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 2012/2013 Annual Report to shareholders.

## FINAL RESULTS

The Group achieved net profit attributable to shareholders of HK$240.8 million for the financial year ended 30th June, 2013, representing an increase of 2.5% from HK$235.0 million in the last financial year. Earnings per share for the financial year 2012/2013 was 25.68 cents (2011/2012: 25.71 cents).

## DIVIDENDS

The Directors have resolved to recommend a final dividend of 4 cents per share in respect of the year ended 30th June, 2013 to shareholders whose names appear on the Register of Members of the Company on 30th October, 2013. Together with the interim dividend of 4 cents per share, the total dividend for financial year 2012/2013 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 23rd October, 2013; 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 5th November, 2013. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 3rd December, 2013.

# REVIEW OF OPERATIONS

Visitor arrivals to Hong Kong in 2012 increased by 16.0% to 48.6 million (2011: 41.9 million), according to the Hong Kong Tourism Board ("HKTB") and Tourism Commission and such inbound tourism generated a total of HK$296.6 billion tourism expenditure, representing an increase of 14.6% compared with 2011. For the first six months of 2013, visitor arrivals increased by 13.6% to 25.3 million. Visitors from China accounted for the largest share of the market while visitors from Taiwan and the United States were second and third largest in market share respectively. According to the United Nation World Tourism Organisation ("UNWTO"), Hong Kong ranked ninth in the top ten ranking by international tourism receipts last year. Despite the growth of visitor arrivals to Hong Kong, supply of hotel rooms in Hong Kong also increased and market remains competitive. The Group will continue to adopt a proactive approach to optimise earnings amid a challenging market environment.

## 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, 2013 was 94.3% compared with 96.3% for the last financial year and the average room rate also decreased 4.3%. Room sales for the financial year decreased 6.6% to HK$219.9 million from HK$235.4 million for the last financial year. Food and beverage sales for the financial year were up 10.8% to HK$79.8 million from HK$72.0 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 2012/2013 was 80.0% compared with 76.5% for the last financial year and the average room rate was maintained at similar level compared with that of last financial year. Room sales were HK$431.6 million which was 4.3% higher than HK$413.9 million for the last financial year, while income from food and beverage sales for the financial year was HK$316.2 million, representing a decrease of 0.7% from HK$318.4 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 2012/2013 was 96.8% (2011/2012 : 92.0%) and the average room rate increased 1.0%. Room sales totalled HK$346.8 million, representing an increase of 5.9% when compared with HK$327.4 million for the last financial year. Revenue from food and beverage sales for the financial year was HK$99.4 million, an increase of 4.7% from HK$94.9 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, 2012.

## Finance

As at 30th June, 2013, the Group had cash and bank deposits of HK$188.7 million and had no debt outstanding.

There was no material change in the capital structure of the Group for the financial year 2012/2013. Foreign exchange exposure is kept at a minimal level. As at 30th June, 2013, 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, 2012.

## EMPLOYEE PROGRAMMES

As an employer of choice within the hospitality industry in the Hong Kong & Asia Pacific region, the Group offers its employees competitive compensation and benefits packages, in order to motivate, retain and reward talented individuals. The Group recognises the value of human capital and strives to provide high quality service to its customers. To build a team of high quality staff and to maintain corporate culture, the recruitment process is complemented by the Management Trainee Programme, where trainees under the Programme can be trained specific skill sets and groomed to be future leaders. The highly competitive global business environment provides good opportunities for the employees to play key roles in expanding and developing the Group's business, while meeting the needs of stakeholders, namely our customers and investors.

# CORPORATE SOCIAL RESPONSIBILITY

The Group continues to embrace Corporate Social Responsibility within its business operations and honours its commitments to promoting environmental management and community engagement with our highly valued stakeholders.

**Environmental Management**

The Group affirms its commitment to maintaining high standards of environment protection and strives to mitigate the environmental impact of our operations through various green initiatives. To this end, a Green Audit Committee has been established and the prime objective of the Committee is to review and propose ways to improve operational practices so as to minimise wastage and recycle unused hotel amenities for environment protection.

