SHANGRI-LA GROUP

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

2021 INTERIM RESULTS ANNOUNCEMENT

The board of directors ("**Board**") of Shangri-La Asia Limited ("**Company**") wishes to announce the unaudited interim results of the Company and its subsidiaries ("**Group**"), and associates for the six months ended 30 June 2021. These results have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the audit & risk committee of the Board. The review report of the auditor will be included in the interim report sent to the shareholders of the Company.

For the six months ended 30 June 2021, consolidated financial results attributable to owners of the Company before non-operating items recorded a loss of USD118.1 million, an improvement of USD137.3 million, compared to a loss of USD255.4 million for the same period last year. Consolidated financial results attributable to owners of the Company after accounting for non-operating items recorded a loss of USD59.8 million, an improvement of USD222.8 million, compared to a loss of USD282.6 million for the same period last year.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).

The following table summarises the highlights of our financial results:

	Six months ended 30 June		
	2021	2020	
	USD Million	*USD Million*	% change
Revenue	**545.8**	453.5	20.4%
EBITDA*(Note 1)* of the Company and its subsidiaries	**49.8**	(74.8)	N/M
Effective share of EBITDA*(Note 2)* of the Company, subsidiaries and associates	**199.6**	27.8	618.0%
(Loss)/Profit attributable to owners of the Company			
– Operating items	**(118.1)**	(255.4)	53.8%
– Non-operating items	**58.3**	(27.2)	N/M
Total	**(59.8)**	(282.6)	78.8%
Loss per share (US cents per share)	**(1.673)**	(7.915)	78.9%

	As at		
	30 June 2021	31 December 2020	
	USD Million	*USD Million*	% change
Net assets attributable to owners of the Company	**6,025.3**	6,061.6	–0.6%
Net assets per share attributable to owners of the Company (USD)	**1.69**	1.69	0.0%

(N/M: Not meaningful)

Notes:

1. EBITDA, which is a non-HKFRS financial measure used to measure the Group's operating profitability, is defined as the earnings before finance costs, tax, depreciation and amortisation, gains/losses on disposal of fixed assets and non-operating items such as gains/losses on disposal of interest in investee companies; fair value gains/losses on investment properties and financial assets; and impairment losses on fixed assets.

2. Effective share of EBITDA is the aggregate total of the Company's EBITDA and the Group's share of EBITDA of subsidiaries and associates based on percentage of equity interests.

- Consolidated revenue was USD545.8 million for the six months ended 30 June 2021, an increase of 20.4%, compared to USD453.5 million for the six months ended 30 June 2020.

- EBITDA of the Company and its subsidiaries was a profit of USD49.8 million for the six months ended 30 June 2021, an improvement of USD124.6 million, compared to a loss of USD74.8 million for the six months ended 30 June 2020.

- Effective share of EBITDA of the Company, subsidiaries and associates was USD199.6 million for the six months ended 30 June 2021, an increase of 618.0% (or USD171.8 million), compared to USD27.8 million for the six months ended 30 June 2020.

- Consolidated financial results attributable to owners of the Company was a loss of USD59.8 million for the six months ended 30 June 2021, an improvement of USD222.8 million, compared to a loss of USD282.6 million for the six months ended 30 June 2020.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in US dollar thousands)

	Note	**As at 30 June 2021 Unaudited**	As at 31 December 2020 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**4,843,168**	5,093,983
Investment properties		**1,729,447**	1,748,296
Right-of-use assets		**1,254,017**	1,279,746
Intangible assets		**112,513**	115,400
Interest in associates		**4,269,921**	4,207,367
Deferred income tax assets		**58,838**	51,911
Financial assets at fair value through other comprehensive income		**8,457**	4,498
Financial assets at fair value through profit or loss		**10,411**	9,948
Derivative financial instruments		**236**	–
Other receivables		**15,335**	16,428
		12,302,343	12,527,577
Current assets			
Inventories		**29,497**	30,590
Properties for sale		**79,975**	86,529
Accounts receivable, prepayments and deposits	4	**218,973**	231,837
Amounts due from associates		**165,899**	124,501
Derivative financial instruments		**69**	–
Financial assets at fair value through profit or loss		**21,607**	16,273
Short-term deposits with original maturities over 3 months		**52,504**	66,394
Cash and cash equivalents		**690,884**	924,457
		1,259,408	1,480,581
Assets of disposal group classified as held for sale	5	**77,569**	–
		1,336,977	1,480,581
Total assets		**13,639,320**	14,008,158
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital and premium	6	**3,201,995**	3,201,995
Shares held for share award scheme	6	**(3,087)**	(4,265)
Other reserves		**1,006,063**	985,882
Retained earnings		**1,820,296**	1,877,977
		6,025,267	6,061,589
Non-controlling interests		**205,535**	253,158
Total equity		**6,230,802**	6,314,747

		As at	
		30 June	31 December
		2021	2020
	Note	**Unaudited**	Audited
LIABILITIES			
Non-current liabilities			
Bank loans		**3,487,453**	4,030,440
Fixed rate bonds		**1,128,112**	1,072,033
Derivative financial instruments		**47,705**	71,579
Amounts due to non-controlling shareholders		**46,550**	46,550
Long term lease liabilities		**589,639**	601,639
Deferred income tax liabilities		**312,163**	329,923
		5,611,622	6,152,164
Current liabilities			
Accounts payable and accruals	8	**537,971**	601,477
Contract liabilities		**171,022**	170,867
Short term lease liabilities		**58,118**	65,891
Amounts due to non-controlling shareholders		**49,218**	45,366
Current income tax liabilities		**5,047**	5,881
Bank loans		**945,607**	616,439
Derivative financial instruments		**29,789**	35,326
		1,796,772	1,541,247
Liabilities of disposal group classified as held for sale	5	**124**	–
		1,796,896	1,541,247
Total liabilities		**7,408,518**	7,693,411
Total equity and liabilities		**13,639,320**	14,008,158

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
(All amounts in US dollar thousands unless otherwise stated)

		Six months ended 30 June	
		2021	2020
	Note	**Unaudited**	Unaudited
Revenue	3	**545,806**	453,536
Cost of sales	9	**(315,708)**	(295,390)
Gross profit		**230,098**	158,146
Other gains/(losses) – net	10	**18,378**	(791)
Marketing costs	9	**(26,985)**	(30,295)
Administrative expenses	9	**(85,438)**	(112,799)
Other operating expenses	9	**(265,873)**	(268,796)
Operating loss		**(129,820)**	(254,535)
Finance costs – net			
– Interest expense	11	**(103,540)**	(107,462)
– Foreign exchange (losses)/gains	11	**(5,989)**	2,144
Share of profit of associates	12	**133,611**	32,499
Loss before income tax		**(105,738)**	(327,354)
Income tax credit	13	**7,151**	15,133
Loss for the period		**(98,587)**	(312,221)
Loss attributable to:			
Owners of the Company		**(59,773)**	(282,627)
Non-controlling interests		**(38,814)**	(29,594)
		(98,587)	(312,221)
Loss per share for loss attributable to owners of the Company during the period *(expressed in US cents per share)*			
– basic	14	**(1.673)**	(7.915)
– diluted	14	**(1.673)**	(7.915)

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

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Loss for the period	**(98,587)**	(312,221)
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss		
Fair value changes of financial assets at fair value through other comprehensive income	**5,856**	–
Revaluation of a property held by a subsidiary upon reclassification from property, plant and equipment and right-of-use assets to investment properties	–	246
Items that may be reclassified subsequently to profit or loss		
Fair value changes of interest-rate swap and cross-currency swap contracts – hedging	**24,461**	(95,393)
Currency translation differences – subsidiaries	**(39,631)**	(112,537)
Currency translation differences – associates	**24,508**	(58,712)
Other comprehensive income/(loss) for the period	**15,194**	(266,396)
Total comprehensive loss for the period	**(83,393)**	(578,617)
Total comprehensive loss attributable to:		
Owners of the Company	**(38,984)**	(529,689)
Non-controlling interests	**(44,409)**	(48,928)
	(83,393)	(578,617)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands)

	Unaudited						
	Attributable to owners of the Company						
	Share capital and premium	Shares held for share award scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	3,201,995	(5,985)	653,684	2,339,885	6,189,579	314,454	6,504,033
Fair value changes of interest-rate swap and cross-currency swap contracts – hedging	–	–	(90,000)	–	(90,000)	(5,393)	(95,393)
Currency translation differences	–	–	(157,308)	–	(157,308)	(13,941)	(171,249)
Revaluation of a property held by a subsidiary upon reclassification from property, plant and equipment and right-of-use assets to investment properties	–	–	246	–	246	–	246
Other comprehensive loss recognised directly in equity	–	–	(247,062)	–	(247,062)	(19,334)	(266,396)
Loss for the period	–	–	–	(282,627)	(282,627)	(29,594)	(312,221)
Total comprehensive loss for the six months ended 30 June 2020	–	–	(247,062)	(282,627)	(529,689)	(48,928)	(578,617)
Share-based compensation under share award scheme	–	–	770	–	770	–	770
Vesting of shares under share award scheme	–	968	(955)	(13)	–	–	–
Dividend paid and payable to non-controlling shareholders	–	–	–	–	–	(8,214)	(8,214)
	–	968	(185)	(13)	770	(8,214)	(7,444)
Balance at 30 June 2020	**3,201,995**	**(5,017)**	**406,437**	**2,057,245**	**5,660,660**	**257,312**	**5,917,972**

