit Wing, Beijing	40.32%	278

	Group's Equity Interest	Available Rooms
Traders Hotel, Beijing	50%	570
Kerry Hotel, Beijing	23.75%	485
Pudong Shangri-La, East Shanghai	100%	952
Jing An Shangri-La, West Shanghai	49%	508
Kerry Hotel Pudong, Shanghai	23.2%	574
Portman Ritz-Carlton Hotel, Shanghai	30%	610
Shangri-La Hotel, Shenzhen	72%	522
Futian Shangri-La, Shenzhen	100%	528
Golden Flower Hotel, Xian *	100%	382
Shangri-La Hotel, Xian	100%	393
Shangri-La Hotel, Hangzhou	45%	382
Shangri-La Hotel, Beihai	100%	362
Shangri-La Hotel, Changchun	100%	457
Hotel Jen Shenyang	100%	407
Shangri-La Hotel, Shenyang	25%	383
Shangri-La Hotel, Qingdao	100%	696
Shangri-La Hotel, Dalian	100%	563
Shangri-La Hotel, Wuhan	92%	442
Shangri-La Hotel, Harbin	100%	404
Shangri-La Hotel, Fuzhou	100%	414
Shangri-La Hotel, Guangzhou	80%	704
Shangri-La Hotel, Chengdu	80%	593
Shangri-La Hotel, Wenzhou	75%	409
Shangri-La Hotel, Ningbo	95%	562
Shangri-La Hotel, Guilin	100%	439
Shangri-La Hotel, Baotou	100%	360
Shangri-La Hotel, Huhhot	100%	365
Shangri-La Hotel, Manzhouli	100%	235
Shangri-La Hotel, Yangzhou	100%	369
Shangri-La Hotel, Qufu	100%	322
Shangri-La Hotel, Lhasa	100%	289
Shangri-La's Sanya Resort & Spa, Hainan	100%	496
Shangri-La Hotel, Nanjing	55%	450
Shangri-La Hotel, Qinhuangdao	100%	330
Shangri-La Hotel, Hefei	100%	401
Hylandia by Shangri-La, Diqing	100%	228
Shangri-La Hotel, Tianjin	20%	304
Shangri-La Hotel, Nanchang	20%	473
Shangri-La Hotel, Tangshan	35%	301
Midtown Shangri-La, Hangzhou	25%	417

	Group's Equity Interest	Available Rooms
Singapore		
Shangri-La Hotel, Singapore	100%	747
Shangri-La's Rasa Sentosa Resort & Spa, Singapore	100%	454
Hotel Jen Tanglin Singapore	44.6%	565
Malaysia		
Shangri-La Hotel, Kuala Lumpur	52.78%	655
Shangri-La's Rasa Sayang Resort & Spa, Penang	52.78%	303
Golden Sands Resort, Penang	52.78%	387
Hotel Jen Penang	31.67%	443
Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu	64.59%	499
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu	40%	492
The Philippines		
Makati Shangri-La, Manila	100%	696
Edsa Shangri-La, Manila	100%	630
Shangri-La's Mactan Resort & Spa, Cebu	93.95%	530
Shangri-La's Boracay Resort & Spa	100%	219
Shangri-La at the Fort, Manila	40%	576
Thailand		
Shangri-La Hotel, Bangkok	73.61%	802
Shangri-La Hotel, Chiang Mai	73.61%	277
Australia		
Shangri-La Hotel, Sydney	100%	565
Shangri-La Hotel, The Marina, Cairns	100%	255
Hotel Jen Brisbane	100%	191
France		
Shangri-La Hotel, Paris	100%	101
Maldives		
Shangri-La's Villingili Resort & Spa, Maldives	70%	132
Hotel Jen Malé, Maldives	100%	117

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

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

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

The key performance indicators of the Group-owned hotels (including hotels under lease) on an unconsolidated basis for the year ended 31 December 2016 and 2015 are as follows:

	2016 Weighted Average			2015 Weighted Average		
Country	**Occupancy** *(%)*	**Room Rate** *(US$)*	**RevPAR** *(US$)*	Occupancy *(%)*	Room Rate *(US$)*	RevPAR *(US$)*
The People's Republic of China						
Hong Kong	**77**	**300**	**232**	78	307	239
Mainland China	**63**	**122**	**77**	58	138	79
Singapore	**70**	**210**	**148**	69	221	152
Malaysia	**72**	**123**	**89**	71	123	87
The Philippines	**70**	**189**	**132**	70	201	140
Japan	**85**	**531**	**451**	87	467	406
Thailand	**62**	**148**	**93**	68	148	101
Australia	**89**	**208**	**184**	83	206	172
France	**52**	**1,136**	**596**	64	1,226	783
United Kingdom	**75**	**502**	**377**	68	588	402
Other countries	**49**	**188**	**92**	54	203	110
Weighted Average	**65**	**160**	**104**	62	175	109

