# 2018-2019 INTERIM REPORT

# 二零一八至二零一九年度 中期報告

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


The Royal Pacific Hotel & Towers
皇家太平洋酒店

STOCK CODE: 1221

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.

此中期報告(「中期報告」)(英文及中文版)已於本公司網站www.sino.com登載。凡選擇以本公司網站瀏覽所登載之公司通訊(其中包括但不限於年報、財務摘要報告(如適用)、中期報告、中期摘要報告(如適用)、會議通告、上市文件、通函及代表委任表格)以代替任何或所有印刷本之股東,均可要求索取中期報告之印刷本。

凡選擇或被視為已同意以透過本公司網站之電子方式收取公司通訊之股東,如在本公司網站收取或瀏覽中期報告時遇有困難,可於提出要求下即獲免費發送中期報告印刷本。

股東可隨時發出書面通知予本公司主要股票登記處,卓佳準誠有限公司,郵寄地址為香港皇后大道東183號合和中心22樓,或透過電郵地址sinohotels1221-ecom@hk.tricorglobal.com,要求更改所選擇收取公司通訊的語言版本及收取方式(印刷方式或以透過本公司網站之電子方式)。

# CONTENTS

## CORPORATE INFORMATION

***Board of Directors***
Robert Ng Chee Siong, Chairman
Daryl Ng Win Kong, JP, Deputy Chairman
Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP#
Gilbert Lui Wing Kwong#
Peter Wong Man Kong, BBS, JP* *(deceased on 11th March, 2019)*
Steven Ong Kay Eng*
Wong Cho Bau, JP*
Hung Wai Man, JP* *(appointed on 1st January, 2019)*
Giovanni Viterale

(# Non-Executive Directors)
(* Independent Non-Executive Directors)

***Audit Committee***
Steven Ong Kay Eng, Chairman
Gilbert Lui Wing Kwong
Peter Wong Man Kong, BBS, JP *(deceased on 11th March, 2019)*

***Nomination Committee***
Robert Ng Chee Siong, Chairman
Peter Wong Man Kong, BBS, JP *(deceased on 11th March, 2019)*
Steven Ong Kay Eng

***Remuneration Committee***
Steven Ong Kay Eng, Chairman
Peter Wong Man Kong, BBS, JP *(deceased on 11th March, 2019)*
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
Maples and Calder, Cayman Islands

***Principal Bankers***
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank (Asia) Corporation Limited

***Investor Relations Contact***
Please direct enquiries to:
General Manager – Corporate Finance
Telephone : (852) 2734 8312
Fax : (852) 2369 1236
Email : investorrelations@sino.com

***Principal Office***
12th Floor, Tsim Sha Tsui Centre,
Salisbury Road, Tsim Sha Tsui,
Kowloon, Hong Kong
Telephone : (852) 2721 8388
Fax : (852) 2723 5901
Website : www.sino.com
Email : info@sino.com

***Registered Office***
P.O. Box 309,
Ugland House, Grand Cayman,
KY1-1104, Cayman Islands

***Principal Registrars***
Tricor Friendly Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong
Telephone : (852) 2980 1333
Fax : (852) 2861 1465
Email : sinohotels1221-ecom@hk.tricorglobal.com

***Shareholders' Calendar***

| | |
|---|---|
| **Closure of Register of Members for dividend entitlement** | 15th to 19th March, 2019 (both dates inclusive) |
| **Record Date for interim dividend entitlement** | 19th March, 2019 |
| **Last Date for lodging form of election for scrip dividend** | 10th April, 2019 4:30 p.m. |
| **Interim Dividend** | HK4.5 cents per share |
| Payable | 24th April, 2019 |

***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, 2018 ("Interim Period") was HK$96.8 million (2017: HK$104.5 million). Turnover of the Group for the Interim Period was HK$158.9 million (2017: HK$158.1 million). Earnings per share for the Interim Period was 8.87 cents (2017: 9.84 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 4.5 cents per share payable on 24th April, 2019 to the shareholders whose names appear on the Register of Members of the Company on 19th March, 2019.

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 25th March, 2019. It is expected that the interim dividend warrants and share certificates will be despatched to the shareholders on or about 24th April, 2019.

## REVIEW OF OPERATIONS

According to the Hong Kong Tourism Board, visitor arrivals to Hong Kong were 65.1 million in 2018, representing an increase of 11.4% from 58.4 million in 2017. Visitors from Mainland China increased from 44.4 million in 2017 to 51.0 million in 2018 and visitors who stayed overnight increased 4.9% year-on-year. The increase in visitor arrivals was partly attributable to the commencement of operations of The Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and Hong Kong-Zhuhai-Macao Bridge in September and October 2018 respectively. The Group will continue to adopt a proactive approach to optimise earnings going forward.

Occupancy rates for City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong for the Interim Period were 83.4%, 92.4% and 90.7% compared with 90.8%, 94.3% and 90.8% respectively for the corresponding period in 2017.

