

2016-2017 INTERIM REPORT

二零一六至二零一七年度
中期報告



CONRAD HOTEL HONG KONG
香港港麗酒店



信和酒店(集團)有限公司
Sino Hotels (Holdings) Limited

This interim report (“Interim Report”) (in both English and Chinese versions) has been posted on the Company’s website at www.sino.com. Shareholders who have chosen to rely on copies of the Corporate Communications (including but not limited to annual report, summary financial report (where applicable), interim report, summary interim report (where applicable), notice of meeting, listing document, circular and proxy form) posted on the Company’s website in lieu of any or all the printed copies thereof may request printed copy of the Interim Report.

Shareholders who have chosen or are deemed to have consented to receive the Corporate Communications using electronic means through the Company’s website and who have difficulty in receiving or gaining access to the Interim Report posted on the Company’s website will upon request be sent the Interim Report in printed form free of charge.

Shareholders may at any time choose to change their choice of language and means of receipt (i.e. in printed form or by electronic means through the Company’s website) of all future Corporate Communications from the Company by giving notice in writing by post to the Company’s Principal Registrars, Tricor Friendly Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong or by email at sinohotels1221-ecom@hk.tricorglobal.com.

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CORPORATE INFORMATION

Board of Directors

Robert Ng Chee Siong, Chairman
Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP[#]
Gilbert Lui Wing Kwong[#]
Peter Wong Man Kong, BBS, JP*
Adrian David Li Man-kiu, JP*
Steven Ong Kay Eng*
Wong Cho Bau, JP*
Daryl Ng Win Kong, JP
Giovanni Viterale

([#] Non-Executive Directors)

(* Independent Non-Executive Directors)

Audit Committee

Adrian David Li Man-kiu, JP, Chairman
Gilbert Lui Wing Kwong
Peter Wong Man Kong, BBS, JP
Steven Ong Kay Eng

Nomination Committee

Robert Ng Chee Siong, Chairman
Peter Wong Man Kong, BBS, JP
Adrian David Li Man-kiu, JP

Remuneration Committee

Steven Ong Kay Eng, Chairman
Peter Wong Man Kong, BBS, JP
Adrian David Li Man-kiu, JP
Daryl Ng Win Kong, JP

Authorized Representatives

Robert Ng Chee Siong
Velencia Lee

Chief Financial Officer and Company Secretary

Velencia Lee

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

Solicitors

Clifford Chance, Hong Kong
Baker & McKenzie, Hong Kong
Maples and Calder, Cayman Islands

Shareholders' Calendar

Closure of Register of Members for dividend entitlement 9th to 13th March, 2017
(both dates inclusive)

Record Date for interim dividend entitlement 13th March, 2017

Last Date for lodging form of election for scrip dividend 31st March, 2017
4:30 p.m.

Interim Dividend Payable HK4 cents per share
13th April, 2017

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited

Investor Relations Contact

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Principal Registrars

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Email : sinohotels1221-ecom@hk.tricorglobal.com

Listing Information

Stock Code 1221

CHAIRMAN'S STATEMENT

I am pleased to present my interim report to the shareholders.

INTERIM RESULTS

The Group's unaudited net profit attributable to shareholders for the six months ended 31st December, 2016 ("Interim Period") was HK\$90.3 million (2015: HK\$85.1 million). Turnover of the Group for the Interim Period was HK\$155.4 million (2015: HK\$152.3 million). Earnings per share for the Interim Period was 8.76 cents (2015: 8.53 cents).

The unaudited results for the Interim Period have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and they reflect the adoption of all Hong Kong Financial Reporting Standards applicable to the Group that are effective for the accounting period.

DIVIDEND

The Directors have declared an interim dividend of 4 cents per share payable on 13th April, 2017 to the shareholders whose names appear on the Register of Members of the Company on 13th March, 2017.

The interim dividend will be payable in cash but shareholders will be given the option of electing to receive the interim dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited.

A circular containing details of the scrip dividend scheme will be despatched to the shareholders together with a form of election for the scrip dividend on or about 16th March, 2017. It is expected that the interim dividend warrants and share certificates will be despatched to the shareholders on or about 13th April, 2017.

REVIEW OF OPERATIONS

According to the Hong Kong Tourism Board, visitor arrivals to Hong Kong was 56.6 million in 2016, representing a decrease of 4.5% from 59.3 million in 2015. Visitors from China decreased from 45.8 million in 2015 to 42.8 million in 2016 and visitors who stayed overnight decreased by 0.5% year-on-year. The Group will continue to adopt a proactive approach to optimise earnings amid a challenging market environment for the tourism industry.

