

2019-2020
**INTERIM
REPORT**

二零一九至二零二零年
中期報告



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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 54, 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
Daryl Ng Win Kong, JP, Deputy Chairman
Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP#
Gilbert Lui Wing Kwong#
Steven Ong Kay Eng*
Wong Cho Bau, JP*
Hung Wai Man, JP*
Giovanni Viterale
Thomas Tang Wing Yung,
Group Chief Financial Officer
(appointed on 15th January, 2020)

(# Non-Executive Directors)

(* Independent Non-Executive Directors)

Audit Committee

Steven Ong Kay Eng, Chairman
Gilbert Lui Wing Kwong
Hung Wai Man, JP

Nomination Committee

Robert Ng Chee Siong, Chairman
Steven Ong Kay Eng
Hung Wai Man, JP

Remuneration Committee

Steven Ong Kay Eng, Chairman
Daryl Ng Win Kong, JP
Hung Wai Man, JP

Authorized Representatives

Robert Ng Chee Siong
Velencia Lee

Company Secretary

Velencia Lee, Chief Financial Officer

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

Solicitors

Clifford Chance, Hong Kong
Maples and Calder, Cayman Islands

Shareholders' Calendar

Closure of Register of Members for dividend entitlement 12th to 16th March, 2020
(both dates inclusive)

Record Date for interim dividend entitlement 16th March, 2020

Last Date for lodging form of election for scrip dividend 6th April, 2020
4:30 p.m.

Interim Dividend Payable HK1 cent per share
20th April, 2020

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
Industrial and Commercial Bank of China (Asia) Limited

Investor Relations Contact

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Principal Registrars

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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, 2019 ("Interim Period") was HK\$6.4 million (2018: HK\$96.8 million). Turnover of the Group for the Interim Period was HK\$108.9 million (2018: HK\$158.9 million). Earnings per share for the Interim Period was 0.58 cents (2018: 8.87 cents). Net profit of the Group was substantially lower as the performance of the Group's hotels was affected by challenging business environment during the Interim Period.

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 1 cent per share payable on 20th April, 2020 to the shareholders whose names appear on the Register of Members of the Company on 16th March, 2020.

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 20th March, 2020. It is expected that the interim dividend warrants and share certificates will be despatched to the shareholders on or about 20th April, 2020.

REVIEW OF OPERATIONS

Based on the statistics published by the Hong Kong Tourism Board, visitor arrivals to Hong Kong during the Interim Period decreased to 21.0 million from 34.5 million over the corresponding period in 2018, representing a decrease of 39.1%. Visitors from Mainland China decreased to 16.2 million during the Interim Period from 27.3 million over the same period in 2018, a decrease of 40.8%. The decrease in visitor arrivals to Hong Kong during the Interim Period affected the business of the hotels under the Group.

Occupancy rates for City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong for the Interim Period were 65.1%, 68.8% and 55.5% compared with 83.4%, 92.4% and 90.7% respectively for the corresponding period in 2018.

Turnover of City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong during the Interim Period was HK\$93.0 million, HK\$127.0 million and HK\$250.4 million respectively compared with HK\$147.0 million, HK\$235.6 million and HK\$411.1 million for the corresponding period in 2018.

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, 2019.

CHAIRMAN'S STATEMENT *(Continued)*

FINANCE

As at 31st December, 2019, the Group had cash and bank deposits of HK\$1,034.0 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, 2019, 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, 2019.

EMPLOYEE PROGRAMMES

To ensure that the Group can deliver a high standard of unparalleled service on a continuous basis, it is of paramount importance to have a team of engaged and well-trained staff. Staff's working attitude, continuous training, knowledge and experience sharing between management and front-line staff, job rotation and promotion are key to help the staff strengthen their know-how and improve their efficiency to achieve a high quality of service.

Various training programmes with specific focuses have been developed from time to time. Training programmes are designed for a broad spectrum of staff including supervisory level and managerial staff. By participating in this training, our staff will develop the skillset required to achieve the standards set by the management in terms of service quality. In addition, the Group has reviewed from time to time and introduced, where applicable, initiatives to improve the staff benefits including operational staff's working hours and medical benefits so that the Group can stay competitive as a preferred employer in the industry.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to incorporating Corporate Social Responsibility and Sustainability initiatives in the operation and management of its hotels. The initiatives aim to protect the environment, serve the community, facilitate social integration and conserve the cultural heritage.

