

SHANGRI-LA GROUP

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Shangri-La Asia Limited

(Incorporated in Bermuda with limited liability)

website: www.ir.shangri-la.com

(Stock code: 00069)

2022 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 2022. 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 2022, consolidated financial results attributable to owners of the Company before non-operating items recorded a loss of USD105.0 million, an improvement of USD13.1 million, compared to a loss of USD118.1 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 USD158.2 million, compared to a loss of USD59.8 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 2022 (2021: Nil).

The following table summarises the highlights of our financial results:

	Six months ended 30 June		% change
	2022 USD Million	2021 USD Million	
Revenue	627.5	545.8	15.0%
EBITDA ^(Note 1) of the Company and its subsidiaries	57.2	49.8	14.9%
Effective share of EBITDA ^(Note 2) of the Company, subsidiaries and associates	169.2	199.6	-15.2%
(Loss)/Profit attributable to owners of the Company			
– Operating items	(105.0)	(118.1)	11.1%
– Non-operating items	(53.2)	58.3	N/M
Total	<u>(158.2)</u>	<u>(59.8)</u>	-164.5%
Loss per share (US cents per share)	(4.429)	(1.673)	-164.7%

	As at		
	30 June 2022	31 December 2021	
	<i>USD Million</i>	<i>USD Million</i>	% change
Net assets attributable to owners of the Company	5,426.4	5,864.3	-7.5%
Net assets per share attributable to owners of the Company (USD)	1.52	1.64	-7.3%

(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 USD627.5 million for the six months ended 30 June 2022, an increase of 15.0%, compared to USD545.8 million for the six months ended 30 June 2021. Hotel business recovery was strong in destinations where travel restrictions and entry requirements have been relaxed, such as United Kingdom, Turkey, the Philippines, Singapore and Malaysia. The overall hotel business recovery was partially offset by temporary challenges in Mainland China due to sporadic outbreaks that led to localised lockdowns.
 - EBITDA of the Company and its subsidiaries was USD57.2 million for the six months ended 30 June 2022, an improvement of USD7.4 million, compared to USD49.8 million for the six months ended 30 June 2021. The improvement was mainly driven by hotel business recovery in certain destinations as highlighted above.
 - Effective share of EBITDA of the Company, subsidiaries and associates was USD169.2 million for the six months ended 30 June 2022, a decrease of 15.2% (or USD30.4 million), compared to USD199.6 million for the six months ended 30 June 2021. During the sporadic outbreaks that led to localised lockdowns in Mainland China, the hotels held by our associates in Beijing and Shanghai were more impacted, leading to a decrease in EBITDA on an effective share basis.
 - Consolidated financial results attributable to owners of the Company was a loss of USD158.2 million for the six months ended 30 June 2022, compared to a loss of USD59.8 million for the six months ended 30 June 2021. Apart from the variance of results from operations as highlighted above, the Group was impacted by an exceptional foreign exchange loss of USD106.6 million arising from a 44% depreciation of Sri Lankan rupee in the first six months of 2022.

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

		As at	
		30 June 2022	31 December 2021
	Note	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		4,283,942	4,634,879
Investment properties		1,676,816	1,758,979
Right-of-use assets		1,097,746	1,174,309
Intangible assets		105,596	110,024
Interest in associates		4,193,628	4,341,708
Deferred income tax assets		80,168	73,484
Financial assets at fair value through other comprehensive income		6,698	7,364
Financial assets at fair value through profit or loss		12,791	12,626
Derivative financial instruments		58,348	1,949
Other receivables		12,674	14,882
		<u>11,528,407</u>	<u>12,130,204</u>
Current assets			
Inventories		26,915	28,956
Properties for sale		54,074	74,976
Accounts receivable, prepayments and deposits	4	213,414	200,803
Amounts due from associates		154,218	147,987
Derivative financial instruments		35,329	2,793
Financial assets at fair value through profit or loss		17,494	17,251
Short-term deposits with original maturities over 3 months		37,733	39,326
Cash and cash equivalents		613,333	745,540
		<u>1,152,510</u>	<u>1,257,632</u>
Assets of disposal group classified as held for sale		–	86,431
		<u>1,152,510</u>	<u>1,344,063</u>
Total assets		<u><u>12,680,917</u></u>	<u><u>13,474,267</u></u>
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	(525)	(2,858)
Other reserves		741,802	1,073,259
Retained earnings		1,483,088	1,591,897
		<u>5,426,360</u>	<u>5,864,293</u>
Non-controlling interests		<u>127,646</u>	<u>185,571</u>
Total equity		<u><u>5,554,006</u></u>	<u><u>6,049,864</u></u>

		As at	
		30 June 2022	31 December 2021
	<i>Note</i>	Unaudited	Audited
LIABILITIES			
Non-current liabilities			
Bank loans		3,831,548	3,400,972
Fixed rate bonds		1,091,682	1,124,794
Derivative financial instruments		9,192	25,507
Amounts due to non-controlling shareholders		46,550	46,550
Long term lease liabilities		522,730	570,726
Deferred income tax liabilities		294,433	303,768
		<u>5,796,135</u>	<u>5,472,317</u>
Current liabilities			
Accounts payable and accruals	8	490,293	614,869
Contract liabilities		113,449	140,823
Short term lease liabilities		39,060	48,072
Amounts due to non-controlling shareholders		55,401	50,018
Current income tax liabilities		320	4,205
Bank loans		629,132	1,062,086
Derivative financial instruments		3,121	19,622
		<u>1,330,776</u>	<u>1,939,695</u>
Liabilities of disposal group classified as held for sale		–	12,391
		<u>1,330,776</u>	<u>1,952,086</u>
Total liabilities		<u>7,126,911</u>	<u>7,424,403</u>
Total equity and liabilities		<u><u>12,680,917</u></u>	<u><u>13,474,267</u></u>

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

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	Unaudited	Unaudited
Revenue	3	627,454	545,806
Cost of sales	9	<u>(323,709)</u>	<u>(315,708)</u>
Gross profit		303,745	230,098
Other gains – net	10	72,919	18,378
Marketing costs	9	(27,786)	(26,985)
Administrative expenses	9	(97,638)	(85,438)
Other operating expenses	9	<u>(271,885)</u>	<u>(265,873)</u>
Operating loss		(20,645)	(129,820)
Finance costs – net			
– Interest expense	11	(100,903)	(103,540)
– Foreign exchange losses	11	(115,341)	(5,989)
Share of profit of associates	12	<u>48,268</u>	<u>133,611</u>
Loss before income tax		(188,621)	(105,738)
Income tax credit	13	<u>2,103</u>	<u>7,151</u>
Loss for the period		<u>(186,518)</u>	<u>(98,587)</u>
Loss attributable to:			
Owners of the Company		(158,219)	(59,773)
Non-controlling interests		<u>(28,299)</u>	<u>(38,814)</u>
		<u>(186,518)</u>	<u>(98,587)</u>
Loss per share for loss attributable to owners of the Company during the period <i>(expressed in US cents per share)</i>			
– basic	14	<u>(4.429)</u>	<u>(1.673)</u>
– diluted	14	<u>(4.429)</u>	<u>(1.673)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Loss for the period	(186,518)	(98,587)
Other comprehensive (loss)/income:		
<u>Items that will not be reclassified subsequently to profit or loss</u>		
Fair value changes of financial assets at fair value through other comprehensive income	(275)	5,856
Effect of hyperinflation	49,963	–
<u>Items that may be reclassified subsequently to profit or loss</u>		
Fair value changes of interest-rate swap and cross-currency swap contracts – hedging	112,251	24,461
Currency translation differences – subsidiaries	(253,070)	(39,631)
Currency translation differences – associates	(219,035)	24,508
Other comprehensive (loss)/income for the period	(310,166)	15,194
Total comprehensive loss for the period	(496,684)	(83,393)
Total comprehensive loss attributable to:		
Owners of the Company	(439,660)	(38,984)
Non-controlling interests	(57,024)	(44,409)
	(496,684)	(83,393)

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 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

	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 2022	3,201,995	(2,858)	1,073,259	1,591,897	5,864,293	185,571	6,049,864
Fair value changes of interest-rate swap and cross-currency swap contracts – hedging	–	–	104,619	–	104,619	7,632	112,251
Currency translation differences	–	–	(435,907)	–	(435,907)	(36,198)	(472,105)
Fair value changes of financial assets at fair value through other comprehensive income	–	–	(116)	–	(116)	(159)	(275)
Effect of hyperinflation	–	–	–	49,963	49,963	–	49,963
Other comprehensive (loss)/income recognised directly in equity	–	–	(331,404)	49,963	(281,441)	(28,725)	(310,166)
Loss for the period	–	–	–	(158,219)	(158,219)	(28,299)	(186,518)
Total comprehensive loss for the six months ended 30 June 2022	–	–	(331,404)	(108,256)	(439,660)	(57,024)	(496,684)
Shares purchased for share award scheme	–	(442)	–	–	(442)	–	(442)
Share-based compensation under share award scheme	–	–	2,169	–	2,169	–	2,169
Vesting of shares under share award scheme	–	2,775	(2,222)	(553)	–	–	–
Dividend paid and payable to non-controlling shareholders	–	–	–	–	–	(901)	(901)
	–	2,333	(53)	(553)	1,727	(901)	826
Balance at 30 June 2022	3,201,995	(525)	741,802	1,483,088	5,426,360	127,646	5,554,006

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 26 August 2022. 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 2022 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 USD178,266,000 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 USD1,116,099,000 which are maturing after 30 June 2023 (of which USD264,835,000 is reserved to be drawn down to replace the existing bank loan facilities). 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 2021, 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 2021, except for the adoption of the following amendments to accounting standards and HKAS 29 "Financial Reporting in Hyperinflationary Economies" which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2022.

