

# ANNUAL REPORT 2020



STOCK CODE: 1221

This annual report (“Annual Report”) is available in both English and Chinese. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the language different from that has been received by writing to the Company’s Principal Registrar, Tricor Friendly Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

The Annual Report (in both English and Chinese versions) has been posted on the Company’s website at [www.sino.com](http://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 Annual 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 Annual Report posted on the Company’s website will upon request be sent the Annual 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](mailto: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<sup>#</sup>  
Gilbert Lui Wing Kwong<sup>#</sup>  
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)*

(<sup>#</sup> 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 *(appointed on 1st May, 2020)*

## Company Secretary

Fanny Cheng Siu King *(appointed on 1st May, 2020)*

## Auditor

Deloitte Touche Tohmatsu  
Registered Public Interest Entity Auditors

## Solicitors

Clifford Chance, Hong Kong  
Maples and Calder, Cayman Islands

## Principal Registrar

Tricor Friendly Limited  
Level 54, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong  
Telephone : (852) 2980 1333  
Fax : (852) 2861 1465  
Email : [sinohotels1221-ecom@hk.tricorglobal.com](mailto:sinohotels1221-ecom@hk.tricorglobal.com)

## 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

Please direct enquiries to:  
Group General Manager (Corporate Finance & Investor Relations)  
Telephone : (852) 2132 8090  
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Email : [investorrelations@sino.com](mailto:investorrelations@sino.com)

## Principal Office

12th Floor, Tsim Sha Tsui Centre,  
Salisbury Road, Tsim Sha Tsui,  
Kowloon, Hong Kong  
Telephone : (852) 2721 8388  
Fax : (852) 2723 5901  
Website : [www.sino.com](http://www.sino.com)  
Email : [info@sino.com](mailto:info@sino.com)

## Registered Office

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

## Listing information

Stock Code 1221

## Shareholders' calendar

<b>Closure of Register of Members for entitlement to attend and vote at Annual General Meeting</b>	22nd October, 2020 to 28th October, 2020 (both dates inclusive)
<b>Annual General Meeting</b>	28th October, 2020
<b>Interim Dividend</b>	HK1 cent per share
Paid	20th April, 2020
<b>Final Dividend</b>	Nil



I hereby present the 2019/2020 Annual Report to shareholders.

## Final results

The Group recorded net loss attributable to shareholders of HK\$76.3 million for the year ended 30th June, 2020 (the 'Financial Year') compared to net profit attributable to shareholders of HK\$196.3 million for the last financial year. Loss per share for the Financial Year was HK6.75 cents compared to profit per share of HK17.83 cents last year. The performance of the Group was affected by the outbreak of COVID-19 which worsened operating environment amid plunging visitor arrivals to Hong Kong during the financial year.

## Dividends

The Board recommends no final dividend for the Financial Year (2018/2019: HK5 cents per share). With the interim dividend of HK1 cent per share (2018/2019: HK4.5 cents per share) paid in April 2020, the total dividend for the full financial year is HK1 cent per share (2018/2019: HK9.5 cents per share).

## Review of operations

During the Financial Year, hotel industry in Hong Kong has been impacted by a significant decrease in visitor arrivals amidst the outbreak of COVID-19 since January 2020 and its adverse impact on cross border and international travel. Statistics released by Hong Kong Tourism Board shows that visitor arrivals to Hong Kong during the Financial Year decreased to 24.5 million from 69.4 million, representing a decrease of approximately 64.6% year-on-year. In the second half of the Financial Year in particular, total visitor arrivals declined by almost 90% year-on-year owing to government travel restrictions, quarantines, and border closure.

## Business activities

### City Garden Hotel

City Garden Hotel is a wholly-owned subsidiary of the Group.

The average room occupancy rate of City Garden Hotel for the year ended 30th June, 2020 was 41.7% (2018/2019: 85.7%) and the average room rate decreased 33.3% compared with that of last financial year. Room sales for the financial year decreased 67.8% to HK\$62.0 million from HK\$192.5 million for the last financial year. Food and beverage sales for the Financial Year were HK\$61.9 million (2018/2019: HK\$88.9 million).

### Conrad Hong Kong

Conrad Hong Kong is 50% owned by the Group and 30% owned by Sino Land Company Limited (Hong Kong stock code: 0083) and collectively own a total of 80% equity interest in Conrad Hong Kong.

The average room occupancy of Conrad Hong Kong for the year ended 30th June, 2020 was 34.8% compared with 89.3% for the last financial year and the average room rate decreased by 21.3% compared with that of last financial year. Room sales for the year ended 30th June, 2020 were HK\$139.8 million (2018/2019: HK\$455.1 million) while income from food and beverage sales for the Financial Year were HK\$170.5 million (2018/2019: HK\$334.5 million).

### The Royal Pacific Hotel & Towers

The Royal Pacific Hotel & Towers is 25% owned by the Group and the remaining 75% interest is owned by a private company, wholly owned by the Ng family, the controlling shareholder of Sino Hotels (Holdings) Limited.

# Chairman's statement (Continued)

## Review of operations (Continued)

### Business activities (Continued)

#### The Royal Pacific Hotel & Towers (Continued)

The average occupancy rate of The Royal Pacific Hotel & Towers for the year ended 30th June, 2020 was 44.0% (2018/2019: 92.7%) and the average room rate decreased 43.8% compared with that of last financial year. Room sales decreased 73.3% to HK\$88.1 million from HK\$329.5 million for the last financial year. Revenue from food and beverage sales for the year ended 30th June, 2020 were HK\$71.3 million (2018/2019: HK\$102.5 million).

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 30th June, 2020, the Group had cash and bank deposits of HK\$966.8 million and had no debt outstanding.

There was no material change in the capital structure of the Group for the financial year. Foreign exchange exposure is kept at a low level. As at 30th June, 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, 2019.

## Employee programmes

Quality service is the key to hospitality and the Group continues to invest in employee programs to foster and grow service skills. A leadership program that develops assistant managers and managers into leaders is the "FLY – Future Leader. You" program. With workshops, management seminars, mentorship and cross training, the FLY program helps high potential staff achieve their targeted success. Teambuilding was also a key

training focus this year and to add more gamification into the Group's approach, LEGO® SERIOUS PLAY® was introduced to teams. This method aims to improve creative thinking and communication, both vital to providing high-quality service.

Challenging times call for adaptability in training approaches; several key programs were developed to meet this need. To assist in 5-star service training, a video library was developed to support the Service Standards review. Videos can be viewed on any device giving staff flexibility to review the hospitality standards. Webinars using Teams, language training videos using WhatsApp, and workshops on handling guest issues regarding COVID-19 were also created to give service training access to staff in a safe, social-distancing way.

## Corporate social responsibility

The Group is committed to incorporating sustainability initiatives into the operations and management of our hotels. The Group upholds high level of corporate governance standards, participating in green initiatives, engaging the community, promoting social integration and conserving the cultural heritage.

### Environmental management

The Group places strong emphasis on environmental management throughout our operations to promote sustainable living to stakeholders and the general public. The use of plastic straws and stirring rods has been banned at all the food and beverage outlets of the Group since 2018. The Group has also ceased the use of plastic bottled water and deployed smart water stations serving hotels' guest rooms and facilities. In an effort to building a sustainable environment, City Garden Hotel installed solar panels and electric vehicle charging stations at the hotel's car parking area in promoting low carbon living.

### Corporate social responsibility

(Continued)

#### Community engagement

As a committed corporate citizen, the Group partners with various community service centres through the long-standing 'Hearty Soup Delivery Programme'. Homemade soup is prepared by our hotel chefs and delivered to the elderly regularly. The Group also partnered with charitable organisation Foodlink Foundation in the 'Food Donation Programme' and donated meal boxes to the needy families. In addition, the Group collaborates with Hong Chi Association 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. 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'.

In 2019, HCF co-organised 'Tai O Art Revitalisation Project' with Tai O local organisations to generate attraction spots around Tai O with mural cultural paintings and 3D mural paintings. The paintings aim to showcase the charm of Tai O, people stories and its history.

### Industry outlook and prospects

The financial year 2019/2020 was indeed challenging due to unprecedented and exceptional circumstances, exacerbated by the unexpected outbreak of the COVID-19 pandemic. While the uncertainty remains about the duration of the pandemic and the effect it will have on the economies, management is mindful of the current situation and considers that this is an opportunity to learn and improve. We are actively planning and rolling out initiatives to reduce the impact.

The first priority is to deliver a feeling of safety to our discerning guests therefore we are putting in place strict sanitization 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. 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 & beverage products to cater to the increased demand for takeaways and home deliveries. Moreover, we have 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 organization. The Group will continue to improve the quality of its hotel services to ensure our discerning guests have enjoyable experiences during their stays in the hotels.

In the long-run, Hong Kong remains well placed to benefit from the business opportunities provided under the Belt and Road initiatives, and the growth of the Greater Bay Area of Guangdong-Hong Kong-Macao as a key business service and logistics hub in the Asia Pacific. We are confident in Hong Kong's solid foundation and resilience. It is hopeful that the COVID-19 situation will be brought under control and society can return to peace and harmony soon, and that the impact of these on the travel trade will recede. When the situation improves and economic recovery returns, the Group can leverage on an enhanced operational structure which will lead to higher shareholders' value.

## Chairman's statement (Continued)

### Industry outlook and prospects

(Continued)

The Group has a healthy balance sheet and 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, 26th August, 2020



# Environmental, social and governance report

Sino Hotels (Holdings) Limited (“Company”) is pleased to present this Environmental, Social and Governance (“ESG”) Report (“ESG Report”) which summarises the ESG policies, initiatives and performance of the Company and its subsidiaries (collectively, “Group”) as well as demonstrates its commitment in achieving environmental and social sustainability for the year ended 30th June, 2020.

## Reporting framework and scope

This ESG Report is prepared in accordance with the ‘Environmental, Social and Governance Reporting Guide’ under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It covers the management approach for the material sustainability aspects of the Group’s core businesses in hotel investment, operation and management. The focus of this ESG Report is to summarise the environmental and social sustainability performance and initiatives of City Garden Hotel and The Royal Pacific Hotel & Towers. Information relating to the Group’s corporate governance practices can be found in the Corporate Governance Report on pages 20 to 37.

## Approach, strategy to ESG and reporting

As a responsible corporate citizen, the Group’s ESG approach is to incorporate sustainability initiatives into the operations and management of its hotels. The Group holds corporate social responsibilities in high regard as the Group maintains high level of corporate governance standards and operates in a way to protect the environment, serve the community, promote social integration, and, support heritage and culture conservation. With the objective of becoming the preferred choice of customers, investors and employees, the Group endeavours to establish a high reputation in the hospitality and tourism industry and promises to deliver a high standard of services to its guests.

## Materiality assessment

The Group engaged an independent consultant to conduct a stakeholder engagement exercise. The independent consultant identified a range of sustainability issues and prepared a questionnaire for the stakeholders. Stakeholders were asked to rank the importance of sustainability topics and provide their views on the Group’s sustainability performance.

Material topics reflect a reporting organisation’s significant economic, environmental and social impacts as well as those that substantively influence the assessments and decisions of stakeholders. Based on the results of the stakeholder engagement and materiality assessment, the Group has identified 11 material topics, including greenhouse gas (“GHG”) emissions and control, energy consumption and efficiency, waste reduction and management, water consumption and efficiency, occupational health and safety, employee training and development, customer health and safety, customer satisfaction, customer privacy, anti-corruption and community engagement, that form the basis of the ESG Report.

## Stakeholder engagement

To better understand stakeholders' concerns and expectations, the Group has adopted a multi-pronged approach to engage its key stakeholders, including customers, staff, shareholders, investors, non-governmental organisations ("NGOs"), partners (suppliers and contractors, academia and the government), local communities and mass media, on a regular basis through various channels.

Stakeholders	Channels to engage
Customers	<ul style="list-style-type: none"> <li>• Customer service hotline</li> <li>• Regular gatherings</li> <li>• Social media</li> <li>• Daily personal contact</li> </ul>
Staff	<ul style="list-style-type: none"> <li>• Town Hall Meetings and Mini-Town Hall Meetings</li> <li>• Staff magazine (InSino)</li> <li>• New hire orientation</li> <li>• SinoNet (Intranet)</li> <li>• Sinovation programme</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• Annual general meetings</li> <li>• Annual and interim reports</li> <li>• Press releases, announcements and circulars</li> </ul>
Investors	<ul style="list-style-type: none"> <li>• Investor conferences</li> <li>• Analyst briefings</li> </ul>
NGOs	<ul style="list-style-type: none"> <li>• Regular meetings with green and community partners</li> <li>• Joint activities</li> </ul>
Partners (suppliers and contractors, academia and the government)	<ul style="list-style-type: none"> <li>• Tendering process</li> <li>• Meetings and conferences</li> <li>• Exhibitions</li> <li>• Site visits</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>• Volunteering opportunities</li> <li>• Charitable events</li> <li>• Regular meetings with green and community partners</li> <li>• Joint activities</li> </ul>
Mass media	<ul style="list-style-type: none"> <li>• Press conference and luncheons</li> <li>• Press releases</li> </ul>

## Sustainability governance

The Group's sustainability management framework enables every level of the Group to participate in improving its sustainability performance.

The Group collaborates with like-minded partners – customers, colleagues, business associates and the broader community – on its sustainability journey. Committed and together, the Group strives to create a better community where people live, work and play.

This is encapsulated in the Group's vision of 'Creating better lifescapes' – to build a better life together, where communities thrive in harmony by embracing green living and wellness, by engaging with all and pursuing meaningful designs, and by seeking innovation while respecting heritage and culture. It is brought to life through work in six areas, namely Green, Wellness, Design, Innovation, Heritage & Culture and Community. These six pillars shape and guide how the Group plans, designs, works and delivers products and services.

The Sustainability Committee was set up in 2010 to drive the planning and implementation of the strategies of the Group with a view to building a more sustainable business. It was restructured and renamed as the Environmental, Social and Governance Steering Committee ("ESG Steering Committee") in 2020. The ESG Steering Committee comprises Executive Directors of the Company and key executives from different business units to support the Board of Directors of the Company ("Board") in overseeing and steering the planning and execution of the Group's sustainability programmes. It provides overall stewardship, formulates direction, strategies, policies and goals, in addition to facilitating execution of plans and activities.

An information and data collection template is adopted and used for collection of ESG information and data from relevant departments and business units of the Group. The ESG Report is prepared based on the information and data so collected and the key performance indicators relating to the Group's business operations are highlighted in the paragraphs below.

## Environmental

### Management approach

The Group is committed to doing its part to combat climate change. The Green Sub-Committee of the ESG Steering Committee supports the ESG Steering Committee and the Board in setting the overall environmental approach of the Group. It also reviews and evaluates initiatives to address climate change, manage energy and waste, conserve water and promote environmental protection, and identifies areas for improvement.

### Climate resilience, energy and emissions

The Group contributes to the sustainable development of the communities by following the principles of pollution prevention and minimisation of its impact on the environment. These principles also influence the Group's sourcing and procurement practices and the way the Group supports and engages its stakeholders. Priority focus areas include climate action, energy saving

and waste reduction, as well as exploring environmental innovations. In addition, the Group undertakes various programmes that promote sustainable living among its stakeholders and the general public.

The Company is not aware of any material non-compliance with relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group for the year ended 30th June, 2020.

### Climate resilience

The Group has stringent measures in place for reducing GHG emissions in accordance with local government policies and internationally-binding treaties and commitments to combat climate change, such as Hong Kong's Climate Action Plan 2030+ and the Paris Agreement. The Group supports transparency in GHG disclosure and reports its emissions annually in the Carbon Footprint Repository for Listed Companies in Hong Kong as developed by the Environmental Protection Department of the HKSAR Government.

## GHG emissions and control

### GHG emissions from the Group's operations

		<i>Unit</i>	For the year ended 30th June, 2020	For the year ended 30th June, 2019
Scope 1	Direct GHG emissions	<i>tonnes CO<sub>2</sub> equivalent</i>	<b>41.10</b>	32.20
Scope 2	Indirect GHG emissions	<i>tonnes CO<sub>2</sub> equivalent</i>	<b>8,511.70</b>	10,331.36
Scope 3	Other indirect GHG emissions	<i>tonnes CO<sub>2</sub> equivalent</i>	<b>119.32</b>	148.52
Total GHG emissions		<i>tonnes CO<sub>2</sub> equivalent</i>	<b>8,672.12</b>	10,512.08
GHG emissions intensity		<i>tonnes CO<sub>2</sub> equivalent/ room night</i>	<b>0.04</b>	0.02

The Group continually reviews possibilities to improve energy and resource management across its operations. Particular attention has been paid to enhancing the energy efficiency of the Group's assets. The Group's Energy Policy outlines its commitment to managing

energy consumption and adopting energy-efficient technologies that can further reduce consumption. As at 30th June, 2020, a reduction of 25.07% carbon emissions from 2012 level was recorded, which is equivalent to 126,145 trees planted.

# Environmental, social and governance report (Continued)

## Environmental (Continued)

### Climate resilience, energy and emissions (Continued)

#### Energy consumption and efficiency

Through careful planning, the Group strives to minimise energy consumption and improve energy efficiency in its hotels. The Group has incorporated various sustainable energy measures that have resulted in reducing energy consumption in its daily operations. Below are some of the energy saving initiatives:

- participating in the Peak Demand Management Programme of CLP Power Hong Kong Limited;

- retrofitting lifts in its hotels to increase energy efficiency; and
- replacing T5 fluorescent tube in its hotels by LED panel for signage.

The Group participates in the Energy Saving Charter initiated by the Environment Bureau and the Electrical and Mechanical Services Department of the HKSAR Government to maintain an average indoor temperature between 24°C and 26°C during the summer months. The Group also signed the 4Ts Charter (Target, Timeline, Transparency and Together) and set an internal energy intensity reduction target with implementation timelines.

#### Energy consumption from the Group's operations

			For the year ended 30th June, 2020	For the year ended 30th June, 2019
Electricity	Consumption	<i>kWh</i>	12,530,313	15,190,598
	Intensity	<i>kWh/room night</i>	62.30	36.25
Fuel – Towngas	Consumption	<i>MJ</i>	3,557,088	5,617,920
	Intensity	<i>MJ/room night</i>	17.69	13.41

#### Renewable energy and electric vehicle chargers

With a view to reducing the Group's GHG footprint, the Group is committed to harnessing technology and implementing initiatives that promote the use of renewable energy in its daily operations. City Garden Hotel has installed 72 pieces of solar panels with a total power generating capacity of 21.6 kW to promote renewable energy in Hong Kong.

In echo to the Environment Bureau's Energy Saving Plan, the Group actively develops facilities for green transport. Electric vehicle charging stations have been installed at the car parking area of City Garden Hotel, providing free charging service to its customers.

#### Waste reduction and management

The Group makes every effort to minimise waste generation, increase opportunities for reusing and recycling, and, treat and dispose of waste responsibly when other options are not practicable. Plastic bottles, paper and cooking oil are some of the items which are the subjects of the Group's recycling programme.

## Environmental (Continued)

### Waste reduction and management

(Continued)

As part of the Group's waste management strategy, the Group has committed to reducing single-use plastic consumption by 50% by 2022 from 2017 level and strived to reduce its consumption wherever possible. Since June 2018, the Group has banned plastic straws and stirring rods at all food & beverage outlets, and has served eco-friendly alternatives upon request. The

Group has also initiated the first hotel-wide substitution of plastic bottled water on all premises in Hong Kong. 49 smart filtered water stations serving 1,282 guest rooms and facilities are installed at easily accessible locations for guests to refill their own bottles or glass flasks provided in each room. For the year ended 30th June, 2020, 294,997 plastic bottles were saved.

Other initiatives include replacing small bathroom amenities with refillable dispensers, providing eco-friendly containers and cutleries, and, introducing umbrella dryers to reduce consumption of single-use plastic.

### Waste produced from the Group's operations

			For the year ended 30th June, 2020	For the year ended 30th June, 2019
		Unit		
Hazardous waste <sup>1</sup>	Disposal	kg	187.24	157.31
	Intensity	kg/room night	0.00092	0.00037
Non-hazardous waste	Disposal	tonnes	1,259	1,542
	Intensity	kg/room night	6.26	3.67

Note:

1. Hazardous waste generated by the Group was collected by qualified contractors for recovery and/or disposal in a safe manner.

### Recycled materials from the Group's operations

		Unit	For the year ended 30th June, 2020	For the year ended 30th June, 2019
Plastic bottles		kg	408	677
Glass bottles		kg	2,019	5,273
Paper		tonnes	32	31
Aluminum cans		kg	48	65
Used cooking oil		litres	5,946	7,787
Coffee grounds		kg	792	1,991

### Food waste management

The Group undertakes to continue its dedication to food waste reduction by supporting the HKSAR Government's food waste reduction programmes and bringing related innovative inspirations to the hospitality industry.

Since 2013, the Group has established a Food Waste Management Task Force Team, led by chefs, stewards, hygiene manager and sustainability manager. The task force team conducts regular reviews of the effectiveness of food production, processing and disposal procedures in the hotels, and exchanges insights on food waste reduction among the employees.



# Environmental, social and governance report (Continued)

## Environmental (Continued)

### Waste reduction and management

(Continued)

#### Food waste management (Continued)

The Group has been a partner with the Food Wise Hong Kong Campaign of the HKSAR Government since 2013. 'Food Wise' signs are available in the hotels' buffet lines to promote the culture of eating wisely. Statistics on food waste disposal and recycling are gathered and analysed on a monthly basis so as to evaluate the effectiveness and practicality of its hotels' food waste management. The food waste is collected on a daily basis and delivered to O • PARK1, the first organic resources recovery centre in Siu Ho Wan for conversion into biogas for electricity generation and compost for landscaping and agriculture use.