Turnover of City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong during the Interim Period was HK$147.0 million, HK$235.6 million and HK$411.1 million respectively compared with HK$144.0 million, HK$211.9 million and HK$426.5 million for the corresponding period in 2017.

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, 2018.

## FINANCE

As at 31st December, 2018, the Group had cash and bank deposits of HK$1,090.5 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, 2018, 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, 2018.

## EMPLOYEE PROGRAMMES

Employees are important assets to the Group and we have to rely on them to provide consistent and quality service to customers. To this end, the quality of staff must meet the required standards and management's expectation. To ensure and maintain the quality of service, continuous training and various employee programmes are offered. There is a training programme named "MAGIC!" for all staff to ensure that the standards and quality of the service can be maintained and improved from time to time. The in-house leadership development programme, LEAD Programme has been designed to develop employees at supervisory level the required management skills so that they can excel in their careers. In addition, a newly established manager development programme will be introduced which offers an even higher level of training to enhance staff's leadership skills and knowledge. Management will continuously conduct regular reviews of feedback from staff through the Employee Experience Survey and Full Staff Meetings. Various engagement programmes continue to be rolled out to ensure the Group stays competitive and is the preferred employer in our industry.

## CORPORATE SOCIAL RESPONSIBILITY

The Group places strong emphasis on corporate social responsibility by maintaining a high level of corporate governance standards in hotel operations. The Group is committed to engaging in green initiatives, serving the community, promoting social integration and heritage conservation.

### Environmental Management

The Group is devoted to reducing the ecological footprint and has established a set of Sustainability Policy to reduce energy and water consumption, waste generation and the use of plastic materials. Further to our policy to ban the use of plastic straws and stirring rods implemented in June 2018, the Group has ceased the use of plastic bottled water and substituted it with computerised filtered water stations.

## CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

### Community Engagement

As a committed corporate citizen, the Group actively supports and offers community service to the underprivileged. Through our long-established Hearty Soup Delivery Programme, homemade soup prepared by our hotels is delivered to elderly people in need on a regular basis. The Group has also partnered with various food-related charitable organisations such as Foodlink Foundation and Food Angel in its Food Donation Programme, in which meals sourced from our hotels are distributed to families in need on a weekly basis.

The Group reasserts its commitment to promoting social integration by designing and maintaining a barrier free environment and culture in our hotels. For example, Braille menus are available for the visually impaired and guide dogs are welcome for those who need the assistance. In addition, the Group collaborates with Hong Chi Association and Hong Kong Society for the Deaf by offering their members long-term employment and training opportunities.

### 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 and annual Open House Events are conducted for the public and charity groups to visit the Hotel. The Hotel has been providing long-term employment opportunities for Tai O inhabitants and nearby residents. Over half of the staff working at the Hotel are residents of Lantau Island or Tai O fishing village with some employed as guides for eco and cultural experience tours. The Hotel has received more than 1.2 million visitors and guests since opening and organised more than 100 community engagement programmes including traditional cultural activities, community services, and home care services for the elderly living in Tai O.

## INDUSTRY OUTLOOK AND PROSPECTS

Tourism and hospitality businesses in Hong Kong will benefit from the development of Greater Bay Area ("GBA"). Central Government's economic policy to develop the GBA will complement and synergise the economic strengths and potentials of each of the 11 key cities in the GBA. The economic benefits derived from integrating these cities will benefit the entire region, raising income levels, standard of living and narrowing regional disparity in wealth. As a result, there will be increasing economic activities within the GBA as well as inbound and outbound travels between GBA and other parts of the world.

Such massive economic development plan cannot be feasible without the support of a thorough transport network. Two mega infrastructure developments were opened during Interim Period. The Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link connecting to the 29,000-kilometre national high-speed rail network in Mainland China and the Hong Kong-Zhuhai-Macao Bridge, known to be the longest bridge-cum-tunnel sea crossing in the world, started operations in September and October 2018 respectively and set the milestones for the integration of the GBA.

In Hong Kong, the tourism industry is going through a period of reform with the passing the Travel Industry Bill ("Bill") by Legislative Council in November 2018 after seven years of work as consultation of the Bill started in 2011. The objective of such reform is to enhance the checks and balances in the industry, ensuring that the travel trade can be managed in a professional manner thereby fostering a healthy long-term development of the industry. Travel Industry Authority, an independent statutory body, will be established. It will regulate travel agents, tourist guides and tour escorts as well as take up the roles of granting licences to the industry practitioners.

As global economic outlook becomes uncertain as a result of the trade dispute between China and the United States, tourism and hospitality industry may be affected due to fewer business and leisure travels. While many terms need to be negotiated and mutually agreed among the two powerhouses, the progress is positive as both sides have started to work out solutions to narrow the deviations.

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

I would like to extend a warm welcome to Mr. Hung Wai Man, JP, who was appointed on the Board as Independent Non-Executive Director with effect from 1st January, 2019. Mr. Hung's extensive knowledge and experience will be of great benefit to the Group.

