



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

2010-2011
Interim Report

二零一零至二零一一年度
中期報告書

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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, GBM, CVO, GBS, OBE, JP[#]
Gilbert Lui Wing Kwong[#]
Peter Wong Man Kong, BBS, JP*
Adrian David Li Man-kiu, JP*
Steven Ong Kay Eng*
Wong Cho Bau, JP* (*appointed on 1st March, 2011*)
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 23rd March, 2011 to
25th March, 2011
(both dates inclusive)

Last Date for lodging scrip dividend election forms 15th April, 2011
4:30 p.m.

Interim Dividend Payable HK3 cents per share
29th April, 2011

Principal Bankers

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

Investor Relations Contact

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Principal Registrars

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28 Queen's Road East,
Hong Kong
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Fax : (852) 2861 1465
Email : sinohotels1221-ecom@hk.tricorglobal.com

Listing Information

Stock Code 1221

CHAIRMAN'S STATEMENT

I am pleased to present my interim report to the shareholders.

INTERIM RESULTS

The Group's unaudited net profit attributable to shareholders for the six months ended 31st December, 2010 (Interim Period) was HK\$83.8 million, representing an increase of 29.3% when compared with HK\$64.8 million in the previous period.

The turnover of the Group for the Interim Period was HK\$140.1 million (2009: HK\$104.9 million). Earnings per share for the period were 9.50 cents. (2009: 7.49 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 3 cents per share payable on 29th April, 2011 to shareholders whose names appear on the Register of Members of the Company on 25th March, 2011.

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 30th March, 2011. It is expected that the interim dividend warrants and share certificates will be despatched to shareholders on or about 29th April, 2011.

REVIEW OF OPERATIONS

2010 marked a strong recovery in international tourism from the global economic crisis in late 2008 and 2009 with overall international tourist arrivals increasing by 7% year-on-year. This was mainly due to much improved economic conditions.

Visitor arrivals in Hong Kong grew strongly, reaching a record high of 36.0 million in 2010, up from 29.5 million in 2009, representing an increase of approximately 22.0% year-on-year. The results were achieved from a broad-based growth across all markets. While Mainland Chinese visitors continued to be the major contributor to the total number of visitor arrivals, the number of visitors from the Middle East, Singapore, Russia and South Korea showed double-digit growth and the number of visitors from the United States, Europe and Japan also grew over the period. Expenditure from inbound tourism increased to approximately HK\$212.6 billion on a provisional basis, which is over 30.5% higher than a year ago. As a result, both hospitality and retail industries benefited from the strong recovery. The three hotels under the Group recorded favourable occupancy and significant increase in average room rates, driving better turnover and yields comparing with the corresponding period in 2009.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Occupancy rates for City Garden Hotel, Royal Pacific Hotel & Towers and Conrad Hong Kong for the Interim Period were 96.2%, 92.1% and 77.6% compared with 87.7%, 95.1% and 75.7% respectively for the corresponding period in 2009.

The turnover of City Garden Hotel, Royal Pacific Hotel & Towers and Conrad Hong Kong during the Interim Period was HK\$128.3 million, HK\$189.7 million and HK\$352.0 million respectively compared with HK\$95.0 million, HK\$147.7 million and HK\$313.9 million for the corresponding period in 2009.

Finance

As at 31st December, 2010, 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 6.8%. Of the total borrowings, 11.8% 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\$188.6 million, comprising cash on hand of approximately HK\$179.6 million together with committed undrawn facilities of approximately HK\$9.0 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, 2010, 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, 2010.

CORPORATE SOCIAL RESPONSIBILITY

The Group is proactively participating in community services and charitable work. Highlights of the activities in 2010 included partnering with Hong Kong Single Parents Association to raise funds and awareness, donating food to Foodlink Foundation for the elderly in need and delivering hot soup to elderly homes. Being committed to protect, conserve and contribute to the sustainability of our planet, the Group also collaborated with Greeners Action for a campaign which helps reduce food wastage, joined forces with Environmental Protection Department to produce environmentally friendly mooncake packages and cooperated with Hong Kong Dolphin Conservation Society to increase awareness on marine life conservation.

CHAIRMAN'S STATEMENT *(Continued)*

EMPLOYEE PROGRAMMES

Driven by our guiding principle of “customer comes first”, the Group is committed to providing the entire workforce with a diverse range of service training programmes. Popular programmes include customer service training, language training and communications workshops. Team members of all levels are constantly engaged in an interactive learning environment in which they are positively motivated to interact with guests in a natural and engaging manner. A cohesive and quality-conscious service team is a key element of our total quality package to deliver our promise on quality services.