Occupancy rates for City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong for the Interim Period were 91.4%, 96.8% and 88.5% compared with 89.6%, 96.3% and 85.7% respectively for the corresponding period in 2015.

The turnovers of City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong during the Interim Period were HK\$143.3 million, HK\$208.1 million and HK\$395.0 million respectively compared with HK\$139.2 million, HK\$209.4 million and HK\$387.3 million for the corresponding period in 2015.

Other than that mentioned above, there was no material change from the information published in the report and accounts for the year ended 30th June, 2016.

CHAIRMAN'S STATEMENT *(Continued)*

FINANCE

As at 31st December, 2016, the Group had cash and bank deposits of HK\$811.4 million and had no debt outstanding.

There was no material change in the capital structure of the Group for the Interim Period. Foreign exchange exposure is kept at a low level. As at 31st December, 2016, the Group did not have any contingent liabilities.

Other than the above-mentioned, there was no material change from the information published in the report and accounts for the financial year ended 30th June, 2016.

EMPLOYEE PROGRAMMES

The hospitality industry is all about providing consistent good quality service to our guests. A team of engaged and well-trained staff is crucial to build customer loyalty and making our hotels the preferred choice for our customers. Therefore, it is important for the Group to allocate adequate resources to train and groom the staff so that they can deliver the required standards of service and ensure that our hotel guests have memorable stays.

Strong emphasis has been put on investing in learning and development through continuous training, knowledge and experience sharing, job rotation and promotion. Leadership Development Programmes for both management and supervisors are held, aimed at developing employees' leadership and management skills so as to expand their role and prepare them for future advancement and development within the Company. Furthermore, management will continuously conduct regular reviews of staff feedback via the Employee Experience Survey and various engagement programmes. This will ensure that our employee compensation and benefits are competitive, thus making the Group the employer of choice.

CORPORATE SOCIAL RESPONSIBILITY

The Group adheres to the Group Sustainability Policy and continues to maintain high levels of sustainability governance standards in the hotels' business operations. The Group strives to protect our environment, engage the community, facilitate social integration and conserve local cultural heritage.

Environmental Management

The Group places strong emphasis on sustainable development and environmental protection and key objectives are to minimise the environmental impact through conserving water and electricity, as well as reducing waste generation. Through partnering with the Food Wise Hong Kong Campaign, the Group is able to adopt best practices to reduce food waste in the hotels. The Group has also participated in the 'Soap for Hope' Programme since 2015 to recycle discarded soap bars from hotels. In June 2016, The Royal Pacific Hotel & Towers was announced as the first Green Key hotel in the China and Hong Kong region organised by the Foundation for Environmental Education.

CHAIRMAN'S STATEMENT *(Continued)*

CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

Community Engagement

As a committed corporate citizen, the Group continues to place strong emphasis on serving the community. One of the regular programmes is the 'Hearty Soup Delivery Scheme' where soup is made and delivered to elderly people. Since 2011, the Group has participated in the 'Food Donation Programme' where cooked meals are given to needy families on a weekly basis in collaboration with Foodlink Foundation and Food Angel. The Group increased its efforts in promoting social integration through initiating a new programme in 2016, namely the 'Social Empowerment Programme' which aims to offer training opportunities and skills-sharing workshops for physically impaired members of the society through collaborations with the Hong Chi Association, SILENCE and The Hong Kong Society for Rehabilitation. During the Interim Period, The Royal Pacific Hotel & Towers and City Garden Hotel were selected by the Hong Kong Council of Social Service as Barrier-Free Hotels for the third consecutive year.

Tai O Heritage Hotel

In March 2008, the Ng Teng Fong Family, the major shareholder of the Group, set up the non-profitmaking organisation Hong Kong Heritage Conservation Foundation Limited ("HCF"). HCF revitalized and converted the Old Tai O Police Station, a Grade II historic building, into a boutique hotel. Named Tai O Heritage Hotel ("Hotel"), it is home to nine colonial-style rooms and suites and commenced operation in March 2012. The Hotel, operated by HCF as a non-profitmaking social enterprise, is part of the HKSAR Government's "Revitalising Historic Buildings Through Partnership Scheme". To raise public awareness on the importance of conserving heritage buildings, daily guided tours are conducted for the public and charity groups to visit the Hotel. The Hotel was one of the winners of the '2013 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation' and in October 2016, the Hotel was voted as Asia's leading heritage hotel by World Travel Awards 2016.

