



STOCK CODE: 1221

Conrad Hong Kong
香港港麗酒店

2020-2021 INTERIM REPORT

二零二零至二零二一年 中期報告

 SINO HOTELS (HOLDINGS) LIMITED
信和酒店(集團)有限公司

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 Registrar, 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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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

(# 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
Hung Wai Man, JP
Daryl Ng Win Kong, JP

Authorized Representatives

Robert Ng Chee Siong
Thomas Tang Wing Yung

Company Secretary

Fanny Cheng Siu King

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Solicitors

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Maples and Calder, Cayman Islands

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Principal Bankers

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

Investor relations contact

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Listing information

Stock Code 1221

Chairman's statement

I hereby present my interim report to the shareholders.

Interim results

The Group recorded net loss attributable to shareholders of HK\$45.5 million for six months ended 31st December, 2020 ("Interim Period") compared to net profit attributable to shareholders of HK\$6.4 million for the corresponding period in 2019. Turnover of the Group for the Interim Period was HK\$52.3 million (2019: HK\$108.9 million). Loss per share for the Interim Period was HK3.98 cents compared to profit per share of HK0.58 cents last year. The performance of the Group was much affected by the COVID-19 pandemic with challenging operating 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

In view of the net loss of the Group for the Interim Period, the Board has resolved not to declare an interim dividend for the six months ended 31st December, 2020.

Review of operations

According to the Hong Kong Tourism Board, visitor arrivals to Hong Kong during the Interim Period were 52,795, representing a year-on-year decrease of 99.7% from 21.0 million in the same period in 2019. Visitors from Mainland China decreased 99.8% year-on-year to 25,157 during the Interim Period. The decrease in visitor arrivals was mainly attributable to the COVID-19 pandemic and its adverse impact on cross border and international travel.

The significant decrease in visitor arrivals to Hong Kong during the Interim Period negatively affected the business of the hotels under the Group. The average occupancy rates for City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong for the Interim Period were 85.6%, 26.5% and 18.5% compared with 65.1%, 68.8% and 55.5% respectively for the corresponding period in 2019. Turnover of City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong during the Interim Period was HK\$37.6 million, HK\$37.1 million and HK\$81.2 million respectively compared with HK\$93.0 million, HK\$127.0 million and HK\$250.4 million for the corresponding period in 2019.

Management is mindful of the challenges and is actively planning and rolling out initiatives to reduce the impact. To optimize occupancy and to ensure a stable stream of income amid the pandemic, City Garden Hotel, while remaining under the Group's management, entered into a two-year bulk hiring of hotel rooms and facilities arrangement with an institution during the Interim Period. In addition, our colleagues have been diligent in finding new source of business, such as introducing a variety of promotion packages to target the business of local leisure customers (staycation), as well as introducing new food and beverage products to cater to the increased demand for takeaways and home deliveries. Operationally, the first priority is to deliver a feeling of safety to our guests, therefore we are putting in place strict sanitisation and hygiene protocol to ensure guests returning to stay or dine with us will have complete peace of mind and full assurance in our product and service. Moreover, we reviewed the processes, procedures, and the structure of operations in order to streamline workflow to enhance efficiency and taken decisive decision to achieve cost savings across the organisation.

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, 2020.

Finance

As at 31st December, 2020, the Group had cash and bank deposits of HK\$951.6 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, 2020, 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, 2020.

Employee programmes

Quality service is the key to hospitality. The Group is committed to invest in employee training particularly through utilisation of technology to enhance service skills. Training programs have been developed with user versatility in mind and they were made available to staff online via webinars, short videos, mobile learning and emails. The Sino Hotel guest servicing program 'MAGIC !' was made into short video with briefing cards to highlight key service standards, and it was further supplemented by webinars to explain in detail the importance of various service standards. In addition, '10-Minute Briefing Cards' were distributed to staffs through email on a weekly basis to share guests' feedback and how colleagues handle cases as learning examples.

'GROW' webinars were organized to help employees nurture a positive mindset amid the epidemic, topics discussed include 'self-improvement under adversity', 'building a growth mindset', and 'how to appreciate yourself'. The front-line guest service team used mystery shopper check-list for self-learning and testing to keep up with service level expected by mystery shopper. The Group have also launched a five-star service courses to pursue Forbes service standards, the program includes short videos and mystery room inspection. Last but not least, to promote English learning, daily '1-Minute English' clips were distributed to staff via WhatsApp to support online English learning.

