

INTERIM REPORT 2022

SHANGRI-LA ASIA LIMITED

Incorporated in Bermuda with Limited Liability
Stock code: 69



SHANGRI-LA GROUP

As at 26 August 2022

BOARD OF DIRECTORS

Executive Directors

Ms KUOK Hui Kwong (*Chairman*)
Mr LIM Beng Chee
Mr CHUA Chee Wui (*from 1 September 2022*)

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 LIM Beng Chee
Mr CHUA Chee Wui (*from 1 September 2022*)

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 LIM Beng Chee (*Group Chief Executive Officer*)
Ms CHOW Cindy Sing Man (*Group Chief Financial Officer until 30 August 2022*)
Mr CHUA Chee Wui (*Group Chief Investment Officer and Group Chief Financial Officer from 31 August 2022*)
Mr TAN Chen Kiong George (*Group Chief Human Resources Officer*)
Mr LAM Kwok Fung Spencer (*Group Chief Technology Officer*)
Ms LU Tao (*Group Chief Marketing 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 – Southeast Asia & Australasia*)

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

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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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Quarry Bay
Hong Kong SAR

KEY DATE

Announcement of 2022 final results
March 2023

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 2022. These results have been reviewed by the Company’s auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and by the audit & risk committee of the Board. The review report of the auditor is set out on page 4.

For the six months ended 30 June 2022, consolidated financial results attributable to owners of the Company before non-operating items recorded a loss of USD105.0 million, an improvement of USD13.1 million, compared to a loss of USD118.1 million for the same period last year. Consolidated financial results attributable to owners of the Company after accounting for non-operating items recorded a loss of USD158.2 million, compared to a loss of USD59.8 million for the same period last year.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: Nil).

The following table summarises the highlights of our financial results:

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

FINANCIAL HIGHLIGHTS

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

(N/M: Not meaningful)

Notes:

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

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 2022 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 notes, comprising significant accounting policies and other explanatory information. 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, 26 August 2022

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in US dollar thousands)

| | | As at | |
|---|------|---------------------------|-----------------------------|
| | Note | 30 June 2022 Unaudited | 31 December 2021 Audited |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 4,283,942 | 4,634,879 |
| Investment properties | 5 | 1,676,816 | 1,758,979 |
| Right-of-use assets | 5 | 1,097,746 | 1,174,309 |
| Intangible assets | 5 | 105,596 | 110,024 |
| Interest in associates | | 4,193,628 | 4,341,708 |
| Deferred income tax assets | | 80,168 | 73,484 |
| Financial assets at fair value through other comprehensive income | 6 | 6,698 | 7,364 |
| Financial assets at fair value through profit or loss | 6 | 12,791 | 12,626 |
| Derivative financial instruments | 15 | 58,348 | 1,949 |
| Other receivables | 7 | 12,674 | 14,882 |
| | | 11,528,407 | 12,130,204 |
| Current assets | | | |
| Inventories | | 26,915 | 28,956 |
| Properties for sale | | 54,074 | 74,976 |
| Accounts receivable, prepayments and deposits | 8 | 213,414 | 200,803 |
| Amounts due from associates | | 154,218 | 147,987 |
| Derivative financial instruments | 15 | 35,329 | 2,793 |
| Financial assets at fair value through profit or loss | 6 | 17,494 | 17,251 |
| Short-term deposits with original maturities over 3 months | | 37,733 | 39,326 |
| Cash and cash equivalents | | 613,333 | 745,540 |
| | | 1,152,510 | 1,257,632 |
| Assets of disposal group classified as held for sale | | - | 86,431 |
| | | 1,152,510 | 1,344,063 |
| Total assets | | 12,680,917 | 13,474,267 |
| EQUITY | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital and premium | 10 | 3,201,995 | 3,201,995 |
| Shares held for share award scheme | 10 | (525) | (2,858) |
| Other reserves | 12 | 741,802 | 1,073,259 |
| Retained earnings | | 1,483,088 | 1,591,897 |
| | | 5,426,360 | 5,864,293 |
| Non-controlling interests | | 127,646 | 185,571 |
| Total equity | | 5,554,006 | 6,049,864 |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in US dollar thousands)

| | | As at | |
|---|------|---------------------------|-----------------------------|
| | Note | 30 June 2022 Unaudited | 31 December 2021 Audited |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank loans | 13 | 3,831,548 | 3,400,972 |
| Fixed rate bonds | 14 | 1,091,682 | 1,124,794 |
| Derivative financial instruments | 15 | 9,192 | 25,507 |
| Amounts due to non-controlling shareholders | 16 | 46,550 | 46,550 |
| Long term lease liabilities | | 522,730 | 570,726 |
| Deferred income tax liabilities | | 294,433 | 303,768 |
| | | 5,796,135 | 5,472,317 |
| Current liabilities | | | |
| Accounts payable and accruals | 17 | 490,293 | 614,869 |
| Contract liabilities | | 113,449 | 140,823 |
| Short term lease liabilities | | 39,060 | 48,072 |
| Amounts due to non-controlling shareholders | 16 | 55,401 | 50,018 |
| Current income tax liabilities | | 320 | 4,205 |
| Bank loans | 13 | 629,132 | 1,062,086 |
| Derivative financial instruments | 15 | 3,121 | 19,622 |
| | | 1,330,776 | 1,939,695 |
| Liabilities of disposal group classified as held for sale | | - | 12,391 |
| | | 1,330,776 | 1,952,086 |
| Total liabilities | | 7,126,911 | 7,424,403 |
| Total equity and liabilities | | 12,680,917 | 13,474,267 |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

(All amounts in US dollar thousands unless otherwise stated)

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-------------------|
| | | 2022 Unaudited | 2021 Unaudited |
| Revenue | 4 | 627,454 | 545,806 |
| Cost of sales | 18 | (323,709) | (315,708) |
| Gross profit | | 303,745 | 230,098 |
| Other gains – net | 19 | 72,919 | 18,378 |
| Marketing costs | 18 | (27,786) | (26,985) |
| Administrative expenses | 18 | (97,638) | (85,438) |
| Other operating expenses | 18 | (271,885) | (265,873) |
| Operating loss | | (20,645) | (129,820) |
| Finance costs – net | | | |
| – Interest expense | 20 | (100,903) | (103,540) |
| – Foreign exchange losses | 20 | (115,341) | (5,989) |
| Share of profit of associates | 21 | 48,268 | 133,611 |
| Loss before income tax | | (188,621) | (105,738) |
| Income tax credit | 22 | 2,103 | 7,151 |
| Loss for the period | | (186,518) | (98,587) |
| Loss attributable to: | | | |
| Owners of the Company | | (158,219) | (59,773) |
| Non-controlling interests | | (28,299) | (38,814) |
| | | (186,518) | (98,587) |
| Loss per share for loss attributable to owners of the Company during the period (expressed in US cents per share) | | | |
| – basic | 23 | (4.429) | (1.673) |
| – diluted | 23 | (4.429) | (1.673) |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in US dollar thousands)

| | Six months ended 30 June | |
|--|--------------------------|-----------|
| | 2022 | 2021 |
| | Unaudited | Unaudited |
| Loss for the period | (186,518) | (98,587) |
| Other comprehensive (loss)/income: | | |
| <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 | (275) | 5,856 |
| Effect of hyperinflation | 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 | 112,251 | 24,461 |
| Currency translation differences – subsidiaries | (253,070) | (39,631) |
| Currency translation differences – associates | (219,035) | 24,508 |
| Other comprehensive (loss)/income for the period | (310,166) | 15,194 |
| Total comprehensive loss for the period | (496,684) | (83,393) |
| Total comprehensive loss attributable to: | | |
| Owners of the Company | (439,660) | (38,984) |
| Non-controlling interests | (57,024) | (44,409) |
| | (496,684) | (83,393) |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands)

