

SHANGRI-LA GROUP

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Shangri-La Asia Limited

(Incorporated in Bermuda with limited liability)

website: www.ir.shangri-la.com

(Stock code: 00069)

2019 INTERIM RESULTS ANNOUNCEMENT

The board of directors (“**Board**”) of Shangri-La Asia Limited (“**Company**”) wishes to announce the unaudited interim results of the Company and its subsidiaries (“**Group**”), and associates for the six months ended 30 June 2019. These results have been reviewed by the Company’s auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and by the audit & risk committee of the Board. The review report of the auditor will be included in the interim report sent to the shareholder of the Company.

The Group adopted the new accounting standard HKFRS 16 Leases on 1 January 2019 and there are impacts on the Group’s profit or loss for the six months ended 30 June 2019. The below information for 2019 is prepared in accordance with the new HKFRS 16 while the comparative information for 2018 was not restated and continues to be presented under the old accounting standard HKAS 17.

For the six months ended 30 June 2019, consolidated profit attributable to owners of the Company before non-operating items decreased by USD16.2 million (20.1%) as compared to the same period last year. Consolidated profit attributable to owners of the Company after accounting for non-operating items recorded a profit of USD115.1 million, a decrease of 24.7%, compared to USD152.9 million for the same period last year.

The Board has declared an interim dividend of **HK8 cents** per share for 2019 (2018: HK8 cents per share) payable on Thursday, 3 October 2019, to shareholders whose names appear on the registers of members of the Company on Tuesday, 24 September 2019.

The following table summarises the highlights of our financial results:

	Six months ended 30 June		% change
	2019 <i>USD Million</i>	2018 <i>USD Million</i>	
Revenue	1,195.0	1,175.5	1.7%
EBITDA ^(Note 1) of the Company and its subsidiaries	300.9	301.5	-0.2%
Effective share of EBITDA ^(Note 2) of the Company, subsidiaries and associates	449.2	452.3	-0.7%
Profit attributable to owners of the Company			
– Operating items	64.2	80.4	-20.1%
– Non-operating items	50.9	72.5	-29.8%
Total	115.1	152.9	-24.7%
Earnings per share (US cents per share)	3.221	4.276	-24.7%
	As at		
	30 June 2019 <i>USD Million</i>	31 December 2018 <i>USD Million</i>	% change
Net assets attributable to owners of the Company	6,212.8	6,289.0	-1.2%
Net assets per share attributable to owners of the Company (USD)	1.73	1.76	-1.7%
Effective share of net borrowings ^(Note 3) of the Company, subsidiaries and associates	4,276.2	3,983.2	7.4%

Notes:

- EBITDA, which is a non-HKFRS financial measure, is defined as the earnings before finance costs, tax, depreciation and amortisation and non-recurring items such as gain/loss on disposal of fixed assets and interest in investee companies; fair value gains/losses on investment properties and financial assets at fair value through profit or loss; and impairment losses on fixed assets.
- 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.
- Effective share of net borrowings (balance of bank loans and fixed rate bonds less short-term fund placement, cash and bank balance) is the aggregate total of the Company's net borrowings and the Group's share of net borrowings of subsidiaries and associates based on percentage of equity interests.

- Consolidated revenue was USD1,195.0 million for the six months ended 30 June 2019, an increase of 1.7%, compared to USD1,175.5 million for the six months ended 30 June 2018.
- EBITDA of the Company and its subsidiaries was USD300.9 million for the six months ended 30 June 2019, a decrease of 0.2%, compared to USD301.5 million for the six months ended 30 June 2018.
- Effective share of EBITDA of the Company, subsidiaries and associates was USD449.2 million for the six months ended 30 June 2019, a decrease of 0.7%, compared to USD452.3 million for the six months ended 30 June 2018.
- Consolidated profit attributable to owners of the Company was USD115.1 million for the six months ended 30 June 2019, a decrease of 24.7%, compared to USD152.9 million for the for the six months ended 30 June 2018.

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

		As at	
		30 June 2019	31 December 2018
	<i>Note</i>	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		5,195,157	5,537,840
Investment properties		1,585,933	1,478,672
Leasehold land and land use rights		–	484,441
Right-of-use assets		1,331,518	–
Intangible assets		104,013	100,058
Interest in associates		3,956,668	3,911,801
Deferred income tax assets		24,995	7,507
Financial assets at fair value through other comprehensive income		4,278	4,164
Financial assets at fair value through profit or loss		9,961	10,391
Derivative financial instruments		–	8,102
Other receivables		15,041	14,720
		<u>12,227,564</u>	<u>11,557,696</u>
Current assets			
Inventories		34,835	36,528
Properties for sale		132,934	153,097
Accounts receivable, prepayments and deposits	4	294,906	270,888
Amounts due from associates		124,500	70,742
Derivative financial instruments		–	3,472
Financial assets at fair value through profit or loss		23,025	18,836
Short-term deposits with original maturities over 3 months		95,716	88,979
Cash and cash equivalents		831,472	970,410
		<u>1,537,388</u>	<u>1,612,952</u>
Total assets		<u><u>13,764,952</u></u>	<u><u>13,170,648</u></u>

		As at	
		30 June 2019	31 December 2018
	<i>Note</i>	Unaudited	Audited
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital and premium	5	3,201,995	3,201,995
Shares held for share award scheme	5	(3,856)	(4,996)
Other reserves		674,096	693,368
Retained earnings		2,340,517	2,398,584
		<u>6,212,752</u>	<u>6,288,951</u>
Non-controlling interests		313,191	387,937
		<u>6,525,943</u>	<u>6,676,888</u>
LIABILITIES			
Non-current liabilities			
Bank loans		3,890,687	4,066,686
Fixed rate bonds		863,157	636,933
Derivative financial instruments		16,228	6,261
Amounts due to non-controlling shareholders		35,770	–
Long term lease liabilities		585,885	–
Deferred income tax liabilities		351,029	331,076
		<u>5,742,756</u>	<u>5,040,956</u>
Current liabilities			
Accounts payable and accruals	7	615,480	677,642
Contract liabilities		253,379	286,890
Short term lease liabilities		52,003	–
Amounts due to non-controlling shareholders		57,455	35,050
Current income tax liabilities		23,077	20,425
Bank loans		489,557	431,220
Derivative financial instruments		5,302	1,577
		<u>1,496,253</u>	<u>1,452,804</u>
Total liabilities		7,239,009	6,493,760
		<u>13,764,952</u>	<u>13,170,648</u>
Total equity and liabilities		13,764,952	13,170,648

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

		Six months ended 30 June	
		2019	2018
	<i>Note</i>	Unaudited	Unaudited
Revenue	3	1,194,994	1,175,543
Cost of sales		<u>(534,378)</u>	<u>(514,311)</u>
Gross profit		660,616	661,232
Other gains – net	9	53,494	3,899
Marketing costs	8	(52,845)	(47,941)
Administrative expenses	8	(143,567)	(119,734)
Other operating expenses	8	(341,134)	(374,823)
Operating profit		176,564	122,633
Finance costs – net			
– Interest expense	10	(108,758)	(76,247)
– Foreign exchange losses	10	(2,635)	(7,072)
Share of profit of associates	11	123,892	173,058
Profit before income tax		189,063	212,372
Income tax expense	12	(64,140)	(59,753)
Profit for the period		<u>124,923</u>	<u>152,619</u>
Profit/(Loss) attributable to:			
Owners of the Company		115,061	152,858
Non-controlling interests		9,862	(239)
		<u>124,923</u>	<u>152,619</u>
Earnings per share for profit attributable to owners of the Company during the period <i>(expressed in US cents per share)</i>			
– basic	13	<u>3.221</u>	<u>4.276</u>
– diluted	13	<u>3.221</u>	<u>4.274</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in US dollar thousands)

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Profit for the period	124,923	152,619
Other comprehensive (loss)/income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value changes of interest-rate swap contracts – hedging	(25,341)	12,887
Currency translation differences – subsidiaries	16,231	(85,122)
Currency translation differences – associates	(14,853)	(66,848)
Other comprehensive loss for the period	(23,963)	(139,083)
Total comprehensive income for the period	100,960	13,536
Total comprehensive income/(loss) attributable to:		
Owners of the Company	94,472	15,701
Non-controlling interests	6,488	(2,165)
	100,960	13,536

