

# SHANGRI-LA GROUP

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## **Shangri-La Asia Limited**

(Incorporated in Bermuda with limited liability)

website: [www.ir.shangri-la.com](http://www.ir.shangri-la.com)

(Stock code: 00069)

## **2019 FINAL RESULTS ANNOUNCEMENT**

The board of directors (“**Board**”) of Shangri-La Asia Limited (“**Company**”) wishes to announce the audited results of the Company and its subsidiaries (“**Group**”), and associates for the year ended 31 December 2019. These results have been audited by the Company’s auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and reviewed by the audit & risk committee of the Board. The auditor’s report was unqualified.

The following table summarises the highlights of our financial results:

	<b>2019</b>	2018	2019/18
	<i>USD Million</i>	<i>USD Million</i>	% Change
Consolidated Revenue	<b>2,431.2</b>	2,517.9	-3.4%
EBITDA <sup>(Note 1)</sup> of the Company and its subsidiaries	<b>584.0</b>	664.5	-12.1%
Effective share of EBITDA <sup>(Note 2)</sup> of the Company, subsidiaries and associates	<b>864.9</b>	940.9	-8.1%
Profit attributable to owners of the Company			
– Operating items	<b>113.8</b>	197.3	-42.3%
– Non-operating items	<b>38.7</b>	(4.4)	N/M
Total	<b>152.5</b>	192.9	-20.9%
Earnings per share (US cents)	<b>4.27</b>	5.40	-20.9%
Dividends per share (HK cents)	<b>8</b>	22	-63.6%
Net assets attributable to owners of the Company	<b>6,189.6</b>	6,289.0	-1.6%
Net assets per share attributable to owners of the Company (USD)	<b>1.73</b>	1.76	-1.7%

*(N/M: Not meaningful)*

*Notes:*

1. EBITDA, which is a non-HKFRS financial measure, is defined as the earnings before finance costs, tax, depreciation and amortisation and non-recurring items such as gain/loss on disposal of fixed assets and interest in investee companies; fair value gains/losses on investment properties and financial assets at fair value through profit or loss; and impairment losses on fixed assets.
2. Effective share of EBITDA is the aggregate total of the Company's EBITDA and the Group's share of EBITDA of subsidiaries and associates based on percentage of equity interests.
3. For information, effective share of depreciation and amortisation of the Company, subsidiaries and associates was USD376.2 million for the year ended 31 December 2019, a decrease of 2.2%, compared to USD384.6 million for the year ended 31 December 2018.

The Board recommends no final dividend for 2019 (2018: HK14 cents per share). With the interim dividend of HK8 cents per share (2018: HK8 cents per share) paid in October 2019, the total dividend for 2019 is HK8 cents per share (2018: HK22 cents per share).

## DISCUSSION AND ANALYSIS

The principal activities of the Group remained the same as in 2018. 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
- **Property Development for Sale**

The Group continues to develop hotels properties, investment properties for rental purpose and properties for sales for the above mentioned business segments.

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

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

The following table summarises the hotels and rooms of the Group as at 31 December 2019:

	Owned/Leased		Managed		Total Operating Hotels		Hotels Under Development	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Owned Hotels	Hotels under Management Contracts
		<i>in '000</i>		<i>in '000</i>		<i>in '000</i>		
	71	30.6	15	4.7	86	35.3	4	8
	3	1.6	–	–	3	1.6	–	–
	7	2.8	2	0.6	9	3.4	–	2
	–	–	3	1.2	3	1.2	1	–
<b>Total</b>	<b>81</b>	<b>35.0</b>	<b>20</b>	<b>6.5</b>	<b>101</b>	<b>41.5</b>	<b>5</b>	<b>10</b>

Notes:

- (1) Shangri-La Hotel, Suzhou Yuanqu (a managed hotel owned by a third party) in Mainland China opened for business in June 2019.
- (2) The management agreement for the Shangri-La hotel in Doha was ended in May 2019.
- (3) The Portman Ritz-Carlton Hotel, Shanghai (the Group originally has 30% equity interest) was disposed in August 2019.
- (4) The Shangri-La Hotel, Zhoushan (wholly owned by the Group) in Mainland China opened for business in January 2020.

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 31 December 2019		
			Office spaces	Commercial spaces	Serviced apartments/residential
<i>(in square metres)</i>					
Mainland China	China World Trade Center				
	– Phase I	40.32%-50%	88,433	90,770	80,124
	– Phase II	43.23%	76,536	24,337	–
	– Phase IIIA	40.32%	143,088	45,851	–
	– Phase IIIB	40.32%	83,419	62,498	–
			<u>391,476</u>	<u>223,456</u>	<u>80,124</u>
	Century Tower, Beijing	50%	–	–	43,445
	Beijing Kerry Centre	23.75%	92,723	12,831	36,161
	Jing An Kerry Centre – Phase I	24.75%	38,611	13,009	17,812
	Jing An Kerry Centre – Phase II	49%	117,823	80,967	–
	Kerry Parkside				
	Shanghai Pudong	23.2%	94,995	49,319	34,907
	Shangri-La Centre, Chengdu	80%	41,519	4,097	–
	Shangri-La Residences, Dalian	100%	–	–	54,004
	Shangri-La Centre, Qingdao	100%	31,911	8,029	–
	Tianjin Kerry Centre	20%	–	82,494	–
	Hangzhou Kerry Centre	25%	12,583	98,886	–
	Jinan Enterprise Square	45%	32,944	5,681	–
			<u>854,585</u>	<u>578,769</u>	<u>266,453</u>

		<b>Total GFA of the operating investment properties as at 31 December 2019</b>			
<i>(in square metres)</i>		<b>Group's equity interest</b>	<b>Office spaces</b>	<b>Commercial spaces</b>	<b>Serviced apartments/ residential</b>
Malaysia	UBN Apartments, Malaysia	52.78%	–	–	17,356
	UBN Tower, Malaysia	52.78%	45,175	8,530	–
			<u>45,175</u>	<u>8,530</u>	<u>17,356</u>
Singapore	Shangri-La Apartments, Singapore	100%	–	–	13,794
	Shangri-La Residences, Singapore	100%	–	–	10,941
	Tanglin Mall, Singapore	44.6%	–	21,267	–
	Tanglin Place, Singapore	44.6%	3,291	1,666	–
			<u>3,291</u>	<u>22,933</u>	<u>24,735</u>
Australia	The Pier Retail Complex, Cairns	100%	515	11,370	–
Mongolia	Central Tower, Ulaanbaatar	51%	29,487	8,480	–
	Shangri-La Centre, Ulaanbaatar	51%	28,500	31,130	30,012
			<u>57,987</u>	<u>39,610</u>	<u>30,012</u>
Myanmar	Shangri-La Residences, Yangon	55.86%	–	–	56,834
	Sule Square, Yangon	59.28%	37,635	11,807	–
			<u>37,635</u>	<u>11,807</u>	<u>56,834</u>
Sri Lanka	One Galle Face, Colombo	90%	58,166	74,746	3,733
<b>TOTAL</b>			<u>1,057,354</u>	<u>747,765</u>	<u>399,123</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table shows the Group's profit or loss for the year ended 31 December 2019 and 2018 presented in the conventional financial statement format and the effective share format. 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 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. Financials for 2019 are prepared in accordance with the new accounting standard HKFRS 16 Leases while the 2018 comparative figures are not restated and presented in accordance with the former accounting standard HKAS 17.

	Profit or loss for the year ended 31 December 2019		Profit or loss for the year ended 31 December 2018		2019/18 % change	
	Financial statement format	Effective share	Financial statement format	Effective share	Financial statement format	Effective share
<i>(USD million)</i>						
<b>Revenue</b>	<b>2,431.2</b>	<b>2,916.0</b>	2,517.9	3,026.8	-3.4%	-3.7%
Cost of sales	<b>(1,108.6)</b>	<b>(1,253.2)</b>	(1,113.3)	(1,282.1)	0.4%	2.3%
<b>Gross profit</b>	<b>1,322.6</b>	<b>1,662.8</b>	1,404.6	1,744.7	-5.8%	-4.7%
Operating expenses	<b>(739.8)</b>	<b>(799.1)</b>	(742.9)	(806.1)	0.4%	0.9%
Other gains – operating items	<b>1.2</b>	<b>1.2</b>	2.8	2.3	-57.1%	-47.8%
<b>EBITDA</b>	<b>584.0</b>	<b>864.9</b>	664.5	940.9	-12.1%	-8.1%
Depreciation and amortisation	<b>(340.0)</b>	<b>(376.2)</b>	(352.6)	(384.6)	3.6%	2.2%
Loss on disposal of fixed assets	<b>(2.5)</b>	<b>(2.4)</b>	(2.1)	(2.0)	-19.0%	-20.0%
Interest income	<b>22.2</b>	<b>26.5</b>	21.3	26.2	4.2%	1.1%
Other gains/(losses) – non-operating items	<b>31.1</b>	<b>53.8</b>	(150.6)	34.2	N/M	57.3%
<b>Operating profit</b>	<b>294.8</b>	<b>566.6</b>	180.5	614.7	63.3%	-7.8%
Finance costs – net	<b>(233.5)</b>	<b>(233.7)</b>	(195.5)	(205.8)	-19.4%	-13.6%
Share of profit of associates	<b>220.4</b>	<b>–</b>	305.4	–	-27.8%	N/A
<b>Profit before income tax</b>	<b>281.7</b>	<b>332.9</b>	290.4	408.9	-3.0%	-18.6%
Income tax expense						
– Operating items	<b>(114.2)</b>	<b>(165.2)</b>	(108.9)	(177.4)	-4.9%	6.9%
– Non-operating items	<b>2.2</b>	<b>(15.2)</b>	2.2	(38.6)	–	60.6%
<b>Profit for the year</b>	<b>169.7</b>	<b>152.5</b>	183.7	192.9	-7.6%	-20.9%
(Less)/Add: (Profit)/Loss attributable to non-controlling interests	<b>(17.2)</b>	<b>–</b>	9.2	–	N/A	N/A
<b>Profit attributable to owners of the Company</b>	<b>152.5</b>	<b>152.5</b>	192.9	192.9	-20.9%	-20.9%

**SUMMARY OF NET ASSET VALUE (“NAV”) (Note 1)**  
**AS AT 31 DECEMBER 2019**

<i>(USD million)</i>	Carrying value of hotel properties (effective share) <i>(Note 2)</i>	Replacement cost <i>(Note 3)</i> of hotel properties (effective share) <i>(Note 2)</i>
The People’s Republic of China		
Hong Kong	764.3	1,013.6
Mainland China	2,822.4	4,918.0
Singapore	555.9	619.8
Malaysia	147.4	365.4
The Philippines	362.0	872.5
Thailand	119.4	315.4
Australia	229.0	391.1
Others <i>(Note 4)</i>	826.9	1,366.6
<b>Total</b>	<b>5,827.3</b>	<b>9,862.4</b>
	(A)	(B)
Effective share of surplus value of hotel properties (B)-(A)		4,035.1
Reported NAV (based on carrying value)		<u>6,189.6</u>
Adjusted NAV based on replacement cost		<u><u>10,224.7</u></u>
Reported NAV per share		
– USD		1.73
– HKD equivalent		13.40
Adjusted NAV per share		
– USD		2.86
– HKD equivalent		22.13

*Notes:*

- (1) Net asset value (“NAV”) refers to the Group’s total assets less total liabilities (i.e. equity) attributable to owners of the Company.
- (2) The effective share of the carrying value and replacement cost of hotel properties refer to the Group’s share of subsidiaries and associates based on percentage of equity interests. The carrying value of hotel properties is stated at historical cost less accumulated depreciation and impairment losses, if any.
- (3) Replacement cost is based on the estimated redevelopment cost, excludes land cost and is generally accepted by our insurers for coverage on property damage.
- (4) Others include France, Maldives, Turkey, Fiji, Myanmar, Indonesia, Mongolia, Mauritius, Sri Lanka, Japan and United Kingdom.

## RESULTS OF OPERATIONS

### Revenue

Consolidated revenue consisted of the following:

<i>(USD million)</i>	<b>Year ended 31 December</b>		<b>2019/18</b>
	<b>2019</b>	2018	<b>% change</b>
<b>Hotel Properties</b>			
Revenue from rooms	<b>1,067.3</b>	1,143.3	-6.6%
Food and beverage sales	<b>881.2</b>	941.3	-6.4%
Rendering of ancillary services	<b>117.9</b>	122.3	-3.6%
Sub-total of hotel properties	<b>2,066.4</b>	2,206.9	-6.4%
<b>Hotel Management and Related Services</b>			
Gross revenue (including revenue earned from subsidiaries)	<b>231.8</b>	229.9	0.8%
Less: Inter-segment revenue elimination with subsidiaries	<b>(124.9)</b>	(129.8)	3.8%
Net amount after elimination	<b>106.9</b>	100.1	6.8%
<b>Investment Properties</b>	<b>91.7</b>	82.6	11.0%
<b>Property Development for Sale</b>	<b>160.8</b>	127.7	25.9%
<b>Other Business</b>	<b>5.4</b>	0.6	800%
<b>Consolidated Revenue</b>	<b>2,431.2</b>	2,517.9	-3.4%

Consolidated revenue was USD2,431.2 million for the year ended 31 December 2019, a decrease of 3.4% (or USD86.7 million), compared to USD2,517.9 million for the year ended 31 December 2018. The decrease was mainly driven by:

- USD74.1 million drop from Hong Kong hotels due to weak sentiment caused by prolonged protests and Sino-US trade war uncertainties
- USD60.2 million drop from Mainland China hotels due to Sino-US trade war
- USD13.1 million drop from Sri Lanka due to bombing incident
- Partially offset by an increase of USD33.1 million in recognition of revenue mainly from the sale of residences in Shangri-La's One Galle Face development in Colombo, Sri Lanka



- Our portfolio of investment properties continued to steadily grow, contributing to an increase of USD9.1 million
- Overall negative impact of strong USD on our recurring operations at approximately USD47.1 million

**(i) Hotel Properties**

At 31 December 2019, the Group had equity interest in 78 operating hotels (2018: 79) and 3 hotels under operating lease (2018: 3), representing a room inventory of 34,996 (2018: 35,834) across Asia Pacific, Europe and Africa.