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts – cost of fulfilling a contract
Amendments to HKFRS 3	Business Combinations: Reference to the Conceptual Framework
Annual Improvements to HKFRSs 2018-2020 Cycle	

The adoption of these amendments to accounting standards has no material impact on the Group's financial statements.

New accounting policy for financial reporting in hyperinflationary economies

According to HKAS 29 “Financial Reporting in Hyperinflationary Economies”, for entity whose functional currency is the currency of a hyperinflationary economy, the historical cost of the non-monetary assets and liabilities and equity items of the entity from their date of acquisition or inclusion in the statement of financial position would be adjusted to reflect the changes in the purchasing power of the currency resulting from inflation by applying the changes in the general price index of the hyperinflationary economy. Monetary items are not restated as they are already expressed in terms of the measuring unit current at the date of the statement of financial position. All items of the statement of profit or loss would be restated into the measuring unit current at the date of the statement of financial position by applying the general price index of the economy. Gain or loss on net monetary position is included in the statement of profit or loss.

During the period ended 30 June 2022, Turkey was deemed as a hyperinflationary economy for accounting purposes as its cumulative inflation rate for the past three years has exceeded 100%. The financial information of an owned hotel in Turkey which is using Turkish Lira as its functional currency has therefore been prepared in accordance with HKAS 29 “Financial Reporting in Hyperinflationary Economies”. The financial information of this hotel in Turkey for the period ended 30 June 2022 are stated in terms of current purchasing power using the Turkey consumer price index at 30 June 2022.

In accordance with HKAS 21 “The Effects of Changes in Foreign Exchange Rates”, the financial results of the hotel in Turkey have been translated and presented in US dollars at the prevailing exchange rate on 30 June 2022. The Group’s comparative information presented in US dollars with respect to the period ended 30 June 2021 and the year ended 31 December 2021 has not been restated.

After applying this accounting policy in the current period, the Group’s “Interest in associates” in respect of the hotel in Turkey has been increased by USD49,963,000 with corresponding adjustment presented in other comprehensive income. There is only negligible impact to the profit or loss for the current period.

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	
	2022	2021
Revenue		
Hotel properties		
Revenue from rooms	244,756	196,312
Food and beverage sales	230,156	223,111
Rendering of ancillary services	39,568	43,014
Hotel management and related services	48,337	28,698
Property development for sale	10,271	6,379
Other businesses	3,471	2,681
	<hr/>	<hr/>
Revenue from contracts with customers	576,559	500,195
Investment properties	50,895	45,611
	<hr/>	<hr/>
Total consolidated revenue	627,454	545,806
	<hr/> <hr/>	<hr/> <hr/>

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 for rental purpose*
 - 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 businesses including wines trading, amusement park, retail business 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 or loss after tax and non-controlling interests. This measurement basis excludes the effects of land cost amortisation and 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 2022 and 2021 (USD million)

	2022		2021	
	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	59.8	(21.5)	53.3	(24.9)
Mainland China	188.1	(101.5)	291.8	(33.2)
Singapore	74.7	(0.4)	43.4	(8.1)
Malaysia	29.3	(2.6)	7.8	(8.2)
The Philippines	29.3	(6.9)	9.9	(12.6)
Japan	13.2	(3.8)	9.3	(5.2)
Thailand	9.0	(2.5)	4.1	(4.2)
France	21.8	(3.4)	1.8	(7.9)
Australia	31.8	(2.6)	24.2	(5.5)
United Kingdom	25.8	(6.8)	7.6	(0.6)
Mongolia	4.8	(3.0)	2.0	(3.3)
Sri Lanka	10.3	(2.3)	4.5	(13.1)
Other countries	16.6	(0.6)	2.7	(11.0)
	<u>514.5</u>	<u>(157.9)</u>	<u>462.4</u>	<u>(137.8)</u>
Hotel management and related services	<u>85.5</u>	<u>7.2</u>	<u>60.5</u>	<u>(9.7)</u>
Sub-total hotel operation	<u>600.0</u>	<u>(150.7)</u>	<u>522.9</u>	<u>(147.5)</u>
Investment properties				
Mainland China	14.6	87.8	11.9	81.5
Singapore	5.9	3.9	4.5	3.3
Malaysia	2.3	0.4	2.6	0.7
Mongolia	13.8	3.1	10.6	1.4
Sri Lanka	6.4	0.4	5.5	(11.5)
Other countries	7.9	1.3	10.5	2.5
	<u>50.9</u>	<u>96.9</u>	<u>45.6</u>	<u>77.9</u>
Property development for sale	<u>10.3</u>	<u>8.0</u>	<u>6.4</u>	<u>8.3</u>
Other businesses	<u>3.5</u>	<u>(0.6)</u>	<u>2.7</u>	<u>(0.6)</u>
Total	<u>664.7</u>	<u>(46.4)</u>	<u>577.6</u>	<u>(61.9)</u>
Less: Hotel management – Inter-segment revenue	<u>(37.2)</u>		<u>(31.8)</u>	
Total external revenue	<u>627.5</u>		<u>545.8</u>	
Corporate finance costs (net)		(58.9)		(58.8)
Land cost amortisation and pre-opening expenses for projects		(0.5)		(3.2)
Corporate expenses		(7.5)		(5.3)
Exchange gains of corporate investment holding companies		8.3		11.1
Loss before non-operating items		<u>(105.0)</u>		<u>(118.1)</u>

	<u>2022</u>	<u>2021</u>
	Profit/(Loss) after tax (Note a)	Profit/(Loss) after tax (Note a)
Loss before non-operating items	(105.0)	(118.1)
Non-operating items		
Share of net fair value gains on investment properties	30.1	60.4
Provision for impairment losses on hotel properties	–	(13.2)
Net unrealised gains on financial assets at fair value through profit or loss	0.4	5.8
Gain on partial disposal of interests in a subsidiary	10.6	–
Fair value changes on cross-currency swap contracts – non hedging	9.5	5.3
Insurance claim recovered from a bombing incident happened in 2019	2.8	–
Foreign exchange loss due to depreciation of Sri Lankan rupee	(106.6)	–
Total non-operating items	<u>(53.2)</u>	<u>58.3</u>
Consolidated loss attributable to owners of the Company	<u>(158.2)</u>	<u>(59.8)</u>

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 2022	31 December 2021
Trade receivables – net (Note (b))	56,720	49,686
Other receivables	73,960	69,454
Prepayments and other deposits	82,734	81,663
	<u>213,414</u>	<u>200,803</u>

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 2022	31 December 2021
0 – 3 months	48,496	47,742
4 – 6 months	4,533	1,809
Over 6 months	3,691	135
	<u>56,720</u>	<u>49,686</u>

5. Gain on partial disposal of interests in a subsidiary

In April 2022, the Group completed a sale and purchase transaction 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 JPY7,623,748,000 (equivalent to USD64,302,000). A disposal gain of USD10,586,000 was recognised during the period. The Group's equity interest in the project has been reduced from 100% to 20% after the completion of the transaction. The financial effects of the disposal transaction are as follows:

Total assets	77,335
Total liabilities	(11,080)
Remaining interests after disposal as interest in associate	<u>(15,028)</u>
Net assets attributable to the Group disposed of	<u>51,227</u>
Total consideration	64,302
Less: Net assets disposed of	(51,227)
Less: Cumulative exchange differences in respect of the net assets of the subsidiary released from exchange fluctuation reserve to profit or loss	<u>(2,489)</u>
Gain on disposal recognised	<u>10,586</u>