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 2018	3,198,420	–	1,110,921	2,293,215	6,602,556	439,440	7,041,996
Fair value changes of interest-rate swap contracts – hedging	–	–	12,887	–	12,887	–	12,887
Currency translation differences	–	–	(150,044)	–	(150,044)	(1,926)	(151,970)
Other comprehensive loss recognised directly in equity	–	–	(137,157)	–	(137,157)	(1,926)	(139,083)
Profit/(Loss) for the period	–	–	–	152,858	152,858	(239)	152,619
Total comprehensive (loss)/income for the six months ended 30 June 2018	–	–	(137,157)	152,858	15,701	(2,165)	13,536
Exercise of share options – allotment of shares	2,172	–	–	–	2,172	–	2,172
Exercise of share options – transfer from share option reserve to share premium	915	–	(915)	–	–	–	–
Shares purchase for share award scheme	–	(2,889)	–	–	(2,889)	–	(2,889)
Granting of shares under share award scheme	–	–	2,895	–	2,895	–	2,895
Vesting of shares under share award scheme	–	2,853	(2,895)	42	–	–	–
Payment of 2017 final dividend	–	–	–	(50,740)	(50,740)	–	(50,740)
Dividend paid and payable to non-controlling shareholders	–	–	–	–	–	(17,721)	(17,721)
Equity injected by non-controlling shareholders	–	–	–	–	–	765	765
Net change in equity loans due to non-controlling shareholders	–	–	–	–	–	(3,809)	(3,809)
	3,087	(36)	(915)	(50,698)	(48,562)	(20,765)	(69,327)
Balance at 30 June 2018	3,201,507	(36)	972,849	2,395,375	6,569,695	416,510	6,986,205

	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, as previously reported	3,201,995	(4,996)	693,368	2,398,584	6,288,951	387,937	6,676,888
Change in accounting policy – HKFRS 16	–	–	–	(89,575)	(89,575)	(5,608)	(95,183)
Balance at 1 January 2019, as restated	<u>3,201,995</u>	<u>(4,996)</u>	<u>693,368</u>	<u>2,309,009</u>	<u>6,199,376</u>	<u>382,329</u>	<u>6,581,705</u>
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	<u>–</u>	<u>–</u>	<u>(20,589)</u>	<u>115,061</u>	<u>94,472</u>	<u>6,488</u>	<u>100,960</u>
Granting of shares 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)
	<u>–</u>	<u>1,140</u>	<u>1,317</u>	<u>(83,553)</u>	<u>(81,096)</u>	<u>(75,626)</u>	<u>(156,722)</u>
Balance at 30 June 2019	<u><u>3,201,995</u></u>	<u><u>(3,856)</u></u>	<u><u>674,096</u></u>	<u><u>2,340,517</u></u>	<u><u>6,212,752</u></u>	<u><u>313,191</u></u>	<u><u>6,525,943</u></u>

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 operations 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, 5th Floor, 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 21 August 2019. 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 2019 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").

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, 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 2018, except for the adoption of the following new accounting standards, amendments and interpretations to accounting standards which are relevant to the Group's operation and are mandatory for the financial year ending 31 December 2019.

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

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

HKFRS 16 Leases

Nature of change

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

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

Impact on transition

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

Upon adoption of HKFRS 16, the Group applied a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for short-term leases (that at the commencement date have a lease term of 12 months or less) which are exempted by the standard. Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. Incremental borrowing rate is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group has used the practical expedients permitted by the standard of using a single discount rate to a portfolio of leases. Right-of-use assets (representing the right to use the underlying assets during the lease term) were measured at their carrying amounts as if the standard had been applied since the commencement date, but discounted using the incremental borrowing rate at 1 January 2019. The leasehold land in Hong Kong (previously included in property, plant and equipment) together with the leasehold land and land use rights in other areas would be reclassified to the right-of-use assets. Right-of-use assets that forms part of the investment properties are classified as investment properties and applied the accounting standard same as investment properties. Interest expense on the lease liability and depreciation expense on the right-of-use asset would be recognised in the profit or loss instead of the operating lease expense. The Group elected to present the right-of-use assets and lease liabilities separately in the statement of financial position.

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

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

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

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

The accounting policy for 'Operating leases – as the lessee' as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease to come up with the lease liabilities. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases with a lease term of 12 months or less are recognised on a straight-line basis as an expense in profit or loss.

3. Revenue and segment information

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

	Six months ended 30 June	
	2019	2018
Revenue		
Hotel properties		
Revenue from rooms	533,968	560,733
Food and beverage sales	432,816	458,438
Rendering of ancillary services	58,845	61,735
Hotel management and related services	52,911	49,620
Property development for sale	70,466	4,639
Other business	2,349	–
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Revenue from contracts with customers within the scope of HKFRS 15	1,151,355	1,135,165
Investment Properties	43,639	40,378
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	1,194,994	1,175,543
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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 hotel under lease)
 - The People’s Republic of China
 - Hong Kong
 - Mainland China
 - Singapore
 - Malaysia
 - The Philippines
 - Japan
 - Thailand
 - France
 - Australia
 - United Kingdom
 - Mongolia
 - Sri Lanka
 - Other countries (including Fiji, Myanmar, Maldives, Indonesia, Turkey and Mauritius)
- ii. Hotel management and related services* for Group-owned hotels and for hotels owned by third parties
- iii. Investment properties* – development, ownership and operations of office properties, commercial properties and serviced apartments/residences
 - Mainland China
 - Singapore
 - Malaysia
 - Mongolia
 - Other countries (including Australia and Myanmar)
- iv. Property development for sale*

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

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

Segment profit or loss
For the six months ended 30 June 2019 and 2018 (USD million)

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

	2019			2018	
	Revenue (Note b)	Profit/(Loss) after tax		Revenue (Note b)	Profit/(Loss) after tax (HKAS 17) (Note a)
Adjusted to HKAS 17 (Note a)		Under new HKFRS 16 (Note a)			
Hotel properties					
The People's Republic of China					
Hong Kong	175.0	27.7	27.7	177.7	29.8
Mainland China	380.4	(5.7)	(6.1)	415.5	9.8
Singapore	111.0	11.8	11.7	113.8	16.2
Malaysia	58.7	6.7	6.7	64.2	8.2
The Philippines	92.6	8.5	7.9	88.5	7.6
Japan	31.0	–	(0.1)	33.3	1.6
Thailand	39.2	6.3	6.3	39.5	8.0
France	21.6	(7.0)	(7.0)	23.8	(7.3)
Australia	41.1	0.7	0.4	47.4	0.8
United Kingdom	24.2	(5.3)	(7.4)	22.6	(10.7)
Mongolia	6.9	(2.9)	(2.9)	5.8	(4.8)
Sri Lanka	13.8	(6.6)	(6.6)	18.8	(8.3)
Other countries	30.1	(5.0)	(5.0)	30.0	(7.3)
	1,025.6	29.2	25.6	1,080.9	43.6
Hotel management and related services	115.7	(15.4)	(15.5)	113.1	9.2
Sub-total hotel operation	1,141.3	13.8	10.1	1,194.0	52.8
Investment properties					
Mainland China	9.4	79.6	79.6	10.4	75.2
Singapore	6.7	3.9	3.9	6.9	4.7
Malaysia	3.2	0.8	0.8	3.1	0.9
Mongolia	10.9	1.1	1.1	7.8	(2.1)
Other countries	13.5	3.1	3.1	12.2	1.7
	43.7	88.5	88.5	40.4	80.4
Property development for sale	70.5	46.5	46.5	4.6	11.9
Other businesses	2.3	(0.1)	(0.3)	–	0.1
Total	1,257.8	148.7	144.8	1,239.0	145.2
Less: Hotel management – Inter-segment revenue	(62.8)			(63.5)	
Total external revenue	1,195.0			1,175.5	

	2019		2018		
	Revenue (Note b)	Profit/(Loss) after tax		Revenue (Note b)	Profit/(Loss) after tax (HKAS 17) (Note a)
Adjusted to HKAS 17 (Note a)		Under new HKFRS 16 (Note a)			
Corporate finance costs (net)		(61.8)	(61.8)		(45.1)
Land cost amortisation and pre-opening expenses for projects		(3.6)	(3.7)		(2.6)
Corporate expenses		(13.2)	(13.2)		(15.3)
Exchange losses of corporate investment holding companies		(1.9)	(1.9)		(1.8)
Profit before non-operating items		68.2	64.2		80.4
Non-operating items					
Share of net fair value gains on investment properties		48.8	48.8		70.0
Net unrealised gains on financial assets at fair value through profit or loss		3.8	3.8		2.4
Fair value adjustments on security deposit on leased premises		0.1	0.1		0.1
Others		(1.8)	(1.8)		–
Consolidated profit attributable to owners of the Company		119.1	115.1		152.9