Environmental Management

The Group places strong emphasis on environmental management throughout the operations and actively promote a culture of environmental sustainability among our customers; employees and contractors. The use of plastic straws and stirring rods has been banned at all the food and beverage outlets of the Group since 2018, and upon request, eco-friendly alternatives can be provided. Further to this, the Group also deployed smart water stations to replace plastic bottled water. In an effort to combat climate change, City Garden Hotel has installed 72 pieces of solar panels to promote renewable energy in Hong Kong.

CHAIRMAN'S STATEMENT *(Continued)*

CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

Community Engagement

The Group actively organises regular activities and events to serve the underprivileged. Through our long-established Hearty Soup Delivery Programme, homemade soup is made by the Group's hotels and delivered to elderly people and disadvantaged groups on a regular basis. In collaboration with Foodlink Foundation and FOOD-CO, the Group has participated in the 'Food Donation Programme' since 2011 where cooked meals are given to needy families on a weekly basis. To continue our efforts to promote social integration, the Group collaborates with Hong Chi Association, Hong Kong Society for the Deaf and Ebenezer School & Home for the Visually Impaired 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-profit-making organisation named 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-profit-making social enterprise, is part of the HKSAR Government's 'Revitalising Historic Buildings Through Partnership Scheme'. The Hotel is a winner of the '2013 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation' and the first UNESCO-awarded hotel in Hong Kong.

HCF initiated 'Tai O Stilt Houses Restoration Programme' in 2018 to form stronger partnerships with local villagers and the Tai O NGO organisations, the programme aims to repair and restore the Tai O stilt houses where needed, especially for the elderly villagers' home, so as to conserve the intangible cultural value in the village. In December 2019, HCF received Gold Award in the Social Enterprise and Non-governmental Organisation Category in the '10th Hong Kong Outstanding Corporate Citizen Award'

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS

Hong Kong economy has been challenging for the period under review due to unprecedented and exceptional circumstances where hospitality businesses have been operating under significant pressure. In particular, for November and December 2019, visitor arrivals declined over 50% year-on-year for each of the months. Not only has the tourist spending decreased, local citizens have turned more cautious. Hospitality industry has been impacted significantly. Management is mindful of the current situation and considers that this is a good opportunity to review the processes, procedures, as well as the structure of operations in order to streamline them for further improvement in efficiency and effectiveness. It is hoped that if the situation improves and economic recovery returns, the Group is able to leverage on an optimal operational structure which will lead to higher shareholders' value. In addition, through prudent financial management in the past few years, the Group has built up net cash of HK\$1,034.0 million as at 31st December, 2019. This financial resource is important as it will enable the Group to weather through the current headwinds.

STAFF AND MANAGEMENT

I would like to extend a warm welcome to Mr. Thomas Tang Wing Yung who joined the Board as Executive Director and Group Chief Financial Officer with effect from 15th January, 2020.

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, 26th February, 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31st December, 2019

	NOTES	Six months ended	
		31st December, 2019	31st December, 2018
		HK\$ (Unaudited)	HK\$ (Unaudited)
Revenue	4, 5	108,945,138	158,955,226
Direct expenses		(51,520,126)	(62,501,725)
Other gains and (losses)		574,323	(4,599,678)
Other expenses		(43,932,451)	(44,181,989)
Marketing costs		(4,881,262)	(5,751,035)
Administrative expenses		(17,338,352)	(16,692,832)
Finance income	6	13,895,769	11,032,930
Finance costs	7	(100,700)	(63,800)
Finance income, net		13,795,069	10,969,130
Share of results of associates		2,894,375	66,583,035
Profit before taxation	8	8,536,714	102,780,132
Income tax expense	9	(2,074,325)	(5,917,859)
Profit for the period attributable to the Company's shareholders		6,462,389	96,862,273
Earnings per share – Basic	11	0.58 cents	8.87 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31st December, 2019

	Six months ended	
	31st December, 2019	31st December, 2018
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Profit for the period	6,462,389	96,862,273
Other comprehensive expense		
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")	(155,871,572)	(9,399,238)
Exchange difference arising on translation of equity instruments at FVTOCI	(495,829)	(300,600)
Other comprehensive expense for the period	(156,367,401)	(9,699,838)
Total comprehensive (expense) income for the period attributable to the Company's shareholders	(149,905,012)	87,162,435

