SHANGRI-LA GROUP

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

2023 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 2023. 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 2023, consolidated financial results attributable to owners of the Company before non-operating items recorded a profit of USD64.6 million, an improvement of USD169.6 million, compared to a loss of USD105.0 million for the same period last year. Consolidated financial results attributable to owners of the Company after accounting for non-operating items recorded a profit of USD131.4 million, a significant improvement of USD289.6 million, compared to a loss of USD158.2 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 2023 (2022: Nil).

The following table summarises the highlights of our financial results:

	Six months ended 30 June		
	2023	2022	
	USD Million	*USD Million*	% change
Revenue	**1,006.0**	627.5	60.3%
EBITDA*(Note 1)* of the Company and its subsidiaries	**266.0**	57.2	365.0%
Effective share of EBITDA*(Note 2)* of the Company, subsidiaries and associates	**396.5**	169.2	134.3%
Profit/(Loss) attributable to owners of the Company			
– Operating items	**64.6**	(105.0)	N/M
– Non-operating items	**66.8**	(53.2)	N/M
Total	**131.4**	(158.2)	N/M
Earnings/(Loss) per share (US cents per share)	**3.688**	(4.429)	N/M

	As at		
	30 June 2023	31 December 2022	
	USD Million	*USD Million*	% change
Net assets attributable to owners of the Company	**5,129.6**	5,254.0	-2.4%
Net assets per share attributable to owners of the Company (USD)	**1.44**	1.47	-2.0%

(N/M: Not meaningful)

Notes:

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

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

- Consolidated revenue was USD1,006.0 million for the six months ended 30 June 2023, an increase of 60.3% or USD378.5 million, compared to USD627.5 million for the six months ended 30 June 2022. This significant growth was primarily attributable to the robust recovery of the hotel business, particularly in Hong Kong and Mainland China which experienced strong demand following the easing of cross-border restrictions earlier this year. Additionally, sustained momentum in international travel and tourism activities supported revenue growth in other regions where the Group maintains operations. The combined effects of rebounding travel activities, relaxed pandemic related restrictions, and pent-up consumer demand catalysed the revenue growth during the period.

- EBITDA of the Company and its subsidiaries was USD266.0 million for the six months ended 30 June 2023, an increase of 365.0% or USD208.8 million, compared to USD57.2 million for the six months ended 30 June 2022. Effective share of EBITDA of the Company, subsidiaries and associates was USD396.5 million for the six months ended 30 June 2023, an increase of 134.3% or USD227.3 million, compared to USD169.2 million for the six months ended 30 June 2022. The improvement was mainly driven by the strong recovery of the hotel business as highlighted above.

- Consolidated financial results attributable to owners of the Company was a profit of USD131.4 million for the six months ended 30 June 2023, an improvement of USD289.6 million, compared to a loss of USD158.2 million for the six months ended 30 June 2022. Apart from the favourable results from hotel business as highlighted above, the Group was also benefited by an exceptional foreign exchange gain of USD42.3 million arising from an appreciation of Sri Lankan rupee during the period as well as net fair value gain of USD29.8 million on investment properties for the six months ended 30 June 2023.

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

	Note	**As at 30 June 2023 Unaudited**	As at 31 December 2022 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**4,047,409**	4,171,457
Investment properties		**1,755,214**	1,724,867
Right-of-use assets		**1,059,351**	1,074,681
Intangible assets		**104,186**	108,804
Interest in associates		**4,028,257**	4,124,967
Deferred income tax assets		**79,244**	86,534
Financial assets at fair value through other comprehensive income		**2,101**	3,177
Financial assets at fair value through profit or loss		**11,817**	12,902
Derivative financial instruments		**66,261**	74,975
Other receivables		**12,447**	13,488
		11,166,287	11,395,852
Current assets			
Inventories		**28,835**	31,378
Properties for sale		**52,814**	51,177
Accounts receivable, prepayments and deposits	4	**247,252**	209,026
Amounts due from associates		**142,138**	107,942
Derivative financial instruments		**58,590**	58,253
Financial assets at fair value through profit or loss		**12,050**	13,884
Short-term deposits with original maturities over 3 months		**59,339**	12,992
Cash and cash equivalents		**705,511**	753,002
		1,306,529	1,237,654
Total assets		**12,472,816**	12,633,506
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital and premium	5	**3,201,995**	3,201,995
Shares held for share award scheme	5	**(10,064)**	(6,111)
Other reserves		**322,641**	568,847
Retained earnings		**1,615,064**	1,489,310
		5,129,636	5,254,041
Non-controlling interests		**175,578**	170,474
Total equity		**5,305,214**	5,424,515

		As at	
		30 June	31 December
		2023	2022
	Note	**Unaudited**	Audited
LIABILITIES			
Non-current liabilities			
Bank loans		**3,879,990**	3,527,212
Fixed rate bonds		**1,020,776**	1,132,761
Derivative financial instruments		**10,418**	7,700
Long term lease liabilities		**532,011**	518,960
Deferred income tax liabilities		**300,280**	295,490
		5,743,475	5,482,123
Current liabilities			
Accounts payable and accruals	7	**509,183**	579,222
Contract liabilities		**104,235**	89,412
Short term lease liabilities		**41,289**	44,729
Amounts due to non-controlling shareholders		**51,944**	51,779
Current income tax liabilities		**17,095**	6,113
Bank loans		**595,547**	952,444
Fixed rate bonds		**99,518**	–
Derivative financial instruments		**5,316**	3,169
		1,424,127	1,726,868
Total liabilities		**7,167,602**	7,208,991
Total equity and liabilities		**12,472,816**	12,633,506

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

	Note	**Six months ended 30 June 2023 Unaudited**	2022 Unaudited
Revenue	3	**1,005,976**	627,454
Cost of sales	8	**(439,696)**	(323,709)
Gross profit		**566,280**	303,745
Other gains – net	9	**12,237**	72,919
Marketing costs	8	**(34,386)**	(27,786)
Administrative expenses	8	**(107,103)**	(97,638)
Other operating expenses	8	**(295,425)**	(271,885)
Operating profit/(loss)		**141,603**	(20,645)
Finance costs – net			
– Interest expense	10	**(131,973)**	(100,903)
– Foreign exchange gains/(losses)	10	**50,264**	(115,341)
Share of profit of associates	11	**123,095**	48,268
Profit/(Loss) before income tax		**182,989**	(188,621)
Income tax (expense)/credit	12	**(40,525)**	2,103
Profit/(Loss) for the period		**142,464**	(186,518)
Profit/(Loss) attributable to:			
Owners of the Company		**131,364**	(158,219)
Non-controlling interests		**11,100**	(28,299)
		142,464	(186,518)
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company during the period *(expressed in US cents per share)*			
– basic	13	**3.688**	(4.429)
– diluted	13	**3.676**	(4.429)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
Profit/(Loss) for the period	**142,464**	(186,518)
Other comprehensive income/(loss):		
<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	**24**	(275)
Effect of hyperinflation	**(5,657)**	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	**(9,527)**	112,251
Currency translation differences – subsidiaries	**(81,120)**	(253,070)
Currency translation differences – associates	**(164,838)**	(219,035)
Other comprehensive loss for the period	**(261,118)**	(310,166)
Total comprehensive loss for the period	**(118,654)**	(496,684)
Total comprehensive loss attributable to:		
Owners of the Company	**(118,602)**	(439,660)
Non-controlling interests	**(52)**	(57,024)
	(118,654)	(496,684)

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 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**