Notes:

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

4. Accounts receivable, prepayments and deposits

	As at	
	30 June 2019	31 December 2018
Trade receivables – net	98,948	108,314
Other receivables	108,469	78,842
Prepayments and other deposits	86,439	82,682
Short term advance to a third party (<i>Note (c)</i>)	1,050	1,050
	<u>294,906</u>	<u>270,888</u>

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 2019	31 December 2018
0 – 3 months	89,022	96,656
4 – 6 months	3,325	4,584
Over 6 months	6,601	7,074
	<u>98,948</u>	<u>108,314</u>

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

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

	Number of shares (<i>'000</i>)	Amount		Total
		Ordinary shares	Share premium	
Share capital and premium				
Authorised				
– Ordinary shares of HKD1 each				
At 31 December 2018 and 30 June 2019	5,000,000	646,496	–	646,496
Issued and fully paid				
– Ordinary shares of HKD1 each				
At 1 January 2018	3,584,060	462,715	2,735,705	3,198,420
Exercise of share options				
– allotment of shares	1,390	179	1,993	2,172
– transfer from share option reserve	–	–	915	915
At 30 June 2018	<u>3,585,450</u>	<u>462,894</u>	<u>2,738,613</u>	<u>3,201,507</u>
Exercise of share options				
– allotment of shares	75	10	107	117
– transfer from share option reserve	–	–	371	371
At 31 December 2018 and 1 January 2019	<u>3,585,525</u>	<u>462,904</u>	<u>2,739,091</u>	<u>3,201,995</u>
Exercise of share options				
– allotment of shares	–	–	–	–
– transfer from share option reserve	–	–	–	–
At 30 June 2019	<u>3,585,525</u>	<u>462,904</u>	<u>2,739,091</u>	<u>3,201,995</u>
Shares held for share award scheme				
At 1 January 2018	–	–	–	–
Shares purchase for share award scheme	(1,436)	(185)	(2,704)	(2,889)
Vesting of shares under share award scheme	<u>1,418</u>	<u>183</u>	<u>2,670</u>	<u>2,853</u>
At 30 June 2018	<u>(18)</u>	<u>(2)</u>	<u>(34)</u>	<u>(36)</u>
Shares purchase for share award scheme	(3,254)	(420)	(4,615)	(5,035)
Vesting of shares under share award scheme	<u>40</u>	<u>5</u>	<u>70</u>	<u>75</u>
At 31 December 2018 and 1 January 2019	<u>(3,232)</u>	<u>(417)</u>	<u>(4,579)</u>	<u>(4,996)</u>
Vesting of shares under share award scheme	<u>675</u>	<u>87</u>	<u>1,053</u>	<u>1,140</u>
At 30 June 2019	<u>(2,557)</u>	<u>(330)</u>	<u>(3,526)</u>	<u>(3,856)</u>

As at 30 June 2019, except for shares held for share award scheme as shown above, 10,501,055 (31 December 2018: 10,501,055) ordinary shares in the Company were held by a subsidiary which was acquired in late 1999. The cost of these shares was recognised in equity as in prior years.

Share awards

During the six months ended 30 June 2019, no shares in the Company were purchased under the share award scheme and 675,000 shares under such scheme were transferred to the awardees upon vesting of the awarded shares. The remaining 2,557,000 shares under the share award scheme were held in trust as at 30 June 2019. Details of the share award scheme were disclosed in Note 6 to this 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 2018 annual report.

No share option was exercised during the six months ended 30 June 2019 (year ended 31 December 2018: 1,465,000 shares were exercised with a total consideration of USD2,289,000 was received).

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 2019		For the year ended 31 December 2018	
	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	8,188,000	12.11	9,813,000
Exercised	–	–	12.11	(1,465,000)
Lapsed	12.11	<u>(550,000)</u>	12.11	<u>(160,000)</u>
At 30 June/31 December	12.11	<u>7,638,000</u>	12.11	<u>8,188,000</u>

No new option was granted during the six months ended 30 June 2019 and 2018.

No share option was exercised or lapsed subsequent to 30 June 2019 and up to the approval date of the financial statements.

6. Share Award Scheme

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

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

During the six months ended 30 June 2019, a total of 3,775,884 shares and 675,000 shares were granted and vested to the qualified awardees, respectively. Details of the awarded shares granted and vested during 2019 and 2018 are as follows:

Grant date	Fair value per share	Number of awarded shares granted	Maximum deliverable awarded shares on grant date subject to adjustment	Number of awarded shares vested		Vesting period
				For the year ended 31 December 2018	For the six months ended 30 June 2019	
In year 2018						
11 April 2018	HKD15.82	1,418,000	1,418,000	1,418,000	–	Nil
20 July 2018	HKD13.00	707,678	1,228,000	40,000	134,000	20 July 2018 to 1 April 2021
30 August 2018	HKD11.78	975,893	1,736,000	–	196,000	30 August 2018 to 1 April 2021
Total		<u>3,101,571</u>	<u>4,382,000</u>	<u>1,458,000</u>		
In year 2019						
1 April 2019	HKD11.56	1,477,169	2,338,000		285,000	1 April 2019 to 1 April 2021
15 June 2019	HKD9.45	1,547,200	2,754,000		–	1 April 2020 to 1 April 2022
30 June 2019	HKD9.85	751,515	1,292,000		60,000	30 June 2019 to 1 April 2022
Total		<u>3,775,884</u>	<u>6,384,000</u>		<u>675,000</u>	

Further details of the share award scheme are set out under the section headed "Share Award Scheme" of the Company's 2018 annual report.

7. Accounts payable and accruals

	As at	
	30 June 2019	31 December 2018
Trade payables	80,427	104,037
Construction cost payable, other payables and accrued expenses	535,053	573,605
	<u>615,480</u>	<u>677,642</u>

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

	As at	
	30 June 2019	31 December 2018
0 – 3 months	68,209	85,231
4 – 6 months	5,213	8,931
Over 6 months	7,005	9,875
	<u>80,427</u>	<u>104,037</u>

8. Expenses by nature

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

	For the six months ended	
	30 June 2019	30 June 2018
Depreciation of property, plant and equipment (net of amount capitalised of USD7,000 (2018: USD8,000))	147,728	172,234
Amortisation of leasehold land and land use rights	–	7,729
Amortisation of trademark; and website and system development	1,676	635
Amortisation of right-of-use assets	26,916	–
Employee benefit expenses excluding directors' emoluments	409,008	377,325
Cost of sales of properties	30,313	3,942
Cost of inventories sold or consumed in operation	147,279	143,938
Loss on disposal of property, plant and equipment and partial replacement of investment properties	742	913
Discarding of property, plant and equipment and investment properties due to renovation	–	74
Pre-opening expenses	1,568	1,606

9. Other gains – net

	For the six months ended	
	30 June	30 June
	2019	2018
Net realised and unrealised gains on financial asset at fair value through profit or loss – equity securities	4,188	1,336
Fair value gains of financial asset at fair value through profit or loss – club debentures	(430)	1,136
Fair value change of cross currency swap contracts	75	–
Net fair value gains/(losses) of investment properties	39,840	(9,112)
Interest income	10,749	9,391
Dividend income	764	1,148
Others	(1,692)	–
	<u>53,494</u>	<u>3,899</u>

10. Finance costs – net

	For the six months ended	
	30 June	30 June
	2019	2018
Interest expense		
– bank loans	81,675	77,304
– interest-rate swap contracts – hedging	(1,363)	626
– fixed rate bonds	14,918	–
– other loans	2,791	1,591
– interest on lease liability	15,796	–
	<u>113,817</u>	<u>79,521</u>
Less: amount capitalised	<u>(5,059)</u>	<u>(3,274)</u>
	108,758	76,247
Net foreign exchange losses	<u>2,635</u>	<u>7,072</u>
	<u>111,393</u>	<u>83,319</u>

The effective capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.67% per annum for the period (2018: 2.96% per annum).