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

	Number of shares (<i>'000</i>)	Amount		Total
		Ordinary shares	Share premium	
Share capital and premium				
Authorised				
– Ordinary shares of HKD1 each				
At 1 January 2021, 31 December 2021 and 30 June 2022	<u>5,000,000</u>	<u>646,496</u>	<u>–</u>	<u>646,496</u>
Issued and fully paid				
– Ordinary shares of HKD1 each				
At 1 January 2021, 31 December 2021 and 30 June 2022	<u>3,585,525</u>	<u>462,904</u>	<u>2,739,091</u>	<u>3,201,995</u>
Shares held for share award scheme				
At 1 January 2021	<u>(3,413)</u>	<u>(440)</u>	<u>(3,825)</u>	<u>(4,265)</u>
Vesting of shares under share award scheme	<u>784</u>	<u>101</u>	<u>1,077</u>	<u>1,178</u>
At 30 June 2021	<u>(2,629)</u>	<u>(339)</u>	<u>(2,748)</u>	<u>(3,087)</u>
Vesting of shares under share award scheme	<u>152</u>	<u>20</u>	<u>209</u>	<u>229</u>
At 31 December 2021 and 1 January 2022	<u>(2,477)</u>	<u>(319)</u>	<u>(2,539)</u>	<u>(2,858)</u>
Shares purchased for share award scheme	(525)	(68)	(374)	(442)
Vesting of shares under share award scheme	<u>2,186</u>	<u>282</u>	<u>2,493</u>	<u>2,775</u>
At 30 June 2022	<u>(816)</u>	<u>(105)</u>	<u>(420)</u>	<u>(525)</u>

As at 30 June 2022, except for shares held for share award scheme as shown above, 10,501,055 (31 December 2021: 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 2022, 525,000 shares in the Company were purchased for the share award scheme and 2,186,000 shares under such scheme were transferred to the awardees upon vesting of the awarded shares. The remaining 816,000 shares under the share award scheme were held in trust as at 30 June 2022. 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 2021 annual report.

No share option was exercised during the six months ended 30 June 2022 (year ended 31 December 2021: 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 2022		For the year ended 31 December 2021	
	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	6,508,000	12.11	6,928,000
Exercised	–	–	–	–
Lapsed	–	–	12.11	(420,000)
At 30 June/31 December	12.11	6,508,000	12.11	6,508,000

No new option was granted during the six months ended 30 June 2022 and 2021.

No share option was exercised and lapsed subsequent to 30 June 2022 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 2022, a total of 12,458,000 shares and 2,186,000 shares were granted and vested to the qualified awardees, respectively. During the period, an expense of USD2,169,000 (2021: USD480,000) for the award shares granted was charged to the condensed consolidated interim statement of profit or loss.

Details of the awarded granted and vested during 2022 and 2021 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			Vesting period
				Before 2021	For the year ended 31 Dec 2021	For the six months ended 30 Jun 2022	
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	226,000	52,000	–	20 Jul 2018 to 1 Apr 2021
30 Aug 2018	HKD11.78	975,893	1,736,000	392,000	200,000	–	30 Aug 2018 to 1 Apr 2021
		<u>3,101,571</u>	<u>4,382,000</u>				
Total for 2018							
In year 2019							
1 Apr 2019	HKD11.56	1,477,169	2,338,000	649,000	274,000	192,000	1 Apr 2019 to 1 Apr 2022
15 Jun 2019	HKD9.45	1,547,200	2,754,000	56,000	56,000	158,000	15 Jun 2019 to 1 Apr 2022
30 Jun 2019	HKD9.85	751,515	1,292,000	84,000	24,000	36,000	30 Jun 2019 to 1 Apr 2022
1 Nov 2019	HKD8.41	494,000	494,000	238,000	134,000	60,000	1 Nov 2019 to 1 Apr 2022
		<u>4,269,884</u>	<u>6,878,000</u>				
Total for 2019							
In year 2020							
30 Sep 2020	HKD6.34	214,000	214,000	214,000	–	–	Nil
Total for 2020		<u>214,000</u>	<u>214,000</u>				
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		64,000	1,740,000	7 Jun 2021 to 7 Jun 2024
15 Oct 2021	HKD6.35	80,000	80,000		80,000	–	Nil
15 Oct 2021	HKD6.35	268,000	268,000		–	–	15 Oct 2021 to 15 Oct 2024
		<u>6,386,000</u>	<u>6,386,000</u>				
Total for 2021							
In year 2022							
6 May 2022	HKD5.85	12,458,000	12,458,000			–	6 May 2022 to 6 May 2025
Total for 2022		<u>12,458,000</u>	<u>12,458,000</u>				
Grand Total		<u><u>26,429,455</u></u>	<u><u>30,318,000</u></u>	<u><u>3,277,000</u></u>	<u><u>936,000</u></u>	<u><u>2,186,000</u></u>	

Further details of the share award scheme are set out under the section headed “Share Award Scheme” of the Company’s 2021 annual report.

8. Accounts payable and accruals

	As at	
	30 June 2022	31 December 2021
Trade payables	54,016	68,293
Other payables and accrued expenses	436,277	546,576
	<u>490,293</u>	<u>614,869</u>

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

	As at	
	30 June 2022	31 December 2021
0 – 3 months	48,249	62,246
4 – 6 months	2,583	3,116
Over 6 months	3,184	2,931
	<u>54,016</u>	<u>68,293</u>

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 2022	30 June 2021
Depreciation of property, plant and equipment (net of amount capitalised of USD1,000 (2021: USD2,000))	116,731	134,242
Amortisation of trademark, and website and system development	3,702	3,395
Depreciation of right-of-use assets	23,885	28,005
Employee benefit expenses excluding directors' emoluments	296,459	273,872
Cost of sales of properties	3,403	2,588
Cost of inventories sold and consumed in operation	90,250	84,804
Gain on disposal of property, plant and equipment; and partial replacement of investment properties	(27)	(28)
Pre-opening expenses	75	94

10. Other gains/(losses) – net

	For the six months ended	
	30 June 2022	30 June 2021
Net unrealised gains on listed securities	243	5,334
Fair value gains of club debentures	207	451
Fair value changes of cross-currency swap contracts	9,501	5,255
Net fair value gains/(losses) of investment properties	38,621	(8,063)
Provision for impairment losses on the property, plant and equipment	–	(22,331)
Government grants due to COVID-19 pandemic	3,406	15,853
Rent concessions provided by lessors	1,453	15,537
Interest income	4,205	5,380
Dividend income	806	962
Gain on partial disposal of interests in a subsidiary (<i>Note 5</i>)	10,586	–
Insurance claim recovered from a bombing incident happened in 2019	3,093	–
Gain on sale of investment properties	798	–
	<u>72,919</u>	<u>18,378</u>

11. Finance costs – net

	For the six months ended	
	30 June 2022	30 June 2021
Interest expense		
– bank loans	62,287	63,545
– fixed rate bonds	23,397	23,798
– other loans	1,892	2,285
– interest on lease liability	14,473	14,886
	<u>102,049</u>	<u>104,514</u>
Less: Amount capitalised	<u>(1,146)</u>	<u>(974)</u>
	100,903	103,540
Net foreign exchange losses	<u>115,341</u>	<u>5,989</u>
	<u>216,244</u>	<u>109,529</u>

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.08% per annum for the period (2021: 3.10% per annum).

12. Share of profit of associates

	For the six months ended	
	30 June 2022	30 June 2021
Share of profit before tax of associates before share of net fair value changes of investment properties	89,227	114,838
Share of net fair value (losses)/gains of investment properties	<u>(18,242)</u>	<u>77,871</u>
Share of profit before tax of associates	<u>70,985</u>	<u>192,709</u>
Share of tax before provision for deferred tax on net fair value changes of investment properties	(28,337)	(39,630)
Share of provision for deferred tax on net fair value changes of investment properties	<u>5,620</u>	<u>(19,468)</u>
Share of associates' taxation	<u>(22,717)</u>	<u>(59,098)</u>
Share of profit of associates	<u>48,268</u>	<u>133,611</u>

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% (2021: 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 2022	30 June 2021
Current income tax		
– Hong Kong profits tax	74	–
– Overseas taxation	6,737	18,985
Deferred income tax	<u>(8,914)</u>	<u>(26,136)</u>
	<u>(2,103)</u>	<u>(7,151)</u>

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 2022	30 June 2021
Loss attributable to owners of the Company (<i>USD '000</i>)	<u>(158,219)</u>	<u>(59,773)</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>3,572,544</u>	<u>3,572,013</u>
Basic loss per share (<i>US cents per share</i>)	<u>(4.429)</u>	<u>(1.673)</u>

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 award scheme for the six months ended 30 June 2022 and 2021. 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 2022 and 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 2022	30 June 2021
Loss attributable to owners of the Company (<i>USD '000</i>)	<u>(158,219)</u>	<u>(59,773)</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>3,572,544</u>	<u>3,572,013</u>
Adjustments (<i>thousands</i>)	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for diluted loss per share (<i>thousands</i>)	<u>3,572,544</u>	<u>3,572,013</u>
Diluted loss per share (<i>US cents per share</i>)	<u>(4.429)</u>	<u>(1.673)</u>

15. Dividends

	For the six months ended	
	30 June 2022	30 June 2021
No interim dividend has been proposed (2021: Nil)	–	–
	<u> </u>	<u> </u>

Notes:

- (a) At a meeting held on 24 March 2022, the Board recommends no final dividend payment for the year ended 31 December 2021.
- (b) At a meeting held on 26 August 2022, the Board recommends no interim dividend payment for the year ending 31 December 2022.

