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 2017/2018 Annual Report to shareholders.

FINAL RESULTS

The Group achieved net profit attributable to shareholders of HK$195.1 million for the year ended 30th June, 2018, representing an increase of 9.6% compared with HK$177.9 million for the last financial year. Earnings per share for the financial year 2017/2018 was 18.22 cents (2016/2017: 17.08 cents).

DIVIDENDS

The Directors have resolved to recommend a final dividend of 5.0 cents per share in respect of the year ended 30th June, 2018 to shareholders whose names appear on the Register of Members of the Company on 1st November, 2018. Together with the interim dividend of 4.5 cents per share, the total dividend for the year ended 30th June, 2018 is 9.5 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 25th October, 2018; 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 8th November, 2018. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 5th December, 2018.

REVIEW OF OPERATIONS

According to the statistics released by Hong Kong Tourism Board, visitor arrivals to Hong Kong were 61.3 million for the year ended 30th June, 2018, representing an increase of approximately 6.9% compared with last year. Visitors from Mainland China accounted for approximately 77.1% of the total visitors and visitors who stayed overnight in Hong Kong increased 5.6%. The performance of the Group's hotels was steady during the year ended 30th June, 2018. 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, 2018 was 89.7% (2016/2017: 90.4%) but the average room rate increased 5.6% compared with that of last financial year. Room sales for the financial year increased 4.8% to HK$187.0 million from HK$178.4 million for the last financial year. Food and beverage sales for the financial year 2017/2018 were HK$88.2 million (2016/2017: HK$85.9 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, 2018 was 90.7% compared with 85.6% for the last financial year and the average room rate increased 5.8% compared with that of last financial year. Room sales for the year ended 30th June, 2018 were HK$463.7 million (2016/2017: HK$413.6 million) while income from food and beverage sales for the financial year were HK$351.5 million (2016/2017: HK$324.3 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, 2018 was 94.1% (2016/2017: 95.1%) but the average room rate increased 8.7% compared with that of last financial year. Room sales increased 7.6% to HK$316.5 million from HK$294.2

million for the last financial year. Revenue from food and beverage sales for the year ended 30th June, 2018 was steady at HK$94.3 million (2016/2017: HK$94.1 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, 2017.

Finance

As at 30th June, 2018, the Group had cash and bank deposits of HK$1,166.7 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, 2018, 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

To ensure that the Group can deliver a high standard of unparalleled service on a continuous basis, it is of paramount importance to have a team of engaged and well-trained staff. Staff's working attitude, continuous training, knowledge and experience sharing between management and front-line staff, job rotation and promotion are key to help the staff strengthen their know-how and improve their efficiency to achieve a high quality of service.

Various training programmes with specific focuses have been developed from time to time. Two major programmes, namely the LEAD Programme and Manager Development Programme have been up and running for years. The former one is to develop management skills for our supervisory level employee. Participants who complete the programme will be able to broaden their scope of work and pursue career advancement within the Group. The latter programme is aimed to equip potential managerial staff to take up a managerial role the following year after the training. By participating in this training, our staff will develop the skillset required to achieve the standards set by the management in terms of service quality.

To consistently respond to employee feedback and to stay competitive in the ever-changing employment market, the Group has reduced the daily working hours for all operational employees to facilitate a balanced work life. The Group has also enhanced employee medical benefits in 2018 and will continue to roll out programmes to ensure that the Group stays competitive as a preferred employer in the industry.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to incorporating sustainability initiatives into the operations and management of our hotels. As a committed corporate citizen, we embrace corporate social responsibilities by upholding high level of corporate governance standards, participating in green initiatives, engaging the community, promoting social integration and conserving the cultural heritage.

Environmental Management

The Group places strong emphasis on environmental management throughout our operations. Under the environmental policy of Sino Hotels, the Group undertakes to actively promote a culture of environmental sustainability among our customers; employees and contractors and encourage their involvement in its green initiatives; improve environmental protection through energy conservation, waste reduction and pollution prevention; implement and update effective measures to sustain green living; and ensure full compliance with applicable legislation in relation to environmental protection.

The Group strives to implement more stringent measures on carbon emission reduction in response to the local and international initiatives such as Hong Kong's Climate Action Plan 2030+. The Group also pledged to support 'Energy Saving Charter 2018' organised by the Environment Bureau.

Keeping abreast of the rising awareness of the city's plastic waste problem, the Group endeavours to reduce plastic usage in its hotels. In April 2018, the Group announced the ban on the use of plastic straws at all Food and Beverage outlets, and upon request, eco-friendly alternatives will be served. In addition, efforts were made to reduce single-use plastic consumption in the hotels' guestrooms, including water bottles and bathroom amenities.

Community Engagement

The Group believes that caring for one another by providing support and offering voluntary services to the underprivileged is essential to making our society better. The Group continues to place strong emphasis on serving the community by utilising its hotel resources and formulating long-term sustainable community programmes.