For the year ended 30th June, 2020, 37,078 kg (2019: 70,984 kg) of food waste were collected for recycling.

### Responsible and sustainable consumption

The Group advocates environmentally-responsible procurement practices through communication with its business units and suppliers. Initiatives to conserve water, promote sustainable procurement and protect biodiversity have also been introduced.

#### Water consumption and efficiency

The Group actively pursues for effective water management to consume water responsibly in order to minimise the water consumption throughout its operations. To this end, the Group has established various environmental initiatives from installing water saving devices to adopting water reduction practices.

The key water saving measures include:

- encouraging hotel guests to engage in the linen and towel reuse programme;
- promoting an awareness of water conservation among housekeeping and kitchen staff;
- introducing jet sprays for dish washing;
- ensuring an operation of fully loaded dish washers and washing machines; and
- regular inspection on the hotels' water facilities to ensure no water leakage.

The total water consumption of the Group's hotels is registered at least once a month to monitor the water usage.

### Water consumption from the Group's operations

		Unit	For the year ended 30th June, 2020	For the year ended 30th June, 2019
Water <sup>1</sup>	Consumption	$m^3$	152,689	224,845
	Intensity	$m^3/\text{room night}$	0.76	0.54

Note:

1. All potable water and flushing water used by the Group were provided by the municipal waterworks with appropriate licences/permits. There were no issues related to sourcing water that was fit for purpose.

## Environmental (Continued)

### Responsible and sustainable consumption (Continued)

#### Sustainable procurement

It is the Group's intention to integrate environmental considerations into sustainable consumption and production in its supply chain. Since 2014, the Group has established Green Purchasing Guidelines with the aim of engaging its business partners (contractors and suppliers) to review and assess the environmental impact of their products' life cycle as well as adopting environmental-friendly practices such as offering products with greater durability and higher energy efficiency.

The Green Purchasing Guidelines are used by the purchasing units of the Group. Some of the green purchasing principles include:

- examining the necessity of the product or service to avoid unnecessary consumption and to manage demand;
- considering alternatives to purchasing a replacement, including reusing, recycling, reducing, greater durability and higher energy efficiency; and
- considering the emissions, pollutants, energy and water required throughout the life cycle of the product or service.

#### Green packaging

According to the Group's guidelines on green gift hampers and basket packaging design, the Group has requested its suppliers to consider reducing excessive packaging and exploring the use of eco-materials as substitutes for conventional packaging. Specifically, suppliers are required to observe the following principles:

##### Design of the packaging

- simple packaging – excessive packaging should be avoided and packaging should be recyclable; and
- reusable concept – the reuse of packaging materials should be promoted through careful design and choice of materials.

##### Choice of packaging materials

- Use of recyclable packaging materials is preferred, especially those containing recycled constituents (such as recycled paper) or environmentally-certified products (such as paper products). The use of materials with high environmental impact or low recycling values (such as PVC plastic or plastic foam) should be minimised.

For the year ended 30th June, 2020, 3.19 tonnes (2019: 3.60 tonnes) of material were used for festive packaging.

#### Purchasing sustainable seafood

To promote marine conservation, the Group has adopted the Sustainable Seafood Guide issued by WWF and the Marine Stewardship Council for procurement of seafood that is certified by recognised sustainability schemes or labels. Since 2012, the Group has ceased serving shark fin at all its restaurants and banquets.

## Social

### Management approach

The ability to attract and retain talent is a key element to the Group's business. The Wellness Sub-Committee of the ESG Steering Committee supports fair employment practices and ensures that the Group complies with local labour regulations. It also identifies, monitors and reviews existing and emerging issues and trends related to human capital development as well as health and safety. Safety performance is evaluated by the Wellness Sub-Committee periodically for development of action plans.

Diversity and Inclusion Policy, Human Rights Policy as well as Health and Safety Policy have been adopted by the Group and will be reviewed periodically based on the Group's business strategies and feedback. These policies enable the Group to create a safe, equitable and favourable workplace environment for all employees.

### Employment and labour practices

The hospitality industry is all about providing service to guests from different countries around the world. A team of engaged and well-trained staff is the key contributing factor in building customer loyalty and making the hotels of the Group the preferred choice for its customers.

As a responsible employer, the Group is committed to providing equal opportunities in recruitment, training, promotions, transfers and remuneration, regardless of gender, disability, family status, marital status, pregnancy, race, religion, age, nationality or sexuality. The Group's Diversity and Inclusion Policy outlines its commitment to ensuring a workplace free of discrimination, harassment or vilification, where employees can enjoy equal opportunities at all times. Differential treatment on the grounds of race, gender, disability, family status or sexual orientation is absolutely unacceptable in the workplace.

Training in workplace diversity and non-discrimination is provided during the orientation of all new staff.

The Human Resources Department of the Group also organises training in effective communication to help employees bridge generational differences among various age groups.

For the year ended 30th June, 2020, the Company is not aware of any material non-compliance with relevant laws and regulations relating to employment and labour practices that have a significant impact on the Group.

### Occupational health and safety

In recognition of the paramount importance of maintaining a safe and healthy environment for the employees, guests and customers, the Group adopts stringent occupational health and safety ("OHS") practices and adheres to the Occupational Safety and Health Ordinance in Hong Kong.

The Group's Health and Safety Policy covers employees, contractors, customers and visitors. The Policy stipulates the health and safety principles that the Group adheres to, including:

- to integrate health and safety into operations and other business activities;
- to adopt risk-based approach to identify, evaluate, mitigate and report issues on health and safety;
- to operate a health and safety management system that complies with relevant laws, regulations, as well as industry standards and best practices;
- to foster a healthy and safety culture by maintaining effective communication with all stakeholders through various channels and allocating resources, including but not limited to training, equipment, facilities, material applications, methods and systems, to achieve and maintain the highest possible health and safety standards;
- to monitor health and safety performance through the establishment of relevant indicators and conduct of regular inspections and audits; and
- to conduct periodic tests and drills on emergency response procedures to ensure customers' safety.

## Social (Continued)

### Occupational health and safety (Continued)

The Wellness Sub-Committee administers the employee health and safety management system and ensures that health and safety principles are embedded across all the business lines.

In order to promote good staff habits to pursue safety standards and enhance employees' safety awareness, the Group hosts regular safety training workshops to provide impetus for the staff to gain a deeper understanding of personal health and safety issues.

The Group has also set up an internal risk and safety team, which consists of representatives from various departments including hygiene, engineering and security to promote and advocate a safe working environment for achieving 'zero accident' status.

To ensure the applicability and responsiveness of the OHS measures, the Group also reviews the performance of the measures on a regular basis so that their effectiveness and reliability can be maintained. OHS measures include conducting daily inspections, formulating emergency response plans, conducting risk assessment and refining its accident investigation mechanism so as to ensure legal compliance and minimise risks associated with OHS.

For the year ended 30th June, 2020, the Company is not aware of any material non-compliance with relevant laws and regulations relating to OHS that have a significant impact on the Group.

### Total number of employees for the year ended 30th June, 2020

	Headcount
<i>By gender</i>	
Male	262
Female	
<i>By employee category</i>	
Senior level	24
Middle level	59
Entry level	486
Contract/short-term staff	10
<i>By age group</i>	
Under 30 years old	72
30-50 years old	314
Over 50 years old	193
<i>By geographical region</i>	
Hong Kong	579

### Employee training and development

Employee development is vital to the sustainable growth of the Group. As part of the lifelong learning culture, the Group encourages employees at all levels to acquire professional knowledge, new skills and qualifications in support of their career growth and the business needs. The Group also provides a wide spectrum of internal and external training opportunities to its staff to deepen their professional knowledge and essential skills. In addition, the Group offers employees examination leave and educational subsidies so that they can participate in external training.

The training programme, namely FLY Programme, provides continuous development for talents with leadership potential from supervisory to manager level. The programme covers three main aspects including self-leadership, team leadership and business leadership. Through the FLY Programme, the participants can further develop and strengthen their leadership and management skills to take on more senior positions. It also enables the participants to have mutual growth with the Group through achieving continuous lifelong learning.

# Environmental, social and governance report (Continued)

## Social (Continued)

### Employee training and development (Continued)

#### Employee training hours for the year ended 30th June, 2020

	Headcount	Total training hours	Average training hours/employee	Percentage of employees trained
<i>By gender</i>				
Male	317	7,885.77	24.88	100%
Female	262	7,443.49	28.41	100%
<i>By employee category</i>				
Senior level	24	346.23	14.43	100%
Middle level	59	1,617.46	27.41	100%
Entry level	486	13,365.57	27.50	100%
Contract/short-term staff	10	0	0	0%

### Labour standards – anti-child and forced labour

The Group's Code of Conduct, Human Rights Policy and other regulations related to work and labour practices help ensure that the Group operates its business according to high standards of ethical behaviour and integrity. Policies are in place to prevent unethical behaviour in recruitment, promotion and dismissal, as well as child labour and forced labour. The Group is committed to forbidding employment of child labour, adopting zero tolerance on any forced or compulsory labour, and not engaging in any forms of human trafficking or employment of illegal labour in its operations and supply chain. All employees must be above the legal employment age.

The Group goes a step further to assess and oversee the code of conduct of its suppliers in accordance with the Policies and Procedures for Group Approved Contractors/Suppliers List including their social and ethical standards. The Group is dedicated to minimising the risks associated with its supply chain and ensuring that its suppliers are not engaged in inappropriate labour practices.

For the year ended 30th June, 2020, the Company is not aware of any material non-compliance with relevant laws and regulations relating to preventing child or forced labour that have a significant impact on the Group.

### Social supply chain management

The Group collaborates with its business partners to deliver quality products and services with sustainability attributes to its customers.

To facilitate communication with contractors and suppliers on sustainability issues, the Group has developed the Policies and Procedures for Group Approved Contractors/Suppliers List with the associated requirements included in the standard tender documents. These requirements cover regulatory compliance, labour practices, anti-corruption, environmental measures, green procurement, OHS and business ethics. Regular monitoring and annual performance reviews of registered suppliers are conducted to minimise environmental and social risks in the supply chain. The Group also has standard approach and criteria to assess the performance of suppliers and contractors. For instance, auditors from various departments will conduct factory audit and due diligence on the approved suppliers/contractors to review and assess their performance. Spot checks will be conducted on a regular basis to ensure full compliance of laws and requirements by the suppliers and contractors.



## Social (Continued)

### Product responsibility

#### Customer health and safety and satisfaction

The Group puts concrete efforts on proactively enhancing customer satisfaction and promoting a culture of 'Customer First' and 'Quality Excellence' within the Group. The Group regularly participates in professional guest experience surveys and programmes through various communication channels, including daily communication, comments posted online, courtesy calls, electronic customer feedback forms, guests experience survey and mystery shopper programmes. The Group also has its Customer Satisfaction and Complaints Handling System and has established standards to deal with complaints from customers so that the Group can address customers' concerns and needs in a timely and professional manner, turning its customers' concerns into learning opportunities for the Group's continuous development.

The Group strictly follows regulatory requirements, industry guidelines and internal procedures to improve customer health and safety, promote responsible marketing and ensure information security of its customers.

To extend the Group's commitment to promoting better indoor air quality for the customers, City Garden Hotel and The Royal Pacific Hotel & Towers are two of the pioneer hotels in Hong Kong to go 100% smoke-free. Smoking is prohibited in all the guest rooms, restaurants, common areas and all enclosed facilities. These measures help provide a health-conscious and smoke sensitive environment for the global travellers, and guarantee guests to stay out from both the second and lingering third-hand smoke.

To promote social integration and inclusion, the Group reasserts its commitment through creating a barrier-free environment and culture at its hotels. The Group is one of the pioneering groups in the hospitality industry to introduce Braille menus for the visually impaired individuals at its hotel restaurants and support guide dog services. Guide dog training sessions and sign language sessions are provided to the hotel colleagues so that they are competent in catering the needs of customers. The Royal Pacific Hotel & Towers and City Garden Hotel have been honoured to be selected as Barrier-Free Hotels by Hong Kong Council of Social Service since 2013.

#### Combating COVID-19

During such unprecedented times, the Group keeps abreast with entailing needs and expectations, placing priorities in the comfort, safety and well-being of guests, colleagues and partners. The Group is committed to providing a safe and comfortable environment and operating to the highest level of health and safety vigilance in accordance with relevant advisories and guidelines.

Upon entering the hotels, body temperatures are taken by a non-contact thermographer. Guests are also requested to complete health and travel declaration forms at check-in. Hotel colleagues are equipped with appropriate protective equipment while sanitisation of all guest facilities, common spaces and furniture are conducted frequently. The hotel lobbies are reconfigured to ensure good distancing with air purifiers and disinfectant dispensers in place. Temperature checks, sanitisers, mask holders, distant tables, sanitised utensils and furniture are provided in restaurants to ensure a safe and pleasant dining experience.

# Environmental, social and governance report (Continued)

## Social (Continued)

### Product responsibility (Continued)

#### Customer privacy

The Group is committed to protecting the privacy of its customers' information as well as intellectual property rights. To ensure this, the Group has put in place policies and measures regarding the protection, collection and usage of personal data and the protection of intellectual property. The Group closely follows the Personal Data (Privacy) Ordinance in Hong Kong when handling customer data, and its Code of Conduct requires all employees to treat such data in strict confidence. Training is provided to relevant employees regarding the protection of personal data and the Personal Data (Privacy) Ordinance in Hong Kong, in collaboration with the Office of the Privacy Commissioner for Personal Data of the HKSAR Government. Regular reviews and revisions of the Group's personal data and privacy protection practices are carried out to ensure compliance with relevant laws and identify improvement measures needed. Trademarks and domain names are registered in various jurisdictions to protect the intellectual property of the Group. Actions will be taken immediately if scamming or infringing articles or materials in relation to the Group are discovered. Individuals who breach the customer privacy obligations will be subject to disciplinary action, which may include termination of employment. In cases of suspected criminal offences, reports will be made to the relevant authorities as considered appropriate.

For the year ended 30th June, 2020, the Company is not aware of any material non-compliance with relevant laws and regulations relating to health and safety, advertising, labeling and privacy matters related to products and services provided and methods of redress that have a significant impact on the Group.

#### Anti-corruption

The success of a company relies on a strong ethical foundation and staff integrity. The Group prohibits, among others, bribery and corruption. Employees are required to conduct themselves with integrity, in an ethical and proper manner, and in compliance with the applicable laws and regulations, including anti-bribery laws.

The employees of the Group are required to comply with the Code of Conduct of the Group, which includes, inter alia, policies, rules, guidelines and procedures relating to prevention of bribery, solicitation and acceptance of advantages, conflict of interest, falsifying documents or furnishing false accounting records, and acceptance of gifts and entertainment from third parties.

The Group has a Whistleblowing Policy, which describes the confidential grievance mechanism that employees can use to express their concerns related to any inappropriate behaviour or harassment. In particular, a confidential and secure mechanism, namely the Business Ethics Committee comprising management staff, is put in place through the introduction of the Unethical Conduct Notification Policy and Procedures ("UCN Policy and Procedures"). The mechanism strives to protect employees against unethical conducts such as dishonesty, fraud or harassment, while assisting the Group in achieving its business commitments and upholding corporation integrity. The Group encourages employees to raise and report any concerns in confidence about misconduct, malpractice or irregularities in any matters related to the Group. In situation where an employee identifies any possible breach of the Code of Conduct or misconducts, he can report to the Business Ethics Committee or the Risk and Control Committee through formal whistle-blowing procedures under the UCN Policy and Procedures. The confidentiality of all reporting persons is strictly protected and every reasonable effort will be made to maintain the confidentiality to ensure that no retaliation will result from reports or complaints on reportable misconduct made in good faith.

The mechanism will be followed by careful investigation procedures to ensure all complaints are treated promptly and fairly. The UCN Policy and Procedures undergoes regular monitoring and review to assess its effectiveness. Furthermore, relevant training for the UCN Policy and Procedures is conducted from time to time.

For the year ended 30th June, 2020, the Company is not aware of any material non-compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

## Social (Continued)

### Community engagement

The Group continues to place strong emphasis on serving the community by formulating a number of long-term community programmes and utilising resources to engage its staff and social partners. The Group believes that spreading love with others through extending support to different types of targets, such as the elderly, the underprivileged and physical impaired, and participating in community services is essential to construct a better society.

### Caring for the elderly

Through the long-established Hearty Soup Delivery Programme, hotels' volunteers deliver homemade soup prepared by hotel chefs to the elderly in collaboration with various community service centres. Since the launch of the programme in 2011, over 45,600 elderly residents in need across different community districts in Hong Kong have been served and over 340 soup delivery events have been organised. Birthday celebrations with elderly members are organised to foster a caring and harmonious culture.

### Caring for underprivileged families

Since 2011, the Group has partnered with food-related charities such as the Foodlink Foundation and FOOD-CO through the Food Donation Programme. The programme aims to conduct food donation of well-prepared hotels' cooked food to the underprivileged families in the local community every week. The Group's volunteers also visit several community service centres and deliver hotels' food to the residents in need.

For the year ended 30th June, 2020, 549 kg of food were distributed to food charities, which is equivalent to 1,308 meal boxes.

### Caring for the underprivileged women

The Group has participated in Soap for Hope Programme to recycle soap bars discarded from its hotels whilst promoting local women empowerment in Hong Kong since 2015. Through collaborating with suppliers, the collected soap bars are sent to members of the Hong Kong Federation of Women's Centres for processing. The reprocessed eco-friendly soap bars are donated to the underprivileged families and women in Hong Kong and developing countries. This programme aims to provide job opportunities and empowerment to the underprivileged women in the society by helping them to instill and master new skills.

The Group further collaborates with Hong Kong Federation of Women's Centres in Linen for Life Programme to recycle hotels' guest rooms towels, bed linens and curtains. Through this recycling programme, materials discarded by hotels are converted into new and useful items to support the underprivileged families.

### Social integration

The Group strives to promote respect and provide equal opportunities to the employees and disadvantaged members in the community. To continue the Group's efforts to promote social integration, the Group continues to collaborate with Hong Chi Association to provide long-term employment and training opportunities to share skills with its students.

# Corporate governance report

The Board of Directors (“Board”) is committed to providing effective management and sound control of the Company for maximizing the shareholders’ value. The corporate governance principles of the Company emphasize the attainment and maintenance of a high standard of corporate governance practices and procedures, a quality board, sound internal control, and high transparency and accountability to the shareholders. The Company has adopted its own Corporate Governance Code and has complied with all code provisions as set out in Appendix 14 (“Code”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), save as disclosed in this report. The corporate governance practices of the Company in compliance with the Code during the financial year ended 30th June, 2020 with explanation of the deviations are set out in this report.

## Corporate governance practices

### Directors

#### Corporate governance principle

The Board provides overall leadership and control for the Company in an effective and responsible manner with a view to maximizing the financial performance of the Company and the shareholders’ value. The Board makes decisions on business strategies and corporate governance practices, determines the Company’s objectives, value and standards, and oversees and monitors the management performance within the control and delegation framework of the Company. These include the Company’s financial statements, dividend policy, any significant changes in accounting policy, adoption of corporate governance practices and procedures, and risk management and internal control strategies.

#### Board composition

The current Board has nine Directors comprising four Executive Directors including the Chairman and the Deputy Chairman of the Board, two Non-Executive Directors and three Independent Non-Executive Directors, details of which are set out under the section entitled “Directors’ Report” of this Annual Report. Biographical details of the Directors and their relationships, where applicable, are contained under the section entitled “Biographical Details of Directors & Senior Management” of this Annual Report. The Company has maintained on its website and on the website of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) an updated list of its Directors identifying their roles and functions and whether they are Independent Non-Executive Directors. Independent Non-Executive Directors are identified in all corporate communications that disclose the names of Directors of the Company.

## Corporate governance practices

(Continued)

### Directors (Continued)

#### Division of responsibilities

The Board, led by the Chairman, is responsible for the Company's future development directions, overall strategies and policies, evaluation of the financial performance of the Company and approval of matters that are of a material or substantial nature, including adequacy of systems of financial, risk management and internal control and conduct of business in conformity with applicable laws and regulations. The Executive Directors, constituting the senior management of the Company, are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control and delegation framework of the Company. The Board gives clear directions as to the matters that must be approved by the Board before decisions are made on behalf of the Company. 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. The types of decisions to be delegated by the Board to the management include implementation of the strategy and direction determined by the Board, operation of the business of the Company and its subsidiaries ("Group"), preparation of financial statements and operating budgets, and compliance with applicable laws and regulations.

The Chairman ensures that the Board works effectively to discharge its responsibilities in the best interests of the Company, and, to establish good corporate governance practices and procedures. He also ensures that all key and appropriate issues are discussed by the Board in a timely manner and all Directors are encouraged to make a full and active contribution to the board's affairs. Directors with different views are encouraged to voice their concerns. They are allowed sufficient time for discussion of issues so as to ensure that board decisions fairly reflect board consensus. A culture of openness and debate is promoted to facilitate the effective contribution of Non-Executive Directors and ensure constructive relations between Executive and Non-Executive Directors. During the year, the Chairman held a meeting in December 2019 with the Independent Non-Executive Directors without the presence of other directors in compliance with the applicable code provision of the Code.

There is no separation of the roles of the chairman and the chief executive in the Company. The Chairman of the Board provides leadership to the Board and undertakes both roles of chairman and chief executive. 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. In addition, the Independent Non-Executive Directors have contributed valuable views and proposals for the board's deliberation and decisions. The Board reviews the management structure regularly to ensure that it continues to meet these objectives and is in line with the industry practices.



