Sino Hotels (Holdings) Limited

(An exempted company incorporated in the Cayman Islands with limited liability)

(Stock Code: 1221)

CHAIRMAN'S STATEMENT

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

INTERIM RESULTS

The Group's unaudited net profit attributable to shareholders for the six months ended 31st December, 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.

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 works. 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.

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.

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

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INTERIM RESULTS

The unaudited results of the Group for the six months ended 31st December, 2010 are as follows:

Consolidated Income Statement

		Six months ended	
	Notes	**31st December, 2010 HK$ (Unaudited)**	31st December, 2009 HK$ (Unaudited)
Revenue	*2*	**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		**355,376**	359,107
Finance costs		**(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	*3*	**91,033,441**	69,093,475
Income tax expense	*4*	**(7,221,845)**	(4,193,671)
Profit for the period attributable to owners of the Company		**83,811,596**	64,899,804
Interim dividend at HK3.0 cents *(2009 : HK2.6 cents)* per share		**26,783,425**	22,654,140
Earnings per share - basic	*5*	**9.50 cents**	7.49 cents

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Financial Position
At 31st December, 2010

	Notes	**31st December, 2010 HK$ (Unaudited)**	30th June, 2010 HK$ (Audited and restated)
Non-current assets			
Property, plant and equipment		**1,518,786,738**	1,536,756,181
Interests in associates		**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	*6*	**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	*7*	**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

Notes:

1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies used in the unaudited interim 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 unaudited interim 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 unaudited interim 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.

1. Basis of preparation (continued)

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.

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) HK$	Adjustments HK$	As at 30th June, 2010 (restated) HK$
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	1,536,756,181	-	1,536,756,181

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) HK$	Adjustments HK$	As at 1st July, 2009 (restated) HK$
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	1,568,812,147	-	1,568,812,147

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

2. Segment information

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

	Segment revenue Six months ended		Segment profit Six months ended	
	31st December, 2010 HK$	31st December, 2009 HK$	**31st December, 2010 HK$**	31st December, 2009 HK$
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
Others - Club operations and hotel management	**9,607,845**	8,318,226	**1,385,624**	970,770
Share of results of associates - hotel operation	-	-	**72,251,043**	66,578,071
	140,132,339	104,948,476	**108,425,424**	87,201,656
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			**(3,159,586)**	(2,512,480)
Profit before taxation			**91,033,441**	69,093,475

3. Profit before taxation

	Six months ended	
	31st December, 2010 HK$	31st December, 2009 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

4. Income tax expense

	Six months ended	
	31st December, 2010 HK$	31st December, 2009 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)
	7,221,845	4,193,671

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

5. Earnings per share - basic

The calculation of the basic earnings per share is based on the profit for the period of HK$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.

6. 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 HK$	30th June, 2010 HK$
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
	10,403,096	6,678,059
Other receivables	**2,072,396**	2,322,433
	12,475,492	9,000,492

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

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

8. 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 of HK$104,942,582 *(30th June, 2010: HK$80,678,674)* 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 the industry practices.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 31st December, 2010 have been reviewed by the Audit Committee and the auditor of the Company, Deloitte Touche Tohmatsu.

2010-2011 INTERIM REPORT

The 2010-2011 interim report containing all the information required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited and the Company's website www.sino.com while printed copies will be sent to shareholders on or about Thursday, 10th March, 2011.

By Order of the Board
Eric IP Sai Kwong
Secretary

Hong Kong, 25th February, 2011

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