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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, 2018 ("Interim Period") was HK\$96.8 million (2017: HK\$104.5 million). Turnover of the Group for the Interim Period was HK\$158.9 million (2017: HK\$158.1 million). Earnings per share for the Interim Period was 8.87 cents (2017: 9.84 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 24th April, 2019 to the shareholders whose names appear on the Register of Members of the Company on 19th March, 2019.

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 25th March, 2019. It is

expected that the interim dividend warrants and share certificates will be despatched to the shareholders on or about 24th April, 2019.

REVIEW OF OPERATIONS

According to the Hong Kong Tourism Board, visitor arrivals to Hong Kong were 65.1 million in 2018, representing an increase of 11.4% from 58.4 million in 2017. Visitors from Mainland China increased from 44.4 million in 2017 to 51.0 million in 2018 and visitors who stayed overnight increased 4.9% year-on-year. The increase in visitor arrivals was partly attributable to the commencement of operations of The Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and Hong Kong-Zhuhai-Macao Bridge in September and October 2018 respectively. 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 83.4%, 92.4% and 90.7% compared with 90.8%, 94.3% and 90.8% respectively for the corresponding period in 2017.

Turnover of City Garden Hotel, The Royal Pacific Hotel & Towers and Conrad Hong Kong during the Interim Period was HK\$147.0 million, HK\$235.6 million and HK\$411.1 million respectively compared with HK\$144.0 million, HK\$211.9 million and HK\$426.5 million for the corresponding period in 2017.

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, 2018.

FINANCE

As at 31st December, 2018, the Group had cash and bank deposits of HK\$1,090.5 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, 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, 2018.

EMPLOYEE PROGRAMMES

Employees are important assets to the Group and we have to rely on them to provide consistent and quality service to customers. To this end, the quality of staff must meet the required

standards and management's expectation. To ensure and maintain the quality of service, continuous training and various employee programmes are offered. There is a training programme named "MAGIC!" for all staff to ensure that the standards and quality of the service can be maintained and improved from time to time. The in-house leadership development programme, LEAD Programme has been designed to develop employees at supervisory level the required management skills so that they can excel in their careers. In addition, a newly established manager development programme will be introduced which offers an even higher level of training to enhance staff's leadership skills and knowledge. Management will continuously conduct regular reviews of feedback from staff through the Employee Experience Survey and Full Staff Meetings. Various engagement programmes continue to be rolled out to ensure the Group stays competitive and is the preferred employer in our industry.

CORPORATE SOCIAL RESPONSIBILITY

The Group places strong emphasis on corporate social responsibility by maintaining a high level of corporate governance standards in hotel operations. The Group is committed to engaging in green initiatives, serving the community, promoting social integration and heritage conservation.

Environmental Management

The Group is devoted to reducing the ecological footprint and has established a set of Sustainability Policy to reduce energy and water consumption, waste generation and the use of plastic materials. Further to our policy to ban the use of plastic straws and stirring rods implemented in June 2018, the Group has ceased the use of plastic bottled water and substituted it with computerised filtered water stations.

Community Engagement

As a committed corporate citizen, the Group actively supports and offers community service to the underprivileged. Through our long-established Hearty Soup Delivery Programme, homemade soup prepared by our hotels is delivered to elderly people in need on a regular basis. The Group has also partnered with various food-related charitable organisations such as Foodlink Foundation and Food Angel in its Food Donation Programme, in which meals sourced from our hotels are distributed to families in need on a weekly basis.

The Group reasserts its commitment to promoting social integration by designing and maintaining a barrier free environment and culture in our hotels. For example, Braille menus are available for the visually impaired and guide dogs are welcome for those who need the assistance. In addition, the Group collaborates with Hong Chi Association and Hong Kong Society for the Deaf 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-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. The Hotel has received more than 1.2 million visitors and guests since opening 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.

INDUSTRY OUTLOOK AND PROSPECTS

Tourism and hospitality businesses in Hong Kong will benefit from the development of Greater Bay Area ("GBA"). Central Government's economic policy to develop the GBA will complement and synergise the economic strengths and potentials of each of the 11 key cities in the GBA. The economic benefits derived from integrating these cities will benefit the entire region, raising income levels, standard of living and narrowing regional disparity in wealth. As a result, there will be increasing economic activities within the GBA as well as inbound and outbound travels between GBA and other parts of the world.

Such massive economic development plan cannot be feasible without the support of a thorough transport network. Two mega infrastructure developments were opened during Interim Period. The Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link connecting to the 29,000-kilometre national high-speed rail network in Mainland China and the Hong Kong-Zhuhai-Macao Bridge, known to be the longest bridge-cum-tunnel sea crossing in the world, started operations in September and October 2018 respectively and set the milestones for the integration of the GBA.