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 2022 amounted to USD172,450,000 (31 December 2021: USD185,579,000).

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 2022 and 31 December 2021, there were no material contingent liabilities.

(c) Charges over assets

As at 30 June 2022, no bank loan was secured. As at 31 December 2021, bank loan of a subsidiary amounted to USD3,555,000 was secured by legal mortgage over the property owned by the subsidiary with a net book value of USD95,610,000.

17. Commitments

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

	As at	
	30 June 2022	31 December 2021
Existing properties – property, plant and equipment and investment properties		
– contracted but not provided for	21,854	32,491
– authorised but not contracted for	39,955	63,955
Development projects		
– contracted but not provided for	164,027	204,101
– authorised but not contracted for	76,019	84,575
	301,855	385,122

DISCUSSION AND ANALYSIS

The principal activities of the Group remained the same as in 2021. The Group's business is organised into four main segments:

- **Hotel Properties** – development, ownership and operations of hotel properties (including hotels under lease)
- **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 purpose
- **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 Hotels**

The following table summarises the hotels and rooms of the Group as at 30 June 2022:

	Owned/Leased		Managed		Total Operating Hotels		Hotels Under Development	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Owned/Leased Hotels	Hotels under Management contracts
		<i>in '000</i>		<i>in '000</i>		<i>in '000</i>		
	73	30.7	19	6.1	92	36.8	3	3
	3	1.6	–	–	3	1.6	–	–
	7	2.8	2	0.6	9	3.4	1	2
	–	–	2	0.9	2	0.9	1	–
Total	83	35.1	23	7.6	106	42.7	5	5

Note: Two hotels under management contracts owned by third parties, namely Shangri-La Jeddah in Saudi Arabia and Shangri-La Nanning in Mainland China, opened for business in February 2022 and March 2022, respectively.

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

(in thousand square metres)	Group’s equity interest	Total GFA of the operating investment properties as at 30 June 2022		
		Office spaces	Commercial spaces	Serviced apartments/residential
Mainland China	20.0-100.0%	952.9	673.9	266.5
Malaysia	52.78%	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	55.86-59.28%	37.6	11.8	56.8
Sri Lanka	90.0%	59.9	79.5	3.7
TOTAL		1,157.4	847.6	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 2022 and 2021 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 2022		Profit or loss for the six months ended 30 June 2021		% change	
	Financial statement format	Effective share	Financial statement format	Effective share	Financial statement format	Effective share
<i>(USD Million)</i>						
Revenue	627.5	820.1	545.8	798.2	15.0%	2.7%
Cost of sales	(323.8)	(383.0)	(315.7)	(388.6)	-2.6%	1.4%
Gross profit	303.7	437.1	230.1	409.6	32.0%	6.7%
Operating expenses	(252.9)	(273.5)	(212.7)	(242.5)	-18.9%	-12.8%
Other gains – operating items	6.4	5.6	32.4	32.5	-80.2%	-82.8%
EBITDA	57.2	169.2	49.8	199.6	14.9%	-15.2%
Depreciation and amortisation	(144.3)	(158.2)	(165.6)	(182.0)	12.9%	13.1%
Gain on disposal of fixed assets	–	0.1	–	–	N/M	N/M
Interest income	4.2	9.1	5.4	8.8	-22.2%	3.4%
Other gains/(losses) – non-operating items	62.3	47.4	(19.4)	76.9	N/M	-38.4%
Operating (loss)/profit	(20.6)	67.6	(129.8)	103.3	84.1%	-34.6%
Finance cost – net						
– Operating items	(97.9)	(100.4)	(109.5)	(109.9)	10.6%	8.6%
– Non-operating items	(118.4)	(106.5)	–	–	N/M	N/M
Share of profit of associates	48.3	–	133.6	–	-63.8%	N/M
Loss before income tax	(188.6)	(139.3)	(105.7)	(6.6)	-78.4%	N/M
Income tax credit/(expense)						
– Operating items	1.9	(24.8)	4.7	(34.6)	-59.6%	28.3%
– Non-operating items	0.2	5.9	2.4	(18.6)	-91.7%	N/M
Loss for the period	(186.5)	(158.2)	(98.6)	(59.8)	-89.1%	-164.5%
Add: Loss attributable to non-controlling interests	28.3	–	38.8	–	-27.1%	N/M
Loss attributable to owners of the Company	(158.2)	(158.2)	(59.8)	(59.8)	-164.5%	-164.5%

N/M: not meaningful

Financial highlights

- Consolidated revenue for the six months ended 30 June 2022 was USD627.5 million, an increase of 15.0%, compared to USD545.8 million for the six months ended 30 June 2021. Hotel business recovery was strong in destinations where travel restrictions and entry requirements have been relaxed, such as United Kingdom, Turkey, the Philippines, Singapore and Malaysia. The overall hotel business recovery was partially offset by temporary challenges in Mainland China due to sporadic outbreaks that led to localised lockdowns.
- Effective share of revenue for the six months ended 30 June 2022 was USD820.1 million, an increase of 2.7%, compared to USD798.2 million for the six months end 30 June 2021. The growth of effective share of revenue was slower mainly due to decrease in businesses at our hotels held by associates in Beijing and Shanghai, which were more impacted from the lockdowns.
- Effective share of EBITDA for the six months ended 30 June 2022 was USD169.2 million, a decrease of 15.2%, compared to USD199.6 million for the six months ended 30 June 2021. The decrease was mainly due to EBITDA losses at Mainland China hotels, partially offset by the recovering EBITDA from hotels from the rest of the world. As the hotels held by our associates in Beijing and Shanghai were more impacted from the lockdowns, results on effective share basis were worse when compared to results on consolidated basis.
- Effective share of operating profit was USD67.6 million for the six months ended 30 June 2022, compared to USD103.3 million for the same period in 2021.
 - This was mainly due to net fair value gains on investment properties of USD24.2 million before deferred tax (USD30.1 million net of deferred tax) for the six months ended 30 June 2022, compared to net fair value gains on investment properties of USD79.2 million before deferred tax (USD60.4 million net of deferred tax) for the same period in 2021. Most of the fair value gains in 2022 were from investment properties held by subsidiaries while for 2021 most came from investment properties held by associates, leading to better results in 2022 on consolidated basis.
 - Effective share of depreciation and amortisation was USD158.2 million for the six months ended 30 June 2022, a decrease of 13.1%, compared to USD182.0 million for the six months ended 30 June 2021. The decrease was mainly due to a portion of our assets have been fully depreciated in 2021, as well as impairment of certain assets made in 2021 of USD157.7 million.

- Effective share of loss before income tax was USD139.3 million for the six months ended 30 June 2022, compared to a loss of USD6.6 million for the same period in 2021. The increase of loss was mainly due to exceptional foreign exchange loss of USD106.6 million arising from a 44% depreciation of Sri Lankan rupee in the first six months of 2022.
- All in all, loss attributable to owners of the company was USD158.2 million for the six months ended 30 June 2022, compared to a loss of USD59.8 million for the six months ended 30 June 2021.

SUMMARY OF NET ASSET VALUE *(Note 1)*

According to the Group's accounting policies, investment properties are stated at fair value by external valuers while hotel properties are stated at historical cost less depreciation and impairment losses. As a result, the carrying values of the Group's hotel properties do not capture revaluation gains which would otherwise be included in their fair values.

The Group has carried out internal valuations for the hotel properties owned by the Group's subsidiaries and associates based on discounted 10-year cash flow projections to assess the potential fair values of the hotel properties and the resulting adjusted net asset value of the Group if the Group's hotel properties were to be stated at fair values. To verify the valuations of the hotel properties, external valuations have been performed by independent professional valuers to determine the fair value of a portfolio of hotel properties owned by the Group's subsidiaries, whose aggregate effective share of the valuation surplus (being the surplus by which its valuation exceeds its carrying value) constitutes at least 50% of the total valuation surplus of all the hotel properties.