	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 2023	3,201,995	(6,111)	568,847	1,489,310	5,254,041	170,474	5,424,515
Fair value changes of interest-rate swap and cross-currency swap contracts – hedging	–	–	(8,551)	–	(8,551)	(976)	(9,527)
Currency translation differences	–	–	(235,768)	–	(235,768)	(10,190)	(245,958)
Fair value changes of financial assets at fair value through other comprehensive income	–	–	10	–	10	14	24
Effect of hyperinflation	–	–	–	(5,657)	(5,657)	–	(5,657)
Other comprehensive loss recognised directly in equity	–	–	(244,309)	(5,657)	(249,966)	(11,152)	(261,118)
Profit for the period	–	–	–	131,364	131,364	11,100	142,464
Total comprehensive (loss)/income for the six months ended 30 June 2023	–	–	(244,309)	125,707	(118,602)	(52)	(118,654)
Shares purchased for share award scheme	–	(8,259)	–	–	(8,259)	–	(8,259)
Share-based compensation under share award scheme	–	–	2,456	–	2,456	–	2,456
Vesting of shares under share award scheme	–	4,306	(4,152)	(154)	–	–	–
Transfer gain on change in fair value of equity instruments sold to retained earnings	–	–	(201)	201	–	–	–
Net change in equity loans due to non-controlling shareholders	–	–	–	–	–	5,156	5,156
	–	(3,953)	(1,897)	47	(5,803)	5,156	(647)
Balance at 30 June 2023	**3,201,995**	**(10,064)**	**322,641**	**1,615,064**	**5,129,636**	**175,578**	**5,305,214**

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 operation 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 30 August 2023. 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 2023 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 USD117,598,000. The future funding requirements can be met through the committed and available bank loan facilities of USD933,209,000 which are maturing after 30 June 2024. 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 2022, 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 2022, except for the adoption of the following amendments to accounting standards which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts

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

Amendments to HKAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition, such as leases and decommissioning liabilities. Entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions. The amendments are applied prospectively to transactions that occur on or after the beginning of the earliest comparative period presented with any cumulative effect recognised as an adjustment to retained earnings or other component of equity at that date.

Following the adoption of the amendments, the Group would recognise a separate deferred tax assets arising from the lease liabilities and a deferred tax liability arising from the right-of-use assets. However, as these new deferred tax assets and liabilities qualify for offsetting in accordance with HKAS 12 and therefore there was no impact on the consolidated financial statements of the Group, except for the disclosure of the deferred tax assets and liabilities to be presented in the notes to the consolidated financial statements for the year ending 31 December 2023.

Amendments to HKAS 12, Income Taxes: International Tax Reform – Pillar Two Model Rules

The amendments introduce a mandatory temporary exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development ("**OECD**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. Upon the adoption of the amendments as HKFRS amendments by the HKIPCA, they are immediately effective upon issuance and require retrospective application.

In adopting these amendments, the Group has applied the mandatory temporary exception from recognising and disclosing information about deferred tax assets and liabilities arising from implementation of the aforesaid OECD's Pillar Two Model Rules. The current tax expense related to the Pillar Two income taxes and the known or estimated exposure to Pillar Two income taxes are required to be disclosed for annual reporting periods beginning on or after 1 January 2023 but they are not required to be disclosed in interim financial reports for any interim period ending on or before 31 December 2023.

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	
	2023	2022
Revenue		
Hotel properties		
Revenue from rooms	**486,282**	244,756
Food and beverage sales	**367,179**	230,156
Rendering of ancillary services	**48,807**	39,568
Hotel management and related services	**46,740**	48,337
Property development for sale	**597**	10,271
Other business	**3,881**	3,471
Revenue from contracts with customers	**953,486**	576,559
Investment properties	**52,490**	50,895
Total consolidated revenue	**1,005,976**	627,454

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

i. ***Hotel properties*** *– development, ownership and operation 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 operation 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 business 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 project expenses, 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 2023 and 2022 (USD million)

	2023		2022	
	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	**139.6**	**10.0**	59.8	(21.5)
Mainland China	**328.7**	**8.4**	188.1	(101.5)
Singapore	**128.8**	**22.3**	74.7	(0.4)
Malaysia	**47.2**	**2.7**	29.3	(2.6)
The Philippines	**63.6**	**8.1**	29.3	(6.9)
Japan	**24.8**	**3.8**	13.2	(3.8)
Thailand	**29.9**	**5.4**	9.0	(2.5)
France	**27.7**	**(1.4)**	21.8	(3.4)
Australia	**40.0**	**(1.2)**	31.8	(2.6)
United Kingdom	**27.2**	**(7.6)**	25.8	(6.8)
Mongolia	**8.3**	**(0.9)**	4.8	(3.0)
Sri Lanka	**14.1**	**(1.6)**	10.3	(2.3)
Other countries	**22.4**	**2.8**	16.6	(0.6)
	902.3	**50.8**	514.5	(157.9)
Hotel management and related services	**106.7**	**8.9**	85.5	7.2
Sub-total hotel operation	**1,009.0**	**59.7**	600.0	(150.7)
Investment properties				
Mainland China	**12.7**	**84.9**	14.6	87.8
Singapore	**7.0**	**5.4**	5.9	3.9
Malaysia	**2.3**	**0.4**	2.3	0.4
Mongolia	**15.1**	**4.3**	13.8	3.1
Sri Lanka	**8.2**	**(0.6)**	6.4	0.4
Other countries	**7.1**	**2.3**	7.9	1.3
	52.4	**96.7**	50.9	96.9
Property development for sale	**0.6**	**(0.3)**	10.3	8.0
Other business	**3.9**	**(0.7)**	3.5	(0.6)
Total	**1,065.9**	**155.4**	664.7	(46.4)
Less: Hotel management – Inter-segment revenue	**(59.9)**		(37.2)	
Total external revenue	**1,006.0**		627.5	
Corporate finance costs (net)		**(80.9)**		(58.9)
Land cost amortisation and project expenses		**(1.8)**		(0.5)
Corporate expenses		**(13.4)**		(7.5)
Exchange gains of corporate investment holding companies		**5.3**		8.3
Profit/(Loss) before non-operating items		**64.6**		(105.0)

	2023	2022
	Profit/(Loss) after tax *(Note a)*	Profit/(Loss) after tax *(Note a)*
Profit/(Loss) before non-operating items	**64.6**	(105.0)
Non-operating items		
Share of net fair value gains on investment properties	**29.8**	30.1
Reversal of impairment losses for property, plant and equipment	**1.2**	–
Net unrealised (losses)/gains on financial assets at fair value through profit or loss	**(2.8)**	0.4
Gain on partial disposal of interests in a subsidiary	**–**	10.6
Fair value changes on cross-currency swap contracts – non-hedging	**(3.7)**	9.5
Insurance claim recovered from a bombing incident happened in 2019	**–**	2.8
Foreign exchange gain/(loss) due to appreciation/ (depreciation) of Sri Lankan rupee	**42.3**	(106.6)
Total non-operating items	**66.8**	(53.2)
Consolidated profit/(loss) attributable to owners of the Company	**131.4**	(158.2)

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 2023**	As at 31 December 2022
Trade receivables	**94,074**	90,031
Less: Provision for impairment of receivables	**(12,963)**	(13,588)
Trade receivables – net *(Note (b))*	**81,111**	76,443
Other receivables	**70,291**	54,908
Prepayments and other deposits	**95,850**	77,675
	247,252	209,026

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 2023**	As at 31 December 2022
0 – 3 months	**62,984**	64,258
4 – 6 months	**14,350**	7,991
Over 6 months	**3,777**	4,194
	81,111	76,443

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

		Amount		
	Number of shares *('000)*	**Ordinary shares**	**Share premium**	**Total**
Share capital and premium				
Authorised				
– Ordinary shares of HKD1 each				
At 1 January 2022, 31 December 2022 and 30 June 2023	**5,000,000**	**646,496**	**–**	**646,496**
Issued and fully paid				
– Ordinary shares of HKD1 each				
At 1 January 2022, 31 December 2022 and 30 June 2023	**3,585,525**	**462,904**	**2,739,091**	**3,201,995**
Shares held for share award scheme				
At 1 January 2022	(2,477)	(319)	(2,539)	(2,858)
Shares purchased for share award scheme	(525)	(68)	(374)	(442)
Vesting of shares under share award scheme	2,186	282	2,493	2,775
At 30 June 2022	(816)	(105)	(420)	(525)
Shares purchased for share award scheme	(8,406)	(1,084)	(4,613)	(5,697)
Vesting of shares under share award scheme	88	11	100	111
At 31 December 2022 and 1 January 2023	**(9,134)**	**(1,178)**	**(4,933)**	**(6,111)**
Shares purchased for share award scheme	**(8,594)**	**(1,109)**	**(7,150)**	**(8,259)**
Vesting of shares under share award scheme	**5,132**	**662**	**3,644**	**4,306**
At 30 June 2023	**(12,596)**	**(1,625)**	**(8,439)**	**(10,064)**

As at 30 June 2023, except for shares held for share award scheme as shown above, 10,501,055 (31 December 2022: 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 2023, 8,594,000 shares in the Company were purchased for the share award scheme and 5,132,000 shares under such scheme were transferred to the awardees upon vesting of the awarded shares. The remaining 12,596,000 shares under the share award scheme were held in trust as at 30 June 2023. Details of the share award scheme were disclosed in Note 6 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 2022 annual report.