	Unaudited						
	Attributable to owners of the Company						
	Share capital and premium	Shares held for share award scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	3,201,995	(4,265)	985,882	1,877,977	6,061,589	253,158	6,314,747
Fair value changes of interest-rate swap and cross-currency swap contracts – hedging	–	–	22,061	–	22,061	2,400	24,461
Currency translation differences	–	–	(5,583)	–	(5,583)	(9,540)	(15,123)
Fair value changes of financial assets at fair value through other comprehensive income	–	–	4,311	–	4,311	1,545	5,856
Other comprehensive income/(loss) recognised directly in equity	–	–	20,789	–	20,789	(5,595)	15,194
Loss for the period	–	–	–	(59,773)	(59,773)	(38,814)	(98,587)
Total comprehensive income/(loss) for the six months ended 30 June 2021	–	–	20,789	(59,773)	(38,984)	(44,409)	(83,393)
Share-based compensation under share award scheme	–	–	480	–	480	–	480
Vesting of shares under share award scheme	–	1,178	(1,088)	(90)	–	–	–
Adjustment on the difference between the consideration and the portion of the non-controlling interests arising from acquisition of partial equity interest in a subsidiary from a non-controlling shareholder	–	–	–	2,182	2,182	–	2,182
Dividend paid and payable to non-controlling shareholders	–	–	–	–	–	(3,214)	(3,214)
	–	1,178	(608)	2,092	2,662	(3,214)	(552)
Balance at 30 June 2021	**3,201,995**	**(3,087)**	**1,006,063**	**1,820,296**	**6,025,267**	**205,535**	**6,230,802**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

1. General information

The principal activities of the Group are the development, ownership and operation of hotel properties, the provision of hotel management and related services, the development, ownership and operations of investment properties and property development for sale.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5/F, 31 Victoria Street, Hamilton HM10, Bermuda.

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

These condensed consolidated interim financial statements were approved by the Board for issue on 27 August 2021. These condensed consolidated interim financial statements have been reviewed by the Company's auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The financial statements have been prepared on a going-concern basis although the Group's consolidated current liabilities exceeded its consolidated current assets by USD459,919,000 and the Group was running at a cash loss from its operation due to the impact of COVID-19 pandemic during the current reporting period. The future funding requirements can be met through the committed and available bank loan facilities of USD1,564,086,000 which are maturing after 30 June 2022 (of which USD680,000,000 is reserved to be drawn down to replace the existing facility from the same bank). The Group has adequate resources to continue its operation for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020, except for the adoption of the following amendments to accounting standards which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2021.

Amendment to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except for the amendment to HKFRS 16 mentioned below, the adoption of other amendments to accounting standards has no material impact on the Group's financial statements.

Amendment to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021 ("2021 amendment")

The Group previously applied the practical expedient in HKFRS 16 such that a lessee was able to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were variable lease payments and were not lease modifications. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from the original 30 June 2021 to 30 June 2022.

Following the adoption of the original practical expedient in HKFRS 16 in 2020, the Group has elected to adopt the 2021 amendment and continues to apply the practical expedient to all qualifying COVID-19 related rent concessions granted to the Group during the current reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in "Other gains/(losses) – net" in the condensed consolidated interim statement of profit or loss during the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2021.

3. Revenue 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. Revenue recognised in the condensed consolidated interim financial statements during the period are as follows:

	Six months ended 30 June	
	2021	2020
Revenue		
Hotel properties		
Revenue from rooms	**196,312**	169,243
Food and beverage sales	**223,111**	162,301
Rendering of ancillary services	**43,014**	36,075
Hotel management and related services	**28,698**	28,719
Property development for sale	**6,379**	10,981
Other business	**2,681**	1,760
Revenue from contracts with customers	**500,195**	409,079
Investment properties	**45,611**	44,457
Total consolidated revenue	**545,806**	453,536

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

i. ***Hotel properties*** *– development, ownership and operations of hotel properties (including hotels under leases)*

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

ii. ***Hotel management and related services*** *for Group-owned hotels and for hotels owned by third parties*

iii. ***Investment properties*** *– development, ownership and operations of office properties, commercial properties and serviced apartments/residences*

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

iv. ***Property development for sale*** *– development and sale of real estate properties*

The Group is also engaged in other business including wines trading, amusement park and restaurant operation outside hotel. 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 profit or loss
For the six months ended 30 June 2021 and 2020 *(USD million)*

	2021		2020	
	Revenue *(Note b)*	**Profit/(Loss) after tax *(Note a)***	Revenue *(Note b)*	Profit/(Loss) after tax *(Note a)*
Hotel properties				
The People's Republic of China				
Hong Kong	**53.3**	**(24.9)**	41.5	(33.6)
Mainland China	**291.8**	**(33.2)**	138.4	(108.1)
Singapore	**43.4**	**(8.1)**	46.0	(6.8)
Malaysia	**7.8**	**(8.2)**	20.0	(5.3)
The Philippines	**9.9**	**(12.6)**	39.3	(9.2)
Japan	**9.3**	**(5.2)**	11.4	(7.3)
Thailand	**4.1**	**(4.2)**	14.2	(1.4)
France	**1.8**	**(7.9)**	6.6	(10.7)
Australia	**24.2**	**(5.5)**	17.1	(6.2)
United Kingdom	**7.6**	**(0.6)**	8.7	(13.3)
Mongolia	**2.0**	**(3.3)**	1.7	(3.6)
Sri Lanka	**4.5**	**(13.1)**	7.8	(10.0)
Other countries	**2.7**	**(11.0)**	14.9	(11.3)
	462.4	**(137.8)**	367.6	(226.8)
Hotel management and related services	**60.5**	**(9.7)**	55.9	(52.2)
Sub-total hotel operation	**522.9**	**(147.5)**	423.5	(279.0)
Investment properties				
Mainland China	**11.9**	**81.5**	10.2	75.9
Singapore	**4.5**	**3.3**	4.9	3.5
Malaysia	**2.6**	**0.7**	2.6	0.7
Mongolia	**10.6**	**1.4**	11.5	1.7
Sri Lanka	**5.5**	**(11.5)**	3.2	(8.3)
Other countries	**10.5**	**2.5**	12.1	2.8
	45.6	**77.9**	44.5	76.3
Property development for sale	**6.4**	**8.3**	11.0	5.5
Other business	**2.7**	**(0.6)**	1.7	(1.0)
Total	**577.6**	**(61.9)**	480.7	(198.2)
Less: Hotel management – Inter-segment revenue	**(31.8)**		(27.2)	
Total external revenue	**545.8**		453.5	
Corporate finance costs (net)		**(58.8)**		(59.7)
Land cost amortisation and pre-opening expenses for projects		**(3.2)**		(2.8)
Corporate expenses		**(5.3)**		(6.7)
Exchange gains of corporate investment holding companies		**11.1**		12.0
Loss before non-operating items		**(118.1)**		(255.4)

	2021	2020
	Profit/(Loss) after tax *(Note a)*	Profit/(Loss) after tax *(Note a)*
Loss before non-operating items	**(118.1)**	(255.4)
Non-operating items		
Share of net fair value gains/(losses) on investment properties	**60.4**	(27.9)
Provision for impairment losses on hotel properties	**(13.2)**	–
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	**5.8**	(3.7)
Impairment loss on a loan to a third party	**–**	(1.1)
Fair value gains on cross-currency swap contracts - Non hedging	**5.3**	2.1
Insurance claim recovered from a bombing incident	**–**	3.6
Associated expenses spent due to a bombing incident	**–**	(0.2)
Total non-operating items	**58.3**	(27.2)
Consolidated loss attributable to owners of the Company	**(59.8)**	(282.6)

Notes:

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

b. Revenue excludes revenue of associates.

4. Accounts receivable, prepayments and deposits

	As at	
	30 June 2021	31 December 2020
Trade receivables – net *(Note (b))*	**45,769**	45,701
Other receivables	**76,792**	96,983
Prepayments and other deposits	**96,412**	89,153
	218,973	231,837

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

(a) The fair values of the trade and other receivables are not materially different from their carrying values. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

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

	As at	
	30 June 2021	31 December 2020
0 – 3 months	**37,034**	38,179
4 – 6 months	**5,581**	3,428
Over 6 months	**3,154**	4,094
	45,769	45,701

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

On 1 April 2021, the Group entered into sale and purchase agreement with an independent third party to dispose of its 80% equity interest in a project company which owns a parcel of land in Kyoto, Japan for the development of a luxury hotel at a cash consideration of approximately JPY7,623,748,000 (equivalent to USD68,614,000), subject to adjustment. The completion of the sale and purchase agreement is conditional upon the fulfilment of certain conditions precedent and is expected to take place by the end of 2021. The Group's equity interest in the project will be reduced from 100% to 20% after the completion of the transaction. Major classes of assets and liabilities of the project company to be disposed as at 30 June 2021 are as follows:

	As at 30 June 2021
Assets	
Property, plant and equipment	76,229
Accounts receivable, prepayments and deposits	67
Cash and cash equivalents	1,273
Assets of disposal group classified as held for sale	77,569
Liabilities	
Accounts payable and accruals	(113)
Deferred income tax liabilities	(11)
Liabilities of disposal group classified as held for sale	(124)

6. Share capital and premium and shares held for share award scheme

	Number of shares ('000)	Amount: Ordinary shares	Amount: Share premium	Amount: Total
Share capital and premium				
Authorised				
– Ordinary shares of HKD1 each				
At 1 January 2020, 31 December 2020 and 30 June 2021	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid				
– Ordinary shares of HKD1 each				
At 1 January 2020, 31 December 2020 and 30 June 2021	**3,585,525**	**462,904**	**2,739,091**	**3,201,995**
Shares held for share award scheme				
At 1 January 2020	(4,557)	(588)	(5,397)	(5,985)
Vesting of shares under share award scheme	644	83	885	968
At 30 June 2020	(3,913)	(505)	(4,512)	(5,017)
Vesting of shares under share award scheme	500	65	687	752
At 31 December 2020 and 1 January 2021	(3,413)	(440)	(3,825)	(4,265)
Vesting of shares under share award scheme	784	101	1,077	1,178
At 30 June 2021	**(2,629)**	**(339)**	**(2,748)**	**(3,087)**

As at 30 June 2021, except for shares held for share award scheme as shown above, 10,501,055 (31 December 2020: 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 awards

During the six months ended 30 June 2021, no shares in the Company were purchased under the share award scheme and 784,000 shares under such scheme were transferred to the awardees upon vesting of the awarded shares. The remaining 2,629,000 shares under the share award scheme were held in trust as at 30 June 2021. Details of the share award scheme were disclosed in Note 7 to the condensed consolidated interim financial statements.