As at 30 June 2022, based on external valuations of such portfolio of identified hotel properties and internal valuations of the Group's remaining hotel properties, the effective share of the valuations of all the Group's hotel properties was USD12,019.0 million, of which USD4,907.0 million was derived from external valuations and USD7,112.0 million was derived from internal valuations. When compared to the effective share of the carrying value of the hotel properties, the effective share of the valuation surplus attributable to the owners of the Company after deferred tax was USD5,431.1 million, of which USD3,527.1 million was derived from external valuations and USD1,904.0 million was derived from internal valuations. Such valuation surplus attributable to non-controlling interests after deferred tax was USD410.6 million, of which USD280.2 million was derived from external valuations and USD130.4 million was derived from internal valuations.

If all the hotel properties were to be stated at fair values, the Group's net asset value attributable to the owners of the Company ("NAV") would therefore be increased from the reported balance of USD5,426.4 million to the adjusted balance of USD10,857.5 million while total equity would be increased from the reported balance of USD5,554.0 million to the adjusted balance of USD11,395.7 million.

<i>(USD Million)</i>	Carrying value of hotel properties at effective share^(Note 2)	Valuation of hotel properties at effective share^(Note 2)	Valuation surplus at effective share after deferred tax^(Note 2)
The People's Republic of China			
Hong Kong	753.5	2,576.8	1,761.8
Mainland China	2,632.6	5,193.6	1,920.8
Singapore	508.1	1,601.7	1,023.5
Malaysia	120.4	289.4	128.4
The Philippines	300.5	535.5	176.3
Thailand	89.0	183.6	75.7
Australia	284.2	437.5	107.3
Others ^(Note 3)	876.5	1,200.9	237.3
Total	5,564.8	12,019.0	5,431.1
	NAV	Non- controlling interests	Total equity
Reported balance based on carrying value of hotel properties	5,426.4	127.6	5,554.0
Add: Valuation surplus of hotel properties after deferred tax	5,431.1	410.6	5,841.7
Adjusted balance based on valuation of hotel properties	10,857.5	538.2	11,395.7
Reported NAV per share ^(Note 4)	USD1.52 (equivalent to HKD11.78)		
Adjusted NAV per share ^(Note 4)	USD3.04 (equivalent to HKD23.56)		

Notes:

- (1) Net asset value refers to the Group's total assets less total liabilities (i.e. equity) attributable to the owners of the Company.
- (2) The effective share refers to the Group's share of subsidiaries' and associates' carrying value and valuation of hotel properties based on percentage of equity interests.
- (3) Others include France, Maldives, Turkey, Fiji, Myanmar, Indonesia, Mongolia, Mauritius, Sri Lanka, Japan and United Kingdom.
- (4) NAV per share is computed based on 3,574,208,000 shares in issue after adjusting for shares held by the Group.

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 interim results announcement.

	For the six months ended 30 June		
	2022 <i>USD Million</i>	2021 <i>USD Million</i>	% change
Hotel Properties	514.5	462.4	11.3%
Hotel Management and Related Services	85.5	60.5	41.3%
Sub-total Hotel Operations	600.0	522.9	14.7%
Investment Properties	50.9	45.6	11.6%
Property Development for Sale	10.3	6.4	60.9%
Other Businesses	3.5	2.7	29.6%
Less: Inter-Segment Revenue	(37.2)	(31.8)	-17.0%
Total Group Consolidated Revenue	627.5	545.8	15.0%

Consolidated revenue was USD627.5 million for the six months ended 30 June 2022, an increase of 15.0% (or USD81.7 million), compared to USD545.8 million for the six months ended 30 June 2021. The increase was mainly driven by:

- The positive momentum and improvement of business environment for our Hotel Properties in most regions we operate in as travel and gathering restrictions have been loosened. This was partially offset by decline of revenues from our hotels in Mainland China due to temporary restrictions related to local COVID-19 outbreaks in certain cities during the period. Consolidated revenue from our Hotel Operations as a result increased USD77.1 million to USD600.0 million for the six months ended 30 June 2022.
- A continued steady contribution from our Investment Properties business, where consolidated revenue increased USD5.3 million to USD50.9 million for the six months ended 30 June 2022.
- Higher number of residential units handed over at Shangri-La's One Galle Face development in Colombo, Sri Lanka, leading to higher revenue recognition for our Property Development for Sale business.

(i) Hotel Properties

For the six months ended 30 June 2022, the increase of consolidated revenue from our hotel properties was driven by the recovery in most of the regions we operate in as travel and gathering restrictions have been loosened. This was partially offset by business in Mainland China due to temporary restrictions related to local COVID-19 outbreaks in certain cities during the period.

Please refer to table below for our geographical breakdown of Hotel Properties consolidated revenue for the six months ended 30 June 2022 and 2021:

Hotel Properties	For the six months ended 30 June		
	2022	2021	
	<i>USD Million</i>	<i>USD Million</i>	% change
The People's Republic of China			
Hong Kong	59.8	53.3	12.2%
Mainland China	188.1	291.8	-35.5%
Singapore	74.7	43.4	72.1%
Malaysia	29.3	7.8	275.6%
The Philippines	29.3	9.9	196.0%
Japan	13.2	9.3	41.9%
Thailand	9.0	4.1	119.5%
France	21.8	1.8	1,111.1%
Australia	31.8	24.2	31.4%
United Kingdom	25.8	7.6	239.5%
Mongolia	4.8	2.0	140.0%
Sri Lanka	10.3	4.5	128.9%
Other countries	16.6	2.7	514.8%
Total consolidated revenue	514.5	462.4	11.3%

The key performance indicators of the Group-owned hotels (including hotels under lease) on an unconsolidated basis (including both subsidiaries and associates) for the six months ended 30 June 2022 and 2021 are as follows:

Country	2022 Weighted Average			2021 Weighted Average		
	Occupancy (%)	Room Rate (USD)	RevPAR (USD)	Occupancy (%)	Room Rate (USD)	RevPAR (USD)
The People's Republic of China						
Hong Kong	34	189	65	31	145	45
Mainland China	32	95	30	50	113	57
Tier 1 Cities	33	119	39	52	150	78
Tier 2 Cities	35	81	28	53	93	50
Tier 3+4 Cities	25	87	21	42	96	40
Singapore	44	243	108	44	106	46
Malaysia	37	101	37	10	81	8
The Philippines	34	186	63	8	158	13
Japan	47	366	171	23	396	91
Thailand	20	100	20	6	87	6
France	44	1,738	758	25	1,215	305
Australia	58	251	146	47	222	104
United Kingdom	54	803	435	15	881	129
Mongolia	22	172	38	19	123	24
Sri Lanka	23	136	32	8	96	8
Other countries	39	187	74	22	114	25
Non-Mainland China Weighted Average	37	209	78	22	141	31
Total Weighted Average	34	149	51	38	120	45

The weighted average occupancy of our hotels was 34% for the six months ended 30 June 2022, a decrease of 4 percentage points compared to 38% for the six months ended 30 June 2021. The RevPAR was USD51 for the six months ended 30 June 2022, an increase of 13%, compared to USD45 for the six months ended 30 June 2021. The decrease of occupancy rate was mainly due to a drop in Mainland China hotels arising from localised lockdowns during the period. If we exclude Mainland China, the weighted average occupancy was 37% for the six months ended 30 June 2022, an increase of 15 percentage points compared to 22% for the six months ended 30 June 2021. The RevPAR was USD78 for the six months ended 30 June 2022, an increase of 152%, compared to USD31 for the six months ended 30 June 2021.

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 34% for the six months ended 30 June 2022, an increase of 3 percentage points, compared to 31% for the six months ended 30 June 2021. The RevPAR was USD65 for the six months ended 30 June 2022, an increase of 44%, compared to USD45 for the six months ended 30 June 2021. 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 2022 increased by 12.2% to USD59.8 million.

Mainland China

The Group had equity interest in 46 operating hotels in Mainland China as at 30 June 2022.

For Mainland China, the occupancy was 32% for the six months ended 30 June 2022, a decrease of 18 percentage points, compared to 50% for the six months ended 30 June 2021. The RevPAR was USD30 for the six months ended 30 June 2022, a decrease of 47%, compared to USD57 for the six months ended 30 June 2021. During the period, various cities had been disrupted by temporary lockdowns and travel restrictions due to outbreak of COVID-19.

