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 2015/2016 Annual Report to shareholders.

## FINAL RESULTS

The Group achieved net profit attributable to shareholders of HK$165.5 million for the year ended 30th June, 2016 (2014/2015: HK$204.0 million). Earnings per share for the financial year 2015/2016 was 16.41 cents (2014/2015: 20.87 cents).

## DIVIDENDS

The Directors have resolved to recommend a final dividend of 4 cents per share in respect of the year ended 30th June, 2016 to shareholders whose names appear on the Register of Members of the Company on 4th November, 2016. Together with the interim dividend of 4 cents per share, the total dividend for financial year 2015/2016 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 28th October, 2016; 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 10th November, 2016. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 8th December, 2016.

# REVIEW OF OPERATIONS

According to the statistics released by Hong Kong Tourism Board, visitor arrivals to Hong Kong were 57.1 million for the year ended 30th June, 2016, representing a decrease of 7.3% compared to the corresponding period last year. Visitors from China accounted for 76.0% of the total visitors and visitors who stayed overnight in Hong Kong decreased 3.1%. The strengthening of US$ against other currencies, keen competition in room rates and an increase in supply of hotel rooms in Hong Kong have made it more challenging for the hotel industry in Hong Kong. However, the Group will continue to adopt a proactive approach to optimise earnings.

## 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, 2016 was 90.1% compared with 91.5% for the last financial year and the average room rate was lower compared with that of last financial year. Room sales for the financial year decreased 12.2% to HK$170.9 million from HK$194.6 million for the last financial year. Food and beverage sales for the financial year increased to HK$88.3 million compared with HK$86.5 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 year ended 30th June, 2016 was 84.3% compared with 83.3% for the last financial year and the average room rate decreased 3.0% compared with that of last financial year. Room sales were HK$419.3 million which was 1.5% lower than HK$425.9 million for the last financial year, while income from food and beverage sales for the financial year was HK$325.2 million, representing a decrease of 2.0% from HK$332.0 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 year ended 30th June, 2016 was 94.6% (2014/2015: 94.2%) and the average room rate decreased 10.2% compared with that of last financial year. Room sales totalled HK$286.3 million, representing a decrease of

9.7% when compared with HK$316.9 million for the last financial year. Revenue from food and beverage sales for the financial year was HK$96.5 million (2014/2015: HK$96.5 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, 2015.

## Finance

As at 30th June, 2016, the Group had cash and bank deposits of HK$820.8 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, 2016, 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, 2015.

# EMPLOYEE PROGRAMMES

The hospitality industry is both labour and capital intensive as it relies on people to deliver the service and maintain the facilities in good condition. A team of engaged and well-trained staff is the key contributing factor to building customer loyalty and in making our hotels the preferred choice for our guests. Therefore, developing human capital through a spectrum of employee training programmes specifically designed to cater to the needs of management and staff is of paramount importance for the Group. Our in-house training programme - the Manager Development Programme – which aims to develop our staffs' leadership and management skills, has received its second batch of participants this year. Upon graduation from this programme, our staff will be ready to take on more senior roles and responsibilities. We will continue to encourage job rotations, internal transfers and promotions within and across the hotels to retain talent and to develop our staffs' abilities. Furthermore, management will continue a regular review of staff feedback via the Employee Experience Survey to stay competitive in the labour market

# CORPORATE SOCIAL RESPONSIBILITY

The Group continues to embrace Corporate Social Responsibility practices by upholding good corporate governance standards, protecting the environment, engagement in community services, promoting social integration and conserving cultural heritage.

### Environmental Management

The Group places strong emphasis on environmental management and the key objectives are to minimise our carbon footprint and adopt different practices that are sustainable to the environment. Regular reviews of such practices are carried out and are targeted to improve efficiency of water and energy consumption as well as to reduce wastage by collaborating with internal and external stakeholders. The results are closely monitored on a regular basis.

### Community Engagement

As a committed corporate citizen, the Group organizes regular activities and events to serve the underprivileged and needy. One of these events is the ‘Hearty Soup Delivery Service’ where soup is made and delivered to elderly people and low-income groups. In collaboration with Foodlink and Food Angel, the Group has participated in the ‘Food Donation Programme’ where cooked meals are given to needy families on a weekly basis. In support of social integration, the Group offers long-term employment opportunities in partnership with Hong Chi Association and promotes continuous improvement in our hotels’ barrier-free facilities.

### Tai O Heritage Hotel

In March 2008, the Ng Teng Fong Family, the major shareholder of the Group, set up the non-profitmaking organisation 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-profitmaking social enterprise, is part of the HKSAR Government’s ‘Revitalising Historic Buildings Through Partnership Scheme’. To raise public awareness on the importance of conserving heritage buildings, daily guided tours are conducted for the public and charity groups to visit the Hotel. The Hotel is one of the winners of the ‘2013 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation’. In recognition of its contributions to heritage conservation in Hong Kong, HCF was honoured by the American Institute of Architects Hong Kong Chapter with a ‘Citation Award’ in November 2014. In October 2015, Tai O Heritage Hotel received the ‘2015 Sustainable Hotel Award - Sustainable Destinations’, presented by the Hotel Investment Conference Asia Pacific recognising the Hotel’s sustainable practices.