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2019

		31st December, 2019 HK\$ (Unaudited)	30th June, 2019 HK\$ (Audited)
	<i>NOTES</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	12	322,098,723	1,282,004,665
Right-of-use assets	12	991,100,375	–
Interests in associates	13	1,168,857,480	1,165,963,105
Equity instruments at FVTOCI		1,057,928,746	1,019,113,648
Deposits paid for property, plant and equipment		2,543,457	7,945,115
		<u>3,542,528,781</u>	<u>3,475,026,533</u>
CURRENT ASSETS			
Hotel inventories		360,647	323,265
Trade and other receivables	14	21,378,898	28,533,095
Amounts due from associates		75,995,184	100,156,755
Time deposits, bank balances and cash		1,034,031,205	1,203,870,322
		<u>1,131,765,934</u>	<u>1,332,883,437</u>
CURRENT LIABILITIES			
Trade and other payables	15	48,337,712	33,557,077
Contract liabilities		3,446,510	3,824,497
Lease liabilities		324,991	–
Amount due to an associate		3,268,729	2,196,262
Taxation payable		12,559,045	12,589,043
		<u>67,936,987</u>	<u>52,166,879</u>
NET CURRENT ASSETS		<u>1,063,828,947</u>	<u>1,280,716,558</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,606,357,728</u>	<u>4,755,743,091</u>
CAPITAL AND RESERVES			
Share capital	16	1,138,503,121	1,119,805,890
Reserves		3,462,025,741	3,632,304,749
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		<u>4,600,528,862</u>	<u>4,752,110,639</u>
NON-CURRENT LIABILITIES			
Deferred taxation		5,602,325	3,632,452
Lease liabilities		226,541	–
		<u>4,606,357,728</u>	<u>4,755,743,091</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2019

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Investment revaluation reserve <i>HK\$</i>	Distributable reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1st July, 2018 (audited)	1,089,180,526	564,438,607	285,688,521	723,785,700	1,973,631,740	4,636,725,094
Adjustments	-	-	(41,100,000)	-	41,100,000	-
At 1st July, 2018 (restated)	<u>1,089,180,526</u>	<u>564,438,607</u>	<u>244,588,521</u>	<u>723,785,700</u>	<u>2,014,731,740</u>	<u>4,636,725,094</u>
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)	<u>1,105,766,211</u>	<u>600,729,120</u>	<u>234,888,683</u>	<u>669,326,674</u>	<u>2,111,594,013</u>	<u>4,722,304,701</u>
At 1st July, 2019 (audited)	<u>1,119,805,890</u>	<u>634,925,567</u>	<u>166,773,839</u>	<u>619,567,195</u>	<u>2,211,038,148</u>	<u>4,752,110,639</u>
Profit for the period	-	-	-	-	6,462,389	6,462,389
Loss on fair value changes of equity instruments at FVTOCI	-	-	(155,871,572)	-	-	(155,871,572)
Exchange difference arising on translation of equity instruments at FVTOCI	-	-	(495,829)	-	-	(495,829)
Other comprehensive expense for the period	-	-	(156,367,401)	-	-	(156,367,401)
Total comprehensive (expense) income for the period	-	-	(156,367,401)	-	6,462,389	(149,905,012)
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2019	18,697,231	35,786,500	-	-	-	54,483,731
Share issue expenses	-	(170,201)	-	-	-	(170,201)
Dividend	-	-	-	(55,990,295)	-	(55,990,295)
At 31st December, 2019 (unaudited)	<u>1,138,503,121</u>	<u>670,541,866</u>	<u>10,406,438</u>	<u>563,576,900</u>	<u>2,217,500,537</u>	<u>4,600,528,862</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st December, 2019