INDUSTRY OUTLOOK AND PROSPECTS

The world economy has become increasingly complicated in recent years with growing diversity in economic conditions among different countries. Recent global events such as the United Kingdom European Union membership referendum, also known as "Brexit" and the transition of the government in the US have increased the uncertainty in the global economy, increasing volatility in the foreign exchange markets. Significant fluctuations of foreign exchange markets and the change of trade policies can affect travel and tourism.

Despite a challenging global economic environment, the Central Government's Belt and Road Initiatives are expected to have a stimulating effect on both business and leisure travels as there will be an increasing number of international forums, conventions, co-operation and trade fairs. Infrastructure development along the Belt and Road will also improve accessibility and traffic flows among nations in the region. In particular, the Initiatives also align with the United Nation World Tourism Organisation's Silk Road Programme which puts in efforts to develop sustainable cultural and heritage tourism, providing assistance such as coordination and training for the operators in the tourism industry among the member nations along the Silk Road. Hong Kong as a world-class cosmopolitan city will benefit from the Belt and Road Initiatives in the years to come.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS *(Continued)*

The HKSAR Government's Revitalising Historic Buildings Through Partnership Scheme to promote conservation of heritage and the harbourfront enhancement initiatives in partnership with Harbourfront Commission to beautify the waterfront promenade along both sides of the Victoria Harbour will increase the number of offerings for the tourism industry. Upcoming plans such as further development of the Kai Tak Cruise Terminal to a world-class tourist attraction and the development of Kai Tak Sports Park to enhance Hong Kong's sport facilities will directly benefit the tourism industry in Hong Kong.

The Group attaches significant importance to market positioning and branding. To accomplish these objectives, regular upgrade of hotel facilities and renovation is carried out where necessary. The Group will continuously review and improve the quality of the service to meet the needs of customers and ensure our discerning guests have enjoyable stays in our hotels.

STAFF AND MANAGEMENT

On behalf of the Board, I take this opportunity to express my sincere appreciation to all staff for their commitment, dedication and continuing support. I would also like to express my gratitude to my fellow Directors for their guidance and wise counsel.

Robert NG Chee Siong
Chairman

Hong Kong, 22nd February, 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31st December, 2016

	<i>Notes</i>	Six months ended	
		31st December, 2016 HK\$ (Unaudited)	31st December, 2015 HK\$ (Unaudited)
Revenue	3, 4	155,464,725	152,307,281
Direct expenses		(55,307,505)	(56,546,449)
Other expenses		(44,261,880)	(43,600,908)
Marketing costs		(4,375,751)	(4,791,242)
Administrative expenses		(20,314,139)	(20,690,456)
Finance income	5	5,113,447	3,452,355
Finance costs	6	(13,947)	(11,013)
Finance income, net		5,099,500	3,441,342
Share of results of associates		61,589,609	61,902,507
		97,894,559	92,022,075
Profit before taxation	7	97,894,559	92,022,075
Income tax expense	8	(7,543,543)	(6,888,656)
		90,351,016	85,133,419
Profit for the period attributable to the Company's shareholders		90,351,016	85,133,419
Earnings per share – Basic	10	8.76 cents	8.53 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31st December, 2016

	Six months ended	
	31st December,	31st December,
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Profit for the period	<u>90,351,016</u>	<u>85,133,419</u>
Other comprehensive income (expense)		
Item that may be subsequently reclassified to profit or loss:		
Gain (loss) on fair value changes of available-for-sale financial assets	<u>42,597,682</u>	<u>(123,090,836)</u>
Other comprehensive income (expense) for the period	<u>42,597,682</u>	<u>(123,090,836)</u>
Total comprehensive income (net comprehensive expense) for the period attributable to the Company's shareholders	<u>132,948,698</u>	<u>(37,957,417)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2016