Service efficiency and effectiveness are important criteria to measure customer satisfaction. The Group is committed to monitoring and improving this with feedback from Mystery Calls Surveys and Mystery Shoppers Surveys continuously conducted under the Sino Excellence Programme. The Group also kicked off an online room guest survey in October 2010 to gauge instant customer satisfaction and index. This is a significant measuring tool to assist both the management and operations team in following systematically and as closely as possible customers' most discerning demands and engaging them more intimately and effectively to turn them into the Group's loyal patrons.

To recognize and encourage outstanding performances across teams and among individuals, the Group constantly rewards “The Best Performer”, “Employee of the Year” and “Manager of the Year” for recognition of their outstanding performance and honours long serving employees with “Long Service Award”.

The Group places great emphasis on building innovative and connected teams through effective communications, and regularly organises interactive staff meetings and experience sharing sessions to open up forums for employees across the Group to put forward their resourceful ideas. The Group proactively supports and participates in territory-wide community and volunteer programmes that build stronger and long-term relationships with our stakeholders.

In short, believing strongly in the benefits of nurturing, developing and retaining a skilled and professional workforce, the Group continues to provide team members with ongoing career development and promotion opportunities under a sustainable business culture.

INDUSTRY OUTLOOK AND PROSPECTS

Tourism is one of the pillar industries in many countries and it is one of the key drivers for economic growth and employment. The worldwide economic recovery in 2010, despite in various pace and scale in different countries, the positive wealth effect in those high growth countries as well as appreciation of several major Asian currencies including Renminbi have boosted international tourism. It is also encouraging to learn that the growth in international tourism is expected to continue through 2011 as envisaged by UNWTO.

Hong Kong also shared the fruits of stabilised economic conditions and the strong growth in international tourism with number of visitor arrivals achieving a historic high in 2010. The outlook of the number of visitor arrivals in Hong Kong is favourable with projected figure of 39.6 million for 2011 by the Hong Kong Tourism Board. The positive outlook is mainly based on the overall improving trend of the global economic and business environments that will drive the demand for MICE, business and leisure travels across the markets. The expansion of the scope and requirements of Individual Visit Scheme to allow non-Guangdong residents in Shenzhen to apply with effect from 15th December, 2010 by the Mainland authority will create a new source for further growth in not only hospitality industry but also retail, food and beverage, entertainment and transportation industries.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS *(Continued)*

The favourable geographical location, sound business fundamentals, quality offerings, well-established supporting facilities, infrastructure and efficient transportation network have made Hong Kong a preferred destination for both business and leisure travels. Supported by Hong Kong's proximity to the cities in Pearl River Delta Region, the infrastructure developments such as the Express Rail Link, Hong Kong-Zhuhai-Macao bridge and the new cruise terminal as well as economic integration in the region and short flight time to the important cities in Mainland China, namely Beijing and Shanghai, Hong Kong is well positioned to gain from the growth of multi-destination itinerary travel. Promotions of thematic travels such as local heritage tourism with focus on developing interest in the history, culture and historic sites of the destinations will enrich Hong Kong's tourism resources. Another thematic travel itinerary that the HKSAR Government has been promoting is the eco-tour which emphasises the nature, country parks, hiking trails and greenery of Hong Kong. These efforts will be conducive to the development of Hong Kong tourism industry benefiting a wide spectrum of businesses and driving employment and income growth.

The Group places significant importance on asset enhancement for the purpose of providing better quality products and services for our discerning guests. This is to ensure that the guests will enjoy their stay with our hotels and also the customers who patronise the restaurants in our hotels have pleasant experience. The Group will continue to review and consider the need and viability for renovating or upgrading its hotels' guest rooms, restaurants, facilities and information technology, which will ultimately help us serve our customers better. Management will continue to place substantial efforts on increasing revenues, yields and at the same time optimising the operational efficiency of the hotels. Looking forward, the Group will continue to strive to optimise its shareholders' value. The Directors are confident in the medium to long term prospects of the Group.

