



信和酒店(集團)有限公司
Sino Hotels (Holdings) Limited

2009-2010
INTERIM REPORT
二零零九至二零一零年度
中期報告書

The Royal Pacific Hotel & Towers
皇家太平洋酒店



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Shareholders who have chosen to receive the Corporate Communications using electronic means through the Company’s website and who for any reason have difficulty in receiving or gaining access to the Interim Report posted on the Company’s website will promptly upon request be sent the Interim Report in printed form free of charge.

Shareholders may at any time choose to change their choice of language and means of receipt (i.e. in printed form or by electronic means through the Company’s website) of all future Corporate Communications from the Company by giving reasonable notice in writing by post to the Company’s Principal Registrars, Tricor Friendly Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong or by email at sinohotels1221-ecom@hk.tricorglobal.com.

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股東可隨時發出合理書面通知予本公司主要股票登記處，卓佳準誠有限公司，郵寄地址為香港皇后大道東28號金鐘匯中心26樓，或透過電郵地址sinohotels1221-ecom@hk.tricorglobal.com，要求更改所選擇收取公司通訊的語言版本及收取方式（印刷方式或以透過本公司網站之電子方式）。

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CORPORATE INFORMATION

Board of Directors

Robert Ng Chee Siong, Chairman
Ronald Joseph Arculli, GBS, CVO, OBE, JP[#]
Gilbert Lui Wing Kwong[#]
Peter Wong Man Kong, BBS, JP*
Adrian David Li Man-kiu, JP*
Steven Ong Kay Eng*
Thomas Tang Wing Yung
Daryl Ng Win Kong
Nicholas Yim Kwok Ming

([#] Non-Executive Directors)

(* Independent Non-Executive Directors)

Audit Committee

Adrian David Li Man-kiu, JP, Chairman
Gilbert Lui Wing Kwong
Peter Wong Man Kong, BBS, JP
Steven Ong Kay Eng

Remuneration Committee

Daryl Ng Win Kong, Chairman
Peter Wong Man Kong, BBS, JP
Adrian David Li Man-kiu, JP

Authorized Representatives

Robert Ng Chee Siong
Eric Ip Sai Kwong

Secretary

Eric Ip Sai Kwong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

Solicitors

Baker & McKenzie, Hong Kong
Clifford Chance, Hong Kong
Maples and Calder, Cayman Islands

Shareholders' Calendar

Closure of Register of Members	24th March, 2010 to 26th March, 2010 (both dates inclusive)
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Last Date for lodging scrip dividend election forms	15th April, 2010 4:30 p.m.
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Interim Dividend Payable	HK2.6 cents per share 27th April, 2010
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Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
Mizuho Corporate Bank, Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Hang Seng Bank Limited

Investor Relations Contact

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General Manager – Corporate Finance
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Fax : (852) 2369 1236
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Website : www.sino.com
Email : info@sino.com

Registered Office

P.O. Box 309,
Ugland House, Grand Cayman,
KY1-1104, Cayman Islands

Principal Registrars

Tricor Friendly Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Hong Kong
Telephone : (852) 2980 1333
Fax : (852) 2861 1465
Email : sinohotels1221-ecom@hk.tricorglobal.com

Listing Information

Stock Code	1221
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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, 2009 (Interim Period) was HK\$64.8 million, representing an increase of 140% compared with HK\$27.0 million in the previous period. The significant increase in net profit for this Interim Period was mainly due to the provision of the impairment loss of HK\$41.1 million on available-for-sale financial assets in the previous interim period which was no longer required to be provided for in the current Interim Period.

The turnover of the Group for the Interim Period was HK\$104.9 million. (2008: HK\$122.7 million). Earnings per share for the period were 7.49 cents (2008: 3.15 cents).

The unaudited interim results for the Interim Period have been reviewed by the Company's auditors, 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 2.6 cents per share payable on 27th April, 2010 to shareholders whose names appear on the Register of Members of the Company on 26th March, 2010.

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 shareholders together with the form of election for the scrip dividend on or about 31st March, 2010. It is expected that the interim dividend warrants and share certificates will be despatched to shareholders on or about 27th April, 2010.

REVIEW OF OPERATIONS

Visitor arrivals in Hong Kong showed a mild increase in 2009 compared with that of 2008. Much of the global economic impact was felt and the lower level of visitor arrivals seen in the first half of 2009, but activity started to pick up in the second half, bringing the total visitor arrivals to 29.6 million in 2009 (2008: 29.5 million). The 5th East Asian Games held in Hong Kong in December 2009, the Hong Kong Wine & Dine Festival and other events were contributing factors in visitor arrival increases in the last quarter of 2009.