Details of these 81 hotels are as follows:

	<b>Group's equity interest</b>	<b>Available rooms</b>
<b>(A) Hotels owned by the Group</b>		
<b>The People's Republic of China</b>		
<i>Hong Kong</i>		
Kowloon Shangri-La, Hong Kong	100%	679
Island Shangri-La, Hong Kong	80%	565
Hotel Jen Hong Kong	30%	283
Kerry Hotel, Hong Kong	100%	546
		<hr/>
<b>Sub-total Hong Kong</b>		<b>2,073</b>
		<hr/> <hr/>
<i>Mainland China</i>		
Shangri-La Hotel, Beijing	38%	670
China World Hotel, Beijing	50%	584
China World Summit Wing, Beijing	40.32%	278
Hotel Jen Beijing	40.32%	450
Kerry Hotel, Beijing	23.75%	486
Pudong Shangri-La, East Shanghai	100%	950
Jing An Shangri-La, West Shanghai	49%	508
Kerry Hotel Pudong, Shanghai	23.2%	574
Shangri-La Hotel, Shenzhen	72%	522
Futian Shangri-La, Shenzhen	100%	528
Shangri-La Hotel, Xian	100%	393
Shangri-La Hotel, Hangzhou	45%	212
Shangri-La Hotel, Beihai	100%	362
Shangri-La Hotel, Changchun	100%	382
Hotel Jen Shenyang	100%	407
Shangri-La Hotel, Shenyang	25%	383
Shangri-La Hotel, Qingdao	100%	702
Shangri-La Hotel, Dalian	100%	560
Shangri-La Hotel, Wuhan	92%	383
Shangri-La Hotel, Harbin	100%	396
Shangri-La Hotel, Fuzhou	100%	414
Shangri-La Hotel, Guangzhou	80%	690
Shangri-La Hotel, Chengdu	80%	593
Shangri-La Hotel, Wenzhou	100%	409
Shangri-La Hotel, Ningbo	95%	562

	Group's equity interest	Available rooms
Shangri-La Hotel, Guilin	100%	439
Shangri-La Hotel, Baotou	100%	360
Shangri-La Hotel, Huhhot	100%	365
Shangri-La Hotel, Manzhouli	100%	235
Shangri-La Hotel, Yangzhou	100%	360
Shangri-La Hotel, Qufu	100%	322
Shangri-La Hotel, Lhasa	100%	289
Shangri-La's Sanya Resort & Spa, Hainan	100%	496
Shangri-La Hotel, Nanjing	55%	450
Shangri-La Hotel, Qinhuangdao	100%	323
Shangri-La Hotel, Hefei	100%	400
Shangri-La Resort, Shangri-La	100%	228
Shangri-La Hotel, Tianjin	20%	304
Shangri-La Hotel, Nanchang	20%	473
Shangri-La Hotel, Tangshan	35%	301
Midtown Shangri-La, Hangzhou	25%	414
Songbei Shangri-La, Harbin	100%	344
Shangri-La Hotel, Xiamen	100%	325
Shangri-La Hotel, Jinan	45%	364
		<hr/>
<b>Sub-total Mainland China</b>		19,190
		<hr/> <hr/>
<b>Singapore</b>		
Shangri-La Hotel, Singapore	100%	792
Shangri-La's Rasa Sentosa Resort & Spa, Singapore	100%	454
Hotel Jen Tanglin Singapore	44.6%	565
		<hr/>
<b>Sub-total Singapore</b>		1,811
		<hr/> <hr/>
<b>Malaysia</b>		
Shangri-La Hotel, Kuala Lumpur	52.78%	655
Shangri-La's Rasa Sayang Resort & Spa, Penang	52.78%	303
Golden Sands Resort, Penang	52.78%	387
Hotel Jen Penang	31.67%	443
Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu	64.59%	499
Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu	40%	492
		<hr/>
<b>Sub-total Malaysia</b>		2,779
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	Group's equity interest	Available rooms
<b>The Philippines</b>		
Makati Shangri-La, Manila	100%	696
Edsa Shangri-La, Manila	100%	630
Shangri-La's Mactan Resort & Spa, Cebu	93.95%	530
Shangri-La's Boracay Resort & Spa	100%	219
Shangri-La at the Fort, Manila	40%	576
		<hr/>
<b>Sub-total The Philippines</b>		2,651
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<b>Thailand</b>		
Shangri-La Hotel, Bangkok	73.61%	802
Shangri-La Hotel, Chiang Mai	73.61%	277
		<hr/>
<b>Sub-total Thailand</b>		1,079
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<b>Australia</b>		
Shangri-La Hotel, Sydney	100%	564
Shangri-La Hotel, The Marina, Cairns	100%	255
		<hr/>
<b>Sub-total Australia</b>		819
		<hr/> <hr/>
<b>Other areas</b>		
Shangri-La Hotel, Paris	100%	101
Shangri-La's Villingili Resort & Spa, Maldives	70%	132
Hotel Jen Malé, Maldives	100%	114
Shangri-La Bosphorus, Istanbul, Turkey	50%	186
Shangri-La's Fijian Resort & Spa, Yanuca Island, Fiji	71.64%	443
Sule Shangri-La, Yangon, Myanmar	59.16%	466
Shangri-La Hotel, Jakarta, Indonesia	25%	619
Shangri-La Hotel, Surabaya, Indonesia	11.34%	365
Shangri-La Hotel, Ulaanbaatar, Mongolia	51%	290
Shangri-La's Le Touessrok Resort & Spa, Mauritius	26%	203
Shangri-La's Hambantota Golf Resort & Spa, Sri Lanka	90%	274
Shangri-La Hotel, Colombo, Sri Lanka	90%	500
		<hr/>
<b>Sub-total other areas</b>		3,693
		<hr/> <hr/>
<b>Total of 78 owned hotels</b>		34,095
		<hr/> <hr/>

	<b>Available rooms</b>
<b>(B) Hotels under operating lease agreements</b>	
Shangri-La Hotel, Tokyo, Japan	200
Shangri-La Hotel, At The Shard, London, United Kingdom	202
Hotel Jen Orchardgateway Singapore	499
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<b>Total of 3 leased hotels</b>	901
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<b>Grand total</b>	34,996
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Revenue from our consolidated hotel properties for the year ended 31 December 2019 was USD2,066.4 million, a decrease of 6.4% (or USD140.5 million), compared to USD2,206.9 million for the year ended 31 December 2018.

	<u>Year ended 31 December</u>		<u>2019/18</u>
	<b>2019</b>	2018	% change
	<i>USD Million</i>	<i>USD Million</i>	
The People's Republic of China			
Hong Kong	<b>296.0</b>	370.1	-20.0%
Mainland China	<b>781.9</b>	842.1	-7.1%
Singapore	<b>236.7</b>	237.0	-0.1%
Malaysia	<b>119.2</b>	129.3	-7.8%
The Philippines	<b>189.9</b>	171.7	10.6%
Japan	<b>66.7</b>	67.2	-0.7%
Thailand	<b>81.2</b>	78.2	3.8%
France	<b>46.2</b>	50.1	-7.8%
Australia	<b>85.1</b>	92.2	-7.7%
United Kingdom	<b>52.9</b>	50.7	4.3%
Mongolia	<b>17.4</b>	15.2	14.5%
Sri Lanka	<b>27.1</b>	40.2	-32.6%
Other countries	<b>66.1</b>	62.9	5.1%
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Consolidated revenue from Hotel Properties business	<b>2,066.4</b>	2,206.9	-6.4%
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The key performance indicators of the Group-owned hotels (including hotels under lease) on an unconsolidated basis (including both subsidiaries and associates) for the year ended 31 December 2019 and 2018 are as follows:

	2019 Weighted Average			2018 Weighted Average		
	Occupancy (%)	Room Rate (USD)	RevPAR (USD)	Occupancy (%)	Room Rate (USD)	RevPAR (USD)
The People's Republic of China						
Hong Kong	69	266	183	84	295	249
Mainland China	67	120	81	67	126	85
Tier 1 Cities	79	165	130	79	173	137
Tier 2 Cities	67	94	63	67	100	67
Tier 3+4 cities	51	86	44	52	92	48
Singapore	82	218	179	80	220	175
Malaysia	73	131	96	75	139	104
The Philippines	71	197	140	67	182	121
Japan	78	654	511	86	586	502
Thailand	71	168	119	71	163	116
France	62	1,219	751	63	1,293	816
Australia	87	229	200	79	227	180
United Kingdom	83	581	480	79	548	435
Mongolia	40	204	81	30	219	66
Sri Lanka	30	147	44	42	161	68
Other countries	57	179	102	52	193	100
Weighted Average	<b>68</b>	<b>162</b>	<b>110</b>	<b>68</b>	<b>169</b>	<b>115</b>

Note: Performance indicators in respect of hotels in Mainland China excludes the Portman Ritz Carlton Hotel.

The weighted average occupancy of our hotels was 68% for the year ended 31 December 2019, unchanged compared to 68% for the year ended 31 December 2018. The RevPAR was USD110 for the year ended 31 December 2019, a decrease of 4%, compared to USD115 for the year ended 31 December 2018.

Below are comments on hotel performances on selected geographies that witnessed significant events:

## **The People's Republic of China**

### ***Hong Kong***

For Hong Kong, the occupancy was 69% for the year ended 31 December 2019, a decrease of fifteen percentage points, compared to 84% for the year ended 31 December 2018. The RevPAR was USD183 for the year ended 31 December 2019, a decrease of 27%, compared to USD249 for the year ended 31 December 2018. During the first half of the year, the hotels continued to see the negative impact from the uncertainties arising from the Sino-US trade war. The region's challenges were then exacerbated by the prolonged demonstrations that impacted both tourist arrivals and domestic sentiment. Total revenue from Hong Kong hotel properties for the year ended 31 December 2019 decreased by 20.0% to USD296.0 million.

### ***Mainland China***

The Group had equity interest in 44 operating hotels in Mainland China as at 31 December 2019.

For Mainland China, the occupancy was 67% for the year ended 31 December 2019, unchanged compared to 67% for the year ended 31 December 2018. The RevPAR was USD81 for the year ended 31 December 2019, a decrease of 5%, compared to USD85 for the year ended 31 December 2018. The China hotel market was largely impacted by the drawn-out Sino-US trade war that began in mid-2018.

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

- In Tier 1 cities, the occupancy was 79% for the year ended 31 December 2019, unchanged compared to 79% for the year ended 31 December 2018. The RevPAR was USD130 for the year ended 31 December 2019, a decrease of 5%, compared to USD137 for the year ended 31 December 2018. If adjusted for the exchange rate impact, the RevPAR would have been USD135 for the year ended 31 December 2019, a decrease of 1%, compared to last year.
- In Tier 2 cities, the occupancy was 67% for the year ended 31 December 2019, unchanged compared to 67% for the year ended 31 December 2018. The RevPAR was USD63 for the year ended 31 December 2019, a decrease of 6%, compared to USD67 for the year ended 31 December 2018. If adjusted for the exchange rate impact, the RevPAR would have been USD65 for the year ended 31 December 2019, a decrease of 3%, compared to last year.

- In Tier 3 and Tier 4 cities, the occupancy was 51% for the year ended 31 December 2019, a decrease of one percentage point, compared to 52% for the year ended 31 December 2018. The RevPAR was USD44 for the year ended 31 December 2019, a decrease of 8%, compared to USD48 for the year ended 31 December 2018. If adjusted for the exchange rate impact, the RevPAR would have been USD46 for the year ended 31 December 2019, a decrease of 4%, compared to last year.

Total revenue from Mainland China hotel properties for the year ended 31 December 2019 decreased by 7.1% to USD781.9 million.

### **Singapore**

For Singapore, the occupancy was 82% for the year ended 31 December 2019, an increase of two percentage points, compared to 80% for the year ended 31 December 2018. The RevPAR was USD179 for the year ended 31 December 2019, an increase of 2%, compared to USD175 for the year ended 31 December 2018. We increased promotion efforts to keep occupancies up after 2018's high base set by the Trump-Kim summit. Total revenue from Singapore hotel properties for the year ended 31 December 2019 decreased by 0.1% to USD236.7 million.

### **Malaysia**

For Malaysia, the occupancy was 73% for the year ended 31 December 2019, a decrease of two percentage points, compared to 75% for the year ended 31 December 2018. The RevPAR was USD96 for the year ended 31 December 2019, a decrease of 8%, compared to USD104 for the year ended 31 December 2018. We witnessed a general weakness across the country as political uncertainties lingered. Total revenue from Malaysia hotel properties for the year ended 31 December 2019 decreased by 7.8% to USD119.2 million.

### **The Philippines**

For The Philippines, the occupancy was 71% for the year ended 31 December 2019, an increase of four percentage points, compared to 67% for the year ended 31 December 2018. The RevPAR was USD140 for the year ended 31 December 2019, an increase of 16%, compared to USD121 for the year ended 31 December 2018. This was mostly helped by the reopening of our resort in Boracay in October 2018 after a six-month closure by the government's order for environmental rehabilitation. Total revenue from The Philippines hotel properties for the year ended 31 December 2019 increased by 10.6% to USD189.9 million.

### **Sri Lanka**

For Sri-Lanka, the occupancy was 30% for the year ended 31 December 2019, a decrease of twelve percentage points, compared to 42% for the year ended 31 December 2018. The RevPAR was USD44 for the year ended 31 December 2019, a decrease of 35%, compared to USD68 for the year ended 31 December 2018. The decrease was mainly due to the negative tourism impact created by the bombing incident in April. Total revenue from Sri-Lanka hotel properties for the year ended 31 December 2019 decreased by 32.6% to USD27.1 million.

## **(ii) Hotel Management & Related Services**

As at 31 December 2019, the Group's wholly owned subsidiary, SLIM International Limited, together with its subsidiaries and certain fellow subsidiaries ("SLIM") managed a total of 101 hotels and resorts:

- 78 Group-owned hotels
- 3 hotels under lease agreements
- 20 hotels owned by third parties

The 20 operating hotels (6,499 available rooms) owned by third parties are located in the following destinations:

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



The key performance indicators of managed hotels owned by third parties for the year ended 31 December 2019 and 2018 are as follows:

	2019 Weighted Average			2018 Weighted Average		
	Occupancy (%)	Room Rate (USD)	RevPAR (USD)	Occupancy (%)	Room Rate (USD)	RevPAR (USD)
Canada	71	348	247	74	339	250
The Philippines	72	68	49	56	68	38
Oman	55	270	149	61	294	178
UAE	67	165	111	67	168	112
Malaysia	67	93	62	71	102	73
India	67	134	91	64	136	87
Taiwan	72	164	118	68	169	116
Mainland China	58	73	43	59	76	45
<b>Weighted Average</b>	<b>64</b>	<b>140</b>	<b>90</b>	<b>64</b>	<b>148</b>	<b>94</b>

For the year ended 31 December 2019, the overall weighted average occupancy of the hotels under third-party hotel management agreements remained largely flat at 64%. The RevPAR was USD90 for the year ended 31 December 2019, a decrease of 4%, compared to USD94 for the year ended 31 December 2018.

