Sino Hotels (Holdings) Limited

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

(Stock Code: 1221)

CHAIRMAN'S STATEMENT

I am pleased to present the 2011/2012 Annual Report to shareholders.

FINAL RESULTS

The Group achieved net profit attributable to shareholders of HK$235.0 million for the year ended 30th June, 2012, representing an increase of 28.2% from HK$183.3 million in the last financial year. Earnings per share for the financial year 2011/2012 was 25.71 cents, an increase of 24.7% when compared with 20.61 cents in the last financial year.

The turnover of the Group for the year ended 30th June, 2012 was HK$339.4 million, representing an increase of 19.4% compared with HK$284.3 million in the last financial year.

DIVIDENDS

The Directors have resolved to recommend a final dividend of 4 cents per share in respect of the year ended 30th June, 2012 to shareholders whose names appear on the Register of Members of the Company on 7th November, 2012. Together with the interim dividend of 4 cents per share, the total dividend for financial year 2011/2012 is 8 cents per share.

The Directors propose that shareholders be given the option of electing to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the Annual General Meeting to be held on 31st October, 2012; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to shareholders together with the form of election for the scrip dividend on or about 13th November, 2012. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 11th December, 2012.

REVIEW OF OPERATIONS

Visitor arrivals in Hong Kong reached 41.9 million in 2011, representing a 16.4% increase from 36.0 million in 2010. Of the total visitor arrivals, visitors from China continued to be the major contributor along with growth in other markets, namely the United States, South Korea, Singapore and Russia. Both short-haul and long-haul markets performed favourably and the number of overnight arrivals also increased. Similar to other advanced countries and regions, tourism in Hong Kong has shown resilience despite difficult economic conditions mainly due to financial issues in the Euro zone and the uncertain global economy. Benefiting from the continuous growth of tourism in Hong Kong, the Group's three hotels had favourable financial results for the financial year 2011/2012.

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 financial year ended 30th June, 2012 was 96.3% compared with 95.3% for the last financial year and the average room rate also increased 19.2%. Room sales for the financial year increased 20.7% to HK$235.4 million from HK$195.0 million for the last financial year. Food and beverage sales for the financial year were up 19.6% to HK$72.0 million from HK$60.2 million for the last financial year.

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 financial year 2011/2012 was 76.5% compared with 76.2% for the last financial year and the average room rate also increased 5.0%. Room sales were HK$413.9 million which was 6.0% higher than HK$390.5 million for the last financial year, while income from food and beverage sales for the financial year was HK$318.4 million, representing an increase of 5.0% from HK$303.3 million for the last financial year.

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.

The average occupancy rate of The Royal Pacific Hotel & Towers for the financial year 2011/2012 was 92.0% (2010/2011 : 92.4%) and the average room rate increased 17.6%. Room sales totalled HK$327.4 million, representing an increase of 17.4% when compared with HK$278.9 million for the last financial year. Revenue from food and beverage sales for the financial year was HK$94.9 million, an increase of 2.0% from HK$93.0 million for the last financial year.

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, 2011.

Finance

As at 30th June, 2012, the Group's gearing was 0.5%, expressed as a percentage of bank and other borrowings net of cash and bank balances over shareholders' equity. Of the total borrowings, 98.1% was repayable within one year and the remaining repayable after one year. The Group, including the attributable shares of its associates, held cash resources of approximately HK$178.0 million, comprising cash on hand of approximately HK$169.0 million together with committed undrawn facilities of approximately HK$9.0 million.

There was no material change in the capital structure of the Group for the financial year ended 30th June, 2012. Foreign exchange exposure is kept at a minimal level. The majority of the Group's borrowings are subject to floating interest rates. As at 30th June, 2012, the Group did not have any foreign currency borrowings and 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, 2011.

EMPLOYEE PROGRAMMES

The Group places great emphasis on customer service. To accomplish the objective of providing good and caring customer service to our discerning hotel guests, the quality of staff is of paramount importance. To build a team of high quality staff, the recruitment process has been continuously improved so that the right candidates can be selected. The Group's Management Trainee Programme provides a platform where trainees under the programme can be taught specific skill sets and they will also be groomed to be future leaders. The Group also actively monitors and reviews the employment packages in order to be the preferred employer brand of choice. The Group places emphasis on building a dedicated and motivated workforce to ensure that the workforce provides high quality of service to adequately handle the challenges ahead.

CORPORATE SOCIAL RESPONSIBILITY

As a committed corporate citizen, the Group has been participating in a wide range of community programmes, voluntary services, charitable fund-raising activities and green initiatives to promote environmental protection. During the year under review, a series of events were organised. These events included the 'Hearty Soup Delivery Service' in which soup was made and delivered to elderly people and low-income groups and 'Food Donation Programme' where cooked food were given to the families in need. The Group encourages its staff at all levels to participate in this voluntary service. During the year under review, the Group's staff have devoted over 5,100 hours of volunteer service to our community.