Sustainability

The Group continues to embrace Corporate Social Responsibility practices and sustainability initiatives by upholding high level of corporate governance standards, protecting the environment, engaging the community, promoting social integration and conserving cultural heritage.

Environmental management

The Group places strong emphasis on sustainable development and environmental management in its operations by actively pursuing a culture of protecting the environment through energy conservation and waste reduction.

Through careful planning, the Group has incorporated various sustainable energy measures on carbon emission reduction in response to the local and international initiatives Hong Kong's Climate Action Plan 2030+. As part of the Group's waste management strategy, the use of plastic straws and stirring rods has been banned at all the food and beverage outlets of the Group since 2018 and has provided eco-friendly alternatives. In December 2020, Upcycled Christmas Tree Programme was organised with an aim to nurture an environmentally-conscious mindset among staff and hotel guests.

Chairman's statement (Continued)

Sustainability (Continued)

Community engagement

The Group continues to play an active role in serving the community by utilising its hotel resources and formulating long-term sustainable community programmes. The Group has, for the tenth year in a row, through the 'Hearty Soup Delivery Programme', delivered hot soup to elderly people in need through its NGO partners, spreading warmth across the community in the cold winter months. Since 2011, over 300 soup delivery events have been organised, providing more than 45,000 hot soups to elderly residents in need across different community districts in Hong Kong. In August 2020, the Group also launched a month-long meal donation programme to provide 3,000 hot meal boxes through community partners for individuals and families in need. Hotel chefs prepared nutritious meal boxes for care centres run by the J Life Foundation and The Church of Grace in Resurrection to distribute to people in need in Jordan, Mongkok and Sham Shui Po.

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 revitalised 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.

In July 2020, HCF furthers its efforts in supporting sustainable tourism and nurturing future leaders with the launch of the Hospitality Young Leaders Programme. Graduates of universities and institutes in Hong Kong who have completed tourism and conservation-related subjects, are hired and receiving training in sustainable tourism, hospitality, heritage and cultural conservation. This comprehensive programme also provides a meaningful platform for aspiring young leaders to connect to the community and contribute to our society through community outreach and engagement activities. In addition, in an effort to protect the marine environment in Tai O and raising awareness of marine stewardship, the Hotel also joined hands with community partner Eco Marine and Tai O residents to clean up Tai O shores.

Industry outlook and prospects

The outbreak of COVID-19 has brought unprecedented challenges to the world's economy and businesses. After a year of challenges and changes, the world is now heading for a rebound. Vaccines have been approved and vaccination has been rolled out in many countries; such a breakthrough will be a pivotal step towards normality. This coupled with easing monetary policies by central banks should drive a broader economic recovery. It is hopeful that the COVID-19 situation will be brought under control and that the impact on the travel trade will recede. When the situation improves and economic recovery returns, the Group is able to leverage on an enhanced operational structure which will lead to higher shareholders' value. In addition, the Group has a healthy financial position with cash and bank deposits of HK\$951.6 million and no debt outstanding as at 31st December, 2020. Management will closely monitor the situation and will continue to prudently manage its resources, so as to well-position itself to meet the present challenges and to grasp business opportunities that might become available when the economy revives.

Staff and management

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

Robert NG Chee Siong

Chairman

Hong Kong, 25th February, 2021

Condensed consolidated statement of profit or loss

For the six months ended 31st December, 2020

	NOTES	Six months ended	
		31st December, 2020 HK\$ (Unaudited)	31st December, 2019 HK\$ (Unaudited)
Revenue	3, 4	52,364,388	108,945,138
Direct expenses		<u>(31,821,543)</u>	<u>(51,520,126)</u>
Gross profit		20,542,845	57,425,012
Other income and other gains and losses		13,871,470	574,323
Other expenses		(34,129,133)	(43,932,451)
Marketing costs		(2,053,250)	(4,881,262)
Administrative expenses		(13,693,426)	(17,338,352)
Finance income	5	5,752,164	13,895,769
Finance costs	6	(16,063)	(100,700)
Finance income, net		5,736,101	13,795,069
Share of results of associates		<u>(39,402,508)</u>	<u>2,894,375</u>
(Loss) profit before taxation	7	(49,127,901)	8,536,714
Income tax credit (expense)	8	<u>3,644,234</u>	<u>(2,074,325)</u>
(Loss) profit for the period attributable to the Company's shareholders		<u>(45,483,667)</u>	<u>6,462,389</u>
(Loss) earnings per share - Basic	10	<u>(3.98) cents</u>	<u>0.58 cents</u>