Gross revenues from SLIM was USD231.8 million for the year ended 31 December 2019, an increase of 0.8% (or USD1.9 million) compared to USD229.9 million for the year ended 31 December 2018.

After eliminating inter-segment sales with subsidiaries, the net revenues from SLIM was USD106.9 million for the year ended 31 December 2019, an increase of 6.8% (or USD6.8 million) compared to USD100.1 million for the year ended 31 December 2018. The increase of revenue was mainly driven by an increased promotion of Golden Circle program, which was partially offset by lower hotel management fees due to weakness in hotel operations.

During the year, SLIM commenced new hotel management for Shangri-La Hotel, Suzhou Yuanqu, Mainland China. SLIM has also signed new management agreements with a third party for the management and operation of two hotels, in Shougang Park (Beijing) and Qianhai (Shenzhen), both in Mainland China. As at 31 December 2019, SLIM had management agreements on hand for ten new hotel projects which were owned by third parties.

### (iii) Investment Properties

Consolidated revenue from our investment properties for the year ended 31 December 2019 stood at USD91.7 million, an increase of 11% (or USD9.1 million), compared to USD82.6 million for the year ended 31 December 2018.

	Year ended 31 December		2019/18
	2019	2018	% change
	USD Million	USD Million	
Mainland China	20.3	20.2	0.5%
Singapore	13.6	13.6	0.0%
Malaysia	6.4	6.2	3.2%
Mongolia	22.9	16.8	36.3%
Sri Lanka	2.0	–	N/A
Other countries	26.5	25.8	2.7%
Consolidated revenue from Investment Properties business	<u>91.7</u>	<u>82.6</u>	<u>11.0%</u>

In 2019, we saw growth in revenues across our subsidiary investment properties, mainly driven by an improvement in occupancies.

Comments on subsidiary investment properties by geography:

#### Mainland China

Revenue generated from our investment properties in China for the year ended 31 December 2019 increased by 0.5% to USD20.3 million. This was mainly driven by improvement in occupancy rates of our offices in Chengdu Shangri-La Centre.

#### Singapore

Revenue generated from our serviced apartments in Singapore for the year ended 31 December 2019 remained flat at USD13.6 million. This improvement in occupancy rates for Shangri-La Apartments was offset by the drop in occupancy rates for Shangri-La Residences.

#### Malaysia

Revenue generated from our subsidiary investment properties in Malaysia for the year ended 31 December 2019 increased by 3.2% to USD6.4 million. This was mainly driven by the improvement in occupancy rates for our serviced apartments at UBN Tower.

## **Mongolia**

Revenue generated from our subsidiary investment properties in Mongolia for the year ended 31 December 2019 increased by 36.3% to USD22.9 million. This was mainly driven by the improvements in occupancies for our offices, retail spaces, as well as serviced apartments of Shangri-La Centre, Ulaanbaatar.

## **Sri Lanka**

Revenue generated from our investment properties in Sri Lanka for the year ended 31 December 2019 was USD2.0 million, compared to nil last year. The increase was due to the opening of our One Galle Face office and shopping mall in November 2019.

## **Other countries**

Revenue generated from our subsidiary investment properties in other countries for the year ended 31 December 2019 increased by 2.7% to USD26.5 million. This was mainly driven by an improvement of occupancy of offices in Sule Square, Yangon (Myanmar), where a multinational telecom company took up three floor spaces in Q4 2018.

### **(iv) Property Development for Sale**

Property development for sale by subsidiaries for the year ended 31 December 2019 were USD160.8 million, an increase of 25.9%, compared to USD127.7 million for the year ended 31 December 2018. During the year we continued recognising sales of residential units of One Galle Face, Colombo (Sri Lanka), as well as the residential tower of the Shangri-La Hotel, Dalian Phase II project (Yavis), Mainland China.

In 2019, 18 units of Yavis were sold and a total 18 units (including 4 units sold in 2018) have been handed over to the buyers. 4 sold units will be handed over to the buyers in 2020. As at 31 December 2019, Yavis had a remaining inventory of 65 units.

One Galle Face, Colombo (Sri Lanka) comprises 390 apartments (372 for sale and 18 for rental purpose) with total gross floor area of approximately 93,500 square metres. At 31 December 2019, an accumulated total of 283 apartments (76% of total) have been sold of which 238 apartments (84% of sold) have been handed over to the buyers and recognised as revenue.

## 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 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	
		2019	2018	2019	2018	2019	2018	2019	2018
<i>(USD million)</i>									
<b>Hotel Properties</b>	Hong Kong	<b>62.6</b>	120.0	<b>56.9</b>	109.0	<b>0.8</b>	1.5	<b>57.7</b>	110.5
	Mainland China	<b>201.7</b>	232.6	<b>186.5</b>	213.6	<b>58.2</b>	66.7	<b>244.7</b>	280.3
	Singapore	<b>57.7</b>	67.1	<b>57.9</b>	67.1	<b>5.7</b>	6.1	<b>63.6</b>	73.2
	Malaysia	<b>31.0</b>	39.0	<b>17.9</b>	22.1	<b>7.8</b>	7.9	<b>25.7</b>	30.0
	The Philippines	<b>55.9</b>	47.3	<b>54.6</b>	46.0	<b>11.3</b>	9.3	<b>65.9</b>	55.3
	Japan	<b>4.9</b>	4.6	<b>4.9</b>	4.6	–	–	<b>4.9</b>	4.6
	Thailand	<b>32.5</b>	31.3	<b>24.1</b>	23.1	–	–	<b>24.1</b>	23.1
	France	<b>(3.1)</b>	2.4	<b>(3.1)</b>	2.4	–	–	<b>(3.1)</b>	2.4
	Australia	<b>13.8</b>	16.6	<b>13.8</b>	16.6	–	–	<b>13.8</b>	16.6
	United Kingdom	<b>(2.6)</b>	(6.3)	<b>(2.6)</b>	(6.3)	–	–	<b>(2.6)</b>	(6.3)
	Mongolia	<b>2.3</b>	3.0	<b>1.3</b>	1.6	–	–	<b>1.3</b>	1.6
	Sri Lanka	<b>(0.3)</b>	7.0	<b>(0.3)</b>	6.3	–	–	<b>(0.3)</b>	6.3
	Other countries	<b>(1.5)</b>	(0.7)	<b>(0.9)</b>	(0.8)	<b>8.4</b>	7.5	<b>7.5</b>	6.7
		<b>454.9</b>	563.9	<b>411.0</b>	505.3	<b>92.2</b>	99.0	<b>503.2</b>	604.3
<b>Hotel Management and Related Services</b>		<b>(36.0)</b>	21.4	<b>(36.0)</b>	21.4	–	–	<b>(36.0)</b>	21.4
<b>Sub-total Hotel Operations</b>		<b>418.9</b>	585.3	<b>375.0</b>	526.7	<b>92.2</b>	99.0	<b>467.2</b>	625.7
<b>Investment Properties</b>	Mainland China	<b>10.4</b>	8.9	<b>9.5</b>	8.1	<b>223.0</b>	213.9	<b>232.5</b>	222.0
	Singapore	<b>5.6</b>	6.7	<b>5.6</b>	6.7	<b>4.3</b>	4.7	<b>9.9</b>	11.4
	Malaysia	<b>4.3</b>	4.1	<b>2.3</b>	2.1	–	–	<b>2.3</b>	2.1
	Mongolia	<b>12.5</b>	7.8	<b>6.4</b>	4.0	–	–	<b>6.4</b>	4.0
	Sri Lanka	<b>(0.9)</b>	–	<b>(0.8)</b>	–	–	–	<b>(0.8)</b>	–
	Other countries	<b>14.4</b>	11.9	<b>8.3</b>	7.0	–	–	<b>8.3</b>	7.0
<b>Sub-total Investment Properties</b>		<b>46.3</b>	39.4	<b>31.3</b>	27.9	<b>227.3</b>	218.6	<b>258.6</b>	246.5
<b>Property Development for Sale &amp; Other Business</b>		<b>92.3</b>	69.3	<b>83.2</b>	62.4	<b>28.8</b>	37.0	<b>112.0</b>	99.4
<b>Sub-total</b>		<b>557.5</b>	694.0	<b>489.5</b>	617.0	<b>348.3</b>	354.6	<b>837.8</b>	971.6
<b>Corporate and pre-opening expenses</b>		<b>(28.0)</b>	(29.5)	<b>(26.9)</b>	(29.7)	<b>(0.5)</b>	(1.0)	<b>(27.4)</b>	(30.7)
<b>Grand total presented under HKAS 17</b>		<b>529.5</b>	664.5	<b>462.6</b>	587.3	<b>347.8</b>	353.6	<b>810.4</b>	940.9
<b>Grand total presented under HKFRS16</b>		<b>584.0</b>		<b>514.7</b>		<b>350.2</b>		<b>864.9</b>	

Under new accounting standard HKFRS16, aggregate effective share of EBITDA was USD864.9 million for the year ended 31 December 2019, a decrease of 8.1% (or USD76.0 million), compared to USD940.9 million for the year ended 31 December 2018. Adjusting back to accounting standard HKAS17, aggregate effective share of EBITDA was USD810.4 million for the year ended 31 December 2019, a decrease of 13.9% (or USD130.5 million), compared to USD940.9 million for the year ended 31 December 2018. Commentaries of results by business segments are as follows based on HKAS17 accounting standard:

### ***Hotel Properties***

Effective share of EBITDA from Hotel Properties business for the year ended 31 December 2019 was USD503.2 million, a decrease of 16.7% (or USD101.1 million), compared to USD604.3 million for the year ended 31 December 2018. This was mainly driven by the drag of Hong Kong, Mainland China and Sri Lanka, as explained in the revenue discussion. Together they led to a USD95.0 million drop in effective share of EBITDA.

### ***Hotel Management and Related Services***

SLIM effective share of EBITDA for the year ended 31 December 2019 was a loss of USD36.0 million, compared to a profit of USD21.4 million for the year ended 31 December 2018. This was mainly due to a decrease in hotel management fees, as well as an increase in expenses. The increase in expenses were mainly due to investments in the near term to drive future efficiency as well as business development for sustainable growth, where part of the costs for such projects have yet to be charged out during the development phase.

### ***Investment Properties***

Effective share of EBITDA from Investment Properties business for the year ended 31 December 2019 was USD258.6 million, an increase of 4.9% (or USD12.1 million), compared to USD246.5 million for the year ended 31 December 2018. We saw growth across our major subsidiary investment properties during the year, as highlighted in our revenue discussion of Investment Properties business. Effective share of EBITDA from our subsidiary investment properties increased by 12.2% to USD31.3 million.

Aside from our subsidiary investment properties, we also saw strong growth in effective share of EBITDA from our associated investment properties, growing 4.0% to USD227.3 million. The growth was primarily driven by the ramp up of China World Trade Center Phase IIIB's commercial properties and offices.

### ***Property Development for Sale & Other Business***

Property development for sale & other business effective share of EBITDA for the year ended 31 December 2019 was USD112.0 million, an increase of 12.7% (or USD12.6 million), compared to USD99.4 million for the year ended 31 December 2018. The increase was mainly driven by handing over of residential units at Shangri-La's One Galle Face development in Colombo, Sri Lanka.

### ***Corporate and Pre-opening Expenses***

Corporate and pre-opening expenses that offset the Group's effective share of EBITDA for the year ended 31 December 2019 were USD27.4 million, a decrease of 10.7% (or USD3.3 million), compared to USD30.7 million for the year ended 31 December 2018. The decrease in expenses was mainly due to lowering of staff cost and share awards at headquarters compared to last year.

### Consolidated Profit Attributable to Owners of the Company

The following table summarises information related to the consolidated profit attributable to owners of the Company before and after non-operating items by geographical areas and by business segments:

		Year ended 31 December			
		2019	2019	2018	2019/18
		USD Mil	USD Mil	USD Mil	% change
		Under	Under	Under	Under
		HKFRS16	HKAS17	HKAS17	HKAS17
<b>Hotel Properties</b>	Hong Kong	21.3	21.3	58.7	-63.7%
	Mainland China	8.7	9.7	19.9	-51.3%
	Singapore	32.4	32.5	35.3	-7.9%
	Malaysia	12.4	12.3	17.1	-28.1%
	The Philippines	16.3	17.5	9.6	82.3%
	Japan	3.3	3.7	3.5	5.7%
	Thailand	14.6	14.6	14.2	2.8%
	France	(14.6)	(14.6)	(13.4)	-9.0%
	Australia	(0.8)	(0.2)	0.6	N/M
	United Kingdom	(10.0)	(6.1)	(16.0)	61.9%
	Mongolia	(4.1)	(4.1)	(7.7)	46.8%
	Sri Lanka	(15.3)	(15.3)	(18.8)	18.6%
	Other countries	(4.1)	(5.0)	(13.1)	61.8%
		<u>60.1</u>	<u>66.3</u>	89.9	-26.3%
<b>Hotel Management and Related Services</b>		<u>(48.3)</u>	<u>(47.7)</u>	8.4	N/M
<b>Sub-total Hotel Operations</b>		<u>11.8</u>	<u>18.6</u>	98.3	-81.1%
<b>Investment Properties</b>	Mainland China	153.5	153.5	142.9	7.4%
	Singapore	7.8	7.8	9.1	-14.3%
	Malaysia	1.8	1.8	1.7	5.9%
	Mongolia	2.4	2.4	(3.2)	N/M
	Sri Lanka	(4.8)	(4.8)	-	N/A
	Other countries	6.0	6.0	3.7	62.2%
<b>Sub-total Investment Properties</b>		<u>166.7</u>	<u>166.7</u>	154.2	8.1%
<b>Property Development for Sale &amp; Other Business</b>		<u>101.1</u>	<u>101.5</u>	84.0	20.8%
<b>Consolidated profit from operating properties*</b>		<u>279.6</u>	<u>286.8</u>	<u>336.5</u>	<u>-14.8%</u>
<b>Net corporate finance costs (including foreign exchange gains and losses)</b>		(134.6)	(134.6)	(104.2)	-29.2%
<b>Land cost amortisation &amp; pre-opening expenses for projects &amp; corporate expenses</b>		(31.2)	(31.1)	(35.0)	11.1%
<b>Consolidated profit attributable to owners of the Company before non-operating items</b>		<u>113.8</u>	<u>121.1</u>	197.3	-38.6%
<b>Non-operating items</b>		<u>38.7</u>	<u>38.7</u>	(4.4)	N/M
<b>Consolidated profit attributable to owners of the Company after non-operating items</b>		<u>152.5</u>	<u>159.8</u>	192.9	-17.2%
* Consolidated profit from operating properties:					
	Effective share of profit before tax	444.4		513.4	
	Effective share of income tax expense	(164.8)		(176.9)	
	Effective share of profit after tax	<u>279.6</u>		<u>336.5</u>	
	Effective tax rate for profit from operating properties	<u>37%</u>		<u>34%</u>	

Under new accounting standard HKFRS16, consolidated profit attributable to owners of the Company after non-operating items was USD152.5 million for the year ended 31 December 2019, a decrease of 20.9% (or USD40.4 million), compared to USD192.9 million for the year ended 31 December 2018. If applying accounting standard HKAS17, consolidated profit attributable to owners of the Company after non-operating items was USD159.8 million for the year ended 31 December 2019, a decrease of 17.2% (or USD33.1 million), compared to USD192.9 million for the year ended 31 December 2018. Commentaries of results by business segments are as follows based on HKAS17 accounting standard:

### **Hotel Properties**

Hotel ownership profit for the year ended 31 December 2019 was USD66.3 million, a decrease of 26.3% (or USD23.6 million), compared to USD89.9 million for the year ended 31 December 2018. The decrease was mainly due to the weaknesses in the hotel operating environment as highlighted in our revenue discussion of our Hotel Properties business.

