Sino Hotels (Holdings) Limited

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

(Stock Code: 1221)

CHAIRMAN'S STATEMENT

I am pleased to present my interim report to the shareholders.

INTERIM RESULTS

The Group's unaudited net profit attributable to shareholders for the six months ended 31st December, 2016 ("Interim Period") was HK$90.3 million (2015: HK$85.1 million). Turnover of the Group for the Interim Period was HK$155.4 million (2015: HK$152.3 million). Earnings per share for the Interim Period was 8.76 cents (2015: 8.53 cents).

The unaudited results for the Interim Period have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and they reflect the adoption of all Hong Kong Financial Reporting Standards applicable to the Group that are effective for the accounting period.

DIVIDEND

The Directors have declared an interim dividend of 4 cents per share payable on 13th April, 2017 to the shareholders whose names appear on the Register of Members of the Company on 13th March, 2017.

The interim dividend will be payable in cash but shareholders will be given the option of electing to receive the interim dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited.

A circular containing details of the scrip dividend scheme will be despatched to the shareholders together with a form of election for the scrip dividend on or about 16th March, 2017. It is expected that the interim dividend warrants and share certificates will be despatched to the shareholders on or about 13th April, 2017.

REVIEW OF OPERATIONS

According to the Hong Kong Tourism Board, visitor arrivals to Hong Kong was 56.6 million in 2016, representing a decrease of 4.5% from 59.3 million in 2015. Visitors from China decreased from 45.8 million in 2015 to 42.8 million 2016 and visitors who stayed overnight decreased by 0.5% year-on-year. The Group will continue to adopt a proactive approach to optimise earnings amid a challenging market environment for the tourism industry.

Occupancy rates for City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong for the Interim Period were 91.4%, 96.8% and 88.5% compared with 89.6%, 96.3% and 85.7% respectively for the corresponding period in 2015.

The turnovers of City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong during the Interim Period were HK$143.3 million, HK$208.1 million and HK$395.0 million respectively compared with HK$139.2 million, HK$209.4 million and HK$387.3 million for the corresponding period in 2015.

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, 2016.

FINANCE

As at 31st December, 2016, the Group had cash and bank deposits of HK$811.4 million and had no debt outstanding.

There was no material change in the capital structure of the Group for the Interim Period. Foreign exchange exposure is kept at a low level. As at 31st December, 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, 2016.

EMPLOYEE PROGRAMMES

The hospitality industry is all about providing consistent good quality service to our guests. A team of engaged and well-trained staff is crucial to build customer loyalty and making our hotels the preferred choice for our customers. Therefore, it is important for the Group to allocate adequate resources to train and groom the staff so that they can deliver the required standards of service and ensure that our hotel guests have memorable stays.

Strong emphasis has been put on investing in learning and development through continuous training, knowledge and experience sharing, job rotation and promotion. Leadership Development Programmes for both management and supervisors are held, aimed at developing employees' leadership and management skills so as to expand their role and prepare them for future advancement and development within the company. Furthermore, management will continuously conduct regular reviews of staff feedback via the Employee Experience Survey and various engagement programmes. This will ensure that our employee compensation and benefits are competitive, thus making the Group the employer of choice.

CORPORATE SOCIAL RESPONSIBILITY

The Group adheres to the Group Sustainability Policy and continues to maintain high levels of sustainability governance standards in the hotels' business operations. The Group strives to protect our environment, engage the community, facilitate social integration and conserve local cultural heritage.

Environmental Management

The Group places strong emphasis on sustainable development and environmental protection and key objectives are to minimise the environmental impact through conserving water and electricity, as well as reducing waste generation. Through partnering with the Food Wise Hong Kong Campaign, the Group is able to adopt best practices to reduce food waste in the hotels. The Group has also participated in the 'Soap for Hope' Programme since 2015 to recycle discarded soap bars from hotels. In June 2016, The Royal Pacific Hotel & Towers was announced as the first Green Key hotel in the China and Hong Kong region organised by the Foundation for Environmental Education.

Community Engagement

As a committed corporate citizen, the Group continues to place strong emphasis on serving the community. One of the regular programmes is the 'Hearty Soup Delivery Scheme" where soup is made and delivered to elderly people. Since 2011, the Group has participated in the 'Food Donation Programme' where cooked meals are given to needy families on a weekly basis in collaboration with Foodlink Foundation and Food Angel. The Group increased its efforts in promoting social integration through initiating a new programme in 2016, namely the 'Social Empowerment Programme' which aims to offer training opportunities and skills-sharing workshops for physically impaired members of the society through collaborations with the Hong Chi Association, SILENCE and The Hong Kong Society for Rehabilitation. During the Interim Period, The Royal Pacific Hotel & Towers and City Garden Hotel were selected by the Hong Kong Council of Social Service as Barrier-Free Hotels for the third consecutive year.

