

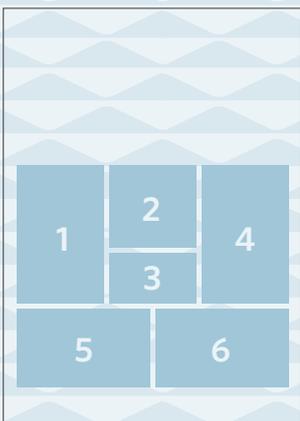
INTERIM REPORT 2023

SHANGRI-LA ASIA LIMITED

Incorporated in Bermuda with Limited Liability
Stock code: 69



SHANGRI-LA GROUP



Cover Photos:

1. Shangri-La Paris
2. Kerry Hotel, Hong Kong
3. Fuzhou Shangri-La Centre
4. Island Shangri-La
5. JEN Shenzhen Qianhai by Shangri-La
6. Shangri-La Shougang Park, Beijing

As at 30 August 2023

BOARD OF DIRECTORS

Executive Directors

Ms KUOK Hui Kwong (*Chairman*)
Mr CHUA Chee Wui (*Group Chief Financial Officer and
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

EXECUTIVE COMMITTEE

Ms KUOK Hui Kwong (*chairman*)
Mr CHUA Chee Wui

NOMINATION COMMITTEE

Ms KUOK Hui Kwong (*chairman*)
Professor LI Kwok Cheung Arthur
Mr LI Xiaodong Forrest
Ms KHOO Shulamite N K

REMUNERATION & HUMAN CAPITAL COMMITTEE

Ms KHOO Shulamite N K (*chairman*)
Ms KUOK Hui Kwong
Professor LI Kwok Cheung Arthur
Mr YAP Chee Keong

AUDIT & RISK COMMITTEE

Mr YAP Chee Keong (*chairman*)
Professor LI Kwok Cheung Arthur
Ms KHOO Shulamite N K

COMPANY SECRETARY

Mr SEOW Chow Loong Iain

SENIOR MANAGEMENT

Ms KUOK Hui Kwong (*Chairman*)
Mr CHUA Chee Wui (*Group Chief Financial Officer and
Group Chief Investment Officer*)
Mr TAN Chen Kiong George (*Group Chief Human Resources
Officer*)
Mr LAM Kwok Fung Spencer (*Group Chief Technology Officer*)
Mr PAW Chuen Kee (*Group Chief Operating Officer,
Deputy Chief Executive Officer and Executive Vice President,
Operations – China*)
Mr CHAN Kong Leong (*Regional Chief Executive Officer
– Hong Kong, Southeast Asia & Australasia, Japan and
Middle East, Europe, Indian Ocean & the Americas*)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F Prince's Building
Central
Hong Kong SAR

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28/F Kerry Centre
683 King's Road
Quarry Bay
Hong Kong SAR

REGISTERED ADDRESS

Victoria Place
5/F, 31 Victoria Street
Hamilton HM10
Bermuda

PRINCIPAL SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited
4/F North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong SAR

STOCK CODES

Hong Kong stock exchange – 00069
Singapore stock exchange – S07
American Depositary Receipt – SHALY

WEBSITES

Corporate – www.ir.shangri-la.com
Business – www.shangri-la.com/group

INVESTOR RELATIONS CONTACT

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28/F Kerry Centre
683 King's Road
Quarry Bay
Hong Kong SAR

KEY DATE

Announcement of 2023 final results
March 2024

FINANCIAL HIGHLIGHTS

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 is set out on page 4.

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		% change
	2023 USD Million	2022 USD Million	
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

FINANCIAL HIGHLIGHTS

	As at		% change
	30 June 2023	31 December 2022	
	USD Million	USD Million	
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:

- 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.
 - 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF SHANGRI-LA ASIA LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 40, which comprises the condensed consolidated interim statement of financial position of Shangri-La Asia Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2023 and the condensed consolidated interim statement of profit or loss, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 August 2023

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in US dollar thousands)

	Note	As at	
		30 June 2023 Unaudited	31 December 2022 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,047,409	4,171,457
Investment properties	5	1,755,214	1,724,867
Right-of-use assets	5	1,059,351	1,074,681
Intangible assets	5	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	6	2,101	3,177
Financial assets at fair value through profit or loss	6	11,817	12,902
Derivative financial instruments	14	66,261	74,975
Other receivables	7	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	8	247,252	209,026
Amounts due from associates		142,138	107,942
Derivative financial instruments	14	58,590	58,253
Financial assets at fair value through profit or loss	6	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	9	3,201,995	3,201,995
Shares held for share award scheme	9	(10,064)	(6,111)
Other reserves	11	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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in US dollar thousands)