### **Hotel Management and Related Services**

SLIM loss for the year ended 31 December 2019 was USD47.7 million, a decrease of USD56.1 million, compared to profit of USD8.4 million for the year ended 31 December 2018. The reasons for the decrease were highlighted in our EBITDA discussion of our Hotel Management and Related Services business.

### **Investment Properties**

Investment Properties profit was USD166.7 million for the year ended 31 December 2019, an increase of 8.1% (or USD12.5 million), compared to USD154.2 million for the year ended 31 December 2018. The growth was primarily driven by our investment properties in Mainland China and Mongolia, as discussed in previous sections.

### **Property Development for Sale & Other Business**

Property Development for Sale & Other Business profit for the year ended 31 December 2019 was USD101.5 million, an increase of 20.8% (or USD17.5 million), compared to USD84.0 million for the year ended 31 December 2018. The increase was mainly driven by the completion and partial handing over of residential units at Shangri-La's One Galle Face development in Colombo, Sri Lanka.



## Others

Non-operating items for the year ended 31 December 2019 totalled a net credit of USD38.7 million compared to a net charge of USD4.4 million for the year ended 31 December 2018. Major components included:

- i) Effective share of net fair value gains on investment properties was USD53.6 million for the year ended 31 December 2019 compared to USD111.1 million for the year ended 31 December 2018. Main fair value changes for this year include:
  - Fair value gains for the investment properties in Mainland China of USD36.5 million as a result of the general increase in rental rates, as well as the opening of Wuhan Shangri-La Centre
  - Fair value gains for our investment property in Colombo, Sri Lanka of USD6.5 million due to opening of our One Galle Face office and shopping mall in November 2019.
- ii) Impairment losses for Hotel Jen Maldives and project in Rome totalled USD20.4 million for the year ended 31 December 2019 compared to USD112.9 million for the year ended 31 December 2018 for hotels Shangri-La Hotel, At the Shard, London, Shangri-La Resort, Shangri-La and Shangri-La Hotel, Ulaanbaatar.
- iii) A gain of USD7.0 million on the disposal of the Portman Ritz-Carlton Hotel, Shanghai and Shanghai Centre (China) recognised for the year ended 31 December 2019 compared to a total gain of USD2.9 million on the disposal of Hotel Jen Brisbane (Australia) recognised for the year ended 31 December 2018.

Details of all the non-operating items are disclosed in the segment profit or loss of Note 3 to the consolidated financial statements included in this announcement.

## CORPORATE DEBT AND FINANCIAL CONDITIONS

In 2019, the Group's capital structure recorded unfavourable change:

- Net Borrowings to EBITDA ratio was 7.2x as at 31 December 2019, compared to 6.1x as at 31 December 2018.
- Aggregate Effective Share of Net Borrowings to Aggregate Effective Share of EBITDA ratio was 4.8x as at 31 December 2019, compared to 4.2x as at 31 December 2018.
- EBITDA to Interest Expenses (gross amount before capitalised expenses) ratio was 2.5x for the year ended 31 December 2019, compared to 3.7x for 2018.



The unfavourable change in these ratios was driven by the increase in net borrowings and interest expenses and the decrease in EBITDA. As at 31 December 2019, our Group's net borrowings (total bank loans and fixed rate bonds less cash and bank balances and short-term fund placements) was USD4,223.9 million, an increase of USD148.4 million, compared to USD4,075.5 million as at 31 December 2018. As at 31 December 2019, our aggregate effective share of net borrowings of subsidiaries and associates based on percentage of equity interests was USD4,170.7 million, an increase of USD187.5 million, compared to USD3,983.2 million as at 31 December 2018.

The Group's net borrowings to total equity ratio, i.e. the gearing ratio, increased to 64.9% as at 31 December 2019 from 61.0% as at 31 December 2018. This increase was mainly driven by the decrease of total equity of USD95.2 million due to the adoption of the new accounting standard HKFRS 16 and the increase in net borrowings during the year. If the former accounting standard HKAS 17 was adopted, the Group's gearing ratio as at 31 December 2019 would be adjusted down to 64.0%.

In June 2019, the Group issued the following fixed rate bonds in order to reduce the refinancing cycle of its bank loans and to hedge its medium-term borrowing interest rate:

- 5-year term principal amount of SGD135 million at 3.70% per annum
- 8-year term principal amount of SGD165 million at 4.10% per annum

Most of the net proceeds from the bonds were used to repay corporate bank loans.

In 2019, the Group also executed the following unsecured bank loan agreements for refinancing maturing loans, adjusting the refinancing cycle of its bank loans and for financing project development:

#### ***Corporate level***

- 4-year term principal amount of HKD3,500 million
- 5-year term principal amount of HKD5,600 million
- 7-year term principal amount of HKD5,570 million and JPY8,000 million

#### ***Subsidiary level***

- 3-year term principal amount of RMB1,208.5 million
- 4-year term principal amount of RMB120 million
- 5-year term principal amount of AUD80 million
- 7-year term principal amount of EUR75 million
- 10-year term principal amount of RMB240 million
- 15-year term principal amount of RMB580 million

The Group has not encountered any difficulty when drawing loans from committed banking facilities. None of the bank loan facilities were cancelled by the banks during or after the close of the 2019 financial year.

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

The analysis of borrowings outstanding as at 31 December 2019 is as follows:

<b>Maturities of Borrowings Contracted as at 31 December 2019</b>					
<i>(USD million)</i>	<b>Within 1 year</b>	<b>In the 2nd year</b>	<b>Repayment In the 3rd to 5th year</b>	<b>After 5 years</b>	<b>Total</b>
<b>Borrowings</b>					
Corporate borrowings					
– unsecured bank loans	–	405.0	1,795.7	647.6	2,848.3
– fixed rate bonds	–	–	100.3	767.9	868.2
Bank loans of subsidiaries					
– secured	7.0	7.1	3.5	–	17.6
– unsecured	368.3	228.4	691.7	218.1	1,506.5
Total outstanding balance	375.3	640.5	2,591.2	1,633.6	5,240.6
% of total outstanding balance	7.2%	12.2%	49.4%	31.2%	100.0%
<b>Undrawn but committed facilities</b>					
Bank loans and overdrafts	20.4	233.4	636.8	151.0	1,041.6

Subsequent to the year end of 2019, the Group issued 10-year term principal amount of SGD250 million fixed rate bonds at 3.50% per annum in January 2020 as part of its on-going process to reduce the refinancing cycle of its outstanding loans and to hedge its medium-term borrowing interest rate.

The currency mix of consolidated borrowings and cash and bank balances as at 31 December 2019 is as follows:

<i>(USD million)</i>	<b>Borrowings</b>	<b>Cash and Bank Balances</b> <i>(Note)</i>
In United States dollars	2,069.9	169.7
In Hong Kong dollars	1,394.6	70.7
In Singapore dollars	833.4	116.5
In Renminbi	545.7	426.2
In Euros	213.8	1.8
In Australian dollars	56.0	14.0
In Japanese yen	120.7	15.4
In Fiji dollars	6.5	3.5
In Philippines pesos	–	30.8
In Thai baht	–	70.2
In Malaysian ringgit	–	69.3
In British pounds	–	1.3
In Mongolian tugrik	–	13.5
In Sri Lankan rupee	–	12.7
In Myanmar kyat	–	0.1
In Maldivian rufiyaa	–	0.3
In other currencies	–	0.7
	<hr/>	<hr/>
	<b>5,240.6</b>	<b>1,016.7</b>
	<hr/> <hr/>	<hr/> <hr/>

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

Except for the fixed rate bonds and bank loans in Renminbi, which carry interest at rates specified by the People's Bank of China from time to time, all borrowings are generally at floating interest rates.

Details of financial guarantees, contingencies and charges over assets as at 31 December 2019 are disclosed in Note 15 to the consolidated financial statements included in this announcement.

## TREASURY POLICIES

The Group's treasury policies are aimed at minimising interest and currency risks. The Group assesses the market environment and its financial position and adjusts its tactics from time to time.

### (A) Minimising Interest Risks

The corporate bonds are issued at fixed rates. Most of the Group's borrowings are in US dollars, HK dollars and SG dollars and arranged at the corporate level. Subsidiaries in Mainland China also have material bank loans contracted in Renminbi which carry interest at rates specified by the People's Bank of China from time to time. 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 loans. In order to minimise the overall interest cost, the Group also arranged intra-group loans to utilise the surplus cash of certain subsidiaries to meet the funding requirements of other group companies. The Group reviews the intra-loan arrangements from time to time in response to changes in currency exchange rates and bank loan interest rates.

The Group has endeavored to hedge its medium interest rate risk by entering into fixed HIBOR, LIBOR and SHIBOR interest-rate swap contracts to hedge the newly signed bank loans agreements. All these interest-rate swap contracts qualify for hedge accounting.

In 2019, the Group has executed the following interest-rate swap contracts at fixed rates in order to hedge the newly signed bank loan agreements:

- USD405 million LIBOR 5-year term interest rate swap contract at fixed rate 1.365% per annum
- HKD1,250 million HIBOR 4-year term interest rate swap contracts at fixed rates ranging between 1.580% and 1.700% per annum
- HKD1,300 million HIBOR 5-year term interest rate swap contracts at fixed rates ranging between 1.540% and 1.550% per annum
- HKD3,620 million HIBOR 7-year term interest rate swap contracts at fixed rates ranging between 1.505% and 1.855% per annum
- RMB464 million SHIBOR 3-year term interest rate swap contracts at fixed rates ranging between 3.370% and 3.550% per annum

As at 31 December 2019, the outstanding interest-rate swap contracts are:

- USD1,265 million at fixed rates ranging between 1.365% and 3.045% per annum maturing during April 2022 to July 2024
- HKD6,170 million at fixed rates ranging between 1.505% and 1.855% per annum maturing during July 2023 to August 2026
- RMB464 million at fixed rates ranging between 3.370% and 3.550% per annum maturing during June 2022 to October 2022

Taking into account the interest-rate swap contracts, the fixed rate bonds and the Renminbi bank loans, the Group has fixed its interest liability on 66.3% of its outstanding borrowings as at 31 December 2019, compared to 38% as at 31 December 2018.

### **(B) Minimising Currency Risks**

The Group aims at using bank loans 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.

In 2019, the Group has arranged new local bank loans in local currencies (Renminbi, Euros, Australian dollar and Japanese Yen) to refinance maturing bank loans in local currencies and/or foreign currency and to meet new funding requirements in order to reduce exchange risk. The Group has executed a 7-year term cross currency swap contract between Japanese Yen and Hong Kong dollar in order to fix the repayment exchange rate and the interest rate of the newly signed 7-year term JPY8,000 million floating rate bank loan agreement. The funds from this loan was used to repay maturing HK dollar bank loans and the Group expects to use its HK dollar operating surplus cash or HK bank loans to repay this loan upon maturity.

As at 31 December 2019, the Group has the following cross currency swap contracts:

- 7-year term USD35 million between Singapore dollar and US 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 in order to hedge the Japanese Yen bank borrowings at fixed interest rate of 3.345% per annum maturing July 2026.

## 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 values of investment properties (including those under construction) are recorded in the statement of profit or loss. For the year ended 31 December 2019, the Group recorded an overall effective share of net fair value gains of USD53.6 million for its investment properties.

The following table shows the fair value gains of the investment properties held by the Group's subsidiaries and associates for the year ended 31 December 2019:

<i>(USD million)</i>	<b>Subsidiaries</b>		<b>Associates</b>		<b>Total</b>	
	<b>100%</b>	<b>Effective Share</b>	<b>100%</b>	<b>Effective Share</b>	<b>100%</b>	<b>Effective Share</b>
Gains	52.6	39.4	83.3	29.3	135.9	68.7
Deferred tax	(10.1)	(7.8)	(20.7)	(7.3)	(30.8)	(15.1)
Net gains	<u>42.5</u>	<u>31.6</u>	<u>62.6</u>	<u>22.0</u>	<u>105.1</u>	<u>53.6</u>

Investment properties are stated at professional valuations carried out by the following independent firms of professional valuers engaged by the Group or the relevant associates as at 31 December 2019:

Crowe Horwath First Trust Appraisals Pte Ltd, Cushman & Wakefield Limited and Savills Valuation and Professional Services Limited	:	For properties in Mainland China
Crowe Horwath First Trust Appraisals Pte Ltd	:	For properties in Mongolia
Colliers International	:	For properties in Singapore
Consultancy & Valuation (Singapore) Pte Ltd	:	
W. M. Malik & Kamaruzaman	:	For properties in Malaysia
Jones Lang LaSalle Advisory Services Pty Ltd	:	For properties in Australia
Knight Frank Chartered (Thailand) Company Limited	:	For properties in Myanmar
Sunil Fernando & Associates (Pvt) Ltd.	:	For properties in Sri Lanka

## **IMPAIRMENT PROVISION**

The Group assesses the carrying value of a group-owned operating hotel during the year when there is any indication that the asset may be impaired. Indicative criteria include continuing adverse changes in the local market conditions in which the hotel operates or will operate, or when the hotel continues to operate at a loss position or materially behind budget. At year end, the Group assesses the carrying value of all group-owned operating hotels and a property pending re-development. Professional valuations have been carried out by independent professional firms for those properties for which the internal assessment results need independent confirmation. Based on professional valuations at 31 December 2019, the Group provided USD5.3 million for a wholly owned hotel and USD15.1 million for a wholly owned property pending for re-development (2018: USD112.9 million for three hotels which are owned/leased by subsidiaries).