	<i>Notes</i>	31st December, 2016 HK\$ (Unaudited)	30th June, 2016 HK\$ (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,346,539,181	1,362,565,903
Interests in associates	12	1,322,409,993	1,260,820,409
Available-for-sale financial assets		<u>667,693,660</u>	<u>518,179,582</u>
		<u>3,336,642,834</u>	<u>3,141,565,894</u>
CURRENT ASSETS			
Hotel inventories		439,751	535,743
Trade and other receivables	13	19,479,990	14,436,349
Amounts due from associates		22,727,729	82,769,056
Time deposits, bank balances and cash		<u>811,463,559</u>	<u>820,861,568</u>
		<u>854,111,029</u>	<u>918,602,716</u>
CURRENT LIABILITIES			
Trade and other payables	14	30,730,451	27,926,397
Amount due to an associate		1,487,961	1,099,224
Taxation payable		<u>8,256,689</u>	<u>12,115,041</u>
		<u>40,475,101</u>	<u>41,140,662</u>
NET CURRENT ASSETS		<u>813,635,928</u>	<u>877,462,054</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,150,278,762</u>	<u>4,019,027,948</u>
CAPITAL AND RESERVES			
Share capital		1,045,173,116	1,029,406,361
Reserves		<u>3,099,671,345</u>	<u>2,983,523,364</u>
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		<u>4,144,844,461</u>	<u>4,012,929,725</u>
NON-CURRENT LIABILITY			
Deferred taxation		<u>5,434,301</u>	<u>6,098,223</u>
		<u>4,150,278,762</u>	<u>4,019,027,948</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2016

	Share capital HK\$	Share premium HK\$	Investment revaluation reserve HK\$	Distributable reserve HK\$	Retained profits HK\$	Total HK\$
At 1st July, 2015 (audited)	995,834,245	405,395,016	203,183,842	983,168,593	1,435,044,706	4,022,626,402
Profit for the period	-	-	-	-	85,133,419	85,133,419
Loss on fair value changes of available-for-sale financial assets	-	-	(123,090,836)	-	-	(123,090,836)
Other comprehensive expense for the period	-	-	(123,090,836)	-	-	(123,090,836)
Net comprehensive (expense) income for the period	-	-	(123,090,836)	-	85,133,419	(37,957,417)
Sub-total	995,834,245	405,395,016	80,093,006	983,168,593	1,520,178,125	3,984,668,985
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2015	16,818,411	22,032,119	-	-	-	38,850,530
Share issue expenses	-	(129,806)	-	-	-	(129,806)
Dividend	-	-	-	(39,833,370)	-	(39,833,370)
At 31st December, 2015 (unaudited)	1,012,652,656	427,297,329	80,093,006	943,335,223	1,520,178,125	3,983,556,339
Profit for the period	-	-	-	-	80,413,484	80,413,484
Loss on fair value changes of available-for-sale financial assets	-	-	(49,843,045)	-	-	(49,843,045)
Other comprehensive expense for the period	-	-	(49,843,045)	-	-	(49,843,045)
Net comprehensive (expense) income for the period	-	-	(49,843,045)	-	80,413,484	30,570,439
Subtotal	1,012,652,656	427,297,329	30,249,961	943,335,223	1,600,591,609	4,014,126,778
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2016	16,753,705	22,785,039	-	-	-	39,538,744
Share issue expenses	-	(229,691)	-	-	-	(229,691)
Dividends	-	-	-	(40,506,106)	-	(40,506,106)
At 30th June, 2016 (audited)	1,029,406,361	449,852,677	30,249,961	902,829,117	1,600,591,609	4,012,929,725
Profit for the period	-	-	-	-	90,351,016	90,351,016
Gain on fair value changes of available-for-sale financial assets	-	-	42,597,682	-	-	42,597,682
Other comprehensive income for the period	-	-	42,597,682	-	-	42,597,682
Total comprehensive income for the period	-	-	42,597,682	-	90,351,016	132,948,698
Sub-total	1,029,406,361	449,852,677	72,847,643	902,829,117	1,690,942,625	4,145,878,423
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2016	15,766,755	24,438,470	-	-	-	40,205,225
Share issue expenses	-	(62,933)	-	-	-	(62,933)
Dividend	-	-	-	(41,176,254)	-	(41,176,254)
At 31st December, 2016 (unaudited)	1,045,173,116	474,228,214	72,847,643	861,652,863	1,690,942,625	4,144,844,461

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st December, 2016

	Six months ended	
	31st December,	31st December,
	2016	2015
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Net cash from operating activities	37,402,859	38,730,253
Net cash (used in) from investing activities		
Purchase of property, plant and equipment	(6,590,738)	(11,974,120)
Proceeds on disposal of property, plant and equipment	75	244,110
Additions to available-for-sale financial assets	(103,870,294)	(10,963,543)
Additions to time deposits with original maturity more than three months	(757,111,386)	–
Repayments from associates	60,041,327	60,802,848
Other investing cash flows	4,277,934	4,945,373
	(803,253,082)	43,054,668
Net cash (used in) from financing activities		
Advances from associates	388,737	2,634,338
Dividend paid	(971,029)	(982,840)
Other financing cash flows	(76,880)	(140,819)
	(659,172)	1,510,679
Net (decrease) increase in cash and cash equivalents	(766,509,395)	83,295,600
Cash and cash equivalents at the beginning of the period	820,861,568	673,307,471
Cash and cash equivalents at the end of the period	54,352,173	756,603,071
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Time deposits	800,111,401	739,614,850
Bank balances and cash	11,352,158	16,988,221
Time deposits, bank balances and cash in the condensed consolidated statement of financial position	811,463,559	756,603,071
Less: Time deposits with original maturity more than three months	(757,111,386)	–
Cash and cash equivalents in the condensed consolidated statement of cash flows	54,352,173	756,603,071

