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 2016/2017 Annual Report to shareholders.

FINAL RESULTS

The Group achieved net profit attributable to shareholders of HK$177.9 million for the year ended 30th June, 2017, representing an increase of 7.5% compared with HK$165.5 million for the last financial year. Earnings per share for the financial year 2016/2017 was 17.08 cents (2015/2016: 16.41 cents).

DIVIDENDS

The Directors have resolved to recommend a final dividend of 4.5 cents per share in respect of the year ended 30th June, 2017 to shareholders whose names appear on the Register of Members of the Company on 2nd November, 2017. Together with the interim dividend of 4 cents per share, the total dividend for the year ended 30th June, 2017 is 8.5 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 26th October, 2017; 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 9th November, 2017. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 6th December, 2017.

REVIEW OF OPERATIONS

According to the statistics released by Hong Kong Tourism Board, visitor arrivals to Hong Kong were 57.3 million for the year ended 30th June, 2017, representing an increase of approximately 0.3% compared with last year. Visitors from China accounted for approximately 75.5% of the total visitors and visitors who stayed overnight in Hong Kong increased 2.9%. The performance of the Group's hotels was steady during the financial year 2016/2017. The Group will continue to improve the quality of its hotel services to ensure our discerning guests have enjoyable experiences during their stays in the hotels.

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, 2017 was 90.4% compared with 90.1% for the last financial year and the average room rate increased 4.4% compared with that of last financial year. Room sales for the financial year increased 4.4% to HK$178.4 million from HK$170.9 million for the last financial year. Food and beverage sales for the financial year 2016/2017 were HK$85.9 million (2015/2016: HK$88.3 million).

Conrad Hong Kong

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

The average room occupancy of Conrad Hong Kong for the year ended 30th June, 2017 was 85.6% compared with 84.3% for the last financial year and the average room rate decreased 2.7% compared with that of last financial year. Room sales for the financial year 2016/2017 were HK$413.6 million (2015/2016: HK$419.3 million) while income from food and beverage sales for the financial year were HK$324.3 million (2015/2016: HK$325.2 million).

The Royal Pacific Hotel & Towers

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

The average occupancy rate of The Royal Pacific Hotel & Towers for the year ended 30th June, 2017 increased to 95.1% from 94.6% for the last financial year and the average room rate increased 2.5% compared with that of last financial year. Room sales increased 2.8% to HK$294.2 million from HK$286.3 million for the last financial year. Revenue from food and beverage sales for the financial year 2016/2017 were HK$94.1 million (2015/2016: 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, 2016.

Finance

As at 30th June, 2017, the Group had cash and bank deposits of HK$878.4 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, 2017, 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 thrives as an industry focused on people while involving intensive labour and capital. It is all about providing consistent services to guests and maintaining good condition of all facilities. A team of engaged and well-trained staff is the key contributing factor to building customer loyalty and making our hotels the preferred choice for our customers. 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.

An in-house leadership development programme – LEAD Programme – which aims to develop our staff at the supervisory and assistant manager level with leadership and management skills has recently been introduced. Participants who complete the LEAD Programme will be able to continue expanding their role and preparing for future advancement within the Group supported by another advance level programme named the Manager Development Programme. Furthermore, management always considers our employee’s well-being a top priority, and will continue regular review of staff feedback via the Employee Experience Survey. Various engagement programmes continue to be rolled out to ensure that the Group stays competitive and will be the preferred employer in the industry.

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 sustainable development and environmental protection. 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 to recycle discarded soaps bars from hotels. In 2016, The Royal Pacific Hotel & Towers was announced as the first Green Key hotel in China. The award is organised by the Foundation for Environmental Education and is a leading standard of excellence in the field of environmental responsibility and sustainable operation within the tourism industry.

Community Engagement

As a committed corporate citizen, the Group organises 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, 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 has introduced a new programme in 2016, namely 'Social Empowerment Programme' with the Hong Chi Association, SILENCE and The Hong Kong Society for Rehabilitation. The Programme aims to offer training opportunities and skill-sharing workshops for some physical impairment people in the society.

Tai O Heritage Hotel

In March 2008, the Ng Teng Fong Family, the major shareholder of the Group, set up the non-profit-making organisation Hong Kong Heritage Conservation Foundation Limited ("HCF"). HCF revitalized and converted the Old Tai O Police Station, a Grade II historic building, into a boutique hotel. Named Tai O Heritage Hotel ("Hotel"), it is home to nine colonial-style rooms and suites and commenced operation in March 2012. The Hotel, operated by HCF as a non-profit-making social enterprise, is part of the HKSAR Government's "Revitalising Historic Buildings Through Partnership Scheme".