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, 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st December, 2010

	<i>NOTES</i>	Six months ended	
		31st December, 2010 <i>HK\$</i> (Unaudited)	31st December, 2009 <i>HK\$</i> (Unaudited)
Revenue	3, 4	140,132,339	104,948,476
Cost of sales		(44,696,482)	(36,837,410)
Marketing costs		(7,353,502)	(4,723,921)
Administrative expenses		(10,918,616)	(11,264,376)
Other expenses		(43,053,560)	(35,410,169)
Finance income	5	355,376	359,107
Finance costs	6	(3,159,586)	(2,512,480)
Finance costs net of finance income		(2,804,210)	(2,153,373)
Share of results of associates		59,727,472	54,534,248
Profit before taxation	7	91,033,441	69,093,475
Income tax expense	8	(7,221,845)	(4,193,671)
Profit for the period attributable to owners of the Company		83,811,596	64,899,804
Earnings per share – Basic	10	HK9.50 cents	HK7.49 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31st December, 2010

	Six months ended	
	31st December, 2010 HK\$ (Unaudited)	31st December, 2009 HK\$ (Unaudited)
Profit for the period	<u>83,811,596</u>	<u>64,899,804</u>
Other comprehensive income		
Fair value gain on available-for-sale financial assets	<u>20,528,535</u>	<u>192,623,595</u>
Other comprehensive income for the period	<u>20,528,535</u>	<u>192,623,595</u>
Total comprehensive income for the period attributable to owners of the Company	<u>104,340,131</u>	<u>257,523,399</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2010

	<i>NOTES</i>	31st December, 2010 HK\$ (Unaudited)	30th June, 2010 HK\$ (Audited and restated)
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,518,786,738	1,536,756,181
Interests in associates	12	1,418,739,531	1,359,012,059
Available-for-sale financial assets		723,878,170	701,182,148
Pledged fixed deposit		1,559,043	1,557,934
		3,662,963,482	3,598,508,322
CURRENT ASSETS			
Hotel inventories		715,941	666,443
Trade and other receivables	13	12,475,492	9,000,492
Amounts due from associates		239,748,124	239,325,277
Bank balances and cash		46,310,018	36,653,452
		299,249,575	285,645,664
CURRENT LIABILITIES			
Trade and other payables	14	24,556,363	11,535,485
Tax payable		8,181,864	10,363,916
Bank loans and other borrowings		31,713,322	56,713,221
		64,451,549	78,612,622
NET CURRENT ASSETS		234,798,026	207,033,042
TOTAL ASSETS LESS CURRENT LIABILITIES		3,897,761,508	3,805,541,364
CAPITAL AND RESERVES			
Share capital		892,780,842	880,506,492
Reserves		2,326,719,713	2,235,615,167
Equity attributable to owners of the Company		3,219,500,555	3,116,121,659
NON-CURRENT LIABILITIES			
Bank loans and other borrowings		235,462,302	247,724,227
Amount due to an associate		436,527,980	435,526,705
Deferred taxation		6,270,671	6,168,773
		678,260,953	689,419,705
		3,897,761,508	3,805,541,364

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2010

	Share capital HK\$	Share premium HK\$	Investment revaluation reserve HK\$	Distributable reserve HK\$	Retained profits HK\$	Total HK\$
At 1st July, 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
Gain on fair value changes 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
Profit for the period	-	-	-	-	66,370,045	66,370,045
Gain on fair value changes on available-for-sale financial assets	-	-	85,448,318	-	-	85,448,318
Total comprehensive income for the period	-	-	85,448,318	-	66,370,045	151,818,363
Sub-total	871,313,063	222,101,917	322,995,822	1,364,013,693	337,424,191	3,117,848,686
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2010	9,193,429	11,929,394	-	-	-	21,122,823
Share issue expenses	-	(195,711)	-	-	-	(195,711)
Dividend	-	-	-	(22,654,139)	-	(22,654,139)
At 30th June, 2010 (audited)	880,506,492	233,835,600	322,995,822	1,341,359,554	337,424,191	3,116,121,659
Profit for the period	-	-	-	-	83,811,596	83,811,596
Gain on fair value changes on available-for-sale financial assets	-	-	20,528,535	-	-	20,528,535
Total comprehensive income for the period	-	-	20,528,535	-	83,811,596	104,340,131
Sub-total	880,506,492	233,835,600	343,524,357	1,341,359,554	421,235,787	3,220,461,790
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2010	12,274,350	16,732,396	-	-	-	29,006,746
Share issue expenses	-	(30,760)	-	-	-	(30,760)
Dividend	-	-	-	(29,937,221)	-	(29,937,221)
At 31st December, 2010 (unaudited)	892,780,842	250,537,236	343,524,357	1,311,422,333	421,235,787	3,219,500,555