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st December, 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30th June, 2016 except as described below.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

	Six months ended	
	31st December, 2016 HK\$	31st December, 2015 HK\$
Hotel operation	143,333,728	139,186,532
Clubhouse operation and hotel management	9,200,181	10,188,514
Dividend income from available-for-sale financial assets	2,930,816	2,932,235
	155,464,725	152,307,281

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2016

4. SEGMENT INFORMATION

The Group's operating segments under HKFRS 8 "Operating Segments" are as follows:

1. Hotel operation – City Garden Hotel
2. Investment holding – holding strategic available-for-sale investments
3. Hotel operation – operated through investments in associates of the Group, including Conrad Hong Kong and Royal Pacific Hotel & Towers
4. Others – clubhouse operation and hotel management

The following is an analysis of the Group's revenue and results by reportable and operating segment for the periods under review:

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	31st December, 2016 HK\$	31st December, 2015 HK\$	31st December, 2016 HK\$	31st December, 2015 HK\$
Hotel operation				
– City Garden Hotel	143,333,728	139,186,532	60,137,097	55,911,202
Investment holding	2,930,816	2,932,235	2,914,163	2,931,086
Hotel operation				
– share of results of associates	–	–	123,640,712	125,719,539
Others – clubhouse operation and hotel management	9,200,181	10,188,514	1,327,524	1,484,880
	<u>155,464,725</u>	<u>152,307,281</u>		
Total segment results			188,019,496	186,046,707
Administrative and other expenses			(33,173,334)	(33,648,942)
Finance income, net			5,099,500	3,441,342
Share of results of associates				
– administrative and other expenses			(50,619,649)	(51,409,924)
– finance income, net			229,980	241,433
– income tax expense			(11,661,434)	(12,648,541)
			<u>(62,051,103)</u>	<u>(63,817,032)</u>
Profit before taxation			<u>97,894,559</u>	<u>92,022,075</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2016

4. SEGMENT INFORMATION (Continued)

All of the segment revenue reported above are from external customers. There was no inter-segment revenue for the period (six months ended 31st December, 2015: nil).

Segment results represent the profit earned by each segment without allocation of certain administrative and other expenses and net finance income. The segment results of hotel operation operated through investments in associates includes revenue and direct expenses without allocation of associates' administrative and other expenses, net finance income and income tax expense of the associates. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment.

5. FINANCE INCOME

	Six months ended	
	31st December, 2016	31st December, 2015
	HK\$	HK\$
Interest income on bank deposits	<u>5,113,447</u>	<u>3,452,355</u>

6. FINANCE COSTS

	Six months ended	
	31st December, 2016	31st December, 2015
	HK\$	HK\$
Interest and other finance costs on other unsecured loans	<u>13,947</u>	<u>11,013</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2016

7. PROFIT BEFORE TAXATION

	Six months ended	
	31st December, 2016	31st December, 2015
	HK\$	HK\$
Profit before taxation has been arrived at after charging:		
Cost of hotel inventories consumed (included in direct expenses)	14,468,649	15,008,379
Depreciation of property, plant and equipment (included in other expenses)	22,617,460	22,650,420
	<u>22,617,460</u>	<u>22,650,420</u>

8. INCOME TAX EXPENSE

	Six months ended	
	31st December, 2016	31st December, 2015
	HK\$	HK\$
Income tax expense (credit) comprises:		
Hong Kong Profits Tax calculated at 16.5% (2015: 16.5%) on the estimated assessable profit	8,207,465	6,799,289
Deferred taxation	(663,922)	89,367
	<u>7,543,543</u>	<u>6,888,656</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2016

9. DIVIDEND

	Six months ended	
	31st December, 2016	31st December, 2015
	HK\$	HK\$
Final dividend for the year ended 30th June, 2016: HK4.0 cents (2015: HK4.0 cents) per share	41,176,254	39,833,370

Subsequent to 31st December, 2016, the Directors determined that an interim dividend for the six months ended 31st December, 2016 of HK4.0 cents (*six months ended 31st December, 2015: HK4.0 cents*) per share amounting to HK\$41,806,925 (*six months ended 31st December, 2015: HK\$40,506,106*) in total would be paid to the shareholders of the Company whose names appear on the Register of Members on 13th March, 2017.

10. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit for the period of HK\$90,351,016 (*six months ended 31st December, 2015: HK\$85,133,419*) and on the weighted average number of 1,031,462,894 (*six months ended 31st December, 2015: 998,484,973*) shares in issue during the period.

No diluted earnings per share for the periods has been presented as there were no potential ordinary shares in both periods.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31st December, 2016, the Group spent approximately HK\$6,591,000 (*six months ended 31st December, 2015: HK\$11,974,000*) on property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2016

12. INTERESTS IN ASSOCIATES

	31st December, 2016 HK\$	30th June, 2016 HK\$
Cost of unlisted investments in associates	1,062,961,909	1,062,961,934
Deemed capital contribution to an associate	1,822,475	1,822,475
Share of post-acquisition profits, net of dividends received	257,625,609	196,036,000
	<u>1,322,409,993</u>	<u>1,260,820,409</u>

Included in the cost of investments in associates is goodwill of HK\$186,513,404 (30th June, 2016: HK\$186,513,404) arising on acquisitions of associates in prior years.

13. TRADE AND OTHER RECEIVABLES

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these trade receivables. The general credit term is from 30 days to 45 days.

The following is an analysis of trade receivables by age based on the invoice dates at the end of the reporting period:

	31st December, 2016 HK\$	30th June, 2016 HK\$
Trade receivables		
0 – 30 days	8,912,424	5,208,991
31 – 60 days	432,138	351,505
61 – 90 days	148,224	23,309
> 90 days	81,700	68,719
	<u>9,574,486</u>	<u>5,652,524</u>
Other receivables	9,905,504	8,783,825
	<u>19,479,990</u>	<u>14,436,349</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2016

14. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age based on the invoice dates at the end of the reporting period:

	31st December, 2016 HK\$	30th June, 2016 HK\$
Trade payables		
0 – 30 days	3,852,092	7,545,146
31 – 60 days	4,283,664	4,308,884
	<hr/>	<hr/>
	8,135,756	11,854,030
Other payables (Note)	22,594,695	16,072,367
	<hr/>	<hr/>
	30,730,451	27,926,397
	<hr/>	<hr/>

Note: Other payables mainly comprise accruals for staff bonus and certain operating expenses.

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	31.12.2016 HK\$	30.06.2016 HK\$		
Available-for-sale financial assets	667,693,660	518,179,582	Level 1	Quoted price from direct market comparable
	<hr/>	<hr/>		

There were no transfers between Level 1 and 2 in the current and prior periods.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 9th March, 2017 to Monday, 13th March, 2017, both dates inclusive, during which period no transfer of shares will be effected. The record date for the interim dividend is at the close of business on Monday, 13th March, 2017.

In order to qualify for the interim dividend, shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's Principal Registrars, Tricor Friendly Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8th March, 2017.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the interim period.

DIRECTORS' INTERESTS

As at 31st December, 2016, the interests and short positions held by the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(A) Long Positions in Shares of the Company

Name of Director	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Shares
Mr. Robert Ng Chee Siong	502,060,941 (Note)	Beneficial owner of 294,286 shares, spouse interest in 873,274 shares and trustee interest in 500,893,381 shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	48.03%
The Honourable Ronald Joseph Arculli	286,123	Beneficial owner	0.02%
Mr. Gilbert Lui Wing Kwong	—	—	—
Mr. Peter Wong Man Kong	—	—	—
Mr. Adrian David Li Man-kiu	—	—	—
Mr. Steven Ong Kay Eng	—	—	—
Mr. Wong Cho Bau	—	—	—
Mr. Daryl Ng Win Kong	—	—	—
Mr. Giovanni Viterale	—	—	—

DIRECTORS' INTERESTS (Continued)

(A) Long Positions in Shares of the Company (Continued)

Note:

The trustee interest in 500,893,381 shares comprises:

- (a) 454,578,566 shares which were held through companies 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong, namely, 44,091,902 shares by Fanlight Investment Limited, 62,697 shares by Garford Nominees Limited, 18,863,262 shares by Karaganda Investments Inc., 59,351,666 shares by Nippomo Limited, 1,700,665 shares by Orient Creation Limited, 119,968,581 shares by Strathallan Investment Limited, 5,159,231 shares by Strong Investments Limited, 178,150,243 shares by Tamworth Investment Limited and 27,230,319 shares by Transpire Investment Limited;
- (b) 2,042,006 shares which were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which the co-executors of the estate of the late Mr. Ng Teng Fong had a 72% control; and
- (c) 44,272,809 shares which were held by the co-executors of the estate of the late Mr. Ng Teng Fong.