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, 28th February, 2019

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31st December, 2018

| | NOTES | Six months ended 31st December, 2018 HK$ (Unaudited) | 31st December, 2017 HK$ (Unaudited) |
|---|---|---|---|
| Revenue | 3, 4 | **158,955,226** | 158,120,344 |
| Direct expenses | | **(62,501,725)** | (58,357,070) |
| Other losses and gains | | **(4,599,678)** | 2,507,555 |
| Other expenses | | **(44,181,989)** | (46,025,989) |
| Marketing costs | | **(5,751,035)** | (5,479,309) |
| Administrative expenses | | **(16,692,832)** | (15,242,990) |
| Finance income | 5 | **11,032,930** | 7,705,174 |
| Finance costs | 6 | **(63,800)** | (27,079) |
| Finance income, net | | **10,969,130** | 7,678,095 |
| Share of results of associates | | **66,583,035** | 68,403,141 |
| Profit before taxation | 7 | **102,780,132** | 111,603,777 |
| Income tax expense | 8 | **(5,917,859)** | (7,097,897) |
| Profit for the period attributable to the Company's shareholders | | **96,862,273** | 104,505,880 |
| Earnings per share – Basic | 10 | **8.87 cents** | 9.84 cents |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31st December, 2018

| | Six months ended | |
|---|---|---|
| | **31st December, 2018** | 31st December, 2017 |
| | ***HK$*** | *HK$* |
| | **(Unaudited)** | (Unaudited) |
| Profit for the period | **96,862,273** | 104,505,880 |
| **Other comprehensive (expense) income** | | |
| Items that will not be reclassified to profit or loss: | | |
| Loss on fair value changes of equity instruments at fair value through other comprehensive income ("FVTOCI") | **(9,399,238)** | – |
| Exchange difference arising on translation of equity instruments at FVTOCI | **(300,600)** | – |
| Item that may be subsequently reclassified to profit or loss: | | |
| Loss on fair value changes of available-for-sale financial assets | **–** | (199,721,255) |
| Item that has been reclassified to profit or loss: | | |
| Reclassification adjustment upon disposal of available-for-sale financial assets | **–** | 964,970 |
| Other comprehensive expense for the period | **(9,699,838)** | (198,756,285) |
| Total comprehensive income (expense) for the period attributable to the Company's shareholders | **87,162,435** | (94,250,405) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2018

| | NOTES | 31st December, 2018 HK$ (Unaudited) | 30th June, 2018 HK$ (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 11 | **1,300,399,725** | 1,279,733,553 |
| Interests in associates | 12 | **1,250,529,881** | 1,183,946,846 |
| Equity instruments at FVTOCI | | **1,074,079,089** | – |
| Available-for-sale financial assets | | **–** | 922,383,941 |
| | | **3,625,008,695** | 3,386,064,340 |
| **CURRENT ASSETS** | | | |
| Hotel inventories | | **401,859** | 536,482 |
| Trade and other receivables | 13 | **28,625,007** | 19,445,449 |
| Amounts due from associates | | **39,406,565** | 116,071,771 |
| Time deposits, bank balances and cash | | **1,090,526,501** | 1,166,725,192 |
| | | **1,158,959,932** | 1,302,778,894 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 14 | **45,035,081** | 30,372,367 |
| Contract liabilities | | **4,684,372** | – |
| Amount due to an associate | | **1,782,850** | 2,065,765 |
| Taxation payable | | **6,352,936** | 16,257,660 |
| | | **57,855,239** | 48,695,792 |
| **NET CURRENT ASSETS** | | **1,101,104,693** | 1,254,083,102 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **4,726,113,388** | 4,640,147,442 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 15 | **1,105,766,211** | 1,089,180,526 |
| Reserves | | **3,616,538,490** | 3,547,544,568 |
| **EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS** | | **4,722,304,701** | 4,636,725,094 |
| **NON-CURRENT LIABILITY** | | | |
| Deferred taxation | | **3,808,687** | 3,422,348 |
| | | **4,726,113,388** | 4,640,147,442 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2018