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

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 CASH FLOWS

(All amounts in US dollar thousands)

| | Six months ended 30 June | |
|---|--------------------------|-------------------|
| | 2022 Unaudited | 2021 Unaudited |
| Cash flows from operating activities | | |
| – net cash used in operations | (27,549) | (19,258) |
| – interest paid for loans and fixed rate bonds | (85,354) | (86,300) |
| – interest paid for lease liabilities | (14,473) | (7,776) |
| – profits tax paid | (8,215) | (11,216) |
| Net cash used in operating activities | (135,591) | (124,550) |
| Cash flows from investing activities | | |
| – purchases of property, plant and equipment, investment properties and right-of-use assets | (61,333) | (37,407) |
| – decrease in short-term bank deposits with original maturities over 3 months | 1,593 | 13,890 |
| – capital injection to an associate | – | (10,800) |
| – cash received from capital reduction of an associate | 30,360 | – |
| – net decrease in loans to associates | 684 | 42,033 |
| – dividends received from associates | 3,384 | 1,871 |
| – interest received from associates | 190 | 15,511 |
| – other interest received | 3,716 | 4,463 |
| – sale proceeds received for disposal of controlling interest in a subsidiary | 22,850 | 3,130 |
| – other investing cash flow – net | 2,963 | 3,482 |
| Net cash generated from investing activities | 4,407 | 36,173 |
| Cash flows from financing activities | | |
| – dividend paid to non-controlling shareholders | – | (1,645) |
| – net increase/(decrease) in bank loans | 45,262 | (207,536) |
| – net proceeds from issuance of fixed rate bonds | – | 75,604 |
| – principal elements of lease payments | (9,739) | (9,857) |
| – net increase in loans from non-controlling shareholders | 4,970 | 348 |
| – purchase of shares under share award scheme | (442) | – |
| Net cash generated from/(used in) financing activities | 40,051 | (143,086) |
| Net decrease in cash and cash equivalents | (91,133) | (231,463) |
| Cash and cash equivalents at 1 January | 745,540 | 924,457 |
| Exchange losses on cash and cash equivalents | (41,074) | (837) |
| Less: Cash and cash equivalents of disposal group classified as assets held for sale | – | (1,273) |
| Cash and cash equivalents at 30 June | 613,333 | 690,884 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances and short-term fund placements ^(Note) | 651,066 | 743,388 |
| Less: Short-term bank deposits with original maturities over 3 months | (37,733) | (52,504) |
| Cash and cash equivalents | 613,333 | 690,884 |

Note: Short-term fund placements represent investment in highly liquid money market instruments. This investment is readily convertible to cash 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 operations of investment properties and property development for sale.

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

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

These condensed consolidated interim financial statements were approved by the Board for issue on 26 August 2022. These condensed consolidated interim financial statements have been reviewed by the Company's auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared on a going-concern basis although the Group's consolidated current liabilities exceeded its consolidated current assets by USD178,266,000 and the Group was running at a cash loss from its operation due to the impact of COVID-19 pandemic during the current reporting period. The future funding requirements can be met through the committed and available bank loan facilities of USD1,116,099,000 which are maturing after 30 June 2023 (of which USD264,835,000 is reserved to be drawn down to replace the existing bank loan facilities). The Group has adequate resources to continue its operation for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2021, except for the adoption of the following amendments to accounting standards and HKAS 29 "Financial Reporting in Hyperinflationary Economies" which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2022.

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

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

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)

New accounting policy for financial reporting in hyperinflationary economies

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

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

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

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

3. 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 2021.

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

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

- i. **Hotel properties** – development, ownership and operations of hotel properties (including hotels under leases)
 - The People’s Republic of China
 - Hong Kong
 - Mainland China
 - Singapore
 - Malaysia
 - The Philippines
 - Japan
 - Thailand
 - France
 - Australia
 - United Kingdom
 - Mongolia
 - Sri Lanka
 - Other countries (including Fiji, Myanmar, Maldives, Indonesia, Turkey and Mauritius)

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 operations of office properties, commercial properties and serviced apartments/residences for rental purpose
 - Mainland China
 - Singapore
 - Malaysia
 - Mongolia
 - Sri Lanka
 - Other countries (including Australia and Myanmar)

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

The Group is also engaged in other businesses including wines trading, amusement park, retail business and restaurant operation outside hotel. These other businesses did not have a material impact on the Group's results.

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

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 2022 and 2021 (USD million)

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

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 2022 and 2021 (USD million)

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

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 2022 | 4,634,879 | 1,758,979 | 1,174,309 | 110,024 |
| Additions | 27,072 | 35,408 | 3,659 | 13 |
| Fair value gains (Note 19) | - | 38,621 | - | - |
| Exchange differences | (260,669) | (155,456) | (56,337) | (739) |
| Disposals | (608) | (736) | - | - |
| Depreciation/amortisation charge (Note 18) | (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 |
| Opening net book amount as at 1 January 2021 | 5,093,983 | 1,748,296 | 1,279,746 | 115,400 |
| Additions | 24,160 | 11,917 | 4,392 | 965 |
| Fair value losses (Note 19) | - | (8,063) | - | - |
| Exchange differences | (41,629) | (22,621) | (2,116) | (457) |
| Disposals | (542) | (82) | - | - |
| Impairments (Note 19) | (22,331) | - | - | - |
| Depreciation/amortisation charge (Note 18) | (134,244) | - | (28,005) | (3,395) |
| Classified as held for sale | (76,229) | - | - | - |
| Closing net book amount as at 30 June 2021 | 4,843,168 | 1,729,447 | 1,254,017 | 112,513 |

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 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

6. FINANCIAL ASSETS

| | As at | |
|---|---------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Non-current | | |
| Financial assets at fair value through other comprehensive income | | |
| – Equity and loan instruments | 2,101 | 2,101 |
| – Shares listed outside Hong Kong | 4,597 | 5,263 |
| Financial assets at fair value through profit & loss | | |
| – Club debentures | 12,791 | 12,626 |
| Total | 19,489 | 19,990 |
| Current | | |
| Financial assets at fair value through profit and loss | | |
| – Shares listed in Hong Kong | 17,494 | 17,251 |

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

During the six months ended 30 June 2021, there were no additions of financial assets and financial assets at fair value through other comprehensive income amounting to USD688,000 were disposed at sale proceeds of USD2,833,000.

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 2022 | 31 December 2021 |
| Security deposit on leased premises | 12,674 | 14,882 |

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 USD12,841,000) (31 December 2021: JPY1,751,000,000 (equivalent to USD15,212,000))
- RMB10,000,000 (equivalent to USD1,490,000) (31 December 2021: RMB10,000,000 (equivalent to USD1,568,000))

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

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

- (a) The fair values of the trade and other receivables are not materially different from their carrying values. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.
- (b) A significant part of the Group's sales are by credit cards or against payment of deposits. The remaining amounts are with general credit term of 30 days. The Group has a defined credit policy. The ageing analysis of the trade receivables based on invoice date after provision for impairment is as follows:

| | As at | |
|---------------|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| 0 – 3 months | 48,496 | 47,742 |
| 4 – 6 months | 4,533 | 1,809 |
| Over 6 months | 3,691 | 135 |
| | 56,720 | 49,686 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

9. GAIN ON PARTIAL DISPOSAL OF INTERESTS IN A SUBSIDIARY

In April 2022, the Group completed a sale and purchase transaction with an independent third party to dispose of its 80% equity interest in a project company which owns a parcel of land in Kyoto, Japan for the development of a luxury hotel at a cash consideration of JPY7,623,748,000 (equivalent to USD64,302,000). A disposal gain of USD10,586,000 was recognised during the period. The Group's equity interest in the project has been reduced from 100% to 20% after the completion of the transaction. The financial effects of the disposal transaction are as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

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

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

As at 30 June 2022, except for shares held for share award scheme as shown above, 10,501,055 (31 December 2021: 10,501,055) ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognised in equity in prior years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

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

Share awards

During the six months ended 30 June 2022, 525,000 shares in the Company were purchased for the share award scheme and 2,186,000 shares under such scheme were transferred to the awardees upon vesting of the awarded shares. The remaining 816,000 shares under the share award scheme were held in trust as at 30 June 2022. Details of the share award scheme were disclosed in Note 11 to the condensed consolidated interim financial statements.