(B) Long Positions in Shares of Associated Corporation

Mr. Robert Ng Chee Siong was deemed to be interested in shares of the following company through corporation controlled by him:

Name of Associated Corporation	Number of Ordinary Shares	% of Issued Shares
FHR International Limited	1 (Note)	33.33%

Note: The share was held by Smart Link Limited in which Mr. Robert Ng Chee Siong had a 100% control.

Save as disclosed above, as at 31st December, 2016, none of the Directors had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 31st December, 2016, the interests and short positions of the substantial shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO were as follows:

Long Positions in Shares of the Company

Name of Substantial Shareholder	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Shares
Mr. Philip Ng Chee Tat	504,036,830 <i>(Notes 1, 2, 3 and 4)</i>	Interest of controlled corporations in 3,143,449 shares and trustee interest in 500,893,381 shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	48.22%
Mr. Robert Ng Chee Siong	502,060,941 <i>(Notes 2, 3 and 4)</i>	Beneficial owner of 294,286 shares, spouse interest in 873,274 shares and trustee interest in 500,893,381 shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	48.03%
Tamworth Investment Limited	178,150,243 <i>(Note 3)</i>	Beneficial owner	17.04%
Strathallan Investment Limited	119,968,581 <i>(Note 3)</i>	Beneficial owner	11.47%
Name of Other Shareholder	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Shares
Nippomo Limited	59,351,666 <i>(Note 3)</i>	Beneficial owner	5.67%

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS (Continued)

Long Positions in Shares of the Company (Continued)

Notes:

1. 3,143,449 shares were held by Far East Ventures Pte. Ltd. which was 100% controlled by Mr. Philip Ng Chee Tat.
2. The trustee interest in 500,893,381 shares comprises:
 - (a) 454,578,566 shares which were held through companies 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong, namely, 44,091,902 shares by Fanlight Investment Limited, 62,697 shares by Garford Nominees Limited, 18,863,262 shares by Karaganda Investments Inc., 59,351,666 shares by Nippomo Limited, 1,700,665 shares by Orient Creation Limited, 119,968,581 shares by Strathallan Investment Limited, 5,159,231 shares by Strong Investments Limited, 178,150,243 shares by Tamworth Investment Limited and 27,230,319 shares by Transpire Investment Limited;
 - (b) 2,042,006 shares which were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which the co-executors of the estate of the late Mr. Ng Teng Fong had a 72% control; and
 - (c) 44,272,809 shares which were held by the co-executors of the estate of the late Mr. Ng Teng Fong.
3. The interests of Tamworth Investment Limited, Strathallan Investment Limited and Nippomo Limited were duplicated in the interests of the co-executors of the estate of the late Mr. Ng Teng Fong.
4. The interests of Mr. Philip Ng Chee Tat and Mr. Robert Ng Chee Siong as the co-executors of the estate of the late Mr. Ng Teng Fong refer to the same parcel of shares and were duplicated.

Save as disclosed above and so far as the Directors of the Company are aware, as at 31st December, 2016, no other person had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder of the Company.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Directors' Updated Biographical Details

The changes in the biographical details of the Directors are set out below:

Mr. Adrian David Li Man-kiu

- retired as a member of the All-China Youth Federation; and
- retired as Deputy Chairman of the Beijing Youth Federation.

Mr. Daryl Ng Win Kong

- conferred Honorary University Fellowship by The Open University of Hong Kong;
- appointed as a Council Member of the Hong Kong Committee for UNICEF;
- appointed as a Council Member of The Hong Kong Management Association;
- appointed as a member of NUS Medicine International Council at the Yong Loo Lin School of Medicine of National University of Singapore; and
- appointed as a member of the Board of M Plus Museum Limited.

Directors' updated biographies are available on the Company's website.

Directors' Emoluments

The basis of determining the Directors' emoluments (including bonus payments) remain unchanged during the six months ended 31st December, 2016.