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

- In Tier 1 cities, the occupancy was 33% for the six months ended 30 June 2022, a decrease of 19 percentage points, compared to 52% for the six months ended 30 June 2021. The RevPAR was USD39 for the six months ended 30 June 2022, a decrease of 50%, compared to USD78 for the six months ended 30 June 2021. Shanghai, Beijing, Shenzhen and Guangzhou had all been impacted by lockdowns due to local outbreak of COVID-19 at some point in first six months of 2022.
- In Tier 2 cities, the occupancy was 35% for the six months ended 30 June 2022, a decrease of 18 percentage points, compared to 53% for the six months ended 30 June 2021. The RevPAR was USD28 for the six months ended 30 June 2022, a decrease of 44%, compared to USD50 for the six months ended 30 June 2021. Our hotels in Tier 2 cities were impacted by various travel and gathering restrictions due to sporadic local outbreaks of COVID-19, as well as reduced demand from feeder markets such as Shanghai which was on lockdown.
- In Tier 3 and Tier 4 cities, the occupancy was 25% for the six months ended 30 June 2022, a decrease of 17 percentage points, compared to 42% for the six months ended 30 June 2021. The RevPAR was USD21 for the six months ended 30 June 2022, a decrease of 48%, compared to USD40 for the six months ended 30 June 2021. Our hotels in Tier 3/4 cities were impacted by various travel and gathering restrictions due to sporadic local outbreaks of COVID-19, as well as reduced demand from feeder markets such as Shanghai which was on lockdown.

Total revenue from Mainland China hotel properties for the six months ended 30 June 2022 decreased by 35.5% to USD188.1 million.

Singapore

For Singapore, the occupancy was 44% for the six months ended 30 June 2022, flat compared to 44% for the six months ended 30 June 2021. The RevPAR was USD108 for the six months ended 30 June 2022, an increase of 135%, compared to USD46 for the six months ended 30 June 2021. The improvement was driven by relaxation of COVID-19 related restrictions and resumption of internal business, driving the growth of average daily rate at our hotels. Total revenue from Singapore hotel properties for the six months ended 30 June 2022 increased by 72.1% to USD74.7 million.

Malaysia

For Malaysia, the occupancy was 37% for the six months ended 30 June 2022, an increase of 27 percentage points, compared to 10% for the six months ended 30 June 2021. The RevPAR was USD37 for the six months ended 30 June 2022, an increase of 363%, compared to USD8 for the six months ended 30 June 2021. The improvement was mainly driven by the momentum of domestic staycation demand after the resumption of inter-state travelling in mid-October 2021, as well as reopening of its borders on 1 April 2022. Total revenue from Malaysia hotel properties for the six months ended 30 June 2022 increased by 275.6% to USD29.3 million.

The Philippines

For the Philippines, the occupancy was 34% for the six months ended 30 June 2022, an increase of 26 percentage points, compared to 8% for the six months ended 30 June 2021. The RevPAR was USD63 for the six months ended 30 June 2022, an increase of 385%, compared to USD13 for the six months ended 30 June 2021. The recovery was mainly driven by domestic demand after the COVID-19 restrictions had been eased as the country's Alert Level had been reduced to the lowest level of "1". Total revenue from the Philippines hotel properties for the six months ended 30 June 2022 increased by 196.0% to USD29.3 million.

France

For France, the occupancy was 44% for the six months ended 30 June 2022, an increase of 19 percentage points, compared to 25% for the six months ended 30 June 2021. The RevPAR was USD758 for the six months ended 30 June 2022, an increase of 149%, compared to USD305 for the six months ended 30 June 2021. Our hotel in Paris was reopened for business in June 2021 after being closed since mid-March 2020, and business continued to ramp up since then. Total revenue from our France hotel property for the six months ended 30 June 2022 increased by 1,111.1% to USD21.8 million.

Australia

For Australia, the occupancy was 58% for the six months ended 30 June 2022, an increase of 11 percentage points, compared to 47% for the six months ended 30 June 2021. The RevPAR was USD146 for the six months ended 30 June 2022, an increase of 40%, compared to USD104 for the six months ended 30 June 2021. Recovery of our hotels in Australia continued to be largely driven by the strong domestic demand 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 2022 increased by 31.4% to USD31.8 million.

United Kingdom

For United Kingdom, the occupancy was 54% for the six months ended 30 June 2022, an increase of 39 percentage points, compared to 15% for the six months ended 30 June 2021. The RevPAR was USD435 for the six months ended 30 June 2022, an increase of 237%, compared to USD129 for the six months ended 30 June 2021. Our hotel in London was benefited from the continued pick up in business as travel and gathering restrictions were relaxed in May 2021. Total revenue from our United Kingdom hotel property for the six months ended 30 June 2022 increased by 239.5% to USD25.8 million.

(ii) Hotel Management & Related Services

As at 30 June 2022, the Group managed a total of 106 hotels and resorts:

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

The 23 operating hotels (7,530 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
- Saudi Arabia: Jeddah
- Malaysia: Johor and Kuala Lumpur
- India: New Delhi and Bengaluru
- Taiwan: Taipei and Tainan
- Mainland China: Changzhou, Haikou, Suzhou (2 hotels), Yiwu, Nanning, Shanghai and Beijing

The overall weighted average occupancy of the hotels under third-party hotel management agreements was 39% for the six months ended 30 June 2022, an increase of 2 percentage points, compared to 37% for the six months ended 30 June 2021. The RevPAR was USD61 for the six months ended 30 June 2022, an increase of 74%, compared to USD35 for the six months ended 30 June 2021. The increase was mainly attributable to the improvement of hotels business in destinations where travel and gathering restrictions have loosened, such as Canada, India, Malaysia and the UAE.

Gross revenues for hotel management and related services was USD85.5 million for the six months ended 30 June 2022, an increase of 41.3% compared to USD60.5 million for the six months ended 30 June 2021.

After eliminating inter-segment sales with subsidiaries, the net revenues for hotel management and related services was USD48.3 million for the six months ended 30 June 2022, an increase of 68.3% compared to USD28.7 million for the six months ended 30 June 2021.

(iii) Investment Properties

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

Investment Properties	For the six months ended 30 June		
	2022 <i>USD Million</i>	2021 <i>USD Million</i>	% change
Mainland China	14.6	11.9	22.7%
Singapore	5.9	4.5	31.1%
Malaysia	2.3	2.6	-11.5%
Mongolia	13.8	10.6	30.2%
Sri Lanka	6.4	5.5	16.4%
Other countries	7.9	10.5	-24.8%
Total consolidated revenue	50.9	45.6	11.6%

During the period, our investment properties held by subsidiaries in Sri Lanka and Mongolia saw an improvement of occupancy rates in offices and commercial spaces as the properties continue to mature. Our serviced apartments in Singapore and Mainland China also saw their occupancy and rental rates improve during the period, where in Singapore was helped by the relaxation of travel and entry requirements.

This was partially offset by our investment properties in other countries which were affected by the decrease in occupancy rates for our investment properties in Myanmar due to challenging local political and economic environment.

As a result, consolidated revenue from our investment properties for the six months ended 30 June 2022 was USD50.9 million, an increase of 11.6%, compared to USD45.6 million for the six months ended 30 June 2021.

(iv) Property Development for Sale

Property development for sale by subsidiaries for the six months ended 30 June 2022 was USD10.3 million, an increase of 60.9%, compared to USD6.4 million for the six months ended 30 June 2021. The increase was from the higher residential units handed over at One Galle Face, Colombo, Sri Lanka compared to last year, while the number of units handed over at residential tower of the Shangri-La, Dalian Phase II project (Yavis), Mainland China remained the same.

During the period, only 1 unit of Yavis was handed over. As at 30 June 2022, Yavis had a remaining inventory of 56 units.