In Hong Kong, the tourism industry is going through a period of reform with the passing the Travel Industry Bill ("Bill") by Legislative Council in November 2018 after seven years of work as consultation of the Bill started in 2011. The objective of such reform is to enhance the checks and balances in the industry, ensuring that the travel trade can be managed in a professional manner thereby fostering a healthy long-term development of the industry. Travel Industry Authority, an independent statutory body, will be established. It will regulate travel agents, tourist guides and tour escorts as well as take up the roles of granting licences to the industry practitioners.

As global economic outlook becomes uncertain as a result of the trade dispute between China and the United States, tourism and hospitality industry may be affected due to fewer business and leisure travels. While many terms need to be negotiated and mutually agreed among the two powerhouses, the progress is positive as both sides have started to work out solutions to narrow the deviations.

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

I would like to extend a warm welcome to Mr. Hung Wai Man, JP, who was appointed on the Board as Independent Non-Executive Director with effect from 1st January, 2019. Mr. Hung's extensive knowledge and experience will be of great benefit to the Group.

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, 2019



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INTERIM RESULTS

The unaudited results of the Group for the six months ended 31st December, 2018 are as follows:

Consolidated Statement of Profit or Loss

	Notes	Six months ended	
		31st December, 2018 HK\$ (Unaudited)	31st December, 2017 HK\$ (Unaudited)
Revenue	2	158,955,226	158,120,344
Direct expenses		(62,501,725)	(58,357,070)
Other losses and gains		(4,599,678)	2,507,555
Other expenses		(44,181,989)	(46,025,989)
Marketing costs		(5,751,035)	(5,479,309)
Administrative expenses		(16,692,832)	(15,242,990)
Finance income		11,032,930	7,705,174
Finance costs		(63,800)	(27,079)
Finance income, net		10,969,130	7,678,095
Share of results of associates		66,583,035	68,403,141
Profit before taxation	3	102,780,132	111,603,777
Income tax expense	4	(5,917,859)	(7,097,897)
Profit for the period attributable to the Company's shareholders		96,862,273	104,505,880
Interim dividend at HK4.5 cents (2017: HK4.5 cents) per share		49,759,479	48,372,305
Earnings per share - basic	5	8.87 cents	9.84 cents

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 31st December, 2018**

	Six months ended	
	31st December, 2018	31st December, 2017
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Profit for the period	<u>96,862,273</u>	<u>104,505,880</u>
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”)	(9,399,238)	-
Exchange difference arising on translation of equity instruments at FVTOCI	(300,600)	-
Item that may be subsequently reclassified to profit or loss:		
Loss on fair value changes of available-for-sale financial assets	-	(199,721,255)
Item that has been reclassified to profit or loss:		
Reclassification adjustment upon disposal of available-for-sale financial assets	-	<u>964,970</u>
Other comprehensive expense for the period	<u>(9,699,838)</u>	<u>(198,756,285)</u>
Total comprehensive income (expense) for the period attributable to the Company’s shareholders	<u>87,162,435</u>	<u>(94,250,405)</u>

Consolidated Statement of Financial Position
At 31st December, 2018

	<i>Notes</i>	31st December, 2018 HK\$ (Unaudited)	30th June, 2018 HK\$ (Audited)
Non-current assets			
Property, plant and equipment		1,300,399,725	1,279,733,553
Interests in associates		1,250,529,881	1,183,946,846
Equity instruments at FVTOCI		1,074,079,089	-
Available-for-sale financial assets		-	922,383,941
		<u>3,625,008,695</u>	<u>3,386,064,340</u>
Current assets			
Hotel inventories		401,859	536,482
Trade and other receivables	6	28,625,007	19,445,449
Amounts due from associates		39,406,565	116,071,771
Time deposits, bank balances and cash		1,090,526,501	1,166,725,192
		<u>1,158,959,932</u>	<u>1,302,778,894</u>
Current liabilities			
Trade and other payables	7	45,035,081	30,372,367
Contract liabilities		4,684,372	-
Amount due to an associate		1,782,850	2,065,765
Taxation payable		6,352,936	16,257,660
		<u>57,855,239</u>	<u>48,695,792</u>
Net current assets		<u>1,101,104,693</u>	<u>1,254,083,102</u>
Total assets less current liabilities		<u>4,726,113,388</u>	<u>4,640,147,442</u>
Capital and reserves			
Share capital		1,105,766,211	1,089,180,526
Reserves		3,616,538,490	3,547,544,568
Equity attributable to the Company's shareholders		<u>4,722,304,701</u>	<u>4,636,725,094</u>
Non-current liability			
Deferred taxation		3,808,687	3,422,348
		<u>4,726,113,388</u>	<u>4,640,147,442</u>

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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited interim financial statements for the six months ended 31st December, 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30th June, 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st July, 2018 for the preparation of the Group’s unaudited interim financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

1. Basis of preparation - continued

Impacts and changes in accounting policies on application of HKFRS 15 "Revenue from Contracts with Customers"

Summary of effects arising from initial application of HKFRS 15

The application of the HKFRS 15 has no significant impact on the timing and amount of revenue in the current interim period and retained profits at 1st July, 2018

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at 1st July, 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30th June, 2018	Reclassification	Carrying amounts under HKFRS 15 at 1st July, 2018
	HK\$	HK\$	HK\$
Current liabilities			
Trade and other payables	30,372,367	(3,731,492)	26,640,875
Contract liabilities (<i>Note</i>)	-	3,731,492	3,731,492

Note: At the date of initial application, deposits received from customers of HK\$3,731,492 were reclassified to contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31st December, 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	Reclassification	Amounts without application of HKFRS 15
	HK\$	HK\$	HK\$
Current liabilities			
Trade and other payables	45,035,081	4,684,372	49,719,453
Contract liabilities	4,684,372	(4,684,372)	-

1. Basis of preparation - continued

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments"

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1st July, 2018.