Occupancy rates for City Garden Hotel, Royal Pacific Hotel & Towers and Conrad Hong Kong for the Interim Period were 87.7%, 95.1% and 75.7% compared with 89.0%, 90.8% and 74.1% respectively for the corresponding period in 2008.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

The turnover of City Garden Hotel, Royal Pacific Hotel & Towers and Conrad Hong Kong during the Interim Period was HK\$95.0 million, HK\$147.7 million and HK\$313.9 million respectively compared with HK\$114.1 million, HK\$164.6 million and HK\$342.0 million for the corresponding period in 2008.

Throughout 2009, the Group made as much effort as possible to sustain revenue, implement measures to enhance operational efficiency and at the same time further improve service. With global economy showing signs of recovery in the latter half of 2009, the Group is well positioned to capitalise on the return of business opportunities.

Finance

As at 31st December, 2009, the Group's gearing ratio, expressed as a percentage of bank and other borrowings net of cash and bank balances over shareholders' equity, was at a low of approximately 10.1%. Of the total borrowings, 32.5% was repayable within one year and the remaining repayable after one year. The Group, including the attributable shares of its associates, held cash resources of approximately HK\$213.8 million, comprising cash on hand of approximately HK\$136.1 million together with committed undrawn facilities of approximately HK\$77.7 million.

There was no material change in foreign currency borrowings and the capital structure of the Group for the Interim Period. Foreign exchange exposure is kept at a minimal level. The majority of the Group's borrowings are subject to floating interest rates. The Group has maintained a prudent and sound financial management policy and has not entered into any transaction relating to derivatives and/or any other form of accumulators, swap transactions and options.

As at 31st December, 2009, the Group did not have any contingent liabilities.

Other than the abovementioned, there was no material change from the information published in the report and accounts for the year ended 30th June, 2009.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises that long-term shareholder value can best be optimised by operating and performing in a socially responsible manner. Corporate integrity, ethics, governance and citizenship are important in the Group's daily operations and management. As a committed and responsible corporate citizen, the Group has been working closely with various charitable organisations to support community services for the needy, and with environmental conservation groups to promote a better environment and healthy living.

CHAIRMAN'S STATEMENT *(Continued)*

EMPLOYEE PROGRAMMES

The Group emphasises on staff development and treasures staff contribution by placing significant importance on staff recognition, welfare and safety, and career development. We remain committed to initiatives that inspire employees to provide quality services for customers and develop quality service culture.

Driven by our guiding principle of “customer comes first”, the Group provides a programme of customer service training aimed at creating an excellent service culture and providing quality service for customers. In addition, employees are given the opportunity to acquire new knowledge and skills by participating in professional customer service training, language training and communication skills workshops. Employees are well-trained with the skills to anticipate customers' needs.

The Group continues to carry out the Sino Excellence Programme which launches both the Mystery Calls Survey and Mystery Shoppers Survey on a regular basis. It is an effective tool to measure customer satisfaction levels and identify customers' expectations. The Group also established three award schemes namely “Best Performer Award”, “Employee of the Year” and “Manager of the Year” to recognise and retain outstanding employees. In addition, the “Long Service Award” is also established to recognise loyal employees.

We further emphasise succession planning and provide structured training programmes to develop prospective middle managers' skills and business perspective. To facilitate effective communications channels and learning opportunities, staff meetings, experience sharing sessions and staff activities are organised regularly.

INDUSTRY OUTLOOK AND PROSPECTS

As revealed by UNWTO, international tourism started to pick up in the last quarter of 2009 with tourist arrivals for business, leisure and other purposes showing a growth of 2% from negatives in the three consecutive quarters in the same year, contributing to better-than-expected results for the full calendar year. Economic statistics are pointing the direction that the world economy is on the path of recovery which is mainly sustained by the expansion of manufacturing sector, improvement in the financial market conditions that support the economic growth and strengthening of consumers' confidence. Prospects of the tourism industry on worldwide basis are positive with arrivals expected to increase between 3% and 4% in 2010.

In Hong Kong, despite the difficult time caused by the financial turmoil, visitor arrivals still experienced a modest year-on-year growth for the full year of 2009 mainly due to much improved global business environment in the latter half of 2009. With the economic recovery gaining momentum, visitor arrivals are expected to rise. It is also encouraging that the visitor arrivals for 2010 are estimated to be over 31.1 million, according to the Hong Kong Tourism Board.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS *(Continued)*

The HKSAR Government's commitment and efforts to continuously develop new attractions, revitalise heritage area and buildings as well as engage in important infrastructure developments to promote Hong Kong in both leisure and commercial markets will enhance Hong Kong's world appeal. The opening of the Hong Kong National Geopark in November 2009, covering 5,000 hectares of eight geo-areas distributed across the Northeast New Territories Sedimentary Rock Region and Sai Kung Volcanic Rock Region, will foster the development of eco-tourism and environmental conservation. The first berth of the new cruise terminal at Kai Tak, which is expected to commence operation in mid-2013, will bring a new dimension to the Hong Kong tourism industry. The Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link project will enhance closer economic ties between the Mainland and Hong Kong in the long run. The rail link will also increase visitor arrivals and create even more business opportunities in Hong Kong. The measure by Central Government that allows Mainland tour groups to travel to Taiwan through Hong Kong will also benefit Hong Kong's tourism and cruise businesses.