No share option was exercised during the six months ended 30 June 2023 (year ended 31 December 2022: 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 2023		For the year ended 31 December 2022	
	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	6,508,000
Exercised	**–**	**–**	–	–
Lapsed	**12.11**	**(320,000)**	–	–
At 30 June/31 December	**12.11**	**6,188,000**	12.11	6,508,000

The term of the Share Option Scheme already expired on 28 May 2022 and no new option was granted during the six months ended 30 June 2023 and 2022.

No share option was exercised and lapsed subsequent to 30 June 2023 and up to the approval date of the financial statements.

6. 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 would be purchased on the open market and would be held in trust before vesting.

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.

The fair values of the awarded shares granted are based on the quoted market price of the Company on the grant dates which would be amortised over the relevant vesting periods. During the six months ended 30 June 2023, no new shares were granted and 5,132,000 shares were vested to the qualified awardees. During the period, an expense of USD2,456,000 (2022: USD2,169,000) for the award shares granted was charged to the condensed consolidated interim statement of profit or loss.

Details of the awarded shares granted and vested during 2023 and 2022 are as follows:

Grant date	Fair value per share	Number of awarded shares granted	Maximum deliverable awarded shares on grant date subject to adjustment	Number of awarded shares vested: Before 2022	Number of awarded shares vested: For the year ended 31 Dec 2022	Number of awarded shares vested: For the six months ended 30 Jun 2023	Vesting period
In year 2019							
1 Apr 2019	HKD11.56	1,477,169	2,338,000	923,000	192,000	–	1 Apr 2019 to 1 Apr 2022
15 Jun 2019	HKD9.45	1,547,200	2,754,000	112,000	158,000	–	15 Jun 2019 to 1 Apr 2022
30 Jun 2019	HKD9.85	751,515	1,292,000	108,000	36,000	–	30 Jun 2019 to 1 Apr 2022
1 Nov 2019	HKD8.41	494,000	494,000	372,000	60,000	–	1 Nov 2019 to 1 Apr 2022
Total for 2019		4,269,884	6,878,000				
In year 2020							
30 Sep 2020	HKD6.34	214,000	214,000	214,000	–	–	Nil
Total for 2020		214,000	214,000				
In year 2021							
1 Apr 2021	HKD7.86	52,000	52,000	52,000	–	–	Nil
7 Jun 2021	HKD7.27	5,986,000	5,986,000	64,000	1,740,000	**1,522,000**	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	–	88,000	–	15 Oct 2021 to 15 Oct 2024
Total for 2021		6,386,000	6,386,000				
In year 2022							
6 May 2022	HKD5.85	12,458,000	12,458,000	–	–	**3,610,000**	6 May 2022 to 6 May 2025
Total for 2022		12,458,000	12,458,000				
In year 2023		–	–	–	–	–	
Grand Total		**23,327,884**	**25,936,000**	**1,925,000**	**2,274,000**	**5,132,000**	

Further details of the share award scheme are set out under the section headed "Share Award Scheme" of the Company's 2022 annual report.

7. Accounts payable and accruals

	As at 30 June 2023	As at 31 December 2022
Trade payables	**60,812**	77,770
Other payables and accrued expenses	**448,371**	501,452
	509,183	579,222

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

	As at 30 June 2023	As at 31 December 2022
0 – 3 months	**56,586**	71,072
4 – 6 months	**2,298**	3,327
Over 6 months	**1,928**	3,371
	60,812	77,770

8. 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 2023	For the six months ended 30 June 2022
Depreciation of property, plant and equipment (2022: net of amount capitalised of USD1,000)	**107,449**	116,731
Amortisation of trademark, and website and system development	**4,700**	3,702
Depreciation of right-of-use assets	**22,012**	23,885
Reversal of impairment losses for property, plant and equipment	**(1,147)**	–
Employee benefit expenses excluding directors' emoluments	**343,884**	296,459
Cost of sales of properties	**213**	3,403
Cost of inventories sold and consumed in operation	**127,588**	90,250
Losses/(Gains) on disposal of property, plant and equipment; and partial replacement of investment properties	**587**	(27)
Pre-opening expenses	**1,196**	75

9. Other gains – net

	For the six months ended	
	30 June 2023	30 June 2022
Net unrealised (losses)/gains on listed securities	**(1,834)**	243
Fair value (losses)/gains of club debentures	**(1,085)**	207
Fair value changes of cross-currency swap contracts	**(3,715)**	9,501
Net fair value gains of investment properties	**7,484**	38,621
Government grants due to Covid-19 pandemic	**–**	3,406
Rent concessions provided by lessors	**–**	1,453
Interest income	**8,304**	4,205
Dividend income	**660**	806
Gain on partial disposal of interests in a subsidiary	**–**	10,586
Insurance claim recovered from a bombing incident happened in 2019	**–**	3,093
Gain on sale of investment properties	**2,423**	798
	12,237	72,919

10. Finance costs - net

	For the six months ended	
	30 June 2023	30 June 2022
Interest expense		
– bank loans	**95,529**	62,287
– fixed rate bonds	**23,894**	23,397
– other loans	**366**	1,892
– interest on lease liability	**14,062**	14,473
	133,851	102,049
Less: Amount capitalised	**(1,878)**	(1,146)
	131,973	100,903
Net foreign exchange (gains)/losses	**(50,264)**	115,341
	81,709	216,244

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.26% per annum for the period (2022: 3.08% per annum).

11. Share of profit of associates

	For the six months ended	
	30 June 2023	30 June 2022
Share of profit before tax of associates before share of net fair value changes of investment properties	**133,146**	89,227
Share of net fair value changes of investment properties	**32,908**	(18,242)
Share of profit before tax of associates	**166,054**	70,985
Share of tax before provision for deferred tax on net fair value changes of investment properties	**(34,941)**	(28,337)
Share of provision for deferred tax on net fair value changes of investment properties	**(8,018)**	5,620
Share of associates' taxation	**(42,959)**	(22,717)
Share of profit of associates	**123,095**	48,268

12. Income tax expense/(credit)

Income tax expense/(credit) 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% (2022: 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 2023	30 June 2022
Current income tax		
– Hong Kong profits tax	**(7)**	74
– Overseas taxation	**27,904**	6,737
Deferred income tax	**12,628**	(8,914)
	40,525	(2,103)

13. Earnings/(Loss) per share

Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(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 2023	30 June 2022
Profit/(Loss) attributable to owners of the Company *(USD'000)*	**131,364**	(158,219)
Weighted average number of ordinary shares in issue *(thousands)*	**3,561,946**	3,572,544
Basic earnings/(loss) per share *(US cents per share)*	**3.688**	(4.429)

Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has the potential dilutive effect on the outstanding share options and non-vested awarded shares under the share award scheme for the six months ended 30 June 2023 and 2022. 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.

For the six months ended 30 June 2022, as the Group incurred losses and therefore 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 same period last year.