In the first half of 2022, we handed over 14 pre-sold apartments of One Galle Face, Colombo, Sri Lanka and recognised a revenue of USD9.8 million. As at 30 June 2022, One Galle Face, Colombo, Sri Lanka had a remaining of 68 apartments for sale and 14 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 2022 and 2021 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	
		2022	2021	2022	2021	2022	2021	2022	2021
<i>(USD million)</i>									
Hotel Properties	The People's Republic of China								
	Hong Kong	(12.0)	(14.5)	(9.8)	(12.7)	0.8	(0.2)	(9.0)	(12.9)
	Mainland China	(11.5)	60.0	(12.0)	55.4	(8.9)	16.9	(20.9)	72.3
	Singapore	10.4	2.5	10.4	2.5	1.1	1.0	11.5	3.5
	Malaysia	0.9	(9.0)	0.5	(4.8)	0.3	(0.5)	0.8	(5.3)
	The Philippines	2.7	(7.6)	2.8	(7.5)	2.8	(0.3)	5.6	(7.8)
	Japan	0.6	(0.3)	0.6	(0.3)	—	—	0.6	(0.3)
	Thailand	(1.7)	(4.1)	(1.3)	(3.0)	—	—	(1.3)	(3.0)
	France	1.8	(2.8)	1.8	(2.8)	—	—	1.8	(2.8)
	Australia	5.9	2.6	5.9	2.6	—	—	5.9	2.6
	United Kingdom	4.6	11.1	4.6	11.1	—	—	4.6	11.1
	Mongolia	—	(0.3)	—	(0.1)	—	—	—	(0.1)
	Sri Lanka	2.6	(2.9)	2.3	(2.6)	—	—	2.3	(2.6)
	Other countries	1.2	(6.1)	1.3	(4.1)	4.1	0.5	5.4	(3.6)
		5.5	28.6	7.1	33.7	0.2	17.4	7.3	51.1
Hotel Management and Related Services		21.6	(2.0)	21.6	(2.0)	—	—	21.6	(2.0)
Sub-total Hotel Operations		27.1	26.6	28.7	31.7	0.2	17.4	28.9	49.1
Investment Properties	Mainland China	9.1	5.6	8.2	4.9	116.8	122.5	125.0	127.4
	Singapore	3.6	1.9	3.6	1.9	1.3	1.7	4.9	3.6
	Malaysia	1.1	1.7	0.6	0.9	—	—	0.6	0.9
	Mongolia	10.2	7.6	5.2	3.9	—	—	5.2	3.9
	Sri Lanka	3.4	2.0	3.0	1.8	—	—	3.0	1.8
	Other countries	3.6	6.1	2.2	3.6	—	—	2.2	3.6
Sub-total Investment Properties		31.0	24.9	22.8	17.0	118.1	124.2	140.9	141.2
Property Development for Sale & Other Businesses		7.3	3.6	6.3	3.2	2.4	13.0	8.7	16.2
Sub-total		65.4	55.1	57.8	51.9	120.7	154.6	178.5	206.5
Corporate and pre-opening expenses		(8.2)	(5.3)	(8.2)	(5.3)	(1.1)	(1.6)	(9.3)	(6.9)
Grand total		57.2	49.8	49.6	46.6	119.6	153.0	169.2	199.6

The Group's aggregate effective share of EBITDA was USD169.2 million for the six months ended 30 June 2022, a decrease of 15.2%, compared to USD199.6 million for the six months ended 30 June 2021. Below shows the breakdown by business segments:

- Effective share of EBITDA from Hotel Properties business for the six months ended 30 June 2022 was USD7.3 million, a decrease of 85.7%, compared to USD51.1 million for the six months ended 30 June 2021. As explained in the revenue discussion, results of our hotels in Mainland China had been negatively impacted by the enhanced travel and gathering restrictions as a result of the various local outbreaks of COVID-19 during the period. This was partially offset by a healthy recovery of hotels business in regions where COVID-19 restrictions have been relaxed. The lower EBITDA in 2022 was also due to receiving less subsidies and concessions in 2022 compared to same period in 2021, in particular United Kingdom, leading to lower EBITDA despite achieving growth in hotel revenues in 2022.
- Effective share of EBITDA from Hotel Management and Related Services for the six months ended 30 June 2022 was USD21.6 million, an improvement of USD23.6 million, compared to a loss of USD2.0 million for the six months ended 30 June 2021. The improvement of EBITDA was mainly due to the improvement of the overall hotels business, in particular in regions where COVID-19 restrictions have been relaxed.
- Effective share of EBITDA from Investment Properties business for the six months ended 30 June 2022 was USD140.9 million, a decrease of 0.2%, compared to USD141.2 million for the six months ended 30 June 2021. The overall business of our investment properties remained stable during the period.
- Effective share of EBITDA from Property Development for Sale & Other Businesses for the six months ended 30 June 2022 was USD8.7 million, a decrease of 46.3%, compared to USD16.2 million for the six months ended 30 June 2021. The decrease was mainly due to lower handover of units of the residential project held by our associate in Hangzhou.

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 2022 and 2021 by geographical areas and by business segments:

		For the six months ended 30 June		
		2022	2021	
		USD Mil	USD Mil	% change
Hotel Properties	The People's Republic of China			
	Hong Kong	(21.5)	(24.9)	13.7%
	Mainland China	(101.5)	(33.2)	-205.7%
	Singapore	(0.4)	(8.1)	95.1%
	Malaysia	(2.6)	(8.2)	68.3%
	The Philippines	(6.9)	(12.6)	45.2%
	Japan	(3.8)	(5.2)	26.9%
	Thailand	(2.5)	(4.2)	40.5%
	France	(3.4)	(7.9)	57.0%
	Australia	(2.6)	(5.5)	52.7%
	United Kingdom	(6.8)	(0.6)	-1,033.3%
	Mongolia	(3.0)	(3.3)	9.1%
	Sri Lanka	(2.3)	(13.1)	82.4%
	Other countries	(0.6)	(11.0)	94.5%
		(157.9)	(137.8)	-14.6%
Hotel Management and Related Services		7.2	(9.7)	N/M
Sub-total Hotel Operations		(150.7)	(147.5)	-2.2%
Investment Properties	Mainland China	87.8	81.5	7.7%
	Singapore	3.9	3.3	18.2%
	Malaysia	0.4	0.7	-42.9%
	Mongolia	3.1	1.4	121.4%
	Sri Lanka	0.4	(11.5)	N/M
	Other countries	1.3	2.5	-48.0%
Sub-total Investment Properties		96.9	77.9	24.4%
Property Development for Sale & Other Businesses		7.4	7.7	-3.9%
Consolidated loss from operating properties		(46.4)	(61.9)	25.0%
Net corporate finance costs (including foreign exchange gains and losses)		(50.6)	(47.7)	-6.1%
Land cost amortisation & pre-opening expenses for projects & corporate expenses		(8.0)	(8.5)	5.9%
Consolidated loss attributable to owners of the Company before non-operating items		(105.0)	(118.1)	11.1%
Non-operating items		(53.2)	58.3	N/M
Consolidated loss attributable to owners of the Company after non-operating items		(158.2)	(59.8)	-164.5%

N/M: not meaningful

Consolidated financial results attributable to owners of the Company after non-operating items for the six months ended 30 June 2022 was a loss of USD158.2 million, compared to a loss of USD59.8 million for the six months ended 30 June 2021. Below shows the breakdown by business segments:

- Hotel Properties registered a loss of USD157.9 million for the six months ended 30 June 2022, an increase in loss of 14.6%, compared to a loss of USD137.8 million for the six months ended 30 June 2021. The higher losses were mainly due to challenges in Mainland China which were negatively impacted by the enhanced travel and gathering restrictions as a result of the various local outbreaks of COVID-19 during the period. This was partially offset by improvement of hotels business in regions where COVID-19 restrictions have been relaxed.
- Hotel Management and Related Services registered a profit of USD7.2 million for the six months ended 30 June 2022 compared to a loss of USD9.7 million for the six months ended 30 June 2021. That were mainly due to the improvement of the overall hotels business, in particular in regions where COVID-19 restrictions have been relaxed.
- Investment Properties profit for the six months ended 30 June 2022 was USD96.9 million, an increase of 24.4%, compared to USD77.9 million for the six months ended 30 June 2021. This was primarily attributable to a reclassification of foreign exchange losses arising from the depreciation of Sri Lankan rupee, which for six months ended 30 June 2022 was booked as a non-operating item, while for six months ended 30 June 2021 was booked as part of our Sri Lanka investment property operating losses.
- Property Development for Sale & Other Businesses profit for the six months ended 30 June 2022 was USD7.4 million, a decrease of 3.9%, compared to USD7.7 million for the six months ended 30 June 2021. The decrease was mainly due to lower handover of units of the residential project held by our associate in Hangzhou.

The overall decrease of operating loss from operating properties was mainly due to better results from Hotel Management and Related Services and Investment Properties.

- Net corporate finance cost for the six months ended 30 June 2022 was USD50.6 million, an increase of 6.1%, compared to USD47.7 million for the six months ended 30 June 2021. This included an exchange gain of USD8.3 million arising from the intra-group borrowings in Singapore dollars at Corporate level during the period compared to an exchange gain of USD11.1 million for the comparable period last year.
- Non-operating items for the six months ended 30 June 2022 was an aggregate loss of USD53.2 million compared to an aggregate gain of USD58.3 million for the six months ended 30 June 2021. For the six months ended 30 June 2022, amongst other items, we have recognised an exceptional foreign exchange loss of USD106.6 million arising from the significant depreciation of the Sri Lankan rupee that impacted the foreign currency bank loans borrowed by our Sri Lanka entity, as well as a USD10.6 million gain recognised from the completion of disposal of 80% of our project in Kyoto. For the six months ended 30 June 2022, amongst other items, we have recognised net fair value gains on investment properties of USD30.1 million.

CORPORATE DEBT AND FINANCIAL CONDITIONS

As at 30 June 2022, the Group's net borrowings (total bank loans and fixed rate bonds less cash and bank balances and short-term fund placements) was USD4,901.3 million, an increase of USD98.3 million, compared to USD4,803.0 million as at 31 December 2021. As at 30 June 2022, the aggregate effective share of net borrowings of subsidiaries and associates based on percentage of equity interests was USD4,413.3 million, an increase of USD142.8 million, compared to USD4,270.5 million as at 31 December 2021. The increase was mainly driven by the operating cash deficits from hotel operations as affected by COVID-19 pandemic during the period, as well as timing of receipt of cash from our associates. In July and August 2022, we have already received USD70.7 million from our associates and expect more to come during the remainder of the year.