Share options

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

Details of the Share Option Scheme are set out under the section headed "Share Option Scheme" of the Company's 2020 annual report.

No share option was exercised during the six months ended 30 June 2021 (year ended 31 December 2020: Nil).

Movements of the number of outstanding option shares with exercise price of HKD12.11 per option share and their related weighted average exercise prices are as follows:

	For the six months ended 30 June 2021		For the year ended 31 December 2020	
	Weighted average exercise price in HKD per option share	**Number of outstanding option shares**	Weighted average exercise price in HKD per option share	Number of outstanding option shares
At 1 January	**12.11**	**6,928,000**	12.11	7,563,000
Exercised	**–**	**–**	–	–
Lapsed	**12.11**	**(250,000)**	12.11	(635,000)
At 30 June/31 December	**12.11**	**6,678,000**	12.11	6,928,000

No new option was granted during the six months ended 30 June 2021 and 2020.

No share option was exercised and lapsed subsequent to 30 June 2021 and up to the approval date of the financial statements.

7. Share Award Scheme

The Group operates the share award scheme as part of the benefits for its employees and the Company's directors which allows shares of the Company to be granted to the awardees. The awarded shares can either be purchased on the open market or newly issued by the Company.

Most of the awarded shares vest progressively over the vesting period after the awards are granted and the ultimate number of shares being vested is conditional on the satisfaction of performance conditions set by the management of the Group.

During the six months ended 30 June 2021, a total of 6,038,000 shares and 784,000 shares were granted and vested to the qualified awardees, respectively. During the period, an expense of USD480,000 (2020: USD770,000) for the award shares granted was charged to the condensed consolidated statement of profit or loss. Details of the awarded shares granted and vested during 2021 and 2020 are as follows:

Grant date	Fair value per share	Number of awarded shares granted	Maximum deliverable awarded shares on grant date subject to adjustment	Number of awarded shares vested: Before 2020	For the year ended 31 Dec 2020	For the six months ended 30 Jun 2021	Vesting period
In year 2018							
11 Apr 2018	HKD15.82	1,418,000	1,418,000	1,418,000	–	–	Nil
20 Jul 2018	HKD13.00	707,678	1,228,000	174,000	52,000	52,000	20 Jul 2018 to 1 Apr 2021
30 Aug 2018	HKD11.78	975,893	1,736,000	196,000	196,000	200,000	30 Aug 2018 to 1 Apr 2021
Total for 2018		3,101,571	4,382,000				
In year 2019							
1 Apr 2019	HKD11.56	1,477,169	2,338,000	285,000	364,000	274,000	1 Apr 2019 to 1 Apr 2022
15 Jun 2019	HKD9.45	1,547,200	2,754,000	–	56,000	56,000	15 Jun 2019 to 1 Apr 2022
30 Jun 2019	HKD9.85	751,515	1,292,000	60,000	24,000	24,000	30 Jun 2019 to 1 Apr 2022
1 Nov 2019	HKD8.41	494,000	494,000	–	238,000	126,000	1 Nov 2019 to 1 Apr 2022
Total for 2019		4,269,884	6,878,000				
In year 2020							
30 Sep 2020	HKD6.34	214,000	214,000		214,000	–	Nil
Total for 2020		214,000	214,000				
In year 2021							
1 Apr 2021	HKD7.86	52,000	52,000			52,000	Nil
7 Jun 2021	HKD7.27	5,986,000	5,986,000			–	7 Jun 2021 to 7 Jun 2024
Total for 2021		6,038,000	6,038,000				
Grand Total		13,623,455	17,512,000	2,133,000	1,144,000	784,000	

Further details of the share award scheme are set out under the section headed "Share Award Scheme" of the Company's 2020 annual report.

8. Accounts payable and accruals

	As at 30 June 2021	As at 31 December 2020
Trade payables	**62,862**	81,753
Other payables and accrued expenses	**475,109**	519,724
	537,971	601,477

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

	As at 30 June 2021	As at 31 December 2020
0 – 3 months	**52,723**	68,512
4 – 6 months	**7,245**	6,644
Over 6 months	**2,894**	6,597
	62,862	81,753

9. Expenses by nature

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

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Depreciation of property, plant and equipment (net of amount capitalised of USD2,000 (2020: USD7,000))	**134,242**	131,119
Amortisation of trademark; and website and system development	**3,395**	2,240
Amortisation of right-of-use assets	**28,005**	26,609
Employee benefit expenses excluding directors' emoluments	**273,872**	295,794
Cost of sales of properties	**2,588**	5,567
Cost of inventories sold and consumed in operation	**84,804**	62,474
(Gain)/Loss on disposal of property, plant and equipment and partial replacement of investment properties	**(28)**	318
Impairment of intangible assets	**–**	1,256
Pre-opening expenses	**94**	90

10. Other gains/(losses) – net

	For the six months ended 30 June 2021	30 June 2020
Net unrealised gains/(losses) on financial assets at fair value through profit or loss – equity securities	**5,334**	(3,714)
Fair value gains/(losses) on financial assets at fair value through profit or loss – club debentures	**451**	(38)
Fair value change of cross-currency swap contracts	**5,255**	2,087
Net fair value losses of investment properties	**(8,063)**	(28,531)
Provision for impairment losses on the property, plant and equipment	**(22,331)**	–
Government grants due to COVID-19 pandemic	**15,853**	16,487
Rent concessions received from lessors	**15,537**	1,601
Interest income	**5,380**	7,658
Dividend income	**962**	602
Impairment loss on a loan to a third party	**–**	(1,050)
Insurance claim recovered from a bombing incident	**–**	4,009
Associated expenses spent due to a bombing incident	**–**	(211)
Others	**–**	309
	18,378	(791)

11. Finance costs - net

	For the six months ended 30 June 2021	30 June 2020
Interest expense		
– bank loans	**44,570**	63,558
– interest-rate swap contracts – hedging	**18,975**	6,235
– fixed rate bonds	**23,798**	21,229
– other loans	**2,285**	2,623
– interest on lease liability	**14,886**	15,337
	104,514	108,982
Less: Amount capitalised	**(974)**	(1,520)
	103,540	107,462
Net foreign exchange losses/(gains)	**5,989**	(2,144)
	109,529	105,318

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.10% per annum for the period (2020: 3.38% per annum).

12. Share of profit of associates

	For the six months ended	
	30 June 2021	30 June 2020
Share of profit before tax of associates before share of net fair value changes of investment properties	**114,838**	66,099
Share of net fair value gains/(losses) of investment properties	**77,871**	(13,689)
Share of profit before tax of associates	**192,709**	52,410
Share of associates' taxation before provision for deferred tax liabilities on net fair value changes of investment properties	**(39,630)**	(22,935)
Share of provision for deferred tax liabilities on net fair value changes of investment properties	**(19,468)**	3,024
Share of associates' taxation	**(59,098)**	(19,911)
Share of profit of associates	**133,611**	32,499

13. Income tax (credit)/expense

Income tax (credit)/expense is accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong includes withholding tax paid and payable on dividends and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

	For the six months ended	
	30 June 2021	30 June 2020
Current income tax		
– Hong Kong profits tax	**–**	–
– overseas taxation	**18,985**	7,896
Deferred income tax	**(26,136)**	(23,029)
	(7,151)	(15,133)

14. Loss per share

Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period after adjustment of those issued ordinary shares of the Company held by a subsidiary and the share award scheme.

	For the six months ended	
	30 June 2021	30 June 2020
Loss attributable to owners of the Company *(USD'000)*	**(59,773)**	(282,627)
Weighted average number of ordinary shares in issue *(thousands)*	**3,572,013**	3,570,789
Basic loss per share *(US cents per share)*	**(1.673)**	(7.915)

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has the potential dilutive effect on the outstanding share options and non-vested awarded shares under the share aware scheme for the six months ended 30 June 2021 and 2020. 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 period) 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 and vesting of awarded shares.

As the Group incurred losses for the six months ended 30 June 2021, the potential dilutive ordinary shares were not included in the calculation of the dilutive loss per share as their inclusion would be anti-dilutive and the diluted loss per share is the same as the basic loss per share.