The dilution effect on the earnings per share for the six months ended 30 June 2023 is as follows:

	For the six months ended	
	30 June 2023	30 June 2022
Profit/(Loss) attributable to owners of the Company *(USD'000)*	**131,364**	(158,219)
Weighted average number of ordinary shares in issue *(thousands)*	**3,561,946**	3,572,544
Adjustments *(thousands)*	**11,688**	–
Weighted average number of ordinary shares for diluted earnings/(loss) per share *(thousands)*	**3,573,634**	3,572,544
Diluted earnings/(loss) per share *(US cents per share)*	**3.676**	(4.429)

14. Dividends

	For the six months ended	
	30 June 2023	30 June 2022
No interim dividend has been proposed (2022: Nil)	**–**	–

Notes:

(a) At a meeting held on 24 March 2023, the Board recommends no final dividend payment for the year ended 31 December 2022.

(b) At a meeting held on 30 August 2023, the Board recommends no interim dividend payment for the year ending 31 December 2023.

15. 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 2023 amounted to USD146,906,000 (31 December 2022: USD151,571,000).

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 2023 and 31 December 2022, there were no material contingent liabilities.

(c) Charges over assets

As at 30 June 2023 and 31 December 2022, no bank loan was secured.

16. 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 2023	31 December 2022
Existing properties – property, plant and equipment and investment properties		
– contracted but not provided for	**15,021**	33,798
– authorised but not contracted for	**34,399**	41,486
Development projects		
– contracted but not provided for	**111,393**	129,262
– authorised but not contracted for	**56,179**	69,234
	216,992	273,780

DISCUSSION AND ANALYSIS

The principal activities of the Group remained the same as in 2022. The Group's business is organised into four main segments:

- **Hotel Properties** – development, ownership and operation 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 operation 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 2023:

	Owned/Leased		Managed		Total Operating Hotels		Hotels Under Development	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Owned/ Leased Hotels	Hotels under Management contracts
		in '000		*in '000*		*in '000*		
SHANGRI-LA	73	30.7	18	5.8	91	36.5	3	3
KERRY HOTELS	3	1.6	–	–	3	1.6	–	–
JEN BY SHANGRI-LA	7	2.8	1	0.3	8	3.1	1	1
TRADERS HOTELS	–	–	2	0.9	2	0.9	1	–
Total	**83**	**35.1**	**21**	**7.0**	**104**	**42.1**	**5**	**4**

Notes:

(1) A hotel under management contract owned by third parties, namely JEN Shenzhen Qianhai by Shangri-La in Mainland China, opened for business in February 2023.

(2) Management agreements for both Shangri-La Haikou in Mainland China and JEN Johor Puteri Harbour by Shangri-La in Malaysia were terminated in May 2023.

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 2023 Office spaces	Commercial spaces	Serviced apartments/ residential
Mainland China	20.0-100.0%	950.6	663.3	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		1,155.1	837.0	399.1

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

The following table shows the Group's profit or loss for the six months ended 30 June 2023 and 2022 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 2023		Profit or loss for the six months ended 30 June 2022		% change	
(USD Million)	**Financial statement format**	**Effective share**	Financial statement format	Effective share	Financial statement format	Effective share
Revenue	**1,006.0**	**1,226.9**	627.5	820.1	60.3%	49.6%
Cost of sales	**(439.7)**	**(503.9)**	(323.8)	(383.0)	-35.8%	-31.6%
Gross profit	**566.3**	**723.0**	303.7	437.1	86.5%	65.4%
Operating expenses	**(303.4)**	**(328.4)**	(252.9)	(273.5)	-20.0%	-20.1%
Other gains – operating items	**3.1**	**1.9**	6.4	5.6	-51.6%	-66.1%
EBITDA	**266.0**	**396.5**	57.2	169.2	365.0%	134.3%
Depreciation and amortisation	**(134.1)**	**(146.0)**	(144.3)	(158.2)	7.1%	7.7%
(Loss)/Gain on disposal of fixed assets	**(0.6)**	**(0.6)**	–	0.1	N/M	N/M
Interest income	**8.3**	**11.3**	4.2	9.1	97.6%	24.2%
Other expenses – non-operating items	**1.1**	**1.1**	–	–	N/M	N/M
Other gains – non-operating items	**0.9**	**30.1**	62.3	47.4	-98.6%	-36.5%
Operating profit/(loss)	**141.6**	**292.4**	(20.6)	67.6	N/M	332.5%
Finance cost – net						
– Operating items	**(128.8)**	**(122.2)**	(97.9)	(100.4)	-31.6%	-21.7%
– Non-operating items	**47.1**	**42.4**	(118.4)	(106.5)	N/M	N/M
Share of profit of associates	**123.1**	**–**	48.3	–	154.9%	N/M
Profit/(Loss) before income tax	**183.0**	**212.6**	(188.6)	(139.3)	N/M	N/M
Income tax (expense)/credit						
– Operating items	**(41.5)**	**(74.2)**	1.9	(24.8)	N/M	-199.2%
– Non-operating items	**1.0**	**(7.0)**	0.2	5.9	400.0%	N/M
Profit/(Loss) for the period	**142.5**	**131.4**	(186.5)	(158.2)	N/M	N/M
(Less)/Add: (Profit)/Loss attributable to non-controlling interests	**(11.1)**	**–**	28.3	–	N/M	N/M
Profit/(Loss) attributable to owners of the Company	**131.4**	**131.4**	(158.2)	(158.2)	N/M	N/M

N/M: not meaningful

Financial highlights

– Consolidated revenue for the six months ended 30 June 2023 was USD1,006.0 million, an increase of 60.3%, compared to USD627.5 million for the six months ended 30 June 2022. Hotel business recovery has been strong in both Mainland China and Hong Kong post reopening of borders and lifting of PCR tests requirements in early 2023, while hotels in the rest of the world where we have operations continue to see strong travel demand.

– Effective share of revenue for the six months ended 30 June 2023 was USD1,226.9 million, an increase of 49.6%, compared to USD820.1 million for the six months end 30 June 2022. The effective share of revenue growth was slower mainly due to Investment Properties' high base and lack of property sales, both of which were mainly contributed by associates.

– Effective share of EBITDA for the six months ended 30 June 2023 was USD396.5 million, an increase of 134.3%, compared to USD169.2 million for the six months ended 30 June 2022. The increase was mainly due to Hotel business rebound in Mainland China and Hong Kong and continued strong performance seen in other markets where we have operations.

– Effective share of operating profit for the six months ended 30 June 2023 was USD292.4 million, an increase of 332.5%, compared to USD67.6 million for the same period in 2022. This was mainly due to:

  • Effective share of EBITDA significantly improved by USD227.3 million.

  • Effective share of depreciation and amortisation was USD146.0 million for the six months ended 30 June 2023, a decrease of 7.7%, compared to USD158.2 million for the six months ended 30 June 2022.

– Effective share of profit before income tax was USD212.6 million for the six months ended 30 June 2023, compared to a loss of USD139.3 million for the same period in 2022. The strong turnaround was mainly due to business turnaround as Mainland China and Hong Kong strongly recovered.

– All in all, profit attributable to owners of the company was USD131.4 million for the six months ended 30 June 2023, compared to a loss of USD158.2 million for the six months ended 30 June 2022.

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 result announcement.

(USD Million)	For the six months ended 30 June **2023**	2022	% change
Hotel Properties	**902.3**	514.5	75.4%
Hotel Management and Related Services	**106.7**	85.5	24.8%
Sub-total Hotel Operations	**1,009.0**	600.0	68.2%
Investment Properties	**52.4**	50.9	2.9%
Property Development for Sale	**0.6**	10.3	-94.2%
Other Business	**3.9**	3.5	11.4%
Less: Inter-Segment Revenue	**(59.9)**	(37.2)	-61.0%
Total Group Consolidated Revenue	**1,006.0**	627.5	60.3%

– Consolidated revenue was USD1,006.0 million for the six months ended 30 June 2023, an increase of 60.3% (or USD378.5 million), compared to USD627.5 million for the six months ended 30 June 2022. The increase was mainly driven by Mainland China and Hong Kong business recovery since borders reopened and PCR tests removed in early 2023, while rest of the world where we have operations continue to see strong travel demand.