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31st December, 2020

	Six months ended	
	31st December, 2020 HK\$ (Unaudited)	31st December, 2019 HK\$ (Unaudited)
(Loss) profit for the period	<u>(45,483,667)</u>	<u>6,462,389</u>
Other comprehensive (expense) income		
<i>Items that will not be reclassified to profit or loss:</i>		
Loss on fair value changes of equity instruments at fair value through other comprehensive income ("FVTOCI")	(23,966,676)	(155,871,572)
Exchange difference arising on translation of equity instruments at FVTOCI	58,828	(495,829)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Gain on fair value changes of debt instrument at FVTOCI	<u>50,729</u>	<u>–</u>
Other comprehensive expense for the period	<u>(23,857,119)</u>	<u>(156,367,401)</u>
Total comprehensive expense for the period attributable to the Company's shareholders	<u>(69,340,786)</u>	<u>(149,905,012)</u>

Condensed consolidated statement of financial position

At 31st December, 2020

	<i>NOTES</i>	31st December, 2020 <i>HK\$</i> (Unaudited)	30th June, 2020 <i>HK\$</i> (Audited)
Non-current assets			
Property, plant and equipment	11	305,281,742	312,537,075
Right-of-use assets	11	968,555,547	979,827,961
Interests in associates	12	1,074,846,395	1,114,248,903
Equity and debt instruments at FVTOCI		898,056,625	921,913,744
Deposits paid for property, plant and equipment		1,106,437	1,686,191
		<u>3,247,846,746</u>	<u>3,330,213,874</u>
Current assets			
Hotel inventories		318,187	320,938
Trade and other receivables	13	24,360,258	18,821,851
Amounts due from associates		91,435,665	86,658,156
Time deposits, bank balances and cash		951,606,646	966,819,027
		<u>1,067,720,756</u>	<u>1,072,619,972</u>
Current liabilities			
Trade and other payables	14	11,540,882	20,738,205
Contract liabilities		–	2,569,745
Lease liabilities		226,542	329,930
Amount due to an associate		2,768,509	4,940,925
Taxation payable		57,841	247,559
		<u>14,593,774</u>	<u>28,826,364</u>
Net current assets		<u>1,053,126,982</u>	<u>1,043,793,608</u>
Total assets less current liabilities		<u>4,300,973,728</u>	<u>4,374,007,482</u>
Capital and reserves			
Share capital	15	1,142,661,798	1,142,661,798
Reserves		3,158,311,930	3,227,652,716
Equity attributable to the company's shareholders		<u>4,300,973,728</u>	<u>4,370,314,514</u>
Non-current liabilities			
Deferred taxation		–	3,632,452
Lease liabilities		–	60,516
		<u>–</u>	<u>3,692,968</u>
		<u>4,300,973,728</u>	<u>4,374,007,482</u>

Condensed consolidated statement of changes in equity

For the six months ended 31st December, 2020

	Share capital HK\$	Share premium HK\$	Investment revaluation reserve HK\$	Distributable reserve HK\$	Retained profits HK\$	Total HK\$
At 1st July, 2019 (audited)	1,119,805,890	634,925,567	166,773,839	619,567,195	2,211,038,148	4,752,110,639
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)	1,138,503,121	670,541,866	10,406,438	563,576,900	2,217,500,537	4,600,528,862
At 1st July, 2020 (audited)	1,142,661,798	677,263,627	(136,477,908)	552,191,869	2,134,675,128	4,370,314,514
Loss for the period	-	-	-	-	(45,483,667)	(45,483,667)
Loss on fair value changes of equity instruments at FVTOCI	-	-	(23,966,676)	-	-	(23,966,676)
Exchange difference arising on translation of equity instruments at FVTOCI	-	-	58,828	-	-	58,828
Gain on fair value changes of debt instrument at FVTOCI	-	-	50,729	-	-	50,729
Other comprehensive expense for the period	-	-	(23,857,119)	-	-	(23,857,119)
Total comprehensive expense for the period	-	-	(23,857,119)	-	(45,483,667)	(69,340,786)
At 31st December, 2020 (unaudited)	1,142,661,798	677,263,627	(160,335,027)	552,191,869	2,089,191,461	4,300,973,728

