

ANNUAL REPORT 2011



This annual report (“Annual Report”) is available in both English and Chinese. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the language different from that has been received by writing to the Company’s Principal Registrars, Tricor Friendly Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong.

The Annual Report (in both English and Chinese versions) has been posted on the Company’s website at www.sino.com. Shareholders who have chosen to rely on copies of the Corporate Communications (including but not limited to annual report, summary financial report (where applicable), interim report, summary interim report (where applicable), notice of meeting, listing document, circular and proxy form) posted on the Company’s website in lieu of any or all the printed copies thereof may request printed copy of the Annual Report.

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 Annual Report posted on the Company’s website will promptly upon request be sent the Annual 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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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 for entitlement to attend and vote at Annual General Meeting	26th October, 2011 to 28th October, 2011 (both dates inclusive)
Annual General Meeting	28th October, 2011
Closure of Register of Members for dividend entitlement	3rd November, 2011 to 4th November, 2011 (both dates inclusive)
Record Date for dividend entitlement	4th November, 2011
Last Date for lodging scrip dividend election forms	28th November, 2011 4:30 p.m.
Interim Dividend Paid	HK3 cents per share 29th April, 2011
Final Dividend Payable	HK4 cents per share 9th December, 2011

Principal Bankers

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

Investor Relations Contact

Please direct enquiries to:
General Manager – Corporate Finance
Telephone : (852) 2734 8312
Fax : (852) 2369 1236
Email : investorrelations@sino.com

Principal Office

12th Floor, Tsim Sha Tsui Centre,
Salisbury Road, Tsim Sha Tsui,
Kowloon, Hong Kong
Telephone : (852) 2721 8388
Fax : (852) 2723 5901
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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of **Sino Hotels (Holdings) Limited** will be held at The Pacific Rooms, 9th Floor, Towers Wing, The Royal Pacific Hotel & Towers, 33 Canton Road, Tsim Sha Tsui, Kowloon, on Friday, the 28th day of October, 2011 at 10:30 a.m. or as soon as the annual general meeting of Tsim Sha Tsui Properties Limited closes, whichever is the later, for the following purposes:

1. To receive and consider the audited Financial Statements and the Directors' and Independent Auditor's Reports for the year ended 30th June, 2011.
2. To declare a final dividend.
3. To re-elect retiring Directors and to authorise the Board to fix the Directors' remuneration for the financial year ending 30th June, 2012.
4. To re-appoint Deloitte Touche Tohmatsu as Auditor for the ensuing year and authorise the Board to fix their remuneration.
5. As special business to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

Ordinary Resolutions

(i) **"THAT:**

- (a) subject to paragraph (i)(b) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares to be repurchased pursuant to the approval in paragraph (i)(a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

- (1) the conclusion of the next Annual General Meeting of the Company;
- (2) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the articles of association of the Company to be held; and
- (3) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

(ii) **“THAT:**

(a) a general mandate be and is hereby unconditionally given to the Directors of the Company to exercise during the Relevant Period all the powers of the Company to allot, issue and deal with additional shares of the Company, to allot, issue or grant securities of the Company, including bonds, debentures and notes convertible into shares of the Company and to make or grant offers, agreements or options which would or might require the exercise of such powers either during or after the Relevant Period, provided that these powers of the Directors and this general mandate is in respect of and in addition to any shares which may be issued on the exercise of the subscription rights under the Company's warrants or pursuant to any scrip dividend scheme or pursuant to a rights issue or pursuant to the exercise of any share option scheme adopted by the Company or pursuant to any rights of conversion under any existing convertible bonds, debentures or notes of the Company, and provided further that these powers of the Directors and this general mandate shall be subject to the restrictions that the aggregate nominal amount of shares allotted or agreed to be allotted or issued pursuant thereto, whether by way of option or conversion or otherwise, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution; and

(b) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (1) the conclusion of the next Annual General Meeting of the Company;
- (2) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the articles of association of the Company to be held; and
- (3) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

(iii) **“THAT**, conditional upon the resolutions (i) and (ii) above being passed, the aggregate nominal amount of the shares which are repurchased by the Company under the authority granted pursuant to resolution (i) above (up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution (ii) above.”