– Consolidated revenue from our Hotel Operations as a result increased by USD409.0 million to USD1,009.0 million for the six months ended 30 June 2023.

– A continued steady contribution from our Investment Properties business, where consolidated revenue increased by USD1.5 million to USD52.4 million for the six months ended 30 June 2023.

(i) Hotel Properties

For the six months ended 30 June 2023, the increase of consolidated revenue from our hotel properties was driven by Mainland China and Hong Kong business recovery since borders reopened in early 2023, while rest of the world where we have operations continue to see strong travel demand.

Please refer to table below for our geographical breakdown of Hotel Properties consolidated revenue for the six months ended 30 June 2023 and 2022:

	For the six months ended 30 June		
(USD Million)	**2023**	2022	% change
Hotel Properties			
The People's Republic of China			
Hong Kong	**139.6**	59.8	133.4%
Mainland China	**328.7**	188.1	74.7%
Singapore	**128.8**	74.7	72.4%
Malaysia	**47.2**	29.3	61.1%
The Philippines	**63.6**	29.3	117.1%
Japan	**24.8**	13.2	87.9%
Thailand	**29.9**	9.0	232.2%
France	**27.7**	21.8	27.1%
Australia	**40.0**	31.8	25.8%
United Kingdom	**27.2**	25.8	5.4%
Mongolia	**8.3**	4.8	72.9%
Sri Lanka	**14.1**	10.3	36.9%
Other countries	**22.4**	16.6	34.9%
Total consolidated revenue	**902.3**	514.5	75.4%

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 2023 and 2022 are as follows:

Country	**2023 Weighted Average**			2022 Weighted Average		
	Occupancy *(%)*	**Room Rate** *(USD)*	**RevPAR** *(USD)*	Occupancy *(%)*	Room Rate *(USD)*	RevPAR *(USD)*
The People's Republic of China						
Hong Kong	**65**	**279**	**182**	34	189	65
Mainland China	**60**	**119**	**72**	32	95	30
Tier 1 Cities	***67***	***157***	***105***	*33*	*119*	*39*
Tier 2 Cities	***61***	***97***	***59***	*35*	*81*	*28*
Tier 3+4 Cities	***48***	***100***	***47***	*25*	*87*	*21*
Singapore	**79**	**259**	**205**	44	243	108
Malaysia	**60**	**119**	**72**	37	101	37
The Philippines	**64**	**229**	**147**	34	186	63
Japan	**60**	**693**	**419**	47	366	171
Thailand	**61**	**147**	**89**	20	100	20
France	**46**	**2,196**	**1,009**	44	1,738	758
Australia	**77**	**250**	**191**	58	251	146
United Kingdom	**61**	**764**	**470**	54	803	435
Mongolia	**32**	**232**	**74**	22	172	38
Sri Lanka	**32**	**137**	**44**	23	136	32
Other countries	**42**	**213**	**90**	39	187	74
Non-Mainland China Weighted Average	**60**	**237**	**143**	37	209	78
Total Weighted Average	**60**	**171**	**103**	34	149	51

The weighted average occupancy of our hotels was 60% for the six months ended 30 June 2023, an increase of 26 percentage points compared to 34% for the six months ended 30 June 2022. The weighted average revenue per available room ("**RevPAR**") was USD103 for the six months ended 30 June 2023, an increase of 102%, compared to USD51 for the six months ended 30 June 2022. The increase in occupancy rate was mainly due to Mainland China and Hong Kong business recovery since borders reopened in early 2023 and strong momentum seen in other destinations since last year. If we exclude Mainland China, weighted average occupancy was 60% for the six months ended 30 June 2023, an increase of 23 percentage points compared to 37% for the six months ended 30 June 2022. RevPAR was USD143 for the six months ended 30 June 2023, an increase of 83%, compared to USD78 for the six months ended 30 June 2022.

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

The People's Republic of China

Hong Kong

For Hong Kong, occupancy was 65% for the six months ended 30 June 2023, an increase of 31 percentage points, compared to 34% for the six months ended 30 June 2022. RevPAR was USD182 for the six months ended 30 June 2023, an increase of 180%, compared to USD65 for the six months ended 30 June 2022. Our hotels in Hong Kong saw strong business recovery, mainly driven by Mainland China after its border reopened and lifting of PCR tests in early 2023. Total revenue from Hong Kong hotel properties for the six months ended 30 June 2023 increased by 133.4% to USD139.6 million.

Mainland China

The Group had equity interest in 46 operating hotels in Mainland China as at 30 June 2023.

For Mainland China, occupancy was 60% for the six months ended 30 June 2023, an increase of 28 percentage points, compared to 32% for the six months ended 30 June 2022. RevPAR was USD72 for the six months ended 30 June 2023, an increase of 140%, compared to USD30 for the six months ended 30 June 2022. During the period, cities from all four tiers saw strong business recovery after travel restrictions were lifted.

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

- In Tier 1 cities, occupancy was 67% for the six months ended 30 June 2023, an increase of 34 percentage points, compared to 33% for the six months ended 30 June 2022. RevPAR was USD105 for the six months ended 30 June 2023, an increase of 169%, compared to USD39 for the six months ended 30 June 2022. Beijing, Shanghai, Shenzhen and Guangzhou all saw improvements after travel restrictions were lifted.

- In Tier 2 cities, occupancy was 61% for the six months ended 30 June 2023, an increase of 26 percentage points, compared to 35% for the six months ended 30 June 2022. RevPAR was USD59 for the six months ended 30 June 2023, an increase of 111%, compared to USD28 for the six months ended 30 June 2022. Our hotels in Tier 2 cities rebounded quickly as they were benefited from both domestic business and leisure travel pickup.

- In Tier 3 and Tier 4 cities, occupancy was 48% for the six months ended 30 June 2023, an increase of 23 percentage points, compared to 25% for the six months ended 30 June 2022. RevPAR was USD47 for the six months ended 30 June 2023, an increase of 124%, compared to USD21 for the six months ended 30 June 2022. Our hotels in Tier 3/4 cities were benefited most from rising luxury experiential leisure demand that boosted both occupancy and average daily rate ("ADR").

Total revenue from Mainland China hotel properties for the six months ended 30 June 2023 increased by 74.7% to USD328.7 million.

Singapore

For Singapore, occupancy was 79% for the six months ended 30 June 2023, an increase of 35 percentage points, compared to 44% for the six months ended 30 June 2022. RevPAR was USD205 for the six months ended 30 June 2023, an increase of 90%, compared to USD108 for the six months ended 30 June 2022. Our hotels in Singapore continued with their strong momentum since the reopening of borders in 2022 and have seen both occupancy and ADR exceeded 2019's levels due to surging demand by international travellers. Total revenue from Singapore hotel properties for the six months ended 30 June 2023 increased by 72.4% to USD128.8 million.

Malaysia

For Malaysia, occupancy was 60% for the six months ended 30 June 2023, an increase of 23 percentage points, compared to 37% for the six months ended 30 June 2022. RevPAR was USD72 for the six months ended 30 June 2023, an increase of 95%, compared to USD37 for the six months ended 30 June 2022. Besides the ramping up of international arrivals, Mainland China's reopening of borders has been a key driver and it quickly regained its position as the third largest source market for our Malaysia hotels. Total revenue from Malaysia hotel properties for the six months ended 30 June 2023 increased by 61.1% to USD47.2 million.

The Philippines

For the Philippines, occupancy was 64% for the six months ended 30 June 2023, an increase of 30 percentage points, compared to 34% for the six months ended 30 June 2022. RevPAR was USD147 for the six months ended 30 June 2023, an increase of 133%, compared to USD63 for the six months ended 30 June 2022. The improvement was driven by the return of international visitors, helped by increased flight capacity. Total revenue from the Philippines hotel properties for the six months ended 30 June 2023 increased by 117.1% to USD63.6 million.