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st December, 2010

	Six months ended	
	31st December, 2010 HK\$ (Unaudited)	31st December, 2009 HK\$ (Unaudited)
Net cash from operating activities	<u>52,558,220</u>	<u>24,837,111</u>
Net cash used in investing activities		
Purchase of property, plant and equipment	(2,462,425)	(4,318,198)
Advances to associates	(422,847)	(237,371,293)
Repayment from an associate	–	232,843,072
Other investing cash flows	<u>354,267</u>	<u>358,891</u>
	<u>(2,531,005)</u>	<u>(8,487,528)</u>
Net cash used in financing activities		
Repayments of bank loans and other borrowings	(48,405,239)	(23,715,558)
Other financing cash flows	(3,966,685)	(8,466,996)
New bank loans and other borrowings raised	11,000,000	10,000,000
Advance from an associate	<u>1,001,275</u>	<u>723,068</u>
	<u>(40,370,649)</u>	<u>(21,459,486)</u>
Net increase (decrease) in cash and cash equivalents	9,656,566	(5,109,903)
Cash and cash equivalents at the beginning of the period	<u>36,653,452</u>	<u>31,042,249</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u>46,310,018</u>	<u>25,932,346</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st December, 2010

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 (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 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, 2010 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 in the current period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 in relation to the amendments to HKFRS 3 (as revised in 2008) and HKAS 1, HKAS 27 and HKAS 28
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of these new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Improvements to HKFRSs 2009

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendment is effective from 1st July, 2010. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st July, 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment retrospectively. This resulted in a reclassification from prepaid lease payments with a previous carrying amount of HK\$1,223,839,521 at 1st July, 2009 to property, plant and equipment that are measured under the cost model. No profit or loss items are affected as a result of the reclassification.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2010

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The effect of the change in accounting policy described above on the financial position of the Group as at 30th June, 2010 is as follows:

	As at 30th June, 2010 (originally stated) <i>HK\$</i>	Adjustments <i>HK\$</i>	As at 30th June, 2010 (restated) <i>HK\$</i>
Property, plant and equipment	335,134,624	1,201,621,557	1,536,756,181
Prepaid lease payments	1,201,621,557	(1,201,621,557)	–
Total effects on net assets	<u>1,536,756,181</u>	<u>–</u>	<u>1,536,756,181</u>

The effect of the change in accounting policy described above on the financial position of the Group as at 1st July, 2009 is as follows:

	As at 1st July, 2009 (originally stated) <i>HK\$</i>	Adjustments <i>HK\$</i>	As at 1st July, 2009 (restated) <i>HK\$</i>
Property, plant and equipment	344,972,626	1,223,839,521	1,568,812,147
Prepaid lease payments	1,223,839,521	(1,223,839,521)	–
Total effects on net assets	<u>1,568,812,147</u>	<u>–</u>	<u>1,568,812,147</u>

The change in accounting policy described above had no effect on the Group's basic earnings per share and condensed consolidated statement of comprehensive income for the current and prior periods.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (as revised in 2008) and HKAS 1, HKAS 27 and HKAS 28 ¹
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets ⁴
HKAS 24 (Revised)	Related Party Disclosures ²
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ³
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ²

¹ Amendments that are effective for annual periods beginning on or after 1st January, 2011

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

³ Effective for annual periods beginning on or after 1st July, 2011

⁴ Effective for annual periods beginning on or after 1st January, 2012

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2010

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st July, 2013 and application of the new Standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Directors of the Company anticipate that the application of the other new and revised HKFRSs 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 and management, club operation and investment holding, and is analysed as follows:

	Six months ended	
	31st December	31st December
	2010	2009
	HK\$	HK\$
Revenue analysed by revenue from:		
Hotel operation	128,357,007	95,017,413
Club operation and hotel management	9,607,845	8,318,226
Dividend income from available-for-sale financial assets	2,167,487	1,612,837
	140,132,339	104,948,476