Condensed consolidated statement of cash flows

For the six months ended 31st December, 2020

	Six months ended	
	31st December, 2020 HK\$ (Unaudited)	31st December, 2019 HK\$ (Unaudited)
Net cash (used in) from operating activities	(15,157,099)	36,256,863
Net cash from investing activities		
Purchase of property, plant and equipment	(4,037,826)	(57,106,030)
Proceeds on disposal of property, plant and equipment	1,405	10,190
Additions to equity instruments at FVTOCI	–	(191,848,541)
Decrease in time deposits with original maturity of more than three months	271,744,766	450,412,452
(Advances to) repayments from associates	(4,777,509)	24,161,571
Other investing cash flows	11,214,759	19,547,622
	274,145,595	245,177,264
Net cash used in financing activities		
(Repayment to) advance from an associate	(2,172,416)	1,072,467
Dividend paid	–	(1,506,564)
Repayment of lease liabilities	(163,904)	(155,794)
Other financing cash flows	(119,791)	(270,901)
	(2,456,111)	(860,792)
Net increase in cash and cash equivalents	256,532,385	280,573,335
Cash and cash equivalents at the beginning of the period	74,813,395	28,699,867
Cash and cash equivalents at the end of the period	331,345,780	309,273,202
Analysis of the balances of cash and cash equivalents		
Time deposits	902,188,089	1,005,374,626
Bank balances and cash	49,418,557	28,656,579
Time deposits, bank balances and cash in the condensed consolidated statement of financial position	951,606,646	1,034,031,205
Less: Time deposits with original maturity of more than three months	(620,260,866)	(724,758,003)
Cash and cash equivalents in the condensed consolidated statement of cash flows	331,345,780	309,273,202

Notes to the condensed consolidated financial statements

For the six months ended 31st December, 2020

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 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, 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30th June, 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st July, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance 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, 2020

3. Revenue

	Six months ended	
	31st December, 2020 HK\$	31st December, 2019 HK\$
Hotel operation		
- Room revenue	31,606,807	51,447,961
- Food and beverage sales	5,388,214	40,876,838
- Other ancillary services	689,705	708,002
	37,684,726	93,032,801
Club operation and hotel management	5,479,713	7,918,520
Dividend income from equity instruments at FVTOCI	9,103,047	7,993,817
Interest income from debt instrument at FVTOCI	96,902	–
	52,364,388	108,945,138
Geographical market:		
Hong Kong	52,364,388	108,945,138

For the six months ended 31st December, 2020, revenue from food and beverage sales of hotel and club operation recognised at a point in time amounted to HK\$5,388,214 and HK\$1,593,779 (six months ended 31st December, 2019: HK\$40,876,838 and HK\$3,222,983) respectively. The revenue from contracts with customers recognised over time amounted to HK\$17,964,383 (six months ended 31st December, 2019: HK\$56,851,500) mainly consists of hotel room sales (excluded lease income mentioned below), income from club operation and hotel management.

During the interim period, City Garden Hotel remains under the Group's management, and entered into a two-year bulk hiring of hotel rooms and facilities arrangement (the "Arrangement") with an institution to optimize occupancy and to ensure a stable stream of income amid the pandemic.

The total room charge of HK\$30,363,438 derived from the Arrangement in current period has been included in room revenue as above, comprising lease income of HK\$18,218,063 and room service revenue of HK\$12,145,375 for the purpose of separation of lease and non-lease component under HKFRS 16.

Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31st December, 2020

4. Segment information

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

1. Hotel operation — City Garden Hotel
2. Investment holding — holding strategic equity and debt 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

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, 2020 HK\$	31st December, 2019 HK\$	31st December, 2020 HK\$	31st December, 2019 HK\$
Hotel operation				
- City Garden Hotel	37,684,726	93,032,801	(10,385,380)	14,262,748
Investment holding	9,199,949	7,993,817	9,089,519	7,971,928
Hotel operation				
- share of results of associates	—	—	(39,883,345)	42,635,057
Others - club operation and hotel management	5,479,713	7,918,520	1,091,961	1,435,792
	52,364,388	108,945,138		
Total segment results			(40,087,245)	66,305,525
Other income and other gains and losses			13,871,470	574,323
Administrative and other expenses			(29,129,064)	(32,397,521)
Finance income, net			5,736,101	13,795,069
Share of results of associates				
- other income			17,812,579	—
- administrative and other expenses			(29,886,998)	(39,265,517)
- finance (cost) income, net			(14,692)	798,914
- income tax credit (expense)			12,569,948	(1,274,079)
			480,837	(39,740,682)
(Loss) profit before taxation			(49,127,901)	8,536,714

Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31st December, 2020

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, 2019: nil).