The economic benefits of the Individual Visit Scheme implemented by the Central Government since the second half of 2003 are widely recognised. The Scheme was further strengthened in 2009. In addition to the one-year multiple-entry Individual Visit Scheme endorsement for Shenzhen residents to visit Hong Kong introduced in April 2009, the Scheme has been extended to allow non-Guangdong residents in Shenzhen, with effect from 15th December, 2009, and will have positive effects for Hong Kong. Hong Kong is also well-positioned to benefit from its proximity to Shenzhen, the economic growth of Shenzhen over the past few decades, and the region's growing and increasingly wealthy affluent class.

Following the successful marketing theme of 'Hong Kong Food and Wine Year' for 2009, the HKTB has decided to adopt 'Festive Hong Kong 2010' as the marketing theme for the fiscal year of 2010/2011 highlighting Hong Kong's multi-cultural celebrations and festivals. The designation of 2009 as the "Hong Kong-Japan Tourism Exchange Year" has been extended for three months until the end of March 2010. The extension of the scheme will further encourage two-way tourism and cultural exchange between Hong Kong and Japan. Further, the HKSAR Government's strenuous efforts in encouraging multi-destination itineraries travelling concept which capitalises on the strengths of Hong Kong's geographical position within the Pearl River Delta Region and reinforcing Hong Kong's position as the preferred destination for MICE in the region will make Hong Kong an Events Capital of Asia.

It is also encouraging to see that the website of the Hong Kong Tourism Board is always updated with comprehensive information on a timely basis. This is an important channel by which travellers worldwide access information to decide whether or not they will visit Hong Kong as well as for planning Hong Kong trips. It has the important function of delivering a good image of Hong Kong and attracting a broader range of nationalities to visit Hong Kong. The recent launch of the Arabic version of the website (DiscoverHongKong.com) for the Middle East market will also widen the traveller base.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS *(Continued)*

The Group places significant importance on the asset enhancement programme. This is to ensure that the hotel guests enjoy their stays with our hotels and also the customers who come to patronise the restaurants and bars in our hotels feel comfortable with the surroundings. All three hotels City Garden Hotel, Royal Pacific Hotel and Towers and Conrad Hong Kong plan to carry out renovations in 2010/2011. City Garden Hotel expects to renovate the banquet function room and the remaining one floor of guestrooms. Royal Pacific Hotel and Towers expects to renovate the gym area and four floors of guest rooms in the Towers Wing as well as modernise all of the guest elevators. Plan for renovating the Garden Café, Cake Shop and The Presidential Suite in Conrad Hong Kong is also under preparation. Management continues to place substantial efforts to increase revenue and at the same time optimising the operational efficiency.

Looking forward, the Group continues to strive to optimise its earnings and improve the quality of products and services which will ultimately lead us to serve our customers better. Management will continue to plan well and work efficiently for the future. The Directors are confident in the medium to long term prospects of the Group.

IN MEMORIAM

Management and staff are deeply saddened by the passing away of Mr. Ng Teng Fong, the founder of the Sino Group in Hong Kong and Far East Organization in Singapore, who departed peacefully on 2nd February, 2010 at the age of 82. Mr. Ng Teng Fong gave wholeheartedly his guidance to establish the Sino Group as a leading corporation. We shall continue to be inspired by his passion for excellence in the real estate industry. He will be missed dearly by those who knew and worked with him.

STAFF AND MANAGEMENT

On behalf of the Board, I would like to 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, 25th February, 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st December, 2009

		Six months ended	
		31st December, 2009	31st December, 2008
	<i>NOTES</i>	HK\$	HK\$
		(Unaudited)	(Unaudited)
Revenue	3, 4	104,948,476	122,799,115
Cost of sales		(36,837,410)	(34,448,336)
Marketing costs		(4,723,921)	(3,540,218)
Administrative expenses		(11,264,376)	(10,115,749)
Impairment loss on available-for-sale financial assets		–	(41,100,000)
Other expenses		(35,410,169)	(43,489,583)
Finance income	5	359,107	1,988,775
Finance costs	6	(2,512,480)	(12,904,824)
Finance costs net of finance income		(2,153,373)	(10,916,049)
Share of results of associates		54,534,248	53,044,690
Profit before taxation	7	69,093,475	32,233,870
Income tax expense	8	(4,193,671)	(5,174,563)
Profit for the period attributable to owners of the Company		64,899,804	27,059,307
Earnings per share – Basic	10	7.49 cents	3.15 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31st December, 2009