Share options

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

Details of the Share Option Scheme are set out under the section headed “Share Option Scheme” of the Company’s 2021 annual report.

No share option was exercised during the six months ended 30 June 2022 (year ended 31 December 2021: Nil).

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

| | For the six months ended 30 June 2022 | | For the year ended 31 December 2021 | |
|-------------------------------|---|---|---|---|
| | Weighted average exercise price in HKD per option share | Number of outstanding option shares | Weighted average exercise price in HKD per option share | Number of Outstanding option shares |
| At 1 January | 12.11 | 6,508,000 | 12.11 | 6,928,000 |
| Exercised | - | - | - | - |
| Lapsed | - | - | 12.11 | (420,000) |
| At 30 June/31 December | 12.11 | 6,508,000 | 12.11 | 6,508,000 |

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

No share option was exercised and lapsed subsequent to 30 June 2022 and up to the approval date of the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

11. SHARE AWARD SCHEME

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

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

During the six months ended 30 June 2022, a total of 12,458,000 shares and 2,186,000 shares were granted and vested to the qualified awardees, respectively. During the period, an expense of USD2,169,000 (2021: USD480,000) for the award shares granted was charged to the condensed consolidated interim statement of profit or loss.

Details of the awarded granted and vested during 2022 and 2021 are as follows:

| Grant date | Fair value per share | Number of awarded shares granted | Maximum deliverable awarded shares on grant date subject to adjustment | Number of awarded shares vested | | | Vesting period |
|---------------------|----------------------|----------------------------------|--|---------------------------------|--------------------------------|--------------------------------------|----------------------------|
| | | | | Before 2021 | For the year ended 31 Dec 2021 | For the six months ended 30 Jun 2022 | |
| In year 2018 | | | | | | | |
| 11 Apr 2018 | HKD15.82 | 1,418,000 | 1,418,000 | 1,418,000 | - | - | Nil |
| 20 Jul 2018 | HKD13.00 | 707,678 | 1,228,000 | 226,000 | 52,000 | - | 20 Jul 2018 to 1 Apr 2021 |
| 30 Aug 2018 | HKD11.78 | 975,893 | 1,736,000 | 392,000 | 200,000 | - | 30 Aug 2018 to 1 Apr 2021 |
| Total for 2018 | | 3,101,571 | 4,382,000 | | | | |
| In year 2019 | | | | | | | |
| 1 Apr 2019 | HKD11.56 | 1,477,169 | 2,338,000 | 649,000 | 274,000 | 192,000 | 1 Apr 2019 to 1 Apr 2022 |
| 15 Jun 2019 | HKD9.45 | 1,547,200 | 2,754,000 | 56,000 | 56,000 | 158,000 | 15 Jun 2019 to 1 Apr 2022 |
| 30 Jun 2019 | HKD9.85 | 751,515 | 1,292,000 | 84,000 | 24,000 | 36,000 | 30 Jun 2019 to 1 Apr 2022 |
| 1 Nov 2019 | HKD8.41 | 494,000 | 494,000 | 238,000 | 134,000 | 60,000 | 1 Nov 2019 to 1 Apr 2022 |
| 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 | 7 Jun 2021 to 7 Jun 2024 |
| 15 Oct 2021 | HKD6.35 | 80,000 | 80,000 | | 80,000 | - | Nil |
| 15 Oct 2021 | HKD6.35 | 268,000 | 268,000 | | - | - | 15 Oct 2021 to 15 Oct 2024 |
| Total for 2021 | | 6,386,000 | 6,386,000 | | | | |
| In year 2022 | | | | | | | |
| 6 May 2022 | HKD5.85 | 12,458,000 | 12,458,000 | | | - | 6 May 2022 to 6 May 2025 |
| Total for 2022 | | 12,458,000 | 12,458,000 | | | | |
| Grand Total | | 26,429,455 | 30,318,000 | 3,277,000 | 936,000 | 2,186,000 | |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

12. 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 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 |
| Balance at 1 January 2021 | 6,216 | 1,335 | (90,220) | - | 10,666 | 44,463 | 601,490 | 20,823 | 1,368 | 389,741 | 985,882 |
| Currency translation differences | - | - | - | - | - | (5,583) | - | - | - | - | (5,583) |
| Fair value changes of interest-rate swap and cross-currency swap contracts - hedging | - | - | 22,061 | - | - | - | - | - | - | - | 22,061 |
| Fair value changes of financial assets at fair value through other comprehensive income | - | - | - | 4,311 | - | - | - | - | - | - | 4,311 |
| Share-based compensation under share award scheme | - | 480 | - | - | - | - | - | - | - | - | 480 |
| Vesting of shares under share award scheme | - | (1,088) | - | - | - | - | - | - | - | - | (1,088) |
| Balance at 30 June 2021 | 6,216 | 727 | (68,159) | 4,311 | 10,666 | 38,880 | 601,490 | 20,823 | 1,368 | 389,741 | 1,006,063 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

13. BANK LOANS

| | As at | |
|------------------------------------|--------------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Bank loans – secured (Note 25 (c)) | – | 3,555 |
| Bank loans – unsecured | 4,460,680 | 4,459,503 |
| Total | 4,460,680 | 4,463,058 |
| Less: Non-current portion | (3,831,548) | (3,400,972) |
| Current portion | 629,132 | 1,062,086 |

The maturity of bank loans are as follows:

| | As at | |
|--------------------------|------------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Within 1 year | 629,132 | 1,062,086 |
| Between 1 and 2 years | 716,780 | 889,368 |
| Between 2 and 5 years | 2,743,711 | 2,112,637 |
| Repayable within 5 years | 4,089,623 | 4,064,091 |
| Over 5 years | 371,057 | 398,967 |
| Total | 4,460,680 | 4,463,058 |

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

| | 30 June 2022 | | | | | | | |
|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | HKD | RMB | USD | EUR | JPY | AUD | FJD | SGD |
| Bank loans | 1.83% | 4.80% | 2.66% | 1.30% | 0.77% | 2.19% | 4.25% | 1.72% |

| | 31 December 2021 | | | | | | | | | |
|------------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|--|
| | HKD | RMB | USD | EUR | JPY | AUD | FJD | SGD | MYR | |
| Bank loans | 1.17% | 4.85% | 1.48% | 1.31% | 0.84% | 2.19% | 4.25% | 1.19% | 2.60% | |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

13. 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 2022 | 31 December 2021 |
| Hong Kong dollars (HKD) | 1,494,375 | 1,458,246 |
| Renminbi (RMB) | 583,464 | 599,384 |
| United States dollars (USD) | 2,123,078 | 2,122,710 |
| Euros (EUR) | 78,345 | 88,416 |
| Japanese yen (JPY) | 109,146 | 121,155 |
| Australian dollars (AUD) | 55,074 | 58,106 |
| Fiji dollars (FJD) | 13,607 | 10,132 |
| Singapore dollars (SGD) | 3,591 | 3,705 |
| Malaysian ringgit (MYR) | - | 1,204 |
| | 4,460,680 | 4,463,058 |

