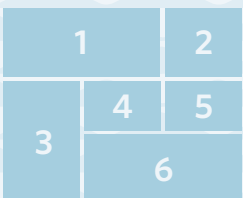


Interim Report 2020

SHANGRI-LA ASIA LIMITED
Incorporated in Bermuda with Limited Liability
Stock code: 69





Cover Photos:

1. Kerry Hotel, Hong Kong
2. Shangri-La's Sanya Resort & Spa, Hainan
3. Shangri-La's Hambantota Golf Resort & Spa, Sri Lanka
4. Kerry Hotel, Beijing
5. Shangri-La Hotel, Bengaluru
6. Shangri-La Hotel, Bangkok

As at 28 August 2020

BOARD OF DIRECTORS

Executive Director(s)

Ms KUOK Hui Kwong (*Chairman*)
Mr LIM Beng Chee (*Group Chief Executive Officer*)

Non-executive Director(s)

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

Independent Non-executive Director(s)

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

EXECUTIVE COMMITTEE

Ms KUOK Hui Kwong (*chairman*)
Mr LIM Beng Chee

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDIT & RISK COMMITTEE

Mr YAP Chee Keong (*chairman*)
Mr HO Kian Guan (alternate – Mr HO Chung Tao)
Professor LI Kwok Cheung Arthur

COMPANY SECRETARY

Mr SEOW Chow Loong Iain

SENIOR MANAGEMENT

Ms KUOK Hui Kwong (*Chairman*)
Mr LIM Beng Chee (*Group Chief Executive Officer*)
Mr TAN Lay Beng (*Chief Financial Officer*)
Mr TAN Chen Kiong George (*Chief Human Resources Officer*)
Mr CHUA Chee Wui (*Chief Investment Officer & Chief Technology Officer*)
Mr Sven Oliver BONKE (*Regional Chief Executive Officer of Middle East, Europe, India and Americas*)
Mr CHAN Kong Leong (*Regional Chief Executive Officer of Southeast Asia & Australasia*)

AUDITOR

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED ADDRESS

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

PRINCIPAL SHARE REGISTRAR IN BERMUDA

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

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong SAR

STOCK CODES

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

WEBSITES

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

INVESTOR RELATIONS CONTACT

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

KEY DATE(S)

Announcement of 2020 final results
March 2021

FINANCIAL HIGHLIGHTS

The board of directors (“**Board**”) of Shangri-La Asia Limited (“**Company**”) wishes to announce the unaudited interim results of the Company and its subsidiaries (“**Group**”), and associates for the six months ended 30 June 2020. These results have been reviewed by the Company’s auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and by the audit & risk committee of the Board. The review report of the auditor is set out on page 4.

For the six months ended 30 June 2020, consolidated financial results attributable to owners of the Company before non-operating items recorded a loss of USD255.4 million compared to a profit of USD64.2 million for the same period last year. Consolidated financial results attributable to owners of the Company after accounting for non-operating items recorded a loss of USD282.6 million compared to a profit of USD115.1 million for the same period last year.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: HK8 cents per share).

The following table summarises the highlights of our financial results:

	Six months ended 30 June		% change
	2020 USD Million	2019 USD Million	
Revenue	453.5	1,195.0	-62.1%
EBITDA ^(Note 1) of the Company and its subsidiaries	(74.8)	300.9	N/M
Effective share of EBITDA ^(Note 2) of the Company, subsidiaries and associates	27.8	449.2	-93.8%
(Loss)/Profit attributable to owners of the Company			
– Operating items	(255.4)	64.2	N/M
– Non-operating items	(27.2)	50.9	N/M
Total	(282.6)	115.1	N/M
(Loss)/Earnings per share (US cents per share)	(7.915)	3.221	N/M

FINANCIAL HIGHLIGHTS

	As at		% change
	30 June 2020 USD Million	31 December 2019 USD Million	
Net assets attributable to owners of the Company	5,660.7	6,189.6	-8.5%
Net assets per share attributable to owners of the Company (USD)	1.58	1.73	-8.7%

(N/M: Not meaningful)

Notes:

1. EBITDA, which is a non-HKFRS financial measure used to measure the Group's operating profitability, is defined as the earnings before finance costs, tax, depreciation and amortisation, gains/losses on disposal of fixed assets and non-operating items such as gains/losses on disposal of interest in investee companies; fair value gains/losses on investment properties and financial assets; and impairment losses on fixed assets.
 2. Effective share of EBITDA is the aggregate total of the Company's EBITDA and the Group's share of EBITDA of subsidiaries and associates based on percentage of equity interests.
- Consolidated revenue was USD453.5 million for the six months ended 30 June 2020, a decrease of 62.1%, compared to USD1,195.0 million for the six months ended 30 June 2019.
 - EBITDA of the Company and its subsidiaries was a loss of USD74.8 million for the six months ended 30 June 2020 compared to a profit of USD300.9 million for the six months ended 30 June 2019.
 - Effective share of EBITDA of the Company, subsidiaries and associates was USD27.8 million for the six months ended 30 June 2020, a decrease of 93.8%, compared to USD449.2 million for the six months ended 30 June 2019.
 - Consolidated financial results attributable to owners of the Company was a loss of USD282.6 million for the six months ended 30 June 2020, compared to a profit of USD115.1 million for the six months ended 30 June 2019.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF SHANGRI-LA ASIA LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 37, which comprises the condensed consolidated interim statement of financial position of Shangri-La Asia Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2020 and the condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 August 2020

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in US dollar thousands)

	Note	As at	
		30 June 2020 Unaudited	31 December 2019 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,885,089	5,092,022
Investment properties	5	1,660,881	1,658,560
Right-of-use assets	5	1,248,498	1,318,451
Intangible assets	5	106,356	108,363
Interest in associates		3,792,157	3,912,827
Deferred income tax assets		42,074	27,694
Financial assets at fair value through other comprehensive income	6	4,269	4,357
Financial assets at fair value through profit or loss	6	9,828	9,866
Derivative financial instruments	14	1,721	8,979
Other receivables	7	15,191	14,963
		11,766,064	12,156,082
Current assets			
Inventories		32,371	33,951
Properties for sale		88,164	90,569
Accounts receivable, prepayments and deposits	8	235,846	291,661
Amounts due from associates		187,941	112,788
Derivative financial instruments	14	390	2,157
Financial assets at fair value through profit or loss	6	14,474	18,188
Short-term deposits with original maturities over 3 months		76,645	107,181
Cash and cash equivalents		875,289	909,496
		1,511,120	1,565,991
Total assets		13,277,184	13,722,073
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital and premium	9	3,201,995	3,201,995
Shares held for share award scheme	9	(5,017)	(5,985)
Other reserves	11	406,437	653,684
Retained earnings		2,057,245	2,339,885
		5,660,660	6,189,579
Non-controlling interests		257,312	314,454
Total equity		5,917,972	6,504,033

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in US dollar thousands)

		As at	
	Note	30 June 2020 Unaudited	31 December 2019 Audited
LIABILITIES			
Non-current liabilities			
Bank loans	12	4,087,124	3,997,098
Fixed rate bonds	13	1,019,150	868,137
Derivative financial instruments	14	75,120	15,668
Amounts due to non-controlling shareholders	15	46,550	46,550
Long term lease liabilities		564,337	588,530
Deferred income tax liabilities		343,237	357,971
		6,135,518	5,873,954
Current liabilities			
Accounts payable and accruals	16	485,673	666,377
Contract liabilities		184,503	175,001
Short term lease liabilities		50,429	51,603
Amounts due to non-controlling shareholders	15	47,165	39,528
Current income tax liabilities		7,375	30,105
Bank loans and overdrafts	12	417,577	375,329
Derivative financial instruments	14	30,972	6,143
		1,223,694	1,344,086
Total liabilities		7,359,212	7,218,040
Total equity and liabilities		13,277,184	13,722,073

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

(All amounts in US dollar thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2020 Unaudited	2019 Unaudited
Revenue	4	453,536	1,194,994
Cost of sales	17	(295,390)	(534,378)
Gross profit		158,146	660,616
Other (losses)/gains – net	18	(791)	53,494
Marketing costs	17	(30,295)	(52,845)
Administrative expenses	17	(112,799)	(143,567)
Other operating expenses	17	(268,796)	(341,134)
Operating (loss)/profit		(254,535)	176,564
Finance costs – net			
– Interest expense	19	(107,462)	(108,758)
– Foreign exchange gains/(losses)	19	2,144	(2,635)
Share of profit of associates	20	32,499	123,892
(Loss)/Profit before income tax		(327,354)	189,063
Income tax credit/(expense)	21	15,133	(64,140)
(Loss)/Profit for the period		(312,221)	124,923
(Loss)/Profit attributable to:			
Owners of the Company		(282,627)	115,061
Non-controlling interests		(29,594)	9,862
		(312,221)	124,923
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company during the period (expressed in US cents per share)			
– basic	22	(7.915)	3.221
– diluted	22	(7.915)	3.221

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
(Loss)/Profit for the period	(312,221)	124,923
Other comprehensive (loss)/income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value changes of interest-rate swap and cross-currency swap contracts – hedging	(95,393)	(25,341)
Revaluation of a property held by a subsidiary upon reclassification from property, plant and equipment and right-of-use assets to investment properties	246	–
Currency translation differences – subsidiaries	(112,537)	16,231
Currency translation differences – associates	(58,712)	(14,853)
Other comprehensive loss for the period	(266,396)	(23,963)
Total comprehensive (loss)/income for the period	(578,617)	100,960
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(529,689)	94,472
Non-controlling interests	(48,928)	6,488
	(578,617)	100,960

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands)

	Unaudited						
	Attributable to owners of the Company						
	Share capital and premium	Shares held for share award scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	3,201,995	(4,996)	693,368	2,309,009	6,199,376	382,329	6,581,705
Fair value changes of interest-rate swap contracts – hedging	-	-	(17,496)	-	(17,496)	(7,845)	(25,341)
Currency translation differences	-	-	(3,093)	-	(3,093)	4,471	1,378
Other comprehensive loss recognised directly in equity	-	-	(20,589)	-	(20,589)	(3,374)	(23,963)
Profit for the period	-	-	-	115,061	115,061	9,862	124,923
Total comprehensive (loss)/income for the six months ended 30 June 2019	-	-	(20,589)	115,061	94,472	6,488	100,960
Share-based compensation under share award scheme	-	-	2,341	-	2,341	-	2,341
Vesting of shares under share award scheme	-	1,140	(1,024)	(116)	-	-	-
Payment of 2018 final dividend	-	-	-	(64,531)	(64,531)	-	(64,531)
Dividend paid and payable to non-controlling shareholders	-	-	-	-	-	(12,122)	(12,122)
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	-	-	-	-	-	(46,590)	(46,590)
	-	1,140	1,317	(83,553)	(81,096)	(75,626)	(156,722)
Balance at 30 June 2019	3,201,995	(3,856)	674,096	2,340,517	6,212,752	313,191	6,525,943

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands)

	Unaudited						
	Attributable to owners of the Company						
	Share capital and premium	Shares held for share award scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	3,201,995	(5,985)	653,684	2,339,885	6,189,579	314,454	6,504,033
Fair value changes of interest-rate swap and cross-currency swap contracts – hedging	-	-	(90,000)	-	(90,000)	(5,393)	(95,393)
Currency translation differences	-	-	(157,308)	-	(157,308)	(13,941)	(171,249)
Revaluation of a property held by a subsidiary upon reclassification from property, plant and equipment and right-of-use assets to investment properties	-	-	246	-	246	-	246
Other comprehensive loss recognised directly in equity	-	-	(247,062)	-	(247,062)	(19,334)	(266,396)
Loss for the period	-	-	-	(282,627)	(282,627)	(29,594)	(312,221)
Total comprehensive loss for the six months ended 30 June 2020	-	-	(247,062)	(282,627)	(529,689)	(48,928)	(578,617)
Share-based compensation under share award scheme	-	-	770	-	770	-	770
Vesting of shares under share award scheme	-	968	(955)	(13)	-	-	-
Dividend paid and payable to non-controlling shareholders	-	-	-	-	-	(8,214)	(8,214)
	-	968	(185)	(13)	770	(8,214)	(7,444)
Balance at 30 June 2020	3,201,995	(5,017)	406,437	2,057,245	5,660,660	257,312	5,917,972