| | Share capital *HK$* | Share premium *HK$* | Investment revaluation reserve *HK$* | Distributable reserve *HK$* | Retained profits *HK$* | Total *HK$* |
|---|---|---|---|---|---|---|
| At 1st July, 2017 (audited) | 1,059,731,842 | 500,375,242 | 518,675,415 | 819,845,938 | 1,778,504,224 | 4,677,132,661 |
| Profit for the period | – | – | – | – | 104,505,880 | 104,505,880 |
| Loss on fair value changes of available-for-sale financial assets | – | – | (199,721,255) | – | – | (199,721,255) |
| Reclassification adjustment upon disposal of available-for-sale financial assets | – | – | 964,970 | – | – | 964,970 |
| Other comprehensive expense for the period | – | – | (198,756,285) | – | – | (198,756,285) |
| Total comprehensive expense for the period | – | – | (198,756,285) | – | 104,505,880 | (94,250,405) |
| Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2017 | 15,208,277 | 31,465,911 | – | – | – | 46,674,188 |
| Share issue expenses | – | (148,721) | – | – | – | (148,721) |
| Dividend | – | – | – | (47,687,933) | – | (47,687,933) |
| At 31st December, 2017 (unaudited) | 1,074,940,119 | 531,692,432 | 319,919,130 | 772,158,005 | 1,883,010,104 | 4,581,719,790 |
| Profit for the period | – | – | – | – | 90,621,636 | 90,621,636 |
| Loss on fair value changes of available-for-sale financial assets | – | – | (34,388,873) | – | – | (34,388,873) |
| Reclassification adjustment upon disposal of available-for-sale financial assets | – | – | 158,264 | – | – | 158,264 |
| Other comprehensive expense for the period | – | – | (34,230,609) | – | – | (34,230,609) |
| Total comprehensive (expense) income for the period | – | – | (34,230,609) | – | 90,621,636 | 56,391,027 |
| Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2018 | 14,240,407 | 32,980,769 | – | – | – | 47,221,176 |
| Share issue expenses | – | (234,594) | – | – | – | (234,594) |
| Dividend | – | – | – | (48,372,305) | – | (48,372,305) |
| At 30th June, 2018 (audited) | 1,089,180,526 | 564,438,607 | 285,688,521 | 723,785,700 | 1,973,631,740 | 4,636,725,094 |
| Adjustment *(note 2)* | – | – | (41,100,000) | – | 41,100,000 | – |
| At 1st July, 2018 (restated) | 1,089,180,526 | 564,438,607 | 244,588,521 | 723,785,700 | 2,014,731,740 | 4,636,725,094 |
| Profit for the period | – | – | – | – | 96,862,273 | 96,862,273 |
| Loss on fair value changes of equity instruments at FVTOCI | – | – | (9,399,238) | – | – | (9,399,238) |
| Exchange difference arising on translation of equity instruments at FVTOCI | – | – | (300,600) | – | – | (300,600) |
| Other comprehensive expense for the period | – | – | (9,699,838) | – | – | (9,699,838) |
| Total comprehensive (expense) income for the period | – | – | (9,699,838) | – | 96,862,273 | 87,162,435 |
| Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2018 | 16,585,685 | 36,388,993 | – | – | – | 52,974,678 |
| Share issue expenses | – | (98,480) | – | – | – | (98,480) |
| Dividend | – | – | – | (54,459,026) | – | (54,459,026) |
| **At 31st December, 2018 (unaudited)** | **1,105,766,211** | **600,729,120** | **234,888,683** | **669,326,674** | **2,111,594,013** | **4,722,304,701** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st December, 2018

| | Six months ended 31st December, 2018 HK$ (Unaudited) | 31st December, 2017 HK$ (Unaudited) |
|---|---|---|
| Net cash from operating activities | **41,754,165** | 53,666,202 |
| Net cash used in investing activities | | |
| Purchase of property, plant and equipment | **(44,273,518)** | (3,649,647) |
| Proceeds on disposal of property, plant and equipment | **70** | – |
| Proceeds on disposal of available-for-sale financial assets | **–** | 35,495,352 |
| Additions to equity instruments at FVTOCI | **(157,303,980)** | – |
| Decrease (increase) in time deposits with original maturity of more than three months | **84,100,217** | (164,166,439) |
| Repayments from associates | **76,665,206** | 70,943,747 |
| Other investing cash flows | **8,888,909** | 4,924,842 |
| | **(31,923,096)** | (56,452,145) |
| Net cash used in financing activities | | |
| Repayment to an associate | **(282,915)** | (1,796) |
| Advance from an associate | **–** | 7,540 |
| Dividend paid | **(1,484,348)** | (1,013,745) |
| Other financing cash flows | **(162,280)** | (175,800) |
| | **(1,929,543)** | (1,183,801) |
| Net increase (decrease) in cash and cash equivalents | **7,901,526** | (3,969,744) |
| Cash and cash equivalents at the beginning of the period | **29,736,464** | 64,035,423 |
| Cash and cash equivalents at the end of the period | **37,637,990** | 60,065,679 |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Time deposits | **1,057,888,511** | 984,553,551 |
| Bank balances and cash | **32,637,990** | 54,065,680 |
| Time deposits, bank balances and cash in the condensed consolidated statement of financial position | **1,090,526,501** | 1,038,619,231 |
| Less: Time deposits with original maturity of more than three months | **(1,052,888,511)** | (978,553,552) |
| Cash and cash equivalents in the condensed consolidated statement of cash flows | **37,637,990** | 60,065,679 |

### 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st December, 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30th June, 2018.

**Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st July, 2018 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

**Application of new and amendments to HKFRSs** *(Continued)*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

### 2.1 Impacts and changes in accounting policies on application of HKFRS 15 *"Revenue from Contracts with Customers"*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related interpretations.

