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, 2017 ("Interim Period") was HK$104.5 million (2016: HK$90.3 million). Turnover of the Group for the Interim Period was HK$158.1 million (2016: HK$155.4 million). Earnings per share for the Interim Period was 9.84 cents (2016: 8.76 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 4.5 cents per share payable on 23rd April, 2018 to the shareholders whose names appear on the Register of Members of the Company on 19th March, 2018.

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 22nd March, 2018. It is expected that the interim dividend warrants and share certificates will be despatched to the shareholders on or about 23rd April, 2018.

REVIEW OF OPERATIONS

According to the Hong Kong Tourism Board, visitor arrivals to Hong Kong were 58.4 million in 2017, representing an increase of 3.2% from 56.6 million in 2016. Visitors from China increased from 42.8 million in 2016 to 44.4 million in 2017 and visitors who stayed overnight increased 5.0% year-on-year. The increase in visitor arrivals was mainly attributable to the growth of visitors from short-haul markets such as South Korea and Japan in addition to China market. Not only have visitor arrivals continued to grow, the number of hotels in Hong Kong has also been increasing causing competition among hotels to remain strong. The Group will continue to adopt a proactive approach to optimise earnings going forward.

Occupancy rates for City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong for the Interim Period were 90.8%, 94.3% and 90.8% compared with 91.4%, 96.8% and 88.5% respectively for the corresponding period in 2016.

The turnovers of City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong during the Interim Period were HK$144.0 million, HK$211.9 million and HK$426.5 million respectively compared with HK$143.3 million, HK$208.1 million and HK$395.0 million for the corresponding period in 2016.

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, 2017.

FINANCE

As at 31st December, 2017, the Group had cash and bank deposits of HK$1,038.6 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, 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, 2017.

EMPLOYEE PROGRAMMES

The hospitality industry relies heavily on people to provide consistent and good quality of service to the customers. A team of engaged and well-trained staff is the key to build good customer relations. Therefore, continuous training, knowledge and experience sharing, job rotation and promotion are important to help staff strengthen their know-how and improve their efficiency. An in-house leadership development programme named LEAD Programme has recently been introduced. The aim of the programme is to develop staff at the supervisory level with the required management skillset so that they can perform their job better. Participants who completed the programme will be able to broaden their scope of work and pursue career advancement within the Group. Another advanced level of training programme named the Manager Development Programme has also been established for managerial staff.

Management will continuously conduct regular reviews of staff feedback via the Employee Experience Survey and Full Staff Meetings. Various engagement programmes continue to be rolled out to ensure that the Group stays competitive and be the preferred employer in the industry.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to incorporating sustainability initiatives in the operations and management of its hotels. The initiatives aim to protect the environment, engage the community, facilitate social integration and conserve cultural heritage.

Environmental Management

The Group places strong emphasis on environmental management in its operations by actively pursuing a culture of protecting the environment through energy conservation, pollution prevention and waste reduction.

On the energy conservation side, in support of Energy Saving Plan promoted by the Environment Bureau of the HKSAR Government, the Group has been actively developing facilities for green transport. City Garden Hotel has installed electric vehicle charging stations at the hotel's car-parking area, providing free charging service to customers. On the waste reduction area, specific focus has been placed on reducing the use of plastic packing and materials.

Community Engagement

As a committed corporate citizen, the Group would like to, along with other stakeholders, make contributions to build a better society by providing support and offering voluntary services to the underprivileged.

The Group has partnered with some charitable organisations such as the Foodlink Foundation and Food Angel specialising in collecting and donating food to the needy. This is called 'Food Donation Programme', which has been running since 2011. Under this programme, cooked food prepared by the Group's hotels would be distributed to underprivileged families on a weekly basis. In addition, the Group collaborates with various organisations in community service through its 'Hearty Soup Delivery Programme' ("Programme") which has been in place for a number of years. Through this Programme, the Group's staff will deliver and serve homemade soup prepared by hotels to elderly people living in certain caring homes on monthly basis.

The Group reaffirms its commitment to support social integration so that some minorities with certain physical disabilities are able to use the facilities in the Group's hotels. For example, the use of Braille menus and acceptance of guide dog for the visually impaired at the restaurants in the hotels. The Royal Pacific Hotel & Towers and City Garden Hotel have been selected as Barrier-Free Hotels by Hong Kong Council of Social Service since 2013. This is a significant accomplishment achieved by the Group.

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 and annual Open House Events 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.

2017 marks the fifth anniversary of the Hotel. The Hotel held a series of programmes throughout the year to celebrate the milestone and to promote heritage conservation to locals and tourists. The Hotel has received more than one million visitors and guests since it opened doors five years ago and organised more than 100 community engagement programmes including traditional cultural activities, community services, and home care services for the elderly living in Tai O.

The Hotel was one of the winners of the '2013 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation' and 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'.