	Six months ended	
	31st December, 2019 HK\$ (Unaudited)	31st December, 2018 HK\$ (Unaudited)
Net cash from operating activities	<u>36,256,863</u>	<u>41,754,165</u>
Net cash from (used in) investing activities		
Purchase of property, plant and equipment	(57,106,030)	(44,273,518)
Proceeds on disposal of property, plant and equipment	10,190	70
Additions to equity instruments at FVTOCI	(191,848,541)	(157,303,980)
Decrease in time deposits with original maturity of more than three months	450,412,452	84,100,217
Repayments from associates	24,161,571	76,665,206
Other investing cash flows	<u>19,547,622</u>	<u>8,888,909</u>
	<u>245,177,264</u>	<u>(31,923,096)</u>
Net cash used in financing activities		
Advance from (repayment to) an associate	1,072,467	(282,915)
Dividend paid	(1,506,564)	(1,484,348)
Repayment of lease liabilities	(155,794)	–
Other financing cash flows	<u>(270,901)</u>	<u>(162,280)</u>
	<u>(860,792)</u>	<u>(1,929,543)</u>
Net increase in cash and cash equivalents	280,573,335	7,901,526
Cash and cash equivalents at the beginning of the period	<u>28,699,867</u>	<u>29,736,464</u>
Cash and cash equivalents at the end of the period	<u>309,273,202</u>	<u>37,637,990</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Time deposits	1,005,374,626	1,057,888,511
Bank balances and cash	<u>28,656,579</u>	<u>32,637,990</u>
Time deposits, bank balances and cash in the condensed consolidated statement of financial position	1,034,031,205	1,090,526,501
Less: Time deposits with original maturity of more than three months	<u>(724,758,003)</u>	<u>(1,052,888,511)</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>309,273,202</u>	<u>37,637,990</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st December, 2019

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 (the “Stock Exchange”) and 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, 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30th June, 2019.

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, 2019 for the preparation of the Group’s condensed consolidated financial statements:

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

Except as described below, the application of the new and amendments to HKFRSs in the current 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded Hong Kong Accounting Standard 17 “Leases”, and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1st July, 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessor (Continued)

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Subsequently, adjustments to fair value are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “*Determining whether an Arrangement contains a Lease*” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st July, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st July, 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$411,428 and right-of-use assets of HK\$411,428 relating to operating lease as at 1st July, 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 3.2%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

	At 1st July, 2019 HK\$
Operating lease commitments disclosed as at 30th June, 2019	430,409
Lease liabilities discounted at relevant incremental borrowing rates upon application of HKFRS 16 and lease liabilities as at 1st July, 2019	411,428
Analysed as:	
Current	229,695
Non-current	181,733
	411,428

The carrying amount of right-of-use assets as at 1st July, 2019 comprises the following:

	Notes	Right-of-use assets HK\$
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		411,428
Reclassified from property, plant and equipment	(a)	1,001,659,881
		1,002,071,309
By class:		
Leasehold land		1,001,659,881
Premises		411,428
		1,002,071,309

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1st July, 2019. Line items that were not affected by the changes have not been included.

	<i>Notes</i>	Carrying amounts previously reported at 30th June, 2019 HK\$	Adjustments HK\$	Carrying amounts under HKFRS 16 at 1st July, 2019 HK\$
Non-current assets				
Property, plant and equipment	(a)	1,282,004,665	(1,001,659,881)	280,344,784
Right-of-use assets		–	1,002,071,309	1,002,071,309
Current liabilities				
Lease liabilities		–	229,695	229,695
Non-current liabilities				
Lease liabilities		–	181,733	181,733

Notes:

- (a) Upon application of HKFRS 16, the Group recategorised the carrying amount of the leasehold land in property, plant and equipment amounting to HK\$1,001,659,881 as right-of-use assets.
- (b) For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 31st December, 2019, movements in working capital have been computed based on opening statement of financial position as at 1st July, 2019 as disclosed above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1st July, 2019. The application has had no impact on the Group’s condensed consolidated statement of financial position at 1st July, 2019. However, effective 1st July, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

The impacts of applying HKFRS 16 as a lessor on the Group’s condensed consolidated statement of financial position as at 31st December, 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the current interim period were insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

3. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of asset within the next reporting period.

Impairment assessments on hotel properties

The Group's and its associates' right-of-use assets and property, plant and equipment associated with the hotel properties ("hotel properties") are stated at cost less depreciation and less impairment, if any, in the respective financial statements. At the end of the reporting period, the Group reviews the carrying amounts of the hotel properties to determine whether those assets have suffered an impairment loss. If such indicator exists, the management relies on the valuation reports prepared by an independent professional valuer (the "Valuer") by income capitalisation approach to determine the recoverable amount of the hotel properties.

The directors of the Company have exercised judgments and are satisfied that the assumptions used and significant inputs including occupancy rates, average room rates, growth rates and market capitalisation rates used in the valuation of the hotel properties are reflective of the current market conditions. Any changes to these assumptions and significant inputs may result in changes of the recoverable amount of the hotel properties and cause a material adjustment to the carrying amount of hotel properties within the next reporting period.