The Group has the following undrawn borrowing facilities:

| | As at | |
|----------------------------|------------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Floating rate | | |
| – expiring within one year | 91,590 | 176,085 |
| – expiring beyond one year | 1,116,099 | 1,735,505 |
| Fixed rate | | |
| – expiring within one year | - | - |
| – expiring beyond one year | - | 4,721 |
| | 1,207,689 | 1,916,311 |

Note: Out of the undrawn borrowing facilities of USD1,207,689,000 (31 December 2021: USD1,916,311,000), undrawn facilities of USD264,835,000 (31 December 2021: USD930,000,000) are reserved to be drawn down to replace the existing bank loan facilities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

14. 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 2021 | New issuance during the period | Exchange differences | Balance as at 30 June 2022 |
|--|--------------------------|----------|--------------------------------------|--------------------------------------|-------------------------|----------------------------------|
| Bonds issued in 2018 | | | | | | |
| SGD825,000,000 | 4.50% | Nov 2025 | 611,247 | – | (18,745) | 592,502 |
| USD35,000,000 | 5.23% | Nov 2025 | 35,000 | – | – | 35,000 |
| Bonds issued in 2019 | | | | | | |
| SGD135,000,000 | 3.70% | Jun 2024 | 100,022 | – | (3,067) | 96,955 |
| SGD165,000,000 | 4.10% | Jun 2027 | 122,249 | – | (3,749) | 118,500 |
| Bond issued in 2020 | | | | | | |
| SGD250,000,000 | 3.50% | Jan 2030 | 185,226 | – | (5,680) | 179,546 |
| Bond issued in 2021 | | | | | | |
| SGD100,000,000 | 3.50% | Jan 2030 | 74,091 | – | (2,272) | 71,819 |
| Face value | | | 1,127,835 | – | (33,513) | 1,094,322 |
| Unamortised discount and issuing expenses | | | (3,041) | | | (2,640) |
| Carrying amount | | | 1,124,794 | | | 1,091,682 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

15. DERIVATIVE FINANCIAL INSTRUMENTS

| | As at | |
|---------------------------------|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Non-current liabilities | | |
| – Interest-rate swap contracts | – | 21,669 |
| – Cross-currency swap contracts | 9,192 | 3,838 |
| | 9,192 | 25,507 |
| Current liabilities | | |
| – Interest-rate swap contracts | 140 | 18,551 |
| – Cross-currency swap contracts | 2,981 | 1,071 |
| | 3,121 | 19,622 |
| Total liabilities | 12,313 | 45,129 |
| Non-current assets | | |
| – Interest-rate swap contracts | 55,910 | – |
| – Cross-currency swap contracts | 2,438 | 1,949 |
| | 58,348 | 1,949 |
| Current assets | | |
| – Interest-rate swap contracts | 23,524 | – |
| – Cross-currency swap contracts | 11,805 | 2,793 |
| | 35,329 | 2,793 |
| Total assets | 93,677 | 4,742 |

Interest-rate swap contracts

The Group has endeavored to hedge its medium term interest-rate risk by entering into fixed HIBOR, LIBOR and SHIBOR 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 were entered 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)

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest-rate swap contracts (continued)

During the six months ended 30 June 2022, a new 5-year term interest-rate swap contract of USD600,000,000 with fixed interest rate of 1.460% per annum to hedge against 1-month LIBOR was executed to replace old contracts of the same amount matured during the period.

The notional principal amounts of the outstanding HIBOR, LIBOR and SHIBOR interest-rate swap contracts at 30 June 2022 are as follows:

- USD1,265,000,000 (31 December 2021: USD1,265,000,000) with fixed interest rates vary from 1.365% to 3.045% per annum (31 December 2021: 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 2021: HKD6,170,000,000 (equivalent to USD796,129,000)) with fixed interest rates vary from 1.505% to 1.855% per annum (31 December 2021: 1.505% to 1.855% per annum) maturing during July 2023 to August 2026
- RMB181,500,000 (equivalent to USD27,044,000) (31 December 2021: RMB359,200,000 (equivalent to USD56,339,000)) with fixed interest rates vary from 3.370% to 3.550% per annum (31 December 2021: 3.370% to 3.550% per annum) maturing during September 2022 to October 2022

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 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)

16. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

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

| | As at | |
|---|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| Non-current portion | | |
| – interest-bearing at LIBOR +5% | 46,550 | 46,550 |
| Current portion | | |
| – interest-free with no fixed repayment terms | 52,853 | 50,018 |
| – interest-bearing at LIBOR +2.75% | 2,548 | – |
| | 55,401 | 50,018 |

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

17. ACCOUNTS PAYABLE AND ACCRUALS

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

18. EXPENSES BY NATURE

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

| | For the six months ended | |
|---|--------------------------|--------------|
| | 30 June 2022 | 30 June 2021 |
| Depreciation of property, plant and equipment (net of amount capitalised of USD1,000 (2021: USD2,000)) (Note 5) | 116,731 | 134,242 |
| Amortisation of trademark; and website and system development (Note 5) | 3,702 | 3,395 |
| Depreciation of right-of-use assets (Note 5) | 23,885 | 28,005 |
| Employee benefit expenses excluding directors' emoluments | 296,459 | 273,872 |
| Cost of sales of properties | 3,403 | 2,588 |
| Cost of inventories sold and consumed in operation | 90,250 | 84,804 |
| Gain on disposal of property, plant and equipment; and partial replacement of investment properties | (27) | (28) |
| Pre-opening expenses | 75 | 94 |

19. OTHER GAINS/(LOSSES) – NET

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

20. FINANCE COSTS – NET

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

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

21. SHARE OF PROFIT OF ASSOCIATES

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

22. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense is accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong includes withholding tax paid and payable on dividends and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

| | For the six months ended | |
|-------------------------|---------------------------------|--------------|
| | 30 June 2022 | 30 June 2021 |
| Current income tax | | |
| – Hong Kong profits tax | 74 | – |
| – Overseas taxation | 6,737 | 18,985 |
| Deferred income tax | (8,914) | (26,136) |
| | (2,103) | (7,151) |

23. LOSS PER SHARE

Basic

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

| | For the six months ended | |
|---|---------------------------------|--------------|
| | 30 June 2022 | 30 June 2021 |
| Loss attributable to owners of the Company (USD'000) | (158,219) | (59,773) |
| Weighted average number of ordinary shares in issue (thousands) | 3,572,544 | 3,572,013 |
| Basic loss per share (US cents per share) | (4.429) | (1.673) |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

23. LOSS PER SHARE (CONTINUED)

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has the potential dilutive effect on the outstanding share options and non-vested awarded shares under the share award scheme for the six months ended 30 June 2022 and 2021. For the share options, a calculation is done to determine the number of shares that would be issued at fair value (determined as the average annual market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is increased by the number of shares that would have been issued assuming the exercise of the share options and vesting of awarded shares.

As the Group incurred losses for the six months ended 30 June 2022 and 2021, the potential dilutive ordinary shares were not included in the calculation of the dilutive loss per share as their inclusion would be anti-dilutive and the diluted loss per share is the same as the basic loss per share.

| | For the six months ended | |
|---|---------------------------------|--------------|
| | 30 June 2022 | 30 June 2021 |
| Loss attributable to owners of the Company (USD'000) | (158,219) | (59,773) |
| Weighted average number of ordinary shares in issue (thousands) | 3,572,544 | 3,572,013 |
| Adjustments (thousands) | - | - |
| Weighted average number of ordinary shares for diluted loss per share (thousands) | 3,572,544 | 3,572,013 |
| Diluted loss per share (US cents per share) | (4.429) | (1.673) |

24. DIVIDENDS

| | For the six months ended | |
|---|---------------------------------|--------------|
| | 30 June 2022 | 30 June 2021 |
| No interim dividend has been proposed (2021: Nil) | - | - |

Notes:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

25. FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees for these associates as at 30 June 2022 amounted to USD172,450,000 (31 December 2021: USD185,579,000).