	For the six months ended	
	30 June 2021	30 June 2020
Loss attributable to owners of the Company *(USD'000)*	**(59,773)**	(282,627)
Weighted average number of ordinary shares in issue *(thousands)*	**3,572,013**	3,570,789
Adjustments *(thousands)*	**–**	–
Weighted average number of ordinary shares for diluted loss per share *(thousands)*	**3,572,013**	3,570,789
Diluted loss per share *(US cents per share)*	**(1.673)**	(7.915)

15. Dividends

	For the six months ended	
	30 June 2021	30 June 2020
No interim dividend has been proposed (2020: Nil)	**–**	–

Notes:

(a) At a meeting held on 26 March 2021, the Board recommends no final dividend payment for the year ended 31 December 2020.

(b) At a meeting held on 27 August 2021, the Board recommends no interim dividend payment for the year ending 31 December 2021.

16. Financial guarantees, contingencies and charges over assets

(a) Financial guarantees

The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees for these associates as at 30 June 2021 amounted to USD196,241,000 (31 December 2020: USD91,615,000).

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

(b) Contingent liabilities

As at 30 June 2021 and 31 December 2020, there were no material contingent liabilities.

(c) Charges over assets

As at 30 June 2021, bank loan of a subsidiary amounted to USD7,452,000 (31 December 2020: USD11,585,000) was secured by legal mortgage over the property owned by the subsidiary with a net book value of USD105,702,000 (31 December 2020: USD108,241,000).

17. Commitments

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

	As at	
	30 June 2021	31 December 2020
Existing properties – property, plant and equipment and investment properties		
– contracted but not provided for	**49,732**	40,084
– authorised but not contracted for	**52,336**	74,924
Development projects		
– contracted but not provided for	**140,175**	148,092
– authorised but not contracted for	**277,807**	290,658
	520,050	553,758

DISCUSSION AND ANALYSIS

The principal activities of the Group remained the same as in 2020. The Group's business is organised into four main segments:

- **Hotel Properties** – development, ownership and operations of hotel properties (including hotels under leases)
- **Hotel Management and Related Services** for Group-owned hotels and for hotels owned by third parties
- **Investment Properties** – development, ownership and operations of office properties, commercial properties and serviced apartments/residences for rental purposes
- **Property Development for Sale** – development and sale of real estate properties

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

- **Shangri-La Hotels and Resorts**
- **Kerry Hotels**
- **JEN by Shangri-La**
- **Traders**

The following table summarises the hotels and rooms of the Group as at 30 June 2021:

	Owned/Leased		Managed		Total Operating Hotels		Hotels Under Development	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Owned/ Leased Hotels	Hotels under Management Contracts
		in '000		*in '000*		*in '000*		
SHANGRI-LA	73	30.7	15	4.7	88	35.4	3	7
KERRY HOTELS	3	1.6	–	–	3	1.6	–	–
JEN BY SHANGRI-LA	7	2.8	2	0.6	9	3.4	1	2
TRADERS HOTELS	–	–	2	0.8	2	0.8	1	–
Total	**83**	**35.1**	**19**	**6.1**	**102**	**41.2**	**5**	**9**

The following table summarises the total Gross Floor Area ("**GFA**") of the operating investment properties for rental owned by subsidiaries and associates:

		Total GFA of the operating investment properties as at 30 June 2021		
(in thousand square metres)	**Group's equity interest**	**Office spaces**	**Commercial spaces**	**Serviced apartments/ residential**
Mainland China	20.0-100.0%	952.9	673.8	266.5
Malaysia	52.8%	45.2	8.5	17.4
Singapore	44.6-100.0%	3.3	22.9	24.7
Australia	100.0%	0.5	11.4	–
Mongolia	51.0%	58.0	39.6	30.0
Myanmar	55.9-59.3%	37.6	11.8	56.8
Sri Lanka	90.0%	59.9	79.5	3.7
TOTAL		1,157.4	847.5	399.1

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table shows the Group's profit or loss for the six months ended 30 June 2021 and 2020 presented in the conventional financial statement format and the effective share format, respectively. Amounts presented in the conventional financial statement format refer to the aggregate total of the Company and its subsidiaries at 100% basis less non-controlling interests and add share of profit of associates to come up with the Group's final reported profit or loss attributable to owners of the Company. The alternative presentation of the Group's profit or loss at effective share is a non-HKFRS financial presentation format and the amounts presented at effective share are the aggregate total of the Company and the Group's share of subsidiaries and associates based on percentage of equity interests.

	Profit or loss for the six months ended 30 June 2021		Profit or loss for the six months ended 30 June 2020		% change	
(USD Million)	**Financial statement format**	**Effective share**	Financial statement format	Effective share	Financial statement format	Effective share
Revenue	**545.8**	**798.2**	453.5	622.5	20.4%	28.2%
Cost of sales	**(315.7)**	**(388.6)**	(295.4)	(354.5)	–6.9%	–9.6%
Gross profit	**230.1**	**409.6**	158.1	268.0	45.5%	52.8%
Operating expenses	**(212.7)**	**(242.5)**	(251.7)	(259.5)	15.5%	6.5%
Other gain – operating items	**32.4**	**32.5**	18.8	19.3	72.3%	68.4%
EBITDA	**49.8**	**199.6**	(74.8)	27.8	N/M	618.0%
Depreciation and amortisation	**(165.6)**	**(182.0)**	(160.0)	(177.0)	–3.5%	–2.8%
Loss on disposal of fixed assets	**–**	**–**	(0.3)	(0.2)	N/M	N/M
Interest income	**5.4**	**8.8**	7.7	8.7	–29.9%	1.1%
Other (losses)/gain – non-operating items	**(19.4)**	**76.9**	(27.2)	(33.3)	28.7%	N/M
Operating (loss)/profit	**(129.8)**	**103.3**	(254.6)	(174.0)	49.0%	N/M
Finance cost - net	**(109.5)**	**(109.9)**	(105.3)	(101.7)	–4.0%	–8.1%
Share of profit of associates	**133.6**	**–**	32.5	–	311.1%	N/M
Loss before income tax	**(105.7)**	**(6.6)**	(327.4)	(275.7)	67.7%	97.6%
Income tax credit/(expense)						
– Operating items	**4.7**	**(34.6)**	10.5	(13.0)	–55.2%	–166.2%
– Non-operating items	**2.4**	**(18.6)**	4.7	6.1	–48.9%	N/M
Loss for the period	**(98.6)**	**(59.8)**	(312.2)	(282.6)	68.4%	78.8%
Add: Loss attributable to non-controlling interests	**38.8**	**–**	29.6	–	31.1%	N/M
Loss attributable to owners of the Company	**(59.8)**	**(59.8)**	(282.6)	(282.6)	78.8%	78.8%

N/M: not meaningful

RESULTS OF OPERATIONS

Consolidated Revenue

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

	For the six months ended 30 June		
	2021	2020	
	USD Million	*USD Million*	% change
Hotel Properties	**462.4**	367.6	25.8%
Hotel Management and Related Services	**60.5**	55.9	8.2%
Sub-total Hotel Operations	**522.9**	423.5	23.5%
Investment Properties	**45.6**	44.5	2.5%
Property Development for Sale	**6.4**	11.0	–41.8%
Other Business	**2.7**	1.7	58.8%
Less: Inter-Segment Revenue	**(31.8)**	(27.2)	–16.9%
Total Group Consolidated Revenue	**545.8**	453.5	20.4%

Consolidated revenue was USD545.8 million for the six months ended 30 June 2021, an increase of 20.4% (or USD92.3 million), compared to USD453.5 million for the six months ended 30 June 2020. The increase was mainly driven by:

– The overall improvement of business environment for our Hotel Properties after the severe disruption since the outbreak of COVID-19 in early 2020, where the spread has come under control in some of the regions we operate in. In particular, our hotels in Mainland China have led the business recovery driven by pick up of domestic travel and staycation. Consolidated revenue from our Hotel Operations as a result increased by USD99.4 million to USD522.9 million for the six months ended 30 June 2021.

– A steady contribution from our Investment Properties business, which was relatively unaffected by the COVID-19 pandemic, where consolidated revenue increased by USD1.1 million to USD45.6 million for the six months ended 30 June 2021.

– Partially offset by property development for sale, mainly driven by having fewer residential units to handover at Shangri-La's One Galle Face development in Colombo, Sri Lanka, as well as the residential tower of the Shangri-La Dalian Phase II project (Yavis), Mainland China. Consolidated revenue from our Property Development for Sale decreased by USD4.6 million to USD6.4 million for the six months ended 30 June 2021.

(i) Hotel Properties

For the six months ended 30 June 2021, the increase of consolidated revenue from our hotel properties was mainly driven by the recovery of Mainland China, Hong Kong and Australia as the COVID-19 pandemic was largely under control in these countries. This was partially offset by the continued effects of travel restrictions, social distancing measures, and governmental actions connected with the COVID-19 pandemic in other countries.