	Six months ended	
	31st December, 2009 HK\$ (Unaudited)	31st December, 2008 HK\$ (Unaudited)
Profit for the period	<u>64,899,804</u>	<u>27,059,307</u>
Other comprehensive income (expenses)		
Fair value gain (loss) on available-for-sale financial assets	192,623,595	(314,546,796)
Reclassification adjustment for investment revaluation reserve upon impairment on available-for-sale financial assets	<u>—</u>	<u>41,100,000</u>
Other comprehensive income (expenses) for the period	<u>192,623,595</u>	<u>(273,446,796)</u>
Total comprehensive income (expenses) for the period attributable to owners of the Company	<u>257,523,399</u>	<u>(246,387,489)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	<i>NOTES</i>	31st December, 2009 <i>HK\$</i> (Unaudited)	30th June, 2009 <i>HK\$</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	340,596,269	344,972,626
Prepaid lease payments – non-current		1,190,512,575	1,201,621,557
Interests in associates	<i>12</i>	1,309,790,896	1,255,256,648
Available-for-sale financial assets		612,498,801	418,262,369
Pledged fixed deposit		1,557,720	1,557,504
		<hr/> 3,454,956,261 <hr/>	<hr/> 3,221,670,704 <hr/>
CURRENT ASSETS			
Hotel inventories		799,099	598,955
Trade and other receivables	<i>13</i>	11,414,831	5,865,692
Prepaid lease payments – current		22,217,964	22,217,964
Amounts due from associates		237,970,174	233,441,953
Bank balances and cash		25,932,346	31,042,249
		<hr/> 298,334,414 <hr/>	<hr/> 293,166,813 <hr/>
CURRENT LIABILITIES			
Trade and other payables	<i>14</i>	13,324,342	9,748,170
Amount due to an associate		60,489	64,359
Tax payable		5,289,416	8,863,807
Bank loans and other borrowings		106,968,225	96,968,204
		<hr/> 125,642,472 <hr/>	<hr/> 115,644,540 <hr/>
NET CURRENT ASSETS		<hr/> 172,691,942 <hr/>	<hr/> 177,522,273 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 3,627,648,203 <hr/>	<hr/> 3,399,192,977 <hr/>
CAPITAL AND RESERVES			
Share capital		871,313,063	865,288,863
Reserves		2,094,717,260	1,849,699,717
		<hr/> 2,966,030,323 <hr/>	<hr/> 2,714,988,580 <hr/>
Equity attributable to owners of the Company			
NON-CURRENT LIABILITIES			
Bank loans and other borrowings		221,548,621	244,743,463
Amount due to an associate		434,785,135	434,062,067
Deferred taxation		5,284,124	5,398,867
		<hr/> 661,617,880 <hr/>	<hr/> 684,204,397 <hr/>
		<hr/> 3,627,648,203 <hr/>	<hr/> 3,399,192,977 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2009

	Share capital HK\$	Share premium HK\$	Investment revaluation reserve HK\$	Distributable reserve HK\$	Retained profits HK\$	Total HK\$
At 1st July, 2008 (audited)	859,795,843	203,145,386	215,978,981	1,426,142,678	128,725,712	2,833,788,600
Profit for the period	–	–	–	–	27,059,307	27,059,307
Fair value loss on available-for-sale financial assets	–	–	(314,546,796)	–	–	(314,546,796)
Reclassification adjustment for investment revaluation reserve upon impairment loss on available-for-sale financial assets	–	–	41,100,000	–	–	41,100,000
Total comprehensive (expense) income for the period	–	–	(273,446,796)	–	27,059,307	(246,387,489)
Sub-total	859,795,843	203,145,386	(57,467,815)	1,426,142,678	155,785,019	2,587,401,111
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2008	5,102,856	10,348,593	–	–	–	15,451,449
Share issue expenses	–	(113,746)	–	–	–	(113,746)
Dividend	–	–	–	(25,793,875)	–	(25,793,875)
At 31st December, 2008 (unaudited)	864,898,699	213,380,233	(57,467,815)	1,400,348,803	155,785,019	2,576,944,939
Profit for the period	–	–	–	–	50,369,323	50,369,323
Fair value gain on available-for-sale financial assets	–	–	102,391,724	–	–	102,391,724
Total comprehensive income for the period	–	–	102,391,724	–	50,369,323	152,761,047
Sub-total	864,898,699	213,380,233	44,923,909	1,400,348,803	206,154,342	2,729,705,986
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2009	390,164	567,610	–	–	–	957,774
Share issue expenses	–	(107,003)	–	–	–	(107,003)
Dividend	–	–	–	(15,568,177)	–	(15,568,177)
At 30th June, 2009 (audited)	865,288,863	213,840,840	44,923,909	1,384,780,626	206,154,342	2,714,988,580
Profit for the period	–	–	–	–	64,899,804	64,899,804
Fair value gain on available-for-sale financial assets	–	–	192,623,595	–	–	192,623,595
Total comprehensive income for the period	–	–	192,623,595	–	64,899,804	257,523,399
Sub-total	865,288,863	213,840,840	237,547,504	1,384,780,626	271,054,146	2,972,511,979
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2009	6,024,200	8,308,578	–	–	–	14,332,778
Share issue expenses	–	(47,501)	–	–	–	(47,501)
Dividend	–	–	–	(20,766,933)	–	(20,766,933)
At 31st December, 2009 (unaudited)	871,313,063	222,101,917	237,547,504	1,364,013,693	271,054,146	2,966,030,323