As at 31st December, 2019, no impairment of the hotel properties was recognised in the condensed consolidated financial statements (*30th June, 2019: nil*).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

4. REVENUE

	Six months ended	
	31st December, 2019 HK\$	31st December, 2018 HK\$
Hotel operation		
– Room revenue	51,447,961	100,480,000
– Food and beverage sales	40,876,838	45,702,898
– Other ancillary services	708,002	836,025
	<u>93,032,801</u>	<u>147,018,923</u>
Club operation and hotel management	7,918,520	7,812,790
Dividend income from equity instruments at FVTOCI	7,993,817	4,123,513
	<u>108,945,138</u>	<u>158,955,226</u>
Geographical market:		
Hong Kong	<u>108,945,138</u>	<u>158,955,226</u>

For the six months ended 31st December, 2019, revenue from food and beverage sales of hotel and club operation recognised at a point in time amounted to HK\$40,876,838 and HK\$3,222,983 (*six months ended 31st December, 2018: HK\$45,702,898 and HK\$2,964,377*) respectively. The revenue from contracts with customers recognised over time amounted to HK\$56,851,500 (*six months ended 31st December, 2018: HK\$106,164,438*) mainly consists of hotel room revenue, income from club operation and hotel management.

5. 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 |
| 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 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

5. 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, 2019 HK\$	31st December, 2018 HK\$	31st December, 2019 HK\$	31st December, 2018 HK\$
Hotel operation				
– City Garden Hotel	93,032,801	147,018,923	14,262,748	52,234,367
Investment holding	7,993,817	4,123,513	7,971,928	4,108,146
Hotel operation				
– share of results of associates	–	–	42,635,057	129,268,032
Others – club operation and hotel management	7,918,520	7,812,790	1,435,792	1,951,908
	<u>108,945,138</u>	<u>158,955,226</u>		
Total segment results			66,305,525	187,562,453
Other gains and (losses)			574,323	(4,599,678)
Administrative and other expenses			(32,397,521)	(28,466,776)
Finance income, net			13,795,069	10,969,130
Share of results of associates				
– administrative and other expenses			(39,265,517)	(50,158,486)
– finance income, net			798,914	963,353
– income tax expense			(1,274,079)	(13,489,864)
			<u>(39,740,682)</u>	<u>(62,684,997)</u>
Profit before taxation			<u>8,536,714</u>	<u>102,780,132</u>

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, 2018: nil).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

6. FINANCE INCOME

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

7. FINANCE COSTS

	Six months ended	
	31st December, 2019 HK\$	31st December, 2018 HK\$
Interest on other unsecured loans wholly repayable within five years	92,328	63,800
Interest on lease liabilities	8,372	–
	<u>100,700</u>	<u>63,800</u>

8. PROFIT BEFORE TAXATION

	Six months ended	
	31st December, 2019 HK\$	31st December, 2018 HK\$
Profit before taxation has been arrived at after charging:		
Cost of hotel inventories consumed (included in direct expenses)	12,453,880	14,107,433
Depreciation of right-of-use assets (included in other expenses)	11,266,832	–
Depreciation and amortisation of property, plant and equipment (included in other expenses)	15,352,091	23,607,346
Share of income tax expenses of associates (included in share of results of associates)	1,274,079	13,489,864
Net exchange gain (loss)	564,133	(4,599,748)
	<u>100,700</u>	<u>63,800</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

9. INCOME TAX EXPENSE

	Six months ended	
	31st December, 2019 HK\$	31st December, 2018 HK\$
Income tax expense comprises:		
Hong Kong Profits Tax calculated with two-tiered profit tax regime (2018: a single tax rate of 16.5%) (Note) on the estimated assessable profit		
Current period	104,452	5,531,520
Deferred taxation	1,969,873	386,339
	<u>2,074,325</u>	<u>5,917,859</u>

Note:

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime effective in current year of assessment, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5% (2018: a single tax rate of 16.5%). The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

10. DIVIDEND

	Six months ended	
	31st December, 2019 HK\$	31st December, 2018 HK\$
Final dividend for the year ended 30th June, 2019: HK5.0 cents (2018: HK5.0 cents) per share	<u>55,990,295</u>	<u>54,459,026</u>

Subsequent to 31st December, 2019, the Directors determined that an interim dividend for the six months ended 31st December, 2019 of HK1 cent (*six months ended 31st December, 2018: HK4.5 cents*) per share amounting to HK\$11,385,031 (*six months ended 31st December, 2018: HK\$49,759,479*) in total would be paid to the shareholders of the Company whose names appear on the Register of Members on 16th March, 2020.

11. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit attributable to the Company's shareholders for the period of HK\$6,462,389 (*six months ended 31st December, 2018: HK\$96,862,273*) and on the weighted average number of 1,122,651,121 (*six months ended 31st December, 2018: 1,091,614,295*) 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.

12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 31st December, 2019, the Group paid approximately HK\$57,106,000 (*six months ended 31st December, 2018: HK\$44,274,000*) on property, plant and equipment.

Upon application of HKFRS 16, the Group recategorised the carrying amount of the leasehold land in property, plant and equipment amounting to HK\$1,001,659,881 as right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

13. INTERESTS IN ASSOCIATES

	31st December, 2019 HK\$	30th June, 2019 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	104,073,096	101,178,721
	<u>1,168,857,480</u>	<u>1,165,963,105</u>

Included in the cost of investments in associates is goodwill of HK\$186,513,404 (30th June, 2019: HK\$186,513,404) arising on acquisitions of associates in prior years.

14. TRADE AND OTHER RECEIVABLES

At 31st December, 2019, included in trade and other receivables of the Group are trade receivables (net of allowance for credit losses) of HK\$4,871,054 (30th June, 2019: HK\$7,048,605). Trade debtors mainly comprise receivables from hotel operation. Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of 30 days to 45 days to travel agents and corporate customers.

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

	31st December, 2019 HK\$	30th June, 2019 HK\$
Trade receivables		
0 – 30 days	2,721,169	6,340,715
31 – 60 days	654,379	549,292
61 – 90 days	788,109	106,223
> 90 days	707,397	52,375
	<u>4,871,054</u>	<u>7,048,605</u>
Other receivables	16,507,844	21,484,490
	<u>21,378,898</u>	<u>28,533,095</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

15. TRADE AND OTHER PAYABLES

At 31st December, 2019, included in trade and other payables of the Group are trade payables of HK\$22,506,526 (30th June, 2019: HK\$9,884,973).

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

	31st December, 2019 HK\$	30th June, 2019 HK\$
Trade payables		
0 – 30 days	3,705,110	6,245,190
31 – 60 days	8,667,320	3,639,783
61 – 90 days	<u>10,134,096</u>	<u>–</u>
	22,506,526	9,884,973
Other payables (Note)	<u>25,831,186</u>	<u>23,672,104</u>
	<u>48,337,712</u>	<u>33,557,077</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

16. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each		Nominal value	
	2019	2018	2019 HK\$	2018 HK\$
Authorised:				
At the beginning and the end of the period	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued and fully paid:				
At 1st July	1,119,805,890	1,089,180,526	1,119,805,890	1,089,180,526
Shares issued pursuant to scrip dividend schemes for final dividend in respect of the year ended 30th June, 2019/2018	<u>18,697,231</u>	<u>16,585,685</u>	<u>18,697,231</u>	<u>16,585,685</u>
At 31st December	<u>1,138,503,121</u>	<u>1,105,766,211</u>	<u>1,138,503,121</u>	<u>1,105,766,211</u>

On 4th December, 2019 and 5th December, 2018, pursuant to scrip dividend schemes, the Company issued and allotted 18,697,231 and 16,585,685 shares of HK\$1 each at an issue price of HK\$2.914 and HK\$3.194 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2019 and 2018 final dividends in respect of each of year ended 30th June, 2019 and 2018, respectively. These shares rank pari passu in all respects with the then existing shares.

17. COMMITMENTS

	31st December, 2019 HK\$	30th June, 2019 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	<u>4,156,516</u>	<u>49,459,876</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2019

18. 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 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
	31st December, 2019 HK\$	30th June, 2019 HK\$		
Listed equity securities	<u>889,467,613</u>	<u>852,493,610</u>	Level 1	Quoted price from direct market comparable
Listed perpetual bonds	<u>168,461,133</u>	<u>166,620,038</u>	Level 2	Quoted market price provided by financial institution

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

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12th March, 2020 to Monday, 16th March, 2020, 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, 16th March, 2020.

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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 11th March, 2020.