The Group reaffirms its commitment to uphold high standards of environmental protection. Various initiatives such as use of eco-friendly equipment to reduce carbon emission and better utilisation of resources have been employed; energy conservation measures to promote green living have been implemented; and environmental audits to ensure good checks and balances have been carried out. Further, a Green Education Programme has been set up where its community partners can use the organic farm managed by the Group for education purposes. In view of the global concerns in protecting ocean biodiversity, the Group has removed all food with shark fin from the restaurants' menus as well as for banqueting services. The Group will continue to roll out initiatives and activities in relation to the above-mentioned areas to promote healthy living and caring society.

This year witnessed the opening of the Tai O Heritage Hotel in Hong Kong, a nine colonial-style room boutique hotel that was converted from the Old Tai O Police Station which has over 100 years of history. This revitalization project was undertaken by a non-profit organisation named Hong Kong Heritage Conservation Foundation ("HCF") established by the Ng family, the ultimate major shareholder of the Group, in March 2008. The hotel is managed by HCF and running as a non-profit social enterprise, Tai O Heritage Hotel commits to engage the public in bolstering Tai O's economy, to achieve synergy with other local facilities and to promote heritage conservation, tourism and green living.

INDUSTRY OUTLOOK AND PROSPECTS

Projected visitor arrivals in Hong Kong for calendar year 2012 are estimated to be 44.2 million, a growth of 5.5% from the level in 2011. Despite the softening of the global economic environment in 2011 and throughout the first half of calendar year 2012, the growth trend in tourism is expected to continue.

Tourism industry can increase employment and impel economic growth but it needs to be supported by government policies and improved infrastructure developments such as investments in facilities for business conventions; conservation of heritage buildings and sites; development of offerings including attractions and theme parks; and establishing regulatory framework to uphold professionalism and best practices in business operations. Promotion of thematic travel itineraries and regular worldwide marketing conducted by HKSAR Government organisations are also conducive to bringing more visitors to Hong Kong and thereby increase the demand for hotel accommodation.

On the infrastructure side, the cruise terminal at Kai Tak, which is expected to be in operation in 2013, will further expand Hong Kong's positioning in the cruise business as well as facilitate multi-destination travels. The expansion of Ocean Park and Hong Kong Disneyland will significantly enhance the attractiveness of the two theme parks. The future Guangzhou-Shenzhen section of the Express Rail Link will make travelling from China to Hong Kong or vice versa even more convenient. This will help to reinforce Hong Kong's status as an international transport hub.

To maintain Hong Kong's status as Events Capital of Asia, a number of interesting events have recently been organised by various organisations. In July this year, the Hong Kong Dragon Boat Carnival staged at Victoria Harbour along the Tsim Sha Tsui East Promenade was a success. HKSAR Government's exertion in introducing cultural and recreational events during Chinese festive celebrations such as Tuen Ng and Chinese New Year for promoting tourism has enhanced the attractiveness of the city.

In respect of the effort to improve service quality, a new independent statutory body tentatively named Travel Industry Authority will be established. This organisation's objectives are to review and improve the regulatory framework, oversee the service quality and raise the standards of practices of market practitioners in the tourism industry. It will shape a better business operating environment in the industry and improve the image of Hong Kong as a world-class city. The growing number of tourist attractions and offerings as well as the expansion of MICE in Hong Kong will continue to make Hong Kong a popular destination among visitors.

Market positioning and branding are important to the Group. To accomplish these objectives, regular upgrade of hotel facilities and renovation is carried out where necessary. During the financial year 2011/2012, all three hotels carried out renovations and/or upgrade of their facilities. The Group will continuously review and improve the quality of our service to meet the needs of customers to ensure our discerning guests have enjoyable stays in our hotels.

STAFF AND MANAGEMENT

Mr. Thomas Tang Wing Yung, who served the Board since 30th August, 2004, resigned effective 26th March, 2012. His contribution during his directorship with the Company is appreciated.