		As at	
	Note	30 June 2023 Unaudited	31 December 2022 Audited
LIABILITIES			
Non-current liabilities			
Bank loans	12	3,879,990	3,527,212
Fixed rate bonds	13	1,020,776	1,132,761
Derivative financial instruments	14	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	16	509,183	579,222
Contract liabilities		104,235	89,412
Short term lease liabilities		41,289	44,729
Amounts due to non-controlling shareholders	15	51,944	51,779
Current income tax liabilities		17,095	6,113
Bank loans	12	595,547	952,444
Fixed rate bonds	13	99,518	–
Derivative financial instruments	14	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	4	1,005,976	627,454
Cost of sales	17	(439,696)	(323,709)
Gross profit		566,280	303,745
Other gains – net	18	12,237	72,919
Marketing costs	17	(34,386)	(27,786)
Administrative expenses	17	(107,103)	(97,638)
Other operating expenses	17	(295,425)	(271,885)
Operating profit/(loss)		141,603	(20,645)
Finance costs – net			
– Interest expense	19	(131,973)	(100,903)
– Foreign exchange gains/(losses)	19	50,264	(115,341)
Share of profit of associates	20	123,095	48,268
Profit/(Loss) before income tax		182,989	(188,621)
Income tax (expense)/credit	21	(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	22	3.688	(4.429)
– diluted	22	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):		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Fair value changes of financial assets at fair value through other comprehensive income	24	(275)
Effect of hyperinflation	(5,657)	49,963
<i>Items that may be reclassified subsequently to profit or loss</i>		
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

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 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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
Cash flows from operating activities		
– net cash generated from/(used in) operations	189,467	(27,549)
– interest paid for loans and fixed rate bonds	(118,881)	(85,354)
– interest paid for lease liabilities	(14,062)	(14,473)
– profits tax paid	(14,241)	(8,215)
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Net cash generated from/(used in) operating activities	42,283	(135,591)
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Cash flows from investing activities		
– purchases of property, plant and equipment, investment properties and right-of-use assets	(66,181)	(61,333)
– (increase)/decrease in short-term bank deposits with original maturities over 3 months	(46,347)	1,593
– capital injection to an associate	(2,906)	–
– cash received from capital reduction of an associate	8,750	30,360
– net (increase)/decrease in loans to associates	(15,498)	684
– dividends received from associates	20,478	3,384
– interest received from associates	555	190
– other interest received	7,411	3,716
– sale proceeds received for disposal of controlling interest in a subsidiary	–	22,850
– other investing cash flow – net	4,801	2,963
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Net cash (used in)/generated from investing activities	(88,937)	4,407
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Cash flows from financing activities		
– net increase in bank loans	18,918	45,262
– principal elements of lease payments	(9,480)	(9,739)
– net increase in loans from non-controlling shareholders	4,944	4,970
– purchase of shares under share award scheme	(8,259)	(442)
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Net cash generated from financing activities	6,123	40,051
	<hr/>	
Net decrease in cash and cash equivalents	(40,531)	(91,133)
Cash and cash equivalents at 1 January	753,002	745,540
Exchange losses on cash and cash equivalents	(6,960)	(41,074)
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Cash and cash equivalents at 30 June	705,511	613,333
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Analysis of balances of cash and cash equivalents		
Cash and bank balances and short-term fund placements ^(Note)	764,850	651,066
Less: Short-term bank deposits with original maturities over 3 months	(59,339)	(37,733)
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Cash and cash equivalents	705,511	613,333
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Note: Short-term fund placements represent investment in highly liquid money market instruments. This investment is readily convertible to cash within 3 months and has insignificant risk of changes in value.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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, 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 HKICPA, 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. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

4. 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
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Revenue from contracts with customers	953,486	576,559
Investment properties	52,490	50,895
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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)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

- 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 developments 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment profit or loss (continued)

For the six months ended 30 June 2023 and 2022 *(USD million)*

	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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

5. CAPITAL EXPENDITURE

	Property, plant and equipment	Investment properties	Right-of-use assets	Intangible assets
Opening net book amount as at 1 January 2023	4,171,457	1,724,867	1,074,681	108,804
Additions	42,150	26,776	16,611	13
Fair value gains (Note 18)	-	7,484	-	-
Exchange differences	(58,990)	(3,810)	(6,959)	69
Disposals	(906)	(103)	(2,970)	-
Depreciation/amortisation charge (Note 17)	(107,449)	-	(22,012)	(4,700)
Reversal of impairments (Note 17)	1,147	-	-	-
Closing net book amount as at 30 June 2023	4,047,409	1,755,214	1,059,351	104,186
Opening net book amount as at 1 January 2022	4,634,879	1,758,979	1,174,309	110,024
Additions	27,072	35,408	3,659	13
Fair value gains (Note 18)	-	38,621	-	-
Exchange differences	(260,669)	(155,456)	(56,337)	(739)
Disposals	(608)	(736)	-	-
Depreciation/amortisation charge (Note 17)	(116,732)	-	(23,885)	(3,702)
Closing net book amount as at 30 June 2022	4,283,942	1,676,816	1,097,746	105,596