France

For France, occupancy was 46% for the six months ended 30 June 2023, an increase of 2 percentage points, compared to 44% for the six months ended 30 June 2022. RevPAR was USD1,009 for the six months ended 30 June 2023, an increase of 33%, compared to USD758 for the six months ended 30 June 2022. Our hotel in Paris continued to see improved business, benefiting from rising leisure travel demand and major sports events such as the French Open. Total revenue from our France hotel property for the six months ended 30 June 2023 increased by 27.1% to USD27.7 million.

Australia

For Australia, occupancy was 77% for the six months ended 30 June 2023, an increase of 19 percentage points, compared to 58% for the six months ended 30 June 2022. RevPAR was USD191 for the six months ended 30 June 2023, an increase of 31%, compared to USD146 for the six months ended 30 June 2022. Our hotels in Australia continued to see business improvements as the domestic demand remained strong, while international demand picked up as flight capacity improved. Total revenue from Australia hotel properties for the six months ended 30 June 2023 increased by 25.8% to USD40.0 million.

United Kingdom

For United Kingdom, occupancy was 61% for the six months ended 30 June 2023, an increase of 7 percentage points, compared to 54% for the six months ended 30 June 2022. RevPAR was USD470 for the six months ended 30 June 2023, an increase of 8%, compared to USD435 for the six months ended 30 June 2022. Our hotel in London was greatly benefited from the recovery of the corporate segment as travel restrictions were removed globally. There was also steady growth in the leisure segment due to pent-up demand. Total revenue from our United Kingdom hotel property for the six months ended 30 June 2023 increased by 5.4% to USD27.2 million.

(ii) Hotel Management & Related Services

As at 30 June 2023, the Group managed a total of 104 hotels and resorts:

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

The 21 operating hotels (6,907 available rooms) owned by third parties are located in the following destinations:

– Canada: Toronto and Vancouver
– Oman: Muscat (2 hotels)
– UAE: Abu Dhabi (2 hotels) and Dubai
– Saudi Arabia: Jeddah
– Malaysia: Kuala Lumpur
– India: New Delhi and Bengaluru
– Taiwan: Taipei and Tainan
– Mainland China: Changzhou, Shenzhen, Suzhou (2 hotels), Yiwu, Nanning, Shanghai and Beijing

The overall weighted average occupancy of the hotels under third-party hotel management agreements was 60% for the six months ended 30 June 2023, an increase of 21 percentage points, compared to 39% for the six months ended 30 June 2022. The RevPAR was USD102 for the six months ended 30 June 2023, an increase of 67%, compared to USD61 for the six months ended 30 June 2022. The improvement was mainly due to the lifting of travel restrictions in Mainland China for the managed hotels in Mainland while the managed hotels in non-Mainland China were benefited from the increase in global travel demand.

Gross revenue for hotel management and related services was USD106.7 million for the six months ended 30 June 2023, an increase of 24.8% compared to USD85.5 million for the six months ended 30 June 2022.

After eliminating inter-segment sales with subsidiaries, the net revenue for hotel management and related services was USD46.8 million for the six months ended 30 June 2023, a decrease of 3.1% compared to USD48.3 million for the six months ended 30 June 2022.

(iii) Investment Properties

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

	For the six months ended 30 June		
(USD Million)	**2023**	2022	% change
Investment Properties			
Mainland China	**12.7**	14.6	-13.0%
Singapore	**7.0**	5.9	18.6%
Malaysia	**2.3**	2.3	–
Mongolia	**15.1**	13.8	9.4%
Sri Lanka	**8.2**	6.4	28.1%
Other countries	**7.1**	7.9	-10.1%
Total consolidated revenue	**52.4**	50.9	2.9%

Our investment properties held by subsidiaries in Mongolia, Sri Lanka and Singapore saw significant revenue improvement:

- In Mongolia, the rent cap lifted after Covid-19, resulting in the significant improvement in revenue in the Mongolian investment properties.

- In Sri Lanka, both the level of rent in our investment properties and office occupancy improved as the country's financial status stabilised.

- Singapore's serviced apartments demand continued to be strong.

These improvements were partially offset by our Mainland China investment properties results, which were mainly affected by a major tenant's departure from our Dalian serviced apartments as well as the depreciation of Renminbi during the period compared to the same period last year which lowered the revenue presented in US dollar terms.

As a result, consolidated revenue from our investment properties for the six months ended 30 June 2023 was USD52.4 million, an increase of 2.9%, compared to USD50.9 million for the six months ended 30 June 2022.

(iv) Property Development for Sale

Property development for sale by subsidiaries for the six months ended 30 June 2023 was USD0.6 million, a decrease of 94.2%, compared to USD10.3 million for the six months ended 30 June 2022 as most of the pre-sold residential units were handed over in prior periods.

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 2023 and 2022 by geographical areas and by business segments.

		EBITDA of subsidiaries		Effective share of EBITDA of subsidiaries		Effective share of EBITDA of associates		Aggregate Effective share of EBITDA	
(USD million)		**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Hotel Properties	The People's Republic of China								
	Hong Kong	**33.6**	(12.0)	**31.3**	(9.8)	**0.6**	0.8	**31.9**	(9.0)
	Mainland China	**81.3**	(11.5)	**74.7**	(12.0)	**22.8**	(8.9)	**97.5**	(20.9)
	Singapore	**33.3**	10.4	**33.3**	10.4	**3.3**	1.1	**36.6**	11.5
	Malaysia	**9.4**	0.9	**5.1**	0.5	**2.4**	0.3	**7.5**	0.8
	The Philippines	**18.0**	2.7	**17.6**	2.8	**6.5**	2.8	**24.1**	5.6
	Japan	**7.5**	0.6	**7.5**	0.6	**–**	–	**7.5**	0.6
	Thailand	**11.3**	(1.7)	**8.3**	(1.3)	**–**	–	**8.3**	(1.3)
	France	**3.8**	1.8	**3.8**	1.8	**–**	–	**3.8**	1.8
	Australia	**8.0**	5.9	**8.0**	5.9	**–**	–	**8.0**	5.9
	United Kingdom	**2.6**	4.6	**2.6**	4.6	**–**	–	**2.6**	4.6
	Mongolia	**3.3**	–	**1.7**	–	**–**	–	**1.7**	–
	Sri Lanka	**2.4**	2.6	**2.2**	2.3	**–**	–	**2.2**	2.3
	Other countries	**4.3**	1.2	**3.5**	1.3	**3.8**	4.1	**7.3**	5.4
		218.8	5.5	**199.6**	7.1	**39.4**	0.2	**239.0**	7.3
Hotel Management and Related Services		**25.1**	21.6	**25.1**	21.6	**–**	–	**25.1**	21.6
Sub-total Hotel Operations		**243.9**	27.1	**224.7**	28.7	**39.4**	0.2	**264.1**	28.9
Investment Properties	Mainland China	**8.3**	9.1	**7.5**	8.2	**119.9**	116.8	**127.4**	125.0
	Singapore	**4.0**	3.6	**4.0**	3.6	**2.1**	1.3	**6.1**	4.9
	Malaysia	**1.1**	1.1	**0.6**	0.6	**–**	–	**0.6**	0.6
	Mongolia	**10.2**	10.2	**5.2**	5.2	**–**	–	**5.2**	5.2
	Sri Lanka	**4.2**	3.4	**3.8**	3.0	**–**	–	**3.8**	3.0
	Other countries	**2.9**	3.6	**1.7**	2.2	**–**	–	**1.7**	2.2
Sub-total Investment Properties		**30.7**	31.0	**22.8**	22.8	**122.0**	118.1	**144.8**	140.9
Property Development for Sale & Other Business		**2.2**	7.3	**1.0**	6.3	**(1.4)**	2.4	**(0.4)**	8.7
Sub-total		**276.8**	65.4	**248.5**	57.8	**160.0**	120.7	**408.5**	178.5
Corporate and project expenses		**(10.8)**	(8.2)	**(10.8)**	(8.2)	**(1.2)**	(1.1)	**(12.0)**	(9.3)
Grand total		**266.0**	57.2	**237.7**	49.6	**158.8**	119.6	**396.5**	169.2

The Group's aggregate effective share of EBITDA was USD396.5 million for the six months ended 30 June 2023, an increase of 134.3%, compared to USD169.2 million for the six months ended 30 June 2022. Below shows the breakdown by business segments:

- Effective share of EBITDA from Hotel Properties business for the six months ended 30 June 2023 was USD239.0 million, an increase of 3,174.0%, compared to USD7.3 million for the six months ended 30 June 2022. As highlighted in the Revenue discussion, Mainland China and Hong Kong hotels' business recovery was due to Mainland China's borders reopening and lifting of restrictions. The return of Chinese outbound travellers also benefited South-East Asia and the rest of the Asia-Pacific regions. Singapore, previously driven by staycation, continues to see an increasing flow of international travellers. However, our hotel in United Kingdom was impacted by record high inflation, the main cause of its EBITDA decrease.