On behalf of the Board, I would like to 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, 29th August, 2012

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FINAL RESULTS

The audited results of the Group for the year ended 30th June, 2012 are as follows:

Consolidated Income Statement

	Notes	**2012 HK$**	2011 HK$
Revenue	*2*	**339,408,816**	284,365,633
Cost of sales		**(97,361,151)**	(86,255,975)
Gross profit		**242,047,665**	198,109,658
Other operating expenses		**(85,759,412)**	(83,435,120)
Marketing costs		**(13,572,301)**	(12,100,125)
Administrative expenses		**(25,530,018)**	(21,151,792)
Finance income		**1,170,391**	1,332,771
Finance costs		**(2,300,480)**	(5,594,570)
Finance costs net of finance income		**(1,130,089)**	(4,261,799)
Share of results of associates		**141,632,652**	122,679,146
Profit before taxation	*3*	**257,688,497**	199,839,968
Income tax expense	*4*	**(22,675,844)**	(16,528,973)
Profit for the year attributable to the Company's shareholders		**235,012,653**	183,310,995
Interim dividend at HK4.0 cents *(2011: HK3.0 cents)* per share		**36,713,983**	26,783,425
Proposed final dividend at HK4.0 cents *(2011: HK4.0 cents)* per share		**37,253,654**	36,132,285
Earnings per share - basic	*5*	**25.71 cents**	20.61 cents

Consolidated Statement of Comprehensive Income
For the year ended 30th June, 2012

	2012	2011
	HK$	HK$
Profit for the year	**235,012,653**	183,310,995
Other comprehensive (expense) income		
(Loss) gain on fair value changes on available-for-sale financial assets	**(147,306,995)**	3,072,184
Other comprehensive (expense) income for the year	**(147,306,995)**	3,072,184
Total comprehensive income for the year attributable to the Company's shareholders	**87,705,658**	186,383,179

Consolidated Statement of Financial Position
At 30th June, 2012

	Notes	**2012** **HK$**	2011 HK$
Non-current assets			
Property, plant and equipment		**1,469,099,427**	1,502,897,491
Interests in associates		**1,191,634,357**	1,481,691,205
Available-for-sale financial assets		**568,929,883**	710,769,436
Advance to an associate		**104,133,110**	-
Pledged fixed deposit		**-**	1,559,678
		3,333,796,777	3,696,917,810
Current assets			
Hotel inventories		**756,365**	788,905
Trade and other receivables	*6*	**13,211,569**	8,021,037
Amounts due from associates		**113,148,176**	240,322,746
Tax recoverable		**69,937**	-
Bank balances and cash		**24,553,220**	27,001,555
		151,739,267	276,134,243
Current liabilities			
Trade and other payables	*7*	**19,416,453**	25,437,841
Amount due to an associate		**2,688,893**	-
Tax payable		**28,852,718**	16,945,436
Bank loans and other borrowings		**40,737,486**	42,713,423
		91,695,550	85,096,700
Net current assets		**60,043,717**	191,037,543
Total assets less current liabilities		**3,393,840,494**	3,887,955,353
Capital and reserves			
Share capital		**931,341,355**	903,307,135
Reserves		**2,454,628,708**	2,397,263,969
Equity attributable to the Company’s shareholders		**3,385,970,063**	3,300,571,104
Non-current liabilities			
Bank loans and other borrowings		**779,653**	143,143,322
Amount due to an associate		**-**	437,460,962
Deferred taxation		**7,090,778**	6,779,965
		7,870,431	587,384,249
		3,393,840,494	3,887,955,353

Notes:

1. Basis of preparation

In the current year, the Company and its subsidiaries (collectively referred to as "Group") have applied the following revised Standard and Amendments ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendment to HKFRS 7	Disclosures – Transfers of Financial Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) - Int 14	Prepayments of a Minimum Funding Requirement

The application of these new and revised HKFRSs has had no material impact on the consolidated financial statements of the Group for the current or prior accounting periods.

2. Segment information

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

	Segment revenue		**Segment results**	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
Hotel operation - City Garden Hotel	**311,041,923**	258,734,193	**155,789,618**	122,265,790
Investment holding	**7,654,440**	6,515,104	**7,654,440**	6,515,064
Hotel operation - share of results of associates	**-**	-	**274,582,836**	253,673,521
Others - club operation and hotel management	**20,712,453**	19,116,336	**2,835,392**	3,449,649
	339,408,816	284,365,633		
Total segment results			**440,862,286**	385,904,024
Administrative and other operating expenses			**(49,093,516)**	(50,807,882)
Finance costs net of finance income			**(1,130,089)**	(4,261,799)
Share of results of associates				
- administrative and other operating expenses			**(102,909,084)**	(103,953,712)
- finance costs net of finance income			**(1,091,452)**	(927,010)
- income tax expense			**(28,949,648)**	(26,113,653)
			(132,950,184)	(130,994,375)
Profit before taxation			**257,688,497**	199,839,968

2. Segment information - continued

All of the segment revenue reported above are from external customers. There was no inter-segment revenue for the year *(2011: nil)*.

Segment results represent the profit earned by each segment without allocation of certain administrative and other operating expenses 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' administrative and other operating expenses, finance costs net of finance income and income tax expense of the associates. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment. Information regarding segment results in prior year has been restated to conform with the change in the presentation of segment information for the current year.