Tai O Heritage Hotel also garnered three titles at the 2017 World Luxury Hotel Awards in December 2017, including Country Winner in Luxury Historical Hotel, Country Winner in Luxury Heritage Hotel and Regional Winner for East Asia in Luxury Cultural Retreat. Most notably, Tai O Heritage Hotel was the sole Hong Kong-based hotel to be named as the Regional Winner for East Asia in Luxury Cultural Retreat.

INDUSTRY OUTLOOK AND PROSPECTS

Tourism industry has always been an integral part of the economic development of a place, be it a country or city. Nationwide policies on promoting tourism and co-operation among cities in a country would bring about a more effective development, optimising the strengths and minimising competition among cities in a country to facilitate the development of multi-destination itineraries for both leisure and business travellers. A government's policies on heritage and cultural conservation, environmental protection, infrastructure development on transport network and facilities, development of theme parks and attractions and supply of hotel rooms all play an important role in developing the tourism industry. As presented in the Policy Address released in October 2017, HKSAR Government has achieved important milestones this year in promoting the tourism industry.

The HKSAR Government has taken steps to put the vision of the Belt and Road Initiative and Greater Bay Area in action. Firstly, the “Framework Agreement on Deepening Guangdong-Hong Kong-Macao Co-operation in the Development of the Bay Area” was signed in July 2017 to promote infrastructure connectivity, building a global technology and innovation hub and jointly building a quality living circle for living, working and travelling. Secondly, in August 2017, the “Agreement on Further Enhancement of Tourism Co-operation between Mainland and Hong Kong” was signed. It aims to enhance the exchanges and collaboration between China and Hong Kong. Thirdly, in December 2017, the “Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong’s Full Participation in and Contribution to the Belt and Road Initiative” and “Guangdong-Hong Kong-Macao Bay Area Travel Trade Co-operation Agreement” were signed. Both agreements set to drive further economic development and co-operation among the professional bodies in the tourism industry not only for the Belt and Road Initiative, but also for the Guangdong-Hong Kong-Macao Bay Area Development. These recent developments are expected to benefit Hong Kong’s economy and tourism industry in the coming years.

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

Mr. Adrian David Li Man-kiu who served the Board as an independent non-executive director since 28th April, 2005, retired from office by rotation at the conclusion of the annual general meeting of the Company held on 26th October, 2017. I would like to take this opportunity to express my heartfelt gratitude to Mr. Li for his immense contribution which has added significant value to the development and growth of the Group.

With the support of all the Directors, Mr. Daryl Ng Win Kong has been appointed as Deputy Chairman with effect from 1st November, 2017. 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, 28th February, 2018

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INTERIM RESULTS

The unaudited results of the Group for the six months ended 31st December, 2017 are as follows:

Consolidated Statement of Profit or Loss

	Notes	Six months ended 31st December, 2017 HK$ (Unaudited)	Six months ended 31st December, 2016 HK$ (Unaudited)
Revenue	*2*	**158,120,344**	155,464,725
Direct expenses		**(58,357,070)**	(55,307,505)
Other gains		**2,507,555**	-
Other expenses		**(46,025,989)**	(44,261,880)
Marketing costs		**(5,479,309)**	(4,375,751)
Administrative expenses		**(15,242,990)**	(20,314,139)
Finance income		**7,705,174**	5,113,447
Finance costs		**(27,079)**	(13,947)
Finance income, net		**7,678,095**	5,099,500
Share of results of associates		**68,403,141**	61,589,609
Profit before taxation	*3*	**111,603,777**	97,894,559
Income tax expense	*4*	**(7,097,897)**	(7,543,543)
Profit for the period attributable to the Company's shareholders		**104,505,880**	90,351,016
Interim dividend at HK4.5 cents *(2016: HK4.0 cents)* per share		**48,372,305**	41,806,925
Earnings per share - basic	*5*	**9.84 cents**	8.76 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 31st December, 2017

	Six months ended	
	31st December, 2017	31st December, 2016
	HK$	HK$
	(Unaudited)	(Unaudited)
Profit for the period	**104,505,880**	90,351,016
Other comprehensive (expense) income		
Items have been reclassified or that may be subsequently reclassified to profit or loss:		
(Loss) gain on fair value changes of available-for-sale financial assets	**(199,721,255)**	42,597,682
Reclassification adjustment upon disposal of available-for-sale financial assets	**964,970**	-
Other comprehensive (expense) income for the period	**(198,756,285)**	42,597,682
(Net comprehensive expense) total comprehensive income for the period attributable to the Company's shareholders	**(94,250,405)**	132,948,698