The Group also collaborates with the government entities, professional organisations and industry partners to work together to protect our environment. For example, the Group supported the Food Wise Hong Kong Campaign, which is led by the HKSAR Government, by preparing a practical guide to reduce food waste. City Garden Hotel and The Royal Pacific Hotel & Towers also signed the Food Wise Charter to reaffirm their commitments to reducing waste.

**Serving the Community**

The Group continues to place strong emphasis on serving the community by utilising its hotel resources and formulating long-term sustainable community programmes. The 'Hearty Soup Delivery Service Programme' was first launched in 2011. Since then, the Group has served over 10,000 elderly people. We will continue our efforts to offer voluntary services to serve the underprivileged people and families through our 'Food Donation Programme'. In recognition of the work done by the Group, we are fortunate to have received the Merit Award at the 'Third Corporate Citizenship Awards', jointly organised by the Hong Kong Productivity Council and the Committee on the Promotion of Civic Education. City Garden Hotel and The Royal Pacific Hotel & Towers were granted the 'Gold Award for Volunteer Service' by the HKSAR Social Welfare Department.

**Tai O Heritage Hotel**

In March 2008, the Ng family, the major shareholder of the Group, set up a non-profit-making organisation named Hong Kong Heritage Conservation Foundation Limited ("HCF"). In December 2008, HCF won the tender to revitalise and convert the Old Tai O Police Station, a Grade II historic building, into a boutique hotel. Named Tai O Heritage Hotel ("Hotel"), the Hotel commenced operations in March 2012 and has nine colonial-style rooms and a glass-roof restaurant. The Hotel operates as a non-profit-making social enterprise, dedicating to the sustainability of Tai O through local employment, use of local ingredients and craftsmanship as well as conservation of cultural heritage.

## INDUSTRY OUTLOOK AND PROSPECTS

Tourism industry is an important economic sector as it creates employment, generates export revenue and supports GDP growth. It is also a channel through which people of different nations communicate and appreciate different culture, heritage and lifestyle. Promoting tourism industry is a responsibility of both the government and the local people. A stable economy and the attributes of a city including attractions, history, infrastructure development, transport network, town planning, immigration policy, security, landscape, cleanliness, language competence of the people and business ethics are conducive to developing a thriving tourism industry.

As for Hong Kong, HKSAR Government has put in continuous planning, financial and marketing efforts to grow the tourism industry. The opening of the first berth in the Kai Tak Cruise Terminal in June 2013 marks the beginning of the HKSAR Government's plan to develop Hong Kong into a leading cruise hub. The Express Rail Link connecting Hong Kong with major cities in China is expected to be completed in 2015 which will reinforce Hong Kong's cross border transport network. The Hong Kong-Zhuhai-Macao Bridge, expected to be commissioned in 2016, will also facilitate trade and traffic flow within the region. The opening of Tai O Heritage Hotel in 2012, the redevelopment of the Ocean Park and adding new attractions to Hong Kong Disneyland will enhance Hong Kong's connectivity, accessibility, competitiveness and attractiveness as a world-class tourist destination.

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 2012/2013, City Garden Hotel carried out renovations and upgrade of its facilities and some of its guest rooms. The Group will continuously review and improve the quality of our service to meet the needs of customers and ensure our discerning guests have enjoyable stays in our hotels.

## STAFF AND MANAGEMENT

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, 28th August, 2013

Sino Hotels (Holdings) Limited

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

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**FINAL RESULTS**

The audited results of the Group for the year ended 30th June, 2013 are as follows:

**Consolidated Statement of Profit or Loss**

| | *Notes* | **2013 HK$** | 2012 HK$ |
|---|---|---|---|
| Revenue | *2* | **331,410,055** | 339,408,816 |
| Direct expenses | | **(97,993,227)** | (97,361,151) |
| Gross profit | | **233,416,828** | 242,047,665 |
| Other expenses | | **(85,064,111)** | (85,759,412) |
| Marketing costs | | **(11,536,697)** | (13,572,301) |
| Administrative expenses | | **(25,951,751)** | (25,530,018) |
| Finance income | | **869,305** | 1,170,391 |
| Finance costs | | **(401,458)** | (2,300,480) |
| Finance income (costs), net | | **467,847** | (1,130,089) |
| Share of results of associates | | **151,345,208** | 141,632,652 |
| Profit before taxation | *3* | **262,677,324** | 257,688,497 |
| Income tax expense | *4* | **(21,859,921)** | (22,675,844) |
| Profit for the year attributable to the Company's shareholders | | **240,817,403** | 235,012,653 |
| Interim dividend at HK4.0 cents *(2012: HK4.0 cents)* per share | | **37,595,473** | 36,713,983 |
| Proposed final dividend at HK4.0 cents *(2012: HK4.0 cents)* per share | | **37,940,745** | 37,253,654 |
| Earnings per share – basic | *5* | **25.68 cents** | 25.71 cents |

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**
**For the year ended 30th June, 2013**

| | **2013** **HK$** | 2012 HK$ |
|---|---|---|
| Profit for the year | **240,817,403** | 235,012,653 |
| **Other comprehensive income (expense)** | | |
| Item that may be subsequently reclassified to profit or loss: | | |
| Gain (loss) on fair value changes of available-for-sale financial assets | **127,043,408** | (147,306,995) |
| Other comprehensive income (expense) for the year | **127,043,408** | (147,306,995) |
| Total comprehensive income for the year attributable to the Company's shareholders | **367,860,811** | 87,705,658 |

**Consolidated Statement of Financial Position**
**At 30th June, 2013**

| | Notes | 2013 HK$ | 2012 HK$ |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **1,434,220,483** | 1,469,099,427 |
| Interests in associates | | **1,298,758,040** | 1,191,634,357 |
| Available-for-sale financial assets | | **696,029,179** | 568,929,883 |
| Advance to an associate | | **-** | 104,133,110 |
| | | **3,429,007,702** | 3,333,796,777 |
| Current assets | | | |
| Hotel inventories | | **828,729** | 756,365 |
| Trade and other receivables | *6* | **11,607,117** | 13,211,569 |
| Amounts due from associates | | **148,931,645** | 113,148,176 |
| Tax recoverable | | **-** | 69,937 |
| Bank balances and cash | | **188,672,971** | 24,553,220 |
| | | **350,040,462** | 151,739,267 |
| Current liabilities | | | |
| Trade and other payables | *7* | **20,348,663** | 19,416,453 |
| Amount due to an associate | | **835,759** | 2,688,893 |
| Tax payable | | **28,705,294** | 28,852,718 |
| Bank loans and other borrowings | | **-** | 40,737,486 |
| | | **49,889,716** | 91,695,550 |
| Net current assets | | **300,150,746** | 60,043,717 |
| Total assets less current liabilities | | **3,729,158,448** | 3,393,840,494 |
| Capital and reserves | | | |
| Share capital | | **948,518,625** | 931,341,355 |
| Reserves | | **2,773,861,213** | 2,454,628,708 |
| Equity attributable to the Company's shareholders | | **3,722,379,838** | 3,385,970,063 |
| Non-current liabilities | | | |
| Bank loans and other borrowings | | **-** | 779,653 |
| Deferred taxation | | **6,778,610** | 7,090,778 |
| | | **6,778,610** | 7,870,431 |
| | | **3,729,158,448** | 3,393,840,494 |

*Notes:*

## 1. Basis of preparation

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

| | |
|---|---|
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| Amendments to HKAS 12 | Deferred Tax – Recovery of Underlying Assets |

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The application of these amendments to standards 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 reportable and operating segment for the years:

| | Segment revenue | | Segment results | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$** | HK$ | **HK$** | HK$ |
| Hotel operation – City Garden Hotel | **303,277,143** | 311,041,923 | **150,877,313** | 155,789,618 |
| Investment holding | **7,733,478** | 7,654,440 | **7,733,398** | 7,654,440 |
| Hotel operation – share of results of associates | **-** | - | **282,433,494** | 274,582,836 |
| Others – club operation and hotel management | **20,399,434** | 20,712,453 | **3,141,722** | 2,835,392 |
| | **331,410,055** | 339,408,816 | | |
| Total segment results | | | **444,185,927** | 440,862,286 |
| Administrative and other expenses | | | **(50,888,164)** | (49,093,516) |
| Finance income (costs), net | | | **467,847** | (1,130,089) |
| Share of results of associates | | | | |
| - administrative and other expenses | | | **(100,304,645)** | (102,909,084) |
| - finance income (costs), net | | | **228,635** | (1,091,452) |
| - income tax expense | | | **(31,012,276)** | (28,949,648) |
| | | | **(131,088,286)** | (132,950,184) |
| Profit before taxation | | | **262,677,324** | 257,688,497 |