Please refer to table below for our geographical breakdown of Hotel Properties consolidated revenue for the six months ended 30 June 2021 and 2020:

	For the six months ended 30 June		
	2021	2020	
Hotel Properties	***USD Million***	*USD Million*	% change
The People's Republic of China			
Hong Kong	**53.3**	41.5	28.4%
Mainland China	**291.8**	138.4	110.8%
Singapore	**43.4**	46.0	–5.7%
Malaysia	**7.8**	20.0	–61.0%
The Philippines	**9.9**	39.3	–74.8%
Japan	**9.3**	11.4	–18.4%
Thailand	**4.1**	14.2	–71.1%
France	**1.8**	6.6	–72.7%
Australia	**24.2**	17.1	41.5%
United Kingdom	**7.6**	8.7	–12.6%
Mongolia	**2.0**	1.7	17.6%
Sri Lanka	**4.5**	7.8	–42.3%
Other countries	**2.7**	14.9	–81.9%
Total consolidated revenue	**462.4**	367.6	25.8%

The key performance indicators of the Group-owned hotels (including hotels under leases) on an unconsolidated basis (including both subsidiaries and associates) for the six months ended 30 June 2021 and 2020 are as follows:

	2021 Weighted Average			2020 Weighted Average		
Country	**Occupancy** *(%)*	**Room Rate** *(USD)*	**RevPAR** *(USD)*	Occupancy *(%)*	Room Rate *(USD)*	RevPAR *(USD)*
The People's Republic of China						
Hong Kong	**31**	**145**	**45**	14	216	30
Mainland China	**50**	**113**	**57**	24	98	24
Tier 1 Cities	**52**	**150**	**78**	22	142	31
Tier 2 Cities	**53**	**93**	**50**	26	83	22
Tier 3+4 Cities	**42**	**96**	**40**	23	71	16
Singapore	**44**	**106**	**46**	42	155	65
Malaysia	**10**	**81**	**8**	25	130	32
The Philippines	**8**	**158**	**13**	33	177	59
Japan	**23**	**396**	**91**	29	560	160
Thailand	**6**	**87**	**6**	24	170	41
France	**25**	**1,215**	**305**	38	1,128	434
Australia	**47**	**222**	**104**	36	227	82
United Kingdom	**15**	**881**	**129**	30	544	161
Mongolia	**19**	**123**	**24**	7	159	12
Sri Lanka	**8**	**96**	**8**	18	137	24
Other countries	**22**	**114**	**25**	24	173	42
Weighted Average	**38**	**120**	**45**	26	139	35

The weighted average occupancy of our hotels was 38% for the six months ended 30 June 2021, an increase of 12 percentage points compared to 26% for the six months ended 30 June 2020. The RevPAR was USD45 for the six months ended 30 June 2021, an increase of 29%, compared to USD35 for the six months ended 30 June 2020.

Below are comments on hotel performances on selected geographies that had reasonable significance to movements to performance of our Hotel Properties business as a whole:

The People's Republic of China

Hong Kong

For Hong Kong, the occupancy was 31% for the six months ended 30 June 2021, an increase of 17 percentage points, compared to 14% for the six months ended 30 June 2020. The RevPAR was USD45 for the six months ended 30 June 2021, an increase of 50%, compared to USD30 for the six months ended 30 June 2020. Our hotels in Hong Kong saw a gradual recovery of domestic business mainly driven by quarantine and staycation. Total revenue from Hong Kong hotel properties for the six months ended 30 June 2021 increased by 28.4% to USD53.3 million.

Mainland China

The Group had equity interest in 46 operating hotels in Mainland China as at 30 June 2021.

For Mainland China, the occupancy was 50% for the six months ended 30 June 2021, an increase of 26 percentage points, compared to 24% for the six months ended 30 June 2020. The RevPAR was USD57 for the six months ended 30 June 2021, an increase of 138%, compared to USD24 for the six months ended 30 June 2020. In 2021, China hotel market has continued its recovery path in late March after a temporary slowdown in January and February due to combined effects of various local outbreaks of COVID-19 pandemic at the end of 2020, Chinese New Year impact and softened economic activities prior to the Two Sessions meeting held in mid-March. The continued recovery was supported by domestic leisure and corporate travel as well as some government businesses.

Below is the performance of our hotels in different tiered cities:

- In Tier 1 cities, the occupancy was 52% for the six months ended 30 June 2021, an increase of 30 percentage points, compared to 22% for the six months ended 30 June 2020. The RevPAR was USD78 for the six months ended 30 June 2021, an increase of 152%, compared to USD31 for the six months ended 30 June 2020. Recovery of business in Tier 1 cities were helped by a general strong local corporate and leisure demand. Our hotels in Guangzhou and Shenzhen were temporarily impacted in June by the local outbreak of COVID-19 pandemic in the Guangdong province, and business quickly resumed once restrictions were lifted.

- In Tier 2 cities, the occupancy was 53% for the six months ended 30 June 2021, an increase of 27 percentage points, compared to 26% for the six months ended 30 June 2020. The RevPAR was USD50 for the six months ended 30 June 2021, an increase of 127%, compared to USD22 for the six months ended 30 June 2020. The recovery of business in Tier 2 cities were helped by cities such as Hangzhou where it continued to see a strong staycation demand, helping our two hotels in the city reach occupancy of above 60% during the period. Jinan and Nanchang continued to see strong local corporate demand for conferences and business activities, where both their occupancies reached above 80% in April 2021.

- In Tier 3 and Tier 4 cities, the occupancy was 42% for the six months ended 30 June 2021, an increase of 19 percentage points, compared to 23% for the six months ended 30 June 2020. The RevPAR was USD40 for the six months ended 30 June 2021, an increase of 150%, compared to USD16 for the six months ended 30 June 2020. Cities such as Sanya and Lhasa were helped by a strong domestic leisure demand.

Total revenue from Mainland China hotel properties for the six months ended 30 June 2021 increased by 110.8% to USD291.8 million.

Singapore

For Singapore, the occupancy was 44% for the six months ended 30 June 2021, an increase of 2 percentage points, compared to 42% for the six months ended 30 June 2020. The RevPAR was USD46 for the six months ended 30 June 2021, a decrease of 29%, compared to USD65 for the six months ended 30 June 2020. Although the occupancy was supported by the government's stay home notice programme for returning residents, the RevPAR saw a decline due to the lower room rate for this business. Total revenue from Singapore hotel properties for the six months ended 30 June 2021 decreased by 5.7% to USD43.4 million.

Malaysia

For Malaysia, the occupancy was 10% for the six months ended 30 June 2021, a decrease of 15 percentage points, compared to 25% for the six months ended 30 June 2020. The RevPAR was USD8 for the six months ended 30 June 2021, a decrease of 75%, compared to USD32 for the six months ended 30 June 2020. Hotels in Malaysia continued to be affected by the negative impact from COVID-19 travel restrictions. Total revenue from Malaysia hotel properties for the six months ended 30 June 2021 decreased by 61.0% to USD7.8 million.

The Philippines

For The Philippines, the occupancy was 8% for the six months ended 30 June 2021, a decrease of 25 percentage points, compared to 33% for the six months ended 30 June 2020. The RevPAR was USD13 for the six months ended 30 June 2021, a decrease of 78%, compared to USD59 for the six months ended 30 June 2020. Operations for our hotels in The Philippines continued to be challenging due to international travel restrictions due to COVID-19. Total revenue from The Philippines hotel properties for the six months ended 30 June 2021 decreased by 74.8% to USD9.9 million.

Japan

For Japan, the occupancy was 23% for the six months ended 30 June 2021, a decrease of 6 percentage points, compared to 29% for the six months ended 30 June 2020. The RevPAR was USD91 for the six months ended 30 June 2021, a decrease of 43%, compared to USD160 for the six months ended 30 June 2020. Our hotel in Tokyo continued to rely on the domestic travel demand, which remained weak due to the pandemic. Total revenue from Japan hotel properties for the six months ended 30 June 2021 decreased by 18.4% to USD9.3 million.

Thailand

For Thailand, the occupancy was 6% for the six months ended 30 June 2021, a decrease of 18 percentage points, compared to 24% for the six months ended 30 June 2020. The RevPAR was USD6 for the six months ended 30 June 2021, a decrease of 85%, compared to USD41 for the six months ended 30 June 2020. Operations for our hotels in Thailand continued to be challenging due to international travel restrictions related to COVID-19. Total revenue from Thailand hotel properties for the six months ended 30 June 2021 decreased by 71.1% to USD4.1 million.

France

For France, the occupancy was 25% for the six months ended 30 June 2021, a decrease of 13 percentage points, compared to 38% for the six months ended 30 June 2020. The RevPAR was USD305 for the six months ended 30 June 2021, a decrease of 30%, compared to USD434 for the six months ended 30 June 2020. Our hotel in Paris was closed since mid-March 2020 and has only reopened for business in June 2021. Total revenue from France hotel properties for the six months ended 30 June 2021 decreased by 72.7% to USD1.8 million.

Australia

For Australia, the occupancy was 47% for the six months ended 30 June 2021, an increase of 11 percentage points, compared to 36% for the six months ended 30 June 2020. The RevPAR was USD104 for the six months ended 30 June 2021, an increase of 27%, compared to USD82 for the six months ended 30 June 2020. The domestic demand in Australia has recovered steadily as the COVID-19 pandemic had largely been under control in the country with some sporadic local outbreaks. Total revenue from Australia hotel properties for the six months ended 30 June 2021 increased by 41.5% to USD24.2 million.

(ii) Hotel Management & Related Services

As at 30 June 2021, the Group's wholly owned subsidiary, SLIM International Limited, together with its subsidiaries and certain fellow subsidiaries ("**SLIM**") managed a total of 102 hotels and resorts:

– 80 Group-owned hotels
– 3 hotels under lease agreements
– 19 hotels owned by third parties

The 19 operating hotels (6,124 available rooms) owned by third parties are located in the following destinations:

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

The overall weighted average occupancy of the hotels under third-party hotel management agreements was 37% for the six months ended 30 June 2021, an increase of 7 percentage points, compared to 30% for the six months ended 30 June 2020. The RevPAR was USD34 for the six months ended 30 June 2021, a decrease of 11%, compared to USD38 for the six months ended 30 June 2020.