The Group recognises revenue from the following major sources:

- hotel operation
- club operation and hotel management
- dividend income from equity investments at FVTOCI

Revenue from investment in securities and financing is accounted for in accordance with HKFRS 9 "*Financial instrument*", whereas revenue from other sources is accounted under HKFRS 15.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st July, 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1st July, 2018. Accordingly, certain comparative information may not be comparable as comparable information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

**Application of new and amendments to HKFRSs** *(Continued)*

### 2.1 Impacts and changes in accounting policies on application of HKFRS 15 "*Revenue from Contracts with Customers*" *(Continued)*

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognising revenue:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

**Application of new and amendments to HKFRSs** *(Continued)*

### 2.1 Impacts and changes in accounting policies on application of HKFRS 15 "*Revenue from Contracts with Customers*" *(Continued)*

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15 (Continued)*

Hotel room revenue, income from club operation and hotel management are recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Income from food and beverage sales of hotel and club operation is recognised at a point in time when the food and beverage are served.

*Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligations (hotel room revenue and other ancillary services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

*Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

*Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

**Application of new and amendments to HKFRSs** *(Continued)*

### 2.1 Impacts and changes in accounting policies on application of HKFRS 15 "*Revenue from Contracts with Customers*" *(Continued)*

2.1.2 *Summary of effects arising from initial application of HKFRS 15*

The application of the HKFRS 15 has no significant impact on the timing and amount of revenue in the current interim period and retained profits at 1st July, 2018.

The following adjustment was made to the amounts recognised in the condensed consolidated statement of financial position at 1st July, 2018. Line items that were not affected by the changes have not been included.

| | Carrying amounts previously reported at 30th June, 2018 *HK$* | Reclassification *HK$* | Carrying amounts under HKFRS 15 at 1st July, 2018 *HK$* |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | 30,372,367 | (3,731,492) | 26,640,875 |
| Contract liabilities *(Note)* | – | 3,731,492 | 3,731,492 |

*Note:* At the date of initial application, deposits received from customers of HK$3,731,492 were reclassified to contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 31st December, 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

| | As reported *HK$* | Reclassification *HK$* | Amounts without application of HKFRS 15 *HK$* |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | 45,035,081 | 4,684,372 | 49,719,453 |
| Contract liabilities | 4,684,372 | (4,684,372) | – |

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

**Application of new and amendments to HKFRSs** *(Continued)*

### 2.2 Impacts and changes in accounting policies on application of HKFRS 9 "*Financial Instruments*"

In the current period, the Group has applied HKFRS 9 "*Financial Instruments*" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses ("ECL") for financial assets; and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1st July, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st July, 2018. The difference between carrying amounts as at 30th June, 2018 and the carrying amounts as at 1st July, 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "*Financial Instruments: Recognition and Measurement*".

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9*

*Classification and measurement of financial assets*

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**2. PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

**Application of new and amendments to HKFRSs** *(Continued)*

**2.2 Impacts and changes in accounting policies on application of HKFRS 9 "*Financial Instruments*"** *(Continued)*

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

*Classification and measurement of financial assets (Continued)*

*Equity instruments designated as at FVTOCI*

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income ("OCI") and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the investment revaluation reserve.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1st July, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

**Application of new and amendments to HKFRSs** *(Continued)*

### 2.2 Impacts and changes in accounting policies on application of HKFRS 9 "*Financial Instruments*" *(Continued)*

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

*Impairment under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amount due from associates and time deposits, bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

**Application of new and amendments to HKFRSs** *(Continued)*

### 2.2 Impacts and changes in accounting policies on application of HKFRS 9 "*Financial Instruments*" *(Continued)*

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

*Impairment under ECL model* (Continued)

*Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**2. PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

**Application of new and amendments to HKFRSs** *(Continued)*

**2.2 Impacts and changes in accounting policies on application of HKFRS 9 "*Financial Instruments*"** *(Continued)*

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

*Impairment under ECL model* *(Continued)*

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables); and
- Past-due status.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1st July, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The application of the expected credit loss model of HKFRS 9 has no material impact on the accumulated amount of impairment loss of the Group as at 1st July, 2018 as compared to the accumulated amount recognised under HKAS 39.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

**Application of new and amendments to HKFRSs** *(Continued)*

### 2.2 Impacts and changes in accounting policies on application of HKFRS 9 "*Financial Instruments*" *(Continued)*

2.2.2 *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1st July, 2018.

| | Available-for-sale financial assets *HK$* | Equity instruments at FVTOCI *HK$* | Investment revaluation reserve *HK$* | Retained profits *HK$* |
|---|---|---|---|---|
| Closing balance at 30th June, 2018 – HKAS 39 | 922,383,941 | – | 285,688,521 | 1,973,631,740 |
| Reclassification | | | | |
| From available-for-sale financial assets *(Note)* | (922,383,941) | 922,383,941 | (41,100,000) | 41,100,000 |
| Opening balance at 1st July, 2018 – HKFRS 9 | – | 922,383,941 | 244,588,521 | 2,014,731,740 |