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st December, 2009

	Six months ended	
	31st December, 2009	31st December, 2008
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Net cash from operating activities	24,837,111	34,218,709
Purchase of property, plant and equipment	(4,318,198)	(13,636,559)
Advances to associates	(237,371,293)	(10,244,029)
Other investing cash flows	358,891	1,974,066
Net cash used in investing activities	(241,330,600)	(21,906,522)
Net cash from (used in) financing activities		
Repayments of bank loans and other borrowings	(23,715,558)	(26,837,443)
Other financing cash flows	(8,466,996)	(22,238,703)
New bank loans and other borrowings raised	10,000,000	29,800,000
Repayment from an associate	232,843,072	–
Advance from an associate	723,068	6,603,172
	211,383,586	(12,672,974)
Net decrease in cash and cash equivalents	(5,109,903)	(360,787)
Cash and cash equivalents at the beginning of the period	31,042,249	37,736,941
Cash and cash equivalents at the end of the period, represented by bank balances and cash	25,932,346	37,376,154

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st December, 2009

1. BASIS OF PREPARATION

The condensed consolidated 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 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30th June, 2009 except for the application of the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the HKICPA and applied by the Group for the first time in the current period.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised 2008)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to HKFRS 2, HKAS 38, paragraph 80 of HKAS 39, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2009

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKAS 1 (Revised 2007) *Presentation of Financial Statements*

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised 2007) has had no impact on the reported results or financial position of the Group.

HKFRS 8 *Operating Segments*

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st July, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was by business segments. The application of HKFRS 8 has resulted in a redesignation and measurement basis of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of the operation of the Group's businesses, including hotel operations and management, club operations and investment holding. However, information reported to the chief operating decision makers for the purposes of resources allocation and performance assessment focuses more specifically on the performance of each hotel for hotel operation (now including those operated through investments in associates of the Group), hotel management and club operations.

Information regarding the operating segments is reported in note 4. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

The adoption of the remaining new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised Standards, Amendments or Interpretation that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009 ¹
HKAS 24 (Revised)	Related Party Disclosures ²
HKAS 32 (Amendment)	Classification of Rights Issues ³
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁴
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ²
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Amendments that are effective for annual periods beginning on or after 1st January, 2010

² Effective for annual periods beginning on or after 1st January, 2011

³ Effective for annual periods beginning on or after 1st February, 2010

⁴ Effective for annual periods beginning on or after 1st January, 2010

⁵ Effective for annual periods beginning on or after 1st January, 2013

⁶ Effective for annual periods beginning on or after 1st July, 2010

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2009

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid land lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE

Revenue represents the aggregate of income from hotel operation, hotel management, club & café operations and investment holding, and is analysed as follows:

	Six months ended	
	31st December, 2009 HK\$	31st December, 2008 HK\$
Revenue analysed by revenue from:		
Hotel operation	95,017,413	114,150,926
Hotel management	989,260	989,260
Club & café operations	7,328,966	4,216,919
Dividend income from available-for-sale financial assets	1,612,837	3,442,010
	<hr/>	<hr/>
	104,948,476	122,799,115
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2009

4. SEGMENT INFORMATION

The Group's operating segments under HKFRS 8 are as follows:

1. Hotel operation – City Garden Hotel
2. Investment holding – holding strategic available-for-sale investments
3. Hotel operation – operated through investments in associates of the Group, including Conrad Hong Kong and Royal Pacific Hotel
4. Others – Club operations and hotel management