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Cash flows from operating activities	(334,344)	42,591
Cash flows from investing activities		
– purchases of property, plant and equipment, investment properties and right-of-use assets	(45,686)	(182,802)
– proceeds from disposal of property, plant and equipment	201	284
– decrease/(increase) in short-term bank deposits with more than 3 months maturity	30,536	(6,737)
– capital contribution and net movement of loans to associates	6,570	(8,576)
– dividends received from associates	3,823	13,275
– consideration paid for acquisition of equity interest in a subsidiary from a non-controlling shareholder	–	(33,580)
– other investing cash flow – net	7,871	4,860
Net cash generated from/(used in) investing activities	3,315	(213,276)
Cash flows from financing activities		
– dividend paid	(2,733)	(67,286)
– net increase/(decrease) in bank loans	138,693	(115,763)
– net proceeds from issuance of fixed rate bonds	184,848	221,653
– principal elements of lease payments	(11,800)	(11,364)
Net cash generated from financing activities	309,008	27,240
Net decrease in cash and cash equivalents	(22,021)	(143,445)
Cash and cash equivalents at 1 January	909,496	970,410
Exchange (losses)/gains on cash and cash equivalents	(12,904)	4,507
Cash and cash equivalents at 30 June	874,571	831,472
Analysis of balances of cash and cash equivalents		
Cash and bank balances and short-term fund placements ^(Note)	951,934	927,188
Less: Short-term bank deposits with more than 3 months maturity	(76,645)	(95,716)
Cash and cash equivalents in the condensed consolidated interim statement of financial position (before bank overdrafts)	875,289	831,472
Less: Bank overdrafts	(718)	–
Cash and cash equivalents	874,571	831,472

Note: Short-term fund placements represent investment in highly liquid money market instruments. This investment is readily convertible to cash and has insignificant risk of changes in value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

1. GENERAL INFORMATION

The principal activities of the Group are the development, ownership and operation of hotel properties, the provision of hotel management and related services, the development, ownership and operations of investment properties and property development for sale.

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

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

These condensed consolidated interim financial statements were approved by the Board for issue on 28 August 2020. These condensed consolidated interim financial statements have been reviewed by the Company's auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared on a going-concern basis although the Group was affected by the COVID-19 pandemic and was running at a cash loss from its operation during the current reporting period. The future funding requirements can be met through the committed and available bank loan facilities of US\$1,089,323,000 which are maturing after 30 June 2021. The Group has adequate resources to continue its operation for the foreseeable future.

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019, except for the adoption of the following amendments to accounting standards which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendment to HKFRS 16	COVID-19 Related Rent Concessions

Except for the amendment to HKFRS 16 mentioned below, the adoption of other amendments to accounting standards has no material impact on the Group's financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Amendment to HKFRS 16, COVID-19 Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were variable lease payments and were not lease modifications.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19 related rent concessions granted to the Group during the current reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in "Other (losses)/ gains – net" in the condensed consolidated interim statement of profit or loss during the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

3. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

4. REVENUE AND SEGMENT INFORMATION

The Group owns/leases and operates hotels and associated properties; and provides hotel management and related services. The Group also owns investment properties for property rentals and engages in property sales business. Revenue recognised in the condensed consolidated interim financial statements during the period are as follows:

	Six months ended 30 June	
	2020	2019
Revenue		
Hotel properties		
Revenue from rooms	169,243	533,968
Food and beverage sales	162,301	432,816
Rendering of ancillary services	36,075	58,845
Hotel management and related services	28,719	52,911
Property development for sale	10,981	70,466
Other business	1,760	2,349
	<hr/>	
Revenue from contracts with customers	409,079	1,151,355
Investment properties	44,457	43,639
	<hr/>	
Total consolidated revenue	453,536	1,194,994

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

ii. **Hotel management and related services** for Group-owned hotels and for hotels owned by third parties

iii. **Investment properties** – development, ownership and operations of office properties, commercial properties and serviced apartments/residences

- 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 business 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment profit or loss

For the six months ended 30 June 2020 and 2019 (USD million)

	2020		2019	
	Revenue (Note b)	Profit/(Loss) after tax (Note a)	Revenue (Note b)	Profit/(Loss) after tax (Note a)
Hotel properties				
The People's Republic of China				
Hong Kong	41.5	(33.6)	175.0	27.7
Mainland China	138.4	(108.1)	380.4	(6.1)
Singapore	46.0	(6.8)	111.0	11.7
Malaysia	20.0	(5.3)	58.7	6.7
The Philippines	39.3	(9.2)	92.6	7.9
Japan	11.4	(7.3)	31.0	(0.1)
Thailand	14.2	(1.4)	39.2	6.3
France	6.6	(10.7)	21.6	(7.0)
Australia	17.1	(6.2)	41.1	0.4
United Kingdom	8.7	(13.3)	24.2	(7.4)
Mongolia	1.7	(3.6)	6.9	(2.9)
Sri Lanka	7.8	(10.0)	13.8	(6.6)
Other countries	14.9	(11.3)	30.1	(5.0)
	367.6	(226.8)	1,025.6	25.6
Hotel management and related services	55.9	(52.2)	115.7	(15.5)
Sub-total hotel operation	423.5	(279.0)	1,141.3	10.1
Investment properties				
Mainland China	10.2	75.9	9.4	79.6
Singapore	4.9	3.5	6.7	3.9
Malaysia	2.6	0.7	3.2	0.8
Mongolia	11.5	1.7	10.9	1.1
Sri Lanka	3.2	(8.3)	–	–
Other countries	12.1	2.8	13.5	3.1
	44.5	76.3	43.7	88.5
Property development for sale	11.0	5.5	70.5	46.5
Other business	1.7	(1.0)	2.3	(0.3)
Total	480.7	(198.2)	1,257.8	144.8
Less: Hotel management – Inter-segment revenue	(27.2)		(62.8)	
Total external revenue	453.5		1,195.0	
Corporate finance costs (net)		(59.7)		(61.8)
Land cost amortisation and pre-opening expenses for projects		(2.8)		(3.7)
Corporate expenses		(6.7)		(13.2)
Exchange gains/(losses) of corporate investment holding companies		12.0		(1.9)
(Loss)/Profit before non-operating items		(255.4)		64.2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment profit or loss (continued)

For the six months ended 30 June 2020 and 2019 *(USD million)*

	2020	2019
	Profit/(Loss) after tax <i>(Note a)</i>	Profit/(Loss) after tax <i>(Note a)</i>
(Loss)/Profit before non-operating items	(255.4)	64.2
Non-operating items		
Share of net fair value (losses)/gains on investment properties	(27.9)	48.8
Net unrealised (losses)/gains on financial assets at fair value through profit or loss	(3.7)	3.8
Fair value adjustments on security deposit on leased premises	-	0.1
Impairment loss on a loan to a third party	(1.1)	-
Fair value gains on cross-currency swap – Non hedging	2.1	-
Insurance claim recovered from a bombing incident	3.6	-
Associated expenses spent due to a bombing incident	(0.2)	-
Others	-	(1.8)
Total non-operating items	(27.2)	50.9
Consolidated (loss)/profit attributable to owners of the Company	(282.6)	115.1

Notes:

- a. Profit/(Loss) after tax includes net of tax results from both associates and subsidiaries after share of non-controlling interests.
- b. Revenue excludes revenue of associates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

5. CAPITAL EXPENDITURE

	Property, plant and equipment	Investment properties	Right-of-use assets	Intangible assets
Opening net book amount as at 1 January 2020	5,092,022	1,658,560	1,318,451	108,363
Additions	36,353	1,641	5,161	1,683
Fair value losses (Note 18)	-	(28,203)	-	-
Exchange differences	(76,743)	(31,829)	(22,700)	(194)
Disposals	(199)	(311)	-	-
Impairments (Note 17)	-	-	-	(1,256)
Depreciation/amortisation charge (Note 17)	(131,126)	-	(26,609)	(2,240)
Transfer	(35,218)	61,023	(25,805)	-
Closing net book amount as at 30 June 2020	4,885,089	1,660,881	1,248,498	106,356
Opening net book amount as at 1 January 2019	5,187,248	1,492,772	1,353,638	100,058
Additions	164,907	22,954	5,048	5,562
Fair value gains (Note 18)	-	39,840	-	-
Exchange differences	18,672	7,652	(252)	69
Disposals	(5,123)	(97)	-	-
Depreciation/amortisation charge (Note 17)	(147,735)	-	(26,916)	(1,676)
Transfer	(22,812)	22,812	-	-
Closing net book amount as at 30 June 2019	5,195,157	1,585,933	1,331,518	104,013

Investment properties were stated at fair value (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). Except for a fair value change of USD328,000 (2019: Nil) arising from the reclassification of property, plant and equipment and right-of-use assets to investment properties which is recognised in other comprehensive income, all other changes in the fair value of investment properties were recorded in the condensed consolidated interim statement of profit or loss.

6. FINANCIAL ASSETS

	As at	
	30 June 2020	31 December 2019
Non-current		
Financial assets at fair value through other comprehensive income		
– equity and loan instruments	4,269	4,357
Financial assets at fair value through profit or loss		
– club debentures	9,828	9,866
Total	14,097	14,223
Current		
Financial assets at fair value through profit or loss		
– shares listed in Hong Kong	14,474	18,188

There were no additions or disposals of financial assets during the six months ended 30 June 2020 and 2019. The maximum exposure to credit risk at the reporting date is the fair value of the financial assets mentioned above.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

7. OTHER RECEIVABLES

As at
30 June 2020 31 December 2019

Security deposit on leased premises	15,191	14,963
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An interest-free security deposit amounting to JPY1,751,000,000 (equivalent to USD16,332,000) (31 December 2019: JPY1,751,000,000 (equivalent to USD16,132,000)) was paid to the lessor of the leased premises and will only be recoverable after expiry of the lease. The effective interest rate applied to calculate the fair value upon initial recognition of the deposit is 0.556% per annum.

The fair value of these other receivables is not materially different from the carrying value. The maximum exposure to credit risk at the reporting date is the fair value of other receivables mentioned above.

8. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

As at
30 June 2020 31 December 2019

Trade receivables – net (<i>Note (b)</i>)	45,795	96,101
Other receivables	108,329	106,866
Prepayments and other deposits	81,722	87,644
Short term advance to a third party (<i>Note (c)</i>)	–	1,050
	235,846	291,661

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

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

As at
30 June 2020 31 December 2019

0 – 3 months	34,307	85,604
4 – 6 months	6,250	3,768
Over 6 months	5,238	6,729
	45,795	96,101

- (c) The outstanding balance for a short term advance of USD1,050,000 provided to a third party and the associated interest receivable of USD423,000 totalling USD1,473,000 was entirely impaired during the six months ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

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

	Number of shares (‘000)	Amount		Total
		Ordinary shares	Share premium	
Share capital and premium				
Authorised – Ordinary shares of HKD1 each				
At 31 December 2019 and 30 June 2020	5,000,000	646,496	-	646,496
Issued and fully paid – Ordinary shares of HKD1 each				
At 1 January 2019	3,585,525	462,904	2,739,091	3,201,995
Exercise of share options				
– allotment of shares	-	-	-	-
– transfer from share option reserve	-	-	-	-
At 31 December 2019 and 1 January 2020	3,585,525	462,904	2,739,091	3,201,995
Exercise of share options				
– allotment of shares	-	-	-	-
– transfer from share option reserve	-	-	-	-
At 30 June 2020	3,585,525	462,904	2,739,091	3,201,995
Shares held for share award scheme				
At 1 January 2019	(3,232)	(417)	(4,579)	(4,996)
Vesting of shares under share award scheme	675	87	1,053	1,140
At 30 June 2019	(2,557)	(330)	(3,526)	(3,856)
Shares purchase for share award scheme	(2,000)	(258)	(1,871)	(2,129)
At 31 December 2019 and 1 January 2020	(4,557)	(588)	(5,397)	(5,985)
Vesting of shares under share award scheme	644	83	885	968
At 30 June 2020	(3,913)	(505)	(4,512)	(5,017)

As at 30 June 2020, except for shares held for share award scheme as shown above, 10,501,055 (31 December 2019: 10,501,055) ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognised in equity in prior years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

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

Share awards

During the six months ended 30 June 2020, no shares in the Company were purchased under the share award scheme and 644,000 shares under such scheme were transferred to the awardees upon vesting of the awarded shares. The remaining 3,913,000 shares under the share award scheme were held in trust as at 30 June 2020. Details of the share award scheme were disclosed in Note 10 to the condensed consolidated interim financial statements.

Share options

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

Details of the Share Option Scheme are set out under the section headed “Share Option Scheme” of the Company’s 2019 annual report.

No share option was exercised during the six months ended 30 June 2020 (year ended 31 December 2019: Nil).

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

	For the six months ended 30 June 2020		For the year ended 31 December 2019	
	Weighted average exercise price in HKD per option share	Number of outstanding option shares	Weighted average exercise price in HKD per option share	Number of outstanding option shares
At 1 January	12.11	7,563,000	12.11	8,188,000
Exercised	-	-	-	-
Lapsed	12.11	(300,000)	12.11	(625,000)
At 30 June/31 December	12.11	7,263,000	12.11	7,563,000

No new option was granted during the six months ended 30 June 2020 and 2019.

No share option was exercised and options on 35,000 shares were lapsed subsequent to 30 June 2020 and up to the approval date of the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

10. SHARE AWARD SCHEME

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

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

During the six months ended 30 June 2020, no share was granted and a total of 644,000 shares were vested to the qualified awardees. During the period, an expense of USD770,000 (2019: USD2,341,000) for the award shares granted was charged to the condensed consolidated interim statement of profit or loss. Details of the awarded shares granted and vested during 2020 and 2019 are as follows:

Grant date	Fair value per share	Number of awarded shares granted	Maximum deliverable awarded shares on grant date subject to adjustment	Number of awarded shares vested			Vesting period
				Before 2019	For the year ended 31 December 2019	For the six months ended 30 June 2020	
In year 2018							
11 Apr 2018	HKD15.82	1,418,000	1,418,000	1,418,000	-	-	Nil
20 Jul 2018	HKD13.00	707,678	1,228,000	40,000	134,000	52,000	20 Jul 2018 to 1 Apr 2021
30 Aug 2018	HKD11.78	975,893	1,736,000	-	196,000	196,000	30 Aug 2018 to 1 Apr 2021
Total for 2018		3,101,571	4,382,000	1,458,000			
In year 2019							
1 Apr 2019	HKD11.56	1,477,169	2,338,000		285,000	316,000	1 Apr 2019 to 1 Apr 2022
15 Jun 2019	HKD9.45	1,547,200	2,754,000		-	56,000	15 Jun 2019 to 1 Apr 2022
30 Jun 2019	HKD9.85	751,515	1,292,000		60,000	24,000	30 Jun 2019 to 1 Apr 2022
1 Nov 2019	HKD8.41	494,000	494,000		-	-	1 Nov 2019 to 1 Apr 2022
Total for 2019		4,269,884	6,878,000		675,000		
In year 2020							
Total for 2020						644,000	

Further details of the share award scheme are set out under the section headed "Share Award Scheme" of the Company's 2019 annual report.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

11. OTHER RESERVES

	Share option reserve	Share award reserve	Hedging reserve	Capital redemption reserve	Exchange fluctuation reserve	Capital reserve	Asset revaluation reserve	Other reserve	Contributed surplus	Total
Balance at 1 January 2019	6,216	589	4,446	10,666	(321,148)	601,490	-	1,368	389,741	693,368
Currency translation differences	-	-	-	-	(3,093)	-	-	-	-	(3,093)
Fair value changes of interest-rate swap contracts - hedging	-	-	(17,496)	-	-	-	-	-	-	(17,496)
Share-based compensation under share award scheme	-	2,341	-	-	-	-	-	-	-	2,341
Vesting of shares under share award scheme	-	(1,024)	-	-	-	-	-	-	-	(1,024)
Balance at 30 June 2019	6,216	1,906	(13,050)	10,666	(324,241)	601,490	-	1,368	389,741	674,096
Currency translation differences	-	-	-	-	(50,431)	-	-	-	-	(50,431)
Fair value changes of interest-rate swap and cross-currency swap contracts - hedging	-	-	9,706	-	-	-	-	-	-	9,706
Revaluation of a property held by an associate upon reclassification from property, plant and equipment to investment properties	-	-	-	-	-	-	20,577	-	-	20,577
Share-based compensation under share award scheme	-	(264)	-	-	-	-	-	-	-	(264)
Balance at 31 December 2019 and 1 January 2020	6,216	1,642	(3,344)	10,666	(374,672)	601,490	20,577	1,368	389,741	653,684
Currency translation differences	-	-	-	-	(157,308)	-	-	-	-	(157,308)
Fair value changes of interest-rate swap and cross-currency swap contracts - hedging	-	-	(90,000)	-	-	-	-	-	-	(90,000)
Revaluation of a property held by a subsidiary upon reclassification from property, plant and equipment and right-of-use assets to investment properties	-	-	-	-	-	-	246	-	-	246
Share-based compensation under share award scheme	-	770	-	-	-	-	-	-	-	770
Vesting of shares under share award scheme	-	(955)	-	-	-	-	-	-	-	(955)
Balance at 30 June 2020	6,216	1,457	(93,344)	10,666	(531,980)	601,490	20,823	1,368	389,741	406,437

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

12. BANK LOANS AND OVERDRAFTS

	As at	
	30 June 2020	31 December 2019
Overdrafts – unsecured	718	–
Bank loans – secured (Note 24 (c))	14,111	17,613
Bank loans – unsecured	4,489,872	4,354,814
Total	4,504,701	4,372,427
Less: Non-current portion	(4,087,124)	(3,997,098)
Current portion	417,577	375,329

The maturity of bank loans and overdrafts are as follows:

	As at	
	30 June 2020	31 December 2019
Within 1 year	417,577	375,329
Between 1 and 2 years	1,123,226	640,493
Between 2 and 5 years	2,005,963	2,490,960
Repayable within 5 years	3,546,766	3,506,782
Over 5 years	957,935	865,645
Total	4,504,701	4,372,427

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

	30 June 2020							
	HKD	RMB	USD	EUR	JPY	AUD	FJD	SGD
Bank loans and overdrafts	1.47%	4.87%	1.49%	1.00%	0.72%	2.19%	4.25%	1.00%
	31 December 2019							
	HKD	RMB	USD	EUR	JPY	AUD	FJD	SGD
Bank loans	3.74%	4.85%	2.86%	1.02%	0.65%	2.19%	3.75%	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

12. BANK LOANS AND OVERDRAFTS (CONTINUED)

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

	As at	
	30 June 2020	31 December 2019
Hong Kong dollars (HKD)	1,464,232	1,394,555
Renminbi (RMB)	516,180	545,657
United States dollars (USD)	2,084,018	2,035,223
Euros (EUR)	210,586	213,801
Japanese yen (JPY)	165,154	120,744
Australian dollars (AUD)	55,055	55,960
Fiji dollars (FJD)	7,680	6,487
Singapore dollars (SGD)	1,796	-
	4,504,701	4,372,427

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2020	31 December 2019
Floating rate		
– expiring within one year	141,608	18,783
– expiring beyond one year	1,084,800	1,014,023
Fixed rate		
– expiring within one year	-	1,620
– expiring beyond one year	4,523	7,127
	1,230,931	1,041,553

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

13. FIXED RATE BONDS

In January 2020, a wholly owned subsidiary of the Company issued 10-year fixed rate bonds in an aggregated amount of SGD250,000,000 (equivalent to USD185,805,000) at 100% of the face value with a coupon rate of 3.50% per annum. The fixed rate bonds recognised in the condensed consolidated interim statement of financial position are as follows:

	Coupon rate per annum	Maturity	Balance as at 31 December 2019	New issuance during the period	Exchange differences	Balance as at 30 June 2020
Bonds issued in 2018						
SGD825,000,000	4.50%	November 2025	613,155	-	(20,610)	592,545
USD35,000,000	5.23%	November 2025	35,000	-	-	35,000
Bonds issued in 2019						
SGD135,000,000	3.70%	June 2024	100,334	-	(3,372)	96,962
SGD165,000,000	4.10%	June 2027	122,631	-	(4,122)	118,509
Bond issued in 2020						
SGD250,000,000	3.50%	January 2030	-	185,805	(6,246)	179,559
Face value			871,120	185,805	(34,350)	1,022,575
Unamortised discount and issuing expenses			(2,983)			(3,425)
Carrying amount			868,137			1,019,150

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

14. DERIVATIVE FINANCIAL INSTRUMENTS

	As at	
	30 June 2020	31 December 2019
Non-current liabilities		
– interest-rate swap contracts	69,924	14,011
– cross-currency swap contracts	5,196	1,657
	75,120	15,668
Current liabilities		
– interest-rate swap contracts	29,950	5,846
– cross-currency swap contracts	1,022	297
	30,972	6,143
Total liabilities	106,092	21,811
Non-current assets		
– interest-rate swap contracts	–	8,958
– cross-currency swap contracts	1,721	21
	1,721	8,979
Current assets		
– interest-rate swap contracts	–	2,153
– cross-currency swap contracts	390	4
	390	2,157
Total assets	2,111	11,136

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest-rate swap contracts

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

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

During the six months ended 30 June 2020, no new interest-rate swap contract was executed.

The notional principal amounts of the outstanding HIBOR, LIBOR and SHIBOR interest-rate swap contracts at 30 June 2020 are as follows:

- HKD6,170,000,000 (equivalent to USD796,129,000) (31 December 2019: HKD6,170,000,000 (equivalent to USD796,129,000)) with fixed interest rates vary from 1.505% to 1.855% per annum maturing during July 2023 to August 2026.
- USD1,265,000,000 (31 December 2019: USD1,265,000,000) with fixed interest rates vary from 1.365% to 3.045% per annum maturing during April 2022 to July 2024.
- RMB443,300,000 (equivalent to USD62,617,000) (31 December 2019: RMB464,000,000 (equivalent to USD66,512,000)) with fixed interest rates vary from 3.370% to 3.550% per annum maturing during June 2022 to October 2022.