Gross revenues from SLIM was USD60.5 million for the six months ended 30 June 2021, an increase of 8.2% compared to USD55.9 million for the six months ended 30 June 2020.

After eliminating inter-segment sales with subsidiaries, the net revenues from SLIM was USD28.7 million for the six months ended 30 June 2021, flat compared to USD28.7 million for the six months ended 30 June 2020.

(iii) Investment Properties

The table below shows the geographical breakdown of our consolidated revenue derived from our Investment Properties:

	For the six months ended 30 June		
Investment Properties	**2021** ***USD Million***	2020 *USD Million*	% change
Mainland China	**11.9**	10.2	16.7%
Singapore	**4.5**	4.9	–8.2%
Malaysia	**2.6**	2.6	0.0%
Mongolia	**10.6**	11.5	–7.8%
Sri Lanka	**5.5**	3.2	71.9%
Other countries	**10.5**	12.1	–13.2%
Total consolidated revenue	**45.6**	44.5	2.5%

During the period, our Sri Lanka One Galle Face office and shopping mall continued to benefit from the ramp up since opening in November 2019. Our investment properties in Mainland China was mainly helped by improvement in occupancy rates and rental rates of our offices in Chengdu Shangri-La Centre as well as an improvement in rental rate of our serviced apartments at Shangri-La Residences, Dalian. The Shangri-La Centre, Wuhan which opened for business in November 2020 also contributed additional revenues to Mainland China during the period.

This was partially offset by our investment properties in other countries which were affected by the decrease in occupancy rates and rental rates for Shangri-La Residences, Yangon and Sule Square, Yangon due to the deterioration of the local political and economic environment.

As a result, revenue from our consolidated investment properties for the six months ended 30 June 2021 stood at USD45.6 million, an increase of 2.5%, compared to USD44.5 million for the six months ended 30 June 2020.

(iv) Property Development for Sale

Property development for sale by subsidiaries for the six months ended 30 June 2021 stood at USD6.4 million, a decrease of 41.8%, compared to USD11.0 million for the six months ended 30 June 2020. It was caused by having fewer residential units to handover at One Galle Face, Colombo, Sri Lanka, as well as residential tower of the Shangri-La Dalian Phase II project (Yavis), Mainland China compared with comparable period last year.

During the period, only 1 unit of Yavis was handed over. As at 30 June 2021, Yavis had a remaining inventory of 55 units and 4 units sold but not handed over.

In the first half of 2021, we handed over 6 pre-sold apartments of One Galle Face, Colombo, Sri Lanka and recognised a revenue of USD5.8 million. As at 30 June 2021, One Galle Face, Colombo had a remaining of 82 apartments for sale and 29 units sold but not handed over.

EBITDA and Aggregate Effective Share of EBITDA

The following table summarises information related to the EBITDA of the Company and its subsidiaries and the aggregate effective share of EBITDA of the Company, subsidiaries and associates for the six months ended 30 June 2021 and 2020 by geographical areas and by business segments.

		EBITDA of subsidiaries		**Effective share of EBITDA of subsidiaries**		**Effective share of EBITDA of associates**		**Aggregate Effective share of EBITDA**	
(USD million)		**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Hotel Properties	The People's Republic of China								
	Hong Kong	**(14.5)**	(25.7)	**(12.7)**	(23.8)	**(0.2)**	(0.5)	**(12.9)**	(24.3)
	Mainland China	**60.0**	(12.9)	**55.4**	(13.1)	**16.9**	(5.9)	**72.3**	(19.0)
	Singapore	**2.5**	2.8	**2.5**	2.9	**1.0**	1.7	**3.5**	4.6
	Malaysia	**(9.0)**	(5.3)	**(4.8)**	(2.8)	**(0.5)**	0.2	**(5.3)**	(2.6)
	The Philippines	**(7.6)**	2.4	**(7.5)**	2.3	**(0.3)**	1.9	**(7.8)**	4.2
	Japan	**(0.3)**	(2.1)	**(0.3)**	(2.1)	**–**	–	**(0.3)**	(2.1)
	Thailand	**(4.1)**	(0.1)	**(3.0)**	–	**–**	–	**(3.0)**	–
	France	**(2.8)**	(5.5)	**(2.8)**	(5.5)	**–**	–	**(2.8)**	(5.5)
	Australia	**2.6**	1.2	**2.6**	1.2	**–**	–	**2.6**	1.2
	United Kingdom	**11.1**	(3.0)	**11.1**	(3.0)	**–**	–	**11.1**	(3.0)
	Mongolia	**(0.3)**	(1.3)	**(0.1)**	(0.7)	**–**	–	**(0.1)**	(0.7)
	Sri Lanka	**(2.9)**	(2.0)	**(2.6)**	(1.8)	**–**	–	**(2.6)**	(1.8)
	Other countries	**(6.1)**	(4.3)	**(4.1)**	(3.0)	**0.5**	(0.9)	**(3.6)**	(3.9)
		28.6	(55.8)	**33.7**	(49.4)	**17.4**	(3.5)	**51.1**	(52.9)
Hotel Management and Related Services		**(2.0)**	(41.3)	**(2.0)**	(41.3)	**–**	–	**(2.0)**	(41.3)
Sub-total Hotel Operations		**26.6**	(97.1)	**31.7**	(90.7)	**17.4**	(3.5)	**49.1**	(94.2)
Investment Properties	Mainland China	**5.6**	6.4	**4.9**	5.8	**122.5**	103.7	**127.4**	109.5
	Singapore	**1.9**	2.4	**1.9**	2.4	**1.7**	1.3	**3.6**	3.7
	Malaysia	**1.7**	1.7	**0.9**	0.9	**–**	–	**0.9**	0.9
	Mongolia	**7.6**	7.1	**3.9**	3.6	**–**	–	**3.9**	3.6
	Sri Lanka	**2.0**	(0.2)	**1.8**	(0.2)	**–**	–	**1.8**	(0.2)
	Other countries	**6.1**	7.0	**3.6**	4.0	**–**	–	**3.6**	4.0
Sub-total Investment Properties		**24.9**	24.4	**17.0**	16.5	**124.2**	105.0	**141.2**	121.5
Property Development for Sale & Other Business		**3.6**	4.9	**3.2**	4.4	**13.0**	3.7	**16.2**	8.1
Sub-total		**55.1**	(67.8)	**51.9**	(69.8)	**154.6**	105.2	**206.5**	35.4
Corporate and pre-opening expenses		**(5.3)**	(7.0)	**(5.3)**	(7.0)	**(1.6)**	(0.6)	**(6.9)**	(7.6)
Grand total		**49.8**	(74.8)	**46.6**	(76.8)	**153.0**	104.6	**199.6**	27.8

The Group's aggregate effective share of EBITDA was USD199.6 million for the six months ended 30 June 2021, an increase of 618.0% (or USD171.8 million), compared to USD27.8 million for the six months ended 30 June 2020. Below shows the breakdown by business segments:

- Effective share of EBITDA from Hotel Properties business for the six months ended 30 June 2021 was a profit of USD51.1 million, an increase of USD104.0 million, compared to a loss of USD52.9 million for the six months ended 30 June 2020. The turnaround of results was mainly due to the improvement of businesses for our hotels in Mainland China and Hong Kong. Results of United Kingdom was helped by various grants and rebates, part of it related to 2020 and are considered one-off.

- Effective share of EBITDA from Hotel Management and Related Services for the six months ended 30 June 2021 was a loss of USD2.0 million, an improvement of USD39.3 million, compared to a loss of USD41.3 million for the six months ended 30 June 2020. The lower losses were mainly due to the improvement of the hotels business, as well as effects from streamlining of headcount at the entity.

- Effective share of EBITDA from Investment Properties business for the six months ended 30 June 2021 was USD141.2 million, an increase of 16.2% (or USD19.7 million), compared to USD121.5 million for the six months ended 30 June 2020. The increase was mainly due to the improvement of results from our associate investment properties in Beijing and Shanghai.

- Effective share of EBITDA from Property Development for Sale & Other Business for the six months ended 30 June 2021 was USD16.2 million, an increase of 100.0% (or USD8.1 million), compared to USD8.1 million for the six months ended 30 June 2020. The increase was mainly due to higher handover of units of the residential project held by our associate in Hangzhou.

As above, the main increase of the Group's aggregate effective share of EBITDA was driven by the improvement of our hotel businesses in Mainland China and Hong Kong, as well as the results of our cost control efforts in the Group.

