SINO HOTELS (HOLDINGS) LIMITED

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

(Stock Code: 1221)

CHAIRMAN'S STATEMENT

I hereby present the 2019/2020 Annual Report to shareholders.

FINAL RESULTS

The Group recorded net loss attributable to shareholders of HK$76.3 million for the year ended 30th June, 2020 (the 'Financial Year') compared to net profit attributable to shareholders of HK$196.3 million for the last financial year. Loss per share for the Financial Year was HK6.75 cents compared to profit per share of HK17.83 cents last year. The performance of the Group was affected by the outbreak of COVID-19 which worsened operating environment amid plunging visitor arrivals to Hong Kong during the financial year.

DIVIDENDS

The Board recommends no final dividend for the Financial Year (2018/2019: HK5 cents per share). With the interim dividend of HK1 cent per share (2018/2019: HK4.5 cents per share) paid in April 2020, the total dividend for the full financial year is HK1 cent per share (2018/2019: HK9.5 cents per share).

REVIEW OF OPERATIONS

During the Financial Year, hotel industry in Hong Kong has been impacted by a significant decrease in visitor arrivals amidst the outbreak of COVID-19 since January 2020 and its adverse impact on cross border and international travel. Statistics released by Hong Kong Tourism Board shows that visitor arrivals to Hong Kong during the Financial Year decreased to 24.5 million from 69.4 million, representing a decrease of approximately 64.6% year-on-year. In the second half of the Financial Year in particular, total visitor arrivals declined by almost 90% year-on-year owing to government travel restrictions, quarantines, and border closure.

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, 2020 was 41.7% (2018/2019: 85.7%) and the average room rate decreased 33.3% compared with that of last financial year. Room sales for the financial year decreased 67.8% to HK$62.0 million from HK$192.5 million for the last financial year. Food and beverage sales for the Financial Year were HK$61.9 million (2018/2019: HK$88.9 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, 2020 was 34.8% compared with 89.3% for the last financial year and the average room rate decreased by 21.3% compared with that of last financial year. Room sales for the year ended 30th June, 2020 were HK$139.8 million (2018/2019: HK$455.1 million) while income from food and beverage sales for the Financial Year were HK$170.5 million (2018/2019: HK$334.5 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, 2020 was 44.0% (2018/2019: 92.7%) and the average room rate decreased 43.8% compared with that of last financial year. Room sales decreased 73.3% to HK$88.1 million from HK$329.5 million for the last financial year. Revenue from food and beverage sales for the year ended 30th June, 2020 were HK$71.3 million (2018/2019: HK$102.5 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, 2019.

Finance

As at 30th June, 2020, the Group had cash and bank deposits of HK$966.8 million and had no debt outstanding.

There was no material change in the capital structure of the Group for the financial year. Foreign exchange exposure is kept at a low level. As at 30th June, 2020, 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, 2019.

EMPLOYEE PROGRAMMES

Quality service is the key to hospitality and the Group continues to invest in employee programs to foster and grow service skills. A leadership program that develops assistant managers and managers into leaders is the "FLY – Future Leader. You" program. With workshops, management seminars, mentorship and cross training, the FLY program helps high potential staff achieve their targeted success. Teambuilding was also a key training focus this year and to add more gamification into the Group's approach, LEGO® SERIOUS PLAY® was introduced to teams. This method aims to improve creative thinking and communication, both vital to providing high-quality service.

Challenging times call for adaptability in training approaches; several key programs were developed to meet this need. To assist in 5-star service training, a video library was developed to support the Service Standards review. Videos can be viewed on any device giving staff flexibility to review the hospitality standards. Webinars using Teams, language training videos using WhatsApp, and workshops on handling guest issues regarding COVID-19 were also created to give service training access to staff in a safe, social-distancing way.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to incorporating sustainability initiatives into the operations and management of our hotels. The Group upholds 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 to promote sustainable living to stakeholders and the general public. The use of plastic straws and stirring rods has been banned at all the food and beverage outlets of the Group since 2018. The Group has also ceased the use of plastic bottled water and deployed smart water stations serving hotels' guest rooms and facilities. In an effort to building a sustainable environment, City Garden Hotel installed solar panels and electric vehicle charging stations at the hotel's car parking area in promoting low carbon living.

