SINO HOTELS (HOLDINGS) LIMITED

(An exempted company incorporated in the Cayman Islands with limited liability)

(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.

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, serving 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.

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 by offering their members long-term employment and training opportunities.

Tai O Heritage Hotel

In March 2008, the Ng Teng Fong Family, the major shareholder of the Group, set up the non-profitmaking organisation 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 Progamme' 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’

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

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INTERIM RESULTS

The unaudited results of the Group for the six months ended 31st December, 2019 are as follows:

Consolidated Statement of Profit or Loss

		Six months ended	
	Notes	**31st December, 2019 HK$ (Unaudited)**	31st December, 2018 HK$ (Unaudited)
Revenue	*2*	**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		**13,895,769**	11,032,930
Finance costs		**(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	*3*	**8,536,714**	102,780,132
Income tax expense	*4*	**(2,074,325)**	(5,917,859)
Profit for the period attributable to the Company's shareholders		**6,462,389**	96,862,273
Interim dividend at HK1.0 cent *(2018: HK4.5 cents)* per share		**11,385,031**	49,759,479
Earnings per share - basic	*5*	**0.58 cents**	**8.87 cents**

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
	HK$	HK$
	(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

Consolidated Statement of Financial Position
At 31st December, 2019

	Notes	**31st December, 2019 HK$ (Unaudited)**	30th June, 2019 HK$ (Audited)
Non-current assets			
Property, plant and equipment		**322,098,723**	1,282,004,665
Right-of-use assets		**991,100,375**	-
Interests in associates		**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
		3,542,528,781	3,475,026,533
Current assets			
Hotel inventories		**360,647**	323,265
Trade and other receivables	*6*	**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
		1,131,765,934	1,332,883,437
Current liabilities			
Trade and other payables	*7*	**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
		67,936,987	52,166,879
Net current assets		**1,063,828,947**	1,280,716,558
Total assets less current liabilities		**4,606,357,728**	4,755,743,091
Capital and reserves			
Share capital		**1,138,503,121**	1,119,805,890
Reserves		**3,462,025,741**	3,632,304,749
Equity attributable to the Company's shareholders		**4,600,528,862**	4,752,110,639
Non-current liability			
Deferred taxation		**5,602,325**	3,632,452
Lease liabilities		**226,541**	-
		4,606,357,728	4,755,743,091

Notes:

1. Basis of preparation

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

The unaudited interim 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 unaudited interim 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.

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 unaudited interim 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 unaudited interim financial statements.

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.

1. Basis of preparation - *continued*

Impacts and changes in accounting policies of application on HKFRS 16 *"Leases"* - continued

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.

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

	Note	Carrying amounts previously reported at 30th June, 2019	Adjustments	Carrying amounts under HKFRS 16 at 1st July, 2019
		HK$	HK$	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

Note:

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

2. Segment information

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

	Segment revenue		**Segment results**	
	Six months ended		**Six months ended**	
	31st December, 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
	108,945,138	158,955,226		
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)
			(39,740,682)	(62,684,997)
Profit before taxation			**8,536,714**	**102,780,132**

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.

Geographical information

All of the activities of the Group are based in Hong Kong and all of the Group's revenue and contribution to profit for the period are derived from Hong Kong. All the assets of the Group are located in Hong Kong.

3. 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

4. Income tax expense

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

5. Earnings per share - basic

The calculation of the basic earnings per share is based on the profit for the period attributable to the Company's shareholders 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.

6. Trade and other receivables

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

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

	31st December, 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
	4,871,054	7,048,605
Other receivables	**16,507,844**	21,484,490
	21,378,898	28,533,095

7. Trade and other payables

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

	31st December, 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	**10,134,096**	-
	22,506,526	**9,884,973**
Other payables (Note)	**25,831,186**	**23,672,104**
	48,337,712	**33,557,077**

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

8. Commitments

	31st December, 2019 HK$	30th June, 2019 HK$
Expenditures contracted for but not provided in the consolidated financial statements in respect of:		
Renovation works, purchase of furniture, fixtures and hotel operating equipment	**4,156,516**	49,459,876

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, 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 31st December, 2019 have been reviewed by the Audit Committee and the auditor of the Company, Deloitte Touche Tohmatsu.

2019-2020 INTERIM REPORT

The 2019-2020 interim report containing all the information required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited and the Company's website www.sino.com while printed copies will be sent to shareholders on or about Monday, 16th March, 2020.

By Order of the Board
Velencia LEE
Company Secretary

Hong Kong, 26th February, 2020

As at the date hereof, the Executive Directors of the Company are Mr. Robert Ng Chee Siong, Mr. Daryl Ng Win Kong, Mr. Giovanni Viterale and Mr. Thomas Tang Wing Yung, the Non-Executive Directors are The Honourable Ronald Joseph Arculli and Mr. Gilbert Lui Wing Kwong, and the Independent Non-Executive Directors are Mr. Steven Ong Kay Eng, Mr. Wong Cho Bau and Mr. Hung Wai Man.