Investment properties were stated at fair value (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). All changes in the fair value of investment properties were recorded in the condensed consolidated interim statement of profit or loss for the six months ended 30 June 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

6. FINANCIAL ASSETS

	As at	
	30 June 2023	31 December 2022
Non-current		
Financial assets at fair value through other comprehensive income		
– Equity and loan instruments	2,101	2,101
– Shares listed outside Hong Kong	–	1,076
Financial assets at fair value through profit or loss		
– Club debentures	11,817	12,902
Total	13,918	16,079
Current		
Financial assets at fair value through profit or loss		
– Shares listed in Hong Kong	12,050	13,884

During the six months ended 30 June 2023 and 2022, there were no additions of financial assets.

During the six months ended 30 June 2023, financial assets at fair value through other comprehensive income amounting to USD1,076,000 (2022: Nil) were disposed of at sale proceeds of USD1,223,000 (2022: Nil).

The maximum exposure to credit risk at the reporting date is the fair value of the financial assets mentioned above.

7. OTHER RECEIVABLES

	As at	
	30 June 2023	31 December 2022
Security deposit on leased premises	12,447	13,488

The following interest-free security deposits were paid to the lessors of the leased premises and will only be recoverable after expiry of the lease.

- JPY1,751,000,000 (equivalent to USD12,107,000) (31 December 2022: JPY1,751,000,000 (equivalent to USD13,277,000))
- RMB10,000,000 (equivalent to USD1,384,000) (31 December 2022: RMB10,000,000 (equivalent to USD1,436,000))

The effective interest rate applied to calculate the fair value upon initial recognition of the deposit is 0.556% and 4.15% per annum, respectively.

The fair values of these other receivables are not materially different from their carrying values.

The maximum exposure to credit risk at the reporting date is the fair value of other receivables mentioned above.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

8. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	As at	
	30 June 2023	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	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

9. SHARE CAPITAL AND PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME

	Number of shares (‘000)	Amount		Total
		Ordinary shares	Share premium	
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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

9. SHARE CAPITAL AND PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME (CONTINUED)

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 10 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 or lapsed subsequent to 30 June 2023 and up to the approval date of the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

10. 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 are purchased on the open market and 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 are 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

10. SHARE AWARD SCHEME (CONTINUED)

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			Vesting period
				Before 2022	For the year ended 31 Dec 2022	For the six months ended 30 Jun 2023	
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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

11. OTHER RESERVES

	Share option reserve	Share award reserve	Hedging reserve	Investment reserve	Capital redemption reserve	Exchange fluctuation reserve	Capital reserve	Asset revaluation reserve	Other reserve	Contributed surplus	Total
Balance at 1 January 2023	6,216	5,397	108,238	191	10,666	(575,283)	601,490	20,823	1,368	389,741	568,847
Currency translation differences	-	-	-	-	-	(235,768)	-	-	-	-	(235,768)
Fair value changes of interest-rate swap and cross-currency swap contracts - hedging	-	-	(8,551)	-	-	-	-	-	-	-	(8,551)
Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	10	-	-	-	-	-	-	10
Share-based compensation under share award scheme	-	2,456	-	-	-	-	-	-	-	-	2,456
Vesting of shares under share award scheme	-	(4,152)	-	-	-	-	-	-	-	-	(4,152)
Transfer gain on change in fair value of equity instruments sold to retained earnings	-	-	-	(201)	-	-	-	-	-	-	(201)
Balance at 30 June 2023	6,216	3,701	99,687	-	10,666	(811,051)	601,490	20,823	1,368	389,741	322,641
Balance at 1 January 2022	6,216	2,450	(37,701)	2,653	10,666	75,553	601,490	20,823	1,368	389,741	1,073,259
Currency translation differences	-	-	-	-	-	(435,907)	-	-	-	-	(435,907)
Fair value changes of interest-rate swap and cross-currency swap contracts - hedging	-	-	104,619	-	-	-	-	-	-	-	104,619
Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	(116)	-	-	-	-	-	-	(116)
Share-based compensation under share award scheme	-	2,169	-	-	-	-	-	-	-	-	2,169
Vesting of shares under share award scheme	-	(2,222)	-	-	-	-	-	-	-	-	(2,222)
Balance at 30 June 2022	6,216	2,397	66,918	2,537	10,666	(360,354)	601,490	20,823	1,368	389,741	741,802