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2010

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 & Towers
4. Others – club operation 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	
	Six months ended		Six months ended	
	31st December, 2010	31st December, 2009	31st December, 2010	31st December, 2009
	HK\$	HK\$	HK\$	HK\$
Hotel operation				
– City Garden Hotel	128,357,007	95,017,413	32,621,310	18,041,254
Investment holding	2,167,487	1,612,837	2,167,447	1,611,561
Hotel operation				
– Share of results of associates	–	–	72,251,043	66,578,071
Others – club operation and hotel management	9,607,845	8,318,226	1,385,624	970,770
	<u>140,132,339</u>	<u>104,948,476</u>	<u>108,425,424</u>	<u>87,201,656</u>
Share of results of associates – others			6,644	(31,746)
Share of income tax expenses of associates			(12,530,215)	(12,012,077)
Corporate expenses			(2,064,202)	(3,910,985)
Finance income			355,376	359,107
Finance costs			<u>(3,159,586)</u>	<u>(2,512,480)</u>
Profit before taxation			<u>91,033,441</u>	<u>69,093,475</u>

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, 2010

5. FINANCE INCOME

	Six months ended	
	31st December, 2010	31st December, 2009
	HK\$	HK\$
Interest income on:		
Advance to an associate	350,753	357,596
Bank deposits	4,623	1,511
	<hr/>	<hr/>
	355,376	359,107
	<hr/>	<hr/>

6. FINANCE COSTS

	Six months ended	
	31st December, 2010	31st December, 2009
	HK\$	HK\$
Interest and other finance costs on:		
Bank loans wholly repayable within five years	2,150,958	1,781,034
Advance from an associate	1,001,275	723,068
Other unsecured loans	7,353	8,378
	<hr/>	<hr/>
	3,159,586	2,512,480
	<hr/>	<hr/>

7. PROFIT BEFORE TAXATION

	Six months ended	
	31st December, 2010	31st December, 2009
	HK\$	HK\$
Profit before taxation has been arrived at after charging:		
Cost of hotel inventories recognised as an expense	10,237,739	9,256,536
Depreciation of property, plant and equipment	20,431,868	19,803,537
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2010

8. INCOME TAX EXPENSE

	Six months ended	
	31st December,	31st December,
	2010	2009
	HK\$	HK\$
Income tax expense comprises:		
Hong Kong Profits Tax calculated at 16.5% (2009: 16.5%) on the estimated assessable profit		
Current period	7,119,947	4,308,414
Deferred taxation	101,898	(114,743)
	<hr/>	<hr/>
	7,221,845	4,193,671
	<hr/>	<hr/>

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,	31st December,
	2010	2009
	HK\$	HK\$
Final dividend for the year ended 30th June, 2010: HK3.4 cents (2009: HK2.4 cents) per share	29,937,221	20,766,933
	<hr/>	<hr/>

The Directors determined that an interim dividend for the six months ended 31st December, 2010 of HK3.0 cents (*six months ended 31st December, 2009: HK2.6 cents*) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 25th March, 2011.

10. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit for the period of HK\$83,811,596 (*six months ended 31st December, 2009: HK\$64,899,804*) and on the weighted average number of 882,641,162 (*six months ended 31st December, 2009: 866,205,589*) 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.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31st December, 2010, the Group spent approximately HK\$2,462,000 (*six months ended 31st December, 2009: HK\$4,318,000*) on property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31st December, 2010

12. INTERESTS IN ASSOCIATES

	31st December, 2010	30th June, 2010
	<i>HK\$</i>	<i>HK\$</i>
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	355,174,597	295,447,125
	<u>1,418,739,531</u>	<u>1,359,012,059</u>

Included in the cost of investments in associates is goodwill of HK\$186,513,404 (30th June, 2010: 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 based on the invoice dates at the end of the reporting period is as follows:

	31st December, 2010	30th June, 2010
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables		
0-30 days	8,481,929	5,109,160
31-60 days	1,884,594	1,448,359
61-90 days	36,573	120,540
	<u>10,403,096</u>	<u>6,678,059</u>
Other receivables	2,072,396	2,322,433
	<u>12,475,492</u>	<u>9,000,492</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2010

14. TRADE AND OTHER PAYABLES

An aged analysis of trade payables based on the invoice dates at the end of the reporting period is as follows:

	31st December, 2010	30th June, 2010
	<i>HK\$</i>	<i>HK\$</i>
Trade payables		
0-30 days	6,328,221	5,688,155
31-60 days	231,073	84,545
	<hr/>	<hr/>
	6,559,294	5,772,700
Renovation cost payable	850,832	212,677
Other payables (<i>Note</i>)	17,146,237	5,550,108
	<hr/>	<hr/>
	24,556,363	11,535,485
	<hr/>	<hr/>