11. Share of profit of associates

	For the six months ended	
	30 June 2019	30 June 2018
Share of profit before tax of associates before share of net fair value gains of investment properties	141,660	140,330
Share of net fair value gains of investment properties	<u>31,475</u>	<u>98,760</u>
Share of profit before tax of associates	<u>173,135</u>	<u>239,090</u>
Share of associates' taxation before provision for deferred tax liabilities on net fair value gains of investment properties	(41,374)	(41,571)
Share of provision for deferred tax liabilities on net fair value gains of investment properties	<u>(7,869)</u>	<u>(24,461)</u>
Share of associates' taxation	<u>(49,243)</u>	<u>(66,032)</u>
Share of profit of associates	<u>123,892</u>	<u>173,058</u>

12. Income tax expense

Income tax 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% (2018: 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 2019	30 June 2018
Current income tax		
– Hong Kong profits tax	5,926	9,135
– overseas taxation	39,294	46,629
Deferred income tax	<u>18,920</u>	<u>3,989</u>
	<u>64,140</u>	<u>59,753</u>

13. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the 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 2019	30 June 2018
Profit attributable to owners of the Company (<i>USD '000</i>)	<u><u>115,061</u></u>	<u><u>152,858</u></u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u><u>3,572,102</u></u>	<u><u>3,574,385</u></u>
Basic earnings per share (<i>US cents per share</i>)	<u><u>3.221</u></u>	<u><u>4.276</u></u>

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.

The dilution effect on the earnings per share for the six months ended 30 June 2019 and 2018 are as follows:

	For the six months ended	
	30 June 2019	30 June 2018
Profit attributable to owners of the Company (<i>USD '000</i>)	<u><u>115,061</u></u>	<u><u>152,858</u></u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u><u>3,572,102</u></u>	3,574,385
Adjustments (<i>thousands</i>)	<u>–</u>	<u>2,383</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	<u><u>3,572,102</u></u>	<u><u>3,576,768</u></u>
Diluted earnings per share (<i>US cents per share</i>)	<u><u>3.221</u></u>	<u><u>4.274</u></u>

14. Dividends

	For the six months ended	
	30 June 2019	30 June 2018
Interim dividend of HK8 cents (2018: HK8 cents) per ordinary share	<u>36,877</u>	<u>36,903</u>

Notes:

- (a) At a meeting held on 20 March 2019, the Board proposed a final dividend of HK14 cents per ordinary share for the year ended 31 December 2018, which was paid on 20 June 2019, and has been reflected as a charge against retained earnings for the six months ended 30 June 2019.
- (b) At a meeting held on 21 August 2019, the Board declared an interim dividend of HK8 cents per ordinary share for the year ending 31 December 2019. This declared dividend is not reflected as a dividend payable in these financial statements but reflected as an appropriation of retained earnings for the year ending 31 December 2019. The declared interim dividend of USD36,877,000 for the six months ended 30 June 2019 is calculated based on 3,585,525,056 shares of the Company in issue as at 21 August 2019 after elimination on consolidation the amount of USD135,000 for the 10,501,055 ordinary shares in the Company held by a subsidiary of the Company (*Note 5*) and 2,557,000 ordinary shares held by the share award trust for the share award scheme (*Note 5*).

15. Financial guarantees, contingencies and charges over assets

(a) Financial guarantees

The Group executed proportionate guarantees in favour of banks for securing banking facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees for these associates as at 30 June 2019 amounts to USD114,838,000 (31 December 2018: USD129,195,000).

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

(b) Contingent liabilities

As at 30 June 2019, there were no contingent liabilities.

(c) Charges over assets

As at 30 June 2019, bank borrowings of two subsidiaries amounting to USD81,910,000 (31 December 2018: USD108,999,000) are secured by legal mortgage over the property owned by these subsidiaries with an aggregate net book value of USD312,358,000 (31 December 2018: USD319,565,000).

16. Commitments

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

	As at	
	30 June 2019	31 December 2018
Existing properties – property, plant and equipment and investment properties		
– contracted but not provided for	31,933	41,742
– authorised but not contracted for	86,439	82,082
Development projects		
– contracted but not provided for	146,471	121,867
– authorised but not contracted for	233,097	193,950
	<u>497,940</u>	<u>439,641</u>

DISCUSSION AND ANALYSIS

The principal activities of the Group remained the same as in 2018. The Group's business is organised into four main segments:





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

The Group continues to develop hotels, 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**
- **Hotel Jen**
- **Traders Hotels**

The following table summarises the hotels and rooms of the Group as at 30 June 2019:

	Owned/Leased		Managed		Total Operating Hotels		Hotels Under Development	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Owned Hotels	Hotels under Management contracts
	<i>in '000</i>		<i>in '000</i>		<i>in '000</i>			
	71	30.6	15	4.6	86	35.2	4	9
	3	1.6	–	–	3	1.6	–	–
	7	2.8	2	0.6	9	3.4	–	1
	–	–	3	1.2	3	1.2	1	–
Other <i>(Note 1)</i>	1	0.6	–	–	1	0.6	–	–
Total	82	35.6	20	6.4	102	42.0	5	10

Notes:

- 1) Other hotel refers to the Portman Ritz-Carlton Hotel, Shanghai (the Group has 30% equity interest).
- 2) On 1 May 2019, the management agreement for the Shangri-La hotel in Doha has ended.
- 3) On 1 June 2019, Shangri-La Hotel, Suzhou Yuanqu in Mainland China opened for business. This is a managed hotel owned by a third party.
- 4) In the first half of 2019, the Group signed two new management agreements with third parties for the management of two hotels under development.

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

(in thousand square metres)	Group’s equity interest	Total GFA of the operating investment properties as at 30 June 2019		
		Office spaces	Commercial spaces	Serviced apartments/residential
Mainland China	20.0-100.0%	895.4	590.9	317.4
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%	41.4	21.2	19.6
Myanmar	55.9-59.3%	37.6	11.8	56.8
TOTAL		1,023.4	666.7	435.9

RESULTS OF OPERATIONS

Consolidated Revenue

Details of the segment revenue information are provided in Note 3 to the condensed consolidated interim financial statements included in this announcement.

Consolidated revenue was USD1,195.0 million for the six months ended 30 June 2019, an increase of 1.7% (or USD19.5 million), compared to USD1,175.5 million for the six months ended 30 June 2018. The increase was mainly driven by:

- A net increase of USD65.9 million in property development for sale mainly driven by recognition of revenue from the sale of residences in Shangri-La's One Galle Face development in Colombo, Sri Lanka.
- Partly offset by a decrease of USD52.7 million from Hotel Operations due to generally challenging hotel business environment attributable to geopolitical and local-specific events, as well as to an unfavourable foreign exchange rate compared to the same period last year.

(i) Hotel Properties

For the six months ended 30 June 2019, the decrease of revenue from our consolidated hotel properties was driven by a number of factors, including:

- Generally challenging hotel business environment due to geopolitical and local-specific events
- Unfavourable exchange rates, with a strong USD against our operating currencies

Please refer to table below for their respective impact on the decrease of our revenue in the six months ended 30 June 2019:

Hotel Properties	YTD Jun 2019			
	19 Actual	18 Actual	% change	% change Adj for FX
The People's Republic of China				
Hong Kong	175.0	177.7	-1.5%	-1.5%
Mainland China	380.4	415.5	-8.4%	-2.9%
Singapore	111.0	113.8	-2.5%	-0.1%
Malaysia	58.7	64.2	-8.6%	-4.3%
The Philippines	92.6	88.5	4.6%	4.8%
Japan	31.0	33.3	-6.9%	-5.9%
Thailand	39.2	39.5	-0.8%	-1.6%
France	21.6	23.8	-9.2%	-2.7%
Australia	41.1	47.4	-13.3%	-5.4%
United Kingdom	24.2	22.6	7.1%	13.8%
Mongolia	6.9	5.8	19.0%	30.5%
Sri Lanka	13.8	18.8	-26.6%	-16.6%
Other countries	30.1	30.0	0.3%	1.3%
Total Hotel Properties	1,025.6	1,080.9	-5.1%	-1.6%

As the table shows, total revenue from our Hotel Properties business decreased by 5.1% for the six months ended 30 June 2019. If we adjust for foreign exchange impact, the decrease would be 1.6% instead.

The key performance indicators of the Group-owned hotels (including hotels under lease) on an unconsolidated basis (including both subsidiaries and associates) for the six months ended 30 June 2019 and 2018 are as follows:

	2019 Weighted Average			2018 Weighted Average		
	Occupancy (%)	Room Rate (USD)	RevPAR (USD)	Occupancy (%)	Room Rate (USD)	RevPAR (USD)
The People's Republic of China						
Hong Kong	82	290	237	83	287	238
Mainland China						
<i>(Note)</i>	64	122	79	65	131	85
<i>Tier 1 Cities</i>	76	170	130	77	180	139
<i>Tier 2 Cities</i>	63	95	60	63	104	66
<i>Tier 3+4 cities</i>	48	86	41	49	92	46
Singapore	78	215	168	77	222	172
Malaysia	72	132	95	75	138	103
The Philippines	69	201	139	68	186	127
Japan	79	615	485	85	594	506
Thailand	68	173	117	71	169	120
France	54	1,220	663	59	1,271	751
Australia	85	232	198	81	232	187
United Kingdom	77	558	429	73	527	384
Mongolia	35	186	66	23	215	50
Sri Lanka	33	165	54	40	165	67
Other countries	49	188	92	47	204	96
Weighted Average	66	167	110	67	172	114

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

The weighted average occupancy of our hotels was 66% for the six months ended 30 June 2019, a decrease of one percentage point compared to 67% for the six months ended 30 June 2018. The RevPAR was USD110 for the six months ended 30 June 2019, a decrease of 4%, compared to USD114 for the six months ended 30 June 2018.