The Group's net borrowings to total equity ratio, i.e. the gearing ratio, increased to 88.2% as at 30 June 2022 from 79.4% as at 31 December 2021. This increase was mainly driven by the significant decrease of total equity due to the weakening of global currencies against USD during the period which shrank the Group's net assets presented in USD terms.

During the period, the Group executed the following bank loan agreements at the subsidiary level:

- One 3-year bank loan agreement of SGD55 million for financing a project development
- Two 3-year bank loan agreements totalling RMB473 million for financing maturing loans

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 2022.

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

The analysis of borrowings outstanding as at 30 June 2022 is as follows:

<i>(USD million)</i>	Maturities of Borrowings Contracted as at 30 June 2022				Total
	Within 1 year	In the 2nd year	Repayment In the 3rd to 5th year	After 5 years	
Borrowings					
Corporate borrowings					
– unsecured bank loans	304.0	364.3	2,051.6	243.0	2,962.9
– fixed rate bonds	—	—	722.8	368.9	1,091.7
Bank loans of subsidiaries					
– unsecured	325.1	352.5	692.1	128.1	1,497.8
Total outstanding balance	629.1	716.8	3,466.5	740.0	5,552.4
<i>% of total outstanding balance</i>	<i>11.4%</i>	<i>12.9%</i>	<i>62.4%</i>	<i>13.3%</i>	<i>100.0%</i>
Undrawn but committed facilities					
Bank loans	91.6	177.3	835.0	103.8	1,207.7

Out of the USD1,207.7 million undrawn but committed facilities, USD264.8 million is reserved to be drawn down to replace existing bank loan facilities.

The currency mix of borrowings and cash and bank balances as at 30 June 2022 is as follows:

<i>(USD million)</i>	Borrowings	Cash and Bank Balances (Note)
In United States dollars	2,158.0	64.6
In Hong Kong dollars	1,494.4	34.2
In Singapore dollars	1,060.4	98.3
In Renminbi	583.5	291.5
In Euros	78.3	14.7
In Australian dollars	55.1	14.6
In Japanese yen	109.1	1.6
In Fiji dollars	13.6	3.6
In Philippines pesos	—	25.1
In Thai baht	—	30.7
In Malaysian ringgit	—	16.9
In British pounds	—	4.3
In Mongolian tugrik	—	20.2
In Sri Lankan rupee	—	28.1
In Myanmar kyat	—	1.7
In other currencies	—	1.0
	5,552.4	651.1

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. However, the Group has entered into interest-rate swap contracts on such floating interest rate borrowings to hedge its medium term interest rate risks. Please see next section for further details.

Details of financial guarantees, contingencies and charges over assets as at 30 June 2022 are disclosed in Note 16 to the condensed consolidated interim financial statements included in this interim results 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. During the period, interest-rate swap contracts totalling USD600 million were matured and the Group had executed a new LIBOR 5-year term interest-rate swap contract amounted to USD600 million at fixed rate of 1.46% per annum to replace the matured contracts so as to fix the interest rates of the corporate bank loan of the same amount. As at 30 June 2022, 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 November 2023 to March 2027
- HKD6,170.0 million at fixed rates ranging between 1.505% and 1.855% per annum maturing during July 2023 to August 2026
- RMB181.5 million at fixed rates ranging between 3.370% and 3.550% per annum maturing during September 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 61.0% of its outstanding borrowings as at 30 June 2022, compared to 61.7% as at 31 December 2021.

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 2022, 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 2022, the Group recorded an overall effective share of net fair value gains of USD30.1 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 2022:

<i>(USD million)</i>	<u>Subsidiaries</u>		<u>Associates</u>		<u>Total</u>	
	100%	Effective Share	100%	Effective Share	100%	Effective Share
Gains/(Losses)	38.6	42.4	(45.8)	(18.2)	(7.2)	24.2
Deferred tax	0.2	0.3	13.8	5.6	14.0	5.9
Net gains/(losses)	<u>38.8</u>	<u>42.7</u>	<u>(32.0)</u>	<u>(12.6)</u>	<u>6.8</u>	<u>30.1</u>

FINANCIAL ASSETS — TRADING SECURITIES

As at 30 June 2022, the market value of the Group's investment portfolio was USD22.1 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited amounting to USD12.6 million; 2,241,725 ordinary shares in Kerry Logistics Network Limited amounting to USD4.9 million; and 15,193,700 ordinary shares in Don Muang Tollway PCL amounting to USD4.6 million. The Group recorded gains of USD0.2 million and a loss of USD0.1 million through profit or loss and other comprehensive income, respectively for the six months ended 30 June 2022. 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	20%	80	2024

The Shangri-La and Traders Hongqiao Airport with 611 rooms 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)			Scheduled Completion
		Residential	Office	Commercial	
In Mainland China					
Shenyang Kerry Centre					
– Phase III	25%	308,521	69,176	96,468	2022 onwards*
Kunming City Project	45%	20,917	–	–	2024
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	6,465	2023
Tianjin Kerry Centre					
– Phase II	20%	28,530	92,651	17,490	2025
TOTAL		451,993	312,722	174,802	

* Being developed in phases

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

Hotel development

- 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 2022, the Group completed a sale and purchase transaction 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 USD64.3 million. A disposal gain of USD10.6 million was recognised during the period. The Group's equity interest in the project has been reduced from 100% to 20% after the completion of the transaction.

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

During the six months ended 30 June 2022, two hotels under management agreements owned by third parties, namely Shangri-La Jeddah in Saudi Arabia and Shangri-La Nanning in Mainland China, opened for operation. As at the date of this announcement, the Group has management agreements for 23 operating hotels owned by third parties. In addition, the Group also has agreements on hand for the development of 5 new hotels currently under development and owned by third parties. The development projects are located in Shenzhen (2 hotels) and Hangzhou (Mainland China), 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 2022, the Company and its subsidiaries had approximately 22,800 employees. The number of people employed by Shangri-La Group, including all operating hotels, was 38,200. Remuneration policies, share option scheme, share award scheme and training schemes have been consistently applied by the Group as disclosed in 2021 annual report.

PROSPECTS

As the symptoms of the latest COVID-19 variants continue to become less severe, we are seeing more and more countries beginning to edge closer to normality. From the perspective of our hospitality business, we have seen a sustained momentum of recovery for destinations that have relaxed travel restrictions and entry requirements, underpinned by a strong pent-up demand.

For the remainder of the year, we expect recovery to be mainly driven by leisure demand especially for those that have only recently reopened this year, such as the Philippines (reopened in Feb 2022), Singapore and Malaysia (both reopened in April 2022). Thailand has also in May 2022 dropped requirements for pre-flight negative PCR test requirements for vaccinated travellers, which should also help with the recovery for the rest of 2022. For destinations that have reopened for longer, such as United Kingdom and Turkey, we are beginning to see corporate and MICE demand gathering momentum.

For Mainland China hotels, operating performance commenced recovery in May, and began to lead the Group's average occupancy in July. The remainder of 2022 should fare better barring any more prolonged citywide lockdowns, specifically in important feeder cities such as Shanghai and Beijing. Meanwhile, Hong Kong is on its path to further easing, where local government has recently announced reduction of quarantine requirements upon entry as well as plans to resume Rugby Sevens in November 2022 since the last event was held in 2019.

We remain vigilant with our costs and balance sheet. As at 30 June 2022, the Group had cash and cash equivalent of USD651 million and committed undrawn facilities of USD1.2 billion, completed refinancing arrangement for 88% of our 2022 refinancing needs, and have begun 2023 refinancing negotiations. We will conserve our accessible cash reserve by declaring no interim dividend and closely managing our capital expenditure. Lastly, we continue to closely monitor other challenges such as inflation and interest rate risks, and have fixed the interest rate for about 61% of our total debts to hedge against rising interest rates.

All in all, we are cautiously optimistic for the rest of 2022, and will continue to stay focused on capturing business opportunities while staying nimble where the environment of the hospitality business can change quickly. We look forward to the new openings of a managed hotel in Qianhai, Mainland China in the second half of 2022. We will continue our unwavering dedication in preparing our signature Asian hospitality for our guests.

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 ("**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, 26 August 2022

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

Executive directors

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

Independent non-executive directors

Professor LI Kwok Cheung Arthur
Mr YAP Chee Keong
Mr LI Xiaodong Forrest
Mr ZHUANG Chenchao
Ms KHOO Shulamite N K