

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.

CHAIRMAN'S STATEMENT *(Continued)*

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).

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Business Activities *(Continued)*

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.

CHAIRMAN'S STATEMENT *(Continued)*

EMPLOYEE PROGRAMMES

(Continued)

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.

CHAIRMAN'S STATEMENT *(Continued)*

CORPORATE SOCIAL RESPONSIBILITY

(Continued)

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.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS *(Continued)*

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