Consolidated Statement of Financial Position
At 31st December, 2017

	Notes	**31st December, 2017 HK$ (Unaudited)**	30th June, 2017 HK$ (Audited)
Non-current assets			
Property, plant and equipment		**1,307,120,538**	1,326,293,345
Interests in associates		**1,279,840,730**	1,211,437,589
Available-for-sale financial assets		**949,673,346**	1,181,655,645
		3,536,634,614	3,719,386,579
Current assets			
Hotel inventories		**649,122**	464,567
Trade and other receivables	*6*	**23,573,222**	16,560,827
Amounts due from associates		**37,988,388**	108,932,135
Time deposits, bank balances and cash		**1,038,619,231**	878,422,536
		1,100,829,963	1,004,380,065
Current liabilities			
Trade and other payables	*7*	**40,525,746**	26,424,064
Amount due to an associate		**1,529,789**	1,524,045
Taxation payable		**9,497,354**	13,943,297
		51,552,889	41,891,406
Net current assets		**1,049,277,074**	962,488,659
Total assets less current liabilities		**4,585,911,688**	4,681,875,238
Capital and reserves			
Share capital		**1,074,940,119**	1,059,731,842
Reserves		**3,506,779,671**	3,617,400,819
Equity attributable to the Company’s shareholders		**4,581,719,790**	4,677,132,661
Non-current liability			
Deferred taxation		**4,191,898**	4,742,577
		4,585,911,688	4,681,875,238

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 ("HKAS") 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, 2017 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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

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.

The application of amendments to HKAS 7 "*Disclosure Initiative*" will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities which will be provided in the consolidated financial statements for the year ending 30th June, 2018.

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, 2017 HK$	31st December, 2016 HK$	**31st December, 2017 HK$**	31st December, 2016 HK$
Hotel operation - City Garden Hotel	**143,992,123**	143,333,728	**55,897,201**	60,137,097
Investment holding	**4,055,062**	2,930,816	**4,048,700**	2,914,163
Hotel operation - share of results of associates	**-**	-	**133,456,254**	123,640,712
Others - club operation and hotel management	**10,073,159**	9,200,181	**1,795,456**	1,327,524
	158,120,344	155,464,725		
Total segment results			**195,197,611**	188,019,496
Other gains			**2,507,555**	-
Administrative and other expenses			**(28,726,371)**	(33,173,334)
Finance income, net			**7,678,095**	5,099,500
Share of results of associates				
- administrative and other expenses			**(51,885,359)**	(50,619,649)
- finance income			**334,279**	229,980
- income tax expense			**(13,502,033)**	(11,661,434)
			(65,053,113)	(62,051,103)
Profit before taxation			**111,603,777**	97,894,559

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, 2016: nil).*

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

3. Profit before taxation

	Six months ended	
	31st December, 2017	31st December, 2016
	HK$	HK$
Profit before taxation has been arrived at after charging:		
Cost of hotel inventories consumed (included in direct expenses)	**14,402,731**	14,468,649
Depreciation and amortisation of property, plant and equipment (included in other expenses)	**22,822,454**	22,617,460

4. Income tax expense

	Six months ended	
	31st December, 2017	31st December, 2016
	HK$	HK$
Income tax expense (credit) comprises:		
Hong Kong Profits Tax calculated at 16.5% *(2016: 16.5%)* on the estimated assessable profit	**7,648,576**	8,207,465
Deferred taxation	**(550,679)**	(663,922)
	7,097,897	7,543,543

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$104,505,880 *(six months ended 31st December, 2016: HK$90,351,016)* and on the weighted average number of 1,061,880,838 *(six months ended 31st December, 2016: 1,031,462,894)* 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, 2017 HK$	30th June, 2017 HK$
Trade receivables		
0-30 days	**9,979,100**	5,792,209
31-60 days	**727,025**	381,568
61-90 days	**139,800**	235,912
>90 days	**102,148**	294,893
	10,948,073	6,704,582
Other receivables	**12,625,149**	9,856,245
	23,573,222	16,560,827

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, 2017 HK$	30th June, 2017 HK$
Trade payables		
0-30 days	**7,548,183**	5,049,784
31-60 days	**4,909,597**	3,411,705
	12,457,780	8,461,489
Other payables (Note)	**28,067,966**	17,962,575
	40,525,746	26,424,064

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

8. Commitments

	31st December, 2017 HK$	30th June, 2017 HK$
Expenditures contracted for but not provided in the consolidated financial statements in respect of:		
Purchase of furniture, fixtures and hotel operating equipment	**8,918,500**	1,837,519

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 15th March, 2018 to Monday, 19th March, 2018, 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, 19th March, 2018.

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, 14th March, 2018.

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, 2017, 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 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, 2017 have been reviewed by the Audit Committee and the auditor of the Company, Deloitte Touche Tohmatsu.

2017-2018 INTERIM REPORT

The 2017-2018 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, 16th March, 2018.

By Order of the Board
Velencia LEE
Company Secretary

Hong Kong, 28th February, 2018

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. Steven Ong Kay Eng and Mr. Wong Cho Bau.