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

	Segment revenue		Segment profit (loss)	
	Six months ended		Six months ended	
	31st December, 2009 HK\$	31st December, 2008 HK\$	31st December, 2009 HK\$	31st December, 2008 HK\$
Hotel operation				
– City Garden Hotel	95,017,413	114,150,926	18,041,254	28,143,938
Investment holding	1,612,837	3,442,010	1,611,561	(37,660,666)
Others – Club operations and hotel management	8,318,226	5,206,179	970,770	1,822,926
Share of results of associates – hotel operation	–	–	66,578,071	63,323,270
	104,948,476	122,799,115	87,201,656	55,629,468
Share of results of associates – others			(31,746)	(31,184)
Share of income tax expenses of associates			(12,012,077)	(10,247,396)
Corporate expenses			(3,910,985)	(2,200,969)
Finance income			359,107	1,988,775
Finance costs			(2,512,480)	(12,904,824)
Profit before taxation			69,093,475	32,233,870

All of the segment revenue reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of corporate expenses, finance income, finance costs and share of income tax expenses of associates. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2009

5. FINANCE INCOME

	Six months ended	
	31st December, 2009 HK\$	31st December, 2008 HK\$
Interest income on:		
Advance to an associate	357,596	1,871,507
Bank deposits	1,511	117,268
	<u>359,107</u>	<u>1,988,775</u>

6. FINANCE COSTS

	Six months ended	
	31st December, 2009 HK\$	31st December, 2008 HK\$
Interest and other finance costs on:		
Bank loans wholly repayable within five years	1,781,034	6,212,536
Advance from an associate	723,068	6,603,172
Other unsecured loans	8,378	89,116
	<u>2,512,480</u>	<u>12,904,824</u>

7. PROFIT BEFORE TAXATION

	Six months ended	
	31st December, 2009 HK\$	31st December, 2008 HK\$
Profit before taxation has been arrived at after charging:		
Cost of hotel inventories recognised as an expense	9,256,536	9,561,993
Depreciation of property, plant and equipment	8,694,555	7,504,044
Write-off of property, plant and equipment (included in other expenses)	–	9,422,428
Release of prepaid lease payments	11,108,982	11,108,982

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2009

8. INCOME TAX EXPENSE

	Six months ended	
	31st December, 2009 HK\$	31st December, 2008 HK\$
Income tax expense comprises:		
Hong Kong Profits Tax calculated at 16.5% (2008: 16.5%) on estimated assessable profit		
Current period	4,308,414	4,994,630
Deferred taxation	(114,743)	179,933
	<u>4,193,671</u>	<u>5,174,563</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.

9. DIVIDEND

	Six months ended	
	31st December, 2009 HK\$	31st December, 2008 HK\$
Final dividend for the year ended 30th June, 2009: HK2.4 cents (six months ended 31st December, 2008: 2008 final dividend of HK3.0 cents) per share	<u>20,766,933</u>	<u>25,793,875</u>

The Directors determined that an interim dividend for the six months ended 31st December, 2009 of HK2.6 cents (six months ended 31st December, 2008: HK1.8 cents) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 26th March, 2010.

10. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the period of HK\$64,899,804 (six months ended 31st December, 2008: HK\$27,059,307) and on the weighted average number of 866,205,589 (six months ended 31st December, 2008: 860,295,035) shares in issue during the period.

Diluted earnings per share for the periods are not shown as there were no potential ordinary share outstanding during both of the periods presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2009

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31st December, 2009, the Group spent approximately HK\$4,318,000 (*six months ended 31st December, 2008: HK\$13,637,000*) on property, plant and equipment.

12. INTERESTS IN ASSOCIATES

	31st December, 2009 HK\$	30th June, 2009 HK\$
Cost of unlisted investments in associates	1,062,961,934	1,062,961,934
Deemed capital contribution to an associate	603,000	603,000
Share of post-acquisition profits, net of dividends received	246,225,962	191,691,714
	<u>1,309,790,896</u>	<u>1,255,256,648</u>

Included in the cost of investments in associates is goodwill of HK\$186,513,404 (*30th June, 2009: HK\$186,513,404*) arising on acquisitions of associates in prior years.