Through our 'Hearty Soup Delivery Programme', hotel volunteers deliver homemade soup prepared by the hotel chefs to elderly people in collaboration with various community service centres. Since 2011, the Group partnered with food-related charities such as the Foodlink Foundation and Food Angel to support underprivileged families on a weekly basis through 'Food Donation Programme'.

To continue our efforts to promote social integration, the Group collaborates with Hong Chi Association, SILENCE and The Hong Kong Society for Rehabilitation and provides training opportunities and skills sharing workshops for physical impairment members of the society.

Tai O Heritage Hotel

In March 2008, the Ng Teng Fong Family, the ultimate major shareholder of the Group, set up a non-profit-making organisation named Hong Kong Heritage Conservation Foundation Limited ("HCF"). In December 2008, HCF was fortunate to win the tender to revitalise and convert the Old Tai O Police Station, a Grade II historic building built in 1902, into a boutique hotel. Named Tai O Heritage Hotel ("Hotel"), it is home to nine colonialstyle 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. The Hotel is a winner of the '2013 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation' and the first UNESCO-awarded hotel in Hong Kong

INDUSTRY OUTLOOK AND PROSPECTS

The development of both Belt and Road Initiative ("BRI") and Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") Initiative will open up tremendous business opportunities for each of the cities in the GBA region. The hospitality and tourism related industries are set to benefit from this new driver of growth.

As there will be more cooperation and communication among the cities in the GBA, infrastructure connectivity is one of the critical success factors. Two major infrastructure projects, namely the sea-crossing Hong Kong-Zhuhai-Macao Bridge and the 26-km Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link which would be integrated with the Guangzhou-Zhongshan-Zhuhai-Macao intercity rail project are both due to complete this year. It is encouraging to see that the GBA plan will soon bear fruit, transforming Hong Kong into not just a world-class city but also a 'smart city'.

Hong Kong has an important role to play in these two initiatives. On the tourism side, HKSAR Government has rolled out the Development Blueprint for Hong Kong's Tourism Industry ("Blueprint") jointly issued by Tourism Commission and Commerce and Economic Development Bureau. The Blueprint establishes four development strategies which include diversifying the visitor source markets for Hong Kong, developing smart tourism, tourism products and initiatives with local and international characteristics and improvement of service quality in the tourism industry. It covers a broad spectrum of initiatives with a view to developing Hong Kong as a world-class premier tourism destination. In addition, HKSAR Government has announced the first Representative List of the Intangible Cultural Heritage of Hong Kong which presents a total of 20 items that will be preserved. Preservation of cultural heritage such as Tai O Dragon Boat Water Parade, Cheung Chau Jiao Festival and Cantonese Opera will promote cultural diversity and human creativity which can enrich the experience of the visitors' stays in Hong Kong. Combining with the new attractions which include the museums and theatres in the West Kowloon Cultural District and the expansion of Ocean Park, these new developments are expected to contribute significantly to the future of the hospitality and tourism industries 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, 30th August, 2018

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FINAL RESULTS

The audited results of the Group for the year ended 30th June, 2018 are as follows:

Consolidated Statement of Profit or Loss

	Notes	**2018 HK$**	2017 HK$
Revenue	*2*	**313,669,026**	300,902,005
Direct expenses		**(116,832,801)**	(110,611,679)
Gross profit		**196,836,225**	190,290,326
Other losses, gains and income		**(3,729,475)**	3,744,059
Other expenses		**(92,956,078)**	(86,565,292)
Marketing costs		**(10,790,527)**	(9,018,886)
Administrative expenses		**(29,451,681)**	(28,697,682)
Finance income		**16,856,572**	11,107,137
Finance costs		**(62,890)**	(30,591)
Finance income, net		**16,793,682**	11,076,546
Share of results of associates		**131,552,757**	109,660,705
Profit before taxation	*3*	**208,254,903**	190,489,776
Income tax expense	*4*	**(13,127,387)**	(12,577,161)
Profit for the year attributable to the Company's shareholders		**195,127,516**	177,912,615
Interim dividend at HK4.5 cents *(2017: HK4.0 cents)* per share		**48,372,305**	41,806,925
Proposed final dividend at HK5.0 cents *(2017: HK4.5 cents)* per share		**54,459,026**	47,687,933
Earnings per share – basic	*5*	**18.22 cents**	17.08 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30th June, 2018

	2018	2017
	HK$	HK$
Profit for the year	**195,127,516**	177,912,615
Other comprehensive (expense) income		
Item that may be subsequently reclassified to profit or loss:		
(Loss) gain on fair value changes of available-for-sale financial assets	**(234,110,128)**	488,425,454
Item that has been reclassified to profit or loss:		
Reclassification adjustment upon disposal of available-for-sale financial assets	**1,123,234**	-
Other comprehensive (expense) income for the year	**(232,986,894)**	488,425,454
Total comprehensive (expense) income for the year attributable to the Company's shareholders	**(37,859,378)**	666,338,069