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

Comments on performance by geography:

The People's Republic of China

Hong Kong

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

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

Mainland China

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

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

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

Singapore

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

Malaysia

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

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

The Group's share of net profit from the hotels and resorts in the country was adversely affected by a US$1.5 million reduction in profit contribution from Shangri-La Hotel, Kuala Lumpur and a reduction of exchange gains of US$2 million relating to shareholder loans in US dollars granted to its associates. Overall, the Group's share of net profit decreased by US$3.7 million in 2016.

The Philippines

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

Thailand

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

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

Japan

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

France

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

Australia

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

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

The United Kingdom

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

Mongolia

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

Sri Lanka

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

Other Countries

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

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

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

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

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

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

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

(ii) Hotel Management Services

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

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

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

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

(iii) Property Rentals

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

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

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

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

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

The Group's major investment properties are located principally in Shanghai and Beijing and are owned by associates. Yields of most of the investment properties have been adversely affected by the depreciation of local currencies against the US dollar.

Mainland China

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

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

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

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

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

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

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

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

Singapore

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

Malaysia

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

Other Countries

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

(iv) Property Sales

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

– *Arcadia Court, Tangshan (35% owned by the Group)*
  Phase I to III comprise fourteen residential towers. After a further 185 units were sold, a cumulative 1,410 units out of the total 1,498 units had been sold by 31 December 2016. Most of the sold units have been handed over to the buyers with the remaining 38 units to be handed over in 2017.

– *Arcadia Court, Tianjin (Phase I of Tianjin Kerry Centre) (20% owned by the Group)*
The development comprises three residential towers. After a further 221 units were sold during the year, a cumulative 1,015 units out of the total 1,126 units had been sold by 31 December 2016. Most of the sold units have been handed over to the buyers with the remaining 18 units to be handed over in 2017.

– *Arcadia Court and Enterprise Square, Shenyang (25% owned by the Group)*
: Phase I, comprising four residential towers (Arcadia Court) and the Enterprise Square (office spaces), has been completed and delivered for occupation. After a further 277 residential units and 1 office unit were sold during the year, a cumulative 758 residential units and 135 office units out of the total 972 residential units and 229 office units had been sold as at 31 December 2016. Most of the sold units have been handed over to the buyers with the remaining 159 residential units to be handed over in 2017.

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

– *Arcadia Court, Putian (40% owned by the Group)*
The development comprises twenty residential towers. At 31 December 2016, all 1,820 units had been sold of which 765 units were sold during the year. Most of the sold units have been handed over to the buyers with the remaining 90 units to be handed over in 2017.

– *Arcadia Court, Nanchang (20% owned by the Group)*
Following the completion of two new towers during the year, the development now has five residential towers. After a further 224 units were sold during the year, a cumulative 408 units out of the total 436 units had been sold as at 31 December 2016. Most of the sold units have been handed over to the buyers with the remaining 62 units to be handed over in 2017.

EBITDA and Consolidated Profits

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

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

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

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

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

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

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

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

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

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

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

2. CORPORATE DEBT AND FINANCIAL CONDITIONS

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

– one 3-year bank loan agreement of US$64.1 million;

– one 4-year bank loan agreement of US$110 million;

– two 5-year bank loan agreements totaling HK$2,100 million (approximately US$271.0 million) and

– five 5-year bank loan agreements totaling US$1,197 million.

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

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

– six 3-year bank loan agreements totaling RMB1,122 million (approximately US$161.7 million);

– one 3-year bank loan agreement of EUR75 million (approximately US$79.1 million);

– one 3-year bank loan agreement of A$160 million (approximately US$117.4 million);

– one 5-year bank loan agreement of RMB450 million (approximately US$64.9 million);

– one 5-year bank loan agreement of US$300 million and

– one 10-year bank loan agreement of RMB370 million (approximately US$53.3 million).

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

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

The Group's net borrowings (total bank loans, convertible bonds and fixed rate bonds less cash and bank balances) to total equity ratio, i.e. the gearing ratio, increased from 59.3% as at 31 December 2015 to 67.9% as at 31 December 2016.