13. TRADE AND OTHER RECEIVABLES

The Group maintains a defined credit policy. An aged analysis of trade receivables is as follows:

	31st December, 2009 HK\$	30th June, 2009 HK\$
Trade receivables		
0-30 days	6,505,656	2,872,896
31-60 days	1,363,983	733,235
61-90 days	394,703	682,095
Over 90 days	953	33,077
	<u>8,265,295</u>	<u>4,321,303</u>
Other receivables	3,149,536	1,544,389
	<u>11,414,831</u>	<u>5,865,692</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2009

14. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	31st December,	30th June,
	2009	2009
	HK\$	HK\$
Trade payables		
0-30 days	5,165,721	3,962,919
31-60 days	68,470	192,641
	5,234,191	4,155,560
Renovation cost payable	853,424	2,148,365
Other payables	7,236,727	3,444,245
	13,324,342	9,748,170

15. PLEDGE OF ASSETS

- (a) At 31st December, 2009, the Group has pledged its hotel properties and prepaid lease payments having carrying amounts of HK\$280,638,049 (*30th June, 2009: HK\$283,529,080*) and HK\$1,212,730,539 (*30th June, 2009: HK\$1,223,839,521*) and available-for-sale financial assets at fair value of HK\$347,193,578 (*30th June, 2009: HK\$299,841,052*) and pledged by way of floating charges in other assets, including bank balances of HK\$21,554,276 (*30th June, 2009: HK\$23,785,584*), hotel inventories of HK\$710,397 (*30th June, 2009: HK\$565,874*), property, plant and equipment of HK\$56,618,533 (*30th June, 2009: HK\$61,393,202*) and trade and other receivables of HK\$9,497,668 (*30th June, 2009: HK\$4,955,477*) to banks to secure long-term loan facilities granted to the Group;
- (b) The Group has pledged its time deposit of HK\$1,557,720 (*30th June, 2009: HK\$1,557,504*) to secure a letter of guarantee issuance facility; and
- (c) The investments in certain subsidiaries of the Company have been pledged to banks or financial institutions to secure loan facilities granted to the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24th March, 2010 to Friday, 26th March, 2010, 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 Friday, 26th March, 2010.

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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 23rd March, 2010.

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.

DIRECTORS' INTERESTS

As at 31st December, 2009, the interests and short positions held by the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

(a) Long Positions in Shares of the Company

Name of Directors	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Mr. Robert Ng Chee Siong	944,340	Beneficial owner of 238,026 shares and spouse interest in 706,314 shares	0.10%
The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP	282,167	Beneficial owner	0.03%
Mr. Gilbert Lui Wing Kwong	—	—	—
Mr. Peter Wong Man Kong, BBS, JP	—	—	—
Mr. Adrian David Li Man-kiu, JP	—	—	—
Mr. Steven Ong Kay Eng	—	—	—
Mr. Thomas Tang Wing Yung	—	—	—
Mr. Daryl Ng Win Kong	—	—	—
Mr. Nicholas Yim Kwok Ming	—	—	—

DIRECTORS' INTERESTS (Continued)

(b) Long Positions in Shares of Associated Corporation

Mr. Robert Ng Chee Siong was deemed to be interested in shares of the following company through corporation controlled by him:

Name of Associated Company	Number of Ordinary Shares	% of Issued Share Capital
FHR International Limited	1 (Note)	33.33%

Note: The share was held by Smart Link Limited in which Mr. Robert Ng Chee Siong had a 100% control.

Save as disclosed above, as at 31st December, 2009, none of the Directors had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO or required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 31st December, 2009, the interests and short positions of the substantial shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register kept under Section 336 of Part XV of the SFO were as follows:

Long Positions in Shares of the Company

Name of Substantial Shareholders	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Mr. Ng Teng Fong*	412,004,888 <i>(Note 1)</i>	Beneficial owner of 36,213,186 shares, spouse interest in 1,004,293 shares and interest of controlled corporations in 374,787,409 shares	47.28%
Tamworth Investment Limited	146,223,065 <i>(Note 2)</i>	Beneficial owner	16.78%
Strathallan Investment Limited	98,468,421 <i>(Note 2)</i>	Beneficial owner	11.30%

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS (Continued)

Long Positions in Shares of the Company (Continued)

Name of Other Shareholders	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Solid Capital Holdings Limited	83,087,978 <i>(Note 3)</i>	Security interest in 82,725,739 shares and beneficial owner of 362,239 shares	9.54%
Nippomo Limited	48,714,964 <i>(Note 2)</i>	Beneficial owner	5.59%

Notes:

1. *As regards 374,787,409 shares held by controlled corporations:*
 - (a) *373,111,348 shares were held through companies which were 100% controlled by Mr. Ng Teng Fong – 36,189,978 shares by Fanlight Investment Limited, 51,467 shares by Garford Nominees Limited, 15,482,696 shares by Karaganda Investments Inc., 48,714,964 shares by Nippomo Limited, 1,395,887 shares by Orient Creation Limited, 98,468,421 shares by Strathallan Investment Limited, 4,234,625 shares by Strong Investments Limited, 146,223,065 shares by Tamworth Investment Limited and 22,350,245 shares by Transpire Investment Limited; and*
 - (b) *1,676,061 shares were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which Mr. Ng Teng Fong had a 71.95% control.*
 2. *The interests of Tamworth Investment Limited, Strathallan Investment Limited and Nippomo Limited were duplicated in the interests of Mr. Ng Teng Fong.*
 3. *19,889 shares were held by Meadow Gate Company Limited which is 70% controlled by Solid Capital Holdings Limited.*
- * *Mr. Ng Teng Fong passed away on 2nd February, 2010*