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 82% for the six months ended 30 June 2019, a decrease of one percentage point, compared to 83% for the six months ended 30 June 2018. The RevPAR was USD237 for the six months ended 30 June 2019, largely unchanged compared to USD238 for the six months ended 30 June 2018. During the period, one of our flagship hotels was negatively impacted by the political events in Hong Kong. This was partially offset by a continued healthy ramp up of Kerry Hotel, Hong Kong, which opened in April 2017. Total revenue from Hong Kong hotel properties for the six months ended 30 June 2019 decreased by 1.5% to USD175.0 million.

Mainland China

The Group had equity interest in 45 operating hotels in Mainland China as at 30 June 2019.

For Mainland China, the occupancy was 64% for the six months ended 30 June 2019, a decrease of one percentage point, compared to 65% for the six months ended 30 June 2018. The RevPAR was USD79 for the six months ended 30 June 2019, a decrease of 8%, compared to USD85 for the six months ended 30 June 2018. The China hotel market proved to be challenging as uncertainties in trade negotiations between China and the US lingered throughout the period. We were also impacted by currency fluctuations as the RMB depreciated roughly 6% against USD for the same six-months period compared to 2018.

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

- In Tier 1 cities, the occupancy was 76% for the six months ended 30 June 2019, a decrease of one percentage point, compared to 77% for the six months ended 30 June 2018. The RevPAR was USD130 for the six months ended 30 June 2019, a decrease of 7%, compared to USD139 for the six months ended 30 June 2018. If adjusted to remove the exchange rate impact, the RevPAR would have been USD138 for the six months ended 30 June 2019, a decrease of 1%, compared to USD139 for the six months ended 30 June 2018.
- In Tier 2 cities, the occupancy was 63% for the six months ended 30 June 2019, largely unchanged compared to 63% for the six months ended 30 June 2018. The RevPAR was USD60 for the six months ended 30 June 2019, a decrease of 9%, compared to USD66 for the six months ended 30 June 2018. If adjusted to remove the exchange rate impact, the RevPAR would have been USD64 for the six months ended 30 June 2019, a decrease of 3%, compared to USD66 for the six months ended 30 June 2018.

- In Tier 3 and Tier 4 cities, the occupancy was 48% for the six months ended 30 June 2019, a decrease of one percentage point, compared to 49% for the six months ended 30 June 2018. The RevPAR was USD41 for the six months ended 30 June 2019, a decrease of 10%, compared to USD46 for the six months ended 30 June 2018. If adjusted to remove the exchange rate impact, the RevPAR would have been USD44 for the six months ended 30 June 2019, a decrease of 5%, compared to USD46 for the six months ended 30 June 2018.

Total revenue from Mainland China hotel properties for the six months ended 30 June 2019 decreased by 8.4% to USD380.4 million.

Singapore

For Singapore, the occupancy was 78% for the six months ended 30 June 2019, an increase of one percentage point, compared to 77% for the six months ended 30 June 2018. The RevPAR was USD168 for the six months ended 30 June 2019, a decrease of 2%, compared to USD172 for the six months ended 30 June 2018. This was mainly due to a roughly 2% depreciation of SGD against USD for the same six-months period compared to 2018, as well as a one-off significant US-North Korea political event that was held in Singapore in June 2018 that drove performance temporarily. Total revenue from Singapore hotel properties for the six months ended 30 June 2019 decreased by 2.5% to USD111.0 million.

Malaysia

For Malaysia, the occupancy was 72% for the six months ended 30 June 2019, a decrease of three percentage points, compared to 75% for the six months ended 30 June 2018. The RevPAR was USD95 for the six months ended 30 June 2019, a decrease of 8%, compared to USD103 for the six months ended 30 June 2018. This was mainly due to a roughly 4% depreciation of MYR against USD for the same six-months period compared to 2018, as well as a weak economic environment due to political uncertainties surrounding elections. Total revenue from Malaysia hotel properties for the six months ended 30 June 2019 decreased by 8.6% to USD58.7 million.

The Philippines

For The Philippines, the occupancy was 69% for the six months ended 30 June 2019, an increase of one percentage point, compared to 68% for the six months ended 30 June 2018. The RevPAR was USD139 for the six months ended 30 June 2019, an increase of 9%, compared to USD127 for the six months ended 30 June 2018. This was mainly driven by the reopening of our resort in Boracay in late October 2018 after a six-months island-wide closure for environmental rehabilitation requested by the government. Total revenue from The Philippines hotel properties for the six months ended 30 June 2019 increased by 4.6% to USD92.6 million.

Australia

For Australia, the occupancy was 85% for the six months ended 30 June 2019, an increase of four percentage points, compared to 81% for the six months ended 30 June 2018. The RevPAR was USD198 for the six months ended 30 June 2019, an increase of 6%, compared to USD187 for the six months ended 30 June 2018. A pick up in Shangri-La Hotel, The Marina, Cairns after asset enhancement was offset by the weak performance at Shangri-La Hotel, Sydney. The weakness was due to political uncertainties during elections. Part of the challenge also came from a weakening AUD against USD, where it depreciated by roughly 8% for the same six-months period compared to 2018. Total revenue from Australia hotel properties for the six months ended 30 June 2019 decreased by 13.3% to USD41.1 million, more than half of the decline came from the closure of Hotel Jen Brisbane in December 2018.

Sri Lanka

For Sri-Lanka, the occupancy was 33% for the six months ended 30 June 2019, a decrease of seven percentage points, compared to 40% for the six months ended 30 June 2018. The RevPAR was USD54 for the six months ended 30 June 2019, a decrease of 19%, compared to USD67 for the six months ended 30 June 2018. This was mainly due to a roughly 12% depreciation of LKR against USD for the same six-months period compared to 2018, as well as bomb blast incident in the country during the Easter weekend, the hotel was closed and did not reopen until 15 June 2019. Total revenue from Sri-Lanka hotel properties for the six months ended 30 June 2019 decreased by 26.6% to USD13.8 million.

(ii) Hotel Management & Related Services

On 1 June 2019, the Shangri-La Hotel, Suzhou Yaunqu in Mainland China, a hotel owned by a third party, opened for business. The hotel has 303 guestrooms and 16 long stay apartments.

As at 30 June 2019, the Group's wholly owned subsidiary, SLIM International Limited and its subsidiaries ("SLIM") managed a total of 101 hotels and resorts:

- 78 Group-owned hotels (Portman Ritz-Carlton Hotel, Shanghai (Mainland China) is the only exception)
- 3 hotels under lease agreements
- 20 hotels owned by third parties

The 20 operating hotels (6,419 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 64% for the six months ended 30 June 2019, an increase of one percentage point, compared to 63% for the six months ended 30 June 2018. The RevPAR was USD92 for the six months ended 30 June 2019, a decrease of 3%, compared to USD95 for the six months ended 30 June 2018.

Gross revenues from SLIM was USD115.7 million for the six months ended 30 June 2019, an increase of 2.3% (or USD2.6 million) compared to USD113.1 million for the six months ended 30 June 2018.

After eliminating inter-segment sales with subsidiaries, the net revenues from SLIM was USD52.9 million for the six months ended 30 June 2019, an increase of 6.7% (or USD3.3 million) compared to USD49.6 million for the six months ended 30 June 2018. The increase of revenue was mainly driven by an increased recognition of Golden Circle fees from our hotels as we increase our promotion efforts in the program.

During the current period, SLIM signed two new management agreements with third parties for the management and operation of two hotels under development in Mainland China. The Shangri-La hotel at Shougang Park in Beijing is scheduled for completion and operation at the end of 2021. This hotel will be designated as the official hotel of Beijing 2022 Winter Olympics. The Hotel Jen, Qianhai in Shenzhen is also scheduled for completion by end of 2021. On 1 May 2019, we terminated the management agreement for the Shangri-La hotel in Doha. As at 30 June 2019, SLIM had management agreements on hand for ten new hotel projects which are owned by third parties.