*Note:*

From available-for-sale financial assets to equity investments at FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale financial assets. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, an amount of HK$922,383,941 was reclassified from available-for-sale financial assets to equity instruments at FVTOCI. The fair value gains of HK$285,688,521 relating to those investments previously carried at fair value continued to accumulate in the investment revaluation reserve. In addition, impairment loss previously recognised on available-for-sale financial assets now classified as equity instruments at FVTOCI under HKFRS 9 of HK$41,100,000 was transferred from retained profits to investment revaluation reserve as at 1st July, 2018.

Except as described above, the application of new and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE

| | Six months ended | |
|---|---|---|
| | **31st December, 2018** | 31st December, 2017 |
| | ***HK$*** | *HK$* |
| Hotel operation | **147,018,923** | 143,992,123 |
| Club operation and hotel management | **7,812,790** | 10,073,159 |
| Dividend income from equity instruments at FVTOCI | **4,123,513** | – |
| Dividend income from available-for-sale financial assets | **–** | 4,055,062 |
| | **158,955,226** | 158,120,344 |
| **Geographical market:** | | |
| Hong Kong | **158,955,226** | 158,120,344 |

For the six months ended 31st December, 2018, revenue from contracts with customers recognised over time amounted to HK$106,164,438 mainly consists of hotel room revenue, income from club operation and hotel management. The revenue recognised at a point in time amounted to HK$48,667,275 mainly consists of income from food and beverage sales of hotel and club operation.

## 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 equity instruments at FVTOCI *(2017: available-for-sale financial assets)*
3. Hotel operation – operated through investments in associates of the Group, including Conrad Hong Kong and The Royal Pacific Hotel & Towers
4. Others – club operation and hotel management

## 4. SEGMENT INFORMATION *(Continued)*

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

| | Segment revenue Six months ended | | Segment results Six months ended | |
|---|---|---|---|---|
| | **31st December, 2018** | 31st December, 2017 | **31st December, 2018** | 31st December, 2017 |
| | ***HK$*** | *HK$* | ***HK$*** | *HK$* |
| Hotel operation | | | | |
| – City Garden Hotel | **147,018,923** | 143,992,123 | **52,234,367** | 55,897,201 |
| Investment holding | **4,123,513** | 4,055,062 | **4,108,146** | 4,048,700 |
| Hotel operation | | | | |
| – share of results of associates | **–** | – | **129,268,032** | 133,456,254 |
| Others – club operation and hotel management | **7,812,790** | 10,073,159 | **1,951,908** | 1,795,456 |
| | **158,955,226** | 158,120,344 | | |
| Total segment results | | | **187,562,453** | 195,197,611 |
| Other losses and gains | | | **(4,599,678)** | 2,507,555 |
| Administrative and other expenses | | | **(28,466,776)** | (28,726,371) |
| Finance income, net | | | **10,969,130** | 7,678,095 |
| Share of results of associates | | | | |
| – administrative and other expenses | | | **(50,158,486)** | (51,885,359) |
| – finance income | | | **963,353** | 334,279 |
| – income tax expense | | | **(13,489,864)** | (13,502,033) |
| | | | **(62,684,997)** | (65,053,113) |
| Profit before taxation | | | **102,780,132** | 111,603,777 |

**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, 2017: nil)*.

Segment results represent the profit before taxation earned by each segment without allocation of certain administrative and other expenses, other losses and gains and financial costs net of 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, 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**

The amount represents interest income on time deposits and bank balances.

**6. FINANCE COSTS**

The amount represents interest on other unsecured loans wholly repayable within five years.

**7. PROFIT BEFORE TAXATION**

| | **Six months ended** | |
|---|---|---|
| | **31st December, 2018** | 31st December, 2017 |
| | ***HK$*** | *HK$* |
| Profit before taxation has been arrived at after charging: | | |
| Cost of hotel inventories consumed (included in direct expenses) | **14,107,433** | 14,402,731 |
| Depreciation and amortisation of property, plant and equipment (included in other expenses) | **23,607,346** | 22,822,454 |

## 8. INCOME TAX EXPENSE

| | Six months ended | |
|---|---|---|
| | **31st December, 2018** | 31st December, 2017 |
| | ***HK$*** | *HK$* |
| Income tax expense (credit) comprises: | | |
| Hong Kong Profits Tax calculated at 16.5% *(2017: 16.5%)* on the estimated assessable profit | **5,531,520** | 7,648,576 |
| Deferred taxation | **386,339** | (550,679) |
| | **5,917,859** | 7,097,897 |

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.