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

(b) Contingent liabilities

As at 30 June 2022 and 31 December 2021, there were no material contingent liabilities.

(c) Charges over assets

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

26. COMMITMENTS

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

27. 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 2022 | 30 June 2021 |
| (a) Transactions with subsidiaries of KHL (other than subsidiaries of the Company) | | |
| Receipt of hotel management and related services fees and royalty fees | 4,609 | 7,189 |
| Reimbursement of office expenses and payment of administration and related expenses | 84 | 158 |
| Payment and reimbursement of office rental, management fees and rates | 3,144 | 3,544 |
| Purchase of wines | 376 | 663 |

| | For the six months ended | |
|--|--------------------------|--------------|
| | 30 June 2022 | 30 June 2021 |
| (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 | 7,338 | 7,143 |
| Receipt of laundry services fees | 130 | 43 |

| | As at | |
|---|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| (c) Financial assistance provided to subsidiaries of KHL (other than subsidiaries of the Company) | | |
| Balance of loan to associates of the Group | 95,731 | 97,506 |
| Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group | 162,978 | 164,913 |

| | As at | |
|---|--------------|------------------|
| | 30 June 2022 | 31 December 2021 |
| (d) Financial assistance provided to associates of the Group (excluding item (c) above) | | |
| Balance of loan to associates of the Group | 49,628 | 50,422 |
| Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group | 9,472 | 20,666 |

There are 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)

27. RELATED PARTY TRANSACTIONS (CONTINUED)

| | For the six months ended | |
|--|--------------------------|--------------|
| | 30 June 2022 | 30 June 2021 |
| (e) Key management compensation | | |
| Fees, salaries and other short-term employee benefits of executive directors | 1,105 | 781 |
| Post-employment benefits of executive directors | 16 | 16 |
| | 1,121 | 797 |

28. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group measures financial assets and liabilities 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, the valuation technique and inputs used in the fair value measurements for financial assets and liabilities 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 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

28. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2022.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------|---------------|--------------|----------------|
| Assets | | | | |
| Derivative financial instruments | | | | |
| – Interest-rate swap contracts | - | 79,434 | - | 79,434 |
| – Cross-currency swap contracts | - | 14,243 | - | 14,243 |
| Financial assets at fair value through other comprehensive income | | | | |
| – Equity and loan instruments | - | - | 2,101 | 2,101 |
| – Listed shares | 4,597 | - | - | 4,597 |
| Financial assets at fair value through profit or loss | | | | |
| – Club debentures | 12,791 | - | - | 12,791 |
| – Listed shares | 17,494 | - | - | 17,494 |
| Total assets | 34,882 | 93,677 | 2,101 | 130,660 |
| Liabilities | | | | |
| Derivative financial instruments | | | | |
| – Interest-rate swap contracts | - | 140 | - | 140 |
| – Cross-currency swap contracts | - | 12,173 | - | 12,173 |
| Total liabilities | - | 12,313 | - | 12,313 |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

28. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2021.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------|---------------|--------------|---------------|
| Assets | | | | |
| Derivative financial instruments | | | | |
| – Cross-currency swap contracts | – | 4,742 | – | 4,742 |
| Financial assets at fair value through other comprehensive income | | | | |
| – Equity and loan instruments | – | – | 2,101 | 2,101 |
| – Listed shares | 5,263 | – | – | 5,263 |
| Financial assets at fair value through profit or loss | | | | |
| – Club debentures | 12,626 | – | – | 12,626 |
| – Listed shares | 17,251 | – | – | 17,251 |
| Total assets | 35,140 | 4,742 | 2,101 | 41,983 |
| Liabilities | | | | |
| Derivative financial instruments | | | | |
| – Interest-rate swap contracts | – | 40,220 | – | 40,220 |
| – Cross-currency swap contracts | – | 4,909 | – | 4,909 |
| Total liabilities | – | 45,129 | – | 45,129 |

During the six months ended 30 June 2021, part of the equity investment grouped in the financial assets at fair value through other comprehensive income was listed in stock market and the fair value of this investment is determined using quoted market prices which has therefore been reclassified from level 3 to level 1. Other than the aforesaid transfer, there was no transfer between the levels of fair value hierarchy of the Group's financial assets and liabilities during the period.

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





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

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

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

DISCUSSION AND ANALYSIS

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

| | Owned/Leased | | Managed | | Total Operating Hotels | | Hotels Under Development | |
|---|--------------|-------------------------|-----------|-------------------------|---------------------------|-------------------------|----------------------------|---|
| | Hotels | Rooms <i>in '000</i> | Hotels | Rooms <i>in '000</i> | Hotels | Rooms <i>in '000</i> | Owned/ Leased Hotels | Hotels under Management contracts |
|  SHANGRI-LA | 73 | 30.7 | 19 | 6.1 | 92 | 36.8 | 3 | 3 |
|  KERRY HOTELS | 3 | 1.6 | - | - | 3 | 1.6 | - | - |
|  JEN <small>BY SHANGRI-LA</small> | 7 | 2.8 | 2 | 0.6 | 9 | 3.4 | 1 | 2 |
|  TRADERS HOTELS | - | - | 2 | 0.9 | 2 | 0.9 | 1 | - |
| Total | 83 | 35.1 | 23 | 7.6 | 106 | 42.7 | 5 | 5 |

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

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

| | Group's equity interest | Total GFA of the operating investment properties as at 30 June 2022 | | |
|------------------------------------|-------------------------------|--|----------------------|--|
| | | Office spaces | Commercial spaces | Serviced apartments/ residential |
| <i>(in thousand square metres)</i> | | | | |
| Mainland China | 20.0-100.0% | 952.9 | 673.9 | 266.5 |
| Malaysia | 52.78% | 45.2 | 8.5 | 17.4 |
| Singapore | 44.6-100.0% | 3.3 | 22.9 | 24.7 |
| Australia | 100.0% | 0.5 | 11.4 | - |
| Mongolia | 51.0% | 58.0 | 39.6 | 30.0 |
| Myanmar | 55.86-59.28% | 37.6 | 11.8 | 56.8 |
| Sri Lanka | 90.0% | 59.9 | 79.5 | 3.7 |
| TOTAL | | 1,157.4 | 847.6 | 399.1 |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table shows the Group's profit or loss for the six months ended 30 June 2022 and 2021 presented in the conventional financial statement format and the effective share format, respectively. Amounts presented in the conventional financial statement format refer to the aggregate total of the Company and its subsidiaries at 100% basis less non-controlling interests and add share of profit of associates to come up with the Group's final reported profit or loss attributable to owners of the Company. The alternative presentation of the Group's profit or loss at effective share is a non-HKFRS financial presentation format and the amounts presented at effective share are the aggregate total of the Company and the Group's share of subsidiaries and associates based on percentage of equity interests.