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, 2019, 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	548,081,635 <i>(Note)</i>	Beneficial owner of 321,258 shares, spouse interest in 953,318 shares and trustee interest in 546,807,059 shares in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	48.14%
The Honourable Ronald Joseph Arculli	286,123	Beneficial owner	0.02%
Mr. Gilbert Lui Wing Kwong	—	—	—
Mr. Steven Ong Kay Eng	—	—	—
Mr. Wong Cho Bau	—	—	—
Mr. Hung Wai Man	—	—	—
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 546,807,059 shares comprises:

- (a) 496,246,865 shares which were held through companies 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong, namely, 48,133,525 shares by Fanlight Investment Limited, 68,440 shares by Garford Nominees Limited, 20,592,331 shares by Karaganda Investments Inc., 64,792,053 shares by Nippomo Limited, 1,856,552 shares by Orient Creation Limited, 130,965,336 shares by Strathallan Investment Limited, 5,632,141 shares by Strong Investments Limited, 194,480,140 shares by Tamworth Investment Limited and 29,726,347 shares by Transpire Investment Limited;
- (b) 2,229,180 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 72.03% control; and
- (c) 48,331,014 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 <i>(Note)</i>	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, 2019, 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, 2019, 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	550,085,966 <i>(Notes 1, 2, 3, 4 and 5)</i>	Interest of controlled corporation in 3,278,907 shares and trustee interest in 546,807,059 shares in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	48.31%
Tamworth Investment Limited	178,150,243 <i>(Notes 3 and 5)</i>	Beneficial owner	17.04%
Strathallan Investment Limited	119,968,581 <i>(Notes 3 and 5)</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>(Notes 3 and 5)</i>	Beneficial owner	5.67%

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS (Continued)

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 546,807,059 shares comprises:*
 - (a) *496,246,865 shares which were held through companies 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong, namely, 48,133,525 shares by Fanlight Investment Limited, 68,440 shares by Garford Nominees Limited, 20,592,331 shares by Karaganda Investments Inc., 64,792,053 shares by Nippomo Limited, 1,856,552 shares by Orient Creation Limited, 130,965,336 shares by Strathallan Investment Limited, 5,632,141 shares by Strong Investments Limited, 194,480,140 shares by Tamworth Investment Limited and 29,726,347 shares by Transpire Investment Limited;*
 - (b) *2,229,180 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 72.03% control; and*
 - (c) *48,331,014 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, 2019, 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. Hung Wai Man

- ceased as the Vice Chairman of China Overseas Friendship Association's Youth Committee;
- resigned as an Independent Non-Executive Director of Hsin Chong Group Holdings Limited; and
- appointed as an Independent Non-Executive Director of Sprocomm Intelligence Limited.

Mr. Daryl Ng Win Kong

- ceased as a member of the Executive Committee of Hong Kong Sheng Kung Hui Welfare Council Limited;
- ceased as a member of the Social Welfare Advisory Committee of the Government of Hong Kong Special Administrative Region;
- appointed as the Chairman of Yeo Hiap Seng Limited;
- appointed as an Advisor of Our Hong Kong Foundation;
- appointed as a Council Member of Hong Kong Chronicles Institute Limited; and
- appointed as a member of International Advisory Council of Singapore Management University.

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, 2019.

Save as disclosed above, as at 31st December, 2019, 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 currently comprises Mr. Steven Ong Kay Eng (Committee Chairman) and Mr. Hung Wai Man, both of whom are Independent Non-Executive Directors, and Mr. Daryl Ng Win Kong, the Deputy Chairman of the Board.

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 currently comprises Mr. Robert Ng Chee Siong (Committee Chairman), the Chairman of the Board, Mr. Steven Ong Kay Eng and Mr. Hung Wai Man, 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. Steven Ong Kay Eng (Committee Chairman) and Mr. Hung Wai Man, both of whom are Independent Non-Executive Directors, and Mr. Gilbert Lui Wing Kwong, a Non-Executive Director.

In the first quarter of 2020, 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, 2019.

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 management reports on ongoing compliance regarding continuing connected transactions and usage of annual caps, provide a forum for regulatory updates for the management, consider corporate governance issues 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, 2019. 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, 2019, 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 three 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, 26th February, 2020

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 32, which comprise the condensed consolidated statement of financial position as of 31st December, 2019 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 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
26th February, 2020



(An exempted company incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之受豁免有限公司)

www.sino-hotels.com