(iii) Investment Properties

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

	Period ended 30 June		2019/18 % change
	2019 <i>USD Million</i>	2018 <i>USD Million</i>	
Mainland China	9.4	10.4	-9.6%
Singapore	6.7	6.9	-2.9%
Malaysia	3.2	3.1	3.2%
Mongolia	10.9	7.8	39.7%
Other countries	13.5	12.2	10.7%
Consolidated revenue from Investment Properties business	<u>43.7</u>	<u>40.4</u>	<u>8.2%</u>

During the period, we continued to see the benefits from the ramping up of Shangri-La Centre, Ulaanbaatar, which opened for business in July 2016. As a result, revenue generated from our subsidiary investment properties in Mongolia for the six months ended 30 June 2019 increased by 39.7% to USD10.9 million.

This was partly offset by our investment properties in Mainland China, which decreased by 9.6% to USD9.4 million for the six months ended 30 June 2019. This was mainly due to a drop in occupancy at our serviced apartments in Shangri-La Residences, Dalian, as the contract with a corporate account ended at the end of 2018.

Revenues from other geographies remained largely stable during the period.

As a result, revenue from our consolidated investment properties for the six months ended 30 June 2019 stood at USD43.7 million, an increase of 8.2% (or USD3.3 million), compared to USD40.4 million for the six months ended 30 June 2018.

(iv) Property Development for Sale

Property development for sale by subsidiaries for the six months ended 30 June 2019 stood at USD70.5 million, an increase of 1,432.6%, compared to USD4.6 million for the six months ended 30 June 2018.

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

10 sold units of Yavis were handed over to the buyers during the period. As at 30 June 2019, Yavis had a remaining inventory of 74 units.

One Galle Face, Colombo (Sri Lanka) comprises 390 apartments (372 for sale and 18 for rental purpose) with total gross floor area of approximately 93,500 sqm. In the first half of 2019, we handed over 64 pre-sold apartments of One Galle Face, Colombo to the buyers and recognised USD66.1 million in revenue. As at 30 June 2019, One Galle Face, Colombo had a remaining of 89 apartments for sale and 108 units sold but not handed over.

EBITDA and Aggregate Effective Share of EBITDA

The Group adopted the new accounting standard HKFRS 16 Lease for the current financial period. The Group applied the simplified transition approach and did not restate the comparative accounts for 2018. Details of the change are provided in Note 2 to the condensed consolidated interim financial statements included in this announcement. For comparative purpose, the following EBITDA information for 2019 was adjusted and presented based on the former accounting standard HKAS 17 Leases effective till end of 2018.

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 2019 and 2018 by geographical areas and by business segments:

		EBITDA of the Company and subsidiaries		Effective share of EBITDA of the Company and subsidiaries		Effective share of EBITDA of associates		Aggregate Effective share of EBITDA	
		2019	2018	2019	2018	2019	2018	2019	2018
<i>(USD million)</i>									
Hotel Properties	The People's Republic of China								
	Hong Kong	52.8	60.5	48.2	54.6	0.6	0.7	48.8	55.3
	Mainland China	94.3	115.7	85.5	105.4	28.9	36.2	114.4	141.6
	Singapore	26.0	32.6	26.1	32.6	2.5	3.0	28.6	35.6
	Malaysia	16.3	21.1	9.3	11.8	4.0	4.1	13.3	15.9
	The Philippines	28.9	28.2	28.2	27.5	5.3	4.8	33.5	32.3
	Japan	0.5	1.8	0.5	1.8	–	–	0.5	1.8
	Thailand	14.9	17.2	11.0	12.7	–	–	11.0	12.7
	France	(0.8)	1.3	(0.8)	1.3	–	–	(0.8)	1.3
	Australia	7.8	10.0	7.8	10.0	–	–	7.8	10.0
	United Kingdom	(3.4)	(5.8)	(3.4)	(5.8)	–	–	(3.4)	(5.8)
	Mongolia	1.4	(0.5)	0.7	(0.2)	–	–	0.7	(0.2)
	Sri Lanka	(0.4)	1.9	(0.4)	1.7	–	–	(0.4)	1.7
	Other countries	(1.9)	(0.7)	(1.3)	(0.7)	2.7	3.2	1.4	2.5
		<u>236.4</u>	<u>283.3</u>	<u>211.4</u>	<u>252.7</u>	<u>44.0</u>	<u>52.0</u>	<u>255.4</u>	<u>304.7</u>
Hotel Management and Related Services		(8.5)	17.0	(8.5)	17.0	–	–	(8.5)	17.0
Sub-total Hotel Operations		<u>227.9</u>	<u>300.3</u>	<u>202.9</u>	<u>269.7</u>	<u>44.0</u>	<u>52.0</u>	<u>246.9</u>	<u>321.7</u>
Investment Properties	Mainland China	3.9	4.1	3.6	3.7	118.1	113.5	121.7	117.2
	Singapore	2.7	3.2	2.7	3.2	2.2	2.4	4.9	5.6
	Malaysia	2.1	2.1	1.1	1.1	–	–	1.1	1.1
	Mongolia	5.9	2.1	3.0	1.1	–	–	3.0	1.1
	Other countries	7.5	5.6	4.4	3.2	–	–	4.4	3.2
Sub-total Investment Properties		<u>22.1</u>	<u>17.1</u>	<u>14.8</u>	<u>12.3</u>	<u>120.3</u>	<u>115.9</u>	<u>135.1</u>	<u>128.2</u>
Property Development for Sale & Other Business		<u>38.9</u>	<u>0.3</u>	<u>35.0</u>	<u>0.3</u>	<u>19.8</u>	<u>18.7</u>	<u>54.8</u>	<u>19.0</u>
Sub-total		<u>288.9</u>	<u>317.7</u>	<u>252.7</u>	<u>282.3</u>	<u>184.1</u>	<u>186.6</u>	<u>436.8</u>	<u>468.9</u>
Corporate and pre-opening expenses		<u>(14.9)</u>	<u>(16.2)</u>	<u>(14.4)</u>	<u>(16.2)</u>	<u>(0.2)</u>	<u>(0.4)</u>	<u>(14.6)</u>	<u>(16.6)</u>
Grand total presented under HKAS 17		<u>274.0</u>	<u>301.5</u>	<u>238.3</u>	<u>266.1</u>	<u>183.9</u>	<u>186.2</u>	<u>422.2</u>	<u>452.3</u>
Grand total presented under HKFRS 16		<u>300.9</u>		<u>263.8</u>		<u>185.4</u>		<u>449.2</u>	

Aggregate effective share of EBITDA was USD422.2 million for the six months ended 30 June 2019, a decrease of 6.7% (or USD30.1 million), compared to USD452.3 million for the six months ended 30 June 2018. The increase was mainly driven by:

- Effective share of EBITDA from Hotel Properties business for the six months ended 30 June 2019 was USD255.4 million, a decrease of 16.2% (or USD49.3 million), compared to USD304.7 million for the six months ended 30 June 2018. We saw weakness in operating environments in most of the geographies due to geopolitical and local-specific events, not helped by the unfavourable foreign exchange rates, as explained in earlier sections.
- Effective share of EBITDA from Hotel Management and Related Services for the six months ended 30 June 2019 was USD(8.5) million, a decrease of USD25.5 million, compared to USD17.0 million for the six months ended 30 June 2018. The decrease was mainly attributable to the increase in staff costs due to recruitment of additional executives and staff for future business development.
- Effective share of EBITDA from Investment Properties business for the six months ended 30 June 2019 was USD135.1 million, an increase of 5.4% (or USD6.9 million), compared to USD128.2 million for the six months ended 30 June 2018. This was mainly driven by the steady growth of our associated company China World Trade Center in Beijing, as well as our subsidiary investment property in Mongolia as highlighted in early section.
- Effective share of EBITDA from Property Development for Sale & Other Business for the six months ended 30 June 2019 was USD54.8 million, an increase of 188.4% (or USD35.8 million), compared to USD19.0 million for the six months ended 30 June 2018. This was mainly driven by the recognition of sales of residential units of One Galle Face, Colombo (Sri Lanka) as highlighted in early section.