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 was one of the winners of the '2013 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation' and in October 2016, the Hotel was voted as Asia's leading heritage hotel by World Travel Awards 2016.

INDUSTRY OUTLOOK AND PROSPECTS

The world economy has become increasingly complicated in recent years with growing diversity in economic conditions among different countries. Recent global events such as the United Kingdom European Union membership referendum, also known as "Brexit" and the transition of the government in the US have increased the uncertainty in the global economy, increasing volatility in the foreign exchange markets. Significant fluctuations of foreign exchange markets and the change of trade policies can affect travel and tourism.

Despite a challenging global economic environment, the Central Government's Belt and Road Initiatives are expected to have a stimulating effect on both business and leisure travels as there will be an increasing number of international forums, conventions, co-operation and trade fairs. Infrastructure development along the Belt and Road will also improve accessibility and traffic flows among nations in the region. In particular, the Initiatives also align with the United Nation World Tourism Organisation's Silk Road Programme which puts in efforts to develop sustainable cultural and heritage tourism, providing assistance such as coordination and training for the operators in the tourism industry among the member nations along the Silk Road. Hong Kong as a world-class cosmopolitan city will benefit from the Belt and Road Initiatives in the years to come.

The HKSAR Government's Revitalising Historic Buildings Through Partnership Scheme to promote conservation of heritage and the harbourfront enhancement initiatives in partnership with Harbourfront Commission to beautify the waterfront promenade along both sides of the Victoria Harbour will increase the number of offerings for the tourism industry. Upcoming plans such as further development of the Kai Tak Cruise Terminal to a world-class tourist attraction and the development of Kai Tak Sports Park to enhance Hong Kong's sport facilities will directly benefit the tourism industry in Hong Kong.

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, 22nd February, 2017

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INTERIM RESULTS

The unaudited results of the Group for the six months ended 31st December, 2016 are as follows:

Consolidated Statement of Profit or Loss

		Six months ended	
		31st December, 2016	31st December, 2015
	Notes	**HK$**	HK$
		(Unaudited)	(Unaudited)
Revenue	*2*	**155,464,725**	152,307,281
Direct expenses		**(55,307,505)**	(56,546,449)
Other expenses		**(44,261,880)**	(43,600,908)
Marketing costs		**(4,375,751)**	(4,791,242)
Administrative expenses		**(20,314,139)**	(20,690,456)
Finance income		**5,113,447**	3,452,355
Finance costs		**(13,947)**	(11,013)
Finance income, net		**5,099,500**	3,441,342
Share of results of associates		**61,589,609**	61,902,507
Profit before taxation	*3*	**97,894,559**	92,022,075
Income tax expense	*4*	**(7,543,543)**	(6,888,656)
Profit for the period attributable to the Company's shareholders		**90,351,016**	85,133,419
Interim dividend at HK4.0 cents *(2015: HK4.0 cents)* per share		**41,806,925**	40,506,106
Earnings per share - basic	*5*	**8.76 cents**	8.53 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 31st December, 2016

	Six months ended	
	31st December, 2016	31st December, 2015
	HK$	HK$
	(Unaudited)	(Unaudited)
Profit for the period	**90,351,016**	85,133,419
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	**42,597,682**	(123,090,836)
Other comprehensive income (expense) for the period	**42,597,682**	(123,090,836)
Total comprehensive income (net comprehensive expense) for the period attributable to the Company's shareholders	**132,948,698**	(37,957,417)

Consolidated Statement of Financial Position
At 31st December, 2016

	Notes	**31st December, 2016 HK$ (Unaudited)**	30th June, 2016 HK$ (Audited)
Non-current assets			
Property, plant and equipment		**1,346,539,181**	1,362,565,903
Interests in associates		**1,322,409,993**	1,260,820,409
Available-for-sale financial assets		**667,693,660**	518,179,582
		3,336,642,834	3,141,565,894
Current assets			
Hotel inventories		**439,751**	535,743
Trade and other receivables	*6*	**19,479,990**	14,436,349
Amounts due from associates		**22,727,729**	82,769,056
Time deposits, bank balances and cash		**811,463,559**	820,861,568
		854,111,029	918,602,716
Current liabilities			
Trade and other payables	*7*	**30,730,451**	27,926,397
Amount due to an associate		**1,487,961**	1,099,224
Taxation payable		**8,256,689**	12,115,041
		40,475,101	41,140,662
Net current assets		**813,635,928**	877,462,054
Total assets less current liabilities		**4,150,278,762**	4,019,027,948
Capital and reserves			
Share capital		**1,045,173,116**	1,029,406,361
Reserves		**3,099,671,345**	2,983,523,364
Equity attributable to the Company's shareholders		**4,144,844,461**	4,012,929,725
Non-current liability			
Deferred taxation		**5,434,301**	6,098,223
		4,150,278,762	4,019,027,948

Notes:

1. Basis of preparation

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

The unaudited interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th June, 2016 except as described below.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/ or on the disclosures set out in these unaudited interim financial statements.