Segment results represent the results by each segment without allocation of certain administrative and other expenses, other income and 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' other income, administrative and other expenses, finance costs net of finance income and income tax credit (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

	Six months ended	
	31st December, 2020 HK\$	31st December, 2019 HK\$
Interest on amount due to a related company	8,649	92,328
Interest on lease liabilities	7,414	8,372
	16,063	100,700

Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31st December, 2020

7. (Loss) profit before taxation

	Six months ended	
	31st December, 2020 HK\$	31st December, 2019 HK\$
(Loss) profit before taxation has been arrived at after charging (crediting):		
Cost of hotel inventories consumed (included in direct expenses)	3,109,726	12,453,880
Depreciation of right-of-use assets (included in other expenses)	11,272,414	11,266,832
Depreciation and amortisation of property, plant and equipment (included in other expenses)	11,902,809	15,352,091
Share of income tax (credit) expenses of associates (included in share of results of associates)	(12,569,948)	1,274,079
Net exchange gain (included in other income and other gains and losses)	(12,802,709)	(564,133)
Government subsidies (included in other income and other gains and losses) (Note)	(1,082,706)	–
	<u>(1,082,706)</u>	<u>–</u>

Note: The amount represents the subsidies under Anti-Epidemic Fund of the Government of Hong Kong Special Administrative Region.

8. Income tax (credit) expense

	Six months ended	
	31st December, 2020 HK\$	31st December, 2019 HK\$
Income tax (credit) expense comprises:		
Hong Kong Profits Tax is calculated with two-tiered profit tax regime (Note) on the estimated assessable profit		
Current period	167,738	199,167
Overprovision in prior year	(179,520)	(94,715)
	<u>(11,782)</u>	<u>104,452</u>
Deferred taxation	(3,632,452)	1,969,873
	<u>(3,644,234)</u>	<u>2,074,325</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, 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%. 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, 2020

9. Dividend

	Six months ended	
	31st December, 2020 HK\$	31st December, 2019 HK\$
No final dividend for the year ended 30th June, 2020 (2019: final dividend for 2019 of HK5.0 cents per share)	—	55,990,295

Subsequent to 31st December, 2020, the Directors of the Company have resolved not to declare an interim dividend for the six months ended 31st December, 2020 (six months ended 31st December, 2019: HK1 cent per share amounting to HK\$11,385,031).

10. (Loss) earnings per share

The calculation of the basic (loss) earnings per share is based on the loss for the period of HK\$45,483,667 (six months ended 31st December, 2019: profit of HK\$6,462,389) and on the weighted average number of 1,142,661,798 (six months ended 31st December, 2019: 1,122,651,121) shares in issue during the period.

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

11. Property, plant and equipment and right-of-use assets

During the six months ended 31st December, 2020, the Group paid approximately HK\$4,038,000 (six months ended 31st December, 2019: HK\$57,106,000) on property, plant and equipment.

Under the Arrangement as disclosed in note 3, leasehold land, hotel building, furniture, fixtures, leasehold improvement and hotel operating equipment with an aggregate carrying amount of HK\$1,273,749,058 as at 31st December, 2020 were leased out under an operating lease for a period of two years.

Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31st December, 2020

12. Interests in associates

	31st December, 2020 HK\$	30th June, 2020 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	10,062,011	49,464,519
	<u>1,074,846,395</u>	<u>1,114,248,903</u>

Included in the cost of investments in associates is goodwill of HK\$186,513,404 (30th June, 2020: HK\$186,513,404) arising on acquisitions of associates in prior years.

13. Trade and other receivables

At 31st December, 2020, included in trade and other receivables of the Group are trade receivables (net of allowance for credit losses) of HK\$10,027,612 (30th June, 2020: HK\$1,018,973). Trade debtors mainly comprise receivables from the operation of City Garden Hotel. For the payment terms of the Arrangement referred to in note 3, the monthly room charge and other charges for each month shall be settled by the first day of that month. Except for the Arrangement, hotel room revenue was normally settled by cash or credit card. The Group allowed 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, 2020 HK\$	30th June, 2020 HK\$
Trade receivables		
0-30 days	2,403,508	913,553
31-60 days	7,624,104	94,130
61-90 days	–	400
Over 90 days	–	10,890
	<u>10,027,612</u>	<u>1,018,973</u>
Other receivables	14,332,646	17,802,878
	<u>24,360,258</u>	<u>18,821,851</u>

Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31st December, 2020

14. Trade and other payables

At 31st December, 2020, included in trade and other payables of the Group are trade payables of HK\$5,697,539 (30th June, 2020: HK\$10,750,484).