Save as disclosed above and so far as the Directors of the Company are aware, as at 31st December, 2009, no other person had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder of the Company.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Director's Updated Biographical Details

The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP ceased to be the Chairman of the Committee on Review of Post-service Outside Work for Directorate Civil Servants on 13th July, 2009.

Directors' Emoluments

During the interim period, the Executive Director Mr. Nicholas Yim Kwok Ming received a discretionary bonus in the amount of HK\$375,000.

The basis of determining the Directors' emoluments (including bonus payments) remain unchanged during the six months ended 31st December, 2009.

Save as disclosed above, as at 31st December, 2009, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE COMMITTEE

The Company set up its Compliance Committee on 30th August, 2004 with written terms of reference to enhance the corporate governance of the Group. The Committee has dual reporting lines. A principal reporting line is to the Board through the Committee Chairman. A secondary reporting line is to the Audit Committee. The existing Committee comprises the Executive Director Mr. Daryl Ng Win Kong (Committee Chairman), the other Executive Directors, the two Heads of Legal and Company Secretarial Departments, Group General Manager (Hotel), the Chief Financial Officer, Head of Internal Audit Department, department heads and the Compliance Officer. The Committee holds bi-monthly regular meetings to review and make recommendations to the Board and the Audit Committee on the Group's corporate governance issues and Listing Rules compliance matters.

AUDIT COMMITTEE

The Company set up its Audit Committee on 16th September, 1998 with written terms of reference. The Committee reports to the Board and has held regular meetings since its establishment to review and make recommendations to improve the Group's financial reporting process and to ensure that management has discharged its duty to have effective financial controls, internal controls and risk management systems. The Committee comprises Mr. Adrian David Li Man-kiu, JP (Committee Chairman), Mr. Peter Wong Man Kong, BBS, JP and Mr. Steven Ong Kay Eng, all of whom are Independent Non-Executive Directors, and Mr. Gilbert Lui Wing Kwong, a Non-Executive Director.

In the first quarter of 2010, the Audit Committee has reviewed the accounting policies and practices adopted by the Group and the interim report for the six months ended 31st December, 2009.

REMUNERATION COMMITTEE

The Company established its Remuneration Committee on 23rd June, 2005 with written terms of reference. The Committee comprises three members with the Independent Non-Executive Directors constituting the majority of the Committee. The Chairman of the Committee is the Executive Director, Mr. Daryl Ng Win Kong and two other members are the Independent Non-Executive Directors, namely Mr. Peter Wong Man Kong, BBS, JP and Mr. Adrian David Li Man-kiu, JP.

The Remuneration Committee is responsible for, inter alia, making recommendations to the Board on the Company's emolument policy and structure for Directors and senior management and on the establishment of a formal and transparent procedure for developing such policy and structure. In arriving at its recommendations, the Committee will consult with the Chairman and take into consideration factors including but not limited to salaries paid by comparable companies, employment conditions elsewhere in the Company and its subsidiaries and desirability of performance-based remuneration. The Committee would meet at least annually to make recommendations to the Board on the Group's emolument policy including the remuneration of Directors and senior management.

CODES FOR DEALING IN THE COMPANY'S SECURITIES

The Company has adopted its code for dealing in the Company's securities by Directors (the "Company Code") on terms no less exacting than the required standard set out in the Model Code of the Listing Rules. The Company has made specific enquiries of all Directors who confirmed compliance with the required standard set out in the Company Code during the six months ended 31st December, 2009.

The Company has also adopted a code for dealing in the Company's securities by relevant employees, who are likely to be in possession of unpublished price-sensitive information in relation to the securities of the Company, on no less exacting terms than the Model Code.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31st December, 2009, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the relevant period, 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 found that the current arrangement had 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 industry practices.

By order of the Board
Eric IP Sai Kwong
Secretary

Hong Kong, 25th February, 2010

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



TO THE BOARD OF DIRECTORS OF SINO HOTELS (HOLDINGS) LIMITED

Introduction

We have reviewed the interim financial information set out on pages 9 to 21, which comprises the condensed consolidated statement of financial position of Sino Hotels (Holdings) Limited (the “Company”) and its subsidiaries (the “Group”) as of 31st December, 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25th February, 2010