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

12. BANK LOANS

	As at	
	30 June 2023	31 December 2022
Bank loans	4,475,537	4,479,656
Less: Non-current portion	(3,879,990)	(3,527,212)
	<hr/>	<hr/>
Current portion	595,547	952,444
	<hr/>	<hr/>

The maturity of bank loans is as follows:

	As at	
	30 June 2023	31 December 2022
Within 1 year	595,547	952,444
Between 1 and 2 years	1,123,818	859,014
Between 2 and 5 years	2,608,253	2,506,006
	<hr/>	<hr/>
Repayable within 5 years	4,327,618	4,317,464
Over 5 years	147,919	162,192
	<hr/>	<hr/>
Total	4,475,537	4,479,656
	<hr/>	<hr/>

As at 30 June 2023 and 31 December 2022, all bank loans were unsecured.

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

	30 June 2023							
	HKD	RMB	USD	EUR	JPY	AUD	FJD	SGD
Bank loans	6.02%	4.62%	5.99%	4.54%	0.77%	5.18%	4.00%	4.10%
	<hr/>							
	31 December 2022							
	HKD	RMB	USD	EUR	JPY	AUD	FJD	SGD
Bank loans	5.36%	4.78%	4.98%	1.30%	0.77%	2.19%	4.25%	3.59%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

12. BANK LOANS (CONTINUED)

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

	As at	
	30 June 2023	31 December 2022
Hong Kong dollars (HKD)	1,633,910	1,579,537
Renminbi (RMB)	604,824	560,865
United States dollars (USD)	1,955,003	2,065,572
Euros (EUR)	81,531	80,111
Japanese yen (JPY)	107,175	110,316
Australian dollars (AUD)	53,064	53,735
Fijian dollars (FJD)	10,542	12,738
Singapore dollars (SGD)	29,488	16,782
	4,475,537	4,479,656

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2023	31 December 2022
Floating rate		
– expiring within one year	41,771	236,425
– expiring beyond one year	808,655	736,628
Fixed rate		
– expiring within one year	–	–
– expiring beyond one year	124,554	–
	974,980	973,053

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

13. FIXED RATE BONDS

The fixed rate bonds recognised in the condensed consolidated interim statement of financial position are as follows:

	Coupon rate per annum	Maturity	Balance as at 31 December 2022	New issuance during the period	Exchange differences	Balance as at 30 June 2023
Bonds issued in 2018						
SGD825,000,000	4.50%	Nov 2025	615,350	–	(7,167)	608,183
USD35,000,000	5.23%	Nov 2025	35,000	–	–	35,000
Bonds issued in 2019						
SGD135,000,000	3.70%	Jun 2024	100,694	–	(1,173)	99,521
SGD165,000,000	4.10%	Jun 2027	123,070	–	(1,434)	121,636
Bond issued in 2020						
SGD250,000,000	3.50%	Jan 2030	186,470	–	(2,172)	184,298
Bond issued in 2021						
SGD100,000,000	3.50%	Jan 2030	74,588	–	(869)	73,719
Face value			1,135,172	–	(12,815)	1,122,357
Unamortised discount and issuing expenses			(2,411)			(2,063)
Carrying amount			1,132,761			1,120,294
Less: Non-current portion			(1,132,761)			(1,020,776)
Current portion			–			99,518

As at 30 June 2023 and 31 December 2022, all fixed rate bonds were unsecured.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

14. DERIVATIVE FINANCIAL INSTRUMENTS

	As at	
	30 June 2023	31 December 2022
Non-current assets		
Interest-rate swap contracts	66,261	74,975
Current assets		
Interest-rate swap contracts	49,385	45,112
Cross-currency swap contracts	9,205	13,141
	58,590	58,253
Total assets	124,851	133,228
Non-current liabilities		
Cross-currency swap contracts	10,418	7,700
Current liabilities		
Cross-currency swap contracts	5,316	3,169
Total liabilities	15,734	10,869

Interest-rate swap contracts

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest-rate swap contracts (continued)

The notional principal amounts of the outstanding HIBOR and SOFR interest-rate swap contracts at 30 June 2023 are as follows:

- USD1,265,000,000 (31 December 2022: USD1,265,000,000) with fixed interest rates vary from 1.365% to 3.045% per annum (31 December 2022: 1.365% to 3.045% per annum) maturing during November 2023 to March 2027
- HKD6,170,000,000 (equivalent to USD796,129,000) (31 December 2022: HKD6,170,000,000 (equivalent to USD796,129,000)) with fixed interest rates vary from 1.505% to 1.855% per annum (31 December 2022: 1.505% to 1.855% per annum) maturing during July 2023 to August 2026

