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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 the 2013/2014 Annual Report to shareholders.

FINAL RESULTS

The Group achieved net profit attributable to shareholders of HK\$234.5 million for the financial year ended 30th June, 2014 (2012/2013 : HK\$240.8 million). Earnings per share for the financial year 2013/2014 was 24.62 cents (2012/2013 : 25.68 cents).

DIVIDENDS

The Directors have resolved to recommend a final dividend of 4 cents per share in respect of the year ended 30th June, 2014 to shareholders whose names appear on the Register of Members of the Company on 30th October, 2014. Together with the interim dividend of 4 cents per share, the total dividend for the financial year ended 30th June, 2014 is 8 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 23rd October, 2014; 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 5th November, 2014. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 3rd December, 2014.

REVIEW OF OPERATIONS

According to Hong Kong Tourism Board (the “HKTB”), visitor arrivals to Hong Kong reached a new high of 54.3 million (2012: 48.6 million) in 2013, representing an increase of 11.7% from last year. Tourism expenditure generated from inbound tourism was HK\$332.1 billion, an increase of 14.8% year-on-year. Visitors from China, the United States and Taiwan were the top three sources in terms of visitor arrivals and overnight visitor spending. In 2013, approximately 47.3% of total visitors stayed in Hong Kong for one night or longer. For the first six months of 2014, visitor arrivals totalled 28.5 million, an increase of 12.2% year-on-year. As global economic conditions remain mixed and with increasing competition among countries to capture more business from tourism, the operating environment has been challenging. In Hong Kong, supply of hotel rooms is on the rise and travellers have been more discerning over spending. The market has become more competitive. However, the Group will continue to adopt a proactive approach to optimise earnings amid a competitive market environment.

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 financial year ended 30th June, 2014 was 93.2% compared with 94.3% for the last financial year and the average room rate was stable compared with that of last financial year. Room sales for the financial year decreased 1.5% to HK\$216.6 million from HK\$219.9 million for the last financial year. Food and beverage sales for the financial year were stable at HK\$80.0 million compared with HK\$79.8 million for the last financial year.

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 financial year ended 30th June, 2014 was 83.5% compared with 80.0% for the last financial year and the average room rate decreased 0.7% compared with that of last financial year. Room sales were HK\$446.9 million which was 3.5% higher than HK\$431.6 million for the last financial year, while income from food and beverage sales for the financial year was HK\$336.4 million, representing an increase of 6.4% from HK\$316.2 million for the last financial year.

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 financial year ended 30th June, 2014 was 94.5% (2012/2013 : 96.8%) and the average room rate increased 1.2%. Room sales totalled HK\$342.6 million, representing a slight decrease of 1.2% when compared with HK\$346.8 million for the last financial year. Revenue from food and beverage sales for the financial year was HK\$103.7 million, an increase of 4.3% from HK\$99.4 million for the last financial year.

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, 2013.

Finance

As at 30th June, 2014, the Group had cash and bank deposits of HK\$428.6 million and had no debt outstanding.

There was no material change in the capital structure of the Group for the financial year 2013/2014. Foreign exchange exposure is kept at a minimal level. As at 30th June, 2014, 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, 2013.

EMPLOYEE PROGRAMMES

Hospitality industry is all about serving people from different nations and of diverse culture as well as from different time zones around the world. As services are provided by staff, quality of staff in terms of their competence, politeness, etiquette, efficiency, helpfulness, eagerness for continuous improvement and good team spirit are all important for the Group to deliver the standard of services that meet customers' expectations. The Group places a strong emphasis on setting and applying a recruitment system which enables it to recruit the right person for the right career. Regular training is also organised and new courses are added to the training agenda from time to time. A programme named Manager Development Programme has also been established to groom and train staff's leadership and management skills. This is also part of the succession programme that enables staff to maintain a high standard of service as staff are promoted or assigned to different roles and duties. Management also conducts regular review and appoints silent shoppers to the Group's hotels to ensure the quality of services is of required standards.