Consolidated Profit or Loss Attributable to Owners of the Company

The following table summarises information related to the consolidated profit or loss attributable to owners of the Company before and after non-operating items for the six months ended 30 June 2021 and 2020 by geographical areas and by business segments:

		For the six months ended 30 June		
		2021	2020	
		USD Mil	*USD Mil*	% change
Hotel Properties	The People's Republic of China			
	Hong Kong	**(24.9)**	(33.6)	25.9%
	Mainland China	**(33.2)**	(108.1)	69.3%
	Singapore	**(8.1)**	(6.8)	–19.1%
	Malaysia	**(8.2)**	(5.3)	–54.7%
	The Philippines	**(12.6)**	(9.2)	–37.0%
	Japan	**(5.2)**	(7.3)	28.8%
	Thailand	**(4.2)**	(1.4)	–200.0%
	France	**(7.9)**	(10.7)	26.2%
	Australia	**(5.5)**	(6.2)	11.3%
	United Kingdom	**(0.6)**	(13.3)	95.5%
	Mongolia	**(3.3)**	(3.6)	8.3%
	Sri Lanka	**(13.1)**	(10.0)	–31.0%
	Other countries	**(11.0)**	(11.3)	2.7%
		(137.8)	(226.8)	39.2%
Hotel Management and Related Services		**(9.7)**	(52.2)	81.4%
Sub-total Hotel Operations		**(147.5)**	(279.0)	47.1%
Investment Properties	Mainland China	**81.5**	75.9	7.4%
	Singapore	**3.3**	3.5	–5.7%
	Malaysia	**0.7**	0.7	0.0%
	Mongolia	**1.4**	1.7	–17.6%
	Sri Lanka	**(11.5)**	(8.3)	–38.6%
	Other countries	**2.5**	2.8	–10.7%
Sub-total Investment Properties		**77.9**	76.3	2.1%
Property Development for Sale & Other Business		**7.7**	4.5	71.1%
Consolidated loss from operating properties		**(61.9)**	(198.2)	68.8%
Net corporate finance costs (including foreign exchange gains and losses)		**(47.7)**	(47.7)	0.0%
Land cost amortisation & pre-opening expenses for projects & corporate expenses		**(8.5)**	(9.5)	10.5%
Consolidated loss attributable to owners of the Company before non-operating items		**(118.1)**	(255.4)	53.8%
Non-operating items		**58.3**	(27.2)	N/M
Consolidated loss attributable to owners of the Company after non-operating items		**(59.8)**	(282.6)	78.8%

N/M: not meaningful

Consolidated financial results attributable to owners of the Company after non-operating items for the six months ended 30 June 2021 was a loss of USD59.8 million, an improvement of USD222.8 million, compared to a loss of USD282.6 million for the six months ended 30 June 2020. Below shows the breakdown by business segments:

- Hotel Properties registered a loss of USD137.8 million for the six months ended 30 June 2021, an improvement of USD89.0 million, compared to a loss of USD226.8 million for the six months ended 30 June 2020. The lower losses were mainly due to the improvement of businesses for our hotels in Mainland China and Hong Kong. Results of United Kingdom was helped by various grants and rebates, part of it related to 2020 and are considered one-off.

- Hotel Management and Related Services registered a loss of USD9.7 million for the six months ended 30 June 2021, an improvement of USD42.5 million, compared to a loss of USD52.2 million for the six months ended 30 June 2020. The lower losses were mainly due to the improvement of the hotels business, as well as effects from streamlining of headcount at the entities.

- Investment Properties profit for the six months ended 30 June 2021 was USD77.9 million, an increase of 2.1% (or USD1.6 million), compared to USD76.3 million for the six months ended 30 June 2020. The increase was mainly due to the improvement of results from our associate investment properties in Beijing and Shanghai.

- Property Development for Sale & Other Business profit for the six months ended 30 June 2021 was USD7.7 million, an increase of 71.1% (or USD3.2 million), compared to USD4.5 million for the six months ended 30 June 2020. The increase was mainly due to higher handover of units of the residential project held by our associate in Hangzhou.

As discussed earlier, the overall increase was mainly driven by the improvement of the hotels business as well as results of our cost control efforts in the Group.

- Net corporate finance cost for the six months ended 30 June 2021 was USD47.7 million, flat compared to USD47.7 million for the six months ended 30 June 2020. This included an exchange gain of USD11.1 million arising from the intra-group borrowings at Corporate level during the period compared to an exchange gain of USD12.0 million for the comparable period last year.

- Non-operating items for the six months ended 30 June 2021 was an aggregate gain of USD58.3 million compared to a total loss of USD27.2 million for the six months ended 30 June 2020. The variance was mainly due to the recognition of fair value gains on investment properties of USD60.4 million for the period compared to fair value losses on investment properties of USD27.9 million recognised for the six months ended 30 June 2020. An impairment loss of USD13.2 million was also recognised during the period compared to nil for the comparable period last year.

CORPORATE DEBT AND FINANCIAL CONDITIONS

As at 30 June 2021, the Group's net borrowings (total bank loans and fixed rate bonds less cash and bank balances and short-term fund placements) was USD4,817.8 million, an increase of USD89.7 million, compared to USD4,728.1 million as at 31 December 2020. As at 30 June 2021, the aggregate effective share of net borrowings of subsidiaries and associates based on percentage of equity interests was USD4,452.4 million, a decrease of USD39.7 million, compared to USD4,492.1 million as at 31 December 2020. The increase in net borrowings was mainly driven by the operating cash deficits from hotel operations as affected by COVID-19 pandemic during the period.

The Group's net borrowings to total equity ratio, i.e. the gearing ratio, increased to 77.3% as at 30 June 2021 from 74.9% as at 31 December 2020. This increase was mainly driven by the aforesaid increase in net borrowings as well as the decrease in total equity due to the losses recorded during the period.

At the corporate level, the Group issued 9-year term fixed rate bonds in an aggregated amount of SGD100 million with a coupon rate of 3.50% per annum in February 2021 for financing corporate bank loans as well as for working capital use.

At the subsidiary level, the Group also executed the following bank loan agreements in 2021 for refinancing maturing loans:

– One three-year bank loan agreement of RMB70 million

– One five-year bank loan agreement of USD70 million

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 30 June 2021.

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

The analysis of borrowings outstanding as at 30 June 2021 is as follows:

	Maturities of Borrowings Contracted as at 30 June 2021				
	Repayment				
(USD million)	**Within 1 year**	**In the 2nd year**	**In the 3rd to 5th year**	**After 5 years**	**Total**
Borrowings					
Corporate borrowings					
– unsecured bank loans	685.0	254.0	1,230.6	792.6	2,962.2
– fixed rate bonds	–	–	746.4	381.7	1,128.1
Bank loans of subsidiaries					
– secured	7.5	–	–	–	7.5
– unsecured	253.1	282.8	821.0	106.5	1,463.4
Total outstanding balance	945.6	536.8	2,798.0	1,280.8	5,561.2
% of total outstanding balance	*17.0%*	*9.7%*	*50.3%*	*23.0%*	*100.0%*
Undrawn but committed facilities					
Bank loans	131.2	158.8	1,078.6	326.7	1,695.3

Out of the USD1,695.3 million undrawn but committed facilities, USD680 million is reserved to be drawn down to replace existing facilities from the same bank.

The currency mix of borrowings and cash and bank balances as at 30 June 2021 is as follows:

(USD million)	**Borrowings**	**Cash and Bank Balances** *(Note)*
In United States dollars	2,118.2	95.9
In Hong Kong dollars	1,438.9	24.5
In Singapore dollars	1,097.0	60.9
In Renminbi	578.7	413.4
In Euros	96.4	7.3
In Australian dollars	60.0	15.9
In Japanese yen	162.0	2.4
In Fiji dollars	10.0	3.2
In Philippines pesos	–	22.0
In Thai baht	–	37.0
In Malaysian ringgit	–	18.0
In British pounds	–	17.2
In Mongolian tugrik	–	15.9
In Sri Lankan rupee	–	7.6
In Myanmar kyat	–	1.4
In other currencies	–	0.8
	5,561.2	743.4

Note: Cash and bank balances as stated included short-term fund placements.

Except for the fixed rate bonds, all borrowings are generally at floating interest rates.

Details of financial guarantees, contingencies and charges over assets as at 30 June 2021 are disclosed in Note 16 to the condensed consolidated interim financial statements included in this announcement.

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, HK dollars and Singapore dollars and arranged at the corporate level. The corporate bonds were issued at fixed rates. 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. In order to minimise the overall interest cost, the Group also arranged intra-group loans and implemented RMB cash pooling in Mainland China to utilise the surplus cash of certain subsidiaries to meet the funding requirements of other group companies. The Group reviews the intra-group financing arrangements from time to time in response to changes in currency exchange rates and bank loan interest rates.

The Group has endeavoured to hedge its medium term interest rate risks arising from the Group's bank loans by entering into fixed HIBOR, LIBOR and SHIBOR interest-rate swap contracts. As at 30 June 2021, the outstanding interest-rate swap contracts are:

– USD1,265.0 million at fixed rates ranging between 1.365% and 3.045% per annum maturing during April 2022 to July 2024.

– HKD6,170.0 million at fixed rates ranging between 1.505% and 1.855% per annum maturing during July 2023 to August 2026

– RMB416.9 million at fixed rates ranging between 3.370% and 3.550% per annum maturing during June 2022 to October 2022.

Taking into account the fixed rate bonds, fixed rate bank loans and the interest-rate swap contracts (including the cross-currency swap contracts that also fix the interest rates of certain bank borrowings), the Group has fixed its interest liability on 62.3% of its outstanding borrowings as at 30 June 2021, compared to 59.6% as at 31 December 2020.

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

(B) Minimising Currency Risks

The Group aims at using bank borrowings in local currency to finance the capital expenditure and operational funding requirements of the properties and/or development projects in the corresponding country to achieve natural hedging of its assets. The Group would also execute cross-currency swap contracts to hedge the currency risks arising from foreign currency borrowings.