All of the segment revenue reported above are from external customers. There was no inter-segment revenue for the year *(2012: nil)*.

Segment results represent the profit earned by each segment without allocation of certain administrative and other 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 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.

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

| | **2013** | 2012 |
|---|---|---|
| | **HK$** | HK$ |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Cost of hotel inventories consumed (included in direct expenses) | **26,762,970** | 24,725,441 |
| Depreciation and amortisation of property, plant and equipment (included in other expenses) | **42,143,430** | 40,741,334 |
| (Gain) loss on disposal of property, plant and equipment | **(52,151 )** | 5,257 |

### 4. Income tax expense

| | **2013** | 2012 |
|---|---|---|
| | **HK$** | HK$ |
| Income tax expense comprises: | | |
| Hong Kong Profits Tax calculated at 16.5% *(2012: 16.5%)* on the estimated assessable profit | | |
| Current year | **22,259,070** | 22,365,031 |
| Overprovision in prior year | **(86,981 )** | - |
| | **22,172,089** | 22,365,031 |
| Deferred tax | | |
| Current year | **(312,168 )** | 310,813 |
| | **21,859,921** | 22,675,844 |

### 5. Earnings per share – basic

The calculation of the basic earnings per share is based on the profit for the year of HK$240,817,403 *(2012: HK$235,012,653)* and on the weighted average number of 937,678,744 *(2012: 913,959,160)* 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 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:

| | **2013** | 2012 |
|---|---|---|
| | **HK$** | HK$ |
| Trade receivables | | |
| 0-30 days | **6,091,043** | 7,056,979 |
| 31-60 days | **629,972** | 921,132 |
| 61-90 days | **1,243** | 24,142 |
| | **6,722,258** | 8,002,253 |
| Other receivables | **4,884,859** | 5,209,316 |
| | **11,607,117** | 13,211,569 |

## 7. Trade and other payables

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

| | **2013** | 2012 |
|---|---|---|
| | **HK$** | HK$ |
| Trade payables | | |
| 0-30 days | **7,646,790** | 7,434,956 |
| 31-60 days | **-** | 218,207 |
| 61-90 days | **-** | 60,590 |
| > 90 days | **-** | 12,142 |
| | **7,646,790** | 7,725,895 |
| Renovation cost payable | **145,048** | 149,023 |
| Other payables | **12,556,825** | 11,541,535 |
| | **20,348,663** | 19,416,453 |

## 8. Pledge of assets

(a) At 30th June, 2012, the Group pledged its leasehold land and hotel buildings with the aggregate carrying amount of HK$1,421,988,986 and pledged by way of floating charges over other assets of HK$75,343,182 to banks to secure loan facilities granted to the Group. The pledge was released during the year.

(b) At 30th June, 2012, share ownerships in certain subsidiaries of the Company with the aggregate carrying values of net assets of HK$1,437,586,946 which included the assets pledged as set out in (a) above, were pledged to banks to secure the loan facilities granted to the Group. The pledge was released during the year.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Wednesday, 23rd October, 2013, the register of members of the Company will be closed from Monday, 21st October, 2013 to Wednesday, 23rd October, 2013, 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, 18th October, 2013.

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, 30th October, 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 29th October, 2013 to Wednesday, 30th October, 2013, 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, 28th October, 2013.

## 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"), 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, 2013 have been reviewed by the audit committee of the Company.

## 2013 ANNUAL REPORT

The 2013 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 Thursday, 19th September, 2013.

By Order of the Board
**Velencia LEE**
*Company Secretary*

Hong Kong, 28th August, 2013

*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.*