## **FINANCIAL ASSETS – TRADING SECURITIES**

As at 31 December 2019, the market value of the Group's investment portfolio was USD18.2 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited amounting to USD14.3 million, and 2,241,725 ordinary shares in Kerry Logistics Network Limited amounting to USD3.9 million. The Group recorded an unrealised net fair value loss of USD0.6 million and dividend income of USD1.0 million during the year.

## DEVELOPMENT PROGRAMMES

In 2019, the Group acquired land sites in Bangkok of Thailand and Kyoto of Japan for the development of hotels.

In January 2020, the Shangri-La Hotel, Zhoushan (wholly owned by the Group) in Mainland China opened for business.

Construction work on the following projects is on-going:

### (A) Hotel Developments

	<b>Group's Equity Interest</b>	<b>Hotel Rooms</b>	<b>Projected Opening</b>
<b>In Mainland China</b>			
Shangri-La Hotel, Putian	40%	260	Q4 2020
Traders Hotel, Kunming	45%	273	2021
Shangri-La Hotel, Kunming (part of a composite development project in Kunming City)	45%	81	TBD*
Shangri-La Hotel, Zhengzhou	45%	211	2024

\* TBD: To be determined

### (B) Composite Developments and Investment Property Developments

	<b>Group's Equity Interest</b>	<b>Total gross floor area upon completion (excluding hotel component) (approximate in square metres)</b>			<b>Scheduled Completion</b>
		<b>Residential</b>	<b>Office</b>	<b>Commercial</b>	
<b>In Mainland China</b>					
Shenyang Kerry Centre – Phase II	25%	36,149	–	–	2H 2020
Kunming City Project	45%	21,141	–	–	2021
Phase II of Shangri-La Hotel, Fuzhou	100%	–	34,319	50,447	2022
Shenyang Kerry Centre – Phase III	25%	308,102	85,201	65,502	2022 onwards*
Composite development project in Zhengzhou	45%	94,222	58,946	3,993	2022 onwards*
		<u>459,614</u>	<u>178,466</u>	<u>119,942</u>	

\* Being developed in phases



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

***Hotel development***

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

***Composite development***

- Nanchang city project – Phase II, Mainland China (20% equity interest owned by the Group)
- Tianjin Kerry Centre – Phase II, Mainland China (20% equity interest owned by the Group)
- 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 in order to improve the financial position of the Group.

**ACQUISITION**

In 2019, the Group acquired land sites in Bangkok of Thailand and Kyoto of Japan for the development of hotels.

In June 2019, the Group acquired the remaining 25% equity interest in an original 75% owned subsidiary which owns the Shangri-La Hotel, Wenzhou in Mainland China at a consideration of RMB250 million (approximately USD35.8 million). A total amount of approximately USD33.6 million was paid during the year and the remaining balance of RMB15 million approximately USD2.2 million will be payable subject to certain conditions.

**DISPOSAL**

In August 2019, a 30% owned associate disposed its ownership in the Portman Ritz-Carlton Hotel, Shanghai and Shanghai Centre under a cooperative joint venture agreement expiring 2020 and the Group recorded its share of net profit on disposal of USD7.0 million.

## **MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES**

In 2019, the Group signed two new management agreements with third parties for the management of a Shangri-La hotel at Shougang Park in Beijing and the Hotel Jen, Qianhai in Shenzhen scheduled to open in 2021.

As at the date of this report, the Group has management agreements for 20 operating hotels owned by third parties. In addition, the Group also has agreements on hand for the development of 10 new hotels currently under development and owned by third parties. The development projects are located in Nanning, Qiantan, Beijing and Shenzhen (Mainland China), Kota Kinabula (Malaysia), Bali (Indonesia), Jeddah (Saudi Arabia), Phnom Penh (Cambodia), Melbourne (Australia) and Manama (Bahrain).

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 31 December 2019, the Company and its subsidiaries had approximately 29,400 employees. The number of people employed at Shangri-La, including all operating hotels, was 46,400. Salaries and benefits, including provident fund contributions, insurance and medical coverage, housing and share option scheme, were maintained at competitive levels. Bonuses were awarded based on contract terms and individual performance as well as the financial performance of business units. The Group introduced the Balance Scorecard to measure the performance of business units in the areas of financial performance, guest satisfaction, people development, initiatives, community responsibility and compliance.

Details of the share option scheme and share award scheme adopted by the shareholders on 28 May 2012 are provided in the section headed “Share Option Schemes” and “Share Award Scheme” of the Directors’ Report, respectively. The Group has granted shares under the share award scheme in order to attract, retain and motivate key talents to achieve long term growth and to align management with shareholders’ value creation. The details of shares granted under the share award scheme in 2019 is provided in Directors’ Report. The Group has not granted any new share option under the share option scheme in 2019.

The Group’s total employee benefit expenses (excluding directors’ emoluments) amounted to USD842.0 million (2018: USD812.7 million).

Average turnover remained at 25% and is consistent to reflect the challenges faced by the hospitality industry. Much effort is focused on attracting, retaining, developing and engaging the young workforce.

The Group continues to focus on strengthening our talent bench strength and in building organisational capabilities to drive business growth. 2019 was a year of transformation for learning with the introduction of Shangri-La Academy Online. This bespoke virtual platform facilitates learning anytime and anywhere; providing our colleagues with dynamic, engaging and relevant content that they can also review at their own pace. We foster a culture of active learning throughout our organisation. This includes learning and development initiatives, including essential, functional and leadership programmes, subscriptions for digital content from the Shangri-La Academy Learning Management System, on-the-job learning, and participation in internal/external workshops. In 2019, we conducted a group-wide Employee Experience Programme Survey complemented by focus group sessions at which colleagues worked together on co-owning any issues for problems they experience at work and finding solutions.

Since the onset of the global pandemic triggered by COVID 19, our top priority has been the health and safety of our guests and colleagues. We have instituted regular rigorous deep cleaning and disinfection routines in all our offices and hotel premises to minimise the risk of infection. Our corporate offices have implemented working patterns to ensure the safety of all colleagues, as well as the continuity of business. Where required, colleagues have gone into home quarantine and deep cleaning has taken place of their workplace. While we are following or exceeding government advice for our health and safety measures, we are also focused on doing the right thing wherever possible and going the extra mile.

Our colleagues across the world have also come together for their respective communities during this time. Apart from hosting local medical professionals and delivering hot meals to support them, our colleagues have also volunteered in community activities to give out amenities and food supplies to families in need.

During this period, our colleagues are also encouraged to enrol on our online learning programmes through our Shangri-La Academy. The programmes which aim to enhance professional skillsets, business knowledge, and language skills, have been especially helpful for those who are on quarantine or working on shortened weeks. Besides knowledge acquisition, the online interactive programmes also support their mental, emotional and physical well-being. In China, 99% of our colleagues have completed an average of 14 courses. Colleagues are able to share pictures or videos on the Clock In platform of them practicing their new skills. This was a great way for our colleagues to stay connected with their teams and to ensure they are prepared for business recovery.

## **PROSPECTS**

The prolonged lingering political risks in Hong Kong and the on-off trade negotiations between US and China were already significant challenges to our Group when we kicked off 2020. The challenges then escalated as COVID-19 quickly became a global pandemic, impeding global corporate and leisure travel, as well as the MICE segment in the short to medium term. More recent events such as the triggering of oil price war between Russia and Saudi Arabia have caused the commodity to plunge by as much as 30%. Together these factors will continue to unnerve markets in the near term, as reflected by the Volatility Index (VIX) shooting to levels not seen since the 2008 Global Financial Crisis, creating yet more uncertainties and disruptions for businesses worldwide.

In the midst of uncertainties, we are actively planning and rolling out a number of initiatives to reduce the impact. While adhering to utmost safety and hygiene protocols, our colleagues in affected areas have been tireless in finding new avenues of business, such as introducing new F&B products to cater to the increased demand for healthier foods, as well as promoting home deliveries and takeaways. We have also taken this slowdown to increase skills training and learning opportunities for our colleagues; we will be ready to bring our customer service to a new level when the market returns.

The impact and scale of such unprecedented external factors are beyond our control, but reinforce the Group's approach of being extra prudent in our cost discipline. We have since embarked on a number of cost-reduction initiatives such as lowering utilities, procurement, and labour costs. For February, we were able to lower our costs in China by around 50%. At the headquarters, starting April we will reduce staff costs by implementing wage reduction of our senior staff by up to 30% and apply voluntary no-pay-leave for others. We have also revised our capital expenditure plans, conserving our accessible cash reserve in the event of a prolonged period of uncertainties.

While we plan with downside in mind, we continue to keep our eyes on the horizon especially when the COVID-19 outbreak has been contained and businesses can return to normalcy. A number of events can still help us achieve limited yet certain growth during the year. In November 2019, we opened our offices and shopping mall in Colombo (Sri Lanka); this is the largest retail mall and newest Grade A office tower in town. We also opened a hotel in Zhoushan (Mainland China) in January 2020. For the remainder of the year, we plan to open our new hotel in Putian (Mainland China), investment property in Wuhan (Mainland China), as well as two hotels under management agreements in Jeddah (Saudi Arabia) and Bali (Indonesia), subject to the development of the COVID-19 outbreak.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	2019	2018
		USD'000	USD'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment		5,092,022	5,537,840
Investment properties		1,658,560	1,478,672
Leasehold land and land use rights		–	484,441
Right-of-use assets		1,318,451	–
Intangible assets		108,363	100,058
Interest in associates		3,912,827	3,911,801
Deferred income tax assets		27,694	7,507
Financial assets at fair value through other comprehensive income		4,357	4,164
Financial assets at fair value through profit or loss		9,866	10,391
Derivative financial instruments		8,979	8,102
Other receivables		14,963	14,720
		<u>12,156,082</u>	<u>11,557,696</u>
<i>Current assets</i>			
Inventories		33,951	36,528
Properties for sale		90,569	153,097
Accounts receivable, prepayments and deposits	4	291,661	270,888
Amounts due from associates		112,788	70,742
Derivative financial instruments		2,157	3,472
Financial assets at fair value through profit or loss		18,188	18,836
Short-term deposits with original maturities over 3 months		107,181	88,979
Cash and cash equivalents		909,496	970,410
		<u>1,565,991</u>	<u>1,612,952</u>
<b>Total assets</b>		<u><u>13,722,073</u></u>	<u><u>13,170,648</u></u>

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2019</b>	<b>2018</b>
		<b>USD'000</b>	<b>USD'000</b>
<b>EQUITY</b>			
<i>Capital and reserves attributable to owners of the Company</i>			
Share capital and premium	5	<b>3,201,995</b>	3,201,995
Shares held for share award scheme	5	<b>(5,985)</b>	(4,996)
Other reserves		<b>653,684</b>	693,368
Retained earnings		<b>2,339,885</b>	2,398,584
		<hr/>	<hr/>
		<b>6,189,579</b>	6,288,951
<b>Non-controlling interests</b>		<b>314,454</b>	387,937
		<hr/>	<hr/>
<b>Total equity</b>		<b>6,504,033</b>	6,676,888
		<hr/>	<hr/>
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Bank loans		<b>3,997,098</b>	4,066,686
Fixed rate bonds		<b>868,137</b>	636,933
Derivative financial instruments		<b>15,668</b>	6,261
Amounts due to non-controlling shareholders		<b>46,550</b>	–
Long term lease liabilities		<b>588,530</b>	–
Deferred income tax liabilities		<b>357,971</b>	331,076
		<hr/>	<hr/>
		<b>5,873,954</b>	5,040,956
		<hr/>	<hr/>
<i>Current liabilities</i>			
Accounts payable and accruals	7	<b>666,377</b>	677,642
Contract liabilities		<b>175,001</b>	286,890
Short term lease liabilities		<b>51,603</b>	–
Amounts due to non-controlling shareholders		<b>39,528</b>	35,050
Current income tax liabilities		<b>30,105</b>	20,425
Bank loans		<b>375,329</b>	431,220
Derivative financial instruments		<b>6,143</b>	1,577
		<hr/>	<hr/>
		<b>1,344,086</b>	1,452,804
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>7,218,040</b>	6,493,760
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>13,722,073</b>	13,170,648
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December	
		2019 USD'000	2018 USD'000
<b>Revenue</b>	3	<b>2,431,216</b>	2,517,857
Cost of sales	8	<u>(1,108,647)</u>	<u>(1,113,268)</u>
<b>Gross profit</b>		<b>1,322,569</b>	1,404,589
Other gains/(losses) – net	9	<b>54,508</b>	(126,427)
Marketing costs	8	<b>(96,149)</b>	(99,039)
Administrative expenses	8	<b>(285,292)</b>	(254,811)
Other operating expenses	8	<u><b>(700,871)</b></u>	<u>(743,804)</u>
<b>Operating profit</b>		<b>294,765</b>	180,508
Finance costs – net	10	<b>(233,524)</b>	(195,505)
Share of profit of associates	11	<u><b>220,423</b></u>	<u>305,393</u>
<b>Profit before income tax</b>		<b>281,664</b>	290,396
Income tax expense	12	<u><b>(111,944)</b></u>	<u>(106,658)</u>
<b>Profit for the year</b>		<u><b>169,720</b></u>	<u>183,738</u>
<b><i>Profit/(Loss) attributable to:</i></b>			
Owners of the Company		<b>152,485</b>	192,905
Non-controlling interests		<u><b>17,235</b></u>	<u>(9,167)</u>
		<u><b>169,720</b></u>	<u>183,738</u>
<b><i>Earnings per share for profit attributable to the owners of the Company during the year (expressed in US cents per share)</i></b>			
– basic	13	<u><b>4.27</b></u>	<u>5.40</u>
– diluted	13	<u><b>4.27</b></u>	<u>5.40</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	<i>USD'000</i>	<i>USD'000</i>
<b>Profit for the year</b>	<b>169,720</b>	183,738
<b><i>Other comprehensive income/(loss):</i></b>		
<b><i>Item that will not be reclassified subsequently to profit or loss</i></b>		
Remeasurements of post-employment benefit obligations	<b>(1,270)</b>	53
<b><i>Items that may be reclassified subsequently to profit or loss</i></b>		
Fair value changes of interest-rate swap and cross-currency swap contracts – hedging	<b>(15,146)</b>	(1,871)
Currency translation differences – subsidiaries	<b>20,731</b>	(236,241)
Currency translation differences – associates	<b>(67,373)</b>	(194,186)
Revaluation of a property held by an associate upon reclassification from property, plant and equipment to investment properties	<b>20,577</b>	–
<b>Other comprehensive loss for the year</b>	<b>(42,481)</b>	(432,245)
<b>Total comprehensive income/(loss) for the year</b>	<b>127,239</b>	(248,507)
<b><i>Total comprehensive income/(loss) attributable to:</i></b>		
Owners of the Company	<b>110,548</b>	(223,910)
Non-controlling interests	<b>16,691</b>	(24,597)
	<b>127,239</b>	(248,507)