## INDUSTRY OUTLOOK AND PROSPECTS

Hong Kong tourism industry has seen competition and challenges in recent years mainly due to global economic conditions and the strengthening of the US$ against other currencies. During the financial year 2015/2016, visitor arrivals in Hong Kong, both day travellers and overnight visitor arrivals have fallen. In view of the market situation, HKSAR Government introduced short-term measures such as waiving of the licence fees for travel agents and hotels for one year and subsidising travel agents to use more information technology for their business promotion. The HKSAR Government also invested in improvement works in landscape, thematic planting designs for new parks and roadside planting for urban areas and new towns to make the city more appealing. In terms of increasing the number of new attractions in Hong Kong, the future opening of the all-weather waterpark in Ocean Park, the Xiqu Centre and the M+ museum for visual culture in the West Kowloon Cultural District will all be positive to the development of tourism industry in Hong Kong.

One of the direct beneficiary industries of the Belt and Road initiative will be tourism. The initiative has aroused people's awareness and interest in visiting the countries along the Belt and Road which has richly diverse culture and heritage as well as deep historical roots. The economic and political cooperation, infrastructure development including transport, telecommunication and information technology in the countries along the Belt and Road as well as the academic exchanges and multilateral flows of trade and human capital will pave the way for the development of the tourism industry and improve travel for the cities in the region. Together with the United National World Tourism Organisation's Silk Road Programme, tourism in the areas along Belt and Road will become even more popular.

The Group attaches significant importance to market positioning and branding. To accomplish these objectives, regular upgrade of hotel facilities and renovation is carried out where necessary. The Group will continuously review and improve the quality of the 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 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, 24th August, 2016

# Sino Hotels (Holdings) Limited

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

**(Stock Code: 1221)**

**FINAL RESULTS**

The audited results of the Group for the year ended 30th June, 2016 are as follows:

**Consolidated Statement of Profit or Loss**

| | *Notes* | **2016 HK$** | 2015 HK$ |
|---|---|---|---|
| Revenue | *2* | **293,629,539** | 317,383,507 |
| Direct expenses | | **(111,656,465)** | (108,647,440) |
| Gross profit | | **181,973,074** | 208,736,067 |
| Gain on disposal of available-for-sale financial assets | | **-** | 754,691 |
| Other expenses | | **(85,977,543)** | (85,418,037) |
| Marketing costs | | **(9,692,012)** | (11,058,226) |
| Administrative expenses | | **(34,451,408)** | (30,047,342) |
| Finance income | | **7,948,602** | 6,790,530 |
| Finance costs | | **(18,889)** | (5,671) |
| Finance income, net | | **7,929,713** | 6,784,859 |
| Share of results of associates | | **117,528,416** | 130,229,202 |
| Profit before taxation | *3* | **177,310,240** | 219,981,214 |
| Income tax expense | *4* | **(11,763,337)** | (16,016,491) |
| Profit for the year attributable to the Company's shareholders | | **165,546,903** | 203,964,723 |
| Interim dividend at HK4.0 cents *(2015 HK4.0 cents)* per share | | **40,506,106** | 39,209,860 |
| Proposed final dividend at HK4.0 cents *(2015 HK4.0 cents)* per share | | **41,176,254** | 39,833,370 |
| Earnings per share – basic | *5* | **16.41 cents** | 20.87 cents |

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | **2016** | 2015 |
|---|---|---|
| | **HK$** | HK$ |
| Profit for the year | **165,546,903** | 203,964,723 |
| **Other comprehensive (expense) income** | | |
| Item that may not be subsequently reclassified to profit or loss: | | |
| Reclassification adjustments upon disposal of available-for-sale financial assets | - | 3,165,098 |
| Item that may be subsequently reclassified to profit or loss: | | |
| Loss on fair value changes of available-for-sale financial assets | **(172,933,881)** | (16,357,846) |
| Other comprehensive expense for the year | **(172,933,881)** | (13,192,748) |
| Net comprehensive (expense) income for the year attributable to the Company's shareholders | **(7,386,978)** | 190,771,975 |

**Consolidated Statement of Financial Position**
**At 30th June, 2016**

| | *Notes* | **2016 HK$** | 2015 HK$ |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **1,362,565,903** | 1,390,299,317 |
| Interests in associates | | **1,260,820,409** | 1,302,588,048 |
| Available-for-sale financial assets | | **518,179,582** | 621,601,918 |
| | | **3,141,565,894** | 3,314,489,283 |
| Current assets | | | |
| Hotel inventories | | **535,743** | 563,806 |
| Trade and other receivables | *6* | **14,436,349** | 15,539,461 |
| Amounts due from associates | | **82,769,056** | 62,025,977 |
| Bank balances and cash | | **820,861,568** | 673,307,471 |
| | | **918,602,716** | 751,436,715 |
| Current liabilities | | | |
| Trade and other payables | *7* | **27,926,397** | 21,540,794 |
| Amount due to an associate | | **1,099,224** | 1,246,376 |
| Taxation payable | | **12,115,041** | 14,085,740 |
| | | **41,140,662** | 36,872,910 |
| Net current assets | | **877,462,054** | 714,563,805 |
| Total assets less current liabilities | | **4,019,027,948** | 4,029,053,088 |
| Capital and reserves | | | |
| Share capital | | **1,029,406,361** | 995,834,245 |
| Reserves | | **2,983,523,364** | 3,026,792,157 |
| Equity attributable to the Company's shareholders | | **4,012,929,725** | 4,022,626,402 |
| Non-current liability | | | |
| Deferred taxation | | **6,098,223** | 6,426,686 |
| | | **4,019,027,948** | 4,029,053,088 |