Community Engagement
As a committed corporate citizen, the Group partners with various community service centres through the long-standing 'Hearty Soup Delivery Programme'. Homemade soup is prepared by our hotel chefs and delivered to the elderly regularly. The Group also partnered with charitable organisation Foodlink Foundation in the 'Food Donation Programme' and donated meal boxes to

the needy families. In addition, the Group collaborates with Hong Chi Association and Ebenezer School & Home for the Visually Impaired by offering their members long-term employment and training opportunities.

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 named 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'. 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. In December 2019, HCF received Gold Award in the Social Enterprise and Non-governmental Organisation Category in the '10th Hong Kong Outstanding Corporate Citizen Award'

In 2019, HCF co-organised 'Tai O Art Revitalisation Project' with Tai O local organisations to generate attraction spots around Tai O with mural cultural paintings and 3D mural paintings. The paintings aim to showcase the charm of Tai O, people stories and its history.

INDUSTRY OUTLOOK AND PROSPECTS

The financial year 2019/2020 was indeed challenging due to unprecedented and exceptional circumstances, exacerbated by the unexpected outbreak of the COVID-19 pandemic. While the uncertainty remains about the duration of the pandemic and the effect it will have on the economies, management is mindful of the current situation and considers that this is an opportunity to learn and improve. We are actively planning and rolling out initiatives to reduce the impact.

The first priority is to deliver a feeling of safety to our discerning guests therefore we are putting in place strict sanitization and hygiene protocol to ensure guests returning to stay or dine with us will have complete peace of mind and full assurance in our product and service. In addition, our colleagues have been diligent in finding new source of business, such as introducing a variety of promotion packages to target the business of local leisure customers (staycation), as well as introducing new food & beverage products to cater to the increased demand for takeaways and home deliveries. Moreover, we have reviewed the processes, procedures, and the structure of operations in order to streamline workflow to enhance efficiency and taken decisive decision to achieve cost savings across the organization. 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.

In the long-run, Hong Kong remains well placed to benefit from the business opportunities provided under the Belt and Road initiatives, and the growth of the Greater Bay Area of Guangdong-Hong Kong-Macao as a key business service and logistics hub in the Asia Pacific. We are confident in Hong Kong's solid foundation and resilience. It is hopeful that the COVID-19 situation will be brought under control and society can return to peace and harmony soon, and that the impact of these on the travel trade will recede. When the situation improves and economic recovery returns, the Group can leverage on an enhanced operational structure which will lead to higher shareholders' value.

The Group has a healthy balance sheet and management will closely monitor the situation and will continue to prudently manage its resources, so as to well-position itself to meet the present challenges and to grasp business opportunities that might become available when the economy revives.

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, 26th August, 2020

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FINAL RESULTS

The audited results of the Group for the year ended 30th June, 2020 are as follows:

Consolidated Statement of Profit or Loss

	Notes	**2020 HK$**	2019 HK$
Revenue	*2*	**160,737,356**	320,653,237
Direct expenses		**(90,182,269)**	(120,526,892)
Gross profit		**70,555,087**	200,126,345
Other income and other gains and losses		**(327,525)**	(5,389,825)
Other expenses		**(81,033,316)**	(84,877,930)
Marketing costs		**(8,630,948)**	(11,026,014)
Administrative expenses		**(29,338,354)**	(33,878,241)
Finance income		**24,650,132**	25,159,063
Finance costs		**(143,098)**	(129,743)
Finance income, net		**24,507,034**	25,029,320
Share of results of associates		**(51,714,202)**	118,339,259
(Loss) profit before taxation	*3*	**(75,982,224)**	208,322,914
Income tax expense	*4*	**(380,796)**	(12,016,506)
(Loss) profit for the year attributable to the Company's shareholders		**(76,363,020)**	196,306,408
Interim dividend at HK1.0 cent *(2019: HK4.5 cents)* per share		**11,385,031**	49,759,479
No final dividend is recommended in respect of 2020 *(2019: HK5.0 cents* per share)		**-**	55,990,295
(Loss) earnings per share - basic	*5*	**(6.75) cents**	17.83 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30th June, 2020