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

	31st December, 2020 HK\$	30th June, 2020 HK\$
Trade payables		
0-30 days	2,230,826	6,869,734
31-60 days	3,421,248	2,251,937
61-90 days	20,681	905,868
Over 90 days	24,784	722,945
	<hr/>	<hr/>
	5,697,539	10,750,484
Other payables (Note)	5,843,343	9,987,721
	<hr/>	<hr/>
	11,540,882	20,738,205

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

Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31st December, 2020

15. Share capital

	Number of ordinary shares of HK\$1 each		Nominal value	
	2020	2019	2020 HK\$	2019 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	<u>1,142,661,798</u>	1,119,805,890	<u>1,142,661,798</u>	1,119,805,890
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2020/2019	<u>–</u>	<u>18,697,231</u>	<u>–</u>	<u>18,697,231</u>
At 31st December	<u>1,142,661,798</u>	<u>1,138,503,121</u>	<u>1,142,661,798</u>	<u>1,138,503,121</u>

On 4th December, 2019, pursuant to scrip dividend scheme, the Company issued and allotted 18,697,231 shares of HK\$1.00 each at an issue price of HK\$2.914 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2019 final dividend in respect of the year ended 30th June, 2019. These shares rank pari passu in all respects with the then existing shares.

16. Commitments

	31st December, 2020 HK\$	30th June, 2020 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>2,825,786</u>	<u>3,702,631</u>

Notes to the condensed consolidated financial statements (Continued)

For the six months ended 31st December, 2020

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 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, 2020 HK\$	30th June, 2020 HK\$		
Listed equity securities	<u>725,859,144</u>	<u>752,989,248</u>	Level 1	Quoted price from direct market comparable
Listed perpetual bond	<u>169,026,300</u>	<u>165,804,044</u>	Level 2	Quoted market price provided by financial institution
Listed debt security	<u>3,171,181</u>	<u>3,120,452</u>	Level 2	Quoted market price provided by financial institution

There was no transfer between level 1, 2 and 3 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 condensed consolidated financial statements approximate their fair values.

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, 2020, 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	550,140,537 (Note)	Beneficial owner of 322,464 shares, spouse interest in 956,899 shares and trustee interest in 548,861,174 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	–	–	–
Mr. Thomas Tang Wing Yung	–	–	–

Note:

The trustee interest in 548,861,174 shares comprises:

- 498,111,048 shares which were held through companies 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong, namely, 48,314,342 shares by Fanlight Investment Limited, 68,697 shares by Garford Nominees Limited, 20,669,686 shares by Karaganda Investments Inc., 65,035,449 shares by Nippomo Limited, 1,863,526 shares by Orient Creation Limited, 131,457,316 shares by Strathallan Investment Limited, 5,653,298 shares by Strong Investments Limited, 195,210,718 shares by Tamworth Investment Limited and 29,838,016 shares by Transpire Investment Limited;
- 2,237,553 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
- 48,512,573 shares which were held by the co-executors of the estate of the late Mr. Ng Teng Fong.

Directors' interests (Continued)

(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, 2020, 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, 2020, 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 (Notes 1, 2, 3, 4 and 5)	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 (Notes 3 and 5)	Beneficial owner	17.04%
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Strathallan Investment Limited	119,968,581 (Notes 3 and 5)	Beneficial owner	11.47%
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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%

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, 2020, 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

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of the Directors since the publication of the 2020 Annual Report and up to 25th February, 2021 (being the approval date of this Interim Report) are set out below:

Directors' updated biographical details

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

Mr. Wong Cho Bau

- appointed as the Chairman of Greater Bay Airlines Co., Ltd.

Mr. Hung Wai Man

- ceased as an Adjunct Professor of Jinan University.

Mr. Daryl Ng Win Kong

- appointed as the Chairman of Greater Bay Area Homeland Youth Community Foundation Limited; and

- appointed as a Member of the Board of Mind Mental Health Hong Kong Limited.

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

Save as disclosed above, there had not been any other changes in the information of Directors notified to the Company 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 2021, 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, 2020.

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 Group Chief Financial Officer, a Senior Legal Counsel, the Company Secretary, 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, 2020. 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, 2020, 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

Fanny CHENG Siu King

Company Secretary

Hong Kong, 25th February, 2021



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 22 which comprise the condensed consolidated statement of financial position as of 31st December, 2020 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six 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

25th February, 2021



(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)

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