Maintaining comprehensive employee compensation and benefits packages are also instrumental to uphold the staff's sense of belonging and to maintain a high retention rate. The Group will continue to strive for quality excellence and in building a premium brand.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises that a business enterprise can make more long-term and sustainable profits by operating it in a socially responsible manner. In this regard, the Group has initiated events and activities to promote environmental protection, appreciation of art and culture, conservation of heritage as well as caring for the underprivileged and local community. Employees are also encouraged to take part in these activities so as to increase their awareness of the needs of the people around us and contribute towards protecting the environment. All of which are important to make a better society.

Environmental Management

One of the most important objectives in sustainable development is environmental protection. The Group believes that by incorporating eco-friendly initiatives in its hotel operations, it can help protect the environment and reduce the effect of global warming. Initiatives aiming to reduce energy consumption, improve waste management and raise public awareness to minimise food wastage all play a part in promoting a better environment. The Group has also been collaborating with government bodies, institutions and Non-Governmental Organizations to organise and support events and initiatives to encourage the community to recognise the importance of environmental protection.

Community Engagement

The Group believes that caring for one another by providing support and offering voluntary services to the underprivileged and needy is essential to making our society better. Efforts have been made to make facilities more user-friendly for the underprivileged within the hotel area. For example, the Group's hotels have a Braille menu at its restaurants and guide dogs services if required. The Group also has, on regular basis, made soup and delivered it to elderly people. This programme has been running since 2010 and has helped the Group reach out to thousands of elderly people and recently, the programme has been extended to underprivileged families. Voluntary services by the Group's employees to provide training for the ethnic minority and youth groups have been organised in the hope that it can help them to pursue their interest in the hospitality industry.

Tai O Heritage Hotel

Hong Kong Heritage Conservation Foundation Limited (the "HCF"), founded in 2008 by Ng Teng Fong family, the Group's majority shareholder, has conserved and revitalised the Old Tai O Police Station, built in 1902 and a Grade II Historic Building, into Tai O Heritage Hotel (the "Hotel"). The Hotel, operated by HCF as a non-profit social enterprise, is part of the HKSAR Government's "Revitalising Historic Buildings Through Partnership Scheme". To celebrate the second anniversary of UNESCO-awarded Tai O Heritage Hotel, a two-day open house was held on 6th and 7th April, 2014 and organised comprehensive hotel tours for over a thousand public visitors including local charity groups. Running as a non-profit social enterprise, Tai O Heritage

Hotel commits to engaging the public in bolstering Tai O's community, to achieve synergy with other local facilities and to promote heritage conservation.

INDUSTRY OUTLOOK AND PROSPECTS

Tourism is one of the pillar industries in Hong Kong. Developing tourism industry is important for Hong Kong as it continues to perform as one of the business and financial centres in Asia. Hong Kong's geographical setting, location, historical background, established infrastructure and simple tax system have also made it a city for a wide spectrum of travellers. As travellers come to Hong Kong, they spend money on goods and services benefiting a wide range of businesses. Travellers participating in international trade events or business conferences will also facilitate trade between Hong Kong and the rest of the world and create opportunities for Hong Kong people to share the heritages, local arts and culture, traditions and social life, which help foster Hong Kong as an Asia's World City.

Hong Kong must uphold its competitiveness in terms of hardware and software, making it the preferred choice from travellers' viewpoint. Hardware including accommodations, public amenities and transport network, conditions and efficiency are important to make the trips of travellers seamless. Attractions, heritage places and buildings will offer travellers entertainment and excitements. Good convention facilities will attract more businesses in the sector of Meetings, Incentives, Conventions and Exhibitions (the "MICE") which is fundamental in building Hong Kong the world's premier MICE destination. Software including quality of service, language ability and attitude of local people towards travellers, which make travellers' stays in Hong Kong comfortable, pleasant and memorable, are integral parts of building Hong Kong a 'traveller-friendly' society. HKSAR Government's bodies, namely HKTb, The Commissioner for Heritage's Office and Hong Kong Trade Development Council along with other institutions and business enterprises all play a role in raising Hong Kong's international appeal as well as quality of products and services.