Cross-currency swap contracts

During the year ended 31 December 2020, a wholly-owned subsidiary of the Company entered into two 3-year term cross-currency swap contracts totalling EUR100,000,000 in order to swap bank borrowings from Hong Kong dollar to Euro to hedge the Euro investment for hotels in Europe, under which the principal amount was exchanged at inception to Euro at exchange rates of HKD9.1972 and HKD9.175 to EUR1 and will be re-exchanged on expiry date in August 2023 at the same exchange rate. Under the contracts, fixed interest rates of 0.390% and 0.395% per annum on the exchanged Euro principal amounts would be paid and a floating interest rate of HIBOR+0.79% and HIBOR+0.84% per annum on the HKD principal amounts would be received, respectively. The cross-currency swap contracts do not qualify for hedge accounting.

During the year ended 31 December 2019, a wholly-owned subsidiary of the Company entered into a cross-currency swap contract amounting to JPY8,000,000,000 to hedge the JPY bank borrowings of the same amount, under which the principal amount was exchanged at inception to HKD578,754,000 at an exchange rate of JPY 13.8228 to HKD1 and will be re-exchanged on expiry date in July 2026 at the same exchange rate. Under the contract, a fixed interest rate of 3.345% per annum on the exchanged Hong Kong dollar principal amounts would be paid and a floating interest rate of TONAR+0.675% per annum (originally JPY LIBOR+0.675% per annum) on the JPY principal amount would be received. The cross-currency swap contract qualifies for hedge accounting.

During the year ended 31 December 2018, a wholly-owned subsidiary of the Company entered into a cross-currency swap contract amounting to USD35,000,000, under which the principal amount was exchanged at inception to SGD48,377,000 at an exchange rate of USD1 to SGD1.3822 and will be re-exchanged on expiry date in November 2025 at the same exchange rate. Under the contract, a fixed interest rate of 4.25% per annum on the exchanged Singapore dollar principal amounts would be paid and a fixed interest rate of 5.23% per annum on the United States dollar principal amount would be received. The cross-currency swap contract does not qualify for hedge accounting.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

15. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

Amounts due to non-controlling shareholders are unsecured and with the following terms:

	As at	
	30 June 2023	31 December 2022
Current portion		
– interest-free with no fixed repayment terms	49,444	51,779
– interest-bearing at 3-month LIBOR +2.75%	2,500	–
	51,944	51,779

The fair values of the amounts due to non-controlling shareholders are not materially different from their carrying values.

16. ACCOUNTS PAYABLE AND ACCRUALS

	As at	
	30 June 2023	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	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

17. 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	30 June 2022
Depreciation of property, plant and equipment (2022: net of amount capitalised of USD1,000) (Note 5)	107,449	116,731
Amortisation of trademark, and website and system development (Note 5)	4,700	3,702
Depreciation of right-of-use assets (Note 5)	22,012	23,885
Reversal of impairment losses for property, plant and equipment (Note 5)	(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

18. 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 (Note 5)	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

19. 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).

20. 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)
	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
	(42,959)	(22,717)
Share of profit of associates	123,095	48,268

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

21. 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)

22. 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 (<i>USD'000</i>)	131,364	(158,219)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	3,561,946	3,572,544
Basic earnings/(loss) per share (<i>US cents per share</i>)	3.688	(4.429)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

22. EARNINGS/(LOSS) PER SHARE (CONTINUED)

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 potential dilutive effects 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)

23. 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 recommended no final dividend payment for the year ended 31 December 2022.
- (b) At a meeting held on 30 August 2023, the Board recommended no interim dividend payment for the year ending 31 December 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

24. 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.

25. 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

26. RELATED PARTY TRANSACTIONS

Kerry Holdings Limited (“KHL”), a substantial shareholder and a related party of the Company, has significant influence over the Company.

The following transactions were carried out with related parties:

	For the six months ended	
	30 June 2023	30 June 2022
(a) Transactions with subsidiaries of KHL (other than subsidiaries of the Company)		
Receipt of hotel management and related services fees and royalty fees	9,013	4,609
Reimbursement of office expenses and payment of administration and related expenses	178	84
Payment and reimbursement of office rental, management fees and rates	2,761	3,144
Purchase of wines	569	376

	For the six months ended	
	30 June 2023	30 June 2022
(b) Transactions with associates of the Group (other than the subsidiaries of KHL included under item(a) above)		
Receipt of hotel management and related services fees and royalty fees	14,493	7,338
Receipt of laundry services fees	290	130

	As at	
	30 June 2023	31 December 2022
(c) Financial assistance provided to subsidiaries of KHL (other than subsidiaries of the Company)		
Balance of loan to associates of the Group	110,898	96,947
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	138,688	143,020