# Corporate governance report (Continued)

## Corporate governance practices

(Continued)

### Directors (Continued)

#### Division of responsibilities (Continued)

To enhance the function of the Board, four board committees, namely the Remuneration Committee, Nomination Committee, Audit Committee and Compliance Committee, have been set up to take up different responsibilities. All board committees have specific terms of reference clearly defining their powers and responsibilities. All board committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action.

The Non-Executive Directors, including Independent Non-Executive Directors, provide the Company with diverse skills, expertise and varied backgrounds and qualifications. They participate in board/board committee (including Audit Committee, Nomination Committee and Remuneration Committee) meetings to bring independent views, advice and judgment on important issues relating to the Company's strategy, policy, financial performance, and take the lead on matters where potential conflicts of interests arise. They also attend annual general meetings of the Company to understand the view of shareholders. They make a positive contribution to the development of the Company's strategy and policy through independent, constructive and informed comments.

Every Director is considered to have given sufficient time and attention to the Company's affairs for the year under review. Each of the Directors is required to disclose to the Company the number and nature of offices he held in public companies or organizations and other significant commitments as well as the identity of such public companies or organizations.

#### Directors' and officers' liabilities insurance

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company.

#### Board meetings and supply of and access to information

The Board holds at least four regular meetings a year, which are normally scheduled in advance in the fourth quarter of the preceding year. During the financial year ended 30th June, 2020, the Board had held five meetings. The attendance records of the Directors to these board meetings are set out below:

Directors	Meeting(s) attended/held
<i>Executive Directors</i>	
Mr. Robert Ng Chee Siong ( <i>Chairman</i> )	3/5
Mr. Daryl Ng Win Kong ( <i>Deputy Chairman</i> )	5/5
Mr. Giovanni Viterale	5/5
Mr. Thomas Tang Wing Yung ( <i>appointed on 15th January, 2020</i> )	3/3
<i>Non-Executive Directors</i>	
The Honourable Ronald Joseph Arculli	5/5
Mr. Gilbert Lui Wing Kwong	5/5
<i>Independent Non-Executive Directors</i>	
Mr. Steven Ong Kay Eng	5/5
Mr. Wong Cho Bau	3/5
Mr. Hung Wai Man	5/5

## Corporate governance practices

(Continued)

### Directors (Continued)

#### Board meetings and supply of and access to information (Continued)

Notice incorporating the agenda for each regular board meeting or board committee meeting is given to all Directors or board committee members at least 14 days in advance, and all Directors or board committee members are given the opportunity to include matters for discussion in the agenda. All Directors/board committee members are entitled to have access to board/board committee papers and related materials in sufficient details to enable them to make informed decisions on matters to be placed before the board/board committee meetings. Meeting papers are normally sent to all Directors or board committee members at least 5 days in advance of every regular board meeting or board committee meeting.

The Company Secretary assists the Chairman of the Board and the chairmen of board committees in preparing meeting agendas and ensures that the Code as well as all applicable laws and regulations are duly complied with. Minutes of board meetings and board committee meetings are recorded in sufficient details of the matters considered and decisions reached at the relevant meetings. Draft and final versions of the minutes in respect of board meetings and board committee meetings are sent to all Directors or board committee members respectively for comment and records within a reasonable time after the relevant meetings. All minutes are properly kept by the Company Secretary and are available for the Directors' and board committee members' inspection.

All Directors are given unrestricted access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that the board procedures and all applicable laws, rules and regulations are followed. The selection, appointment or dismissal of the Company Secretary is subject to approval by the Directors at board meeting.

All Directors are entitled to have access to timely information in relation to the Company's business and make further enquiries or retain independent professional advisors where necessary. The management provides all relevant explanation and information to the Board so as to give the Board the information it needs to discharge its responsibilities. During the year under review, the management provided all members of the Board with the relevant updates of major business operations giving a balanced and understandable assessment of the Company's performance, position and prospects.

#### Directors' appointment, re-election and removal

All Non-Executive Directors have entered into letters of appointment with the Company for a specific term of three years. The Company's Amended and Restated Articles of Association provide that each Director is subject to retirement from office by rotation and re-election once every three years and that one-third (or the number nearest to but not exceeding one-third) of the Directors shall retire from office every year at the annual general meeting. New appointment to the Board is subject to re-election at the next following annual general meeting. In addition, the appointment of an Independent Non-Executive Director who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders. The Board will provide in the circular accompanying the annual report sent to shareholders the reason why the Board considers the Independent Non-Executive Director is still independent and its recommendation to shareholders to vote in favour of the re-election of such Independent Non-Executive Director.

## Corporate governance practices

(Continued)

### Directors (Continued)

#### Directors' appointment, re-election and removal (Continued)

The Directors who are subject to retirement and re-election at the 2020 annual general meeting are set out on page 45 of this Annual Report.

The Board is empowered under the Company's Amended and Restated Articles of Association and is collectively responsible to appoint any person as a Director either to fill a casual vacancy or as an additional board member. Only the most suitable candidate who is experienced, competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be selected as Director.

During the year, the Nomination Committee took into account the selection criteria for directors as set out in the nomination policy for directorship of the Company and the board diversity policy recommended and the Board approved the appointment of Mr. Thomas Tang Wing Yung as an Executive Director of the Board with effect from 15th January, 2020.

#### Confirmation of independence

The independence of the Independent Non-Executive Directors has been assessed in accordance with the applicable Listing Rules. Each of the current Independent Non-Executive Directors has provided an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the current Independent Non-Executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are independent.

## Directors' training and professional development

Every Director keeps abreast of responsibilities as a Director and of the conduct, business activities and development of the Company. Every newly appointed director receives a comprehensive induction package covering the statutory and regulatory obligations of directors, organizational structure, policies, procedures and codes of the Company, terms of reference of board committees and internal audit charter of internal audit. The Company Secretary from time to time updates and provides written training materials to the Directors, and organizes seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities.

The Company Secretary maintains records of trainings attended by the Directors. The trainings attended by the current Directors during the year are as follows:

Directors	Training matters <sup>(Notes)</sup>
<i>Executive Directors</i>	
Mr. Robert Ng Chee Siong	a, b
Mr. Daryl Ng Win Kong	a, b
Mr. Giovanni Viterale	a, b
Mr. Thomas Tang Wing Yung <i>(appointed on 15th January, 2020)</i>	a, b
<i>Non-Executive Directors</i>	
The Honourable Ronald Joseph Arculli	a, b, c, d
Mr. Gilbert Lui Wing Kwong	a, b
<i>Independent Non-Executive Directors</i>	
Mr. Steven Ong Kay Eng	a, b
Mr. Wong Cho Bau	a, b
Mr. Hung Wai Man	a, b
<i>Notes:</i>	
<i>a. corporate governance</i>	
<i>b. regulatory</i>	
<i>c. finance</i>	
<i>d. managerial</i>	

## Corporate governance practices

(Continued)

### Remuneration of directors and senior management

#### Emolument policy

The Company's emolument policy is to ensure that the remuneration offered to employees, including Executive Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of Executive Directors are also determined by reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each Director. The emolument policy for Non-Executive Directors is to ensure that the Non-Executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in board committees. Individual Directors and senior management have not been involved in deciding their own remuneration.

#### Remuneration Committee

The Company established its Remuneration Committee with written terms of reference on 23rd June, 2005. The current written terms of reference are available at the Company's website [www.sino.com](http://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. In arriving at its recommendations, the Committee consults the Chairman of the Board and takes into consideration factors including salaries paid by comparable companies, employment conditions elsewhere in the Group, and desirability of performance-based remuneration. The Committee

makes recommendations to the Board relating to 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 three members with the Independent Non-Executive Directors constituting the majority of the Committee and an Independent Non-Executive Director acting as its chairman.

During the year, the Remuneration Committee had performed the following works:

- reviewed the existing emolument policy of Directors;
- reviewed the remuneration packages of Executive Directors; and
- made recommendations on Non-Executive Directors' fees.

No Director was involved in deciding his own remuneration at the meeting of the Remuneration Committee. The attendance records of the then committee members to committee meeting(s) are set out below:

Committee members	Meeting(s) attended/held
Mr. Steven Ong Kay Eng* <i>(Committee Chairman)</i>	1/1
Mr. Daryl Ng Win Kong	1/1
Mr. Hung Wai Man*	1/1

\* *Independent Non-Executive Director*

Details of Directors' emoluments for the year are set out in Note 10 to the consolidated financial statements.

## Corporate governance practices

(Continued)

### Nomination of directors and senior management

#### Nomination policy

The Company has adopted the Nomination Policy for Directorship (“Nomination Policy”) with effect from 1st January, 2019 which supplements the terms of reference of the Nomination Committee and sets out the processes and criteria for the nomination of a candidate for directorship in the Company. This Policy ensures that all nominations of Board members are fair and transparent in order to facilitate the constitution of the Board with a balance of skills, experience and diversity of perspectives that is appropriate to the requirements of the Company’s business.

The Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which include the reputation for integrity, accomplishment and professional knowledge and industry experience which may be relevant to the Company, commitment in respect of available time, merit and potential contributions to the Board with reference to the Company’s Board Diversity Policy, and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an independent non-executive director. This Policy also lays down the nomination procedures on appointment or re-appointment of directors. The Nomination Committee will conduct the relevant selection process (coupled with the relevant selection criteria) against the nominated candidate for new directorship or director offer for re-election and make recommendations to the Board for consideration. The Board will then make a decision as to whether the nominated candidate or the director offer for re-election shall be eligible to be appointed as a director or eligible to be re-appointed as a director of the Company respectively.

#### Board diversity policy

With a view to achieving a sustainable and balanced development, the Company has been considering diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board Diversity Policy allows the Company to consider board diversity from a number of factors when deciding on new and re-appointments to the Board in order to achieve a diversity of perspectives among Board members. These factors include but not limited to gender, age, ethnicity, cultural and educational background, professional or industry experience, skills, knowledge and other qualities of Directors. The Nomination Committee shall consider candidates on merits as well as against these measurable objectives with due regard for the benefits of the appropriate diversity of perspectives within the Board and also the candidates’ potential contributions thereto.

The Board as a whole is responsible for reviewing the structure, size and composition of the Board with due regard to the intended benefits of board diversity. The balance between the number of Executive and Non-Executive Directors is considered effective in ensuring independent judgment being exercised effectively to provide sufficient checks and balances to safeguard the interests of the Company and its shareholders. The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company. The Board reviews and monitors the implementation of board diversity on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

## Corporate governance practices (Continued)

### Nomination of directors and senior management (Continued)

#### Nomination Committee

The Company established its Nomination Committee with written terms of reference on 20th February, 2012. The current written terms of reference are available at the Company's website [www.sino.com](http://www.sino.com) and the Stock Exchange's website.

The Nomination Committee reports to the Board and holds regular meeting to assist the Board in discharging its responsibility in reviewing the structure, size and composition of the Board with reference to the Board Diversity Policy of the Company. The Committee makes 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, which is chaired by the Chairman of the Board, currently comprises three members with the Independent Non-Executive Directors constituting the majority of the Committee.

During the year, the Nomination Committee had performed the following works:

- recommended the appointment of Mr. Thomas Tang Wing Yung as an Executive Director of the Board with effect from 15th January, 2020, with reference to the selection criteria for directors as set out in the Nomination Policy and the Board Diversity Policy;
- reviewed the current structure, size and composition of the Board and recommended the re-appointment of three retiring Directors;
- assessed the independence of Independent Non-Executive Directors and their annual confirmations on independence; and
- reviewed time commitment of Directors.

The attendance records of the then committee members to committee meeting(s) are set out below:

Committee members	Meeting(s) attended/held
Mr. Robert Ng Chee Siong <i>(Committee Chairman)</i>	1/1
Mr. Steven Ong Kay Eng*	1/1
Mr. Hung Wai Man*	1/1

\* *Independent Non-Executive Director*

## Corporate governance practices

(Continued)

### Accountability and audit

#### Directors' responsibilities for financial statements

The Board is responsible for the preparation of the financial statements which should give a true and fair view of the state of affairs of the Company and of the results and cash flows for such reporting period. In preparing the financial statements, the Board has adopted generally accepted accounting standards in Hong Kong and suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable, and prepared the financial statements on a going concern basis. The Board is responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for auditing and reporting its opinion on the financial statements of the Company and the independent auditor's report for the financial year ended 30th June, 2020 is set out in the section entitled "Independent Auditor's Report" of this Annual Report.

#### Risk management and internal control

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Audit Committee is delegated with the authority from the Board to oversee the risk management and internal control systems.

Effective risk management is important to the Company's achievement of its strategic goals. To this end, the Company adopts an Enterprise Risk Management ("ERM") approach to assist the Board in discharging its risk management responsibilities and individual business units in managing the key risks faced by the Company. Details of the main features of the ERM system including the processes for the identification, evaluation and management of significant risks are set out in the "Risk Management Report" on pages 38 to 43.

The Company's internal control system is built on a sound control environment with a strong commitment to ethical values. "Staff integrity" is among one of our core values. A Code of Conduct, including prevention of bribery and avoidance of conflict of interest has been established. The core values and Code of Conduct are communicated to all new staff during orientation. This information is also included in the Staff Handbook and available on our intranet. The importance of integrity is reiterated regularly by messages from senior management and through training and seminar. The Business Ethics Committee has been established as a whistle-blowing channel for staff and other relevant parties to report misconduct cases. Every reported case will be handled in confidence and followed through in accordance with the policy and procedures for notification of unethical conduct.



## Corporate governance practices

(Continued)

### Accountability and audit (Continued)

#### Risk management and internal control (Continued)

The internal control system also includes an appropriate organizational structure with clearly defined responsibilities, accountability and authorities underpinning proper segregation of duties, complemented by monitoring and reporting mechanism to ensure proper checks and balances. Policies and procedures covering key business processes are established and communicated to staff, and are reviewed regularly to ensure continued relevance and effectiveness, and for continuous improvement.

The Company's internal control system is fully integrated with the risk management framework.

The ERM is a process through which risks together with the relevant controls are identified, assessed, evaluated and reviewed on an ongoing basis. All the significant risks identified are mapped to and incorporated in the annual internal audit plan. Key controls are subject to regular independent review and test by the Internal Audit Department in order to assess their adequacy and effectiveness.

#### Internal audit

The Internal Audit Department provides independent assurance regarding the existence of adequate and effective controls in the operations of the Company's business units. The Head of Internal Audit Department reports directly to the Audit Committee. In performing its duties, the Internal Audit Department has free and unfettered access to information and to meet with any of the department heads or persons-in-charge as stipulated in the Internal Audit Charter.

The Internal Audit Department adopts a risk-based audit approach. It conducts annual risk assessment and devises a 3-year-rolling internal audit plan which is reviewed and approved by the Audit Committee. Depending on the nature and level of the risks, the Internal Audit Department performs audits and reviews on the operations of individual business units, and conducts recurring and impromptu site investigations on selected risk areas to assess the effectiveness of the controls implemented by the business units concerned. The audit findings regarding control weaknesses are communicated to the relevant business units. Significant audit findings and recommendations are reported to the Audit Committee, which in turn reports to the Board. The implementation of the agreed actions in response to the audit findings are tracked and followed up regularly, and the status is reported to the Audit Committee.

#### Internal control self-assessment

To further enhance the risk management and internal control systems, the heads of individual business units conduct annual internal control self-assessment with reference to the 17 principles of the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) 2013 Internal Control – Integrated Framework. Through the use of internal control self-assessment questionnaires, the heads of individual business units systemically review and assess the effectiveness of all the key internal controls over their business operations that are in place to mitigate the risks, identify potential new risks affecting their businesses and operations, design and execute enhancement plans to address such new risks. The results of the self-assessment are reported to the Board through the Audit Committee and form part of the annual assessment of the adequacy and effectiveness of the risk management and internal control systems.

# Corporate governance report (Continued)

## Corporate governance practices

(Continued)

### Accountability and audit (Continued)

#### Risk management and internal control (Continued)

##### Evaluation of the adequacy of resources of the Company's accounting and financial reporting function, and internal audit function

For the year ended 30th June, 2020, the Internal Audit Department has conducted an assessment and concluded that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function were adequate. The Head of Internal Audit Department, in conjunction with the Human Resources Department, also carried out a review of the internal audit function and concluded that its resources, staff qualifications and experience, training programmes and budget were adequate. The results of the review were reported to the Audit Committee.

Based on the above, the Board and the Audit Committee were satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, and internal audit function.

##### Review of the effectiveness of risk management and internal control systems

The Board has the overall responsibility for the risk management and internal control systems and reviewing effectiveness of such systems. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

On behalf of the Board, the Audit Committee evaluates the effectiveness of the Company's risk management and internal control systems at least annually. For the financial year ended 30th June, 2020, the Audit Committee, with the assistance of the Risk and Control Committee, conducted a review of the effectiveness of the Group's risk management and internal control systems covering all the material controls, including environmental, social and governance related risks, financial, operational and compliance controls. Throughout the year, the Audit Committee also oversaw the risk management system on an ongoing basis through various activities including reviewing and approving the updated ERM Policy and Framework as well as the ERM reports.

For the financial year ended 30th June, 2020, the Board received a confirmation statement from management on the effectiveness of the risk management and internal control systems. The confirmation is based on:

- the work performed by management in identifying, evaluating, monitoring and managing the existing, new and emerging risks on an ongoing basis;
- the results of formal risk assessments conducted quarterly during the year in accordance with the approved ERM Policy and Framework;
- the results of the Group-wide internal control self-assessment performed by individual business units; and
- the independent verification and assurance provided through audit and review performed by the external auditor and the Internal Audit Department.

In the light of the above, the Board and the Audit Committee concluded that the risk management and internal control systems of the Group were adequate and effective. Although there were no significant control failings or weaknesses or areas of major concerns identified during the year, the risk management and internal control systems will be reviewed regularly for continuous improvement.

## Corporate governance practices (Continued)

### Accountability and audit (Continued)

#### Policy and procedures of inside information handling and dissemination

The Company handles and disseminates inside information in accordance with the Securities and Futures Ordinance and the Listing Rules and with reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. Potential inside information is captured through established reporting channels of the business units and escalated to senior management which will consider the price sensitivity of the information. Inside information is kept strictly confidential and is restricted to relevant parties on a need-to-know basis so as to ensure confidentiality until consistent and timely disclosure by way of corporate announcement is made to inform the public of the inside information in an equal and timely manner. A strict prohibition on the unauthorized use of confidential information is included in the Company's code of conduct applicable to all employees of the Group.

#### Audit Committee

The Company established its Audit Committee with written terms of reference on 16th September, 1998. The current written terms of reference are available at the Company's website [www.sino.com](http://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 monitors the integrity of the Company's financial statements, annual report and accounts and half-year report and reviews significant financial reporting judgments contained in them. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, risk management and internal control systems and compliance issues. The Committee also oversees the Company's relationship with the external auditor, reviews auditor's letter of engagement and makes recommendations to the Board on the appointment and re-appointment of external auditor. It is empowered to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. It reviews external auditor's management letter and any material queries raised by the auditor to the management and the management's response. The Committee meets at least four times a year and is provided with sufficient resources enabling it to discharge its duties.

# Corporate governance report (Continued)

## Corporate governance practices (Continued)

### Accountability and audit (Continued)

#### Audit Committee (Continued)

The Audit Committee currently comprises three members, all of them being Non-Executive Directors with the majority of them being Independent Non-Executive Directors.

During the year, the Audit Committee had held four meetings and reviewed, inter alia, the following matters:

- the Company's 2019 annual report and audited financial statements and the 2019/2020 interim report and unaudited interim financial statements, including the accounting policies and practices adopted by the Company, before submitting to the Board;
- the ERM Policy and Framework of the Company for the enhancement of the risk management system;
- internal audit reports and ERM reports on the risk management and internal control systems, including the effectiveness of the risk management and internal control systems of the Group, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, and internal audit function;
- internal audit plan 2020/2021;
- usage of annual caps on certain continuing connected transactions of the Company; and
- re-appointment of the Company's auditor before submitting to the Board.

All the meetings were attended by the external auditor of the Company. The attendance records of the then committee members to these committee meetings are set out below:

Committee members	Meeting(s) attended/held
Mr. Steven Ong Kay Eng*	4/4
Mr. Gilbert Lui Wing Kwong	4/4
Mr. Hung Wai Man*	4/4

\* *Independent Non-Executive Director*

#### 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 for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code"). The Company has made specific enquiries of all Directors who held such offices during the year under review. All of them confirmed their compliance with the required standard set out in the Directors Dealing Code during the year ended 30th June, 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.

## Corporate governance practices

(Continued)

### Accountability and audit (Continued)

#### Auditor's remuneration

The fees in respect of audit and non-audit services provided to the Group by the external auditor of the Company for the year ended 30th June, 2020 amounted to HK\$516,750 and HK\$392,000 respectively. The non-audit services mainly consist of review and consultancy services.

### Corporate governance functions

The Board is responsible for performing the following corporate governance duties as required under the Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year, the Board considered the following corporate governance matters:

- reviewed the usage of annual caps on continuing connected transactions of the Company;
- reviewed the compliance with the Code through the Compliance Committee; and
- reviewed the effectiveness of the risk management and internal control systems of the Group through the Risk and Control Committee and the Audit Committee.

#### Compliance Committee

The Company established its Compliance Committee with written terms of reference on 30th August, 2004 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 bi-monthly 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.