	Available- for-sale financial assets <u>HK\$</u>	Equity instruments at FVTOCI <u>HK\$</u>	Investment revaluation reserve <u>HK\$</u>	Retained profits <u>HK\$</u>
Closing balance at 30th June, 2018 – HKAS 39	922,383,941	-	285,688,521	1,973,631,740
Reclassification From available- for-sale financial assets	<u>(922,383,941)</u>	<u>922,383,941</u>	<u>(41,100,000)</u>	<u>41,100,000</u>
Opening balance at 1st July, 2018 – HKFRS 9	<u>-</u>	<u>922,383,941</u>	<u>244,588,521</u>	<u>2,014,731,740</u>

Except as described above, the application of new and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or 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 periods under review:

	Segment revenue Six months ended		Segment results Six months ended	
	31st December, 2018 HK\$	31st December, 2017 HK\$	31st December, 2018 HK\$	31st December, 2017 HK\$
Hotel operation				
- City Garden Hotel	147,018,923	143,992,123	52,234,367	55,897,201
Investment holding	4,123,513	4,055,062	4,108,146	4,048,700
Hotel operation				
- share of results of associates	-	-	129,268,032	133,456,254
Others - club operation and hotel management	7,812,790	10,073,159	1,951,908	1,795,456
	<u>158,955,226</u>	<u>158,120,344</u>		
Total segment results			187,562,453	195,197,611
Other losses and gains			(4,599,678)	2,507,555
Administrative and other expenses			(28,466,776)	(28,726,371)
Finance income, net			10,969,130	7,678,095
Share of results of associates				
- administrative and other expenses			(50,158,486)	(51,885,359)
- finance income			963,353	334,279
- income tax expense			(13,489,864)	(13,502,033)
			(62,684,997)	(65,053,113)
Profit before taxation			<u>102,780,132</u>	<u>111,603,777</u>

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, 2017: nil*).

Segment results represent the profit before taxation earned by each segment without allocation of certain administrative and other expenses, other losses and gains 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, 2018 HK\$	31st December, 2017 HK\$
Profit before taxation has been arrived at after charging:		
Cost of hotel inventories consumed (included in direct expenses)	14,107,433	14,402,731
Depreciation and amortisation of property, plant and equipment (included in other expenses)	<u>23,607,346</u>	<u>22,822,454</u>

4. Income tax expense

	Six months ended	
	31st December, 2018 HK\$	31st December, 2017 HK\$
Income tax expense (credit) comprises:		
Hong Kong Profits Tax calculated at 16.5% (2017: 16.5%) on the estimated assessable profit	5,531,520	7,648,576
Deferred taxation	<u>386,339</u>	<u>(550,679)</u>
	<u>5,917,859</u>	<u>7,097,897</u>

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\$96,862,273 (six months ended 31st December, 2017: HK\$104,505,880) and on the weighted average number of 1,091,614,295 (six months ended 31st December, 2017: 1,061,880,838) shares in issue during the period.

No diluted earnings per share has been presented for both periods as there were no potential ordinary shares outstanding during 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, 2018 HK\$	30th June, 2018 HK\$
Trade receivables		
0-30 days	8,009,415	5,647,760
31-60 days	645,738	451,006
61-90 days	67,751	17,417
>90 days	66,971	106,411
	8,789,875	6,222,594
Other receivables	19,835,132	13,222,855
	28,625,007	19,445,449

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, 2018 HK\$	30th June, 2018 HK\$
Trade payables		
0-30 days	5,614,413	6,433,602
31-60 days	4,929,514	3,542,405
	10,543,927	9,976,007
Other payables (Note)	34,491,154	20,396,360
	45,035,081	30,372,367

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

8. Commitments

	31st December, 2018 HK\$	30th June, 2018 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	15,075,338	42,801,121

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15th March, 2019 to Tuesday, 19th March, 2019, 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 Tuesday, 19th March, 2019.

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 Thursday, 14th March, 2019.

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, 2018, 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, 2018 have been reviewed by the Audit Committee and the auditor of the Company, Deloitte Touche Tohmatsu.

2018-2019 INTERIM REPORT

The 2018-2019 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 Monday, 18th March, 2019.

By Order of the Board
Velencia LEE
Company Secretary

Hong Kong, 28th February, 2019

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, Mr. Wong Cho Bau and Mr. Hung Wai Man.