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to owners of the Company						Non- controlling interests USD'000	Total equity USD'000
	Share capital and premium USD'000	Shares held for share award scheme USD'000	Other reserves USD'000	Retained earnings USD'000	Total USD'000	Total USD'000		
<b>Balance at 1 January 2019, as previously reported</b>	3,201,995	(4,996)	693,368	2,398,584	6,288,951	387,937	6,676,888	
Change in accounting policy – HKFRS 16	–	–	–	(89,575)	(89,575)	(5,608)	(95,183)	
<b>Balance at 1 January 2019, as restated</b>	3,201,995	(4,996)	693,368	2,309,009	6,199,376	382,329	6,581,705	
Remeasurements of post-employment benefit obligations	–	–	–	(1,200)	(1,200)	(70)	(1,270)	
Fair value changes of interest-rate swap contracts and cross-currency swap – hedging	–	–	(7,790)	–	(7,790)	(7,356)	(15,146)	
Currency translation differences	–	–	(53,524)	–	(53,524)	6,882	(46,642)	
Revaluation of a property held by an associate upon reclassification from property, plant and equipment to investment properties	–	–	20,577	–	20,577	–	20,577	
Other comprehensive loss for the year recognised directly in equity	–	–	(40,737)	(1,200)	(41,937)	(544)	(42,481)	
Profit for the year	–	–	–	152,485	152,485	17,235	169,720	
Total comprehensive income/ (loss) for the year ended 31 December 2019	–	–	(40,737)	151,285	110,548	16,691	127,239	
Shares purchase for share award scheme	5	(2,129)	–	–	(2,129)	–	(2,129)	
Granting of shares under share award scheme	–	–	2,077	–	2,077	–	2,077	
Vesting of shares under share award scheme	5	1,140	(1,024)	(116)	–	–	–	
Payment of 2018 final dividend	–	–	–	(64,531)	(64,531)	–	(64,531)	
Payment of 2019 interim dividend	–	–	–	(36,856)	(36,856)	–	(36,856)	
Dividend paid and payable to non-controlling shareholders	–	–	–	–	–	(18,219)	(18,219)	
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	–	–	–	(18,906)	(18,906)	–	(18,906)	
Equity interest in a subsidiary acquired from a non-controlling shareholder	–	–	–	–	–	(16,914)	(16,914)	
Net change in equity loans due to non-controlling shareholders	–	–	–	–	–	(49,433)	(49,433)	
	–	(989)	1,053	(120,409)	(120,345)	(84,566)	(204,911)	
<b>Balance at 31 December 2019</b>	<b>3,201,995</b>	<b>(5,985)</b>	<b>653,684</b>	<b>2,339,885</b>	<b>6,189,579</b>	<b>314,454</b>	<b>6,504,033</b>	

		Attributable to owners of the Company						
	Note	Share capital and premium USD'000	Shares held for share award scheme USD'000	Other reserves USD'000	Retained earnings USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
<b>Balance at 1 January 2018</b>		3,198,420	–	1,110,921	2,293,215	6,602,556	439,440	7,041,996
Remeasurements of post-employment benefit obligations		–	–	–	41	41	12	53
Fair value changes of interest-rate swap contracts – hedging		–	–	(1,871)	–	(1,871)	–	(1,871)
Currency translation differences		–	–	(414,985)	–	(414,985)	(15,442)	(430,427)
Other comprehensive income/ (loss) for the year recognised directly in equity		–	–	(416,856)	41	(416,815)	(15,430)	(432,245)
Profit/(Loss) for the year		–	–	–	192,905	192,905	(9,167)	183,738
Total comprehensive income/ (loss) for the year ended 31 December 2018		–	–	(416,856)	192,946	(223,910)	(24,597)	(248,507)
Exercise of share options-allotment of shares	5	2,289	–	–	–	2,289	–	2,289
Exercise of share options – transfer from share option reserve to share premium	5	1,286	–	(1,286)	–	–	–	–
Shares purchase for share award scheme	5	–	(7,924)	–	–	(7,924)	–	(7,924)
Granting of shares under share award scheme		–	–	3,550	–	3,550	–	3,550
Vesting of shares under share award scheme	5	–	2,928	(2,961)	33	–	–	–
Payment of 2017 final dividend		–	–	–	(50,740)	(50,740)	–	(50,740)
Payment of 2018 interim dividend		–	–	–	(36,870)	(36,870)	–	(36,870)
Dividend paid and payable to non-controlling shareholders		–	–	–	–	–	(20,056)	(20,056)
Equity injected by non-controlling shareholders		–	–	–	–	–	765	765
Net change in equity loans due to non-controlling shareholders		–	–	–	–	–	(7,615)	(7,615)
		3,575	(4,996)	(697)	(87,577)	(89,695)	(26,906)	(116,601)
<b>Balance at 31 December 2018</b>		<b>3,201,995</b>	<b>(4,996)</b>	<b>693,368</b>	<b>2,398,584</b>	<b>6,288,951</b>	<b>387,937</b>	<b>6,676,888</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

The principal activities of Shangri-La Asia Limited (“**Company**”) and its subsidiaries (together, “**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 (“**HKSE**”) with secondary listing on the Singapore Exchange Securities Trading Limited.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### *Basis of preparation*

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets, financial liabilities (including derivative financial instruments) and investment properties are stated at fair value.

#### *New accounting standards, amendments and interpretation to accounting standards adopted by the Group*

The following new accounting standards, amendments and interpretation to accounting standards effective in 2019 which are relevant to the Group’s operations have been adopted by the Group for the first time for the financial year beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Payment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvement 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

All these new accounting standards, amendments and interpretation to accounting standards adopted by the Group did not have any significant impact on the Group’s financial statements except for the following impacts as a result of the adoption of HKFRS 16.

## ***HKFRS 16 Leases***

### *Nature of change*

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires almost all leases being recognised by the lessee on the statement of financial position, as the distinction between operating and finance lease is removed. Lessor accounting is substantially unchanged and lessors will continue to classify all leases under the same classification between operating and finance lease.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and the comparative information for 2018 was not restated and continues to be reported under the former HKAS 17.

### *Impact of adoption*

The Group has lease contracts for various items including leasehold land and land use rights, leasehold premises and equipment. As a lessee, the Group previously classified each of its lease at the inception date as operating leases before the adoption of HKFRS 16. The lease payments were recognised as expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and other payables, respectively.

Under adoption of HKFRS 16, the Group applied a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for short-term leases (that at the commencement date have a lease term of 12 months or less) which are exempted by the standard. Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. Incremental borrowing rate is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group has used the practical expedients permitted by the standard of using a single discount rate to a portfolio of leases. Right-of-use assets (representing the right to use the underlying assets during the lease term) were measured at their carrying amounts as if the standard had been applied since the commencement date, but discounted using the incremental borrowing rate at 1 January 2019. The leasehold land in Hong Kong (previously included in property, plant and equipment) together with the leasehold land and land use rights in other areas would be reclassified to the right-of-use assets. Right-of-use assets that forms part of the investment properties are classified as investment properties and applied the accounting standard same as investment properties. Interest expense on the lease liability and depreciation expense on the right-of-use asset would be recognised in the profit or loss instead of the operating lease expense. The Group elected to present the right-of-use assets and lease liabilities separately in the statement of financial position. In terms of the presentation of the consolidated cash flow statement, cash payments under operating leases made by the Group as a lessee were previously classified as operating activities under the former HKAS 17. Under HKFRS 16, except for short-term lease payments and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into interest element and principal element classified as financing cash outflow.

*Impact on the consolidated financial statements*

The following table shows the reclassification and adjustments recognised for each individual line item in the consolidated statement of financial position on 1 January 2019. Line items that were not affected by the changes are not shown.

<b>Consolidated statement of financial position (extract)</b>	<b>31 Dec 2018 as previously reported</b>	<b>Impact from adoption of HKFRS 16</b>	<b>1 Jan 2019 as restated</b>
<b>Assets</b>			
Property, plant and equipment	5,537,840	(350,592)	5,187,248
Investment properties	1,478,672	14,100	1,492,772
Leasehold land and land use rights	484,441	(484,441)	–
Right-of-use assets	–	1,353,638	1,353,638
Interest in associate	3,911,801	(805)	3,910,996
Deferred income tax assets	7,507	17,374	24,881
<b>Liabilities</b>			
Lease liabilities (current)	–	48,705	48,705
Lease liabilities (non-current)	–	594,972	594,972
Accounts payable and accruals	677,642	(117)	677,525
Deferred income tax liabilities	331,076	897	331,973
<b>Equity</b>			
Retained earnings	2,398,584	(89,575)	2,309,009
Non-controlling interests	387,937	(5,608)	382,329

The lease commitments as at 31 December 2018 reconciled to the lease liabilities as at 1 January 2019 is as follows. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.08%.

Operating lease commitments as at 31 December 2018	1,424,524
Less: Commitments relating to short term leases as exempted	(627)
Add: Adjustments relating to the extension and termination options	<u>328,256</u>
Undiscounted future lease payments within the scope of HKFRS 16	1,752,153
Less: Discount factor for the present value of the future lease payments	<u>(1,108,476)</u>
Lease liabilities as at 1 January 2019	<u><u>643,677</u></u>

The following tables show the impact on each individual line item of the consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated cash flow statement for the year ended 31 December 2019 and the consolidated statement of financial position as of 31 December 2019 following the adoption of the HKFRS 16. Line items that were not affected by the changes are not shown.

	<b>For the year ended 31 December 2019</b>		
	<b>Before adoption of HKFRS 16</b>	<b>Impact from adoption of HKFRS 16</b>	<b>As reported</b>
<b>Consolidated statement of profit or loss (extract)</b>			
Other operating expenses	(724,575)	23,704	(700,871)
<b>Operating profit</b>	271,061	23,704	294,765
Finance costs – net	(202,006)	(31,518)	(233,524)
Share of profit of associates	221,240	(817)	220,423
<b>Profit before income tax</b>	290,295	(8,631)	281,664
Income tax expense	(112,924)	980	(111,944)
<b>Profit for the year</b>	177,371	(7,651)	169,720
<b>Profit attributable to the owners of the Company</b>	159,812	(7,327)	152,485
<b>Profit attributable to non-controlling interests</b>	17,559	(324)	17,235
<b>Earnings per share for profit attributable to owners of the Company</b>			
– basic (US cents per share)	4.47	(0.20)	4.27
– diluted (US cents per share)	4.47	(0.20)	4.27

	<b>For the year ended 31 December 2019</b>		
	<b>Before adoption of HKFRS 16</b>	<b>Impact from adoption of HKFRS 16</b>	<b>As reported</b>
<b>Consolidated statement of comprehensive income (extract)</b>			
<b>Profit for the year</b>	177,371	(7,651)	169,720
<b>Other comprehensive income/(loss):</b>			
Currency translation differences – subsidiaries	22,164	(1,433)	20,731
Currency translation differences – associates	(67,401)	28	(67,373)
<b>Other comprehensive loss for the year</b>	(41,076)	(1,405)	(42,481)
<b>Total comprehensive income for the year</b>	136,295	(9,056)	127,239
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	119,278	(8,730)	110,548
Non-controlling interests	17,017	(326)	16,691
	136,295	(9,056)	127,239

	<b>For the year ended 31 December 2019</b>		
	<b>Before adoption of HKFRS 16</b>	<b>Impact from adoption of HKFRS 16</b>	<b>As reported</b>
<b>Consolidated cash flow statement (extract)</b>			
<b>Cash flows from operating activities</b>	476,603	53,672	530,275
Interest paid	(195,612)	(31,517)	(227,129)
<b>Net cash generated from operating activities</b>	208,265	22,155	230,420
<b>Cash flows from financing activities</b>			
Principal elements of lease payments	–	(22,155)	(22,155)
<b>Net cash used in financing activities</b>	<u>(50,391)</u>	<u>(22,155)</u>	<u>(72,546)</u>

	<b>As at 31 December 2019</b>		
	<b>Before adoption of HKFRS 16</b>	<b>Impact from adoption of HKFRS 16</b>	<b>As reported</b>
<b>Consolidated statement of financial position (extract)</b>			
<b>Assets</b>			
Property, plant and equipment	5,435,226	(343,204)	5,092,022
Investment properties	1,644,460	14,100	1,658,560
Leasehold land and land use rights	464,123	(464,123)	–
Right-of-use assets	–	1,318,451	1,318,451
Interest in associate	3,914,423	(1,596)	3,912,827
Deferred income tax assets	9,174	18,520	27,694
<b>Liabilities</b>			
Lease liabilities (current)	–	51,603	51,603
Lease liabilities (non-current)	–	588,530	588,530
Accounts payable and accruals	661,019	5,358	666,377
Deferred income tax liabilities	357,075	896	357,971
<b>Equity</b>			
Retained earnings	2,436,787	(96,902)	2,339,885
Other reserves	655,087	(1,403)	653,684
Non-controlling interests	<u>320,388</u>	<u>(5,934)</u>	<u>314,454</u>

*New standards, amendments and interpretation to standards not yet adopted by the Group*

Certain new accounting standards, amendments and interpretations to standards have been published that are not mandatory for the year 2019 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 3 Revenue and segment information

The Group owns/leases and operates hotels and associated properties; and provides hotel management and related services. The Group also owns investment properties for property rentals and engages in property sales business. Most of the associates are engaged in hotel ownership, property rentals and property sales businesses and these revenues of the associates are not included in the consolidated revenue of the Group. Revenue recognised in the consolidated financial statements during the year are as follows:

	<b>2019</b> <i>USD'000</i>	2018 <i>USD'000</i>
<b>Revenue</b>		
Hotel properties		
Revenue from rooms	<b>1,067,308</b>	1,143,405
Food and beverage sales	<b>881,214</b>	941,322
Rendering of ancillary services	<b>117,921</b>	122,268
Hotel management and related services	<b>106,873</b>	100,051
Property development for sale	<b>160,758</b>	127,659
Other business	<b>5,367</b>	580
	<hr/>	<hr/>
Revenue from contracts with customers	<b>2,339,441</b>	2,435,285
Investment properties	<b>91,775</b>	82,572
	<hr/>	<hr/>
Total consolidated revenue	<b>2,431,216</b>	2,517,857
	<hr/> <hr/>	<hr/> <hr/>

The Group is domiciled in Hong Kong. The revenue from external customers attributed to Hong Kong and other countries are USD382,041,000 (2018: USD454,108,000) and USD2,049,175,000 (2018: USD2,063,749,000), respectively.