- Effective share of EBITDA from Hotel Management and Related Services for the six months ended 30 June 2023 was USD25.1 million, an improvement of USD3.5 million, compared to USD21.6 million for the six months ended 30 June 2022. The improvement of EBITDA was mainly due to the improvement of the overall hotels business and operations efficiency at the headquarters.

- Effective share of EBITDA from Investment Properties business for the six months ended 30 June 2023 was USD144.8 million, an increase of 2.8%, compared to USD140.9 million for the six months ended 30 June 2022. The overall business of our investment properties remained stable during the period.

- Effective share of EBITDA from Property Development for Sale & Other Business for the six months ended 30 June 2023 was a loss of USD0.4 million, compared to a profit of USD8.7 million for the six months ended 30 June 2022.

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 2023 and 2022 by geographical areas and by business segments:

		For the six months ended 30 June		
(USD million)		**2023**	2022	% change
Hotel Properties	The People's Republic of China			
	Hong Kong	**10.0**	(21.5)	N/M
	Mainland China	**8.4**	(101.5)	N/M
	Singapore	**22.3**	(0.4)	N/M
	Malaysia	**2.7**	(2.6)	N/M
	The Philippines	**8.1**	(6.9)	N/M
	Japan	**3.8**	(3.8)	N/M
	Thailand	**5.4**	(2.5)	N/M
	France	**(1.4)**	(3.4)	58.8%
	Australia	**(1.2)**	(2.6)	53.8%
	United Kingdom	**(7.6)**	(6.8)	-11.8%
	Mongolia	**(0.9)**	(3.0)	70.0%
	Sri Lanka	**(1.6)**	(2.3)	30.4%
	Other countries	**2.8**	(0.6)	N/M
		50.8	(157.9)	N/M
Hotel Management and Related Services		**8.9**	7.2	23.6%
Sub-total Hotel Operations		**59.7**	(150.7)	N/M
Investment Properties	Mainland China	**84.9**	87.8	-3.3%
	Singapore	**5.4**	3.9	38.5%
	Malaysia	**0.4**	0.4	–
	Mongolia	**4.3**	3.1	38.7%
	Sri Lanka	**(0.6)**	0.4	N/M
	Other countries	**2.3**	1.3	76.9%
Sub-total Investment Properties		**96.7**	96.9	-0.2%
Property Development for Sale & Other Business		**(1.0)**	7.4	N/M
Consolidated profit/(loss) from operating properties		**155.4**	(46.4)	N/M
Net corporate finance costs (including foreign exchange gains and losses)		**(75.6)**	(50.6)	-49.4%
Corporate and project expenses		**(15.2)**	(8.0)	-90.0%
Consolidated profit/(loss) attributable to owners of the Company before non-operating items		**64.6**	(105.0)	N/M
Non-operating items		**66.8**	(53.2)	N/M
Consolidated profit/(loss) attributable to owners of the Company after non-operating items		**131.4**	(158.2)	N/M

N/M: not meaningful

Consolidated financial results attributable to owners of the Company after non-operating items for the six months ended 30 June 2023 was a profit of USD131.4 million, compared to a loss of USD158.2 million for the six months ended 30 June 2022. Below shows the breakdown by business segments:

- Hotel Properties registered a profit of USD50.8 million for the six months ended 30 June 2023 compared to a loss of USD157.9 million for the six months ended 30 June 2022. The turnaround was mainly due to Mainland China and Hong Kong business recovery and Singapore's continued strong momentum. The rest of the markets where we have operations also significantly improved due to strong revenue growth coupled with cost discipline and operation efficiency.

- Hotel Management and Related Services registered a profit of USD8.9 million for the six months ended 30 June 2023, an increase of 23.6%, compared to USD7.2 million for the six months ended 30 June 2022. The improvement was mainly due to the improvement of the overall hotels business and operation efficiency at the headquarters.

- Investment Properties profit for the six months ended 30 June 2023 was USD96.7 million, a decrease of 0.2%, compared to USD96.9 million for the six months ended 30 June 2022. Investment properties continued to provide stable income.

- Property Development for Sale & Other Business registered a loss of USD1.0 million for the six months ended 30 June 2023, compared to a profit of USD7.4 million for the six months ended 30 June 2022. The decrease was mainly due to lack of unit handover from our Sri Lanka Residential in the first half of 2023.

The overall increase of operating profit from operating properties was mainly due to the turnaround from Hotel Properties.

- Non-operating items for the six months ended 30 June 2023 was an aggregate gain of USD66.8 million compared to an aggregate loss of USD53.2 million for the six months ended 30 June 2022. For the six months ended 30 June 2023, amongst other items, we have recognised an exceptional foreign exchange gain of USD42.3 million arising from the appreciation of the Sri Lankan rupee that impacted the foreign currency bank loans borrowed by our Sri Lanka entity. For the six months ended 30 June 2023, amongst other items, we have recognised net fair value gains on investment properties of USD29.8 million.

CORPORATE DEBT AND FINANCIAL CONDITIONS

As at 30 June 2023, the Group's net borrowings (total bank loans and fixed rate bonds less cash and bank balances and short-term fund placements) was USD4,830.9 million, a decrease of USD15.5 million, compared to USD4,846.4 million as at 31 December 2022. As at 30 June 2023, the aggregate effective share of net borrowings of subsidiaries and associates based on percentage of equity interests was USD4,328.1 million, a decrease of USD79.8 million, compared to USD4,407.9 million as at 31 December 2022. The decrease was mainly driven by the operating cash inflow from hotel operations due to the recovery of hotel business during the period.

The Group's net borrowings to total equity ratio, i.e. the gearing ratio, increased to 91.1% as at 30 June 2023 from 89.3% as at 31 December 2022. This increase was mainly driven by the decrease of total equity due to the weakening of Asian currencies against US dollar during the period which shrank the Group's net assets presented in US dollar terms.

During the period, the Group executed the following bank loan agreements at the corporate level for financing maturing loans:

– One 3-year bank loan agreement of HKD600 million (equivalent to USD77.4 million)

– One 4-year bank loan agreement of HKD3,000 million (equivalent to USD387.1 million)

– One 5-year bank loan agreement of HKD800 million (equivalent to USD103.2 million)

– Two 3-year bank loan agreements totalling RMB1,440 million (equivalent to USD199.3 million)

At the subsidiary level, the Group also executed a 3.5-year bank loan agreement of RMB257 million (equivalent to USD35.6 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 2023.

The Group has satisfactorily complied with all covenants under its borrowing agreements. As at 30 June 2023, the adjusted total equity of the Group for financial covenants calculation purpose is USD9.0 billion and the resulting indebtedness ratio* as calculated is 63.6%.

* Indebtedness ratio is defined as the sum of consolidated total financial indebtedness and contingent liabilities totalling USD5.7 billion divided by the Group's adjusted total equity of USD9.0 billion.