By Order of the Board
Eric IP Sai Kwong
Secretary

Hong Kong, 26th September, 2011

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

Notes:

- (a) At the Annual General Meeting, the Chairman of the Meeting will put each of the above resolutions to the vote by way of a poll. On a poll, every shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder.
- (b) Any member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
- (c) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be lodged at the principal office of the Company at 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong not less than 24 hours before the time appointed for holding the meeting.
- (d) For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 28th October, 2011, the register of members of the Company will be closed from Wednesday, 26th October, 2011 to Friday, 28th October, 2011, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's Principal Registrars, Tricor Friendly Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 25th October, 2011.
- (e) The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is at the close of business on Friday, 4th November, 2011. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 3rd November, 2011 to Friday, 4th November, 2011, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's Principal Registrars, Tricor Friendly Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 2nd November, 2011.

CHAIRMAN'S STATEMENT

I am pleased to present the 2010/2011 Annual Report to shareholders.

FINAL RESULTS

The Group achieved net profit attributable to shareholders of HK\$183.3 million for the year ended 30th June, 2011, representing an increase of 39.6% from HK\$131.2 million in the last financial year. Earnings per share for the financial year 2010/2011 was 20.6 cents, an increase of 36.7% when compared with 15.0 cents in the previous financial year.

The turnover of the Group for the year ended 30th June, 2011 was HK\$284.3 million, representing an increase of 32.7% compared with HK\$214.2 million in the previous financial year.

DIVIDENDS

The Directors have resolved to recommend a final dividend of 4.0 cents per share in respect of the year ended 30th June, 2011 to shareholders whose names appear on the Register of Members of the Company on 4th November, 2011. Together with the interim dividend of 3.0 cents per share, the total dividend for the full financial year is 7.0 cents per share.

The Directors propose that shareholders be given the option of electing to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the Annual General Meeting to be held on 28th October, 2011; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to shareholders together with the form of election for the scrip dividend on or about 14th November, 2011. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 9th December, 2011.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS

Visitor arrivals in Hong Kong have been growing strongly, reaching a new high of 36.0 million in 2010. This represents an increase of 21.6% compared with 29.6 million in the previous year. Growth is seen in both long-haul and short-haul sectors. While visitor arrivals from Mainland China and major advanced countries continued to increase steadily, the emerging markets in Asia are also growing rapidly. The trend continues through 2011 with visitor arrivals reaching 19.3 million for the first 6 months of 2011, representing an increase of 14.7% year-on-year. The growth in visitor arrivals during the period under review has directly benefited the Group's hotels, enabling them to improve high occupancy levels and favourable yields.

Business Activities

City Garden Hotel

City Garden Hotel is a wholly-owned subsidiary of Sino Hotels (Holdings) Limited ("Company").

The average room occupancy rate of City Garden Hotel for the year ended 30th June, 2011 was 95.3% compared with 86.4% in the previous financial year. The average room rate for the same year increased by 32.7%. Room sales for the financial year 2010/2011 increased by 46.5% to HK\$195.0 million from HK\$133.1 million in the previous financial year. Food and beverage sales for the year were HK\$60.2 million (2009/2010: HK\$55.8 million).

Conrad Hong Kong

Conrad Hong Kong is 50% owned by the Company and 30% owned by Sino Land Company Limited (Hong Kong stock code: 0083). These two companies together own a total of 80% equity interest in Conrad Hong Kong.

The average room occupancy of Conrad Hong Kong for the financial year 2010/2011 was 76.2% compared with 74.4% in the previous financial year. The average room rate for the same financial year increased by 17.2%. Room sales were HK\$390.5 million which was 20.1% higher than HK\$325.2 million of the previous financial year, while income from food and beverage sales for the year was HK\$303.3 million, representing an increase of 7.2% from HK\$282.9 million in the previous financial year.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Business Activities *(Continued)*

Royal Pacific Hotel & Towers

Royal Pacific Hotel & Towers is 25% owned by the Company and the remaining 75% interest is owned by a private company, wholly owned by the Ng family, the controlling shareholder of Sino Hotels (Holdings) Limited.

The average occupancy rate of Royal Pacific Hotel & Towers for the financial year 2010/2011 was at 92.4% (2009/2010: 94.5%). The average room rate for the same financial year increased by 31.7%. Room sales totalled HK\$278.9 million, representing an increase of 28.7% when compared with HK\$216.6 million for the previous financial year. Revenue from food and beverage sales was HK\$93.0 million, an increase of 15.8% from HK\$80.3 million for the previous financial year.

Other than that mentioned above, there was no material change from the information published in the report and accounts for the year ended 30th June, 2010.

Finance

As at 30th June, 2011, 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 4.7%. Of the total borrowings, 22.9% 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\$177.9 million, comprising cash on hand of approximately HK\$168.9 million together with committed undrawn facilities of approximately HK\$9.0 million. Cash on hand is deposited in reputable banks with high credit ratings.