# Corporate governance report (Continued)

## Corporate governance practices

(Continued)

### Communication with shareholders

The Company affirms its commitment to maintaining a high degree of corporate transparency, communicating regularly with its shareholders and ensuring in appropriate circumstances, the investment community at large being provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance, risk profile and other material information), in order to enable the shareholders to exercise their rights in an informed manner.

### Communication strategies

#### Principles

The Board is dedicated to maintain an ongoing dialogue with the shareholders of the Company and the investment community. Information is communicated to the shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and regular meetings with research analysts and fund managers, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website. The Company continuously enhances its website in order to improve communication with shareholders. Investor/analyst briefings and one-on-one meetings, investor conferences, site visits and results briefings are conducted on a regular basis in order to facilitate effective communication between the Company, shareholders and the investment community. The Board strives to ensure effective and timely dissemination of information to shareholders and the investment community at all times and reviews regularly the above arrangements to ensure its effectiveness.

### Shareholders' meetings

The Board strives to maintain a continuing open dialogue with the shareholders of the Company. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The process of the Company's general meeting is monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that shareholders' needs are best served.

The Company uses annual general meeting as one of the principal channels for communicating with its shareholders. The Company ensures that shareholders' views are communicated to the Board. At the annual general meeting, each substantially separate issue has been considered by a separate resolution, including the election of individual Directors. The Chairman of the Board, chairmen of the respective board committees and the external auditor usually attend annual general meetings to inter-face with and answer questions from shareholders.

## Corporate governance practices

(Continued)

### Communication with shareholders

(Continued)

#### Communication strategies (Continued)

#### Shareholders' meetings (Continued)

The last annual general meeting of the Company is the 2019 annual general meeting ("2019 AGM") which was held on 24th October, 2019 at The Pacific Rooms, 9th Floor, Towers Wing, The Royal Pacific Hotel & Towers, 33 Canton Road, Tsim Sha Tsui, Kowloon. The Directors, including the Chairman of the Board, the Chairman of the Audit Committee, the Chairman of the Nomination Committee and the Chairman of the Remuneration Committee, and the external auditor of the Company, Deloitte Touche Tohmatsu, attended the 2019 AGM. The attendance records of the then Directors to the 2019 AGM are set out below:

	Meeting(s) attended/held
<i>Executive Directors</i>	
Mr. Robert Ng Chee Siong	1/1
Mr. Daryl Ng Win Kong	1/1
Mr. Giovanni Viterale	1/1
<i>Non-Executive Directors</i>	
The Honourable Ronald Joseph Arculli	1/1
Mr. Gilbert Lui Wing Kwong	1/1
<i>Independent Non-Executive Directors</i>	
Mr. Steven Ong Kay Eng	1/1
Mr. Wong Cho Bau	0/1
Mr. Hung Wai Man	1/1

The Company's notice to shareholders for the 2019 AGM was sent to shareholders more than 20 clear business days prior to the meeting. The chairman of the meeting exercised his power under the Company's Amended and Restated Articles of Association to put each proposed resolution to vote by way of a poll. The Company adopted poll voting for all resolutions put to vote at the meeting. The procedures for voting by poll at the 2019 AGM were contained in the circular of the Company to its shareholders, which was dispatched together with the 2019 annual report, and were further explained at the 2019 AGM prior to the polls being taken. Simultaneous translation from English to Cantonese was available at the 2019 AGM.

Separate resolutions were proposed at the 2019 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 24th October, 2019 are set out below:

Resolutions proposed at the 2019 AGM	Percentage of votes
1 Adoption of the audited Financial Statements and the Directors' and Independent Auditor's Reports for the year ended 30th June, 2019	100%
2 Declaration of a final dividend of HK\$0.05 per ordinary share with an option for scrip dividend	100%
3(i) Re-election of Mr. Hung Wai Man as Director	99.99%
3(ii) Re-election of Mr. Daryl Ng Win Kong as Director	99.99%
3(iii) Re-election of Mr. Giovanni Viterale as Director	100%
3(iv) Authorization of the Board to fix the Directors' remuneration for the financial year ending 30th June, 2020	99.99%
4 Re-appointment of Deloitte Touche Tohmatsu as Auditor for the ensuing year and to authorize the Board to fix their remuneration	100%
5(i) Share buy-back mandate up to 10% of the Company's issued shares	100%
5(ii) Share issue mandate up to 20% of the Company's issued shares	99.99%
5(iii) Extension of share issue mandate to the shares bought back under the share buy-back mandate	99.99%



# Corporate governance report (Continued)

## Corporate governance practices

(Continued)

### Communication with shareholders

(Continued)

#### Communication strategies (Continued)

##### Shareholders' meetings (Continued)

All resolutions put to shareholders at the 2019 AGM were passed. The Company's Principal Registrar was appointed as scrutineers to monitor and count the poll votes cast at that meeting. The results of the voting by poll were published on the respective websites of the Company and the Stock Exchange.

The latest version of the Amended and Restated Memorandum and Articles of Association of the Company is available at the Company's website [www.sino.com](http://www.sino.com) and the Stock Exchange's website. No changes have been made to the Company's Amended and Restated Memorandum and Articles of Association during the year.

##### Enquiries

Shareholders can direct their questions about their shareholdings to the Company's Principal Registrar. To the extent the requisite information of the Company is publicly available, shareholders and the investment community may at any time make a request for such information. Designated contacts, email addresses and enquiry lines of the Company have been provided in the "Corporate Information" section of this Annual Report to enable the shareholders and the investment community to make any enquiry in respect of the Company.

##### Shareholders' privacy

The Company recognizes the importance of shareholders' privacy and will not disclose shareholders' information without their consent, unless required by law to do so.

##### Corporate communications

Corporate communications issued by the Company have been provided to the shareholders in both English and Chinese versions to facilitate their understanding. Shareholders have the right to choose the language (either English or Chinese, or both) or means of receipt of the corporate communications (in hard copy or through electronic means). They are encouraged to provide, amongst other things, their email addresses to the Company in order to facilitate timely, effective and environmental friendly communication.

##### Company's website

A section entitled "Investor Relations" is available on the Company's website [www.sino.com](http://www.sino.com). Information on the Company's website is updated on a regular basis. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter in accordance with the Listing Rules. Such information includes financial statements, announcements, circulars to shareholders and notices of general meetings, etc.

## Corporate governance practices

(Continued)

### Communication with shareholders

(Continued)

#### Dividend policy

The Board has formalized and adopted a Dividend Policy with effect from 1st January, 2019 to set out the framework that the Company has put in place in relation to dividend payout to shareholders. The Company's Dividend Policy is consistent with its business profile and maintenance of a strong credit profile while providing steady dividend payout to shareholders. The Company aims to provide relatively consistent, and where appropriate increases, in ordinary dividends linked to the underlying earnings performance of the Company's business for the reporting period. The Company will declare and pay dividends in Hong Kong dollars.

The Company may also offer to its shareholders an option to receive dividends in the form of new shares in the Company credited as fully paid in lieu of cash dividends. The scrip dividend option will enable the shareholders to increase their investment in the Company without incurring brokerage fees, stamp duty and related dealing costs. The Company may, at the Board's discretion, declare and pay dividends in any other forms as prescribed by its Articles of Association, as the Board deems appropriate.

The Board will review the Dividend Policy from time to time and may adopt changes as appropriate at the relevant time to ensure the effectiveness of this Policy.

#### Shareholders' rights

Pursuant to Article 71 of the Amended and Restated Articles of Association of the Company, Directors are required to call a general meeting on the written requisition of any two or more shareholders of the Company holding not less than 10% of the paid up capital of the Company which carries the right of voting at general meetings of the Company. The request must specify the objects of the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such request must be signed and authenticated by the shareholders making it and be deposited at the registered office of the Company at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands for the attention of the Company Secretary. The request should also be sent to the Company's email address at [investorrelations@sino.com](mailto:investorrelations@sino.com).

Any shareholder who wishes to propose a person (other than a retiring Director) for election as director ("Candidate") at a general meeting of the Company, should (a) deposit a written notice of such proposal at the principal office of the Company for the attention of the Company Secretary, signed by the shareholder who should be qualified to attend and vote at the general meeting; (b) provide biographical details of the Candidate as set out in Rule 13.51(2)(a) to (x) of the Listing Rules; and (c) provide a written consent signed by the Candidate indicating his/her willingness to be elected. The period for lodgment of such a written notice shall be at least 7 days commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such meeting and such election and ending not later than 7 days prior to the meeting.

The Company has been practising the above shareholders' communication policy to handle enquiries put to the Board and will review them on a regular basis to ensure their effectiveness. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our principal office address or by email to the Company.

# Risk management report

## Risk policy statement

Robust and effective management of risks is an essential and integral part of corporate governance. It helps to ensure that the risks encountered in the course of achieving the Group's strategic objectives are managed within the Group's risk appetite.

To achieve this, an Enterprise Risk Management ("ERM") approach is adopted for identifying, assessing, responding to and reporting on risks that might affect the Group in pursuit of its objectives and goals. The purposes of the implementation of ERM are as follows:

- to establish a structured and systematic process for identifying, assessing, reporting and managing risks;
- to define roles and responsibilities within a "Three Lines of Defence" framework;
- to increase risk awareness at all levels;
- to enhance constructive discussion, effective communication and timely escalation of risks by adopting a common platform for risk management;
- to focus on risks that are relevant to the Group's business and reputation, the Board's requirements and stakeholders' expectations;
- to provide senior management and the Board with a holistic view of the Group's material risk exposures and steps taken to manage and monitor such exposures;
- to provide senior management and the Board with the best available risk information and facilitate the making of informed decisions;
- to ensure compliance with the relevant laws and regulations, and the best practices in corporate governance; and
- to help creating and protecting the value of the Group.

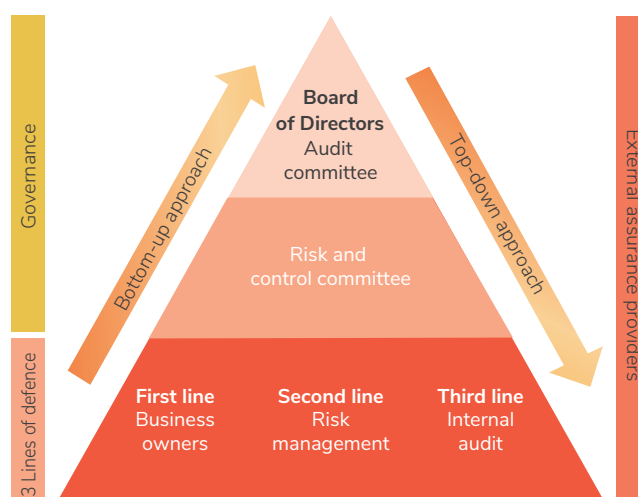
The Group is committed to continuously improving its ERM framework and processes and building a risk-aware culture across the Group with a view to achieving a sustainable and balanced development.

## Risk governance and management

In June 2020, the Audit Committee approved the updated ERM Policy and Framework, which was based on the International Standard ISO 31000:2018 Risk Management – Guidelines, proposed by the Risk Management function of the Internal Audit Department. To ensure continued relevance and continuous improvement, the ERM Policy and Framework is reviewed and updated with changes regularly.

The Group adopts a "Three Lines of Defence" model in risk governance. This is manifested by the oversight and directions from the Board, the Audit Committee and the Risk and Control Committee of the Group. The risk management framework of the Group combines a top-down strategic view with a bottom-up operational assessment conducted by each division and department. Members of senior management discuss the top-tier risks escalated through the bottom-up process and deliberate on any other risk issues that they consider important. This combined approach ensures that all the significant risks which need to be considered are identified and managed properly.

The following diagram illustrates the Group's Risk Governance and Management Framework:



### Risk governance and management (Continued)

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

The Audit Committee is delegated with the authority from the Board to oversee the design, implementation and monitoring of the risk management and internal control systems within the Group. The Audit Committee advises the Board on the Group's risk-related matters. The Audit Committee is also responsible for reviewing and approving the Group's ERM Policy and Framework and for ensuring the adequacy and effectiveness of the Group's risk management and internal control systems. The Head of Internal Audit Department reports regularly to the Audit Committee, which in turn reports to the Board, on the Group's overall risk position and key exposures, the actions planned or taken by management, and major emerging risks that require special attention.

The Risk and Control Committee, with its formal terms of reference approved by the Audit Committee, is made up of members from senior management. The Risk and Control Committee assists the Audit Committee in discharging its corporate governance responsibilities for risk management and internal control. Regarding risk management, the Risk and Control Committee is responsible for ensuring that the ERM system is adequate and effective and that the ERM framework is implemented consistently throughout the Group. It monitors the Group's overall risk profiles by reviewing the key risks relating to individual business units and the key risks that are enterprise-wide, and ensures alignment with the approved risk appetite.

As the first line of defence, heads of individual divisions and departments manage risks faced by their business units/functions. As the risk owners, they identify and evaluate the risks which may potentially impact the achievement of their business objectives, mitigate and monitor the risks by designing and executing control procedures in their day-to-day operations. They conduct risk assessment and control self-assessment on a regular basis to evaluate the adequacy and effectiveness of controls that are in place to mitigate the identified risks.

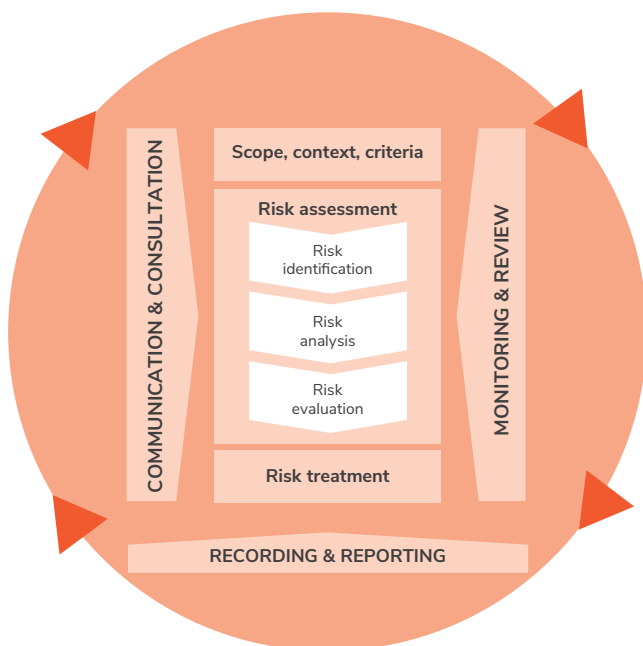
As the second line of defence, the Risk Management function is responsible for the ongoing maintenance of the ERM infrastructure and recommending changes to the Risk and Control Committee and the Audit Committee as appropriate. The Risk Management function collects and collates risk information to create an enterprise-wide view of risks and controls. In doing so, it critically reviews the results of risk assessment individual business units, constructively challenges their views so as to ensure that all the risks relevant to the Group are identified properly, assessed consistently and reported timely. It prepares reports for the Risk and Control Committee and the Audit Committee and escalates risk and control issues with reference to the risk appetite thresholds.

As the third line of defence, the Internal Audit Department acts as an independent assessor. It conducts independent review and assessment of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department assesses if all the key risks are identified properly and evaluated according to the approved ERM Policy and Framework and whether the existing key controls are operating effectively. The results of risk assessment are also mapped to the internal audit plan to ensure the audit performed by the Internal Audit Department systematically covers all the significant risks and the corresponding key controls. As such, the Internal Audit Department is able to provide independent assurance on the adequacy and effectiveness of the risk management and internal control systems and to report any deficiencies and room for improvement to the Risk and Control Committee and the Audit Committee.

## Risk management report (Continued)

### Risk management process

The ERM process is illustrated in the diagram below:



(Source: The ISO 31000:2018 Risk Management Process)

#### a) Communication and consultation

Communication and consultation with appropriate external and internal stakeholders take place within and throughout all steps of the ERM process. For instance, the management team holds daily meetings to raise risk concerns, discuss emerging risks identified and formulate early response actions.

#### b) Scope, context, criteria

The risk management process applies to all business and decision-making processes, including the formulation of strategic objectives, business planning and day-to-day operations. The context of the ERM process is developed from the understanding of the external and internal environment in which the Group operates, taking into account the relevant external and internal factors, the relationships with the external and internal stakeholders and the contractual relationships and commitments to ensure that the risk management approach adopted is appropriate for the Group. To ensure a common assessment standard is adopted, risk criteria are defined to measure the relative significance of risk.

#### c) Risk identification

Divisions and departments analyze their respective business activities and main processes to identify operational risks, which forms a “bottom-up” approach. A “top-down” approach is also adopted by the senior management to identify business/strategic risks. Combining the output from the two approaches, a comprehensive list of risks for individual business units and hence for the Group can be generated. Risk classification system is used to facilitate the identification and accumulation of similar risks.

#### d) Risk analysis

The purpose of risk analysis is to comprehend the nature of risk and its characteristics. Risk analysis involves a detailed consideration of the sources of risk, the consequences and likelihood, the existing controls and their effectiveness.

### Risk management process (Continued)

#### e) Risk evaluation

Divisions and departments use the predefined criteria to assign scores for the risks identified. With reference to the risk matrix (i.e. a combination of the consequence and likelihood scores), the risk ratings are determined (i.e. low risk, moderate risk, high risk and extreme risk). The risk ratings reflect the management attention and risk treatment effort required, taking into account the Group's risk appetite.

#### f) Risk treatment

The adequacy of existing controls is assessed in order to determine if additional measures are required to bring the remaining risks to an acceptable level. When determining the appropriate risk treatment plans, one or more of the following four types of risk response will generally be adopted:

- avoid (not starting or continuing with the activity that gives rise to the risk);
- reduce (lessening the likelihood or consequences);
- transfer (sharing the risk with another party, e.g. insurance); and
- accept (retaining the risk by making an informed decision).

#### g) Monitoring and review

Annual risk assessment is conducted to effectively manage the Group's risk profile. A half-yearly review is also conducted to update the progress of risk treatment plans and incorporate changes in the external and internal environment. Key risks and emerging risks are reviewed at least quarterly or when the situation may require.





#### h) Recording and reporting

The results of risk assessment are documented in the risk registers in a consistent manner. All the identified risks, risk scoring and ratings, together with the details of existing controls and proposed treatment plan (if any) are recorded in the risk registers. Daily management meetings are held to identify and discuss emerging risk and determine the response required.

Quarterly ERM report is prepared for the Risk and Control Committee and the Audit Committee. The Group's top tier risks are presented in a heat map which provides a dynamic and forward-looking picture of the Group's risk position. The changes in risk profile since the last review, the corresponding key controls and risk treatment plans, as well as the targeted risk positions upon the completion of risk treatment plans with specified time frame are highlighted in the ERM reports. The potential/expected trend of certain risks, such as emerging risk, is also indicated on the heat map.

## Principal risks to the Group

The principal risks faced by the Group include the following:

Risk category	Risk description	Risk movement*	Key controls/mitigation measures
Strategic risk	Changes in macro-economic outlook and government policies resulting in decrease in number of visitor/tourist/customer		<ul style="list-style-type: none"> <li>• Closely monitoring changes in global and local economic outlook as well as Mainland China policy, and making appropriate responses promptly</li> <li>• Constantly monitoring business performance and adjusting our pricing and marketing strategies accordingly</li> <li>• Continuous effort on market diversification to attract visitors from different countries</li> <li>• Regular review of the conditions of our properties to determine if hotel facilities upgrade or renovation is necessary</li> <li>• Continuously improving the quality of our services to strengthen our brand and market position</li> <li>• Closely monitoring the situation of public protests and civil unrest and taking the appropriate measures for revenue generation and cost control</li> </ul>
Operational risk	Human resources – tight labour market		<ul style="list-style-type: none"> <li>• Regular review of compensation and benefit package to ensure competitiveness</li> <li>• Continuous and strong focus on staff development, e.g. providing in-house training and development programmes to retain our staff</li> <li>• Succession planning</li> </ul>
	Cyber security		<ul style="list-style-type: none"> <li>• Implementation of security measures such as firewall, anti-spam and anti-virus protection</li> <li>• Ongoing review of IT infrastructure and systems and the need for upgrade/enhancement</li> <li>• Internal communication and training on cyber-attack threats</li> </ul>
	Disaster event, e.g. pandemic, terrorist attack, civil unrest		<ul style="list-style-type: none"> <li>• Comprehensive insurance coverage for our properties and business operations</li> <li>• Contingency plans developed and operational drill performed for critical business processes/functions</li> <li>• Taking immediate response actions, e.g. stepping up hygiene measures during COVID-19 pandemic</li> <li>• Annual drill on the contingency arrangement for the unavailability of the Property Management System</li> </ul>



## Principal risks to the Group (Continued)

Risk category	Risk description	Risk movement*	Key controls/mitigation measures
Compliance risk	Health and safety – regulations and measures to combat the spread of COVID-19		<ul style="list-style-type: none"> <li>Guidelines have been issued to hotel staff on meeting the new regulatory requirements, e.g. enforcing social distancing, temporary closure of bars, limit on seating capacities</li> <li>Incident reporting mechanism is in place</li> </ul>

For the financial risks of the Group, please refer to “Notes to the Consolidated Financial Statements” on pages 113 to 119.

\* Key – Risk Movement (change from last year)



*Risk rating increased*



*Risk rating remained broadly the same*



*Risk rating decreased*

## Integration of risk management with internal control system

Risk management is closely linked to the Group's Internal Control Framework. Key controls for mitigating high risk items identified in the ERM process are subject to independent reviews and tests by the Internal Audit Department in order to assess their adequacy and effectiveness. Details of the internal control system are set out in the “Corporate Governance Report” on pages 28 to 30.