| (USD Million) | Profit or loss for the six months ended 30 June 2022 | | Profit or loss for the six months ended 30 June 2021 | | % change | |
|--|--|--------------------|--|--------------------|----------------------------------|--------------------|
| | Financial statement format | Effective share | Financial statement format | Effective share | Financial statement format | Effective share |
| Revenue | 627.5 | 820.1 | 545.8 | 798.2 | 15.0% | 2.7% |
| Cost of sales | (323.8) | (383.0) | (315.7) | (388.6) | -2.6% | 1.4% |
| Gross profit | 303.7 | 437.1 | 230.1 | 409.6 | 32.0% | 6.7% |
| Operating expenses | (252.9) | (273.5) | (212.7) | (242.5) | -18.9% | -12.8% |
| Other gains – operating items | 6.4 | 5.6 | 32.4 | 32.5 | -80.2% | -82.8% |
| EBITDA | 57.2 | 169.2 | 49.8 | 199.6 | 14.9% | -15.2% |
| Depreciation and amortisation | (144.3) | (158.2) | (165.6) | (182.0) | 12.9% | 13.1% |
| Gain on disposal of fixed assets | - | 0.1 | - | - | N/M | N/M |
| Interest income | 4.2 | 9.1 | 5.4 | 8.8 | -22.2% | 3.4% |
| Other gains/(losses) – non-operating items | 62.3 | 47.4 | (19.4) | 76.9 | N/M | -38.4% |
| Operating (loss)/profit | (20.6) | 67.6 | (129.8) | 103.3 | 84.1% | -34.6% |
| Finance cost – net | | | | | | |
| – Operating items | (97.9) | (100.4) | (109.5) | (109.9) | 10.6% | 8.6% |
| – Non-operating items | (118.4) | (106.5) | - | - | N/M | N/M |
| Share of profit of associates | 48.3 | - | 133.6 | - | -63.8% | N/M |
| Loss before income tax | (188.6) | (139.3) | (105.7) | (6.6) | -78.4% | N/M |
| Income tax credit/(expense) | | | | | | |
| – Operating items | 1.9 | (24.8) | 4.7 | (34.6) | -59.6% | 28.3% |
| – Non-operating items | 0.2 | 5.9 | 2.4 | (18.6) | -91.7% | N/M |
| Loss for the period | (186.5) | (158.2) | (98.6) | (59.8) | -89.1% | -164.5% |
| Add: Loss attributable to non-controlling interests | 28.3 | - | 38.8 | - | -27.1% | N/M |
| Loss attributable to owners of the Company | (158.2) | (158.2) | (59.8) | (59.8) | -164.5% | -164.5% |

N/M: not meaningful

DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Consolidated revenue for the six months ended 30 June 2022 was USD627.5 million, an increase of 15.0%, compared to USD545.8 million for the six months ended 30 June 2021. Hotel business recovery was strong in destinations where travel restrictions and entry requirements have been relaxed, such as United Kingdom, Turkey, the Philippines, Singapore and Malaysia. The overall hotel business recovery was partially offset by temporary challenges in Mainland China due to sporadic outbreaks that led to localised lockdowns.
- Effective share of revenue for the six months ended 30 June 2022 was USD820.1 million, an increase of 2.7%, compared to USD798.2 million for the six months end 30 June 2021. The growth of effective share of revenue was slower mainly due to decrease in businesses at our hotels held by associates in Beijing and Shanghai, which were more impacted from the lockdowns.
- Effective share of EBITDA for the six months ended 30 June 2022 was USD169.2 million, a decrease of 15.2%, compared to USD199.6 million for the six months ended 30 June 2021. The decrease was mainly due to EBITDA losses at Mainland China hotels, partially offset by the recovering EBITDA from hotels from the rest of the world. As the hotels held by our associates in Beijing and Shanghai were more impacted from the lockdowns, results on effective share basis were worse when compared to results on consolidated basis.
- Effective share of operating profit was USD67.6 million for the six months ended 30 June 2022, compared to USD103.3 million for the same period in 2021.
 - This was mainly due to net fair value gains on investment properties of USD24.2 million before deferred tax (USD30.1 million net of deferred tax) for the six months ended 30 June 2022, compared to net fair value gains on investment properties of USD79.2 million before deferred tax (USD60.4 million net of deferred tax) for the same period in 2021. Most of the fair value gains in 2022 were from investment properties held by subsidiaries while for 2021 most came from investment properties held by associates, leading to better results in 2022 on consolidated basis.
 - Effective share of depreciation and amortisation was USD158.2 million for the six months ended 30 June 2022, a decrease of 13.1%, compared to USD182.0 million for the six months ended 30 June 2021. The decrease was mainly due to a portion of our assets have been fully depreciated in 2021, as well as impairment of certain assets made in 2021 of USD157.7 million.
- Effective share of loss before income tax was USD139.3 million for the six months ended 30 June 2022, compared to a loss of USD6.6 million for the same period in 2021. The increase of loss was mainly due to exceptional foreign exchange loss of USD106.6 million arising from a 44% depreciation of Sri Lankan rupee in the first six months of 2022.
- All in all, loss attributable to owners of the company was USD158.2 million for the six months ended 30 June 2022, compared to a loss of USD59.8 million for the six months ended 30 June 2021.

SUMMARY OF NET ASSET VALUE ^(Note 1)

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

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

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

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

| <i>(USD Million)</i> | Carrying value of hotel properties at effective share ^(Note 2) | Valuation of hotel properties at effective share ^(Note 2) | Valuation surplus at effective share after deferred tax ^(Note 2) |
|--------------------------------|--|---|--|
| The People's Republic of China | | | |
| Hong Kong | 753.5 | 2,576.8 | 1,761.8 |
| Mainland China | 2,632.6 | 5,193.6 | 1,920.8 |
| Singapore | 508.1 | 1,601.7 | 1,023.5 |
| Malaysia | 120.4 | 289.4 | 128.4 |
| The Philippines | 300.5 | 535.5 | 176.3 |
| Thailand | 89.0 | 183.6 | 75.7 |
| Australia | 284.2 | 437.5 | 107.3 |
| Others ^(Note 3) | 876.5 | 1,200.9 | 237.3 |
| Total | 5,564.8 | 12,019.0 | 5,431.1 |

DISCUSSION AND ANALYSIS

SUMMARY OF NET ASSET VALUE (CONTINUED)

| <i>(USD Million)</i> | NAV | Non-controlling interests | Total equity |
|---|----------------------------------|------------------------------|--------------|
| Reported balance based on carrying value of hotel properties | 5,426.4 | 127.6 | 5,554.0 |
| Add: Valuation surplus of hotel properties after deferred tax | 5,431.1 | 410.6 | 5,841.7 |
| Adjusted balance based on valuation of hotel properties | 10,857.5 | 538.2 | 11,395.7 |
| Reported NAV per share ^(Note 4) | USD1.52 (equivalent to HKD11.78) | | |
| Adjusted NAV per share ^(Note 4) | USD3.04 (equivalent to HKD23.56) | | |

Notes:

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

RESULTS OF OPERATIONS

Consolidated Revenue

Details of the segment revenue information are provided in Note 4 to the condensed consolidated interim financial statements included in this interim report.

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

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

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

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(i) Hotel Properties

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

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

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

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 2022 and 2021 are as follows:

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

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

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 movements to performance of our Hotel Properties business as a whole:

The People's Republic of China

Hong Kong

For Hong Kong, the occupancy was 34% for the six months ended 30 June 2022, an increase of 3 percentage points, compared to 31% for the six months ended 30 June 2021. The RevPAR was USD65 for the six months ended 30 June 2022, an increase of 44%, compared to USD45 for the six months ended 30 June 2021. Our hotels in Hong Kong saw a gradual recovery of domestic business mainly driven by quarantine and staycation. Total revenue from Hong Kong hotel properties for the six months ended 30 June 2022 increased by 12.2% to USD59.8 million.