	As at	
	30 June 2023	31 December 2022
(d) Financial assistance provided to associates of the Group (excluding item (c) above)		
Balance of loan to associates of the Group	49,296	49,324
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	8,218	8,551

There were no material changes to the terms of the above transactions during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

26. RELATED PARTY TRANSACTIONS (CONTINUED)

		For the six months ended	
		30 June 2023	30 June 2022
(e)	Key management compensation		
	Fees, salaries and other short-term employee benefits of executive directors	1,033	1,105
	Post-employment benefits of executive directors	16	16
		1,049	1,121

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group measures fair value of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 – Quoted market prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 – Fair value measured using significant unobservable inputs

The definitions, valuation technique and inputs used in the fair value measurements for financial instruments under Level 1, Level 2 and Level 3 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2023.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income (<i>Note 6</i>)				
– Equity and loan instruments	-	-	2,101	2,101
Financial assets at fair value through profit or loss (<i>Note 6</i>)				
– Club debentures	11,817	-	-	11,817
– Listed shares	12,050	-	-	12,050
Derivative financial instruments (<i>Note 14</i>)				
– Interest-rate swap contracts	-	115,646	-	115,646
– Cross-currency swap contracts	-	9,205	-	9,205
Total assets	23,867	124,851	2,101	150,819
Liabilities				
Derivative financial instruments (<i>Note 14</i>)				
– Cross-currency swap contracts	-	15,734	-	15,734

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2022.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income (Note 6)				
– Equity and loan instruments	–	–	2,101	2,101
– Listed shares	1,076	–	–	1,076
Financial assets at fair value through profit or loss (Note 6)				
– Club debentures	12,902	–	–	12,902
– Listed shares	13,884	–	–	13,884
Derivative financial instruments (Note 14)				
– Interest-rate swap contracts	–	120,087	–	120,087
– Cross-currency swap contracts	–	13,141	–	13,141
Total assets	27,862	133,228	2,101	163,191
Liabilities				
Derivative financial instruments (Note 14)				
– Cross-currency swap contracts	–	10,869	–	10,869

During the six months ended 30 June 2023 and 2022, there was no transfer between the levels of fair value hierarchy of the Group's financial assets and liabilities.

28. EVENT AFTER THE REPORTING PERIOD

In August 2023, the Group issued 5-year term fixed rate bonds of SGD160,000,000 (equivalent to USD117,951,000) with a coupon rate at 4.40% per annum.

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 leases)
- **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**

DISCUSSION AND ANALYSIS

The following table summarises the hotels and rooms of the Group:

	Owned/Leased		Managed		Total Operating Hotels		Hotels Under Development	
	Hotels	Rooms in '000	Hotels	Rooms in '000	Hotels	Rooms in '000	Owned/ Leased Hotels	Hotels under Management contracts
 SHANGRI-LA	73	30.7	18	5.8	91	36.5	4	3
 KERRY HOTELS	3	1.6	-	-	3	1.6	-	-
 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	6	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:

	Group's equity interest	Total GFA of the operating investment properties as at 30 June 2023		
		Office spaces	Commercial spaces	Serviced apartments/ residential
<i>(in thousand square metres)</i>				
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.

(USD Million)	Profit or loss for the six months ended 30 June 2023		Profit or loss for the six months ended 30 June 2022		% change	
	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

DISCUSSION AND ANALYSIS

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 4 to the condensed consolidated interim financial statements included in this interim report.

<i>(USD Million)</i>	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.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(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:

<i>(USD Million)</i>	For the six months ended 30 June		
	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%

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(i) Hotel Properties (Continued)

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.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(i) Hotel Properties (Continued)

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.

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(i) Hotel Properties (Continued)

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.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(i) Hotel Properties (Continued)

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.

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(iii) Investment Properties

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

<i>(USD Million)</i>	For the six months ended 30 June		
	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.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

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.

(USD million)	EBITDA of subsidiaries		Effective share of EBITDA of subsidiaries		Effective share of EBITDA of associates		Aggregate Effective share of EBITDA	
	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

RESULTS OF OPERATIONS (CONTINUED)

EBITDA and Aggregate Effective Share of EBITDA (Continued)

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.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

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:

<i>(USD million)</i>		For the six months ended 30 June		
		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

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Profit or Loss Attributable to Owners of the Company (Continued)

(USD million)	For the six months ended 30 June		
	2023	2022	% change
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.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Profit or Loss Attributable to Owners of the Company (Continued)

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.*

CORPORATE DEBT AND FINANCIAL CONDITIONS (CONTINUED)