## 9. DIVIDEND

| | Six months ended | |
|---|---|---|
| | **31st December, 2018** | 31st December, 2017 |
| | ***HK$*** | *HK$* |
| Final dividend for the year ended 30th June, 2018: HK5.0 cents *(2017: HK4.5 cents)* per share | **54,459,026** | 47,687,933 |

Subsequent to 31st December, 2018, the Directors determined that an interim dividend for the six months ended 31st December, 2018 of HK4.5 cents *(six months ended 31st December, 2017: HK4.5 cents)* per share amounting to HK$49,759,479 *(six months ended 31st December, 2017: HK$48,372,305)* in total would be paid to the shareholders of the Company whose names appear on the Register of Members on 19th March, 2019.

## 10. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit for the period of HK$96,862,273 *(six months ended 31st December, 2017: HK$104,505,880)* and on the weighted average number of 1,091,614,295 *(six months ended 31st December, 2017: 1,061,880,838)* shares in issue during the period.

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

## 11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31st December, 2018, the Group spent approximately HK$44,274,000 *(six months ended 31st December, 2017: HK$3,650,000)* on property, plant and equipment.

## 12. INTERESTS IN ASSOCIATES

| | **31st December, 2018** *HK$* | 30th June, 2018 *HK$* |
|---|---|---|
| Cost of unlisted investments in associates | **1,062,961,909** | 1,062,961,909 |
| Deemed capital contribution to an associate | **1,822,475** | 1,822,475 |
| Share of post-acquisition profits, net of dividends received | **185,745,497** | 119,162,462 |
| | **1,250,529,881** | 1,183,946,846 |

Included in the cost of investments in associates is goodwill of HK$186,513,404 *(30th June, 2018: 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, 2018** *HK$* | 30th June, 2018 *HK$* |
|---|---|---|
| Trade receivables | | |
| 0 – 30 days | **8,009,415** | 5,647,760 |
| 31 – 60 days | **645,738** | 451,006 |
| 61 – 90 days | **67,751** | 17,417 |
| > 90 days | **66,971** | 106,411 |
| | **8,789,875** | 6,222,594 |
| Other receivables | **19,835,132** | 13,222,855 |
| | **28,625,007** | 19,445,449 |

## 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, 2018** *HK$* | 30th June, 2018 *HK$* |
|---|---|---|
| Trade payables | | |
| 0 – 30 days | **5,614,413** | 6,433,602 |
| 31 – 60 days | **4,929,514** | 3,542,405 |
| | **10,543,927** | 9,976,007 |
| Other payables *(Note)* | **34,491,154** | 20,396,360 |
| | **45,035,081** | 30,372,367 |

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

## 15. SHARE CAPITAL

| | Number of ordinary shares of HK$1 each | | Nominal value | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | | | ***HK$*** | *HK$* |
| Authorised: | | | | |
| At the beginning and the end of the period | **3,000,000,000** | 3,000,000,000 | **3,000,000,000** | 3,000,000,000 |
| Issued and fully paid: | | | | |
| At 1st July | **1,089,180,526** | 1,059,731,842 | **1,089,180,526** | 1,059,731,842 |
| Shares issued pursuant to scrip dividend schemes for final dividend in respect of the year ended 30th June, 2018/2017 | **16,585,685** | 15,208,277 | **16,585,685** | 15,208,277 |
| At 31st December | **1,105,766,211** | 1,074,940,119 | **1,105,766,211** | 1,074,940,119 |

On 5th December, 2018 and 6th December, 2017, pursuant to scrip dividend schemes, the Company issued and allotted 16,585,685 and 15,208,277 shares of HK$1.00 each at an issue price of HK$3.194 and HK$3.069 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2018 and 2017 final dividends in respect of each of the year ended 30th June, 2018 and 2017, respectively. These shares rank pari passu in all respects with the then existing shares.

## 16. COMMITMENTS

| | **31st December, 2018** | 30th June, 2018 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Expenditures contracted for but not provided in the condensed consolidated financial statements in respect of: | | |
| Renovation work, purchase of furniture, fixtures and hotel operating equipment | **15,075,338** | 42,801,121 |

## 17. 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 equity instruments at FVTOCI 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** |
|---|---|---|---|---|
| | **31st December, 2018** | 30th June, 2018 | | |
| | ***HK$*** | *HK$* | | |
| Equity instruments at FVTOCI *(30th June, 2018: available-for-sale financial assets)* | **1,074,079,089** | 922,383,941 | Level 1 | Quoted price from direct market comparable |

There was no transfer among different levels of the fair value hierarchy in the current and prior periods.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15th March, 2019 to Tuesday, 19th March, 2019, 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 Tuesday, 19th March, 2019.

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 Thursday, 14th March, 2019.