Mainland China

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

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

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

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

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

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(i) Hotel Properties (Continued)

Singapore

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

Malaysia

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

The Philippines

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

France

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

Australia

For Australia, the occupancy was 58% for the six months ended 30 June 2022, an increase of 11 percentage points, compared to 47% for the six months ended 30 June 2021. The RevPAR was USD146 for the six months ended 30 June 2022, an increase of 40%, compared to USD104 for the six months ended 30 June 2021. Recovery of our hotels in Australia continued to be largely driven by the strong domestic demand as the COVID-19 pandemic had largely been under control in the country with some sporadic local outbreaks. Total revenue from Australia hotel properties for the six months ended 30 June 2022 increased by 31.4% to USD31.8 million.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(i) Hotel Properties (Continued)

United Kingdom

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

(ii) Hotel Management & Related Services

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

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

The 23 operating hotels (7,530 available rooms) owned by third parties are located in the following destinations:

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

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

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

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

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.

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

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

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

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

(iv) Property Development for Sale

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

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

In the first half of 2022, we handed over 14 pre-sold apartments of One Galle Face, Colombo, Sri Lanka and recognised a revenue of USD9.8 million. As at 30 June 2022, One Galle Face, Colombo, Sri Lanka had a remaining of 68 apartments for sale and 14 units sold but not handed over.

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 2022 and 2021 by geographical areas and by business segments.

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

RESULTS OF OPERATIONS (CONTINUED)

EBITDA and Aggregate Effective Share of EBITDA (Continued)

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

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

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 2022 and 2021 by geographical areas and by business segments:

| | | For the six months ended 30 June | | |
|---|--------------------------------|----------------------------------|---------|-----------|
| | | 2022 | 2021 | |
| | | USD Mil | USD Mil | % change |
| Hotel Properties | The People's Republic of China | | | |
| | Hong Kong | (21.5) | (24.9) | 13.7% |
| | Mainland China | (101.5) | (33.2) | -205.7% |
| | Singapore | (0.4) | (8.1) | 95.1% |
| | Malaysia | (2.6) | (8.2) | 68.3% |
| | The Philippines | (6.9) | (12.6) | 45.2% |
| | Japan | (3.8) | (5.2) | 26.9% |
| | Thailand | (2.5) | (4.2) | 40.5% |
| | France | (3.4) | (7.9) | 57.0% |
| | Australia | (2.6) | (5.5) | 52.7% |
| | United Kingdom | (6.8) | (0.6) | -1,033.3% |
| | Mongolia | (3.0) | (3.3) | 9.1% |
| | Sri Lanka | (2.3) | (13.1) | 82.4% |
| | Other countries | (0.6) | (11.0) | 94.5% |
| | | (157.9) | (137.8) | -14.6% |
| Hotel Management and Related Services | | 7.2 | (9.7) | N/M |
| Sub-total Hotel Operations | | (150.7) | (147.5) | -2.2% |
| Investment Properties | Mainland China | 87.8 | 81.5 | 7.7% |
| | Singapore | 3.9 | 3.3 | 18.2% |
| | Malaysia | 0.4 | 0.7 | -42.9% |
| | Mongolia | 3.1 | 1.4 | 121.4% |
| | Sri Lanka | 0.4 | (11.5) | N/M |
| | Other countries | 1.3 | 2.5 | -48.0% |
| Sub-total Investment Properties | | 96.9 | 77.9 | 24.4% |
| Property Development for Sale & Other Businesses | | 7.4 | 7.7 | -3.9% |
| Consolidated loss from operating properties | | (46.4) | (61.9) | 25.0% |

RESULTS OF OPERATIONS (CONTINUED)

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

| | For the six months ended 30 June | | |
|---|----------------------------------|-----------------|----------|
| | 2022 USD Mil | 2021 USD Mil | % change |
| Net corporate finance costs (including foreign exchange gains and losses) | (50.6) | (47.7) | -6.1% |
| Land cost amortisation & pre-opening expenses for projects & corporate expenses | (8.0) | (8.5) | 5.9% |
| Consolidated loss attributable to owners of the Company before non-operating items | (105.0) | (118.1) | 11.1% |
| Non-operating items | (53.2) | 58.3 | N/M |
| Consolidated loss attributable to owners of the Company after non-operating items | (158.2) | (59.8) | -164.5% |

(N/M: not meaningful)

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

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

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

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

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

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

CORPORATE DEBT AND FINANCIAL CONDITIONS

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

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

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

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

The Group has not encountered any difficulty when drawing loans from committed banking facilities. None of the banking facilities were cancelled by the banks during or after 30 June 2022.

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

CORPORATE DEBT AND FINANCIAL CONDITIONS (CONTINUED)

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

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

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

DISCUSSION AND ANALYSIS

CORPORATE DEBT AND FINANCIAL CONDITIONS (CONTINUED)

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

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

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

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

Details of financial guarantees, contingencies and charges over assets as at 30 June 2022 are disclosed in Note 25 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 dollars, HK dollars and Singapore dollars and arranged at the corporate level. The corporate bonds were issued at fixed rates. The Group has closely monitored the cash flow forecasts of all its subsidiaries and arranged to transfer any surplus cash to the corporate to reduce corporate debts. In order to minimise the overall interest cost, the Group also arranged intra-group loans and implemented RMB cash pooling in Mainland China to utilise the surplus cash of certain subsidiaries to meet the funding requirements of other group companies. The Group reviews the intra-group financing arrangements from time to time in response to changes in currency exchange rates and bank loan interest rates.

The Group has endeavoured to hedge its medium term interest rate risks arising from the Group's bank loans by entering into fixed HIBOR, LIBOR and SHIBOR interest-rate swap contracts. During the period, interest-rate swap contracts totalling USD600 million were matured and the Group had executed a new LIBOR 5-year term interest-rate swap contract amounted to USD600 million at fixed rate of 1.46% per annum to replace the matured contracts so as to fix the interest rates of the corporate bank loan of the same amount. As at 30 June 2022, the outstanding interest-rate swap contracts are:

- USD1,265.0 million at fixed rates ranging between 1.365% and 3.045% per annum maturing during November 2023 to March 2027
- HKD6,170.0 million at fixed rates ranging between 1.505% and 1.855% per annum maturing during July 2023 to August 2026
- RMB181.5 million at fixed rates ranging between 3.370% and 3.550% per annum maturing during September 2022 to October 2022

Taking into account the fixed rate bonds, fixed rate bank loans and the interest-rate swap contracts (including the cross-currency swap contracts that also fix the interest rates of certain bank borrowings), the Group has fixed its interest liability on 61.0% of its outstanding borrowings as at 30 June 2022, compared to 61.7% as at 31 December 2021.

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

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 2022, the Group has the following cross-currency swap contracts:

- 7-year term USD35 million between US dollar and Singapore dollar to hedge the US dollar fixed rate bonds at fixed interest rate of 4.25% per annum maturing November 2025
- 7-year term JPY8,000 million between Japanese yen and HK dollar to hedge the Japanese yen bank borrowings at fixed interest rate of 3.345% per annum maturing July 2026
- 3-year term EUR100 million between HK dollar and Euro to swap bank borrowings from HK dollar at floating interest rates to Euro at fixed interest rates ranging between 0.39% and 0.395% per annum maturing August 2023

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

INVESTMENT PROPERTIES VALUATION

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed semi-annually (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). The fair values of investment properties are based on opinions from independent professional valuers as obtained by the Group and the relevant associates which own the investment properties. All changes in the fair value of investment properties (including those under construction) are recorded in the statement of profit or loss. For the six months ended 30 June 2022, the Group recorded an overall effective share of net fair value gains of USD30.1 million for its investment properties.

The following table shows the fair value gains/(losses) of the investment properties held by the Group's subsidiaries and associates for the six months ended 30 June 2022:

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

FINANCIAL ASSETS – TRADING SECURITIES

As at 30 June 2022, the market value of the Group's investment portfolio was USD22.1 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited amounting to USD12.6 million; 2,241,725 ordinary shares in Kerry Logistics Network Limited amounting to USD4.9 million; and 15,193,700 ordinary shares in Don Muang Tollway PCL amounting to USD4.6 million. The Group recorded gains of USD0.2 million and a loss of USD0.1 million through profit or loss and other comprehensive income, respectively for the six months ended 30 June 2022. Dividend income of USD0.8 million was recognised during the current period.