There was no material change in the capital structure of the Group for the financial year ended 30th June, 2011. Foreign exchange exposure is kept at a minimal level. The majority of the Group's borrowings are subject to floating interest rates.

As at 30th June, 2011, the Group did not have any foreign currency borrowings and contingent liabilities.

Other than the above mentioned, there was no material change from the information published in the report and accounts for the financial year ended 30th June, 2010.

CHAIRMAN'S STATEMENT *(Continued)*

EMPLOYEE PROGRAMMES

As business environment is increasingly competitive, the Group has stepped up efforts in strengthening its workforce to ensure that the Group is prepared for the challenges ahead. Following the successful completion of the Management Trainee Programme (2010 – 2011), a new team of talented young people have joined the Management Trainee Programme (2011 – 2012). With several new training schemes incorporated in the programme, the Group provides these future leaders with all-rounded hotel management knowledge so that the Group can serve its discerning guests better.

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” in recognition of their outstanding performance and honours long serving employees with “Long Service Award”. These awards are presented to the staff during the annual party where staff from the hotels under the Group gather together. The award ceremony serves to recognise the staff who have made outstanding contributions to the Group and encourage them to continuously improve themselves so that they can perform even better in the future.

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.

With strong belief that a professional workforce is an invaluable resources, the Group is dedicated to attracting the high-quality service personnel, nurturing and developing the future leaders, also retaining our team members so as to provide first class services to our customers.

CORPORATE SOCIAL RESPONSIBILITY

The Group continues to embrace sustainability practices into our business strategies. In 2011, the Group intensified the process of making social and environmental responsibility an integral part of our decision making, management and culture.

The Group proactively supports and participates in territory-wide community and volunteer programmes that build stronger and long-term relationships with our stakeholders. Our staff have been actively engaged with the elderly and underprivileged through our CSR activities. The Group have partnered with Non-Governmental Organisations, and served hearty soup to over 3,000 elders across local districts, extending our warm and care to the community we are honoured to serve.

The Group share our stakeholders' rising aspirations to strengthen environmental initiatives. The Group have implemented various schemes to reduce waste and improve utilisation of our resources, whilst also encourage our staff and customers in participating a number of green practices. We organised a host of green education programme through the establishment of our Organic Farm at Hong Kong Gold Coast Hotel, and joined hands with our stakeholders to convey our care for the environment into pragmatic efforts.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS

World tourism grew favourably with international tourist arrivals increasing by 6.6% to 940 million in 2010. The trend continues in 2011 with destinations worldwide showing an overall increase of 4.6% year-on-year increase in tourist arrivals for the first four months of 2011. Despite issues occurred in certain countries during the financial year 2010/2011, including the earthquake and tsunami in northern part of Japan in March this year, there has been no substantial effect on the overall growth of world tourism. UNWTO forecasts that international tourist arrivals will grow by 4% – 5% for the calendar year of 2011.

The robust growth in visitor arrivals in Hong Kong during the period under review is mainly attributable to a more stable economic environment and an increase in wealth in the Asian region. The appreciation of Renminbi and certain Asian currencies against Hong Kong dollar has increased the purchasing power of the visitors from those countries. The Individual Visit Scheme policy of Mainland China coupled with the strengthening of Renminbi have continued to draw more Mainland Chinese visitors to Hong Kong.

The HKSAR Government has been doing promotion in various countries to foster interest in visiting Hong Kong, and with the increased flight capacity, has contributed to the rise in visitor arrivals. MICE travel has been boosted by the high level of business, trade and capital market activities, along with efforts of Hong Kong Tourism Board's (HKTB) Meeting and Exhibitions Hong Kong (MEHK) office to attract MICE events and secure Hong Kong's position as the ideal MICE destination. Amidst the current overall positive economic environment and factors driving leisure and business travels as mentioned above, barring any unforeseen circumstances, the Group expects that the hospitality industry in Hong Kong continues to grow with visitor arrivals estimated to reach 39.6 million in 2011.

The continuous efforts by the HKSAR Government in promoting Hong Kong as a preferred destination in East Asia and in exploring new markets are well recognised and they have taken effect, benefiting a wide spectrum of industries in Hong Kong.