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

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

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

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

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

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

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

Details of financial guarantees, contingencies and charges over assets as at 31 December 2016 are disclosed in Note 17 to the consolidated financial statements included in this announcement.

3. TREASURY POLICIES

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

(A) Minimising Interest Risks

The majority of the Group's borrowings are in US dollars and Hong Kong dollars and arranged at the corporate level. Anticipating the onset of an increasing interest rate cycle, the Group has closely monitored the cash flow forecasts of all its subsidiaries and arranged to transfer any surplus cash to the corporate to reduce corporate debts. The

Group's cash and bank balances at 31 December 2016 were US$139.9 million lower than the balances at 2015 year end. In Mainland China, the Group arranged entrusted loans through local banks to utilise the surplus cash of certain subsidiaries which cannot immediately repatriate their excess funds to meet the temporary funding requirements of other Group companies to minimise interest costs. The balance of entrusted loans at 31 December 2016 has been reduced by US$131.7 million and most of the funds thus released have been repatriated to the corporate.

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

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

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

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

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

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

(B) Minimising Currency Risks

It is the Group's practice, wherever and to the extent possible, to quote tariffs in the stronger currency and maintain bank balances in that currency, if legally permitted.

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

In general, the Group has not felt it appropriate to substantially hedge against currency risks through currency forward contracts upon consideration of the currency risks involved in normal operations and the cost of obtaining such cover.

4. INVESTMENT PROPERTIES VALUATIONS

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed semi-annually (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). All changes in the fair value of investment properties (including those under construction) are recorded in the income statement. For the year ended 31 December 2016, the Group recorded its share of net fair value losses (net of deferred tax credit) of US$75.1 million for the investment properties owned by the subsidiaries, while the Group's associates recorded their share of net fair value gains (net of deferred tax charges) of US$123.4 million, based on the opinion from independent professional valuers as obtained by the Group and the relevant associates which own the investment properties.

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

5. IMPAIRMENT PROVISION

The Group assesses the carrying value of a group-owned operating hotel when there is any indication that the asset may be impaired. Indicative criteria include continuing adverse changes in the local market conditions in which the hotel operates or will operate, when the hotel continues to operate at a loss position and when its financial performance is worse than expected. Professional valuations were carried out by independent firms of professional valuers during the year for those properties for which the internal assessment results needed independent confirmation. Based on the valuation reports obtained as at 30 June 2016, the Group recognised total impairment losses for two hotels in Mainland China located in Qufu (wholly owned) and Shenyang (25% equity interest owned by the Group) amounting to US$70.5 million and US$6.2 million, respectively. The impairment loss of the subsidiary was included in the consolidated income statement under "Other losses – net" to write down the carrying values of the hotel's fixed assets to the recoverable amount while the impairment loss of the associate was included in "Share of profit of associates". Based on a review at year end 2016, no further provision was required for these two properties. Based on the updated valuation reports obtained at year end 2016, the Group has partially reversed the impairment provision made in prior years for a wholly owned hotel in Cairns, Australia and a wholly owned self-used property in Paris of US$3.8 million and US$1.7 million, respectively. The credit is also included in the consolidated income statement under "Other losses – net".

The recoverable amount of each property is the higher of its fair value less costs of disposal and its value in use based on the opinion of independent firms of professional valuers using the market comparison approach and/or income approach.

6. FINANCIAL ASSETS HELD FOR TRADING – TRADING SECURITIES

At 31 December 2016, the market value of the Group's investment portfolio was US$15.0 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited and 2,241,725 ordinary shares in Kerry Logistics Network Limited. The Group recorded unrealised fair value losses of US$0.6 million and dividend income of US$1.3 million during the year.

7. DEVELOPMENT PROGRAMMES

On 10 January 2017, the wholly owned 344-room Songbei Shangri-La, Harbin in Mainland China opened for business.