The analysis of borrowings outstanding as at 30 June 2023 is as follows:

	Maturities of Borrowings Contracted as at 30 June 2023				
(USD million)	**Within 1 year**	**In the 2nd year**	**Repayment In the 3rd to 5th year**	**After 5 years**	**Total**
Borrowings					
Corporate borrowings					
– unsecured bank loans	193.5	647.6	2,175.8	32.5	3,049.4
– fixed rate bonds	99.5	–	763.7	257.1	1,120.3
Bank loans of subsidiaries					
– unsecured	402.0	476.2	432.5	115.4	1,426.1
Total outstanding balance	695.0	1,123.8	3,372.0	405.0	5,595.8
% of total outstanding balance	*12.4%*	*20.1%*	*60.3%*	*7.2%*	*100.0%*
Undrawn but committed facilities					
Bank loans	41.8	103.2	752.0	78.0	975.0

The currency mix of borrowings and cash and bank balances as at 30 June 2023 is as follows:

(USD million)	**Borrowings**	**Cash and Bank Balances** *(Note)*
In United States dollars	1,989.9	85.7
In Hong Kong dollars	1,633.9	64.6
In Singapore dollars	1,114.9	98.3
In Renminbi	604.8	283.2
In Euros	81.5	24.8
In Australian dollars	53.1	14.6
In Japanese yen	107.2	8.2
In Fijian dollars	10.5	3.3
In Philippines pesos	–	36.3
In Thai baht	–	52.8
In Malaysian ringgit	–	29.2
In British pounds	–	1.0
In Mongolian tugrik	–	18.7
In Sri Lankan rupee	–	42.4
In Myanmar kyat	–	0.6
In Maldivian rufiyaa	–	0.6
In other currencies	–	0.6
	5,595.8	764.9

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

Except for the fixed rate bonds and certain bank loans at fixed interest rate, most of the borrowings of the Group are generally at floating interest rates. However, the Group has entered into interest-rate swap contracts on certain floating interest rate borrowings to hedge its medium-term interest rate risks. Please see the next section for further details.

Details of financial guarantees, contingencies and charges over assets as at 30 June 2023 are disclosed in Note 15 to the condensed consolidated interim financial statements included in this interim result 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 dollar, HK dollar and Singapore dollar and they are 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.

Subsequent to 30 June 2023, the Group secured additional financing including a new 3-year bank loan facility of RMB450 million (equivalent to USD62.3 million) and a new 5-year bank loan facility of RMB1,150 million (equivalent to USD159.2 million) at the corporate level and the issuance of 5-year term fixed rate bonds of SGD160 million (equivalent to USD118.0 million) with a coupon rate at 4.40% per annum in August 2023. These new Renminbi loans and Singapore dollar bonds offer more favourable fixed interest rates compared to the existing US dollar and HK dollar bank loan facilities which can help reduce the average interest cost of the Group.

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 and SOFR interest-rate swap contracts. As at 30 June 2023, 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

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 at 61.8% of its outstanding borrowings as at 30 June 2023, compared to 60.6% as at 31 December 2022.

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 2023, 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 2023, the Group recorded an overall effective share of net fair value gains of USD29.8 million for its investment properties.

The following table shows the fair value gains of the investment properties held by the Group's subsidiaries and associates for the six months ended 30 June 2023:

	Subsidiaries		**Associates**		**Total**	
(USD million)	**100%**	**Effective Share**	**100%**	**Effective Share**	**100%**	**Effective Share**
Gains	7.5	3.8	80.3	32.9	87.8	36.7
Deferred tax	1.0	1.1	(19.6)	(8.0)	(18.6)	(6.9)
Net gains	8.5	4.9	60.7	24.9	69.2	29.8

FINANCIAL ASSETS — TRADING SECURITIES

As at 30 June 2023, the market value of the Group's investment portfolio was USD12.1 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited amounting to USD9.4 million and 2,241,725 ordinary shares in Kerry Logistics Network Limited amounting to USD2.7 million. The Group recorded losses of USD1.8 million through profit or loss for the six months ended 30 June 2023. Dividend income of USD0.7 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*	45%	274	2024
Shangri-La Kunming*	45%	75	2025
Shangri-La Zhengzhou	45%	314	2026
In Japan			
Shangri-La Kyoto	20%	77	2025

* Being part of a composite development project in Kunming City

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%	256,567	70,010	93,205	2024 onwards*
Kunming City Project	45%	20,917	–	–	2024
Phase II of Shangri-La Fuzhou	100%	–	34,319	50,447	2024
Composite development project in Zhengzhou	45%	94,025	58,946	3,932	2023 onwards*
Nanchang City Project – Phase II	20%	–	57,630	2,100	2023
Tianjin Kerry Centre – Phase II	20%	27,817	92,651	17,490	2025
TOTAL		399,326	313,556	167,174	

* Being developed in phases

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

Hotel development

– 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.

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

During the six months ended 30 June 2023, a hotel under a management agreement owned by third parties, namely JEN Shenzhen Qianhai by Shangri-La, opened for operation while two management agreements with Shangri-La Haikou in Mainland China and JEN Johor Puteri Harbour by Shangri-La in Malaysia were terminated. As at the date of this report, the Group has management agreements for 21 operating hotels owned by third parties. In addition, the Group also has agreements on hand for the development of 4 new hotels currently under development and owned by third parties. The development projects are located in Shenzhen 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 2023, the Company and its subsidiaries had approximately 25,400 employees. The number of people employed by Shangri-La Group, including all operating hotels, was 42,200. Remuneration policies, share option scheme, share award scheme and training schemes have been consistently applied by the Group as disclosed in 2022 annual report.

PROSPECTS

We have seen strong recovery and growth in all markets where we operate in the first half of 2023 as the world emerged from Covid-19's impact. Our key markets, Mainland China and Hong Kong have experienced rebounds as borders reopened in early 2023 while our other markets, particularly Singapore, have maintained strong recovery momentum since reopening in 2022. We are particularly encouraged by rising luxury leisure travel demand post-Covid, while maintaining our leading position in corporate travel and MICE business.

With most major global markets reopened, we successfully launched our global brand campaign "Find Your Shangri-La" in May, which is designed to enhance our brand image and grow our brand desirability. We achieved close to 1 billion impressions and 5 million clicks in just 2 months since the Campaign's launch. Recently, we have also launched our summer Campaign in Mainland China to boost our tier 2, 3 and 4 cities' hotels performance with an aim to capture rising domestic experiential luxury leisure tourism demand. We will continue to build on our strong customer franchise to maintain our leadership position.

In terms of the expansion of our footprint and products enhancement, we opened JEN Shenzhen Qianhai by Shangri-La in February 2023, our 3rd hotel in Shenzhen, and yet another management hotel in Mainland China's Tier 1 city – after Shangri-La Shougang Park, Beijing and Shangri-La Qiantan, Shanghai. We are also working towards the opening Phase II of Shangri-La Fuzhou featuring a new shopping mall and office tower, products that we expect, will set new benchmarks for retail and leisure operations in an integrated property in that city. In Hong Kong, we launched "YUN WELLNESS" in Island Shangri-La, a world class wellness offering, that not only serves travellers, but also our local customers.

Although our business has significantly recovered, we remain vigilant with our costs and balance sheet. As at 30 June 2023, the Group had cash and bank balances of USD765 million and committed undrawn facilities of USD1.0 billion, and had completed refinancing arrangement of 100% of our 2023 refinancing needs, and 70% of our 2024 refinancing needs. We will conserve our accessible cash reserve and closely manage 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 62% of our total debts to hedge against elevated interest rates.

All in all, we remain optimistic for the rest of 2023 and will continue to stay focused on capturing business opportunities while staying nimble as the environment of the hospitality business can change quickly. 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, 30 August 2023

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

Executive directors
Ms KUOK Hui Kwong (Chairman)
Mr CHUA Chee Wui (Group Chief Financial Officer & Group Chief Investment Officer)

Non-executive director
Mr LIM Beng Chee

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