*Notes:*

## 1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. 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 and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

## 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** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **HK$** | HK$ | **HK$** | HK$ |
| Hotel operation – City Garden Hotel | **262,193,498** | 284,608,056 | **98,123,257** | 121,901,255 |
| Investment holding | **11,824,217** | 12,905,263 | **11,821,330** | 13,657,872 |
| Hotel operation – share of results of associates | **-** | - | **242,608,695** | 256,903,868 |
| Others – club operation and hotel management | **19,611,824** | 19,870,188 | **2,802,935** | 2,708,522 |
| | **293,629,539** | 317,383,507 | | |
| Total segment results | | | **355,356,217** | 395,171,517 |
| Administrative and other expenses | | | **(60,895,411)** | (55,300,496) |
| Finance income, net | | | **7,929,713** | 6,784,859 |
| Share of results of associates | | | | |
| - administrative and other expenses | | | **(101,877,737)** | (100,626,399) |
| - finance income | | | **442,783** | 654,421 |
| - income tax expense | | | **(23,645,325)** | (26,702,688) |
| | | | **(125,080,279)** | (126,674,666) |
| Profit before taxation | | | **177,310,240** | 219,981,214 |

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

## 2. Segment information - continued

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 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

| | **2016** | 2015 |
|---|---|---|
| | **HK$** | HK$ |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Cost of hotel inventories consumed (included in direct expenses) | **28,442,062** | 28,409,449 |
| Depreciation and amortisation of property, plant and equipment (included in other expenses) | **45,396,023** | 43,468,323 |
| Net gain on disposal of property, plant and equipment | **(47,326)** | (8,909) |

## 4. Income tax expense

| | **2016** | 2015 |
|---|---|---|
| | **HK$** | HK$ |
| Income tax expense (credit) comprises: | | |
| Hong Kong Profits Tax calculated at 16.5% *(2015: 16.5%)* on the estimated assessable profit | | |
| Current year | **12,249,943** | 16,328,776 |
| Overprovision in prior year | **(158,143)** | (54,923) |
| | **12,091,800** | 16,273,853 |
| Deferred taxation | | |
| Current year | **(328,463)** | (257,362) |
| | **11,763,337** | 16,016,491 |

## 5. Earnings per share - basic

The calculation of the basic earnings per share is based on the profit for the year of HK$165,546,903 *(2015: HK$203,964,723)* and on the weighted average number of 1,008,825,916 *(2015: 977,240,710)* 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:

| | **2016** | 2015 |
|---|---|---|
| | **HK$** | HK$ |
| Trade receivables | | |
| 0-30 days | **5,208,991** | 5,204,088 |
| 31-60 days | **351,505** | 544,503 |
| 61-90 days | **23,309** | 28,805 |
| > 90 days | **68,719** | 58,299 |
| | **5,652,524** | 5,835,695 |
| Other receivables | **8,783,825** | 9,703,766 |
| | **14,436,349** | 15,539,461 |

## 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:

| | **2016** | 2015 |
|---|---|---|
| | **HK$** | HK$ |
| Trade payables | | |
| 0-30 days | **7,545,146** | 7,104,468 |
| 31-60 days | **4,308,884** | - |
| | **11,854,030** | 7,104,468 |
| Other payables | **16,072,367** | 14,436,326 |
| | **27,926,397** | 21,540,794 |

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 28th October, 2016, the register of members of the Company will be closed from Tuesday, 25th October, 2016 to Friday, 28th October, 2016, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 24th October, 2016.

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 Friday, 4th November, 2016. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 3rd November, 2016 to Friday, 4th November, 2016, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 2nd November, 2016.

## 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 the code provisions as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that there was no separation of the roles of the chairman and the chief executive, both of the roles are currently undertaken by the Chairman of the Board.

The Board is of the view that the current management structure has been effective in facilitating the Company's operation and business development and that necessary checks and balances consistent with sound corporate governance practices are in place. The implementation of strategies and policies of the Board and the operations of each business unit are overseen and monitored by designated responsible Executive Directors. The Board has found that the current arrangement has worked effectively in enabling it to discharge its responsibilities satisfactorily. In addition, the 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, 2016 have been reviewed by the audit committee of the Company.

## 2016 ANNUAL REPORT

The 2016 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, 15th September, 2016.

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

Hong Kong, 24th August, 2016

*As at the date hereof, the Executive Directors of the Company are Mr. Robert Ng Chee Siong, Mr. Daryl Ng Win Kong and Mr. Giovanni Viterale, 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.*