Cross-currency swap contracts

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

15. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

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

	As at	
	30 June 2020	31 December 2019
Non-current portion		
– interest-bearing at LIBOR +5%	46,550	46,550
Current portion		
– interest-free with no fixed repayment terms	47,165	39,528

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

16. ACCOUNTS PAYABLE AND ACCRUALS

	As at	
	30 June 2020	31 December 2019
Trade payables	84,952	94,432
Construction cost payable, other payables and accrued expenses	400,721	571,945
	485,673	666,377

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

	As at	
	30 June 2020	31 December 2019
0 – 3 months	60,301	85,316
4 – 6 months	13,096	2,834
Over 6 months	11,555	6,282
	84,952	94,432

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

17. EXPENSES BY NATURE

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

	For the six months ended	
	30 June 2020	30 June 2019
Depreciation of property, plant and equipment (net of amount capitalised of USD7,000 (2019: USD7,000)) (Note 5)	131,119	147,728
Amortisation of trademark; and website and system development (Note 5)	2,240	1,676
Amortisation of right-of-use assets (Note 5)	26,609	26,916
Employee benefit expenses excluding directors' emoluments	295,794	409,008
Cost of sales of properties	5,567	30,313
Cost of inventories sold or consumed in operation	62,474	147,279
Loss on disposal of property, plant and equipment and partial replacement of investment properties	318	742
Impairment of intangible assets (Note 5)	1,256	–
Pre-opening expenses	90	1,568

18. OTHER (LOSSES)/GAINS – NET

	For the six months ended	
	30 June 2020	30 June 2019
Net unrealised (losses)/gains on financial assets at fair value through profit or loss – equity securities	(3,714)	4,188
Fair value losses on financial assets at fair value through profit or loss – club debentures	(38)	(430)
Fair value change of cross-currency swap contracts	2,087	75
Net fair value (losses)/gains of investment properties (net of amount recognised in other comprehensive income of USD 328,000) (Note 5)	(28,531)	39,840
Impairment loss on a loan to a third party	(1,050)	–
Insurance claim recovered from a bombing incident	4,009	–
Associated expenses spent due to a bombing incident	(211)	–
Government grants due to COVID-19 pandemic	16,487	–
Rent concessions received from lessors	1,601	–
Interest income	7,658	10,749
Dividend income	602	764
Others	309	(1,692)
	(791)	53,494

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

19. FINANCE COSTS – NET

	For the six months ended	
	30 June 2020	30 June 2019
Interest expense		
– bank loans	63,558	81,675
– interest-rate swap contracts – hedging	6,235	(1,363)
– fixed rate bonds	21,229	14,918
– other loans	2,623	2,791
– interest on lease liability	15,337	15,796
	108,982	113,817
Less: Amount capitalised	(1,520)	(5,059)
	107,462	108,758
Net foreign exchange (gains)/losses	(2,144)	2,635
	105,318	111,393

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.38% per annum for the period (2019: 3.67% per annum).

20. SHARE OF PROFIT OF ASSOCIATES

	For the six months ended	
	30 June 2020	30 June 2019
Share of profit before tax of associates before share of net fair value changes of investment properties	66,099	141,660
Share of net fair value (losses)/gains of investment properties	(13,689)	31,475
	52,410	173,135
Share of profit before tax of associates		
Share of associates' taxation before provision for deferred tax liabilities on net fair value changes of investment properties	(22,935)	(41,374)
Share of provision for deferred tax liabilities on net fair value changes of investment properties	3,024	(7,869)
	(19,911)	(49,243)
Share of profit of associates	32,499	123,892

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

21. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense is accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong includes withholding tax paid and payable on dividends and tax provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.

	For the six months ended	
	30 June 2020	30 June 2019
Current income tax		
– Hong Kong profits tax	–	5,926
– overseas taxation	7,896	39,294
Deferred income tax	(23,029)	18,920
	(15,133)	64,140

22. (LOSS)/EARNINGS PER SHARE

Basic

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

	For the six months ended	
	30 June 2020	30 June 2019
(Loss)/Profit attributable to owners of the Company (<i>USD'000</i>)	(282,627)	115,061
Weighted average number of ordinary shares in issue (<i>thousands</i>)	3,570,789	3,572,102
Basic (loss)/earnings per share (<i>US cents per share</i>)	(7.915)	3.221

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

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

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 has the potential dilutive effect on the outstanding 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) 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.

For the six months ended 30 June 2020 and 30 June 2019, there is anti-dilution on the loss per share and earnings per share, respectively. As the Group incurred losses for the six months ended 30 June 2020, the potential dilutive ordinary shares were not included in the calculation of the dilutive losses per share as their inclusion would be anti-dilutive and the diluted loss per share is the same as the basic loss per share.

	For the six months ended	
	30 June 2020	30 June 2019
(Loss)/Profit attributable to owners of the Company (USD'000)	(282,627)	115,061
Weighted average number of ordinary shares in issue (thousands)	3,570,789	3,572,102
Adjustments (thousands)	-	-
Weighted average number of ordinary shares for diluted (loss)/earnings per share (thousands)	3,570,789	3,572,102
Diluted (loss)/earnings per share (US cents per share)	(7.915)	3.221

23. DIVIDENDS

	For the six months ended	
	30 June 2020	30 June 2019
No interim dividend has been proposed (2019: HK8 cents per ordinary share)	-	36,877

Notes:

- (a) At a meeting held on 27 March 2020, the Board recommends no final dividend payment for the year ended 31 December 2019.
- (b) At a meeting held on 28 August 2020, the Board recommends no interim dividend payment for the year ending 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

24. FINANCIAL GUARANTEES, CONTINGENCIES AND CHARGES OVER ASSETS

(a) Financial guarantees

The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees for these associates as at 30 June 2020 amounted to USD101,514,000 (31 December 2019: USD96,909,000).

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

(b) Contingent liabilities

As at 30 June 2020 and 31 December 2019, there were no material contingent liabilities.

(c) Charges over assets

As at 30 June 2020, bank loan of a subsidiary amounted to USD14,111,000 (31 December 2019: USD17,613,000) was secured by legal mortgage over the property owned by the subsidiary with a net book value of USD98,884,000 (31 December 2019: USD113,923,000).

25. COMMITMENTS

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

	As at	
	30 June 2020	31 December 2019
Existing properties – property, plant and equipment and investment properties		
– contracted but not provided for	60,354	44,914
– authorised but not contracted for	78,977	98,291
Development projects		
– contracted but not provided for	48,967	53,143
– authorised but not contracted for	419,211	221,984
	607,509	418,332

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

26. RELATED PARTY TRANSACTIONS

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

The following transactions were carried out with related parties:

	For the six months ended	
	30 June 2020	30 June 2019
(a) Transactions with subsidiaries of KHL (other than subsidiaries of the Company)		
Receipt of hotel management and related services fees and royalty fees	3,857	6,518
Reimbursement of office expenses and payment of administration and related expenses	144	875
Payment of office rental, management fees and rates	4,129	3,562
Purchase of wines	555	1,502

	For the six months ended	
	30 June 2020	30 June 2019
(b) Transactions with associates of the Group (other than the subsidiaries of KHL included under item(a) above)		
Receipt of hotel management and related services fees and royalty fees	4,579	11,854
Receipt of laundry services fees	97	233

	As at	
	30 June 2020	31 December 2019
(c) Financial assistance provided to subsidiaries of KHL (other than subsidiaries of the Company)		
Balance of loan to associates of the Group	134,629	184,435
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	86,678	78,996

	As at	
	30 June 2020	31 December 2019
(d) Financial assistance provided to associates of the Group (excluding item (c) above)		
Balance of loan to associates of the Group	47,314	47,314
Balance of guarantees executed in favour of banks for securing bank loans/facilities granted to associates of the Group	14,836	17,913

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

26. RELATED PARTY TRANSACTIONS (CONTINUED)

	For the six months ended	
	30 June 2020	30 June 2019
(e) Key management compensation		
Fees, salaries and other short-term employee benefits of executive directors	1,479	4,324
Post-employment benefits of executive directors	14	23
	1,493	4,347

27. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

The definitions, the valuation technique and inputs used in the fair value measurements for financial assets and liabilities under Level 1, Level 2 and Level 3 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2019.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2020.

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments				
– cross-currency swap contracts	-	2,111	-	2,111
Financial assets at fair value through other comprehensive income				
– equity and loan instruments	-	-	4,269	4,269
Financial assets at fair value through profit or loss				
– club debentures	9,828	-	-	9,828
– listed shares	14,474	-	-	14,474
	24,302	2,111	4,269	30,682
Liabilities				
Derivative financial instruments				
– interest-rate swap contracts	-	99,874	-	99,874
– cross-currency swap contracts	-	6,218	-	6,218
	-	106,092	-	106,092

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in US dollar thousands unless otherwise stated)

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2019.

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments				
– interest-rate swap contracts	–	11,111	–	11,111
– cross-currency swap contracts	–	25	–	25
Financial assets at fair value through other comprehensive income				
– equity and loan instruments	–	–	4,357	4,357
Financial assets at fair value through profit or loss				
– club debentures	9,866	–	–	9,866
– listed shares	18,188	–	–	18,188
	28,054	11,136	4,357	43,547
Liabilities				
Derivative financial instruments				
– interest-rate swap contracts	–	19,857	–	19,857
– cross-currency swap contracts	–	1,954	–	1,954
	–	21,811	–	21,811

During the six months ended 30 June 2020, there was no transfer between the levels of fair value hierarchy of the Group's financial assets and liabilities .

DISCUSSION AND ANALYSIS

The principal activities of the Group remained the same as in 2019. The Group's business is organised into four main segments:

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





The Group continues to develop hotel 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**

DISCUSSION AND ANALYSIS

The following table summarises the hotels and rooms of the Group as at 30 June 2020:

	Owned/Leased		Managed		Total Operating Hotels		Hotels Under Development	
	Hotels	Rooms in '000	Hotels	Rooms in '000	Hotels	Rooms in '000	Owned Hotels	Hotels under Management contracts
	72	30.6	15	4.7	87	35.3	3	8
	3	1.6	-	-	3	1.6	-	-
	7	2.8	2	0.6	9	3.4	-	2
	-	-	3	1.2	3	1.2	1	-
Total	82	35.0	20	6.5	102	41.5	4	10

Note: Shangri-La Hotel, Zhoushan 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 30 June 2020		
		Office spaces	Commercial spaces	Serviced apartments/ residential
<i>(in thousand square metres)</i>				
Mainland China	20.0-100.0%	854.6	578.8	266.5
Malaysia	52.8%	45.2	8.5	17.4
Singapore	44.6-100.0%	3.3	22.9	24.7
Australia	100.0%	0.5	11.4	-
Mongolia	51.0%	58.0	39.6	30.0
Myanmar	55.9-59.3%	37.6	11.8	56.8
Sri Lanka	90.0%	58.2	74.7	3.7
Total		1,057.4	747.7	399.1

DISCUSSION AND ANALYSIS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table shows the Group's profit or loss for the six months ended 30 June 2020 and 2019 presented in the conventional financial statement format and the effective share format, respectively. Amounts presented in the conventional financial statement format refer to the aggregate total of the Company and its subsidiaries at 100% basis less non-controlling interests and add share of profit of associates to come up with the Group's final reported profit or loss attributable to owners of the Company. The alternative presentation of the Group's profit or loss at effective share is a non-HKFRS financial presentation format and the amounts presented at effective share are the aggregate total of the Company and the Group's share of subsidiaries and associates based on percentage of equity interests.