Geographical information

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

3. Profit before taxation

	2012 HK$	2011 HK$
Profit before taxation has been arrived at after charging (crediting):		
Cost of hotel inventories consumed (included in cost of sales)	**24,725,441**	20,240,492
Depreciation and amortisation of property, plant and equipment (included in other operating expenses)	**40,741,334**	41,029,421
Loss (gain) on disposal of property, plant and equipment	**5,257**	(1,536)

4. Income tax expense

	2012 HK$	2011 HK$
Income tax expense comprises:		
Hong Kong Profits Tax calculated at 16.5% *(2011: 16.5%)* on the estimated assessable profit		
Current year	**22,365,031**	15,920,459
Overprovision in prior years	**-**	(2,678)
	22,365,031	15,917,781
Deferred tax		
Current year	**310,813**	611,192
	22,675,844	16,528,973

5. Earnings per share - basic

The calculation of the basic earnings per share is based on the profit for the year of HK$235,012,653 *(2011: HK$183,310,995)* and on the weighted average number of 913,959,160 *(2011: 889,486,199)* shares in issue during the year.

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

6. Trade and other receivables

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

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

	2012	2011
	HK$	HK$
Trade receivables		
0-30 days	**7,056,979**	4,901,605
31-60 days	**921,132**	659,398
61-90 days	**24,142**	143,387
	8,002,253	5,704,390
Other receivables	**5,209,316**	2,316,647
	13,211,569	8,021,037

7. Trade and other payables

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

	2012	2011
	HK$	HK$
Trade payables		
0-30 days	**7,434,956**	11,077,509
31-60 days	**218,207**	433,418
61-90 days	**60,590**	370,435
> 90 days	**12,142**	710,979
	7,725,895	12,592,341
Renovation cost payable	**149,023**	270,414
Other payables	**11,541,535**	12,575,086
	19,416,453	25,437,841

8. Pledge of assets

(a) The Group has pledged its leasehold land and hotel buildings with the aggregate carrying amount of HK$1,421,988,986 *(2011: HK$1,449,987,386)* and pledged by way of floating charges over other assets of HK$75,343,182 *(2011: HK$80,861,160)* to banks to secure loan facilities granted to the Group.

(b) At 30th June, 2011, the Group pledged its time deposit of HK$1,559,678 to secure a letter of guarantee issuance facility and the pledge was released during the year.

(c) The investments in certain subsidiaries of the Company have been pledged to banks to secure the loan facilities granted to the Group.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Wednesday, 31st October, 2012, the register of members of the Company will be closed from Monday, 29th October, 2012 to Wednesday, 31st October, 2012, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company’s Principal Registrars, Tricor Friendly Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 26th October, 2012.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is at the close of business on Wednesday, 7th November, 2012. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 6th November, 2012 to Wednesday, 7th November, 2012, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company’s Principal Registrars, Tricor Friendly Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 5th November, 2012.

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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted its own Corporate Governance Code and has complied with all code provisions as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (the “Code”) (and the new code provisions since 1st April, 2012 when the amendments to the Code became effective), except that there was no separation of the roles of the chairman and the chief executive officer, both of the roles are currently undertaken by the Chairman of the Board.

The Board is of the view that the current management structure has been effective in facilitating the Company’s operation and business development and that necessary checks and balances consistent with sound corporate governance practices are in place. The implementation of strategies and policies of the Board and the operations of each business unit are overseen and monitored by designated responsible Executive Directors. The Board has found that the current arrangement has worked effectively in enabling it to discharge its responsibilities satisfactorily. In addition, the four Independent Non-Executive Directors have contributed valuable views and proposals for the Board’s deliberation and decisions. The Board will review the management structure regularly to ensure it continues to meet these objectives and is in line with the industry practices.

REVIEW OF AUDITED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Group for the year ended 30th June, 2012 have been reviewed by the audit committee of the Company.

2012 ANNUAL REPORT

The 2012 annual report containing all the information required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited and the Company’s website www.sino.com while printed copies will be sent to shareholders on or about Wednesday, 26th September, 2012.

By Order of the Board
Velencia LEE
Company Secretary

Hong Kong, 29th August, 2012

As at the date hereof, the Executive Directors of the Company are Mr. Robert Ng Chee Siong, Mr. Daryl Ng Win Kong and Mr. Nicholas Yim Kwok Ming, the Non-Executive Directors are The Honourable Ronald Joseph Arculli and Mr. Gilbert Lui Wing Kwong and the Independent Non-Executive Directors are Mr. Peter Wong Man Kong, Mr. Adrian David Li Man-kiu, Mr. Steven Ong Kay Eng and Mr. Wong Cho Bau.