## Review of the effectiveness of risk management and internal control systems

During the year, the Audit Committee, on behalf of the Board, has reviewed the effectiveness of the Group's risk management and internal control systems. Details of the aforesaid review of effectiveness are described in the “Corporate Governance Report” on page 30.

# Directors' report

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30th June, 2020.

## Principal activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 30 to the consolidated financial statements.

## Subsidiaries and associates

Details of the Company's principal subsidiaries and associates at 30th June, 2020 are set out in Notes 30 and 16 to the consolidated financial statements, respectively.

## Business review

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 3 to 6 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in the Risk Management Report on pages 38 to 43. Also, the financial risk management objectives and policies of the Group can be found in Note 32 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 30th June, 2020, if any, are provided in the Notes to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Summary on page 124 of this Annual Report.

The Group has set up proper procedures to ensure adherence to the relevant laws and regulations which have a significant impact on the Group in conduct of its business, including but not limited to the Competition Ordinance, Personal Data (Privacy) Ordinance,

Minimum Wage Ordinance, Employment Ordinance and Occupational Safety and Health Ordinance in Hong Kong. The Group also complies with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the applicable companies laws and the Securities and Futures Ordinance ("SFO"). Any new enactment of or changes in the relevant laws and regulations would be communicated to the relevant departments and staff to ensure compliance. Reminders on the compliance would also be sent out regularly where necessary.

Discussions on the Group's environmental policies, performance and relationships with its key stakeholders are contained in the Environmental, Social and Governance Report on pages 7 to 19. No incident of non-compliance to environmental laws and regulations that has a significant impact on the Group was recorded for the financial year ended 30th June, 2020.

## Results and appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 62.

An interim dividend of HK1 cent per share amounting to HK\$11,385,031, including HK\$314,633 by way of cash dividends and HK\$11,070,398 by way of allotment of new ordinary shares, was paid to the shareholders during the year. The Directors recommend no final dividend for the financial year.

## Share capital

Details of movements during the year in the share capital of the Company are set out in Note 24 to the consolidated financial statements.

### Distributable reserves of the Company

The reserves available for distribution to the shareholders by the Company at 30th June, 2020 consisted of share premium, distributable reserve and retained profits totalling HK\$2,025,518,881.

Under the Companies Law (2020 Revision) of the Cayman Islands and the provisions of the Company's Articles of Association, the share premium of the Company is available for distribution or paying dividends to the shareholders provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

### Treasury, group borrowings and interest capitalised

The Group maintains a product approach in its treasury management with foreign exchange exposure being kept at a minimal level and interest rates on floating rate bases. No interest was capitalised by the Group during the year.

### 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 year.

### Name of Director

The Directors of the Company during the year and up to the date of this report are:

#### Executive Directors

Mr. Robert Ng Chee Siong (Chairman)  
Mr. Daryl Ng Win Kong (Deputy Chairman)  
Mr. Giovanni Viterale  
Mr. Thomas Tang Wing Yung (appointed on 15th January, 2020)

#### Non-Executive Directors

The Honourable Ronald Joseph Arculli  
Mr. Gilbert Lui Wing Kwong

#### Independent Non-Executive Directors

Mr. Steven Ong Kay Eng  
Mr. Wong Cho Bau  
Mr. Hung Wai Man

In accordance with the Company's Articles of Association and pursuant to Appendix 14 to the Listing Rules, Mr. Robert Ng Chee Siong, Mr. Steven Ong Kay Eng and Mr. Thomas Tang Wing Yung will retire at the forthcoming Annual General Meeting and, who being eligible, will offer themselves for re-election.

## Directors' report (Continued)

### Directors' interests

As at 30th June, 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 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 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 30th June, 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.

## Share option schemes

The Company and its subsidiaries have no share option schemes.

## Arrangement to purchase shares or debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' interests in competing businesses

Pursuant to Rule 8.10(2) of the Listing Rules, the Company discloses that during the year, the following current Directors held share interests and/or directorships in companies engaged in businesses which compete or likely to compete, either directly or indirectly, with the businesses of the Group:

Mr. Robert Ng Chee Siong and Mr. Daryl Ng Win Kong held share interests and directorships in companies of the Ng Family (including Mr. Robert Ng Chee Siong, Mr. Philip Ng Chee Tat, and as co-executors of the estate of the late Mr. Ng Teng Fong and/or their respective associates) which engage in business of hotel operation.

The Honourable Ronald Joseph Arculli is a Non-Executive Director of HKR International Limited, which engages in business of hotel operation.

As the Board of Directors of the Company is independent of the boards of the aforesaid companies and maintains three Independent Non-Executive Directors, the Group operates its businesses independently of, and at arm's length from, the businesses of the aforesaid companies.

### Directors' material interests in transactions, arrangements or contracts

Details of Directors' material interests in transactions, arrangements or contracts of significance are set out in Note 29 to the consolidated financial statements.

Other than as disclosed in Note 29 to the consolidated financial statements, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Permitted indemnity provision

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year, which remains in force.

### Service contracts

None of the Directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

### Connected transactions

#### Continuing connected transactions for the year ended 30th June, 2020

The Company announced on 20th July, 2017 that Bright Tower (HK) Limited ("Bright Tower"), a wholly-owned subsidiary of the Company, was awarded on 20th July, 2017, through a tendering process, a clubhouse management contract ("Contract") by Sino Estates Management Limited ("SEML") for provision of management services by Bright Tower to the clubhouse of Pacific Palisades for a 24-month period from 1st August, 2017 to 31st July, 2019.

Applicable particulars of such Contract together with the total amount received/paid in respect of the transaction for the year ended 30th June, 2020 are disclosed herein as required under the Listing Rules:

Parties to the transaction	Nature of transaction	Basis of consideration	Applicable annual cap(s) under the Contract	Total amount received/paid for the year ended 30th June, 2020
<p><b>Service provider</b> Bright Tower</p>	Provision of management services by	HK\$405,000 payable monthly by SEML to Bright Tower under the Contract, based on the tender price submitted by Bright Tower, is arrived at on an arm's length basis after considering the estimated cost and profit margin for providing the clubhouse management services	HK\$405,000 for the period from 1st July, 2019 to 31st July, 2019 (i.e. HK\$405,000 x 1 month)	HK\$405,000
<p><b>Service recipient</b> SEML, the building management company appointed under the deed of mutual covenants and management agreement of Pacific Palisades and an agent for the unincorporated body of owners of Pacific Palisades</p>	Bright Tower to the clubhouse of Pacific Palisades			

## Connected transactions (Continued)

### Continuing connected transactions for the year ended 30th June, 2020 (Continued)

The Company further announced on 26th July, 2019 that a new clubhouse management contract ("New Contract") was awarded on 26th July, 2019 by SEML to Bright Tower, through a tendering process, pursuant

to which Bright Tower would manage the clubhouse of Pacific Palisades for a further 24-month period from 1st August, 2019 to 31st July, 2021 at a monthly service fee of HK\$450,000.

Applicable particulars of such New Contract together with the total amount received/paid in respect of the transaction for the year ended 30th June, 2020 are disclosed herein as required under the Listing Rules:

Parties to the transaction	Nature of transaction	Basis of consideration	Applicable annual cap(s) under the New Contract	Total amount received/paid for the year ended 30th June, 2020
<p><b>Service provider</b> Bright Tower</p> <p><b>Service recipient</b> SEML, the building management company appointed under the deed of mutual covenants and management agreement of Pacific Palisades and an agent for the unincorporated body of owners of Pacific Palisades</p>	<p>Provision of management services by Bright Tower to the clubhouse of Pacific Palisades</p>	<p>HK\$450,000 payable monthly by SEML to Bright Tower under the New Contract, based on the tender price submitted by Bright Tower, is arrived at on an arm's length basis after considering the estimated cost and profit margin for providing the clubhouse management services</p>	<p>(i) HK\$4,950,000 for the period from 1st August, 2019 to 30th June, 2020 (i.e. HK\$450,000 x 11 months)</p> <p>(ii) HK\$5,400,000 for the period from 1st July, 2020 to 30th June, 2021 (i.e. HK\$450,000 x 12 months)</p> <p>(iii) HK\$450,000 for the period from 1st July, 2021 to 31st July, 2021 (i.e. HK\$450,000 x 1 month)</p>	<p>HK\$4,950,000</p>

Boatswain Enterprises Limited ("Boatswain") and its wholly-owned subsidiary, Beverhill Limited ("Beverhill"), being controlled by the Ng Family (including Mr. Robert Ng Chee Siong, Mr. Philip Ng Chee Tat, and as co-executors of the estate of the late Mr. Ng Teng Fong, and/or their respective associates), are two of the owners of Pacific Palisades which together are interested in a total of approximately 60% of the undivided shares of Pacific Palisades. The Ng Family is a connected person of the Company by virtue of it being the controlling shareholder of the Company. Boatswain and Beverhill, being associates of the Ng Family, are also connected persons of the Company. Accordingly, the provision of clubhouse

management services by Bright Tower to the unincorporated body of owners of Pacific Palisades under the aforesaid contracts constituted continuing connected transactions of the Company under the Listing Rules.

During the year, the above continuing connected transactions were carried out within their respective applicable annual caps for the year. The Internal Audit Department has reviewed the above continuing connected transactions and concluded that the internal controls over such continuing connected transactions are adequate and effective. The findings have been submitted to the Audit Committee.



### Connected transactions (Continued)

#### Continuing connected transactions for the year ended 30th June, 2020 (Continued)

The Independent Non-Executive Directors have reviewed and confirmed that during the year, the above continuing connected transactions were conducted and entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740

"Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Details of the above continuing connected transactions have been disclosed in accordance with Chapter 14A of the Listing Rules and are set out in the respective announcements of the Company which are available at the Stock Exchange's website and the Company's website at [www.sino.com](http://www.sino.com).

Details of other related party transactions are set out in Note 29 to the consolidated financial statements.

## Substantial shareholders' and other shareholders' interests

As at 30th June, 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 corporations 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%
Strathallan Investment Limited	119,968,581 (Notes 3 and 5)	Beneficial owner	11.47%

Name of other shareholder	Number of ordinary shares	Capacity and nature of interest	% of issued shares
Nippomo Limited	59,351,666 (Notes 3 and 5)	Beneficial owner	5.67%

Notes:

- 3,278,907 shares were held by Far East Ventures Pte. Ltd. which was 100% controlled by Mr. Philip Ng Chee Tat.
- The trustee interest in 546,807,059 shares comprises:
  - 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;
  - 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
  - 48,331,014 shares which were held by the co-executors of the estate of the late Mr. Ng Teng Fong.
- 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.
- 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.
- The number and the percentage of shares as disclosed are based on the substantial shareholder notices filed with the Stock Exchange.

### Substantial shareholders' and other shareholders' interests (Continued)

Save as disclosed above and so far as the Directors of the Company are aware, as at 30th June, 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.

### Equity-linked agreements

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

### Major suppliers and customers

The aggregate turnover or purchases attributable to the Group's five largest customers or suppliers was less than 30% of the Group's total turnover or purchases for the year under review.

### Retirement benefit scheme

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in fund under the control of trustee. As at 30th June, 2020, the Group employed approximately 304 employees.

The retirement benefit cost charged to consolidated statement of profit or loss represents contribution payable to the scheme by the Group at rates specified in the rules of the scheme.

### Pre-emptive rights

No provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders exist in the Cayman Islands, being the jurisdiction in which the Company was incorporated.

### Corporate governance

The corporate governance report is set out on pages 20 to 37.

### Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

### Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Robert NG Chee Siong**  
*Chairman*

Hong Kong, 26th August, 2020

# Biographical details of Directors & senior management

## (I) Executive Directors

**Mr. Robert Ng Chee Siong<sup>N+</sup>**, aged 68,

Chairman of the Group since 1994, was called to the Bar in 1975. Mr. Ng is also a director of a number of subsidiaries and associated companies of the Company, and is the Chairman of Tsim Sha Tsui Properties Limited and Sino Land Company Limited. In addition, he is a Director of The Real Estate Developers Association of Hong Kong, a member of the 11th, 12th and 13th National Committee of the Chinese People's Political Consultative Conference ("CPPCC") and Deputy Director of the Committee for Economic Affairs of the 13th National Committee of the CPPCC. Mr. Ng is the father of Mr. Daryl Ng Win Kong, the Deputy Chairman of the Company, a son of the late substantial shareholder Mr. Ng Teng Fong and the brother of Mr. Philip Ng Chee Tat, the co-executor of the estate of the late Mr. Ng Teng Fong.

**Mr. Daryl Ng Win Kong<sup>R</sup>**, JP, aged 42,

an Executive Director since April 2005 and Deputy Chairman of the Group since November 2017, holds a Bachelor of Arts Degree in Economics, a Master Degree of Science in Real Estate Development from Columbia University in New York, an Honorary Doctor of Humane Letters degree from Savannah College of Art and Design and an Honorary University Fellowship from The Open University of Hong Kong. Mr. Ng first joined the Company as Executive (Development) in 2003. He is a director of a number of subsidiaries and associated companies of the Company, and an Executive Director and Deputy Chairman of Sino Land Company Limited and Tsim Sha Tsui Properties Limited. He is also a Non-Executive Director of The Bank of East Asia, Limited, which is listed on the Hong Kong Stock Exchange and the Chairman, Non-independent &

Non-executive Director of Yeo Hiap Seng Limited, a company listed on the main board of the Singapore Stock Exchange. He is a member of the Global Leadership Council of Columbia University in the City of New York, a member of the 10th Sichuan Committee of the Chinese People's Political Consultative Conference ("CPPCC"), a member of the 12th and 13th Beijing Municipal Committee of the CPPCC, a member of the 10th and 11th Committees of the All-China Youth Federation and the Deputy Chairman of the Chongqing Youth Federation. He is the President of Hong Kong United Youth Association, a Council Member of the Hong Kong Committee for UNICEF, a Council Member of The Hong Kong Management Association, an Advisor of Our Hong Kong Foundation, a Council Member of Hong Kong Chronicles Institute Limited, a Council Member of the Employers' Federation of Hong Kong and a member of the Board of Hong Kong Science and Technology Parks Corporation. Mr. Ng's major public service appointments include being a member of the Estate Agents Authority of the Government of Hong Kong Special Administrative Region, a member of the Council of the University of Hong Kong, a member of the Court of the Hong Kong University of Science and Technology, a member of NUS Medicine International Council at the Yong Loo Lin School of Medicine of National University of Singapore, a member of International Advisory Council of Singapore Management University, a member of the Board of M Plus Museum Limited, a Board Member of National Heritage Board, Singapore, a member of Hong Kong Trade Development Council Mainland Business Advisory Committee and a member of the Cyberport Advisory Panel of Hong Kong Cyberport Management Company Limited. He is a Director of The Real Estate Developers Association of Hong Kong and a Director of The Community Chest of Hong Kong. He is the eldest son of the Chairman of the Group Mr. Robert Ng Chee Siong and the eldest grandson of the late substantial shareholder Mr. Ng Teng Fong.

N+: Nomination Committee Chairman R: Remuneration Committee member

## Biographical details of Directors & senior management (Continued)

### (I) Executive Directors (Continued)

**Mr. Giovanni Viterale**, aged 55, an Executive Director since July 2014. Mr. Viterale has been the General Manager of The Fullerton Hotel Singapore and The Fullerton Bay Hotel Singapore since 2010 (which are owned by Sino Land Company Limited). Before joining The Fullerton Hotel Singapore and The Fullerton Bay Hotel Singapore, Mr. Viterale was with Conrad Hong Kong for more than 10 years and is a veteran in the hospitality industry with over 26 years of experience.

**Mr. Thomas Tang Wing Yung**, aged 65, an Executive Director and Group Chief Financial Officer of the Company with effect from 15th January, 2020. He holds directorship in an associated company of the Company, and has also been appointed as an Executive Director and Group Chief Financial Officer of Sino Land Company Limited on 15th January, 2020. Mr. Tang obtained his Bachelor of Science Degree in Modern Mathematics from Surrey University, United Kingdom. He has been an Associate Member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a Fellow Member of The Hong Kong Institute of Certified Public Accountants and has over 39 years of experience in accounting and finance.

Prior to joining the Company, Mr. Tang was an Executive Director and Group Chief Financial Officer of Esprit Holdings Limited and he is currently an Independent Non-Executive Director of Playmates Holdings Limited, both of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Tang was an Executive Director and the Chief Financial Officer of the Company for the period from 30th August, 2004 to 26th March, 2012.

### (II) Non-Executive Directors

**The Honourable Ronald Joseph Arculli**, GBM, CVO, GBS, OBE, JP, aged 81,

has been a Director of the Company since 1994 and was re-designated from an Independent Non-Executive Director to a Non-Executive Director in July 2005. The Honourable Ronald Arculli through Ronald Arculli and Associates provides consultancy services to the Company. He is also a Non-Executive Director of Sino Land Company Limited and Tsim Sha Tsui Properties Limited. The Honourable Ronald Arculli was an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited from 2006 to April 2013, for which he was also a former Independent Non-Executive Chairman from 2006 to April 2012. He has a long and distinguished record of public service on numerous government committees and advisory bodies. He was the Chairman of The Hong Kong Jockey Club from 2002 to August 2006. He is a practising solicitor and has served on the Legislative Council from 1988 to 2000. He was a Non-Official Member of the Executive Council of the HKSAR Government from November 2005 to June 2012, for which he also acted as Convenor of the Non-Official Members since December 2011. He chairs FWD Group, the Honorary Advisory Committee of SVHK Foundation Limited and Common Purpose Charitable Foundation Limited in Hong Kong. He is also a Non-Executive Director of Asia Art Archive Limited. He is a Board Member and the Vice-Chairman of the Board of The West Kowloon Cultural District Authority and chairs its Executive Committee and Development Committee. The Honourable Ronald Arculli is an Independent Non-Executive Director of Hang Lung Properties Limited and a Non-Executive Director of HKR International Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments) and HK Electric Investments Limited (all are listed on The Stock Exchange of Hong Kong Limited except HK Electric Investments Manager Limited).

## Biographical details of Directors & senior management (Continued)

### (II) Non-Executive Directors (Continued)

**Mr. Gilbert Lui Wing Kwong<sup>A</sup>**, aged 82, an Independent Non-Executive Director since 1994 and was re-designated as a Non-Executive Director in August 2004. Mr. Lui is a consultant of a local firm of certified public accountants after retiring from the position of senior partner of that firm in 1999.

### (III) Independent Non-Executive Directors

**Mr. Steven Ong Kay Eng<sup>A+ N R+</sup>**, aged 74, an Independent Non-Executive Director since July 2005. He is also an Independent Non-Executive Director of Sino Land Company Limited and Tsim Sha Tsui Properties Limited. He is a Director of Altrade Investments Pte. Ltd. in Singapore. He is also a Non-Executive Independent Director of EnGro Corporation Limited and a substantial shareholder of Hwa Hong Corporation Limited, both of which are listed on the main board of the Singapore Stock Exchange. Mr. Ong has been a veteran banker with extensive experience in banking and finance over 43 years. He was the General Manager and Country Head for American Express Bank in Singapore for nearly 10 years and also the Chief Representative and Country Manager in China for Banca Monte dei Paschi di Siena S.p.A. for 16 years. Mr. Ong remained as the bank's advisor and consultant for 2 years after he left China in 2006 having resided in the country for over 16 years. He was the Chairman of Foreign Bankers' Association in Beijing, PRC from 1999 to 2000.

**Mr. Wong Cho Bau, JP**, aged 61,

an Independent Non-Executive Director since January 2015. He is also an Independent Non-Executive Director of Sino Land Company Limited. He is an Honorary Fellow of City University of Hong Kong and currently serves as Chairman of East Pacific (Holdings) Ltd., Shenzhen East Pacific Group Ltd., Donghai Airlines Co., Ltd., Donghai Jet Co., Ltd.. Mr. Wong has more than 30 years of business experience and is one of the pioneers on the establishment of Shenzhen Special Economic Zone. His business interests have expanded from property development to industrial, hotel, aviation, tourism. Mr. Wong is a National Committee Member of the 10th to 13th Chinese People's Political Consultative Conference, an Executive Councilor of the 4th Council of China Overseas Friendship Association and a Committee Adviser of Hong Kong Association for The Promotion of Peaceful Reunification of China. He was formerly a Councilor of the 1st and the 2nd Council and an Executive Councilor of the 3rd Council of China Overseas Friendship Association. He is also a Chief Director of Hong Kong Federation of Hong Kong Chiu Chow Community Organization.

A+: Audit Committee Chairman A: Audit Committee member

N: Nomination Committee member R+: Remuneration Committee Chairman

### (III) Independent Non-Executive Directors (Continued)

**Mr. Hung Wai Man<sup>A N R</sup>**, JP, aged 51,

an Independent Non-Executive Director since January 2019, is the Hong Kong Deputy to 13th National People's Congress (NPC) and Principal Liaison Officer for Hong Kong, Shenzhen Qianhai Authority. He is the Executive Chairman of Chinese Big Data Society, Vice Chairman of the Monte Jade Science and Technology Association of Hong Kong, Vice Chairman of Hong Kong Industry University Research Collaboration Association and an Adjunct Professor of Jinan University and Hainan University Belt and Road Research Institute. Mr. Hung is a Member of the Chinese Association of Hong Kong and Macau Studies, Vice President of Guangdong's Association For Promotion of Cooperation between Guangdong, Hong Kong and Macao, Commissioner of Hong Kong Road Safety Patrol, Chairman Emeritus of the Y.Elites Association, Vice President and Secretary General of Hong Kong-ASEAN Economic Cooperation Foundation, Vice President of Hong Kong Youths Unified Association, Director of Hong Kong Physical Handicapped and Abled Body Association, Council Member of Hong Kong Professionals and Senior Executives Association, Council Member of Smart City Consortium Limited, Academic Committee Member of China Silk Road iValley Research Institute, Member of Intellectual Property Assessment Committee and External Member of the Departmental Advisory Committee on Applied Mathematics of The Hong Kong Polytechnic University, Member of advisory board on Business Studies of Lingnan University, Member of Advisory Committee of Bachelor of Management Science and Information Management of The Hang Seng University of Hong Kong, and Member of the Advisory Committee of the Division of Business and Management of Beijing Normal University-Hong Kong Baptist University United International College, etc. In 2012 to 2014,

he had served as an associate member of the Central Policy Unit of the Government of Hong Kong Special Administrative Region. He was the 11th Standing Member of the All China Youth Federation.