	2020	2019
	HK$	HK$
(Loss) profit for the year	**(76,363,020)**	196,306,408
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Loss on fair value changes of equity instruments at fair value through other comprehensive income ("FVTOCI")	**(301,956,735)**	(77,083,222)
Exchange difference arising on translation of equity instruments at FVTOCI	**(1,327,543)**	(731,460)
Item that may be reclassified subsequently to profit or loss:		
Gain on fair value changes of debt instruments at FVTOCI	**32,531**	-
Other comprehensive expense for the year	**(303,251,747)**	(77,814,682)
Total comprehensive (expense) income for the year attributable to the Company's shareholders	**(379,614,767)**	118,491,726

Consolidated Statement of Financial Position
At 30th June, 2020

	Notes	**2020** **HK$**	2019 HK$
Non-current assets			
Property, plant and equipment		**312,537,075**	1,282,004,665
Right-of-use assets		**979,827,961**	-
Interests in associates		**1,114,248,903**	1,165,963,105
Equity and debt instruments at FVTOCI		**921,913,744**	1,019,113,648
Deposits paid for property, plant and equipment		**1,686,191**	7,945,115
		3,330,213,874	3,475,026,533
Current assets			
Hotel inventories		**320,938**	323,265
Trade and other receivables	*6*	**18,821,851**	28,533,095
Amounts due from associates		**86,658,156**	100,156,755
Time deposits, bank balances and cash		**966,819,027**	1,203,870,322
		1,072,619,972	1,332,883,437
Current liabilities			
Trade and other payables	*7*	**20,738,205**	33,557,077
Contract liabilities		**2,569,745**	3,824,497
Lease liabilities		**329,930**	-
Amount due to an associate		**4,940,925**	2,196,262
Taxation payable		**247,559**	12,589,043
		28,826,364	52,166,879
Net current assets		**1,043,793,608**	1,280,716,558
Total assets less current liabilities		**4,374,007,482**	4,755,743,091
Capital and reserves			
Share capital		**1,142,661,798**	1,119,805,890
Reserves		**3,227,652,716**	3,632,304,749
Equity attributable to the Company's shareholders		**4,370,314,514**	4,752,110,639
Non-current liabilities			
Deferred taxation		**3,632,452**	3,632,452
Lease liabilities		**60,516**	-
		3,692,968	3,632,452
		4,374,007,482	4,755,743,091

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, which are measured at fair values.

In the current year, the Company and its subsidiaries (the "Group") have applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments and an interpretation to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts and changes in accounting policies of application of HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st July, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

1. **Basis of preparation - *continued***

Impacts and changes in accounting policies of application of HKFRS 16 *Leases* - continued

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st July, 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st July, 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 30th June, 2019	Adjustments	Carrying amounts under HKFRS 16 at 1st July, 2019
		HK$	HK$	HK$
Non-current assets				
Property, plant and equipment	(a)	1,282,004,665	(1,001,659,881)	280,344,784
Right-of-use assets	(a)	-	1,002,071,309	1,002,071,309
Current liabilities				
Lease liabilities		-	229,695	229,695
Non-current liabilities				
Lease liabilities		-	181,733	181,733

Note:

(a) Upon application of HKFRS 16, the Group recategorized the carrying amounts of the leasehold land in property, plant and equipment amounting to HK$1,001,659,881 as right-of-use assets.

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	
	2020	2019	**2020**	2019
	HK$	HK$	**HK$**	HK$
Hotel operation – City Garden Hotel	**125,233,630**	283,213,985	**(12,107,448)**	98,514,665
Investment holding	**20,981,431**	21,961,269	**20,937,502**	21,923,935
Hotel operation – share of results of associates	**-**	-	**3,172,589**	241,763,373
Others – club operation and hotel management	**14,522,295**	15,477,983	**2,746,231**	3,593,883
	160,737,356	320,653,237		
Total segment results			**14,748,874**	365,795,856
Other income and other gains and losses			**(327,525)**	(5,389,825)
Administrative and other expenses			**(60,023,816)**	(53,688,323)
Finance income, net			**24,507,034**	25,029,320
Share of results of associates				
- other income			**4,332,872**	-
- administrative and other expenses			**(68,388,499)**	(97,751,341)
- finance income, net			**1,284,693**	1,753,154
- income tax credit (expense)			**7,884,143**	(27,425,927)
			(54,886,791)	(123,424,114)
(Loss) profit before taxation			**(75,982,224)**	208,322,914