DEVELOPMENT PROGRAMMES

Construction work on the following projects is on-going:

(A) Hotel Developments

| | Group's Equity Interest | Hotel Rooms | Projected Opening |
|--|-------------------------------|-------------|----------------------|
| In Mainland China | | | |
| JEN Kunming by Shangri-La (part of a composite development project in Kunming City) | 45% | 274 | 2023 |
| Shangri-La Zhengzhou | 45% | 314 | 2024 |
| In Japan | | | |
| Shangri-La Kyoto | 20% | 80 | 2024 |

The Shangri-La and Traders Hongqiao Airport with 611 rooms which will be operated under operating lease will open for business in 2024.

(B) Composite Developments and Investment Property Developments

| | Group's Equity Interest | Total gross floor area upon completion (excluding hotel component) (approximate in square metres) | | | Scheduled Completion |
|---|-------------------------------|---|---------|------------|-------------------------|
| | | Residential | Office | Commercial | |
| In Mainland China | | | | | |
| Shenyang Kerry Centre – Phase III | 25% | 308,521 | 69,176 | 96,468 | 2022 onwards* |
| Kunming City Project | 45% | 20,917 | – | – | 2024 |
| Phase II of Shangri-La Fuzhou | 100% | – | 34,319 | 50,447 | 2023 |
| Composite development project in Zhengzhou | 45% | 94,025 | 58,946 | 3,932 | 2023 onwards* |
| Nanchang City Project – Phase II | 20% | – | 57,630 | 6,465 | 2023 |
| Tianjin Kerry Centre – Phase II | 20% | 28,530 | 92,651 | 17,490 | 2025 |
| TOTAL | | 451,993 | 312,722 | 174,802 | |

* Being developed in phases

DISCUSSION AND ANALYSIS

DEVELOPMENT PROGRAMMES (CONTINUED)

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

Hotel development

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

Composite development

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

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

DISPOSAL

In April 2022, the Group completed a sale and purchase transaction with an independent third party to dispose of its 80% equity interest in a project company which owns a parcel of land in Kyoto, Japan for the development of a luxury hotel at a cash consideration of USD64.3 million. A disposal gain of USD10.6 million was recognised during the period. The Group's equity interest in the project has been reduced from 100% to 20% after the completion of the transaction.

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

During the six months ended 30 June 2022, two hotels under management agreements owned by third parties, namely Shangri-La Jeddah in Saudi Arabia and Shangri-La Nanning in Mainland China, opened for operation. As at the date of this report, the Group has management agreements for 23 operating hotels owned by third parties. In addition, the Group also has agreements on hand for the development of 5 new hotels currently under development and owned by third parties. The development projects are located in Shenzhen (2 hotels) and Hangzhou (Mainland China), Phnom Penh (Cambodia) and Melbourne (Australia).

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

HUMAN RESOURCES

As at 30 June 2022, the Company and its subsidiaries had approximately 22,800 employees. The number of people employed by Shangri-La Group, including all operating hotels, was 38,200. Remuneration policies, share option scheme, share award scheme and training schemes have been consistently applied by the Group as disclosed in 2021 annual report.

PROSPECTS

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

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

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

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

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

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 or any non-directors 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 2021 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 27 May 2022, shareholders of the Company have approved the following non-executive directors' fees for 2022 which represented the discontinuation of 30% voluntary fee reduction since 2020:
 - (a) non-executive director: HK\$280,000
 - (b) member of Remuneration & Human Capital Committee: HK\$60,000
 - (c) member of Nomination Committee: HK\$60,000
 - (d) chairman/member of Audit & Risk Committee: HK\$230,000/HK\$200,000

SIGNIFICANT SHAREHOLDERS' INTERESTS

As at 30 June 2022, 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 2022, 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 | 930,833 <i>(Note 1)</i> | 1,038,000 <i>(Note 2)</i> | 2,000,000 <i>(Note 3)</i> | 86,251,718 <i>(Note 4)</i> | 90,220,551 | 2.516 |
| | 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 2022, 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 2022 | Exercise price per share (HK\$) | Exercise period |
|------------------------------|---------------|--------------------------|---------------------------|---|---|--------------------------|-----------------------------|---------------------------|---------------------------------|---------------------------|
| | | Balance as at 1 Jan 2022 | 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 | - | - | - | - | - | 3,138,000 | 12.11 | 23 Aug 2013 - 22 Aug 2023 |
| 3. Other participants | 23 Aug 2013 | 3,270,000 | - | - | - | - | - | 3,270,000 | 12.11 | 23 Aug 2013 - 22 Aug 2023 |
| Total | | 6,508,000 | - | - | - | - | - | 6,508,000 | | |

Notes:

- No options were cancelled during the underlying six-month period.
- As at 1 January 2022 and 30 June 2022, right to subscribe for a total of 301,024,679 shares (representing 8.40% of the issued shares thereby) were available for grant under the share option scheme.
- The number of share options granted during the reporting period divided by the weighted average number of issued shares for the period is zero.

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 and 31 May 2018). 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 2022 | Consideration per award share (HK\$) | Vesting date/period |
|---------------------|---------------|-----------------------------|---------------------------------|---|--------------------------------|------------------------------|--|---------------------------|
| | | Balance as at 1 Jan 2022 | Granted during the period | Lapsed/ Adjustment during the period | Vested during the period | | | |
| 1. Directors | | | | | | | | |
| KUOK Hui Kwong | 15 Jun 2019 | 24,000 | - | 44,000 | (68,000) | - | Nil | 1 Apr 2022 |
| | 7 Jun 2021 | 182,000 | - | - | (60,000) | 122,000 | Nil | 7 Jun 2022 - 7 Jun 2024 |
| | 6 May 2022 | - | 636,000 | - | - | 636,000 | Nil | 6 May 2023 - 6 May 2025 |
| LIM Beng Chee | 15 Jun 2019 | 32,000 | - | 58,000 | (90,000) | - | Nil | 1 Apr 2022 |
| | 7 Jun 2021 | 210,000 | - | - | (70,000) | 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 | | | | | | | | |
| | 1 Apr 2019 | 196,000 | - | (4,000) | (192,000) | - | Nil | 1 Apr 2022 |
| | 30 Jun 2019 | 394,000 | - | (358,000) | (36,000) | - | Nil | 1 Apr 2022 |
| | 1 Nov 2019 | 68,000 | - | (8,000) | (60,000) | - | Nil | 1 Apr 2022 |
| | 7 Jun 2021 | 5,236,000 | - | (418,000) | (1,610,000) | 3,208,000 | Nil | 7 Jun 2022 - 7 Jun 2024 |
| | 15 Oct 2021 | 268,000 | - | - | - | 268,000 | Nil | 15 Oct 2022 - 15 Oct 2024 |
| | 6 May 2022 | - | 11,274,000 | (132,000) | - | 11,142,000 | Nil | 6 May 2023 - 6 May 2025 |
| Total | | 6,610,000 | 12,458,000 | (818,000) | (2,186,000) | 16,064,000 | | |

Notes:

- No share awards were cancelled and no new shares were allotted or planned for allotment under any special/generate mandate for the purpose of the Company's share award scheme during the underlying six-month period.
- As at 1 January 2022 and 30 June 2022, a maximum of respectively 96,742,751 (rectified) and 85,102,751 shares (representing respectively 2.70% and 2.37% 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, 26 August 2022