According to HKTb's estimates, visitor arrivals have been forecast to reach approximately 59.0 million in 2014, an increase of approximately 8.6% and the outlook for Hong Kong's tourism and hospitality industries is positive.

The Group attaches significant importance of market positioning and branding. To accomplish these objectives, regular upgrade of hotel facilities and renovation is carried out where necessary. During the financial year 2013/2014, City Garden Hotel and Royal Pacific Hotel carried out renovations and upgrade of its facilities and some of its guest rooms. 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 take this opportunity to welcome Mr. Giovanni Viterale to the Board. Mr. Viterale was appointed as Executive Director of the Company with effect from 1st July, 2014.

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, 27th August, 2014



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FINAL RESULTS

The audited results of the Group for the year ended 30th June, 2014 are as follows:

Consolidated Statement of Profit or Loss

	Notes	2014 HK\$	2013 HK\$
Revenue	2	328,911,440	331,410,055
Direct expenses		(102,216,116)	(97,993,227)
Gross profit		226,695,324	233,416,828
Other expenses		(82,821,559)	(85,064,111)
Marketing costs		(11,872,076)	(11,536,697)
Administrative expenses		(27,243,040)	(25,951,751)
Finance income		3,553,057	869,305
Finance costs		(13,579)	(401,458)
Finance income, net		3,539,478	467,847
Share of results of associates		146,246,806	151,345,208
Profit before taxation	3	254,544,933	262,677,324
Income tax expense	4	(20,030,192)	(21,859,921)
Profit for the year attributable to the Company's shareholders		234,514,741	240,817,403
Interim dividend at HK4.0 cents (2013: HK4.0 cents) per share		38,027,438	37,595,473
Proposed final dividend at HK4.0 cents (2013: HK4.0 cents) per share		38,596,877	37,940,745
Earnings per share – basic	5	24.62 cents	25.68 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30th June, 2014

	2014 HK\$	2013 HK\$
Profit for the year	<u>234,514,741</u>	<u>240,817,403</u>
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	<u>(89,427,829)</u>	<u>127,043,408</u>
Other comprehensive (expense) income for the year	<u>(89,427,829)</u>	<u>127,043,408</u>
Total comprehensive income for the year attributable to the Company's shareholders	<u>145,086,912</u>	<u>367,860,811</u>

Consolidated Statement of Financial Position
At 30th June, 2014

	<i>Notes</i>	2014 HK\$	2013 HK\$
Non-current assets			
Property, plant and equipment		1,411,790,224	1,434,220,483
Interests in associates		1,308,681,846	1,298,758,040
Available-for-sale financial assets		633,411,582	696,029,179
		<u>3,353,883,652</u>	<u>3,429,007,702</u>
Current assets			
Hotel inventories		542,610	828,729
Trade and other receivables	6	13,153,673	11,607,117
Amounts due from associates		88,993,493	148,931,645
Bank balances and cash		428,631,752	188,672,971
		<u>531,321,528</u>	<u>350,040,462</u>
Current liabilities			
Trade and other payables	7	22,908,243	20,348,663
Amount due to an associate		1,604,468	835,759
Taxation payable		19,903,595	28,705,294
		<u>44,416,306</u>	<u>49,889,716</u>
Net current assets		<u>486,905,222</u>	<u>300,150,746</u>
Total assets less current liabilities		<u>3,840,788,874</u>	<u>3,729,158,448</u>
Capital and reserves			
Share capital		964,921,928	948,518,625
Reserves		2,869,182,898	2,773,861,213
Equity attributable to the Company's shareholders		3,834,104,826	3,722,379,838
Non-current liability			
Deferred taxation		<u>6,684,048</u>	<u>6,778,610</u>
		<u>3,840,788,874</u>	<u>3,729,158,448</u>

Notes:

1. Basis of preparation

In the current year, the Company and its subsidiaries (collectively referred to as “Group”) have applied the following amendments to standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011
Amendments to HKFRS 1	Cycle except for the amendments to HKAS 1
Amendments to HKFRS 7	Government Loans
	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)- Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns.