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

<i>(USD million)</i>	Maturities of Borrowings Contracted as at 30 June 2023					Total
	Within 1 year	In the 2nd year	Repayment In the 3rd to 5th year	After 5 years		
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
<i>% of total outstanding balance</i>	<i>12.4%</i>	<i>20.1%</i>	<i>60.3%</i>	<i>7.2%</i>		<i>100.0%</i>
Undrawn but committed facilities						
Bank loans	41.8	103.2	752.0	78.0		975.0

DISCUSSION AND ANALYSIS

CORPORATE DEBT AND FINANCIAL CONDITIONS (CONTINUED)

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

<i>(USD million)</i>	Borrowings	Cash and Bank Balances <i>(Note)</i>
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 24 to the condensed consolidated interim financial statements included in this interim report.

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.

DISCUSSION AND ANALYSIS

TREASURY POLICIES (CONTINUED)

(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:

<i>(USD million)</i>	Subsidiaries		Associates		Total	
	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

DISCUSSION AND ANALYSIS

DEVELOPMENT PROGRAMMES (CONTINUED)

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 of 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 serves not only 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.

DISCUSSION AND ANALYSIS

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.

Directors Handbook

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

Code on Securities Transactions

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

Code on Corporate Governance

The Company has complied with the CG Model Code throughout the underlying six-month period.

Changes in Directors' Information

There have been changes in the information of some of the directors since the date of the Company's 2022 annual report. Details of the changes as reported to the Company and as required to be disclosed under Rule 13.51B(1) of the Listing Rules are as follows:

1. At the Company's annual general meeting held on 1 June 2023, shareholders of the Company approved the following non-executive directors' fees for 2023:
 - (a) non-executive director: HK\$400,000 (2022: HK\$280,000)
 - (b) chairman/member of Remuneration & Human Capital Committee: HK\$200,000/HK\$90,000 (2022: HK\$60,000/HK\$60,000)
 - (c) chairman/member of Nomination Committee: HK\$100,000/HK\$75,000 (2022: HK\$60,000/HK\$60,000)
 - (d) chairman/member of Audit & Risk Committee: HK\$335,000/HK\$200,000 (2022: HK\$230,000/HK\$200,000)

SIGNIFICANT SHAREHOLDERS' INTERESTS

As at 30 June 2023, the interests and short positions of those persons (other than the directors of the Company) in shares and underlying shares in the Company as recorded in the register that is required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (“SFO”) or as ascertained by the Company after reasonable enquiry were as follows:

Name	Capacity	Number of ordinary shares held	Approximate % of total issued shares of the Company
Substantial shareholders			
Kerry Group Limited (“KGL”) (Note 1)	Interest of controlled corporation(s)	1,799,537,010	50.189
Kerry Holdings Limited (“KHL”) (Notes 1 and 2)	Beneficial owner	87,237,052	2.433
	Interest of controlled corporation(s)	1,538,441,491	42.907
Caninco Investments Limited (“Caninco”) (Note 2)	Beneficial owner	568,568,684	15.857
	Interest of controlled corporation(s)	157,280,233	4.387
Paruni Limited (“Paruni”) (Note 2)	Beneficial owner	382,904,547	10.679
	Interest of controlled corporation(s)	36,667,449	1.023
Other major shareholders			
Darmex Holdings Limited (“Darmex”) (Note 2)	Beneficial owner	267,068,070	7.449
Kuok Brothers Sdn Berhad	Beneficial owner	84,441,251	2.355
	Interest of controlled corporation(s)	227,043,761	6.332
Kuok (Singapore) Limited (“KSL”) (Note 3)	Interest of controlled corporation(s)	220,444,907	6.148
Baylite Company Limited (“Baylite”) (Note 3)	Beneficial owner	220,444,907	6.148

Notes:

1. KHL is a wholly owned subsidiary of KGL and accordingly, the shares in which KHL is shown as interested are also included in the shares in which KGL is shown as interested.
2. Caninco, Paruni and Darmex are wholly owned subsidiaries of KHL and accordingly, the shares in which Caninco, Paruni and Darmex are shown as interested are also included in the shares in which KHL is shown as interested.
3. Baylite is a wholly owned subsidiary of KSL and accordingly, the shares in which Baylite is shown as interested are also included in the shares in which KSL is shown as interested.