Mr. Hung is a seasoned ICT professional and an angel investor. He has worked in the computer industry for 33 years. A well-known figure in the industry, Mr. Hung has extensive experience in management consulting, project management and outsourcing services. He is a Chartered Information Technology Professional and a fellow of the British Computer Society, the Hong Kong Institute of Directors, the Hong Kong Computer Society and the Internet Professional Association. He has been appointed as the Global Council Member by the World Summit Awards. Mr. Hung also serves as an Independent Non-Executive Director of VSTECs Holdings Limited, LH Group Limited and Sprocomm Intelligence Limited, which are listed on the main board of the Hong Kong Stock Exchange. He was formerly an Independent Non-Executive Director of Hsin Chong Group Holdings Limited, which is listed on the main board of the Hong Kong Stock Exchange. Mr. Hung holds a Higher Diploma in Mathematics, Statistics and Computing from the Hong Kong Polytechnic, a Bachelor of Arts Degree in Business Administration from the University of Bolton, a Master Degree of Business Administration from the University of Hull and a Master of Arts Degree in Public and Comparative History from the Chinese University of Hong Kong. He also obtained a Master of Laws and a Doctor of Laws from the Renmin University of China and a Doctor of Philosophy Degree in Business Administration from Bulacan State University, the Philippines.

### (IV) Senior management

Various businesses and functions of the Company are respectively under the direct responsibilities of the Executive Directors who are regarded as senior management of the Company.

A: Audit Committee member   N: Nomination Committee member   R: Remuneration Committee member





TO THE SHAREHOLDERS OF SINO HOTELS (HOLDINGS) LIMITED  
信和酒店(集團)有限公司  
*(incorporated in the Cayman Islands with limited liability)*

## Opinion

We have audited the consolidated financial statements of Sino Hotels (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 62 to 123, which comprise the consolidated statement of financial position as at 30th June, 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30th June, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent auditor's report (Continued)

## Key audit matters (Continued)

### Key audit matters

#### ***Revenue recognition from room revenue and food and beverage sales***

We identified revenue recognition from room revenue and food and beverage sales as a key audit matter due to high volume of transactions involved and its significance to the consolidated statement of profit or loss.

Relevant disclosures are set out in note 4 to the consolidated financial statements.

#### ***Impairment assessment of hotel properties***

We identified impairment of the Group's and its associates' hotel properties as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole and the current unsatisfactory operating environment of the hotel industry.

At the end of the reporting period, the management of the Group reviews the carrying amounts of such assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the management of the Group assesses the recoverable amounts. Based on the impairment assessments carried out by management with reference to recent sales and purchase transactions price of hotel properties and the valuation reports prepared by an independent professional valuer, no impairment is considered to be necessary.

The Group's hotel properties and the related leasehold land are included in the property, plant and equipment and right of use assets, respectively, and the associates' hotel properties are included in the Group's interests in associates.

Relevant disclosures are set out in notes 14, 15 and 16 to the consolidated financial statements.

### How our audit addressed the key audit matters

Our procedures in relation to revenue recognition from room revenue and food and beverage sales included:

- Understanding the revenue recognition processes and the Group's key controls on revenue recognition;
- Evaluating the design and implementation on key controls over revenue recognition and their operating effectiveness;
- Performing monthly analysis to identify unusual patterns of such revenue, and assessing the reasonableness of management's explanation for the unusual patterns identified, if any;
- Performing test of details on food and beverage sales, on a sample basis, by inspecting the underlying documents, including the details and amounts shown in daily sales reports, sales invoices and settlement records; and
- Performing test of details on room revenue, on a sample basis, by inspecting the underlying documents, including the details and amounts shown in guest ledger, sales invoices and settlement records.

Our procedures in relation to impairment assessment of hotel properties included:

- Discussing with the management whether there were any impairment indicators of the Group's and its associates' hotel properties;
- Assessing whether the impairment assessment process adopted by the management are in accordance with the requirements of the accounting standard;
- Evaluating the reasonableness of result of the impairment assessment performed by the management, considering the recent sales and purchase transactions of hotel properties researched by the management and the carrying amounts of the Group's and its associates' hotel properties; and
- Conducting independent research to verify the validity of the recent sales and purchase transaction prices of hotel properties adopted in the management assessment.

## Other information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of directors and those charged with governance for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

### Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

### Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Cheung, Wilfred.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
26th August, 2020

## Consolidated statement of profit or loss

For the year ended 30th June, 2020

	NOTES	2020 HK\$	2019 HK\$
Revenue	4	160,737,356	320,653,237
Direct expenses		<u>(90,182,269)</u>	<u>(120,526,892)</u>
Gross profit		70,555,087	200,126,345
Other income and other gains and losses		(327,525)	(5,389,825)
Other expenses		(81,033,316)	(84,877,930)
Marketing costs		(8,630,948)	(11,026,014)
Administrative expenses		(29,338,354)	(33,878,241)
Finance income	6	24,650,132	25,159,063
Finance costs	7	<u>(143,098)</u>	<u>(129,743)</u>
Finance income, net		24,507,034	25,029,320
Share of results of associates		<u>(51,714,202)</u>	<u>118,339,259</u>
(Loss) profit before taxation	8	(75,982,224)	208,322,914
Income tax expense	9	<u>(380,796)</u>	<u>(12,016,506)</u>
(Loss) profit for the year attributable to the Company's shareholders		<u>(76,363,020)</u>	<u>196,306,408</u>
(Loss) earnings per share – basic	13	<u>(6.75) cents</u>	<u>17.83 cents</u>

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30th June, 2020

	2020 HK\$	2019 HK\$
(Loss) profit for the year	<u>(76,363,020)</u>	<u>196,306,408</u>
<b>Other comprehensive (expense) income</b>		
<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")	<b>(301,956,735)</b>	(77,083,222)
Exchange difference arising on translation of equity instruments at FVTOCI	<b>(1,327,543)</b>	(731,460)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Gain on fair value changes of debt instrument at FVTOCI	<b>32,531</b>	–
Other comprehensive expense for the year	<b><u>(303,251,747)</u></b>	<b><u>(77,814,682)</u></b>
Total comprehensive (expense) income for the year attributable to the Company's shareholders	<b><u>(379,614,767)</u></b>	<b><u>118,491,726</u></b>



# Consolidated statement of financial position

At 30th June, 2020

	NOTES	2020 HK\$	2019 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	312,537,075	1,282,004,665
Right-of-use assets	15	979,827,961	–
Interests in associates	16	1,114,248,903	1,165,963,105
Equity and debt instruments at FVTOCI	17	921,913,744	1,019,113,648
Deposits paid for property, plant and equipment		1,686,191	7,945,115
		<u>3,330,213,874</u>	<u>3,475,026,533</u>
<b>CURRENT ASSETS</b>			
Hotel inventories		320,938	323,265
Trade and other receivables	18	18,821,851	28,533,095
Amounts due from associates	19	86,658,156	100,156,755
Time deposits, bank balances and cash	20	966,819,027	1,203,870,322
		<u>1,072,619,972</u>	<u>1,332,883,437</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	20,738,205	33,557,077
Contract liabilities	22	2,569,745	3,824,497
Lease liabilities	23	329,930	–
Amount due to an associate	25	4,940,925	2,196,262
Taxation payable		247,559	12,589,043
		<u>28,826,364</u>	<u>52,166,879</u>
<b>NET CURRENT ASSETS</b>		<u>1,043,793,608</u>	<u>1,280,716,558</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,374,007,482</u>	<u>4,755,743,091</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	24	1,142,661,798	1,119,805,890
Reserves		3,227,652,716	3,632,304,749
<b>EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS</b>		<u>4,370,314,514</u>	<u>4,752,110,639</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation	26	3,632,452	3,632,452
Lease liabilities	23	60,516	–
		<u>3,692,968</u>	<u>3,632,452</u>
		<u>4,374,007,482</u>	<u>4,755,743,091</u>

The consolidated financial statements on pages 62 to 123 were approved and authorised for issue by the Board of Directors on 26th August, 2020 and are signed on its behalf by:

**Robert NG Chee Siong**  
Chairman

**Daryl NG Win Kong**  
Deputy Chairman

# Consolidated statement of changes in equity

For the year ended 30th June, 2020

	Share capital HK\$	Share premium HK\$	Investment revaluation reserve HK\$	Distributable reserve HK\$	Retained profits HK\$	Total HK\$
At 1st July, 2018	1,089,180,526	564,438,607	244,588,521	723,785,700	2,014,731,740	4,636,725,094
Profit for the year	-	-	-	-	196,306,408	196,306,408
Loss on fair value changes of equity instruments at FVTOCI	-	-	(77,083,222)	-	-	(77,083,222)
Exchange difference arising on translation of equity instruments at FVTOCI	-	-	(731,460)	-	-	(731,460)
Other comprehensive expense for the year	-	-	(77,814,682)	-	-	(77,814,682)
Total comprehensive (expense) income for the year	-	-	(77,814,682)	-	196,306,408	118,491,726
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
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2019	14,039,679	34,369,120	-	-	-	48,408,799
Share issue expenses	-	(271,153)	-	-	-	(271,153)
Dividends	-	-	-	(104,218,505)	-	(104,218,505)
At 30th June, 2019	1,119,805,890	634,925,567	166,773,839	619,567,195	2,211,038,148	4,752,110,639
Loss for the year	-	-	-	-	(76,363,020)	(76,363,020)
Loss on fair value changes of equity instruments at FVTOCI	-	-	(301,956,735)	-	-	(301,956,735)
Exchange difference arising on translation of equity instruments at FVTOCI	-	-	(1,327,543)	-	-	(1,327,543)
Gain on fair value changes of debt instrument at FVTOCI	-	-	32,531	-	-	32,531
Other comprehensive expense for the year	-	-	(303,251,747)	-	-	(303,251,747)
Total comprehensive expense for the year	-	-	(303,251,747)	-	(76,363,020)	(379,614,767)
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
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2020	4,158,677	6,911,721	-	-	-	11,070,398
Share issue expenses	-	(360,161)	-	-	-	(360,161)
Dividends	-	-	-	(67,375,326)	-	(67,375,326)
At 30th June, 2020	1,142,661,798	677,263,627	(136,477,908)	552,191,869	2,134,675,128	4,370,314,514

# Consolidated statement of cash flows

For the year ended 30th June, 2020

	2020 HK\$	2019 HK\$
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	(75,982,224)	208,322,914
Adjustments for:		
Share of results of associates	51,714,202	(118,339,259)
Dividend income from equity instruments FVTOCI	(20,924,721)	(21,961,269)
Interest income from debt instrument at FVTOCI	(56,710)	–
Depreciation of right-of-use assets	22,539,246	–
Depreciation and amortisation of property, plant and equipment	27,866,842	44,413,357
Finance income	(24,650,132)	(25,159,063)
Finance costs	143,098	129,743
(Gain) loss on disposal of property, plant and equipment	(10,500)	1,371
Fair value gain on financial assets at fair value through profit or loss ("FVTPL")	(890,701)	–
Unrealised exchange (gain) loss	(4,607,507)	1,729,614
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(24,859,107)	89,137,408
Decrease in hotel inventories	2,327	213,217
Decrease (increase) in trade and other receivables	4,075,177	(1,791,907)
(Decrease) increase in trade and other payables	(9,146,621)	6,916,202
(Decrease) increase in contract liabilities	(1,254,752)	93,005
	<hr/>	<hr/>
Cash (used in) generated from operations	(31,182,976)	94,567,925
Hong Kong Profits Tax paid	(12,653,102)	(15,475,019)
Hong Kong Profits Tax refund	10,342	–
Dividends received from equity instruments at FVTOCI	9,271,780	4,720,860
	<hr/>	<hr/>
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(34,553,956)</b>	<b>83,813,766</b>
<b>INVESTING ACTIVITIES</b>		
Dividend received from an associate	–	136,323,000
Interest received	31,044,402	17,863,324
Proceeds on disposal of property, plant and equipment	10,500	2,170
Proceeds on disposal of financial assets at FVTPL	6,345,626	–
Additions to property, plant and equipment	(52,165,542)	(46,688,010)
Deposits paid for property, plant and equipment	(1,634,667)	(7,945,115)
Purchase of equity instruments at FVTOCI	(192,091,994)	(157,303,980)
Purchase of debt instrument at FVTOCI	(3,087,921)	–
Purchase of financial assets at FVTPL	(5,454,925)	–
Repayment from associates	30,047,695	153,591,879
Advances to associates	(16,549,096)	(137,676,863)
Placement of time deposits with original maturity more than three months	(1,124,173,805)	(901,919,526)
Withdrawal of time deposits with original maturity more than three months	1,411,946,135	862,008,185
	<hr/>	<hr/>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>84,236,408</b>	<b>(81,744,936)</b>

## Consolidated statement of cash flows (Continued)

For the year ended 30th June, 2020

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(1,821,197)	(2,835,028)
Advance from an associate	12,556,477	13,323,473
Repayment to an associate	(9,811,814)	(13,192,976)
Repayment to a related company	(3,672,251)	–
Repayment of lease liabilities	(316,880)	–
Share issue expenses paid	(360,161)	(271,153)
Interest paid	(143,098)	(129,743)
	(3,568,924)	(3,105,427)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
	(3,568,924)	(3,105,427)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	46,113,528	(1,036,597)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	28,699,867	29,736,464
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	74,813,395	28,699,867
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Time deposits	892,005,632	1,175,170,455
Bank balances and cash	74,813,395	28,699,867
	966,819,027	1,203,870,322
Less: Time deposits with original maturity more than three months	(892,005,632)	(1,175,170,455)
	74,813,395	28,699,867
Cash and cash equivalents in the consolidated statement of cash flows		

# Notes to the consolidated financial statements

For the year ended 30th June, 2020

## 1. General

The Company is a public limited liability company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company is disclosed in the section headed “Corporate information” in the annual report.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 30.

## 2. Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

### New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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 and an interpretation to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2. Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

#### HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

#### 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 standard 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.

As at 1st July, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (iii) 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.

## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 2. Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

#### New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

##### HKFRS 16 “Leases” (Continued)

##### As a lessee (Continued)

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 incremental borrowing rate applied is 3.2%.

	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 for own use as at 1st July, 2019 comprises the following:

	Note	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

Note:

- (a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1st July 2019 amounting to HK\$1,001,659,881 as right-of-use assets.



# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 2. Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

#### HKFRS 16 “Leases” (Continued)

##### As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement 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 HK\$	Adjustments HK\$	Carrying amounts under HKFRS 16 at 1st July, 2019 HK\$
<b>Non-current assets</b>				
Property, plant and equipment	(a)	1,282,004,665	(1,001,659,881)	280,344,784
Right-of-use assets	(a)	–	1,002,071,309	1,002,071,309
<b>Current liabilities</b>				
Lease liabilities		–	229,695	229,695
<b>Non-current liabilities</b>				
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 year ended 30th June, 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1st July, 2019 as disclosed above.

##### 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 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.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 2. Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

#### HKFRS 16 “Leases” (Continued)

##### As a lessor (Continued)

The Directors of the Company consider the application of HKFRS 16 has had no material impact on the Group’s financial positions and performance for the current year or as at 30th June, 2020.

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 16	Covid-19 Related Rent Concessions <sup>6</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>7</sup>
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use <sup>5</sup>
Amendments to HKAS 37	Onerous Contracts-Cost of Fulfilling a Contract <sup>5</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2021

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2020

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2022

<sup>6</sup> Effective for annual periods beginning on or after 1st June, 2020

<sup>7</sup> Effective for annual periods beginning on or after 1st January, 2023

The Directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. Significant accounting policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “*Share-based Payment*”, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1st July 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “*Inventories*” or value in use in HKAS 36 “*Impairment of Assets*”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 3. Significant accounting policies (Continued)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are provided only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

## 3. Significant accounting policies (Continued)

### Goodwill

Goodwill arising on an acquisition of an associate for which the agreement date is before 1st July, 2005 represents the excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition. From 1st July, 2005 onwards, the Group has discontinued amortisation of goodwill, and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate and assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### Revenue from contracts with customers

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

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

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

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

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 3. Significant accounting policies (Continued)

### Revenue from contracts with customers (Continued)

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

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

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

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

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

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

##### Output method

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

### Leases

#### Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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 or arising from business combinations 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, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### The group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

##### 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 consolidated financial statements.

## 3. Significant accounting policies (Continued)

### Leases (Continued)

The group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)  
(Continued)

#### Right-of-use assets

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 measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, 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 consolidated statement of financial position.

#### 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;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.



# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 3. Significant accounting policies (Continued)

### Leases (Continued)

The group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)  
(Continued)

#### Lease liabilities (Continued)

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 or there is a change in the assessment of exercise of a purchase option, 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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

#### 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, less any lease incentives receivable, 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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

#### The Group as a lessee (prior to 1st July, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on straight-line basis over the term of relevant lease.

## 3. Significant accounting policies (Continued)

### Leases (Continued)

#### The Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

### Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) (prior to application of HKFRS 16) and building held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” (upon application of HKFRS 16) or “property, plant and equipment” (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation and amortisation are provided so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain and loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Impairment losses on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 3. Significant accounting policies (Continued)

### Hotel inventories

Hotel inventories are stated in the consolidated statement of financial position at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income and other gains and losses”

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

### Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered services entitling them to the contributions.

## 3. Significant accounting policies (Continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit (loss) before taxation as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation liabilities are generally recognised for all taxable temporary differences. Deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred taxation liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred taxation are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred taxation are also recognised in other comprehensive income or directly in equity respectively.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 3. Significant accounting policies (Continued)

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Dividend income which is derived from the Group's ordinary course of business are presented as revenue.

### Financial assets

#### Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "*Business Combinations*" applies.

## 3. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

#### (ii) Debt instrument classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instrument classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of this debt instrument are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of this debt instrument. When this debt instrument is derecognised, the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 3. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### Classification and subsequent measurement of financial assets (Continued)

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain and loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

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

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains and losses recognised in profit or loss. The net gain and loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and other gains and losses" line item.

#### Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including debt instrument at FVTOCI, trade and other receivables, amounts due from associates, time deposits and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

## 3. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### Impairment of financial assets (Continued)

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

(i) Significant increase in credit risk

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

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

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

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



# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 3. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

## 3. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed as a separate group. Interest receivables and amounts due from associates are assessed for expected credit losses on an individual basis); and
- Aging status.

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

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

Except for the investment in debt instrument that is measured at FVTOCI, the Group recognises an impairment gain and loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account. For investment in debt instrument that is measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investments revaluation reserve without reducing the carrying amount of this debt instrument. Such amount represents the changes in the investments revaluation reserve in relation to accumulated loss allowance.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 3. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity

Financial liabilities and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

#### Financial liabilities

Financial liabilities (including trade and other payables and amount due to an associates) are subsequently measured at amortised cost, using the effective interest method.

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain and loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain and loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities are derecognised when the obligations specified in the relevant contract are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 4. Revenue

	2020 HK\$	2019 HK\$
Hotel operation		
– Room sales	62,071,289	192,546,401
– Food and beverage sales	61,935,781	88,967,176
– Other ancillary services	1,226,560	1,700,408
	<b>125,233,630</b>	283,213,985
Club operation and hotel management	14,522,295	15,477,983
Dividend income from equity instruments at FVTOCI	20,924,721	21,961,269
Interest income from debt instrument at FVTOCI	56,710	–
	<b>160,737,356</b>	320,653,237
Geographical market:		
Hong Kong	<b>160,737,356</b>	320,653,237

For the year ended 30th June, 2020, revenue from food and beverage sales of hotel and club operation recognised at a point in time amounted to HK\$61,935,781 (2019: HK\$88,967,176) and HK\$5,708,706 (2019: HK\$6,174,683) respectively. The revenue from contracts with customers recognised over time amounted to HK\$72,111,438 (2019: HK\$203,550,109) mainly consists of hotel room sales, income from club operation and hotel management.