Consolidated Profit Attributable to Owners of the Company

The following table summarises information related to the consolidated profit attributable to owners of the Company before and after non-operating items for the six months ended 30 June 2019 and 2018 by geographical areas and by business segments:

		Period ended 30 June			2019/18
		2019	2019	2018	% change
		USD Mil	USD Mil	USD Mil	
		Under	Under	Under	Under
		HKFRS	HKAS	HKAS	HKAS
		16	17	17	17
Hotel Properties	The People's Republic of China				
	Hong Kong	27.7	27.7	29.8	-7.0%
	Mainland China	(6.1)	(5.7)	9.8	N/M
	Singapore	11.7	11.8	16.2	-27.2%
	Malaysia	6.7	6.7	8.2	-18.3%
	The Philippines	7.9	8.5	7.6	11.8%
	Japan	(0.1)	–	1.6	N/M
	Thailand	6.3	6.3	8.0	-21.3%
	France	(7.0)	(7.0)	(7.3)	4.1%
	Australia	0.4	0.7	0.8	-12.5%
	United Kingdom	(7.4)	(5.3)	(10.7)	50.5%
	Mongolia	(2.9)	(2.9)	(4.8)	39.6%
	Sri Lanka	(6.6)	(6.6)	(8.3)	20.5%
	Other countries	(5.0)	(5.0)	(7.3)	31.5%
		<u>25.6</u>	<u>29.2</u>	<u>43.6</u>	<u>-33.0%</u>
Hotel Management and Related Services		<u>(15.5)</u>	<u>(15.4)</u>	<u>9.2</u>	<u>N/M</u>
Sub-total Hotel Operations		<u>10.1</u>	<u>13.8</u>	<u>52.8</u>	<u>-73.9%</u>
Investment Properties	Mainland China	79.6	79.6	75.2	5.9%
	Singapore	3.9	3.9	4.7	-17.0%
	Malaysia	0.8	0.8	0.9	-11.1%
	Mongolia	1.1	1.1	(2.1)	N/M
	Other countries	3.1	3.1	1.7	82.4%
Sub-total Investment Properties		<u>88.5</u>	<u>88.5</u>	<u>80.4</u>	<u>10.1%</u>
Property Development for Sale & Other Business		<u>46.2</u>	<u>46.4</u>	<u>12.0</u>	<u>286.7%</u>
Consolidated profit from operating properties		<u>144.8</u>	<u>148.7</u>	<u>145.2</u>	<u>2.4%</u>
Net corporate finance costs (including foreign exchange gains and losses)		(63.7)	(63.7)	(46.9)	-35.8%
Land cost amortisation & pre-opening expenses for projects & corporate expenses		(16.9)	(16.8)	(17.9)	6.1%
Consolidated profit attributable to owners of the Company before non-operating items		<u>64.2</u>	<u>68.2</u>	<u>80.4</u>	<u>-15.2%</u>
Non-operating items		<u>50.9</u>	<u>50.9</u>	<u>72.5</u>	<u>-29.8%</u>
Consolidated profit attributable to owners of the Company after non-operating items		<u><u>115.1</u></u>	<u><u>119.1</u></u>	<u><u>152.9</u></u>	<u><u>-22.1%</u></u>

Consolidated profit attributable to owners of the Company after non-operating items was USD119.1 million for the six months ended 30 June 2019, a decrease of 22.1% (or USD33.8 million), compared to USD152.9 million for the six months ended 30 June 2018. The decrease was mainly driven by:

- Hotel Properties profit for the six months ended 30 June 2019 was USD29.2 million, a decrease of 33.0%, compared to USD43.6 million for the six months ended 30 June 2018. We saw weakness in operating environments in most of the geographies due to geopolitical and local-specific events, not helped by the unfavourable foreign exchange rates, as explained in earlier sections.
- Hotel Management and Related Services loss for the six months ended 30 June 2019 was USD(15.4) million, a decrease of USD24.6 million, compared to profit of USD9.2 million for the six months ended 30 June 2018. The decrease was highlighted in early sections.
- Investment Properties profit for the six months ended 30 June 2019 was USD88.5 million, an increase of 10.1% (or USD8.1 million), compared to USD80.4 million for the six months ended 30 June 2018. This was mainly driven by the steady growth of our associated company China World Trade Center in Beijing, as well as our subsidiary investment property in Mongolia as highlighted in early sections.
- Property Development for Sale & Other Business profit for the six months ended 30 June 2019 was USD46.4 million, an increase of 286.7% (or USD34.4 million), compared to USD12.0 million for the six months ended 30 June 2018. This was mainly driven by the recognition of sales of residential units of One Galle Face, Colombo (Sri Lanka) as highlighted in early sections.
- Net corporate finance cost for the six months ended 2019 was USD61.8 million, an increase of 35.8% (or USD16.8 million), compared to USD45.1 million for the six months ended 30 June 2018. This was mainly due to the gross finance costs of fixed rate bonds of USD14.9 million during the period, compared to NIL for the comparable period last year.
- Non-operating items for the six months ended 30 June 2019 was USD50.9 million, a decrease of 29.8% (or USD21.6 million), compared to USD72.5 million for the six months ended 30 June 2018. The decrease was mainly due to lower net fair value gains on investment properties for the period of USD48.8 million, a decrease of 30.3% (or USD21.2 million), compared to USD70.0 million recognised for the six months ended 30 June 2018.

CORPORATE DEBT AND FINANCIAL CONDITIONS

In 2019, we have unfavourable change in our capital structure (the below EBITDA and interest expense being based on are adjusted to the former accounting standard HKAS 17):

- Our net debt to EBITDA ratio was 6.8x as at 30 June 2019, an unfavourable change of 0.7x, compared to 6.1x as at 31 December 2018. The unfavourable change was mainly driven by the decrease of EBITDA and increase of net debt.
- Our effective net debt to effective share of EBITDA ratio was 4.7x as at 30 June 2019, an unfavourable change of 0.5x, compared to 4.2x as at 31 December 2018. The unfavourable change was mainly driven by the decrease of effective share of EBITDA in 2019.
- Our EBITDA over interest expense ratio was 3.2x for the 12 months ended 30 June 2019, an unfavourable change of 0.5x, compared to 3.7x for the 12 months ended 31 December 2018. The unfavourable change was mainly driven by the decrease of EBITDA and increase in interest expenses in 2019.

The Group's net borrowings (total bank loans and fixed rate bonds less cash and bank balances and short-term fund placements) to total equity ratio, i.e. the gearing ratio, increased to 66.1% as at 30 June 2019 from 61.0% as at 31 December 2018. The increase was mainly driven by the decrease of total equity due to the adoption of the new accounting standard HKFRS16 and the increase of net borrowings during the current period. If the former accounting standard HKAS 17 was adopted, the Group's net borrowings to total equity ratio as at 30 June 2019 would be adjusted to 65.1%.

At the corporate level, in 2019 the Group executed a seven-year unsecured corporate loan agreement of HKD1,170 million for refinancing maturing loans.

The Group issued the following fixed rate bonds in order to reduce the refinancing cycle of its bank borrowings and to hedge its medium term borrowing interest rate:

- 5-year term principal amount of SGD135.0 million at 3.70% per annum
- 8-year term principal amount of SGD165.0 million at 4.10% per annum

At the subsidiary level, the Group also executed the following bank loan agreements in 2019 for refinancing maturing loans as well as securing funding for project financing:

- Two 3-year local bank loan agreements totalling RMB358.0 million;
- One 4-year bank loan agreement of RMB120.0 million;
- One 7-year bank loan agreement of EUR75.0 million.

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 the six months ended 30 June 2019.

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

The analysis of borrowings outstanding as at 30 June 2019 is as follows:

<i>(USD million)</i>	Maturities of Borrowings Contracted as at 30 June 2019				Total
	Within 1 year	In the 2nd year	Repayment In the 3rd to 5th year	After 5 years	
Borrowings					
Corporate borrowings					
– unsecured bank loans	59.9	1,242.0	1,452.7	151.0	2,905.6
– fixed rate bonds	–	–	99.8	763.4	863.2
Bank loans of subsidiaries					
– secured	67.6	7.1	7.1	–	81.8
– unsecured	362.1	304.1	583.1	143.5	1,392.8
Total outstanding balance	489.6	1,553.2	2,142.7	1,057.9	5,243.4
<i>% of total outstanding balance</i>	<i>9.3%</i>	<i>29.6%</i>	<i>40.9%</i>	<i>20.2%</i>	<i>100.0%</i>
Undrawn but committed facilities					
Bank loans and overdrafts	25.7	454.8	420.6	2.1	903.2

The currency mix of borrowings and cash and bank balances as at 30 June 2019 is as follows:

<i>(USD million)</i>	Borrowings	Cash and Bank Balances <i>(Note)</i>
In United States dollars	2,152.8	192.5
In Hong Kong dollars	1,457.8	78.2
In Singapore dollars	828.5	106.2
In Renminbi	472.0	340.5
In Euros	220.3	6.1
In Australian dollars	60.5	13.5
In Japanese yen	46.4	24.5
In Fiji dollars	5.1	0.7
In Philippines pesos	–	23.1
In Thai baht	–	54.8
In Malaysian ringgit	–	65.0
In British pounds	–	5.5
In Mongolian tugrik	–	2.5
In Sri Lankan rupee	–	12.7
In Myanmar kyat	–	0.4
In Maldivian rufiyaa	–	0.2
In other currencies	–	0.8
	<u>5,243.4</u>	<u>927.2</u>

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

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

Details of financial guarantees, contingencies and charges over assets as at 30 June 2019 are disclosed in Note 15 to the condensed consolidated interim financial statements included in this announcement.