DISCUSSION AND ANALYSIS

DIRECTORS' INTERESTS

As at 30 June 2023, the interests and short positions of the directors of the Company in shares, underlying shares and debentures in/of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) ("**Associated Corporation(s)**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and HKSE pursuant to the Securities Model Code were as follows:

(A) Long positions in shares in the Company and Associated Corporations

Name of company	Name of director	Class of shares	Number of shares held				Total	Approximate % of total issued shares in the relevant company
			Personal interests	Family interests	Corporate interests	Other interests		
The Company	KUOK Hui Kwong	Ordinary	1,200,833 <i>(Note 1)</i>	613,334 <i>(Note 2)</i>	2,000,000 <i>(Note 3)</i>	86,251,718 <i>(Note 4)</i>	90,065,885	2.512
	CHUA Chee Wui	Ordinary	242,000	-	-	-	242,000	0.007
	LIM Beng Chee	Ordinary	1,058,000	-	-	-	1,058,000	0.030

Notes:

- 32,000 shares were held jointly by Ms KUOK Hui Kwong and her spouse.
- These shares were the deemed interest of Ms KUOK Hui Kwong's spouse.
- These shares were held through the company which was owned by Ms KUOK Hui Kwong.
- These shares were held through discretionary trusts of which Ms KUOK Hui Kwong is a discretionary beneficiary.

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

As at 30 June 2023, there were share options and/or share awards held by the directors of the Company with rights to shares in the Company. Details of such underlying shares are set out in the sections entitled "SHARE OPTIONS" and "SHARE AWARDS" of this report.

SHARE OPTIONS

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

Grantees	Date of grant	Number of option shares						Balance as at 30 Jun 2023	Exercise price per share (HK\$)	Exercise period
		Balance as at 1 Jan 2023	Granted during the period	Transferred from other category during the period	Transferred to other category during the period	Lapsed during the period	Exercised during the period			
1. Director										
LI Kwok Cheung Arthur	23 Aug 2013	100,000	-	-	-	-	-	100,000	12.11	23 Aug 2013 - 22 Aug 2023
2. Employees										
	23 Aug 2013	3,138,000	-	-	(50,000)	(320,000)	-	2,768,000	12.11	23 Aug 2013 - 22 Aug 2023
3. Other participants										
	23 Aug 2013	3,270,000	-	50,000	-	-	-	3,320,000	12.11	23 Aug 2013 - 22 Aug 2023
Total		6,508,000	-	50,000	(50,000)	(320,000)	-	6,188,000		

Notes:

- No options were cancelled during the underlying six-month period.
- The share option scheme expired on 28 May 2022 and there were no grantable options under the share option scheme during the underlying six-month period.

DISCUSSION AND ANALYSIS

SHARE AWARDS

The award shares having been granted by the Company and remaining outstanding during the underlying six-month period were granted under the Company's share award scheme adopted by the shareholders of the Company on 28 May 2012 (as amended on 10 August 2012, 31 May 2018 and 29 December 2022). Details and movements of such award shares during the underlying six-month period are as follows:

Grantees	Date of grant	Number of award shares				Balance as at 30 Jun 2023	Consideration per award share (HK\$)	Vesting period
		Balance as at 1 Jan 2023	Granted during the period	Lapsed/ Adjustment during the period	Vested during the period			
1. Directors								
KUOK Hui Kwong	7 Jun 2021	122,000	-	-	(60,000)	62,000	Nil	7 Jun 2022 - 7 Jun 2024
	6 May 2022	636,000	-	-	(210,000)	426,000	Nil	6 May 2023 - 6 May 2025
CHUA Chee Wui	7 Jun 2021	108,000	-	-	(52,000)	56,000	Nil	7 Jun 2023 - 7 Jun 2024
	6 May 2022	370,000	-	-	(122,000)	248,000	Nil	6 May 2023 - 6 May 2025
LIM Beng Chee	7 Jun 2021	140,000	-	(140,000)	-	-	Nil	7 Jun 2022 - 7 Jun 2024
	6 May 2022	548,000	-	(548,000)	-	-	Nil	6 May 2023 - 6 May 2025
2. Employees								
	7 Jun 2021	2,936,000	-	(128,000)	(1,410,000)	1,398,000	Nil	7 Jun 2022 - 7 Jun 2024
	15 Oct 2021	180,000	-	(14,000)	-	166,000	Nil	15 Oct 2022 - 15 Oct 2024
	6 May 2022	10,186,000	-	(310,000)	(3,278,000)	6,598,000	Nil	6 May 2023 - 6 May 2025
Total		15,226,000	-	(1,140,000)	(5,132,000)	8,954,000		

Notes:

- No share awards were cancelled during the underlying six-month period.
- Per the amendment to the share award scheme on 29 December 2022, award shares of the Company could only be funded by existing shares of the Company.
- At the beginning of 1 January 2023 and as at 30 June 2023, a maximum of respectively 85,852,751 (rectified) and 86,992,751 shares (representing respectively 2.39% and 2.43% of the issued shares thereby) were available for grant under the share award scheme.

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.

On behalf of the Board
KUOK Hui Kwong
Chairman

Hong Kong, 30 August 2023