2. Segment information

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

	Segment revenue Six months ended		**Segment results Six months ended**	
	31st December, 2016 HK$	31st December, 2015 HK$	**31st December, 2016 HK$**	31st December, 2015 HK$
Hotel operation - City Garden Hotel	**143,333,728**	139,186,532	**60,137,097**	55,911,202
Investment holding	**2,930,816**	2,932,235	**2,914,163**	2,931,086
Hotel operation - share of results of associates	**-**	-	**123,640,712**	125,719,539
Others - clubhouse operation and hotel management	**9,200,181**	10,188,514	**1,327,524**	1,484,880
	155,464,725	152,307,281		
Total segment results			**188,019,496**	186,046,707
Administrative and other expenses			**(33,173,334)**	(33,648,942)
Finance income, net			**5,099,500**	3,441,342
Share of results of associates				
- administrative and other expenses			**(50,619,649)**	(51,409,924)
- finance income, net			**229,980**	241,433
- income tax expense			**(11,661,434)**	(12,648,541)
			(62,051,103)	(63,817,032)
Profit before taxation			**97,894,559**	92,022,075

All of the segment revenue reported above are from external customers. There was no inter-segment revenue for the period *(six months ended 31st December, 2015: nil).*

Segment results represent the profit earned by each segment without allocation of certain administrative and other expenses and net finance income. The segment results of hotel operation operated through investments in associates includes revenue and direct expenses without allocation of associates’ administrative and other expenses, net finance income and income tax expense of the associates. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment.

3. Profit before taxation

	Six months ended	
	31st December, 2016 HK$	31st December, 2015 HK$
Profit before taxation has been arrived at after charging:		
Cost of hotel inventories consumed (included in direct expenses)	**14,468,649**	15,008,379
Depreciation of property, plant and equipment (included in other expenses)	**22,617,460**	22,650,420

4. Income tax expense

	Six months ended	
	31st December, 2016 HK$	31st December, 2015 HK$
Income tax expense (credit) comprises:		
Hong Kong Profits Tax calculated at 16.5% *(2015: 16.5%)* on the estimated assessable profit	**8,207,465**	6,799,289
Deferred taxation	**(663,922)**	89,367
	7,543,543	6,888,656

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

5. Earnings per share - basic

The calculation of the basic earnings per share is based on the profit for the period of HK$90,351,016 *(six months ended 31st December, 2015: HK$85,133,419)* and on the weighted average number of 1,031,462,894 *(six months ended 31st December, 2015: 998,484,973)* shares in issue during the period.

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

6. Trade and other receivables

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

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

	31st December, 2016 HK$	30th June, 2016 HK$
Trade receivables		
0-30 days	**8,912,424**	5,208,991
31-60 days	**432,138**	351,505
61-90 days	**148,224**	23,309
>90 days	**81,700**	68,719
	9,574,486	5,652,524
Other receivables	**9,905,504**	8,783,825
	19,479,990	14,436,349

7. Trade and other payables

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

	31st December, 2016 HK$	30th June, 2016 HK$
Trade payables		
0-30 days	**3,852,092**	7,545,146
31-60 days	**4,283,664**	4,308,884
	8,135,756	11,854,030
Other payables (Note)	**22,594,695**	16,072,367
	30,730,451	27,926,397

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 9th March, 2017 to Monday, 13th March, 2017, both dates inclusive, during which period no transfer of shares will be effected. The record date for the interim dividend is at the close of business on Monday, 13th March, 2017.

In order to qualify for the interim dividend, shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's Principal Registrars, Tricor Friendly Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8th March, 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the interim period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 31st December, 2016, the Company has complied with all the code provisions as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that there was no separation of the roles of the chairman and the chief executive, both of the roles are currently undertaken by the Chairman of the Board.

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

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 31st December, 2016 have been reviewed by the Audit Committee and the auditor of the Company, Deloitte Touche Tohmatsu.

2016-2017 INTERIM REPORT

The 2016-2017 interim report containing all the information required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited and the Company's website www.sino.com while printed copies will be sent to shareholders on or about Friday, 10th March, 2017.

By Order of the Board
Velencia LEE
Company Secretary

Hong Kong, 22nd February, 2017

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.