The total of non-current assets other than financial assets at fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVPL”), derivative financial instruments, deferred income tax assets and interest in associates located in Hong Kong and other countries are USD883,276,000 (2018: USD868,933,000) and USD7,309,083,000 (2018: USD6,746,798,000), respectively.

In accordance with HKFRS 8 “Operating Segments”, segment information disclosed in the financial statements has been prepared in a manner consistent with the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group’s revenue is derived from various external customers in which there is no significant sales revenue derived from a single external customer of the Group. The Group’s management considers the business from both a geographic and business perspective.



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

- i. Hotel properties* – development, ownership and operations of hotel properties (including hotels under lease)
  - The People’s Republic of China
    - Hong Kong
    - Mainland China
  - Singapore
  - Malaysia
  - The Philippines
  - Japan
  - Thailand
  - France
  - Australia
  - United Kingdom
  - Mongolia
  - Sri Lanka
  - Other countries (including Fiji, Myanmar, Maldives, Indonesia, Turkey and Mauritius)
  
- ii. Hotel management and related services* for Group-owned hotels and for hotels owned by third parties
  
- iii. Investment properties* – development, ownership and operations of office properties, commercial properties and serviced apartments/residences
  - Mainland China
  - Singapore
  - Malaysia
  - Mongolia
  - Sri Lanka
  - Other countries (including Australia and Myanmar)
  
- iv. Property development for sale*

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

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

## Segment profit or loss

For the year ended 31 December 2019 and 2018 (USD million)

The Group adopted the new accounting standard HKFRS 16 Leases for the current year. The Group applied the simplified transition approach and did not restate the comparative figures for 2018. For comparative purpose, the profit or loss after tax for 2019 adjusted to the former accounting standard HKAS 17 is also presented.

	2019			2018	
	Revenue (Note b)	Profit/(Loss) after tax Adjusted to HKAS 17 (Note a)	Under new HKFRS 16 (Note a)	Revenue (Note b)	Profit/(Loss) after tax (HKAS 17) (Note a)
<b>Hotel properties</b>					
The People's Republic of China					
Hong Kong	296.0	21.3	21.3	370.1	58.7
Mainland China	781.9	9.7	8.7	842.1	19.9
Singapore	236.7	32.5	32.4	237.0	35.3
Malaysia	119.2	12.3	12.4	129.3	17.1
The Philippines	189.9	17.5	16.3	171.7	9.6
Japan	66.7	3.7	3.3	67.2	3.5
Thailand	81.2	14.6	14.6	78.2	14.2
France	46.2	(14.6)	(14.6)	50.1	(13.4)
Australia	85.1	(0.2)	(0.8)	92.2	0.6
United Kingdom	52.9	(6.1)	(10.0)	50.7	(16.0)
Mongolia	17.4	(4.1)	(4.1)	15.2	(7.7)
Sri Lanka	27.1	(15.3)	(15.3)	40.2	(18.8)
Other countries	66.1	(5.0)	(4.1)	62.9	(13.1)
	<b>2,066.4</b>	<b>66.3</b>	<b>60.1</b>	<b>2,206.9</b>	<b>89.9</b>
<b>Hotel management and related services</b>	<b>231.8</b>	<b>(47.7)</b>	<b>(48.3)</b>	<b>229.9</b>	<b>8.4</b>
<b>Sub-total hotel operation</b>	<b>2,298.2</b>	<b>18.6</b>	<b>11.8</b>	<b>2,436.8</b>	<b>98.3</b>
<b>Investment properties</b>					
Mainland China	20.3	153.5	153.5	20.2	142.9
Singapore	13.6	7.8	7.8	13.6	9.1
Malaysia	6.4	1.8	1.8	6.2	1.7
Mongolia	22.9	2.4	2.4	16.8	(3.2)
Sri Lanka	2.0	(4.8)	(4.8)	–	–
Other countries	26.5	6.0	6.0	25.8	3.7
	<b>91.7</b>	<b>166.7</b>	<b>166.7</b>	<b>82.6</b>	<b>154.2</b>
<b>Property development for sale</b>	<b>160.8</b>	<b>103.3</b>	<b>103.3</b>	<b>127.7</b>	<b>84.2</b>
<b>Other businesses</b>	<b>5.4</b>	<b>(1.8)</b>	<b>(2.2)</b>	<b>0.6</b>	<b>(0.2)</b>
<b>Total operating segment results</b>	<b>2,556.1</b>	<b>286.8</b>	<b>279.6</b>	<b>2,647.7</b>	<b>336.5</b>
Less: Hotel management – Inter-segment revenue	(124.9)			(129.8)	
<b>Total external revenue</b>	<b>2,431.2</b>			<b>2,517.9</b>	
Corporate finance costs (net)		(130.9)	(130.9)		(98.7)
Land cost amortisation and pre-opening expenses for projects		(9.0)	(9.1)		(5.4)
Corporate expenses		(22.1)	(22.1)		(29.6)
Exchange losses of corporate investment holding companies		(3.7)	(3.7)		(5.5)
<b>Profit before non-operating items</b>		<b>121.1</b>	<b>113.8</b>		<b>197.3</b>

	2019		2018
	Profit/(Loss) after tax		Profit/(Loss) after tax (HKAS 17) (Note a)
	Adjusted to HKAS 17 (Note a)	Under new HKFRS 16 (Note a)	
<b><i>Profit before non-operating items</i></b>	<b>121.1</b>	<b>113.8</b>	197.3
<b><i>Non-operating items</i></b>			
Share of net fair value gains on investment properties	53.6	53.6	111.1
Net unrealised losses on financial assets at fair value through profit or loss	(1.4)	(1.4)	(3.5)
Fair value adjustments on security deposit on leased premises	0.1	0.1	0.1
Provision for impairment losses on properties	(20.4)	(20.4)	(112.9)
Discarding of property, plant and equipment and associated expenses spent due to a bombing incident	(3.6)	(3.6)	–
Insurance claim recovered from a bombing incident	4.5	4.5	–
Losses on major renovation of operating properties	–	–	(2.1)
Gain on disposal of properties	7.0	7.0	2.9
Others	(1.1)	(1.1)	–
Total non-operating items	<u>38.7</u>	<u>38.7</u>	<u>(4.4)</u>
<b>Consolidated profit attributable to owners of the Company</b>	<b><u>159.8</u></b>	<b><u>152.5</u></b>	<b><u>192.9</u></b>

*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.

The Group's share of profit of associates (excluding projects under development) by operating segments included in profit before non-operating items in the segment profit or loss is analysed as follows:

	<b>2019</b>	2018
	<b>Share of profit/(loss) of associates (Under new HKFRS 16)</b>	Share of profit/(loss) of associates (Under HKAS 17)
<b><i>Hotel properties</i></b>		
The People's Republic of China		
Hong Kong	<b>(0.2)</b>	0.5
Mainland China	<b>6.1</b>	9.3
Singapore	<b>(0.3)</b>	(0.2)
Malaysia	<b>4.9</b>	4.9
The Philippines	<b>1.5</b>	0.1
Other countries	<b>3.1</b>	(0.5)
	<u><b>15.1</b></u>	<u>14.1</u>
<b><i>Investment properties</i></b>		
Mainland China	<b>153.8</b>	146.2
Singapore	<b>3.4</b>	3.8
	<u><b>157.2</b></u>	<u>150.0</u>
<b><i>Property development for sale</i></b>	<b>20.1</b>	23.3
<b><i>Other business</i></b>	<b>0.2</b>	0.3
	<u><b>192.6</b></u>	<u>187.7</u>
<b>Total</b>	<b><u>192.6</u></b>	<b><u>187.7</u></b>

The amount of depreciation and amortisation and income tax expense before share of non-controlling interests included in the results of operating segments from subsidiaries (excluding projects under development) are analysed as follows:

	2019 (under new HKFRS 16)		2018 (under HKAS 17)	
	Depreciation and amortisation	Income tax expense	Depreciation and amortisation	Income tax expense
<b><i>Hotel properties</i></b>				
The People's Republic of China				
Hong Kong	33.2	4.3	32.9	14.2
Mainland China	144.4	36.5	153.7	40.7
Singapore	20.0	7.6	20.4	6.0
Malaysia	15.2	4.1	15.9	3.2
The Philippines	28.8	11.5	31.9	5.3
Japan	6.7	0.3	0.7	0.3
Thailand	7.3	7.3	7.0	7.3
France	9.7	–	13.6	–
Australia	12.9	0.2	13.5	–
United Kingdom	8.1	(0.4)	8.7	–
Mongolia	6.7	–	13.3	–
Sri Lanka	14.6	1.1	16.3	1.2
Other countries	14.3	(0.9)	19.9	(0.5)
	<u>321.9</u>	<u>71.6</u>	<u>347.8</u>	<u>77.7</u>
<b><i>Hotel management and related services</i></b>				
	<u>14.4</u>	<u>6.1</u>	<u>2.9</u>	<u>8.6</u>
<b><i>Sub-total hotel operations</i></b>				
	<u>336.3</u>	<u>77.7</u>	<u>350.7</u>	<u>86.3</u>
<b><i>Investment properties</i></b>				
Mainland China	–	11.7	–	10.7
Singapore	–	1.2	–	1.4
Malaysia	0.1	1.0	–	0.9
Mongolia	–	5.2	–	5.4
Sri Lanka	0.2	1.2	–	–
Other countries	0.1	2.0	–	3.4
	<u>0.4</u>	<u>22.3</u>	<u>–</u>	<u>21.8</u>
<b><i>Property development for sale</i></b>				
	–	1.2	–	1.5
<b><i>Other Business</i></b>	<u>1.4</u>	<u>0.1</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<u><u>338.1</u></u>	<u><u>101.3</u></u>	<u><u>350.7</u></u>	<u><u>109.6</u></u>

**Segment assets**  
*As at 31 December 2019 and 2018 (USD million)*

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b><i>Hotel properties</i></b>		
The People's Republic of China		
Hong Kong	<b>833.6</b>	872.5
Mainland China	<b>3,033.3</b>	3,088.2
Singapore	<b>588.9</b>	565.9
Malaysia	<b>318.4</b>	316.8
The Philippines	<b>388.1</b>	349.2
Japan	<b>100.0</b>	15.8
Thailand	<b>270.3</b>	296.4
France	<b>273.8</b>	289.7
Australia	<b>333.8</b>	287.2
United Kingdom	<b>289.3</b>	63.7
Mongolia	<b>153.8</b>	173.9
Sri Lanka	<b>243.1</b>	261.0
Other countries	<b>248.7</b>	244.1
	<b>7,075.1</b>	6,824.4
<b><i>Investment properties</i></b>		
Mainland China	<b>361.6</b>	356.4
Singapore	<b>450.6</b>	441.7
Malaysia	<b>84.3</b>	80.5
Mongolia	<b>337.7</b>	335.1
Sri Lanka	<b>287.9</b>	–
Other countries	<b>307.8</b>	269.5
	<b>1,829.9</b>	1,483.2
<b><i>Property development for sale</i></b>		
Mainland China	<b>33.8</b>	38.1
Sri Lanka	<b>56.8</b>	115.0
	<b>90.6</b>	153.1
<b><i>Hotel management and related services</i></b>		
	<b>203.0</b>	162.6
Elimination	<b>(59.0)</b>	(60.0)
<b>Total segment assets</b>	<b>9,139.6</b>	8,563.3
<b>Assets allocated to projects</b>	<b>411.1</b>	448.6
<b>Unallocated assets</b>	<b>150.2</b>	146.8
<b>Intangible assets</b>	<b>108.4</b>	100.1
<b>Total assets of the Company and its subsidiaries</b>	<b>9,809.3</b>	9,258.8
<b>Interest in associates</b>	<b>3,912.8</b>	3,911.8
<b>Total assets</b>	<b>13,722.1</b>	13,170.6

Unallocated assets mainly comprise other assets of the Company and non-properties holding companies of the Group as well as the financial assets at FVOCI and FVPL and deferred income tax assets.

#### 4 Accounts receivable, prepayments and deposits

	<b>2019</b> <i>USD'000</i>	2018 <i>USD'000</i>
Trade receivables	<b>101,442</b>	111,890
Less: Provision for impairment of receivables	<b>(5,341)</b>	(3,576)
	<hr/>	<hr/>
Trade receivables – net	<b>96,101</b>	108,314
Other receivables	<b>106,866</b>	78,842
Prepayments and other deposits	<b>87,644</b>	82,682
Short term advance to a third party ( <i>note (c)</i> )	<b>1,050</b>	1,050
	<hr/>	<hr/>
	<b>291,661</b>	270,888
	<hr/> <hr/>	<hr/> <hr/>

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.
- (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:

	<b>2019</b> <i>USD'000</i>	2018 <i>USD'000</i>
0 – 3 months	<b>85,604</b>	96,656
4 – 6 months	<b>3,768</b>	4,584
Over 6 months	<b>6,729</b>	7,074
	<hr/>	<hr/>
	<b>96,101</b>	108,314
	<hr/> <hr/>	<hr/> <hr/>

- (c) A short term advance of USD3,500,000 bearing interest at a fixed rate of 6.25% per annum was provided to the purchaser under the sale and purchase transaction in relation to the disposal of equity interest in an associate incorporated in the Republic of Indonesia in 2017 and an aggregate principal of USD2,450,000 was repaid in 2018. During the current year, the maturity date of the outstanding advance was extended from March 2019 to July 2020 at the same terms. The maximum exposure to credit risk at the reporting date is the fair value of the advance.