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

Segment results represent the results by each segment without allocation of certain administrative and other expenses, other income and other gains and losses 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' other income, administrative and other expenses, net finance income and income tax credit (expense) of the associates. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment.

Geographical information

All of the activities of the Group are based in Hong Kong and all of the Group's revenue and contribution to profit (loss incurred) for the year are derived from Hong Kong. All the assets of the Group are located in Hong Kong.

3. (Loss) profit before taxation

	2020	2019
	HK$	HK$
(Loss) profit before taxation has been arrived at after charging (crediting):		
Cost of hotel inventories consumed (included in direct expenses)	**18,785,561**	26,872,579
Depreciation of right-of-use assets (included in other expenses)	**22,539,246**	-
Depreciation and amortisation of property, plant and equipment (included in other expenses)	**27,866,842**	44,413,357
Government subsidies (included in other income and other gains and losses)	**(1,751,595)**	-

4. Income tax expense

	2020	2019
	HK$	HK$
Income tax expense (credit) comprises:		
Hong Kong Profits Tax is calculated with two-tiered profit tax regime on the estimated assessable profit		
Current year	**395,991**	12,107,356
Overprovision in prior year	**(94,715)**	(300,954)
	301,276	11,806,402
Taxation in other jurisdictions		
Dividend withholding tax	**79,520**	-
Deferred taxation		
Current year	**-**	210,104
	380,796	12,016,506

5. (Loss) earnings per share - basic

The calculation of the basic (loss) earnings per share is based on the loss *(2019: profit)* for the year attributable to the Company's shareholders of HK$76,363,020 *(2019: HK$196,306,408)* and on the weighted average number of 1,131,351,909 *(2019: 1,101,247,705)* shares in issue during the year.

No diluted (loss) 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:

	2020	2019
	HK$	HK$
Trade receivables		
0-30 days	**913,553**	6,340,715
31-60 days	**94,130**	549,292
61-90 days	**400**	106,223
>90 days	**10,890**	52,375
	1,018,973	7,048,605
Other receivables	**17,802,878**	21,484,490
	18,821,851	28,533,095

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:

	2020	2019
	HK$	HK$
Trade payables		
0-30 days	**6,869,734**	6,245,190
31-60 days	**2,251,937**	3,639,783
61-90 days	**905,868**	-
Over 90 days	**722,945**	-
	10,750,484	9,884,973
Other payables	**9,987,721**	23,672,104
	20,738,205	33,557,077

8. Commitments

	2020	2019
	HK$	HK$
Expenditures contracted for but not provided in the consolidated financial statements in respect of:		
Renovation works, purchase of furniture, fixtures and hotel operating equipment	**3,702,631**	49,459,876

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Wednesday, 28th October, 2020, the register of members of the Company will be closed from Thursday, 22nd October, 2020 to Wednesday, 28th October, 2020, 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 Registrar, Tricor Friendly Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 21st October, 2020.

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 three 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, 2020 have been reviewed by the audit committee of the Company.

2020 ANNUAL REPORT

The 2020 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 Tuesday, 22nd September, 2020.

By Order of the Board
Fanny CHENG Siu King
Company Secretary

Hong Kong, 26th August, 2020

As at the date hereof, the Executive Directors of the Company are Mr. Robert Ng Chee Siong, Mr. Daryl Ng Win Kong, Mr. Giovanni Viterale and Mr. Thomas Tang Wing Yung, the Non-Executive Directors are The Honourable Ronald Joseph Arculli and Mr. Gilbert Lui Wing Kwong, and the Independent Non-Executive Directors are Mr. Steven Ong Kay Eng, Mr. Wong Cho Bau and Mr. Hung Wai Man.