The adoption of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 July, 2013 and has had no material impact on the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 includes extensive disclosure requirements and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

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	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
Hotel operation				
– City Garden Hotel	300,373,755	303,277,143	141,116,127	150,877,313
Investment holding	9,776,572	7,733,478	9,775,835	7,733,398
Hotel operation				
– share of results of associates	-	-	282,327,631	282,433,494
Others – club operation and hotel management	18,761,113	20,399,434	3,190,186	3,141,722
	328,911,440	331,410,055		
Total segment results			436,409,779	444,185,927
Administrative and other expenses			(49,323,499)	(50,888,164)
Finance income, net			3,539,478	467,847
Share of results of associates				
- administrative and other expenses			(106,467,954)	(100,304,645)
- finance income, net			540,893	228,635
- income tax expense			(30,153,764)	(31,012,276)
			(136,080,825)	(131,088,286)
Profit before taxation			254,544,933	262,677,324

All of the segment revenue reported above are from external customers. There was no inter-segment revenue for the year (2013: nil).

Segment results represent the profit earned by each segment without allocation of certain administrative and 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 costs net of 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.

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 for the year are derived from Hong Kong. All the assets of the Group are located in Hong Kong.

3. Profit before taxation

	2014 HK\$	2013 HK\$
Profit before taxation has been arrived at after charging (crediting):		
Cost of hotel inventories consumed (included in direct expenses)	25,956,326	26,762,970
Depreciation and amortisation of property, plant and equipment (included in other expenses)	40,446,336	42,143,430
Loss (gain) on disposal of property, plant and equipment	<u>4,416</u>	<u>(52,151)</u>

4. Income tax expense

	2014 HK\$	2013 HK\$
Income tax expense (credit) comprises:		
Hong Kong Profits Tax calculated at 16.5% (2013: 16.5%) on the estimated assessable profit		
Current year	20,090,943	22,259,070
Overprovision in prior year	(60,000)	(86,981)
Dividend withholding tax	<u>93,811</u>	<u>-</u>
	20,124,754	22,172,089
Deferred tax		
Current year	<u>(94,562)</u>	<u>(312,168)</u>
	<u>20,030,192</u>	<u>21,859,921</u>

5. Earnings per share - basic

The calculation of the basic earnings per share is based on the profit for the year of HK\$234,514,741 (2013: HK\$240,817,403) and on the weighted average number of 952,690,781 (2013: 937,678,744) 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:

	2014	2013
	HK\$	HK\$
Trade receivables		
0-30 days	6,293,623	6,091,043
31-60 days	202,299	629,972
61-90 days	32,162	1,243
> 90 days	35,461	-
	6,563,545	6,722,258
Other receivables	6,590,128	4,884,859
	13,153,673	11,607,117

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:

	2014	2013
	HK\$	HK\$
Trade payables within 30 days	8,483,902	7,646,790
Renovation cost payable	145,048	145,048
Other payables	14,279,293	12,556,825
	22,908,243	20,348,663

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Thursday, 23rd October, 2014, the register of members of the Company will be closed from Tuesday, 21st October, 2014 to Thursday, 23rd October, 2014, 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 Monday, 20th October, 2014.

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, 30th October, 2014. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 29th October, 2014 to Thursday, 30th October, 2014, 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, 28th October, 2014.

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 officer, 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 will review 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, 2014 have been reviewed by the audit committee of the Company.

2014 ANNUAL REPORT

The 2014 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, 19th September, 2014.

By Order of the Board
Velencia LEE
Company Secretary

Hong Kong, 27th August, 2014

As at the date hereof, the Executive Directors of the Company are Mr. Robert Ng Chee Siong, Mr. Daryl Ng Win Kong, Mr. Nicholas Yim Kwok Ming and Mr. Giovanni Viterale, the Non-Executive Directors are The Honourable Ronald Joseph Arculli and Mr. Gilbert Lui Wing Kwong, and the Independent Non-Executive Directors are Mr. Peter Wong Man Kong, Mr. Adrian David Li Man-kiu and Mr. Steven Ong Kay Eng.