	Profit or loss for the six months ended 30 June 2020		Profit or loss for the six months ended 30 June 2019		2020/19 % change	
	Financial statement format	Effective share	Financial statement format	Effective share	Financial statement format	Effective share
	USD Mil	USD Mil	USD Mil	USD Mil		
Revenue	453.5	622.5	1,195.0	1,448.8	-62.1%	-57.0%
Cost of sales	(295.4)	(354.5)	(534.4)	(609.8)	44.7%	41.9%
Gross profit	158.1	268.0	660.6	839.0	-76.1%	-68.1%
Operating expenses	(251.7)	(259.5)	(360.6)	(390.6)	30.2%	33.6%
Other gains – operating items	18.8	19.3	0.9	0.8	N/M	N/M
EBITDA	(74.8)	27.8	300.9	449.2	N/M	-93.8%
Depreciation and amortisation	(160.0)	(177.0)	(176.3)	(193.5)	9.2%	8.5%
Loss on disposal of fixed assets	(0.3)	(0.2)	(0.7)	(0.7)	57.1%	71.4%
Interest income	7.7	8.7	10.7	13.0	-28.0%	-33.1%
Other (losses)/gains – non-operating items	(27.2)	(33.3)	41.9	65.7	N/M	N/M
Operating (loss)/profit	(254.6)	(174.0)	176.5	333.7	N/M	N/M
Finance costs – net	(105.3)	(101.7)	(111.4)	(112.0)	5.5%	9.2%
Share of profit of associates	32.5	-	123.9	-	-73.8%	N/M
(Loss)/Profit before income tax	(327.4)	(275.7)	189.0	221.7	N/M	N/M
Income tax (credit)/expense						
– Operating items	10.5	(13.0)	(56.1)	(91.8)	N/M	85.8%
– Non-operating items	4.7	6.1	(8.0)	(14.8)	N/M	N/M
(Loss)/Profit for the period	(312.2)	(282.6)	124.9	115.1	N/M	N/M
Add/(Less): Loss/(Profit) attributable to non-controlling interests	29.6	-	(9.8)	-	N/M	N/M
(Loss)/Profit attributable to owners of the Company	(282.6)	(282.6)	115.1	115.1	N/M	N/M

RESULTS OF OPERATIONS

Consolidated Revenue

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

Consolidated revenue was USD453.5 million for the six months ended 30 June 2020, a decrease of 62.1% (or USD741.5 million), compared to USD1,195.0 million for the six months ended 30 June 2019. The decrease was mainly driven by:

- Severe business disruptions caused by the COVID-19 pandemic to the operations of the Group's hotel operations, leading to a revenue decline of USD717.8 million.
- A decrease of USD59.5 million in property development for sale mainly driven by slower recognition of revenue of sale of residences in Shangri-La's One Galle Face development in Colombo, Sri Lanka.

(i) Hotel Properties

For the six months ended 30 June 2020, the decrease of revenue from our consolidated hotel properties was mainly driven by the effects of travel restrictions, social distancing measures and governmental actions connected with the COVID-19 pandemic.

Please refer to table below for their respective impact on the decrease of our revenue in the six months ended 30 June 2020:

Hotel Properties	For the six months ended 30 June		
	2020 USD Million	2019 USD Million	2020/19 % change
The People's Republic of China			
Hong Kong	41.5	175.0	-76.3%
Mainland China	138.4	380.4	-63.6%
Singapore	46.0	111.0	-58.6%
Malaysia	20.0	58.7	-65.9%
The Philippines	39.3	92.6	-57.6%
Japan	11.4	31.0	-63.2%
Thailand	14.2	39.2	-63.8%
France	6.6	21.6	-69.4%
Australia	17.1	41.1	-58.4%
United Kingdom	8.7	24.2	-64.0%
Mongolia	1.7	6.9	-75.4%
Sri Lanka	7.8	13.8	-43.5%
Other countries	14.9	30.1	-50.5%
Total consolidated revenue	367.6	1,025.6	-64.2%

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(i) Hotel Properties (Continued)

The key performance indicators of the Group-owned hotels (including hotels under leases) on an unconsolidated basis (including both subsidiaries and associates) for the six months ended 30 June 2020 and 2019 are as follows:

Country	2020 Weighted Average			2019 Weighted Average		
	Occupancy (%)	Room Rate (USD)	RevPAR (USD)	Occupancy (%)	Room Rate (USD)	RevPAR (USD)
The People's Republic of China						
Hong Kong	14	216	30	82	290	237
Mainland China	24	98	24	64	122	79
Tier 1 Cities	22	142	31	76	170	130
Tier 2 Cities	26	83	22	63	95	60
Tier 3+4 Cities	23	71	16	48	86	41
Singapore	42	155	65	78	215	168
Malaysia	25	130	32	72	132	95
The Philippines	33	177	59	69	201	139
Japan	29	560	160	79	615	485
Thailand	24	170	41	68	173	117
France	38	1,128	434	54	1,220	663
Australia	36	227	82	85	232	198
United Kingdom	30	544	161	77	558	429
Mongolia	7	159	12	35	186	66
Sri Lanka	18	137	24	33	165	54
Other countries	24	173	42	49	188	92
Weighted Average	26	139	35	66	167	110

The weighted average occupancy of our hotels was 26% for the six months ended 30 June 2020, a decrease of 40 percentage points compared to 66% for the six months ended 30 June 2019. The RevPAR was USD35 for the six months ended 30 June 2020, a decrease of 68%, compared to USD110 for the six months ended 30 June 2019.

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

The People's Republic of China

Hong Kong

For Hong Kong, the occupancy was 14% for the six months ended 30 June 2020, a decrease of 68 percentage points, compared to 82% for the six months ended 30 June 2019. The RevPAR was USD30 for the six months ended 30 June 2020, a decrease of 87%, compared to USD237 for the six months ended 30 June 2019. Our hotels in Hong Kong saw a sharp decline of business as the city saw its first confirmed COVID-19 case in late January and remained challenging throughout the period. Although there were slight pick up during weekends due to promotions, the momentum was lost as third wave began to hit in early July. Total revenue from Hong Kong hotel properties for the six months ended 30 June 2020 decreased by 76.3% to USD41.5 million.

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(i) Hotel Properties (Continued)

The People's Republic of China (Continued)

Mainland China

The Group had equity interest in 45 operating hotels in Mainland China as at 30 June 2020.

For Mainland China, the occupancy was 24% for the six months ended 30 June 2020, a decrease of 40 percentage points, compared to 64% for the six months ended 30 June 2019. The RevPAR was USD24 for the six months ended 30 June 2020, a decrease of 70%, compared to USD79 for the six months ended 30 June 2019. The China hotel market marked a bottom in early February with low single-digit occupancy, and have since seen a gradual recovery during the period. For the month of June 2020, average occupancy has reached 35% and RevPAR of USD31. The recovery was supported by domestic leisure and corporate travel as well as some government businesses.

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

- In Tier 1 cities, the occupancy was 22% for the six months ended 30 June 2020, a decrease of 54 percentage points, compared to 76% for the six months ended 30 June 2019. The RevPAR was USD31 for the six months ended 30 June 2020, a decrease of 76%, compared to USD130 for the six months ended 30 June 2019. Recovery of business in Tier 1 cities was slower than the country's average, mainly due to a more cautious re-opening approach in Beijing. The capital city was also affected by a second wave of COVID-19 in June, where average occupancy of our five hotels in the city dropped back to 19% for the month.
- In Tier 2 cities, the occupancy was 26% for the six months ended 30 June 2020, a decrease of 37 percentage points, compared to 63% for the six months ended 30 June 2019. The RevPAR was USD22 for the six months ended 30 June 2020, a decrease of 63%, compared to USD60 for the six months ended 30 June 2019. The recovery of business in Tier 2 cities was helped by cities such as Hangzhou where it saw stronger pent up staycation demand, helping our two hotels in the city reach occupancy of 51% in June 2020. Jinan and Nanchang saw healthy pick up in local corporate demand for conferences and business restarts, where their occupancies in June 2020 reached 62% and 58%, respectively.
- In Tier 3 and Tier 4 cities, the occupancy was 23% for the six months ended 30 June 2020, a decrease of 25 percentage points, compared to 48% for the six months ended 30 June 2019. The RevPAR was USD16 for the six months ended 30 June 2020, a decrease of 61%, compared to USD41 for the six months ended 30 June 2019. Cities such as Lhasa, Diqing, Hainan and Qinhuangdao were helped by a strong domestic demand, where occupancies for June 2020 reached 83%, 54%, 49% and 43%, respectively. Tangshan was helped by the restart of local businesses such as steel mills, and occupancy in June 2020 reached 50%.

Total revenue from Mainland China hotel properties for the six months ended 30 June 2020 decreased by 63.6% to USD138.4 million.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(i) Hotel Properties (Continued)

Singapore

For Singapore, the occupancy was 42% for the six months ended 30 June 2020, a decrease of 36 percentage points, compared to 78% for the six months ended 30 June 2019. The RevPAR was USD65 for the six months ended 30 June 2020, a decrease of 61%, compared to USD168 for the six months ended 30 June 2019. A strong start of the year was quickly disrupted by COVID-19, where occupancy dropped to below 30% in March. Recovery was gradual from April onwards, helped by Government contracts for overseas workers and stay home notice programme for returning residents. Total revenue from Singapore hotel properties for the six months ended 30 June 2020 decreased by 58.6% to USD46.0 million.

Malaysia

For Malaysia, the occupancy was 25% for the six months ended 30 June 2020, a decrease of 47 percentage points, compared to 72% for the six months ended 30 June 2019. The RevPAR was USD32 for the six months ended 30 June 2020, a decrease of 66%, compared to USD95 for the six months ended 30 June 2019. Hotels in Malaysia were closed for business beginning late March, and were only allowed to reopen in early June. Total revenue from Malaysia hotel properties for the six months ended 30 June 2020 decreased by 65.9% to USD20.0 million.

The Philippines

For The Philippines, the occupancy was 33% for the six months ended 30 June 2020, a decrease of 36 percentage points, compared to 69% for the six months ended 30 June 2019. The RevPAR was USD59 for the six months ended 30 June 2020, a decrease of 58%, compared to USD139 for the six months ended 30 June 2019. Hotels in The Philippines were closed for business beginning late March and have largely remained closed for the rest of the period, aside from certain short-term Business Process Outsourcing contracts. Total revenue from The Philippines hotel properties for the six months ended 30 June 2020 decreased by 57.6% to USD39.3 million.

Japan

For Japan, the occupancy was 29% for the six months ended 30 June 2020, a decrease of 50 percentage points, compared to 79% for the six months ended 30 June 2019. The RevPAR was USD160 for the six months ended 30 June 2020, a decrease of 67%, compared to USD485 for the six months ended 30 June 2019. Our hotel in Tokyo saw a bottom in April with single-digit occupancy and has stayed relatively flat since. Total revenue from Japan hotel property for the six months ended 30 June 2020 decreased by 63.2% to USD11.4 million.

Thailand

For Thailand, the occupancy was 24% for the six months ended 30 June 2020, a decrease of 44 percentage points, compared to 68% for the six months ended 30 June 2019. The RevPAR was USD41 for the six months ended 30 June 2020, a decrease of 65%, compared to USD117 for the six months ended 30 June 2019. Our hotels in Thailand saw a bottom in April with single-digit occupancy and has stayed relatively flat since. Total revenue from Thailand hotel properties for the six months ended 30 June 2020 decreased by 63.8% to USD14.2 million.

RESULTS OF OPERATIONS (CONTINUED)**Consolidated Revenue (Continued)****(i) Hotel Properties (Continued)*****France***

For France, the occupancy was 38% for the six months ended 30 June 2020, a decrease of 16 percentage points, compared to 54% for the six months ended 30 June 2019. The RevPAR was USD434 for the six months ended 30 June 2020, a decrease of 35%, compared to USD663 for the six months ended 30 June 2019. Our hotel in Paris started the year strong with double-digit RevPAR growth as the same period in 2019 was affected by the yellow vest protests. However, due to COVID-19, the hotel was closed since mid-March and has remained closed for the rest of the period. Total revenue from France hotel property for the six months ended 30 June 2020 decreased by 69.4% to USD6.6 million.

Australia

For Australia, the occupancy was 36% for the six months ended 30 June 2020, a decrease of 49 percentage points, compared to 85% for the six months ended 30 June 2019. The RevPAR was USD82 for the six months ended 30 June 2020, a decrease of 59%, compared to USD198 for the six months ended 30 June 2019. After seeing a sharp decline in business in February, the hotels were closed for business in April and have only reopened in June. Total revenue from Australia hotel properties for the six months ended 30 June 2020 decreased by 58.4% to USD17.1 million.