Save as disclosed above, as at 31st December, 2016, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REMUNERATION COMMITTEE

The Company has established its Remuneration Committee with written terms of reference which are available at the Company's website www.sino.com and the Stock Exchange's website.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The Committee either determines or makes recommendations to the Board on the remuneration package of individual Executive Directors and senior management, and it also makes recommendations to the Board on the remuneration of Non-Executive Directors. The Committee meets at least once a year and is provided with sufficient resources enabling it to discharge its duties.

The Remuneration Committee currently comprises Mr. Steven Ong Kay Eng (Committee Chairman), Mr. Peter Wong Man Kong and Mr. Adrian David Li Man-kiu, all of whom are Independent Non-Executive Directors, and Mr. Daryl Ng Win Kong, an Executive Director.

NOMINATION COMMITTEE

The Company has established its Nomination Committee with written terms of reference which are available at the Company's website www.sino.com and the Stock Exchange's website.

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include making recommendations to the Board on the selection of individuals nominated for directorships, the appointment or re-appointment of Directors and succession planning for Directors, and regularly reviewing the time required from a Director to perform his responsibilities. The Committee is also responsible for assessing the independence of Independent Non-Executive Directors and reviewing their annual confirmations on independence. The Committee meets at least once a year and is provided with sufficient resources enabling it to discharge its duties.

The Nomination Committee currently comprises Mr. Robert Ng Chee Siong (Committee Chairman), the Chairman of the Board, Mr. Peter Wong Man Kong and Mr. Adrian David Li Man-kiu, both of whom are Independent Non-Executive Directors.

AUDIT COMMITTEE

The Company has set up its Audit Committee with written terms of reference which are available at the Company's website www.sino.com and the Stock Exchange's website.

The Audit Committee reports to the Board and holds regular meetings to assist the Board in discharging its responsibilities for effective financial reporting controls, risk management and internal control. The Committee meets at least four times a year and is provided with sufficient resources enabling it to discharge its duties.

The Audit Committee currently comprises Mr. Adrian David Li Man-kiu (Committee Chairman), Mr. Peter Wong Man Kong and Mr. Steven Ong Kay Eng, all of whom are Independent Non-Executive Directors, and Mr. Gilbert Lui Wing Kwong, a Non-Executive Director.

In the first quarter of 2017, the Audit Committee has reviewed the accounting policies and practices adopted by the Company and the interim report for the six months ended 31st December, 2016.

COMPLIANCE COMMITTEE

The Company has set up its Compliance Committee with written terms of reference to enhance the corporate governance standard of the Company. The Compliance Committee has dual reporting lines. A principal reporting line is to the Board through the Committee Chairman. A secondary reporting line is to the Audit Committee. The Compliance Committee currently comprises the Executive Director Mr. Daryl Ng Win Kong (Committee Chairman), the other Executive Directors of the Company, the Chief Financial Officer and Head of Legal and Company Secretarial Departments, the Head of Internal Audit Department, other department heads and the Compliance Officer. The Committee holds regular meetings on a bi-monthly basis to review and make recommendations to the Board and the Audit Committee on the Company's corporate governance issues and Listing Rules compliance matters.

CODES FOR DEALING IN THE COMPANY'S SECURITIES

The Company has adopted its own code for dealing in the Company's securities by Directors ("Directors Dealing Code") on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiries of all Directors who held such offices during the period under review. All of them confirmed their compliance with the required standard set out in the Directors Dealing Code during the six months ended 31st December, 2016. The Company has also adopted a code for dealing in the Company's securities by relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company, on no less exacting terms than the Model Code.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 31st December, 2016, the Company has complied with all the code provisions as set out in Appendix 14 to the Listing Rules, except that there was no separation of the roles of the chairman and the chief executive, both of the roles are currently undertaken by the Chairman of the Board.

The Board is of the view that the current management structure has been effective in facilitating the Company's operation and business development and that necessary checks and balances consistent with sound corporate governance practices are in place. The implementation of strategies and policies of the Board and the operations of each business unit are overseen and monitored by designated responsible Executive Directors. The Board has found that the current arrangement has worked effectively in enabling it to discharge its responsibilities satisfactorily. In addition, the four Independent Non-Executive Directors have contributed valuable views and proposals for the Board's deliberation and decisions. The Board reviews the management structure regularly to ensure it continues to meet these objectives and is in line with the industry practices.

By Order of the Board
Velencia LEE
Company Secretary

Hong Kong, 22nd February, 2017

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF SINO HOTELS (HOLDINGS) LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of Sino Hotels (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 8 to 19, which comprise the condensed consolidated statement of financial position as of 31st December, 2016 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing 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” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 these condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22nd February, 2017