Consolidated Statement of Financial Position
At 30th June, 2018

	Notes	**2018** **HK$**	2017 HK$
Non-current assets			
Property, plant and equipment		**1,279,733,553**	1,326,293,345
Interests in associates		**1,183,946,846**	1,211,437,589
Available-for-sale financial assets		**922,383,941**	1,181,655,645
		3,386,064,340	3,719,386,579
Current assets			
Hotel inventories		**536,482**	464,567
Trade and other receivables	*6*	**19,445,449**	16,560,827
Amounts due from associates		**116,071,771**	108,932,135
Time deposits, bank balances and cash		**1,166,725,192**	878,422,536
		1,302,778,894	1,004,380,065
Current liabilities			
Trade and other payables	*7*	**30,372,367**	26,424,064
Amount due to an associate		**2,065,765**	1,524,045
Taxation payable		**16,257,660**	13,943,297
		48,695,792	41,891,406
Net current assets		**1,254,083,102**	962,488,659
Total assets less current liabilities		**4,640,147,442**	4,681,875,238
Capital and reserves			
Share capital		**1,089,180,526**	1,059,731,842
Reserves		**3,547,544,568**	3,617,400,819
Equity attributable to the Company's shareholders		**4,636,725,094**	4,677,132,661
Non-current liability			
Deferred taxation		**3,422,348**	4,742,577
		4,640,147,442	4,681,875,238

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 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

Except as described below, 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.

Amendments to HKAS 7 *"Disclosure Initiative"*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the consolidated financial statements, the application of these amendments has had no impact on the Group's 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	
	2018	2017	**2018**	2017
	HK$	HK$	**HK$**	HK$
Hotel operation – City Garden Hotel	**277,299,815**	266,594,833	**103,499,271**	102,580,996
Investment holding	**17,018,376**	15,651,830	**16,008,190**	15,634,136
Hotel operation – share of results of associates	**-**	-	**259,379,044**	231,116,252
Others – club operation and hotel management	**19,350,835**	18,655,342	**3,731,919**	2,474,381
	313,669,026	300,902,005		
Total segment results			**382,618,424**	351,805,765
Other losses, gains and income			**(2,727,977)**	3,744,059
Administrative and other expenses			**(60,602,939)**	(54,681,047)
Finance income, net			**16,793,682**	11,076,546
Share of results of associates				
- administrative and other expenses			**(101,975,595)**	(99,717,487)
- finance income			**697,769**	486,305
- income tax expense			**(26,548,461)**	(22,224,365)
			(127,826,287)	(121,455,547)
Profit before taxation			**208,254,903**	190,489,776

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 losses, gains and income, 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.

<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

	2018	2017
	HK$	HK$
Profit before taxation has been arrived at after charging (crediting):		
Cost of hotel inventories consumed (included in direct expenses)	**28,016,059**	27,379,534
Depreciation and amortisation of property, plant and equipment (included in other expenses)	**51,846,050**	45,432,032
Loss (gain) on disposal of property, plant and equipment	**122**	(75)

4. Income tax expense

	2018	2017
	HK$	HK$
Income tax expense (credit) comprises:		
Hong Kong Profits Tax calculated at 16.5% *(2017: 16.5%)* on the estimated assessable profit		
Current year	**14,525,231**	13,957,794
Overprovision in prior year	**(77,615)**	(24,987)
	14,447,616	13,932,807
Deferred taxation		
Current year	**(1,320,229)**	(1,355,646)
	13,127,387	12,577,161

5. Earnings per share - basic

The calculation of the basic earnings per share is based on the profit for the year of HK$195,127,516 *(2017: HK$177,912,615)* and on the weighted average number of 1,071,048,832 *(2017:1,041,412,729)* 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:

	2018	2017
	HK$	HK$
Trade receivables		
0-30 days	**5,647,760**	5,792,209
31-60 days	**451,006**	381,568
61-90 days	**17,417**	235,912
> 90 days	**106,411**	294,893
	6,222,594	6,704,582
Other receivables	**13,222,855**	9,856,245
	19,445,449	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:

	2018	2017
	HK$	HK$
Trade payables		
0-30 days	**6,433,602**	5,049,784
31-60 days	**3,542,405**	3,411,705
	9,976,007	8,461,489
Other payables	**20,396,360**	17,962,575
	30,372,367	26,424,064

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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, 25th October, 2018, the register of members of the Company will be closed from Monday, 22nd October, 2018 to Thursday, 25th October, 2018, 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, 19th October, 2018.

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, 1st November, 2018. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 31st October, 2018 to Thursday, 1st November, 2018, 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, 30th October, 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 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 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, 2018 have been reviewed by the audit committee of the Company.

2018 ANNUAL REPORT

The 2018 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, 21st September, 2018.

By Order of the Board
Velencia LEE
Company Secretary

Hong Kong, 30th August, 2018

As at the date hereof, the Exec utive 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.