## 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, 2018, 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 | 531,894,233 *(Note)* | Beneficial owner of 311,771 shares, spouse interest in 925,163 shares and trustee interest in 530,657,299 shares in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong | 48.10% |
| The Honourable Ronald Joseph Arculli | 286,123 | Beneficial owner | 0.02% |
| Mr. Gilbert Lui Wing Kwong | – | – | – |
| Mr. Peter Wong Man Kong *(deceased on 11th March, 2019)* | – | – | – |
| Mr. Steven Ong Kay Eng | – | – | – |
| Mr. Wong Cho Bau | – | – | – |
| Mr. Daryl Ng Win Kong | – | – | – |
| Mr. Giovanni Viterale | – | – | – |

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

*Note:*

*The trustee interest in 530,657,299 shares comprises:*

*(a) 481,590,382 shares which were held through companies 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong, namely, 46,711,917 shares by Fanlight Investment Limited, 66,420 shares by Garford Nominees Limited, 19,984,145 shares by Karaganda Investments Inc., 62,878,441 shares by Nippomo Limited, 1,801,720 shares by Orient Creation Limited, 127,097,318 shares by Strathallan Investment Limited, 5,465,798 shares by Strong Investments Limited, 188,736,233 shares by Tamworth Investment Limited and 28,848,390 shares by Transpire Investment Limited;*

*(b) 2,163,343 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 72.02% control; and*

*(c) 46,903,574 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, 2018, 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, 2018, the interests and short positions of the substantial shareholders and other shareholders (other than Directors of the Company) in the shares and underlying shares of the Company as notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 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 | 533,936,206 *(Notes 1, 2, 3, 4 and 5)* | Interest of controlled corporation in 3,278,907 shares and trustee interest in 530,657,299 shares in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong | 48.28% |
| Tamworth Investment Limited | 178,150,243 *(Notes 3 and 5)* | Beneficial owner | 17.04% |
| Strathallan Investment Limited | 119,968,581 *(Notes 3 and 5)* | 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 *(Notes 3 and 5)* | Beneficial owner | 5.67% |

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

*Notes:*

1. *3,278,907 shares were held by Far East Ventures Pte. Ltd. which was 100% controlled by Mr. Philip Ng Chee Tat.*

2. *The trustee interest in 530,657,299 shares comprises:*

   (a) *481,590,382 shares which were held through companies 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong, namely, 46,711,917 shares by Fanlight Investment Limited, 66,420 shares by Garford Nominees Limited, 19,984,145 shares by Karaganda Investments Inc., 62,878,441 shares by Nippomo Limited, 1,801,720 shares by Orient Creation Limited, 127,097,318 shares by Strathallan Investment Limited, 5,465,798 shares by Strong Investments Limited, 188,736,233 shares by Tamworth Investment Limited and 28,848,390 shares by Transpire Investment Limited;*

   (b) *2,163,343 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 72.02% control; and*

   (c) *46,903,574 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 trustee interest of Mr. Philip Ng Chee Tat was duplicated in the trustee interest of Mr. Robert Ng Chee Siong as disclosed under the section headed "Directors' Interests" above as the co-executors of the estate of the late Mr. Ng Teng Fong.*

5. *The number and the percentage of shares as disclosed are based on the substantial shareholder notices filed with the Stock Exchange.*

Save as disclosed above and so far as the Directors of the Company are aware, as at 31st December, 2018, no other person (other than Directors of the Company) had an interest or short position in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and 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. Wong Cho Bau***

– appointed as a Chief Director of Federation of Hong Kong Chiu Chow Community Organizations.

***Mr. Hung Wai Man***

– appointed as the President Emeritus of the Internet Professional Association; and

– appointed as an Independent Non-Executive Director of Hsin Chong Group Holdings Limited.

***Mr. Daryl Ng Win Kong***

– appointed as a member of the Estate Agents Authority of the Government of Hong Kong Special Administrative Region.

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, 2018.

Save as disclosed above, as at 31st December, 2018, 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 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 comprised Mr. Steven Ong Kay Eng (Committee Chairman), Mr. Peter Wong Man Kong*, both of whom are Independent Non-Executive Directors, and Mr. Daryl Ng Win Kong, the Deputy Chairman of the Board.

* *deceased on 11th March, 2019*

## 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 with reference to the board diversity policy of the Company 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 comprised Mr. Robert Ng Chee Siong (Committee Chairman), the Chairman of the Board, Mr. Peter Wong Man Kong* and Mr. Steven Ong Kay Eng, 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 comprised Mr. Steven Ong Kay Eng (Committee Chairman), Mr. Peter Wong Man Kong*, both of whom are Independent Non-Executive Directors, and Mr. Gilbert Lui Wing Kwong, a Non-Executive Director.

In the first quarter of 2019, 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, 2018.

## 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 Deputy Chairman of the Board 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.

* *deceased on 11th March, 2019*

## 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, 2018. 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, 2018, 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 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, 28th February, 2019

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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

*(incorporated in the Cayman Islands with limited liability)*

**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 31, which comprise the condensed consolidated statement of financial position as of 31st December, 2018 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("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
28th February, 2019

Printed on environmentally friendly paper 採用環保紙印刷

www.sino-hotels.com