Construction work on the following projects is on-going:

(A) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Long Stay Apartments	Projected Opening
Hotels in the People's Republic of China				
Hotel Jen Beijing (part of a composite development project in China World Trade Center – Phase 3B)	40.32%	450	–	2nd quarter 2017
Kerry Hotel, Hong Kong	100%	546	–	2nd quarter 2017
Shangri-La Hotel, Xiamen	100%	433	–	3rd quarter 2017
Shangri-La Hotel, Jinan (part of a composite development project in Jinan City)	45%	364	32	3rd quarter 2017
Shangri-La Hotel, Zhoushan	100%	230	–	2019
Shangri-La Hotel, Kunming (part of a composite development project in Kunming City)	45%	292	–	2019
Hotels in other countries				
Shangri-La Hotel, Colombo, Sri Lanka (part of a composite development project in Colombo)	90%	500	41	Late 2017
Lakeside Shangri-La, Yangon, Myanmar	55.86%	276	15	2021

(B) Composite Developments and Investment Properties Developments

	Group's Equity Interest	Total gross floor area upon completion (excluding hotel component) *(approximate in square meters)* Residential	Office	Commercial	Serviced Apartments	Scheduled Completion
In Mainland China						
Hangzhou Kerry Centre	25%	34,065	–	–	–	2nd quarter 2017
China World Trade Center Phase 3B	40.32%	–	51,591	68,996	–	Late 2017
Phase II of Shangri-La Hotel, Dalian	100%	18,650	–	4,600	12,150	Late 2017
Shenyang Kerry Centre (Phase I & II) [(1)]	25%	503,818	165,484	217,886	–	2017 onwards*
Jinan City Project	45%	–	34,568	5,479	–	Late 2017
Kunming City Project	45%	41,993	10,528	4,500	–	2019
In other countries						
Composite development project in Colombo, Sri Lanka [(2)]	90%	111,100	59,984	68,585	–	Late 2018
		709,626	322,155	370,046	12,150	

* Being developed in phases

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

(2) The pre-sale of residences was officially launched in 2015.

The Group is currently reviewing the development plans of the following projects in which land use rights and leasehold land were acquired in recent years:

Hotel development

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

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

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

– Rome, Italy (wholly owned by the Group)

Composite development

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

– Tianjin Kerry Centre – Phase II, Mainland China (20% equity interest owned by the Group)

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

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

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

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

8. DISPOSAL

On 16 June 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest of 100% in an investment holding company which owns the Golden Flower Hotel, Xian in Mainland China for a cash consideration of RMB56 million (approximately US$8.1 million) subject to adjustment in accordance with the change in working capital of the investment holding company. Completion of the disposal is subject to certain conditions including obtaining the necessary approvals from the local government authorities and completion of the change of registration as required by local laws. Given the hotel's historical financial performance and its prospects, the Group assessed that the consideration is fair and such disposal would be beneficial to the Group.

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

9. MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

During the year ended 31 December 2016, the Group signed the following hotel management agreements with third parties:

- In January 2016, the Group signed an agreement for the management of a 328-room Shangri-La hotel at Jinji Lake Suzhou in Mainland China. The hotel will open for business in the first half of 2018. The hotel will form part of the upscale Xiexin Plaza complex that comprises luxury living and a grade A office tower in the Suzhou Industrial Park.

- In March 2016, the Group signed an agreement for the management of a 200-room Hotel Jen Kuala Lumpur in Malaysia scheduled to open in 2019. This agreement was terminated in October 2016 following the owner's decision to drop the development project.

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

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

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

10. PROSPECTS

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

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

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

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

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

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

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

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

12. CORPORATE GOVERNANCE

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

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

The Company has met the CG Principles and the CG Model Code for the year ended 31 December 2016 except for the deviation(s) summarised below:

CG Model Code		Deviation(s) and reason
A.2.1	The roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.	During the year ended 31 December 2016, Mr KUOK Khoon Chen served as both the chairman and the chief executive officer of the Company. The Company believes that the non-separation of the two roles was not significant given that the Company's managing director and/or chief operating officer was responsible for the day-to-day operations of the Group, reporting directly to Mr KUOK Khoon Chen. Subsequent to the year ended 31 December 2016 and with effect from 1 January 2017, the roles of the chairman and the chief executive officer of the Company have been separate and performed by Ms KUOK Hui Kwong and Mr LIM Beng Chee, respectively.

13. QUALIFICATION FOR PROPOSED FINAL DIVIDEND

The proposed final dividend of HK8 cents per share in the Company for 2016 (subject to shareholders' approval at the forthcoming annual general meeting of the Company) will be payable on 16 June 2017 to shareholders whose names appear on the registers of members of the Company on 7 June 2017.

To qualify for the proposed final 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 7 June 2017.

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

Hong Kong, 23 March 2017

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

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

Non-executive directors
Mr KUOK Khoon Chen
Mr HO Kian Guan
Mr HO Chung Tao (alternate to Mr HO Kian Guan)

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