To raise public awareness of the importance of conserving heritage buildings, daily guided tours are conducted for the public and charity groups to visit the Hotel. The Hotel has been providing long-term employment opportunities for Tai O inhabitants and nearby residents. Over half of the staff working at the Hotel are residents of Lantau Island or Tai O fishing village with some employed as guides for eco and cultural experience tours.

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. In May 2017, the Hotel received 4 awards in the International Hotels Awards 2017, namely 'Hong Kong's Best Small Hotel 2017', 'Hong Kong Best Classic Heritage Hotel 2017', 'International Five Stars Standard 2017' and is the regional winner of the 'Asia Pacific's Best Small Hotel 2017'.

INDUSTRY OUTLOOK AND PROSPECTS

2018 is expected to be a fruitful year for the tourism industry in Hong Kong. The first all-weather water park in the Tai Shue Wan Development Project in Ocean Park and the first world-class venue built for Xiqu performances, Xiqu Centre in The West Kowloon Cultural District are both scheduled to open in 2018 which will increase the number of offerings in the tourism industry. In addition, the M+ museum for visual culture in The West Kowloon Cultural District expected to open in 2019 will be positive to the development of tourism industry in Hong Kong.

Guangdong-Hong Kong-Macau Greater Bay Area ("Greater Bay Area") covers 11 cities which are Dongguan, Foshan, Guangzhou, Hong Kong, Huizhou, Jiangmen, Macau, Shenzhen, Zhaoqing, Zhongshan and Zhuhai with a total area of over 56,000 square kilometers. The plan to establish the Greater Bay Area is part of the nation-wide urban plan designed by the National Development and Reform Commission of the Central Government. Improvement in connectivity among cities can optimise their synergies and maximize economic potentials of the cities. This plan has an immediate and direct positive effect on multi-destination travel itineraries, positive for both business and leisure travels. Combining this domestic regional integration with the Belt and Road Initiative both spearheaded by the Central Government, there will be an increase in business opportunities for the tourism industry in Hong Kong. New infrastructure developments such as the Hong Kong-Zhuhai-Macau Bridge and The Guangzhou-Shenzhen-Hong Kong Express Rail Link tentatively expected to complete in 2017 and 2018 respectively will significantly enhance the connectivity and accessibility of Hong Kong and other major cities in China.

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, 2017

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FINAL RESULTS

The audited results of the Group for the year ended 30th June, 2017 are as follows:

Consolidated Statement of Profit or Loss

	Notes	**2017 HK$**	2016 HK$
Revenue	*2*	**300,902,005**	293,629,539
Direct expenses		**(110,611,679)**	(111,656,465)
Gross profit		**190,290,326**	181,973,074
Other income		**3,744,059**	-
Other expenses		**(86,565,292)**	(85,977,543)
Marketing costs		**(9,018,886)**	(9,692,012)
Administrative expenses		**(28,697,682)**	(34,451,408)
Finance income		**11,107,137**	7,948,602
Finance costs		**(30,591)**	(18,889)
Finance income, net		**11,076,546**	7,929,713
Share of results of associates		**109,660,705**	117,528,416
Profit before taxation	*3*	**190,489,776**	177,310,240
Income tax expense	*4*	**(12,577,161)**	(11,763,337)
Profit for the year attributable to the Company's shareholders		**177,912,615**	165,546,903
Interim dividend at HK4.0 cents *(2016: HK4.0 cents)* per share		**41,806,925**	40,506,106
Proposed final dividend at HK4.5 cents *(2016: HK4.0 cents)* per share		**47,687,933**	41,176,254
Earnings per share – basic	*5*	**17.08 cents**	16.41 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30th June, 2017

	2017	2016
	HK$	HK$
Profit for the year	**177,912,615**	165,546,903
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	**488,425,454**	(172,933,881)
Other comprehensive income (expense) for the year	**488,425,454**	(172,933,881)
Total comprehensive income (net comprehensive expense) for the year attributable to the Company's shareholders	**666,338,069**	(7,386,978)