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

15. PLEDGE OF ASSETS

(a) At 31st December, 2010, the Group has pledged its hotel properties having carrying amount of HK\$1,464,785,075 (30th June, 2010: HK\$1,479,582,763) and pledged by way of floating charges on other assets, including bank balances of HK\$42,165,625 (30th June, 2010: HK\$18,378,588), hotel inventories of HK\$654,697 (30th June, 2010: HK\$600,820), furniture, fixtures and hotel operating equipment of HK\$50,727,924 (30th June, 2010: HK\$53,961,456) and trade and other receivables of HK\$11,394,336 (30th June, 2010: HK\$7,737,810) to banks to secure long-term loan facilities granted to the Group.

At 30th June, 2010, the Group had also pledged its available-for-sale financial assets at fair value of HK\$102,687,906 and the pledge has been released during the period.

- (b) The Group has pledged its time deposit of HK\$1,559,043 (30th June, 2010: HK\$1,557,934) to secure a letter of guarantee issuance facility.
- (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, 23rd March, 2011 to Friday, 25th March, 2011, 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, 25th March, 2011.

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, 22nd March, 2011.

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, 2010, 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	968,764	Beneficial owner of 244,182 shares and spouse interest in 724,582 shares	0.10%
The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, 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, 2010, 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, 2010, 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 required to be 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*	422,246,197 (Note 1)	Beneficial owner of 36,734,194 shares, spouse interest in 1,030,268 shares and interest of controlled corporations in 384,481,735 shares	47.29%
Tamworth Investment Limited	150,005,304 (Note 2)	Beneficial owner	16.80%
Strathallan Investment Limited	101,015,428 (Note 2)	Beneficial owner	11.31%

* "Mr. Ng Teng Fong" referred to Mr. Ng Teng Fong (estate of Mr. Ng Teng Fong).

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS (Continued)

Long Positions in Shares of the Company (Continued)

Name of Other Shareholder	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Nippomo Limited	49,975,036 <i>(Note 2)</i>	Beneficial owner	5.59%

Notes:

1. *As regards 384,481,735 shares held by controlled corporations:*
 - (a) *382,762,324 shares were held through companies which were 100% controlled by Mr. Ng Teng Fong – 37,126,076 shares by Fanlight Investment Limited, 52,797 shares by Garford Nominees Limited, 15,883,173 shares by Karaganda Investments Inc., 49,975,036 shares by Nippomo Limited, 1,431,992 shares by Orient Creation Limited, 101,015,428 shares by Strathallan Investment Limited, 4,344,158 shares by Strong Investments Limited, 150,005,304 shares by Tamworth Investment Limited and 22,928,360 shares by Transpire Investment Limited; and*
 - (b) *1,719,411 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.*

Save as disclosed above and so far as the Directors of the Company are aware, as at 31st December, 2010, 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

Directors' Updated Biographical Details

The changes in the biographical details of the Directors since the publication of the 2010 annual report in September 2010 are set out below:

Mr. Adrian David Li Man-kiu

- appointed as the Deputy Chairman of the Tenth Committee of the Beijing Youth Federation (formerly the Deputy Chairman of the Ninth Committee of the Beijing Youth Federation).

Mr. Daryl Ng Win Kong

- appointed as a member of Executive Committee of The Boys' & Girls' Clubs Association of Hong Kong;
- appointed as the Deputy Chairman of the Chongqing Youth Federation;
- ceased to be a member of the Infrastructure Development Advisory Committee of the Hong Kong Trade Development Council; and
- ceased to be a General Committee member of The Chamber of Hong Kong Listed Companies.

Directors' updated biographies are available on the Company's website.

Directors' Emoluments

During the interim period, the Executive Director Mr. Nicholas Yim Kwok Ming received a discretionary bonus in the amount of HK\$517,500.

The basis of determining the Directors' emoluments (including bonus payments) remain unchanged during the six months ended 31st December, 2010.

Save as disclosed above, as at 31st December, 2010, 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 respective 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 2011, 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, 2010.

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, 2010.

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, 2010, 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, 2011

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.

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

Introduction

We have reviewed the interim financial information set out on pages 8 to 20, which comprises the condensed consolidated statement of financial position of Sino Hotels (Holdings) Limited (the “Company”) and its subsidiaries as of 31st December, 2010 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 enquiries, 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, 2011