United Kingdom

For United Kingdom, the occupancy was 30% for the six months ended 30 June 2020, a decrease of 47 percentage points, compared to 77% for the six months ended 30 June 2019. The RevPAR was USD161 for the six months ended 30 June 2020, a decrease of 62%, compared to USD429 for the six months ended 30 June 2019. Our hotel in London saw a strong start of the year with double-digit RevPAR growth, but has closed for business since mid-March and has remained closed for the period. Total revenue from UK hotel property for the six months ended 30 June 2020 decreased by 64.0% to USD8.7 million.

Sri Lanka

For Sri-Lanka, the occupancy was 18% for the six months ended 30 June 2020, a decrease of 15 percentage points, compared to 33% for the six months ended 30 June 2019. The RevPAR was USD24 for the six months ended 30 June 2020, a decrease of 56%, compared to USD54 for the six months ended 30 June 2019. Tourism to Sri Lanka remained weak at the start of the year due to 2019's bombing incident, and the decline was exacerbated in February due to COVID-19. Total revenue from Sri-Lanka hotel properties for the six months ended 30 June 2020 decreased by 43.5% to USD7.8 million.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(ii) Hotel Management & Related Services

As at 30 June 2020, the Group's wholly owned subsidiary, SLIM International Limited, together with its subsidiaries and certain fellow subsidiaries ("SLIM") managed a total of 102 hotels and resorts:

- 79 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 overall weighted average occupancy of the hotels under third-party hotel management agreements was 30% for the six months ended 30 June 2020, a decrease of 34 percentage points, compared to 64% for the six months ended 30 June 2019. The RevPAR was USD38 for the six months ended 30 June 2020, a decrease of 59%, compared to USD92 for the six months ended 30 June 2019.

Gross revenues from SLIM was USD55.9 million for the six months ended 30 June 2020, a decrease of 51.7% (or USD59.8 million) compared to USD115.7 million for the six months ended 30 June 2019.

After eliminating inter-segment sales with subsidiaries, the net revenues from SLIM was USD28.7 million for the six months ended 30 June 2020, a decrease of 45.7% (or USD24.2 million) compared to USD52.9 million for the six months ended 30 June 2019. The decrease of gross and net revenues was mainly driven by the drop in management fees as a result of the challenging operating environment due to COVID-19.

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Revenue (Continued)

(iii) Investment Properties

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

Investment Properties	For the six months ended 30 June		
	2020 USD Million	2019 USD Million	2020/19 % change
Mainland China	10.2	9.4	8.5%
Singapore	4.9	6.7	-26.9%
Malaysia	2.6	3.2	-18.8%
Mongolia	11.5	10.9	5.5%
Sri Lanka	3.2	-	N/M
Other countries	12.1	13.5	-10.4%
Total consolidated revenue	44.5	43.7	1.8%

During the period, we benefited from opening of Sri Lanka One Galle Face office and shopping mall in November 2019. Our investment properties in Mainland China were mainly helped by improvement in occupancy rates of our offices in Chengdu Shangri-La Centre, albeit at a lower rental rate. For Mongolia, we continued to see the benefits from the ramping up of Shangri-La Centre, Ulaanbaatar, which opened for business in July 2016.

This was partially offset by our investment properties in Singapore as we saw a drop in occupancy rates for Shangri-La Residences serviced apartments.

Revenues from other geographies remained largely stable during the period.

As a result, consolidated revenue from our investment properties for the six months ended 30 June 2020 stood at USD44.5 million, an increase of 1.8% (or USD0.8 million), compared to USD43.7 million for the six months ended 30 June 2019.

(iv) Property Development for Sale

Property development for sale by subsidiaries for the six months ended 30 June 2020 stood at USD11.0 million, a decrease of 84.4%, compared to USD70.5 million for the six months ended 30 June 2019.

During the period we had a slower recognition of sales of residential units of One Galle Face, Colombo (Sri Lanka), as well as units of residential tower of the Shangri-La Hotel, Dalian Phase II project (Yavis), Mainland China.

4 units of Yavis sold were handed over to the buyers during the period. As at 30 June 2020, Yavis had a remaining inventory of 63 units.

In the first half of 2020, we handed over 9 pre-sold apartments of One Galle Face, Colombo (Sri Lanka) to the buyers and recognised USD9.1 million in revenue. As at 30 June 2020, One Galle Face, Colombo had a remaining of 88 apartments for sale and 37 units sold but not handed over.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

EBITDA and Aggregate Effective Share of EBITDA

The following table summarises information related to the EBITDA of the Company and its subsidiaries and the aggregate effective share of EBITDA of the Company, subsidiaries and associates for the six months ended 30 June 2020 and 2019 by geographical areas and by business segments. All figures (including last year comparative figures) are presented in accordance with accounting standard HKFRS 16 "Lease" which was adopted on 1 January 2019.

		EBITDA of subsidiaries		Effective share of EBITDA of subsidiaries		Effective share of EBITDA of associates		Aggregate Effective share of EBITDA	
		2020	2019	2020	2019	2020	2019	2020	2019
<i>(USD million)</i>									
Hotel Properties	The People's Republic of China								
	Hong Kong	(25.7)	53.2	(23.8)	48.6	(0.5)	0.6	(24.3)	49.2
	Mainland China	(12.9)	96.5	(13.1)	87.4	(5.9)	29.9	(19.0)	117.3
	Singapore	2.8	27.1	2.9	27.1	1.7	2.5	4.6	29.6
	Malaysia	(5.3)	16.4	(2.8)	9.4	0.2	4.0	(2.6)	13.4
	The Philippines	2.4	30.2	2.3	29.6	1.9	5.3	4.2	34.9
	Japan	(2.1)	5.0	(2.1)	5.0	-	-	(2.1)	5.0
	Thailand	(0.1)	15.0	-	11.1	-	-	-	11.1
	France	(5.5)	(0.8)	(5.5)	(0.8)	-	-	(5.5)	(0.8)
	Australia	1.2	10.2	1.2	10.2	-	-	1.2	10.2
	United Kingdom	(3.0)	3.0	(3.0)	3.0	-	-	(3.0)	3.0
	Mongolia	(1.3)	1.4	(0.7)	0.7	-	-	(0.7)	0.7
	Sri Lanka	(2.0)	(0.4)	(1.8)	(0.4)	-	-	(1.8)	(0.4)
Other countries	(4.3)	-	(3.0)	0.1	(0.9)	2.8	(3.9)	2.9	
		(55.8)	256.8	(49.4)	231.0	(3.5)	45.1	(52.9)	276.1
Hotel Management and Related Services		(41.3)	(3.7)	(41.3)	(3.7)	-	-	(41.3)	(3.7)
Sub-total Hotel Operations		(97.1)	253.1	(90.7)	227.3	(3.5)	45.1	(94.2)	272.4
Investment Properties	Mainland China	6.4	3.9	5.8	3.6	103.7	118.1	109.5	121.7
	Singapore	2.4	2.7	2.4	2.7	1.3	2.2	3.7	4.9
	Malaysia	1.7	2.1	0.9	1.1	-	-	0.9	1.1
	Mongolia	7.1	5.9	3.6	3.0	-	-	3.6	3.0
	Sri Lanka	(0.2)	-	(0.2)	-	-	-	(0.2)	-
	Other countries	7.0	8.1	4.0	4.7	-	-	4.0	4.7
Sub-total Investment Properties		24.4	22.7	16.5	15.1	105.0	120.3	121.5	135.4
Property Development for Sale & Other Business		4.9	39.3	4.4	35.4	3.7	20.2	8.1	55.6
Sub-total		(67.8)	315.1	(69.8)	277.8	105.2	185.6	35.4	463.4
Corporate and pre-opening expenses		(7.0)	(14.2)	(7.0)	(14.0)	(0.6)	(0.2)	(7.6)	(14.2)
Grand total		(74.8)	300.9	(76.8)	263.8	104.6	185.4	27.8	449.2

RESULTS OF OPERATIONS (CONTINUED)

EBITDA and Aggregate Effective Share of EBITDA (Continued)

Aggregate effective share of EBITDA was USD27.8 million for the six months ended 30 June 2020, a decrease of 93.8% (or USD421.4 million), compared to USD449.2 million for the six months ended 30 June 2019. Below shows the breakdown by business segments:

- Effective share of EBITDA from Hotel Operations business for the six months ended 30 June 2020 was a loss of USD94.2 million, a decrease of USD366.6 million, compared to a profit of USD272.4 million for the six months ended 30 June 2019.
- Effective share of EBITDA from Investment Properties business for the six months ended 30 June 2020 was USD121.5 million, a decrease of 10.3% (or USD13.9 million), compared to USD135.4 million for the six months ended 30 June 2019.
- Effective share of EBITDA from Property Development for Sale & Other Business for the six months ended 30 June 2020 was USD8.1 million, a decrease of 85.4% (or USD47.5 million), compared to USD55.6 million for the six months ended 30 June 2019.

The declines in effective share of EBITDA were mainly driven by disruptions caused by the COVID-19 pandemic, where we saw worldwide concerted implementation of travel restrictions and social distancing measures. The decrease in amount of EBITDA was lower than we saw for revenues as we were able to effectively reduce both fixed and variable costs in businesses that were impacted by the pandemic.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

Consolidated Profit or Loss Attributable to Owners of the Company

The following table summarises information related to the consolidated profit or loss attributable to owners of the Company before and after non-operating items for the six months ended 30 June 2020 and 2019 by geographical areas and by business segments:

		For the six months ended 30 June		
		2020	2019	2020/19
		USD Mil	USD Mil	% change
Hotel Properties	The People's Republic of China			
	Hong Kong	(33.6)	27.7	N/M
	Mainland China	(108.1)	(6.1)	N/M
	Singapore	(6.8)	11.7	N/M
	Malaysia	(5.3)	6.7	N/M
	The Philippines	(9.2)	7.9	N/M
	Japan	(7.3)	(0.1)	N/M
	Thailand	(1.4)	6.3	N/M
	France	(10.7)	(7.0)	-52.9%
	Australia	(6.2)	0.4	N/M
	United Kingdom	(13.3)	(7.4)	-79.7%
	Mongolia	(3.6)	(2.9)	-24.1%
	Sri Lanka	(10.0)	(6.6)	-51.5%
	Other countries	(11.3)	(5.0)	-126.0%
		(226.8)	25.6	N/M
Hotel Management and Related Services		(52.2)	(15.5)	-236.8%
Sub-total Hotel Operations		(279.0)	10.1	N/M
Investment Properties	Mainland China	75.9	79.6	-4.6%
	Singapore	3.5	3.9	-10.3%
	Malaysia	0.7	0.8	-12.5%
	Mongolia	1.7	1.1	54.5%
	Sri Lanka	(8.3)	-	N/M
	Other countries	2.8	3.1	-9.7%
Sub-total Investment Properties		76.3	88.5	-13.8%
Property Development for Sale & Other Business		4.5	46.2	-90.3%
Consolidated (loss)/profit from operating properties		(198.2)	144.8	N/M

RESULTS OF OPERATIONS (CONTINUED)

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

	For the six months ended 30 June		
	2020 USD Mil	2019 USD Mil	2020/19 % change
Consolidated (loss)/profit from operating properties	(198.2)	144.8	N/M
Net corporate finance costs (including foreign exchange gains and losses)	(47.7)	(63.7)	25.1%
Land cost amortisation & pre-opening expenses for projects & corporate expenses	(9.5)	(16.9)	43.8%
Consolidated (loss)/profit attributable to owners of the Company before non-operating items	(255.4)	64.2	N/M
Non-operating items	(27.2)	50.9	N/M
Consolidated (loss)/profit attributable to owners of the Company after non-operating items	(282.6)	115.1	N/M

Consolidated financial results attributable to owners of the Company after non-operating items for the six months ended 30 June 2020 was a loss of USD282.6 million compared to a profit of USD115.1 million for the six months ended 30 June 2019. Below shows the breakdown by business segments:

- Hotel Properties registered a loss of USD226.8 million for the six months ended 30 June 2020 compared to a profit of USD25.6 million for the six months ended 30 June 2019.
- Hotel Management and Related Services registered a loss of USD52.2 million for the six months ended 30 June 2020, an increase in loss of 236.8% (or USD36.7 million), compared to a loss of USD15.5 million for the six months ended 30 June 2019.
- Investment Properties profit for the six months ended 30 June 2020 was USD76.3 million, a decrease of 13.8% (or USD12.2 million), compared to USD88.5 million for the six months ended 30 June 2019.
- Property Development for Sale & Other Business profit for the six months ended 30 June 2020 was USD4.5 million, a decrease of 90.3% (or USD41.7 million), compared to USD46.2 million for the six months ended 30 June 2019.

DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (CONTINUED)

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

As discussed in earlier sections, the decreases were mainly driven by the impact of COVID-19. The decrease in financial results was lower than we saw for revenues as we were able to effectively reduce both fixed and variable costs in businesses that were impacted by the pandemic.

- Net corporate finance costs for the six months ended 30 June 2020 were USD47.7 million, a decrease of 25.1% (or USD16.0 million), compared to USD63.7 million for the six months ended 30 June 2019. This was mainly due to the recognition of an exchange gain of USD12.0 million arising from the intra-group borrowings at Corporate level during the period, compared to an exchange loss of USD1.9 million for the comparable period last year.
- Non-operating items for the six months ended 30 June 2020 was an aggregate loss of USD27.2 million compared to a total profit of USD50.9 million for the six months ended 30 June 2019. The variance was mainly due to the recognition of fair value losses on investment properties of USD27.9 million for the period compared to fair value gains on investment properties of USD48.8 million recognised for the six months ended 30 June 2019.

CORPORATE DEBT AND FINANCIAL CONDITIONS

As at 30 June 2020, the Group's net borrowings (total bank loans, bank overdrafts and fixed rate bonds less cash and bank balances and short-term fund placements) was USD4,572.0 million, an increase of USD348.1 million, compared to USD4,223.9 million as at 31 December 2019. As at 30 June 2020, the aggregate effective share of net borrowings of subsidiaries and associates based on percentage of equity interests was USD4,487.7 million, an increase of USD317.0 million, compared to USD4,170.7 million as at 31 December 2019. The increase was mainly driven by the operating cash deficits from hotel operations as affected by COVID-19 pandemic during the period.

The Group's net borrowings to total equity ratio, i.e. the gearing ratio, increased to 77.3% as at 30 June 2020 from 64.9% as at 31 December 2019. This increase was mainly driven by the decrease of total equity of USD586.1 million due to the loss recorded during the period and the impact on the general depreciation of the Asian currencies against US dollar as well as the increase in net borrowings during the period.

At the corporate level, the Group executed the following bank loan agreements in 2020 for financing maturing loans as well as for working capital and project financing use:

- One 7-year bank loan agreement of HKD500.0 million
- One 7-year bank loan agreement of USD145.0 million
- One 10-year bank loan agreement of JPY4,700.0 million

In January 2020, the Group issued 10-year term fixed rate bonds in an aggregated amount of SGD250 million with a coupon rate of 3.50% per annum.

CORPORATE DEBT AND FINANCIAL CONDITIONS (CONTINUED)

At the subsidiary level, the Group also executed the following bank loan agreements in 2020:

- Two five-year bank loan agreements totalling RMB496.7 million and one five-year bank loan agreement of USD50.0 million for refinancing maturing loans
- One five-year bank loan agreement of HKD1,190.0 million and one 15-year bank loan agreement of RMB1,100.0 million for funding requirements of renovation and project development

The Group has not encountered any difficulty when drawing loans from committed banking facilities. None of the banking facilities were cancelled by the banks during or after 30 June 2020.

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

The analysis of borrowings outstanding as at 30 June 2020 is as follows:

<i>(USD million)</i>	Maturities of Borrowings Contracted as at 30 June 2020				Total
	Within 1 year	In the 2nd year	Repayment In the 3rd to 5th year	After 5 years	
Borrowings					
Corporate borrowings					
– unsecured bank loans	130.8	922.9	1,200.7	755.9	3,010.3
– fixed rate bonds	–	–	96.9	922.2	1,019.1
Bank loans and overdrafts of subsidiaries					
– secured	7.1	7.1	–	–	14.2
– unsecured	279.7	193.3	805.3	202.0	1,480.3
Total outstanding balance	417.6	1,123.3	2,102.9	1,880.1	5,523.9
<i>% of total outstanding balance</i>	<i>7.6%</i>	<i>20.3%</i>	<i>38.1%</i>	<i>34.0%</i>	<i>100.0%</i>
Undrawn but committed facilities					
Bank loans and overdrafts	141.6	113.3	525.3	450.7	1,230.9

DISCUSSION AND ANALYSIS

CORPORATE DEBT AND FINANCIAL CONDITIONS (CONTINUED)

The currency mix of borrowings and cash and bank balances as at 30 June 2020 is as follows:

<i>(USD million)</i>	Borrowings	Cash and Bank Balances <i>(Note)</i>
In United States dollars	2,118.8	269.0
In Hong Kong dollars	1,464.2	81.5
In Singapore dollars	986.2	104.6
In Renminbi	516.2	312.7
In Euros	210.6	8.6
In Australian dollars	55.1	6.0
In Japanese yen	165.1	14.3
In Fiji dollars	7.7	0.3
In Philippines pesos	–	26.7
In Thai baht	–	48.6
In Malaysian ringgit	–	52.5
In British pounds	–	7.0
In Mongolian tugrik	–	11.5
In Sri Lankan rupee	–	7.4
In Myanmar kyat	–	0.3
In Maldivian rufiyaa	–	0.2
In other currencies	–	0.7
	5,523.9	951.9

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

Except for the fixed rate bonds, all borrowings are generally at floating interest rates.

Details of financial guarantees, contingencies and charges over assets as at 30 June 2020 are disclosed in Note 24 to the condensed consolidated interim financial statements included in this interim report.

TREASURY POLICIES

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

(A) Minimising Interest Risks

The majority of the Group's borrowings are in US dollars, HK dollars and Singapore dollars and arranged at the corporate level. The corporate bonds were issued at fixed rates. The Group has closely monitored the cash flow forecasts of all its subsidiaries and arranged to transfer any surplus cash to the corporate to reduce corporate debts. In order to minimise the overall interest cost, the Group also arranged intra-group loans to utilise the surplus cash of certain subsidiaries to meet the funding requirements of other group companies. The Group reviews the intra-group loan arrangements from time to time in response to changes in currency exchange rates and bank loan interest rates.

The Group has endeavoured to hedge its medium term interest rate risks arising from the Group's bank loans by entering into fixed HIBOR, LIBOR and SHIBOR interest-rate swap contracts. As at 30 June 2020, the outstanding interest-rate swap contracts are:

- USD1,265.0 million at fixed rates ranging between 1.365% and 3.045% per annum maturing during April 2022 to July 2024
- HKD6,170.0 million at fixed rates ranging between 1.505% and 1.855% per annum maturing during July 2023 to August 2026
- RMB443.3 million at fixed rates ranging between 3.370% and 3.550% per annum maturing during June 2022 to October 2022

Taking into account the fixed rate bonds, fixed rate bank loans and the interest-rate swap contracts (including a cross-currency swap contract that also fixes the interest rate of a bank borrowing of JPY8,000 million as mentioned in next section), the Group has fixed its interest liability on 58.4% of its outstanding borrowings as at 30 June 2020, compared to 66.3% as at 31 December 2019.

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

DISCUSSION AND ANALYSIS

TREASURY POLICIES (CONTINUED)

(B) Minimising Currency Risks

The Group aims at using bank borrowings in local currency to finance the capital expenditure and operational funding requirements of the properties and/or development projects in the corresponding country to achieve natural hedging of its assets. In 2020, the Group has arranged a new Japanese yen bank borrowing of JPY4,700 million to hedge the Japanese yen investment in the new Kyoto project in Japan.

The Group would also execute cross-currency swap contracts to hedge the currency risks arising from foreign currency borrowings. As at 30 June 2020, 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

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

INVESTMENT PROPERTIES VALUATION

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed semi-annually (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). The fair values of investment properties are based on opinions from independent professional valuers as obtained by the Group and the relevant associates which own the investment properties. Changes in the fair value of investment properties (including those under construction) are recorded in the statement of profit or loss. For the six months ended 30 June 2020, the Group recorded an overall effective share of net fair value losses of USD27.9 million for its investment properties.

The following table shows the fair value losses of the investment properties held by the Group's subsidiaries and associates for the six months ended 30 June 2020:

	Subsidiaries		Associates		Total	
	100%	Effective Share	100%	Effective Share	100%	Effective Share
<i>(USD million)</i>						
Losses	(28.5)	(20.3)	(32.1)	(13.7)	(60.6)	(34.0)
Deferred tax	4.6	3.1	7.1	3.0	11.7	6.1
Net losses	(23.9)	(17.2)	(25.0)	(10.7)	(48.9)	(27.9)

FINANCIAL ASSETS — TRADING SECURITIES

As at 30 June 2020, the market value of the Group's investment portfolio was USD14.5 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited amounting to USD11.5 million, and 2,241,725 ordinary shares in Kerry Logistics Network Limited amounting to USD3.0 million. The Group recorded an unrealised net fair value loss of USD3.7 million and dividend income of USD0.6 million during the current period.

DEVELOPMENT PROGRAMMES

Construction work on the following projects is on-going:

(A) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Projected Opening
Hotels in Mainland China			
Shangri-La Hotel, Putian	40%	260	Q1 2021
Traders Hotel, Kunming	45%	273	2022
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

	Group's Equity Interest	Total gross floor area upon completion (excluding hotel component) (approximate in square metres)			Scheduled Completion
		Residential	Office	Commercial	
In Mainland China					
Shenyang Kerry Centre — Phase II	25%	36,149	–	–	2H 2020
Kunming City Project	45%	21,141	–	–	2022
Shenyang Kerry Centre — Phase III	25%	309,032	85,201	65,502	2022 onwards*
Phase II of Shangri-La Hotel, Fuzhou	100%	–	34,319	50,447	2023
Composite development project in Zhengzhou	45%	94,222	58,946	3,993	2023 onwards*
		460,544	178,466	119,942	

* Being developed in phases

DISCUSSION AND ANALYSIS

DEVELOPMENT PROGRAMMES (CONTINUED)

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)
- Bangkok, Thailand (wholly owned by the Group)
- Kyoto, Japan (wholly 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.

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

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 Kinabalu (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 30 June 2020, the Company and its subsidiaries had approximately 29,200 employees. The headcount of all the Group's managed hotels and resorts totalled approximately 46,000. Remuneration policies, share option scheme, share award scheme and training schemes have been consistently applied by the Group as disclosed in 2019 annual report.

PROSPECTS

We had a very challenging first half of 2020 and we anticipate the rest of the year to continue to be volatile. While we are seeing gradual business recovery in destinations where the virus is under control, we are cognizant that the situation can still rapidly change, as evidenced by second or third waves in some countries. Furthermore, tensions between US and China have intensified in recent months, where some commentators and observers expect this to heighten as we approach the US presidential elections in November. Last but not least, new trade deal negotiations between UK and EU are scheduled to be finalised in December, though the no-deal outcome is still a real possibility. With such uncertainties lingering for the remainder of the year, this could in turn impact our Group's business for the full year.