Consolidated Statement of Financial Position
At 30th June, 2017

	Notes	**2017 HK$**	2016 HK$
Non-current assets			
Property, plant and equipment		**1,326,293,345**	1,362,565,903
Interests in associates		**1,211,437,589**	1,260,820,409
Available-for-sale financial assets		**1,181,655,645**	518,179,582
		3,719,386,579	3,141,565,894
Current assets			
Hotel inventories		**464,567**	535,743
Trade and other receivables	*6*	**16,560,827**	14,436,349
Amounts due from associates		**108,932,135**	82,769,056
Time deposits, bank balances and cash		**878,422,536**	820,861,568
		1,004,380,065	918,602,716
Current liabilities			
Trade and other payables	*7*	**26,424,064**	27,926,397
Amount due to an associate		**1,524,045**	1,099,224
Taxation payable		**13,943,297**	12,115,041
		41,891,406	41,140,662
Net current assets		**962,488,659**	877,462,054
Total assets less current liabilities		**4,681,875,238**	4,019,027,948
Capital and reserves			
Share capital		**1,059,731,842**	1,029,406,361
Reserves		**3,617,400,819**	2,983,523,364
Equity attributable to the Company's shareholders		**4,677,132,661**	4,012,929,725
Non-current liability			
Deferred taxation		**4,742,577**	6,098,223
		4,681,875,238	4,019,027,948

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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.

In the current year, the Company and its subsidiaries (the "Group") have applied the following amendments to 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 Consolidated Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

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	
	2017	2016	**2017**	2016
	HK$	HK$	**HK$**	HK$
Hotel operation – City Garden Hotel	**266,594,833**	262,193,498	**102,580,996**	98,123,257
Investment holding	**15,651,830**	11,824,217	**15,634,136**	11,821,330
Hotel operation – share of results of associates	**-**	-	**231,116,252**	242,608,695
Others – club operation and hotel management	**18,655,342**	19,611,824	**2,474,381**	2,802,935
	300,902,005	293,629,539		
Total segment results			**351,805,765**	355,356,217
Other income			**3,744,059**	-
Administrative and other expenses			**(54,681,047)**	(60,895,411)
Finance income, net			**11,076,546**	7,929,713
Share of results of associates				
- administrative and other expenses			**(99,717,487)**	(101,877,737)
- finance income			**486,305**	442,783
- income tax expense			**(22,224,365)**	(23,645,325)
			(121,455,547)	(125,080,279)
Profit before taxation			**190,489,776**	177,310,240

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

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

<u>Geographical information</u>

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

	2017	2016
	HK$	HK$
Profit before taxation has been arrived at after charging (crediting):		
Cost of hotel inventories consumed (included in direct expenses)	**27,379,534**	28,442,062
Depreciation and amortisation of property, plant and equipment (included in other expenses)	**45,432,032**	45,396,023
Net gain on disposal of property, plant and equipment	**(75)**	(47,326)

4. Income tax expense

	2017	2016
	HK$	HK$
Income tax expense (credit) comprises:		
Hong Kong Profits Tax calculated at 16.5% *(2016: 16.5%)* on the estimated assessable profit		
Current year	**13,957,794**	12,249,943
Overprovision in prior year	**(24,987)**	(158,143)
	13,932,807	12,091,800
Deferred taxation		
Current year	**(1,355,646)**	(328,463)
	12,577,161	11,763,337

5. Earnings per share - basic

The calculation of the basic earnings per share is based on the profit for the year of HK$177,912,615 *(2016: HK$165,546,903)* and on the weighted average number of 1,041,412,729 *(2016:1,008,825,916)* 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:

	2017	2016
	HK$	HK$
Trade receivables		
0-30 days	**5,792,209**	5,208,991
31-60 days	**381,568**	351,505
61-90 days	**235,912**	23,309
> 90 days	**294,893**	68,719
	6,704,582	5,652,524
Other receivables	**9,856,245**	8,783,825
	16,560,827	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:

	2017	2016
	HK$	HK$
Trade payables		
0-30 days	**5,049,784**	7,545,146
31-60 days	**3,411,705**	4,308,884
	8,461,489	11,854,030
Other payables	**17,962,575**	16,072,367
	26,424,064	27,926,397

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CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Thursday, 26th October, 2017, the register of members of the Company will be closed from Monday, 23rd October, 2017 to Thursday, 26th October, 2017, 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 Friday, 20th October, 2017.

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 Thursday, 2nd November, 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 1st November, 2017 to Thursday, 2nd November, 2017, 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 Tuesday, 31st October, 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 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 reviews 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, 2017 have been reviewed by the audit committee of the Company.

2017 ANNUAL REPORT

The 2017 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 Friday, 15th September, 2017.

By Order of the Board
Velencia LEE
Company Secretary

Hong Kong, 24th August, 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.