As at 30 June 2021, the Group has the following cross-currency swap contracts:

– 7-year term USD35 million between US dollar and Singapore dollar to hedge the US dollar fixed rate bonds at fixed interest rate of 4.25% per annum maturing November 2025

– 7-year term JPY8,000 million between Japanese yen and HK dollar to hedge the Japanese yen bank borrowings at fixed interest rate of 3.345% per annum maturing July 2026

– 3-year term EUR100 million between HK dollar and Euro to swap bank borrowings from HK dollar at floating interest rates to Euro at fixed interest rates ranging between 0.39% and 0.395% per annum maturing August 2023

It is also 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.

INVESTMENT PROPERTIES VALUATION

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). The fair values of investment properties are based on opinions from independent professional valuers as obtained by the Group and the relevant associates which own the investment properties. All changes in the fair value of investment properties (including those under construction) are recorded in the statement of profit or loss. For the six months ended 30 June 2021, the Group recorded an overall effective share of net fair value gains of USD60.4 million for its investment properties.

The following table shows the fair value gains/(losses) of the investment properties held by the Group's subsidiaries and associates for the six months ended 30 June 2021:

	Subsidiaries		**Associates**		**Total**	
(USD million)	**100%**	**Effective Share**	**100%**	**Effective Share**	**100%**	**Effective Share**
Gains/(Losses)	(8.1)	1.3	179.6	77.9	171.5	79.2
Deferred tax	2.4	0.7	(44.9)	(19.5)	(42.5)	(18.8)
Net gains/(losses)	(5.7)	2.0	134.7	58.4	129.0	60.4

IMPAIRMENT PROVISION

The Group assesses the carrying value of a group-owned operating hotel when there is any indication that the assets may be impaired. Indicative criteria include continuing adverse changes in the local market conditions in which the hotel operates or will operate, or when the hotel continues to operate at a loss position or materially behind budget. At the end of the period, the Group assesses the carrying value of all group-owned operating hotels and properties under development. Based on the Group's internal assessment at 30 June 2021, the Group provided impairment losses totalling USD22.3 million on 100% basis (USD13.2 million on effective share basis) for the property, plant and equipment of a hotel in Myanmar during the current period.

FINANCIAL ASSETS — TRADING SECURITIES

As at 30 June 2021, the market value of the Group's investment portfolio was USD28.0 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited amounting to USD14.8 million; 2,241,725 ordinary shares in Kerry Logistics Network Limited amounting to USD6.8 million; and 15,193,700 ordinary shares in Don Muang Tollway PCL amounting to USD6.4 million. The Group recorded effective share of gains of USD5.3 million and USD4.3 million through profit or loss and other comprehensive income, respectively for the six months ended 30 June 2021. Effective share of dividend income of USD0.8 million was recognised during the current period.

DEVELOPMENT PROGRAMMES

Construction work on the following projects is on-going:

(A) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Projected Opening
In Mainland China			
JEN Kunming by Shangri-La (part of a composite development project in Kunming City)	45%	274	2023
Shangri-La Zhengzhou	45%	314	2024
In Japan			
Shangri-La Kyoto	100%*	80	2024

* Entered into a conditional sale and purchase agreement with an independent third party to dispose 80% of equity interest in April 2021, please refer to the section with heading "Disposal" for more details.

The Shangri-La and Traders Hongqiao Airport which will be operated under operating lease will open for business in 2024.

(B) Composite Developments and Investment Property Developments

	Group's Equity Interest	Total gross floor area upon completion (excluding hotel component) *(approximate in square metres)* Residential	Office	Commercial	Scheduled Completion
In Mainland China					
Shenyang Kerry Centre – Phase III	25%	308,985	71,448	74,530	2022 onwards*
Kunming City Project	45%	20,917	–	–	2023
Phase II of Shangri-La Fuzhou	100%	–	34,319	50,447	2023
Composite development project in Zhengzhou	45%	94,025	58,946	3,932	2023 onwards*
Nanchang City Project – Phase II	20%	–	57,630	2,100	2023
Tianjin Kerry Centre – Phase II	20%	28,530	92,651	17,490	2025
TOTAL		452,457	314,994	148,499	

* Being developed in phases

The Group is currently reviewing the development plans of the following projects:

Hotel development

- Wolong Bay in Dalian, Mainland China (wholly owned by the Group)
- Shangri-La Kunming, Mainland China (45% equity interest owned by the Group)
- Rome, Italy (wholly owned by the Group)
- Lakeside Shangri-La, Yangon, Myanmar (55.86% equity interest owned by the Group)
- Bangkok, Thailand (73.61% equity interest owned by the Group)

Composite development

- 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 to improve the financial position of the Group.

DISPOSAL

In April 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 80% equity interest in a project company which owns a parcel of land in Kyoto, Japan for the development of a luxury hotel at a cash consideration of approximately USD68.6 million, subject to adjustment. The completion of the sale and purchase agreement is conditional upon the fulfilment of certain conditions precedent and is expected to take place by the end of 2021. The Group's equity interest in the project will be reduced from 100% to 20% after the completion of the transaction.

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

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 9 new hotels currently under development and owned by third parties. The development projects are located in Nanning, Qiantan, Beijing, Shenzhen (2 hotels) and Hangzhou (Mainland China); Jeddah (Saudi Arabia), Phnom Penh (Cambodia) and Melbourne (Australia).

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

HUMAN RESOURCES

As at 30 June 2021, the Company and its subsidiaries had approximately 24,100 employees. The number of people employed by Shangri-La Group, including all operating hotels, was 39,100. Remuneration policies, share option scheme, share award scheme and training schemes have been consistently applied by the Group as disclosed in 2020 annual report.

PROSPECTS

The reduction of our group's losses for first half of 2021 continued to be mainly driven by our hotels in Mainland China. Though the recovery in the region momentarily paused during early 2021 due to local outbreaks, the momentum quickly resumed after the Two Sessions meeting in mid-March. We witnessed a strong May performance helped by the pent-up demand, where the month achieved results that were even higher than in May 2019. Hong Kong and Australia also contributed towards the overall recovery as the spread of the virus was largely under control during the period, benefiting from domestic staycation demand, as well as quarantine businesses in Hong Kong.

With the continued restrictions in international travel in the foreseeable future, we remain focused on things we can control. Our top priority will always be the safety and wellbeing of our guests and colleagues, ensured through our "Shangri-La Cares" programme. We also actively encourage and provide support to our colleagues to take the COVID-19 vaccination as our efforts to help stop the spread of the virus in our communities. As at 25 August 2021, close to 90% of all our Group's colleagues have received at least one dose of the vaccine.

We continue to keep up with innovation to capture the mindshare of today's fast evolving consumers. As part of Shangri-La's 50th Anniversary celebrations, we have launched a refreshed logo, presenting a more contemporary look and feel while maintaining the powerful equity of the brand. In May, we have also launched Shangri-La's family experience brand Fam.ily™ to target the family leisure market. We piloted immersive summer programs for families at some of our hotel properties, including a summer camp in Hong Kong, surfing program in Sanya, and a theatrical program at Shangri-La Qinhuangdao. On the F&B front, we have received great reception to our new flavours of dumplings during Dragonboat Festival, and we target to see similar results with our upcoming new flavours of mooncakes.

We remain vigilant with our costs and balance sheet. As at 30 June 2021, the Group had cash and cash equivalent of USD743 million and committed undrawn facilities of USD1.7 billion. As the spread of the pandemic has stabilised and pressure on cash needs has lessened, we took the opportunity to pay down some of our debt to help lower our future interest expense burden, reducing our total debt by USD158 million. We continue to conserve our accessible cash reserve by declaring no interim dividend and closely managing our capital expenditure. On 1 April 2021, we have also entered into a sale and purchase agreement with Samty Group, in which they will acquire an indirect 80% interest in our Kyoto project. Upon completion of the agreement at the end of the year, it will further strengthen the Group's balance sheet.

As we enter the latter half of 2021, we continue to wait for the eventual resumption of normality. The global vaccination rate continues to climb and is building a stronger foundation to protect against COVID-19. As various countries such as UK, France and Turkey begin to relax their restrictions, we are seeing decent summer bookings from their respective local demand, demonstrating human beings' innate desire of travelling and enjoying new experiences. However, the recent spread of the Delta variant in Mainland China is once again creating uncertainties on the momentum of recovery, where hotel occupancies in early August have already started to see negative impact as the lockdown measures are once again in place in affected provinces. In the remainder of the year, subject to the development of the latest outbreak, there should be opening of four managed hotels in Shougang Park (Beijing, China), Qiantan (China), Nanning (China) and Jeddah (Saudi Arabia). While uncertainties linger, we will continue to remain focused on priorities that are under our control, while keeping our eyes on the horizon for any recovery opportunities.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company recognises the importance of transparency in governance and accountability to shareholders and that shareholders benefit from good corporate governance. The Company reviews its corporate governance framework on an ongoing basis to ensure compliance with best practices.

The Board has adopted a composite handbook ("**Directors Handbook**") comprising (among other principles) a set of corporate governance principles of the Company, whose terms 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 complied with the CG Model Code throughout the underlying six-month period.

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

Hong Kong, 27 August 2021

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

Executive director(s)
Ms KUOK Hui Kwong (Chairman)
Mr LIM Beng Chee (Group CEO)

Independent non-executive director(s)
Professor LI Kwok Cheung Arthur
Mr YAP Chee Keong
Mr LI Xiaodong Forrest
Mr ZHUANG Chenchao
Ms KHOO Shulamite N K