In such challenging times, we remain focused on what we can control. The wellbeing of our guests and staff continue to be our top priority, where we provide a safe and hygienic environment. We implemented Shangri-La Cares Commitment program, our health and safety commitment, which is at least on par, if not higher, than local requirements. As we anticipate limited international travel in the foreseeable future, we have also continued to increase our efforts in capturing the domestic market. As an example for Mainland China, where half of our hotels are located, it has seen a strong pick up in local leisure and corporate traveling. This helped the region reach 49% occupancy in the month of July.

We have been and will also keep a close watch on our costs and balance sheet. With the support of our employees, management and directors, we have been able to collectively keep cost down by implementing voluntary no pay leave, wage reduction and fee reduction. As at 30 June 2020, the Group had cash and cash equivalent of USD952 million and committed undrawn facilities of USD1.2 billion. During the first six months of 2020, we have secured an additional USD863 million of debt facility, where USD214 million was used for refinancing. As at 30 June 2020, the Group has USD141 million of maturing loans for repayment or refinancing for the remainder of the year. We continue to conserve our accessible cash reserve by declaring no interim dividend and keeping our capital expenditure at a minimal level.

As we enter the latter half of 2020, we will continue to utilise this quieter period to provide skills training and learning opportunities for our colleagues. We have also taken the opportunity to restructure and streamline our teams. While we remain vigilant and cautious, we are also prepared for recoveries as there are parts of the world where the pandemic are under control, specifically in Mainland China, and more recently Malaysia and Australia. Mainland China has been paving the way to demonstrate there is still a strong desire for travel once normality resumes, with June occupancy recovering to 35%, helping the hotels in the region achieve EBITDA breakeven for the first time since the first outbreak of the pandemic. If its momentum continues we may be able to obtain positive cash flow from the region for the full year.

DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

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

Directors Handbook

The Board has adopted a composite handbook ("**Directors Handbook**") comprising (amongst other things) a set of principles for securities transactions by directors or any non-directors of the Company ("**Securities Principles**") and a set of corporate governance principles of the Company ("**CG Principles**"), whose terms align with or are stricter than the requirements set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Securities Model Code**") as contained in Appendix 10 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**HKSE**") and the code provisions under the Corporate Governance Code and Corporate Governance Report ("**CG Model Code**") as contained in Appendix 14 to the Listing Rules, save for the provision in the Directors Handbook that the positions of the chairman and the chief executive officer of the Company may be served by the same person. The Directors Handbook serves as a comprehensive guidebook for all directors of the Company.

Code on Securities Transactions

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

Code on Corporate Governance

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

Changes in Directors' Information

There have been changes in the information of some of the directors since the date of the Company's 2019 annual report. Details of the changes as reported to the Company and as required to be disclosed under Rule 13.51B(1) of the Listing Rules are as follows:

1. Mr YAP Chee Keong ceased to act as an independent non-executive director of Citibank Singapore Limited on 30 June 2020 and was appointed an independent non-executive director of Maxeon Solar Technologies, Ltd (listed on the Nasdaq) on 17 August 2020.
2. At the Company's annual general meeting held on 5 June 2020, shareholders of the Company have approved the voluntary downward adjustment of the annual fee payable to the directors and the committee members (both for directors other than executive directors) for 2020 and the amounts after adjustment are set out as follows:
 - (a) non-executive director: HK\$196,000
 - (b) member of Remuneration Committee: HK\$42,000
 - (c) member of Nomination Committee: HK\$42,000
 - (d) chairman/member of Audit & Risk Committee: HK\$161,000/HK\$140,000
3. The Remuneration Committee has reviewed and approved the adjustment in the monthly salary of the executive directors for 2020. The monthly salary was voluntarily decreased by 30%.

CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 27 August 2020 regarding the renewal of the land lease in relation to Edsa Shangri-La, Manila ("**Edsa Lease**"). The Directors have considered that the pricing policy for the determination of rent under the Edsa Lease was conducted on normal commercial terms by reference to the terms of the Edsa Lease and by comparing the same with the terms of the land lease that the Company's other hotel had entered into with a third party land owner in Manila and ascertaining that the pricing policy of the Edsa Lease is comparable to or more favourable for the Company when compared to the lease with the third party land owner.

SIGNIFICANT SHAREHOLDERS' INTERESTS

As at 30 June 2020, the interests and short positions of those persons (other than the directors of the Company) in shares and underlying shares in the Company as recorded in the register that is required to be kept by the Company under Section 336 of the Securities and Futures Ordinance ("**SFO**") or as ascertained by the Company after reasonable enquiry were as follows:

Name	Capacity	Number of ordinary shares held	Approximate % of total issued shares of the Company
Substantial shareholders			
Kerry Group Limited (" KGL ") (Note 1)	Interest of controlled corporation(s)	1,799,537,010	50.19
Kerry Holdings Limited (" KHL ") (Notes 1 and 2)	Beneficial owner	87,237,052	2.43
	Interest of controlled corporation(s)	1,538,441,491	42.91
Caninco Investments Limited (" Caninco ") (Note 2)	Beneficial owner	568,568,684	15.86
	Interest of controlled corporation(s)	157,280,233	4.39
Paruni Limited (" Paruni ") (Note 2)	Beneficial owner	382,904,547	10.68
	Interest of controlled corporation(s)	36,667,449	1.02
Other major shareholders			
Darmex Holdings Limited (" Darmex ") (Note 2)	Beneficial owner	267,068,070	7.45
Kuok Brothers Sdn Berhad	Beneficial owner	84,441,251	2.36
	Interest of controlled corporation(s)	227,043,761	6.33
Kuok (Singapore) Limited (" KSL ") (Note 3)	Interest of controlled corporation(s)	220,444,907	6.15
Baylite Company Limited (" Baylite ") (Note 3)	Beneficial owner	220,444,907	6.15

Notes:

- KHL is a wholly owned subsidiary of KGL and accordingly, the shares in which KHL is shown as interested are also included in the shares in which KGL is shown as interested. The number of shares shown were the holdings as at 30 June 2020 and might be different from the latest public record having been filed by the relevant shareholder(s) before 30 June 2020 as required under SFO.
- Caninco, Paruni and Darmex are wholly owned subsidiaries of KHL and accordingly, the shares in which Caninco, Paruni and Darmex are shown as interested are also included in the shares in which KHL is shown as interested. The number of shares shown were the holdings as at 30 June 2020 and might be different from the latest public record having been filed by the relevant shareholder(s) before 30 June 2020 as required under SFO.
- Baylite is a wholly owned subsidiary of KSL and accordingly, the shares in which Baylite is shown as interested are also included in the shares in which KSL is shown as interested.

DISCUSSION AND ANALYSIS

DIRECTORS' INTERESTS

As at 30 June 2020, the interests and short positions of the directors of the Company in shares, underlying shares and debentures in/of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) ("**Associated Corporation(s)**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and HKSE pursuant to the Securities Model Code were as follows:

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

Name of company	Name of director	Class of shares	Number of shares held				Total	Approximate % of total issued shares in the relevant company
			Personal interests	Family interests	Corporate interests	Other interests		
The Company	KUOK Hui Kwong	Ordinary	690,833 <i>(Note 1)</i>	1,038,000 <i>(Note 2)</i>	2,000,000 <i>(Note 3)</i>	71,251,718 <i>(Note 4)</i>	74,980,551	2.091
	LIM Beng Chee	Ordinary	754,000	-	-	-	754,000	0.021
	HO Kian Guan	Ordinary	1,341,116	-	145,887,718 <i>(Note 5)</i>	-	147,228,834	4.106

Notes:

- 32,000 shares were held jointly by Ms KUOK Hui Kwong and her spouse.
- These shares were the deemed interest of Ms KUOK Hui Kwong's spouse.
- These shares were held through the company which was owned by Ms KUOK Hui Kwong.
- These shares were held through discretionary trusts of which Ms KUOK Hui Kwong is a discretionary beneficiary.
- 106,620,788 shares were held through companies that were owned as to 33.33% by Mr HO Kian Guan.
39,266,930 shares were held through companies that were owned as to 6.79% by Mr HO Kian Guan.

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

As at 30 June 2020, there were share options and/or share awards held by the directors of the Company with rights to shares in the Company. Details of such underlying shares are set out in the sections entitled "SHARE OPTIONS" and "SHARE AWARDS" of this report.

SHARE OPTIONS

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

Grantees	Date of grant	Number of option shares						Held as at 30 Jun 2020	Exercise price per share (HK\$)	Exercise period
		Held as at 1 Jan 2020	Granted during the period	Transferred from other category during the period	Transferred to other category during the period	Exercised during the period	Lapsed during the period			
1. Director(s)										
LI Kwok Cheung Arthur	23 Aug 2013	100,000	-	-	-	-	-	100,000	12.11	23 Aug 2013 - 22 Aug 2023
2. Employees	23 Aug 2013	4,343,000	-	-	(75,000)	-	(300,000)	3,968,000	12.11	23 Aug 2013 - 22 Aug 2023
3. Other participants	23 Aug 2013	3,120,000	-	75,000	-	-	-	3,195,000	12.11	23 Aug 2013 - 22 Aug 2023
Total		7,563,000	-	75,000	(75,000)	-	(300,000)	7,263,000		

Note: No options were cancelled during the underlying six-month period.

DISCUSSION AND ANALYSIS

SHARE AWARDS

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

Grantees	Date of grant	Number of award shares					Held as at 30 Jun 2020	Max upside adjustment	Change to upside adjustment during the period	Upside delivered during the period	Max deliverable award shares as at 30 June 2020	Consideration per award share (HK\$)	Vesting date/ period
		Held as at 1 Jan 2020	Granted during the period	Accepted during the period	Lapsed during the period								
1. Directors													
KUOK Hui Kwong	30 Aug 2018	63,609	-	(63,609)	-	-	24,391	-	(24,391)	-	Nil	1 Apr 2020	
	30 Aug 2018	306,520	-	-	-	306,520	263,480	-	-	570,000	Nil	1 Apr 2021	
	15 Jun 2019	658,605	-	(24,000)	(586,605)	48,000	513,395	(513,395)	-	48,000	Nil	1 Apr 2020 - 1 Apr 2022	
LIM Beng Chee	30 Aug 2018	79,509	-	(79,509)	-	-	28,491	-	(28,491)	-	Nil	1 Apr 2020	
	30 Aug 2018	383,137	-	-	-	383,137	330,827	-	-	713,964	Nil	1 Apr 2021	
	15 Jun 2019	888,595	-	(32,000)	(792,595)	64,000	693,405	(693,405)	-	64,000	Nil	1 Apr 2020 - 1 Apr 2022	
2. Employees													
	20 Jul 2018	97,917	-	(37,449)	(60,468)	-	14,083	468	(14,551)	-	Nil	1 Apr 2020	
	20 Jul 2018	471,844	-	-	(291,382)	180,462	264,156	(108,618)	-	336,000	Nil	1 Apr 2021	
	1 Apr 2019	1,192,169	-	(316,000)	(47,239)	828,930	860,831	(651,761)	-	1,038,000	Nil	1 Apr 2019 - 1 Apr 2022	
	30 Jun 2019	691,515	-	(24,000)	(231,380)	436,135	540,485	(154,620)	-	822,000	Nil	30 Jun 2019 - 1 Apr 2022	
	1 Nov 2019	494,000	-	-	(22,000)	472,000	-	-	-	472,000	Nil	1 Oct 2020 - 1 Apr 2022	
Total		5,327,420	-	(576,567)	(2,031,669)	2,719,184	3,533,544	(2,121,331)	(67,433)	4,063,964			

Note: During the underlying six-month period, there were no new shares allotted or planned for allotment under any special/generate mandate for the purpose of the Company's share award scheme.

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

During the underlying six-month period, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the listed securities of the Company.

On behalf of the Board

KUOK Hui Kwong

Chairman

Hong Kong, 28 August 2020