The revenue from hotel operation, club operation and hotel management are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 5. Segment information

Information reported to the Executive Directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable and operating segments under HKFRS 8 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

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 5. Segment information (Continued)

### Segment revenue and results

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

	Segment revenue		Segment results	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Hotel operation				
– City Garden Hotel	125,233,630	283,213,985	(12,107,448)	98,514,665
Investment holding	20,981,431	21,961,269	20,937,502	21,923,935
Hotel operation – share of results of associates	–	–	3,172,589	241,763,373
Others – club operation and hotel management	14,522,295	15,477,983	2,746,231	3,593,883
	<u>160,737,356</u>	<u>320,653,237</u>		
Total segment results			14,748,874	365,795,856
Other income and other gains and losses			(327,525)	(5,389,825)
Administrative and other expenses			(60,023,816)	(53,688,323)
Finance income, net			24,507,034	25,029,320
Share of results of associates				
– other income			4,332,872	–
– administrative and other expenses			(68,388,499)	(97,751,341)
– finance income, net			1,284,693	1,753,154
– income tax credit (expense)			7,884,143	(27,425,927)
			<u>(54,886,791)</u>	<u>(123,424,114)</u>
(Loss) profit before taxation			<u>(75,982,224)</u>	<u>208,322,914</u>

All of the segment revenue reported above are from external customers. There was no inter-segment revenue for both years.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the results by each segment without allocation of certain administrative and other expenses, other income and other gains and losses, and finance 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, net 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.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 5. Segment information (Continued)

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2020 HK\$	2019 HK\$
<b>Segment assets</b>		
Hotel operation – City Garden Hotel	1,302,796,768	1,301,775,394
Investment holding	922,798,951	1,019,249,130
Hotel operation – interests in associates	1,114,248,903	1,165,963,105
Others – club operation and hotel management	740,451	1,762,398
	<hr/>	<hr/>
Total segment assets	3,340,585,073	3,488,750,027
Amounts due from associates	86,658,156	100,156,755
Unallocated assets	975,590,617	1,219,003,188
	<hr/>	<hr/>
Consolidated assets	4,402,833,846	4,807,909,970
	<hr/>	<hr/>
	2020 HK\$	2019 HK\$
<b>Segment liabilities</b>		
Hotel operation – City Garden Hotel	20,544,108	32,522,078
Investment holding	15,294	15,255
Others – club operation and hotel management	1,182,981	3,073,700
	<hr/>	<hr/>
Total segment liabilities	21,742,383	35,611,033
Amount due to an associate	4,940,925	2,196,262
Unallocated liabilities	5,836,024	17,992,036
	<hr/>	<hr/>
Consolidated liabilities	32,519,332	55,799,331
	<hr/>	<hr/>

For the purposes of assessing segment performance and allocating resources between segments, all assets are allocated to reportable segments other than the Group's corporate assets, amounts due from associates, certain other receivables, and time deposits, bank balances and cash and all liabilities are allocated to reportable segments other than the Group's corporate liabilities, amount due to an associate, certain other payables, taxation payable and deferred taxation.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 5. Segment information (Continued)

### Other segment information

	Addition to non-current assets (Note)	
	2020 HK\$	2019 HK\$
Amounts included in the measure of segment assets:		
Hotel operation – City Garden Hotel	60,328,481	46,596,000
Others – club operation and hotel management	26,550	92,010
	<b>60,355,031</b>	<b>46,688,010</b>

	Depreciation and amortisation of property, plant and equipment and right-of-use assets		Gain (loss) on disposal of property, plant and equipment	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss:				
Hotel operation – City Garden Hotel	50,358,671	44,364,748	10,340	(1,371)
Others – club operation and hotel management	47,417	48,609	160	–
	<b>50,406,088</b>	<b>44,413,357</b>	<b>10,500</b>	<b>(1,371)</b>

Note: Non-current assets include property, plant and equipment and right-of-use assets.

### 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 (loss incurred) for the year are derived from Hong Kong. All the assets of the Group are located in Hong Kong.

## 6. Finance income

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

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 7. Finance costs

	2020 HK\$	2019 HK\$
Interest on amount due to a related company (note 29(b))	124,495	129,743
Interest on lease liabilities	18,603	–
	<u>143,098</u>	<u>129,743</u>

## 8. (Loss) profit before taxation

	2020 HK\$	2019 HK\$
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	1,159,000	1,153,180
Other staff costs	87,947,906	114,885,208
Contributions to retirement benefit scheme (other than Directors) (note 33)	3,931,011	4,309,491
Total staff costs	<u>93,037,917</u>	<u>120,347,879</u>
Auditor's remuneration		
– audit services	516,750	516,000
– non-audit services	392,000	373,000
	<u>908,750</u>	<u>889,000</u>
Cost of hotel inventories consumed (included in direct expenses)	18,785,561	26,872,579
Depreciation of right-of-use assets (included in other expenses)	22,539,246	–
Depreciation and amortisation of property, plant and equipment (included in other expenses)	27,866,842	44,413,357
Repairs and maintenance in respect of hotel properties (included in other expenses)	7,164,185	6,810,054
Share of income tax (credit) expense of associates (included in share of results of associates)	(7,884,143)	27,425,927
(Gain) loss on disposal of property, plant and equipment	(10,500)	1,371
Government subsidies (included in other income and other gains and losses) (Note)	<u>(1,751,595)</u>	<u>–</u>

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



## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 9. Income tax expense

	2020 HK\$	2019 HK\$
Income tax expense (credit) comprises:		
Hong Kong Profits Tax is calculated with two-tiered profit tax regime ( <i>Note</i> ) on the estimated assessable profit		
Current year	395,991	12,107,356
Overprovision in prior year	(94,715)	(300,954)
	<u>301,276</u>	<u>11,806,402</u>
Taxation in other jurisdictions		
Dividend withholding tax	79,520	–
Deferred taxation ( <i>note 26</i> )		
Current year	–	210,104
	<u>380,796</u>	<u>12,016,506</u>

The income tax expense for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss as follows:

	2020 HK\$	2019 HK\$
(Loss) profit before taxation	<u>(75,982,224)</u>	<u>208,322,914</u>
Tax charge at Hong Kong Profits Tax rate ( <i>Note</i> )	(12,537,066)	34,208,281
Tax effect of results attributable to associates	8,532,843	(19,525,978)
Tax effect of expenses not deductible for tax purpose	5,210,648	4,797,729
Tax effect of income not taxable for tax purpose	(7,979,852)	(7,787,728)
Tax effect of tax losses not recognised	7,169,418	625,156
Overprovision in prior year	(94,715)	(300,954)
Dividend withholding tax	79,520	–
Income tax expense for the year	<u>380,796</u>	<u>12,016,506</u>

*Note:*

On 21 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 28 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%. 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 consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 10. Directors' and Chairman's emoluments

The emoluments paid or payable to each of the nine (2019: nine) Directors of the Company, which include the Chairman, were disclosed pursuant to section 383(1)-(4) of the Hong Kong Companies Ordinance and Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation. Emoluments of the Directors of the Company in respect of their qualifying services including:

	2020					2019				
	Fee	Other emoluments			Total	Fee	Other emoluments			Total
		Contributions					Contributions			
		Salaries and other benefits	to retirement benefit scheme	Discretionary bonus (Note i)			Salaries and other benefits	to retirement benefit scheme	Discretionary bonus (Note i)	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Executive Directors:										
Mr. Robert Ng Chee Siong (Note ii)	-	-	-	-	-	36,000	-	-	-	36,000
Mr. Daryl Ng Win Kong (Note v)	10,000	-	-	-	10,000	36,000	-	-	-	36,000
Mr. Giovanni Viterale (Note v)	18,000	-	-	-	18,000	18,000	-	-	-	18,000
Mr. Thomas Tang Wing Yung (Note vi)	9,000	-	-	-	9,000	-	-	-	-	-
	<u>37,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,000</u>	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>
Non-Executive Directors:										
The Honourable Ronald Joseph Arculli (Note iii)	150,000	-	-	-	150,000	150,000	-	-	-	150,000
Mr. Gilbert Lui Wing Kwong	234,000	-	-	-	234,000	234,000	-	-	-	234,000
	<u>384,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384,000</u>	<u>384,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384,000</u>
Independent Non-Executive Directors:										
Mr. Peter Wong Man Kong	-	-	-	-	-	187,500	-	-	-	187,500
Mr. Steven Ong Kay Eng	294,000	-	-	-	294,000	250,000	-	-	-	250,000
Mr. Wong Cho Bau	150,000	-	-	-	150,000	150,000	-	-	-	150,000
Mr. Hung Wai Man (Note iv)	294,000	-	-	-	294,000	91,680	-	-	-	91,680
	<u>738,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>738,000</u>	<u>679,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>679,180</u>
	<u>1,159,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,159,000</u>	<u>1,153,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,153,180</u>

Mr. Robert Ng Chee Siong and Mr. Daryl Ng Win Kong waived their directors' fees of HK\$58,000 and HK\$48,000 respectively for the year ended 30th June, 2020 (2019: no waiver of directors' fees).

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 10. Directors' and Chairman's emoluments (Continued)

Notes:

- (i) Discretionary bonus is determined primarily based on the performance of each Director and the profitability of the Group.
- (ii) Mr. Robert Ng Chee Siong is also the Chairman of the Company and his emoluments disclosed above include those for services rendered by him as the Chairman. Mr. Ng is also a substantial shareholder of the Company through his trustee interest in shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong.
- (iii) During the year, a consultancy fee of HK\$416,666 (2019: HK\$416,666) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli is the sole proprietor.
- (iv) Mr. Hung Wai Man retired by rotation and was re-appointed as an Independent Non-Executive Director of the Company on 24th October, 2019.
- (v) Mr. Daryl Ng Win Kong and Mr. Giovanni Viterale retired by rotation and were re-appointed as Executive Directors of the Company on 24th October, 2019.
- (vi) Mr. Thomas Tang Wing Yung was appointed as an Executive Director and Group Chief Financial Officer of the Company on 15th January, 2020.
- (vii) The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The Non-Executive Directors' and Independent Non-Executive Directors' emoluments shown above were for their services as Directors of the Company.

## 11. Employees' emoluments

None of the five highest paid individuals of the Group is a Director of the Company for the current and prior year. The emoluments of the five highest paid individuals who are employees of the Group, are as follows:

	2020 HK\$	2019 HK\$
Salaries and other emoluments	4,816,304	4,755,970
Contributions to retirement benefit scheme	106,000	108,000
Discretionary bonus (Note)	546,410	1,189,169
	<b>5,468,714</b>	<b>6,053,139</b>

Note: The discretionary bonuses for both years were determined by reference to the performance of the Group and individuals.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 11. Employees' emoluments (Continued)

The emoluments were within the following bands:

	Number of individuals	
	2020	2019
Not exceeding HK\$1,000,000	3	1
HK\$1,000,001 – HK\$1,500,000	1	3
HK\$1,500,001 – HK\$2,000,000	1	1
	<b>1</b>	<b>1</b>

None of the five (2019: five) highest paid individuals waived any emoluments in both years.

During the year, no emoluments were paid by the Group or agreed to waive to the five (2019: five) highest paid individuals and Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. Save as mentioned in note 10, no Director waived or agreed to waive any emoluments for both years.

## 12. Dividends

	2020 HK\$	2019 HK\$
Final dividend for the year ended 30th June, 2019 of HK5.0 cents (2019: final dividend for 2018 of HK5.0 cents) per share	55,990,295	54,459,026
Interim dividend for the year ended 30th June, 2020 of HK1.0 cent (2019: interim dividend for 2019 of HK4.5 cents) per share	11,385,031	49,759,479
	<b>67,375,326</b>	<b>104,218,505</b>

The Directors recommend no final dividend for the year ended 30th June, 2020 (2019: a final dividend of HK5.0 cents for the year ended 30th June, 2019 per share amounting to HK\$55,990,295).

## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 12. Dividends (Continued)

During the year, scrip alternative was offered in respect of the dividends. This scrip alternative was accepted by certain shareholders, as follows:

	2020 HK\$	2019 HK\$
Final dividend for the year ended 30th June, 2019/2018		
– Cash	1,506,564	1,484,348
– Scrip	54,483,731	52,974,678
	<u>55,990,295</u>	<u>54,459,026</u>
Interim dividend for the year ended 30th June, 2020/2019		
– Cash	314,633	1,350,680
– Scrip	11,070,398	48,408,799
	<u>11,385,031</u>	<u>49,759,479</u>
	<u>67,375,326</u>	<u>104,218,505</u>

### 13. (Loss) earnings per share

The calculation of the basic (loss) earnings per share is based on the loss (2019: profit) for the year attributable to the Company's shareholders of HK\$76,363,020 (2019: HK\$196,306,408) and on the weighted average number of 1,131,351,909 (2019: 1,101,247,705) shares in issue during the year.

No diluted (loss) earnings per share has been presented as there were no potential ordinary shares in both years.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 14. Property, plant and equipment

	Leasehold land HK\$	Hotel building HK\$	Furniture, fixtures, leasehold improvement and hotel operating equipment HK\$	Total HK\$
<b>COST</b>				
At 1st July, 2018	1,546,000,000	353,767,921	194,783,668	2,094,551,589
Additions	–	–	46,688,010	46,688,010
Disposals	–	–	(560,030)	(560,030)
Write-off	–	(11,734,120)	–	(11,734,120)
At 30th June, 2019	1,546,000,000	342,033,801	240,911,648	2,128,945,449
Adjustments upon application of HKFRS 16	(1,546,000,000)	–	–	(1,546,000,000)
At 1st July, 2019 (restated)	–	342,033,801	240,911,648	582,945,449
Additions	–	–	60,059,133	60,059,133
Disposals	–	–	(734,165)	(734,165)
Write-off	–	(2,933,530)	(4,855,568)	(7,789,098)
<b>At 30th June, 2020</b>	<b>–</b>	<b>339,100,271</b>	<b>295,381,048</b>	<b>634,481,319</b>
<b>DEPRECIATION AND AMORTISATION</b>				
At 1st July, 2018	522,122,155	126,110,718	166,585,163	814,818,036
Provided for the year	22,217,964	4,915,507	17,279,886	44,413,357
Eliminated on disposals	–	–	(556,489)	(556,489)
Write-off	–	(11,734,120)	–	(11,734,120)
At 30th June, 2019	544,340,119	119,292,105	183,308,560	846,940,784
Adjustments upon application of HKFRS 16	(544,340,119)	–	–	(544,340,119)
At 1st July, 2019 (restated)	–	119,292,105	183,308,560	302,600,665
Provided for the year	–	7,908,260	19,958,582	27,866,842
Eliminated on disposals	–	–	(734,165)	(734,165)
Write-off	–	(2,933,530)	(4,855,568)	(7,789,098)
<b>At 30th June, 2020</b>	<b>–</b>	<b>124,266,835</b>	<b>197,677,409</b>	<b>321,944,244</b>
<b>CARRYING AMOUNTS</b>				
<b>At 30th June, 2020</b>	<b>–</b>	<b>214,833,436</b>	<b>97,703,639</b>	<b>312,537,075</b>
At 30th June, 2019	1,001,659,881	222,741,696	57,603,088	1,282,004,665

## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 14. Property, plant and equipment (Continued)

The above items of property, plant and equipment are depreciated or amortised on a straight-line method at the following rates per annum:

Leasehold land	Over the term of the lease of the land
Hotel building	Over the shorter of the term of the lease of the land upon which the building is situated, or 70 years
Furniture, fixtures and leasehold improvement	10% – 20%
Hotel operating equipment	20%

The leasehold land and hotel building are situated in Hong Kong.

The management of the Group has carried out impairment assessment on the hotel property included in the property, plant and equipment of this note, the related leasehold land included in the right-of-use assets in note 15, and the Group's interests in associates which hold the hotel properties in note 16 and determined the recoverable amounts with reference to the recent sales and purchase transactions price of hotel properties and the valuation reports prepared by an independent professional valuer at the end of the reporting date. Based on the impairment assessment, no impairment is considered to be necessary as at 30 June 2020.

### 15. Right-of-use assets

	Leasehold land <i>HK\$</i>	Premises <i>HK\$</i>	Total <i>HK\$</i>
<b>As at 1st July, 2019</b>			
Carrying amount	<u>1,001,659,881</u>	<u>411,428</u>	<u>1,002,071,309</u>
<b>As at 30th June, 2020</b>			
Carrying amount	<u>979,441,917</u>	<u>386,044</u>	<u>979,827,961</u>
<b>For the year ended 30th June, 2020</b>			
Depreciation charge	<u>22,217,964</u>	<u>321,282</u>	<u>22,539,246</u>
Total cash outflow for leases			<u>335,483</u>
Additions to right-of-use assets			<u>295,898</u>

For both years, the Group leases warehouses for its operations. Lease contracts are entered into for fixed term of two years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns hotel properties for its operation. The Group is the registered owner of these property interest, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

In addition, lease liabilities of HK\$390,446 are recognised with related right-of-use assets of HK\$386,044 as at 30th June, 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 16. Interests in associates

	2020 HK\$	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	49,464,519	101,178,721
	<u>1,114,248,903</u>	<u>1,165,963,105</u>

Details of the associates at 30th June, 2020 and 30th June, 2019 are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued share capital held by the Company		Principal activities
				2020	2019	
<i>Indirect:</i>						
Asian Glory Limited	Incorporated	British Virgin Islands	Ordinary	25%	25%	Investment holding
Bestown Property Limited (Note (b))	Incorporated	Hong Kong	Ordinary	25%	25%	Hotel owner and operation of The Royal Pacific Hotel & Towers
FHR International Limited (Note (c))	Incorporated	Hong Kong	Ordinary	33.33%	33.33%	Inactive
Greenroll Limited	Incorporated	Hong Kong	Ordinary	50%	50%	Hotel owner and operation of Conrad Hong Kong

Notes:

(a) All associates are unlisted.

(b) Bestown Property Limited is a wholly-owned subsidiary of Asian Glory Limited.

(c) The interests in FHR International Limited were acquired by the Group in November 2008 for a consideration of HK\$1.

Included in the cost of unlisted investments in associates is goodwill of HK\$186,513,404 (2019: HK\$186,513,404) arising on acquisition of an associate in prior years.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.



## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 16. Interests in associates (Continued)

#### Bestown Property Limited

	2020 HK\$	2019 HK\$
Current assets	<u>26,971,574</u>	<u>74,492,745</u>
Non-current assets	<u>1,592,642,756</u>	<u>1,611,343,376</u>
Current liabilities	<u>(573,929,330)</u>	<u>(574,652,599)</u>
Non-current liabilities	<u>(12,953,382)</u>	<u>(14,534,319)</u>

	2020 HK\$	2019 HK\$
Revenue	<u>161,154,015</u>	<u>434,795,767</u>
(Loss) profit and total comprehensive (expense) income for the year	<u>(63,917,585)</u>	<u>107,545,292</u>
Dividends received from the associate during the year	<u>–</u>	<u>–</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in Bestown Property Limited recognised in the consolidated financial statements:

	2020 HK\$	2019 HK\$
Net assets of Bestown Property Limited	<u>1,032,731,618</u>	<u>1,096,649,203</u>
Proportion of the Group's ownership interest in Bestown Property Limited	<u>25%</u>	<u>25%</u>
Carrying amount of the Group's interest in Bestown Property Limited	<u>258,182,905</u>	<u>274,162,301</u>

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 16. Interests in associates (Continued)

### Greenroll Limited

	2020 HK\$	2019 HK\$
Current assets	<u>211,579,000</u>	<u>320,188,000</u>
Non-current assets	<u>428,369,000</u>	<u>432,676,000</u>
Current liabilities	<u>(71,782,000)</u>	<u>(129,983,000)</u>
Non-current liabilities	<u>(21,769,000)</u>	<u>(32,071,000)</u>

	2020 HK\$	2019 HK\$
Revenue	<u>324,884,000</u>	<u>807,254,000</u>
(Loss) profit and total comprehensive (expense) income for the year	<u>(44,413,000)</u>	<u>208,818,000</u>
Dividends received from the associate during the year	<u>–</u>	<u>136,323,000</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in Greenroll Limited recognised in the consolidated financial statements:

	2020 HK\$	2019 HK\$
Net assets of Greenroll Limited	<u>546,397,000</u>	<u>590,810,000</u>
Proportion of the Group's ownership interest in Greenroll Limited	<u>50%</u>	<u>50%</u>
Net assets of Greenroll Limited attributable to the Group	<u>273,198,500</u>	<u>295,405,000</u>
Consolidation adjustments including goodwill at Group level	<u>582,232,556</u>	<u>595,752,789</u>
Carrying amount of the Group's interest in Greenroll Limited	<u>855,431,056</u>	<u>891,157,789</u>

## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 16. Interests in associates (Continued)

#### Aggregate information of associates that are not individually material:

	2020 HK\$	2019 HK\$
The Group's share of loss and total comprehensive expense for the year	(8,073)	(66,876)
Dividends received from associates during the year	–	–
Aggregate carrying amount of the Group's interests in these associates	634,942	643,015

### 17. Equity and debt instruments at FVTOCI

Equity instruments at FVTOCI comprise:

	2020 HK\$	2019 HK\$
Listed equity securities in Hong Kong	752,989,248	852,493,610
Listed perpetual bond in Hong Kong	165,804,044	166,620,038
	<b>918,793,292</b>	<b>1,019,113,648</b>
Debt instrument at FVTOCI comprise:		
Investment in listed bond, carried at fixed interest of 6.25% with maturity date on 28th November, 2021	3,120,452	–
	<b>921,913,744</b>	<b>1,019,113,648</b>

The above listed investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The listed equity securities were stated at fair values which have been determined by reference to closing prices quoted in the active markets.

In estimating the fair values of listed perpetual bond, the management of the Group assessed the valuation of financial instrument based on quoted market price provided by financial institution at the end of the reporting period.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 17. Equity and debt instruments at FVTOCI (Continued)

The Group's listed investments mainly include investment in 5.14% (2019: 5.12%) of equity securities of a company listed on the Main Board of The Stock Exchange of Hong Kong Limited which is principally engaged in the ownership and management of hotel, retail, commercial and residential properties in Asia and the United States of America, and held by the Group for strategic investment purpose.

During the year ended 30th June, 2020, scrip dividend with fair value of HK\$10,871,929 (2019: HK\$17,240,409) was received by the Group and such amount was included in equity instruments at FVTOCI.

Detail of impairment assessment of debt instrument at FVTOCI is set out in note 32.