TREASURY POLICIES

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

(A) Minimising Interest Risks

The majority of the Group's borrowings are in US dollars, HK dollars and SG 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 by entering into interest-rate swap contracts. In 2019, the Group has executed the following interest-rate swap contracts at fixed rates in order to hedge the newly signed floating rate bank loan agreements:

- HKD820.0 million HIBOR seven-year term interest-rate swap contract at fixed rate 1.80% per annum
- RMB114 million SHIBOR three-year term interest-rate swap contract at fixed rate 3.50% per annum.

As at 30 June 2019, the outstanding interest-rate swap contracts are:

- USD860.0 million at fixed rates ranging between 1.825% and 3.045% per annum maturing during April 2022 to November 2023.
- HKD820.0 million at a fixed rate of 1.80% per annum maturing in June 2026.
- RMB114 million at a fixed rate of 3.50% per annum maturing in June 2022.

Taking into account the interest-rate swap contracts, the fixed rate bonds and the Renminbi bank loans, the Group has fixed its interest liability on 44% of its outstanding borrowings as at 30 June 2019, compared to 38% as at 31 December 2018.

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

(B) Minimising Currency Risks

The Group aims at using bank borrowings in local currency to finance the capital expenditure and operational funding requirements of the properties and/or development projects in the corresponding country to achieve natural hedging of its assets. In 2019, the Group has arranged new local bank borrowings in Renminbi and Euro to refinance maturing bank borrowings.

As at 30 June 2019, the Group has the following seven-year term cross currency swap contract between Singapore dollar and US dollar extended in November 2018 in order to hedge the new seven-year USD35 million fixed rate bonds issued by a wholly owned subsidiary at fixed interest rate of 4.25% per annum.

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

INVESTMENT PROPERTIES VALUATION

Investment properties of subsidiaries and associates continue to be stated at fair value and are reviewed semi-annually (including those properties being constructed for future use as investment properties for which fair value becomes reliably determinable). The fair values of investment properties are based on opinions from independent professional valuers as obtained by the Group and the relevant associates which own the investment properties. All changes in the fair value of investment properties (including those under construction) are recorded in the statement of profit or loss. For the six months ended 30 June 2019, the Group recorded an overall effective share of net fair value gains of USD48.8 million for its investment properties.

The following table shows the fair value gains and losses of the investment properties held by the Group's subsidiaries and associates for the period:

<i>(USD million)</i>	<u>Subsidiaries</u>		<u>Associates</u>		<u>Total</u>	
	100%	Effective Share	100%	Effective Share	100%	Effective Share
Gains	39.8	32.2	82.2	31.5	122.0	63.7
Deferred tax	(8.0)	(7.0)	(20.5)	(7.9)	(28.5)	(14.9)
Net gains	<u>31.8</u>	<u>25.2</u>	<u>61.7</u>	<u>23.6</u>	<u>93.5</u>	<u>48.8</u>

FINANCIAL ASSETS – TRADING SECURITIES

As at 30 June 2019, the market value of the Group's investment portfolio was USD23.0 million, which mainly included 4,483,451 ordinary shares in Kerry Properties Limited amounting to USD19.0 million, and 2,241,725 ordinary shares in Kerry Logistics Network Limited amounting to USD4.0 million. The Group recorded an unrealised net fair value gain of USD4.2 million and dividend income of USD0.6 million during the current period.

DEVELOPMENT PROGRAMMES

During the current period, the Group has acquired land sites in Bangkok of Thailand and Kyoto of Japan for the development of hotels.

Construction work on the following projects is on-going:

(A) Hotel Developments

	Group's Equity Interest	Hotel Rooms	Long Stay Apartments	Projected Opening
Hotels in Mainland China				
Shangri-La Hotel, Zhoushan	100%	204	–	Q4 2019
Shangri-La Hotel, Putian	40%	253	4	2020
Traders Hotel, Kunming	45%	279	–	2021
Shangri-La Hotel, Kunming (part of a composite development project in Kunming City)	45%	81	–	TBD*
Shangri-La Hotel, Zhengzhou	45%	211	–	2023

* 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					
Phase II of Shangri-La Hotel, Wuhan	92%	–	38,389	9,652	2H 2019
Shenyang Kerry Centre – Phase II	25%	36,149	–	2,283	1H 2020
Kunming City Project	45%	21,141	–	–	2021
Phase II of Shangri-La Hotel, Fuzhou	100%	–	35,112	31,888	2022
Shenyang Kerry Centre – Phase III	25%	308,113	85,201	65,501	2022 onwards*
Composite development project in Zhengzhou	45%	94,222	58,946	3,993	2022 onwards*
In other countries					
One Galle Face, Colombo, Sri Lanka	90%	–	59,866	79,518	2H 2019
		<u>459,625</u>	<u>277,514</u>	<u>192,835</u>	

* Being developed in phases

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

Hotel development

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

Composite development

- Nanchang city project — Phase II, Mainland China (20% equity interest owned by the Group)
- Tianjin Kerry Centre — Phase II, Mainland China (20% equity interest owned by the Group)
- Accra, the Republic of Ghana (45% equity interest owned by the Group)

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

ACQUISITION

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

MANAGEMENT CONTRACTS FOR HOTELS OWNED BY THIRD PARTIES

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

As at the date of this report, the Group has management agreements for 20 operating hotels owned by third parties. In addition, the Group also has agreements on hand for the development of 10 new hotels currently under development and owned by third parties. The development projects are located in Nanning, Qiantan, Beijing and Shenzhen (Mainland China); Kota 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.

PROSPECTS

The headwinds we witnessed in the second half of 2018 continued to linger into the first half of 2019 – namely, a continued weak foreign currency environment against the US dollar, as well as the weak market sentiment caused by uncertainties arising from the trade war between China and the US. Our challenges were then exacerbated by a number of specific events such as a bomb blast incident at our hotel in Colombo, Sri Lanka over the Easter Weekend, as well as drawn-out demonstrations in various areas in Hong Kong that impacted consumer and travellers' sentiment.

As we step into the latter half of 2019, the protests in Hong Kong are still ongoing and we have started to see a significant drop in tourist/arrivals in July. In other regions, we continue to anticipate the global economic and political environment to remain challenging, and see risks arising from continued volatility in foreign exchange rates. This will continue to create pressure for our hotel businesses. On the other hand, a typically more stable income from our Investment Properties business from our subsidiaries and associates should help mitigate some of the volatilities.

In the midst of such testing times, we have to continue to focus our efforts in building a stronger foundation for the Group to better weather future adverse externalities and capture new opportunities. Riding on the partnership with Tencent, we have built and piloted self-check-in kiosks, keyless room entry, as well as in-room appliance control via WeChat mini program. We look forward to continue introducing new concepts that will enhance our customers' experience during their stay.

We currently plan to open several new properties in our various businesses in the second half of 2019. For our Hotel Properties business, we look forward to the opening of our hotel in Zhoushan (China). Our Investment Properties business targets to complete the office and commercial spaces of our composite sites in Wuhan (China) and Colombo (Sri Lanka). Finally, the handing over our pre-sold units of residences in One Galle Face development in Colombo, Sri Lanka progressed steadily despite the bomb blast. However, given the negative sentiment after the tragedy, our original anticipated USD100 million of operating profit to be recognised for the full year may be adjusted downward, after having recognised USD34.5 million for the first six months of 2019.

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

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

CORPORATE GOVERNANCE

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

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

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

QUALIFICATION FOR INTERIM DIVIDEND

To qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 pm on 24 September 2019.

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

Hong Kong, 21 August 2019

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

Executive director(s)

Ms KUOK Hui Kwong (Chairman)

Mr LIM Beng Chee (CEO)

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