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

	No. of shares ( <i>'000</i> )	Amount		
		Ordinary shares <i>USD '000</i>	Share premium <i>USD '000</i>	Total <i>USD '000</i>
<b>Share capital and premium</b>				
<b>Authorised</b>				
– Ordinary shares of HKD1 each				
<b>At 31 December 2018 and 31 December 2019</b>	<b>5,000,000</b>	<b>646,496</b>	<b>–</b>	<b>646,496</b>
<b>Issued and fully paid</b>				
– Ordinary shares of HKD1 each				
<b>At 1 January 2018</b>	<b>3,584,060</b>	<b>462,715</b>	<b>2,735,705</b>	<b>3,198,420</b>
Exercise of share options				
– allotment of shares	1,465	189	2,100	2,289
– transfer from share option reserve	–	–	1,286	1,286
<b>At 31 December 2018 and 1 January 2019</b>	<b>3,585,525</b>	<b>462,904</b>	<b>2,739,091</b>	<b>3,201,995</b>
Exercise of share options				
– allotment of shares	–	–	–	–
– transfer from share option reserve	–	–	–	–
<b>At 31 December 2019</b>	<b>3,585,525</b>	<b>462,904</b>	<b>2,739,091</b>	<b>3,201,995</b>
<b>Shares held for share award scheme</b>				
At 1 January 2018	–	–	–	–
Share purchase for share award scheme	(4,690)	(605)	(7,319)	(7,924)
Vesting of shares under share award scheme	1,458	188	2,740	2,928
<b>At 31 December 2018 and 1 January 2019</b>	<b>(3,232)</b>	<b>(417)</b>	<b>(4,579)</b>	<b>(4,996)</b>
Share purchase for share award scheme	(2,000)	(258)	(1,871)	(2,129)
Vesting of shares under share award scheme	675	87	1,053	1,140
<b>At 31 December 2019</b>	<b>(4,557)</b>	<b>(588)</b>	<b>(5,397)</b>	<b>(5,985)</b>

As at 31 December 2019, except for shares held for share award scheme as shown above, 10,501,055 (2018: 10,501,055) ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognised in equity in prior years.



### *Share awards*

During the year ended 31 December 2019, the share award scheme of the Group acquired 2,000,000 ordinary shares in the Company through purchases on the open market and 675,000 shares were transferred to the awardees upon vesting of the awarded shares. The remaining 4,557,000 shares were held in trust under the share award scheme as at 31 December 2019. Details of the share award scheme were disclosed in Note 6 to this consolidated 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.

No share option was exercised during the year ended 31 December 2019 (2018: 1,465,000 shares were exercised with a total consideration of USD2,289,000 was received).

Movements in 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:

	<b>For the year ended 31 December 2019</b>		<b>For the year ended 31 December 2018</b>	
	<b>Weighted average exercise price in HKD per option share (HKD)</b>	<b>Number of outstanding option shares</b>	<b>Weighted average exercise price in HKD per option share (HKD)</b>	<b>Number of outstanding option shares</b>
<b>At 1 January</b>	<b>12.11</b>	<b>8,188,000</b>	12.11	9,813,000
Exercised	12.11	–	12.11	(1,465,000)
Lapsed	12.11	(625,000)	12.11	(160,000)
<b>At 31 December</b>	<b>12.11</b>	<b>7,563,000</b>	12.11	8,188,000

No new option was granted during the year ended 31 December 2019 and 2018.

No option was exercised subsequent to 31 December 2019 and up to the approval date of the financial statements.

## 6 Share award scheme

The Group operates the share award scheme as part of the benefits for its employees and the Company's directors which allows shares of the Company to be granted to the awardees. The awarded shares 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.

For the year ended 31 December 2019, a total of 4,269,884 shares and 675,000 shares were granted and vested to the qualified awardees, respectively. A total of 4,557,000 shares were held in trust under the share award scheme as at 31 December 2019. During the year, an expense of USD2,077,000 (2018: USD3,550,000) for the award shares granted was charged to the consolidated statement of profit or loss.

Details of the awarded shares granted and vested during 2019 and 2018 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
				2018	2019	
<b>In year 2018</b>						
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	40,000	<b>134,000</b>	20 Jul 2018 to 1 Apr 2021
30 Aug 2018	HKD11.78	975,893	1,736,000	–	<b>196,000</b>	30 Aug 2018 to 1 Apr 2021
<b>Total</b>		<u>3,101,571</u>	<u>4,382,000</u>	<u>1,458,000</u>		
<b>In year 2019</b>						
1 Apr 2019	HKD11.56	1,477,169	2,338,000		<b>285,000</b>	1 Apr 2019 to 1 Apr 2021
15 Jun 2019	HKD9.45	1,547,200	2,754,000		–	15 Jun 2019 to 1 Apr 2022
30 Jun 2019	HKD9.85	751,515	1,292,000		<b>60,000</b>	30 Jun 2019 to 1 Apr 2022
1 Nov 2019	HKD8.41	494,000	494,000		–	1 Nov 2019 to 1 Apr 2022
<b>Total</b>		<u>4,269,884</u>	<u>6,878,000</u>		<u>675,000</u>	

## 7 Accounts payable and accruals

	<b>2019</b> <i>USD'000</i>	2018 <i>USD'000</i>
Trade payables	<b>94,432</b>	104,037
Construction cost payable, other payables and accrued expenses	<b>571,945</b>	573,605
	<b>666,377</b>	677,642

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

	<b>2019</b> <i>USD'000</i>	2018 <i>USD'000</i>
0 – 3 months	<b>85,316</b>	85,231
4 – 6 months	<b>2,834</b>	8,931
Over 6 months	<b>6,282</b>	9,875
	<b>94,432</b>	104,037

## 8 Expenses by nature

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

	<b>2019</b> <i>USD'000</i>	2018 <i>USD'000</i>
Depreciation of property, plant and equipment (net of amount capitalised of USD14,000 (2018: USD16,000))	<b>283,237</b>	336,273
Amortisation of leasehold land and land use rights	–	14,837
Amortisation of trademark; and website and system development	<b>3,028</b>	1,526
Depreciation of right-of-use assets	<b>53,743</b>	–
Employee benefit expenses excluding directors' emoluments (net of amount capitalised and amount grouped under pre-opening expenses)	<b>840,179</b>	811,432
Cost of sales of properties	<b>65,450</b>	54,874
Cost of inventories sold or consumed in operation	<b>299,479</b>	318,364
Loss on disposal of property, plant and equipment; and partial replacement of investment properties	<b>2,515</b>	2,136
Operating lease expenses	<b>32,849</b>	74,106
Pre-opening expenses	<b>4,882</b>	2,162
Auditors' remuneration for audit services	<b>2,035</b>	2,009

**9 Other gains/(losses) – net**

	<b>2019</b>	2018
	<i>USD'000</i>	<i>USD'000</i>
Fair value gains/(losses) on investment properties	<b>52,615</b>	(25,987)
Net unrealised losses on listed securities	<b>(648)</b>	(4,698)
Provision for impairment losses on properties	<b>(20,467)</b>	(123,185)
Gain on disposal of a hotel property	–	2,883
Fair value changes of club debentures	<b>(519)</b>	1,216
Fair value changes of cross currency swap contracts	<b>734</b>	(710)
Discarding of property, plant and equipment and associated expenses spent due to a bombing incident	<b>(3,964)</b>	–
Insurance claim recovered from a bombing incident	<b>5,036</b>	–
Others	<b>(1,654)</b>	2
	<hr/>	<hr/>
Non-operating items	<b>31,133</b>	(150,479)
Interest income	<b>22,147</b>	21,303
Dividend income	<b>1,228</b>	2,749
	<hr/>	<hr/>
	<b>54,508</b>	(126,427)
	<hr/> <hr/>	<hr/> <hr/>

**10 Finance costs – net**

	<b>2019</b>	2018
	<i>USD'000</i>	<i>USD'000</i>
Interest expense:		
– bank loans	<b>161,662</b>	171,861
– fixed rate bonds	<b>34,318</b>	4,038
– other loans	<b>5,618</b>	3,579
– interest on lease liability	<b>31,517</b>	–
	<hr/>	<hr/>
	<b>233,115</b>	179,478
Less: amount capitalised	<b>(8,849)</b>	(9,405)
	<hr/>	<hr/>
	<b>224,266</b>	170,073
Net foreign exchange losses	<b>9,258</b>	25,432
	<hr/>	<hr/>
	<b>233,524</b>	195,505
	<hr/> <hr/>	<hr/> <hr/>

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.6% per annum (2018:3.4%).

## 11 Share of profit of associates

	2019 <i>USD'000</i>	2018 <i>USD'000</i>
Share of profit before tax of associates before share of net fair value gains of investment properties and share of disposal gain	265,841	261,733
Share of net fair value gains of investment properties	29,270	164,702
Share of disposal gain of a subsidiary held by an associate	6,983	–
	<u>302,094</u>	<u>426,435</u>
Share of profit before tax of associates	<u>302,094</u>	<u>426,435</u>
Share of tax before provision for deferred tax liabilities on fair value gains of investment properties	(74,404)	(80,252)
Share of provision for deferred tax liabilities on fair value gains of investment properties	(7,267)	(40,790)
	<u>(81,671)</u>	<u>(121,042)</u>
Share of associates' taxation	<u>(81,671)</u>	<u>(121,042)</u>
Share of profit of associates	<u><u>220,423</u></u>	<u><u>305,393</u></u>

## 12 Income tax expense

	2019 <i>USD'000</i>	2018 <i>USD'000</i>
Current income tax		
– Hong Kong profits tax	4,693	14,455
– overseas taxation	83,492	86,656
Deferred income tax	23,759	5,547
	<u>111,944</u>	<u>106,658</u>

Share of associates' taxation for the year ended 31 December 2019 of USD81,671,000 (2018: USD121,042,000) is included in the consolidated statement of profit or loss as share of profit of associates.

- (a) Hong Kong profits tax is provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profits of group companies operating in Hong Kong.
- (b) Taxation outside Hong Kong includes withholding tax paid and payable on dividends from subsidiaries and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

## 13 Earnings per share

### *Basic*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year after adjustment of those issued ordinary shares of the Company held by a subsidiary.

	<b>2019</b>	2018
Profit attributable to owners of the Company (USD'000)	<b>152,485</b>	192,905
Weighted average number of ordinary shares in issue (thousands)	<b>3,571,564</b>	3,573,425
Basic earnings per share (US cents per share)	<b><u>4.27</u></b>	<b><u>5.40</u></b>

### *Diluted*

Diluted earnings 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 only has the potential dilutive effect of the outstanding share options for the year ended 31 December 2019 and 2018. 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 year) 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.

The dilution effect on the earnings per share for the year ended 31 December 2019 and 2018 are as follows:

	<b>2019</b>	2018
Profit attributable to owners of the Company (USD'000)	<b>152,485</b>	192,905
Weighted average number of ordinary shares in issue (thousands)	<b>3,571,564</b>	3,573,425
Adjustments (thousands)	<u>—</u>	<u>1,194</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b><u>3,571,564</u></b>	<b><u>3,574,619</u></b>
Diluted earnings per share (US cents per share)	<b><u>4.27</u></b>	<b><u>5.40</u></b>

## 14 Dividends

	Group		Company	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Interim dividend paid of HK8 cents (2018: HK8 cents) per ordinary share	36,856	36,870	36,965	36,978
No final dividend has been proposed (2018: HK14 cents per ordinary share)	–	64,523	–	64,713
	<u>36,856</u>	<u>101,393</u>	<u>36,965</u>	<u>101,691</u>

At a meeting held on 27 March 2020, the Board proposed no final dividend for the year ended 31 December 2019.

## 15 Financial guarantees, contingencies and charges over assets

### (a) Financial guarantees

The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees for these associates amounted to USD96,909,000 (2018: USD129,195,000).

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 31 December 2019, the Group executed guarantees for securing standby documentary credit granted by banks in favour of certain building contractors relating to the execution of construction works for hotel buildings with the amount of USD333,000 (2018: USD334,000). These facilities were undrawn as at 31 December 2019.

### (c) Charges over assets

As at 31 December 2019, bank loan of a subsidiary amounting to USD17,613,000 (2018: USD108,999,000) was secured by legal mortgage over the property owned by the subsidiary (2018: two subsidiaries) with a net book value of USD113,923,000 (2018: USD319,565,000).

## 16 Commitments

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

	2019 <i>USD'000</i>	2018 <i>USD'000</i>
Existing properties - Property, plant and equipment and investment properties		
– contracted but not provided for	44,914	41,742
– authorised but not contracted for	98,291	82,082
Development projects		
– contracted but not provided for	53,143	121,867
– authorised but not contracted for	221,984	193,950
	<u>418,332</u>	<u>439,641</u>

## 17 Events after the reporting period

The outbreak of the COVID-19 since January 2020 led to a significant decline in travel volumes and hotel occupancies throughout Mainland China and Hong Kong. With more countries being affected and the increase in number of countries imposed travel restrictions, performance of most of the hotels were materially adversely affected since January 2020. The year-to-date March 2020 occupancy of the Group's owned hotels dropped significantly as compared to the same period last year. The Group's shopping malls in Mainland China also offered rental reduction to tenants. As the situation is still unfolding, it is not able to foresee when business will return to normalcy at this stage. The Group expects to record a significant decline in its 2020 interim and annual operating profits. In 2020, hotels impairment review and investment properties revaluation exercise may also affect the Group's financial results. In response to the market situation, the Group took immediate actions to minimise operating costs, revise capital expenditure plans, conserve cash resources and maintain sufficient banking facilities to fund capital commitments and working capital needs.

The Group would monitor the liquidity position. As at 31 December 2019, the Group's cash and bank balance (including short-term fund placement) was USD1,016,677,000 and the undrawn but committed banking facilities balance was USD1,041,553,000. The Group also issued 10-year term fixed rate bonds of SGD250,000,000 (equivalent to USD185,805,000) in January 2020.

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

During the year ended 31 December 2019, save for the purchase of shares in the Company for the purpose of the Company's share award scheme as disclosed in Note 5 to the consolidated financial statements, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the listed securities of the Company.



## CORPORATE GOVERNANCE

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

The Board has adopted a composite handbook (“**Directors Handbook**”) comprising (among other principles) a set of corporate governance principles of the Company (“**CG Principles**”), whose terms align with or are stricter than the requirements set out in the code provisions under the Corporate Governance Code and Corporate Governance Report (“**CG Model Code**”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save for the provision in the Directors Handbook that the positions of the chairman and the chief executive officer of the Company may be served by the same person. The Directors Handbook serves as a comprehensive guidebook for all directors of the Company.

The Company has complied with the CG Principles and the CG Model Code throughout the year ended 31 December 2019.

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

Hong Kong, 27 March 2020

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

Executive director(s)

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

Independent non-executive director(s)

*Professor LI Kwok Cheung Arthur  
Mr YAP Chee Keong  
Mr LI Xiaodong Forrest  
Mr ZHUANG Chenchao*

Non-executive director(s)

*Mr HO Kian Guan (alternate – Mr HO Chung Tao)*