## 18. Trade and other receivables

At 30th June, 2020, included in trade and other receivables of the Group are trade receivables of HK\$1,018,973 (2019: HK\$7,048,605). 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:

	2020 HK\$	2019 HK\$
Trade receivables		
0 – 30 days	913,553	6,340,715
31 – 60 days	94,130	549,292
61 – 90 days	400	106,223
> 90 days	10,890	52,375
	<b>1,018,973</b>	7,048,605
Other receivables	<b>17,802,878</b>	21,484,490
	<b>18,821,851</b>	28,533,095

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributable to customers are reviewed periodically. 90.3% (2019: 97.7%) of the trade receivables that are not past due and have good settlement repayment history. The Group has assessed the creditworthiness and historical default rates of these customers.

Included in the Group's trade receivables are debtors with a carrying amount of HK\$98,978 at 30th June, 2020 (2019: HK\$159,295) which are past due at the end of the reporting period. Out of the past due balances, HK\$10,890 (2019: nil) has been past due 90 days or more and is not considered in default because there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the year ended 30th June, 2020 are set out in note 32.

## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 19. Amounts due from associates

Amounts due from associates are unsecured, interest-free and repayable on demand.

### 20. Time deposits, bank balances and cash

Bank balances and time deposits carry interest rate at market rates ranging from 0.01% to 3.10% (2019: with interest rate at market rates ranging from 0.03% to 3.10%) per annum.

### 21. 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:

	2020 HK\$	2019 HK\$
Trade payables		
0 – 30 days	6,869,734	6,245,190
31 – 60 days	2,251,937	3,639,783
61 – 90 days	905,868	–
Over 90 days	722,945	–
	<hr/>	<hr/>
	10,750,484	9,884,973
Other payables	9,987,721	23,672,104
	<hr/>	<hr/>
	20,738,205	33,557,077
	<hr/>	<hr/>

The average credit period on purchases of goods is 45 days. The Group has financial risk management policies in place to ensure that all payables are repaid within the credit timeframe. The other payables comprise mainly accruals for audit fee, directors' fees and staff salaries of approximately HK\$1,877,000 (2019: HK\$10,768,000).

### 22. Contract liabilities

As at 30th June 2020, the Group has recognised the contract liabilities of HK\$2,569,745 (2019: HK\$3,824,497) related to hotel operation.

The contract liabilities of the Group are all expected to be settled within the Group's normal operating cycle and thus are classified as current liabilities.

The Group's contract liabilities consist of the advance from customers. It primarily represented prepayment received from guests and advances from banquet customers. The revenue is recognised when the underlying service are provided.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 22. Contract liabilities (Continued)

The following shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2020 HK\$	2019 HK\$
Revenue recognised that was included in the contract liabilities at the beginning of the year	<u>3,544,782</u>	<u>3,604,615</u>

## 23. Lease liabilities

	2020 HK\$
Lease liabilities payable:	
Within one year	329,930
Within a period of more than one year but not more than two years	<u>60,516</u>
Less: Amounts due for settlement within 12 months shown under current liabilities	<u>390,446</u> (329,930)
Amounts due for settlement after 12 months shown under non-current liabilities	<u>60,516</u>

## 24. 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 year	<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 the beginning of the year	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	18,697,231	16,585,685	18,697,231	16,585,685
Shares issued pursuant to scrip dividend schemes for interim dividend in respect of the year ended 30th June, 2020/2019	<u>4,158,677</u>	<u>14,039,679</u>	<u>4,158,677</u>	<u>14,039,679</u>
At the end of the year	<u>1,142,661,798</u>	<u>1,119,805,890</u>	<u>1,142,661,798</u>	<u>1,119,805,890</u>

## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 24. Share capital (Continued)

On 4th December, 2019 and 20th April, 2020, pursuant to scrip dividend schemes, the Company issued and allotted 18,697,231 shares and 4,158,677 shares of HK\$1.00 each at an issue price of HK\$2.914 and HK\$2.662 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2019 final and 2020 interim dividends in respect of each of year ended 30th June, 2019 and 2020, respectively. These shares rank pari passu in all respects with the then existing shares.

On 5th December, 2018 and 24th April, 2019, pursuant to scrip dividend schemes, the Company issued and allotted 16,585,685 shares and 14,039,679 shares of HK\$1.00 each at an issue price of HK\$3.194 and HK\$3.448 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2018 final and 2019 interim dividends in respect of each of year ended 30th June, 2018 and 2019, respectively. These shares rank pari passu in all respects with the then existing shares.

### 25. Amount due to an associate

The amount is unsecured, interest-free and repayable on demand.

### 26. Deferred taxation

The following are the major deferred taxation (asset) liability recognised and movements thereon during the current and prior reporting years:

	Tax losses HK\$	Accelerated tax depreciation HK\$	Total HK\$
At 1st July, 2018	–	3,422,348	3,422,348
Charged to profit or loss during the year (note 9)	–	210,104	210,104
At 30th June, 2019	–	3,632,452	3,632,452
(Credited) charged to profit or loss during the year (note 9)	(2,059,802)	2,059,802	–
<b>At 30th June, 2020</b>	<b>(2,059,802)</b>	<b>5,692,254</b>	<b>3,632,452</b>

At 30th June, 2020, the Group had unused tax losses of approximately HK\$73,900,000 (2019: HK\$17,950,000) available for offset against future profits. Tax losses of approximately HK\$12,484,000 (2019: nil) has been recognised a deferred taxation asset to offset the deferred taxation liability. No deferred tax asset has been recognised in respect of the remaining HK\$61,416,000 (2019: HK\$17,950,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 27. Operating lease arrangements

### The Group as lessor

Rental income earned during the year was HK\$733,884 (2019: HK\$695,000).

As at 30th June, 2020, minimum lease payments receivable on leases are as follows:

	2020 HK\$
Within one year	<u>425,600</u>

As at 30th June, 2019, the Group has contracted with tenants for the following future minimum lease payments:

	2019 HK\$
Within one year	729,600
In the second to fifth year inclusive	<u>425,600</u>
	<u>1,155,200</u>

### The Group as lessee

Minimum lease payments paid under operating leases for the year ended 30th June, 2019 was HK\$303,408.

As at 30th June, 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK\$
Within one year	242,861
In the second to fifth year inclusive	<u>187,548</u>
	<u>430,409</u>



## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 28. Commitments

	2020 HK\$	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	<u>3,702,631</u>	<u>49,459,876</u>

### 29. Related party disclosures

(a) During the year, the Group entered into the following transactions with related parties:

	Notes	2020 HK\$	2019 HK\$
Clubhouse management service income from a related company, being the building management company and agent for the unincorporated body of owners of Pacific Palisades	<i>(i)</i>	5,355,000	4,860,000
Hotel management fee income from an associate	<i>(ii) &amp; (iii)</i>	980,000	980,000
Hotel management fee income from a related company	<i>(ii) &amp; (iii)</i>	<u>950,000</u>	<u>950,000</u>

(b) At the end of the reporting period, the Group had outstanding balances with related parties relating to advances provided on a several and proportional basis. Details of the amounts due from (to) associates are set out in notes 19 and 25. In addition, included in trade and other payables (*note 21*) is an interest-bearing balance, carried interest at 2.47% per annum (*2019: 2.94% per annum*), amounting to HK\$1,549,585 (*2019: HK\$5,221,836*), which represents balance with a related company, in which Mr. Philip Ng Chee Tat, a brother of Mr. Robert Ng Chee Siong, the controlling shareholder of the Company, has a controlling interest <sup>(*Note iii*)</sup>.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 29. Related party disclosures (Continued)

- (c) The remuneration of Directors, being key management during the year was as follows:

	2020 HK\$	2019 HK\$
Short-term benefits	1,159,000	1,153,180
Retirement benefit scheme contributions	–	–
	<u>1,159,000</u>	<u>1,153,180</u>

The remuneration of Directors, being key management, is determined by the remuneration committee having regard to the performance of individuals and market trends.

- (d) During the year, a consultancy fee of HK\$416,666 (2019: HK\$416,666) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli, a Non-Executive Director of the Company, is the sole proprietor <sup>(Note iii)</sup>.

*Notes:*

- (i) *The related company is a wholly-owned subsidiary of Sino Land Company Limited, of which, Mr. Robert Ng Chee Siong, the controlling shareholder of the Company, has a controlling interest. The controlling shareholder of the Company is interested in approximately 60% of the undivided shares of Pacific Palisades. These related party transactions also constitute continuing connected transactions and have complied with Chapter 14A of the Listing Rules – details of which are disclosed on pages 48 to 50 of the Directors' Report.*
- (ii) *Mr. Robert Ng Chee Siong was interested in these transactions as he has a controlling interest in the associate/related company.*
- (iii) *These related parties transactions also constitute exempted connected transactions under Chapter 14A of the Listing Rules.*

## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 30. Particulars of principal subsidiaries

The following table lists the subsidiaries of the Company at 30th June, 2020 and 30th June, 2019 which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name of company	Place of incorporation/operation	Class of shares held/issued capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
<i>Direct subsidiary</i>				
Active Finance Limited	Hong Kong	Ordinary HK\$2	100%	Provision of financial services among the Group
Aldrich Worldwide Holdings Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Allied Joy Limited	Hong Kong	Ordinary HK\$2	100%	Provision of nominee services
Asian Statesman Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Halliwell Ltd.	Cayman Islands	Ordinary US\$1	100%	Investment holding
Island Pacific Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Ocean Chief Limited	British Virgin Islands	Ordinary US\$1	100%	Share investment
Sheridan Holdings Ltd.	Cayman Islands	Ordinary US\$1	100%	Investment holding
Sino Fortune Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Sino March Assets Ltd.	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Toby Investments Limited	Cayman Islands	Ordinary US\$1	100%	Investment holding
<i>Indirect subsidiary</i>				
Bosco Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Bright Tower (HK) Limited	Hong Kong	Ordinary HK\$2	100%	Club and café operations
China Asia Property Limited	Hong Kong	Ordinary HK\$2	100%	Hotel owner and operation
City Garden Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
R.P. Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Sino Hospitality Management Company Limited	Hong Kong	Ordinary HK\$1	100%	Hotel management
Speed Advance Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Share investment
Victory Link Development Limited	Hong Kong	Ordinary HK\$1	100%	Share and bond investment
Wellrich International Ltd.	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Share investment

None of the subsidiaries had issued any debt securities at 30th June, 2020 and 2019.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 31. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, which include lease liabilities, amount due to a related company, amount due to an associate and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The management of the Group reviews the capital structure periodically. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new shares issues and share buy-backs as well as the issue of new debt.

There are no changes on the Group's approach to capital risk management during the year.

## 32. Financial instruments

### Categories of financial instruments

	2020 HK\$	2019 HK\$
<b>Financial assets</b>		
Financial assets at amortised cost	1,063,990,382	1,327,190,277
Equity and debt instruments at FVTOCI	<u>921,913,744</u>	<u>1,019,113,648</u>
<b>Financial liabilities</b>		
Amortised cost	<u>20,796,759</u>	<u>21,319,645</u>

### Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, equity and debt instruments at FVTOCI, amounts due from associates, time deposits, bank balances and cash, trade and other payables, amount due to an associate and lease liabilities.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 32. Financial instruments (Continued)

### Financial risk management objectives and policies (Continued)

#### Market risk

The Group's activities expose primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other equity price. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks. Details of each type of market risks are described as follows:

#### Currency risk

The Group's time deposits at the end of the reporting period had foreign currency exposures. The time deposits mainly dominated in United States Dollars ("US\$"), Great British Pound and Australian Dollars.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets	
	2020 HK\$	2019 HK\$
Australian Dollars	89,347,221	89,707,891
Great British Pound	24,487,280	24,791,560
US\$	51,340,420	34,604,491

#### Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HK\$ against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2019: increase in profit) where HK\$ weaken 5% against the relevant currencies. For a 5% strengthening of HK\$ against the relevant currencies, there would be an equal and opposite impact on the post-tax results, and the amounts below would be negative.

	Post-tax results	
	2020 HK\$	2019 HK\$
Australian Dollars	4,467,361	4,485,395
Great British Pound	1,224,364	1,239,578

The Directors of the Company consider that the Group is exposed to minimal currency risk as HK\$ are pegged with the US\$. Sensitivity on foreign currency risk is therefore not presented. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 32. Financial instruments (Continued)

### Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### Interest rate risk

Bank balances at floating rates expose the Group to cash flow interest rate risk. Debt instrument at FVTOCI, lease liabilities and other payables at fixed rate exposes the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk was mainly concentrated on the fluctuation of market rate arising from the bank balances. Bank balances are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the result of the Group.

##### Interest rate sensitivity analysis

Interest rate risk for the Group's bank balances at variable rate is not significant for both years and no sensitivity analysis is presented.

##### Price risk

The Group is exposed to equity price risk through its equity instruments at FVTOCI. The Group's equity price risk is mainly concentrated on equity instruments of one listed company operating in hotel industry sector listed on The Stock Exchange of Hong Kong Limited. In addition, the management monitors the price risk.

##### Price risk sensitivity analysis

The following tables show the sensitivity to equity price risk on the equity instruments at FVTOCI at the end of the reporting period while all other variables were held constant. Sensitivity rate of 5% represents management's assessment of the reasonably possible change in equity price.

	2020 HK\$	2019 HK\$
Decrease (increase) in other comprehensive expense		
– as a result of increase in equity price	45,939,665	50,955,682
– as a result of decrease in equity price	<u>(45,939,665)</u>	<u>(50,955,682)</u>

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 32. Financial instruments (Continued)

### Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment

As at 30th June, 2020, the Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to trade and other receivables, debt instrument at FVTOCI, amounts due from associates, time deposits and bank balances as stated in the consolidated statement of financial position.

#### Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables based on provision matrix. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

#### Other receivables

With respect to credit risk arising from other receivables, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment and/or in good financial condition and the Group assessed the ECL for other receivables were insignificant and thus no loss allowance was recognised.

#### Debt instrument at FVTOCI

The Group only invests in debt security with low credit risk. The Group's debt instrument at FVTOCI comprises a listed bond. During the year ended 30th June 2020, ECL on debt instrument at FVTOCI was assessed to be negligible.

#### Other financial assets

With respect to credit risk arising from amounts due from associates, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty engages in hotel operation in Hong Kong and the underlying properties are of high quality. Accordingly, the Group does not expect to incur a significant loss for amounts due from associates.

The credit risks on time deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 32. Financial instruments (Continued)

### Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtors is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off



# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 32. Financial instruments (Continued)

### Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment.

	Notes	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount	
					2020 HK\$	2019 HK\$
<b>Debt instrument at FVTOCI</b>						
Investment in listed bond	17	N/A	Low risk	12m ECL	3,120,452	–
<b>Financial assets at amortised cost</b>						
Trade receivables	18	N/A	(Note 1)	Life time ECL (not credit-impaired)	1,018,973	7,048,605
Interest receivables (included in other receivables)	18	A-AA-	N/A	12m ECL (not credit-impaired)	8,777,912	15,172,182
Other receivables	18	N/A	Low risk	12m ECL (not credit-impaired)	716,314	942,413
Amounts due from associates	19	N/A	Low risk	12m ECL (not credit-impaired)	86,658,156	100,156,755
Time deposits and bank balances	20	A-AA-	N/A	12m ECL (not credit-impaired)	966,819,027	1,203,870,322

Note:

- For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The management of the Group determines the ECL on these items by using a provision matrix and consider that the ECL provision on trade receivables is not significant.

Other than the above concentration of credit risk on amounts due from associates, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of the associates which are mainly engaged in hotel operation in Hong Kong and they are profitable. Trade receivables consist of a large number of customers.

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 32. Financial instruments (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount takes into account interest expense based on the interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$	3 months to 1 year HK\$	1 year to 2 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<b>2020</b>						
Trade and other payables	N/A	11,569,537	2,736,712	–	14,306,249	14,306,249
Trade and other payables (note 29(b))	2.47	1,559,223	–	–	1,559,223	1,549,585
Amount due to an associate	N/A	4,940,925	–	–	4,940,925	4,940,925
Lease liabilities	3.20	85,659	256,977	62,466	405,102	390,446
		<u>18,155,344</u>	<u>2,993,689</u>	<u>62,466</u>	<u>21,211,499</u>	<u>21,187,205</u>

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$	3 months to 1 year HK\$	1 year to 2 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<b>2019</b>						
Trade and other payables	N/A	12,788,647	1,112,900	–	13,901,547	13,901,547
Trade and other payables (note 29(b))	2.94	5,260,505	–	–	5,260,505	5,221,836
Amount due to an associate	N/A	2,196,262	–	–	2,196,262	2,196,262
		<u>20,245,414</u>	<u>1,112,900</u>	<u>–</u>	<u>21,358,314</u>	<u>21,319,645</u>

## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 32. Financial instruments (Continued)

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

Some of 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.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30.6.2020 HK\$	30.6.2019 HK\$		
Listed equity securities	752,989,248	852,493,610	Level 1	Quoted price from direct market comparable
Listed perpetual bond	165,804,044	166,620,038	Level 2	Quoted market price provided by financial institutions
Listed debt security	3,120,452	–	Level 2	Quoted market price provided by financial institutions

There were no transfers between Level 1, 2 and 3 in the current and prior years.

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.

### 33. Retirement benefit scheme

The Group participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees which is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total expenses recognised in profit or loss of HK\$3,931,011 (2019: HK\$4,309,491) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 34. Financial information of the Company

	2020 HK\$	2019 HK\$
Non-current assets		
Interests in subsidiaries	1,598,997,394	1,513,948,338
Investments in associates	1,219,475	1,219,475
Amounts due from subsidiaries	365,023,903	387,810,187
	<u>1,965,240,772</u>	<u>1,902,978,000</u>
Current assets		
Other receivables and prepayments	236,123	281,924
Amounts due from subsidiaries	1,122,176,389	1,174,890,438
Amounts due from associates	85,959,595	99,470,959
Bank balances and cash	152,047	149,750
	<u>1,208,524,154</u>	<u>1,274,793,071</u>
Current liabilities		
Amount due to subsidiaries	3,506,456	3,496,712
Other payables and accruals	2,077,791	1,987,980
	<u>5,584,247</u>	<u>5,484,692</u>
Net current assets	<u>1,202,939,907</u>	<u>1,269,308,379</u>
Total assets less current liabilities	<u>3,168,180,679</u>	<u>3,172,286,379</u>
Capital and reserves		
Share capital	1,142,661,798	1,119,805,890
Reserves (Note a)	2,025,518,881	2,052,480,489
	<u>3,168,180,679</u>	<u>3,172,286,379</u>

# Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

## 34. Financial information of the Company (Continued)

Note:

(a) Reserves of the Company

	<b>Share premium</b> HK\$ (Note)	<b>Distributable reserve</b> HK\$ (Note)	<b>Retained profits</b> HK\$	<b>Total</b> HK\$
At 1st July, 2018	564,438,607	1,014,875,500	508,079,807	2,087,393,914
Loss for the year	–	–	(1,181,880)	(1,181,880)
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2018	36,388,993	–	–	36,388,993
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2019	34,369,120	–	–	34,369,120
Share issue expenses	(271,153)	–	–	(271,153)
Dividends	–	(104,218,505)	–	(104,218,505)
<b>At 30th June, 2019</b>	<b>634,925,567</b>	<b>910,656,995</b>	<b>506,897,927</b>	<b>2,052,480,489</b>
Loss for the year	–	–	(1,924,342)	(1,924,342)
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2019	35,786,500	–	–	35,786,500
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2020	6,911,721	–	–	6,911,721
Share issue expenses	(360,161)	–	–	(360,161)
Dividends	–	(67,375,326)	–	(67,375,326)
<b>At 30th June, 2020</b>	<b>677,263,627</b>	<b>843,281,669</b>	<b>504,973,585</b>	<b>2,025,518,881</b>

Note: Under the Companies Law (2020 Revision) of the Cayman Islands and the provisions of the Company's Articles of Association, the share premium of the Company is available for distribution or paying dividends to the shareholders provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

The distributable reserve of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company, which was transferred from the share premium account pursuant to a group reorganisation in 1995. Under the Companies Law (2020 Revision) of the Cayman Islands, the distributable reserve is available for distribution to shareholders.

## Notes to the consolidated financial statements (Continued)

For the year ended 30th June, 2020

### 35. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK\$	Dividend payables HK\$	Amount due to a related company (note 29(b)) HK\$	Amount due to an associate HK\$	Total HK\$
At 1st July, 2018	–	–	3,719,728	2,065,765	5,785,493
Operating cash flows	–	–	1,502,108	–	1,502,108
Financing cash flows	–	(2,835,028)	(129,743)	130,497	(2,834,274)
Dividend declared	–	104,218,505	–	–	104,218,505
Finance costs	–	–	129,743	–	129,743
Scrip dividend	–	(101,383,477)	–	–	(101,383,477)
At 30th June, 2019	–	–	5,221,836	2,196,262	7,418,098
Adjustment upon application of HKFRS16	411,428	–	–	–	411,428
At 1st July, 2019 (restated)	411,428	–	5,221,836	2,196,262	7,829,526
New lease entered	295,898	–	–	–	295,898
Financing cash flows	(335,483)	(1,821,197)	(3,796,746)	2,744,663	(3,208,763)
Dividend declared	–	67,375,326	–	–	67,375,326
Finance costs	18,603	–	124,495	–	143,098
Scrip dividend	–	(65,554,129)	–	–	(65,554,129)
<b>At 30th June, 2020</b>	<b>390,446</b>	<b>–</b>	<b>1,549,585</b>	<b>4,940,925</b>	<b>6,880,956</b>



 **SINO HOTELS (HOLDINGS) LIMITED**

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