Development of new infrastructure to enhance Hong Kong's transport network is important for multi-destinations travel itineraries. The establishment and maintenance of natural attractions and heritage along with other attractions have made Hong Kong truly a city of great diversity. The expansion of facilities and attractions in Hong Kong Disneyland and the further redevelopment of the Ocean Park will attract even more visitors. On the software side, the attempts by the HKSAR Government to review and improve regulatory framework for Mainland inbound tour operations will shape up the operations of the sector and will be a boon to the industry.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS *(Continued)*

The Group is delighted to learn that Hong Kong has received a number of awards recognising its position in international tourism. Hong Kong is the only Asian city among the top 10 travel destinations worldwide and has been conferred the "Best in Asia" in TripAdvisor's Traveler's Choice Destinations Award. This is a testament affirming Hong Kong's position as a preferred destination for both leisure and business travels. It was voted first in the "Best Islands" category of the Readers' Travel Awards 2010 organised by Condé Nast Traveler. Hong Kong has also been named the "Best Business City in the World" in the annual readers' poll organised by Business TravellerAsia Pacific for two consecutive years and the "Best Business City in Northeast Asia" for the third time in the same poll.

Hotel positioning and branding are important to the Group. Management has dedicated significant effort and resources to ensure that our discerning guests enjoy pleasant stays. To accomplish this objective, good-quality hardware, including décor and guestroom ambience, facilities and restaurants will be complemented by good and caring services. During the financial year 2010/2011, all three hotels have carried out renovations. Royal Pacific Hotel & Towers has completed renovation of certain floors of guest rooms whilst Conrad Hong Kong has renovated its lobby lounge, health club, coffee shop and cake shop. The Group will continue to review and plan renovation works where necessary to enhance the experience of our guests and customers.

The prospects for the tourism and hospitality industries are positive with robust economic conditions and international tourism continuing to grow favourably. The Group will continue to plan and exercise asset enhancement initiatives as well as review and upgrade services for customers. The Directors are confident in the prospects for the Group.

STAFF AND MANAGEMENT

I would like to extend a warm welcome to Mr. Wong Cho Bau, JP, who was appointed on the Board as Independent Non-executive Director with effect from 1st March, 2011. Mr. Wong's extensive knowledge and experience will be of great benefit to the Group.

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, 1st September, 2011

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

(I) EXECUTIVE DIRECTORS

Mr. Robert Ng Chee Siong, aged 59, Chairman of the Group since 1994, was called to the Bar in 1975. Mr. Ng is also a director of a number of subsidiaries and associated companies of the Company, and is the Chairman of Tsim Sha Tsui Properties Limited (“TST Properties”) and Sino Land Company Limited (“Sino Land”). In addition, he is an Independent Non-Executive Director of The Hongkong and Shanghai Hotels, Limited, a Director of The Real Estate Developers Association of Hong Kong and a Member of the 11th National Committee of the Chinese People’s Political Consultative Conference. Mr. Ng is the father of Mr. Daryl Ng Win Kong, an Executive Director of the Company, the son of the late substantial shareholder Mr. Ng Teng Fong and the brother of Mr. Philip Ng Chee Tat, the co-executor of the estate of the late Mr. Ng Teng Fong.

Mr. Thomas Tang Wing Yung, aged 56, is an Executive Director of the Company since August 2004. He first joined the Company, TST Properties and Sino Land as Chief Financial Officer in November 2003. Mr. Tang obtained his Bachelor of Science Degree in Modern Mathematics from Surrey University, United Kingdom. He has been an Associate Member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a Fellow Member of The Hong Kong Institute of Certified Public Accountants (Practising) and has over 34 years of experience in accounting and finance.

Prior to joining the Sino Group, Mr. Tang was Managing Director of an investment and financial advisory services firm that is a member of an international group, overseeing operations in the Asia-Pacific region. He has also served as a Director and Executive Committee member of a publicly-listed company in Hong Kong, where he participated in formulating the company’s investment policy as well as reviewing and approving the company’s investments and divestments, trading and retail distribution in the Mainland China and in Hong Kong.

Mr. Tang is also a director of a number of subsidiaries and associated companies of the Company and Sino Land.

Mr. Daryl Ng Win Kong, aged 33, an Executive Director of the Company since April 2005, holds a Bachelor of Arts Degree in Economics and a Master Degree of Science in Real Estate Development from Columbia University in New York. Mr. Ng first joined the Company as Executive (Development) in 2003. He is a director of a number of subsidiaries and associated companies of the Company and is an Executive Director of Sino Land and TST Properties. He is also an Independent Non-Executive Director of Blue Cross (Asia-Pacific) Insurance Limited and BEA Life Limited and a Director of Hong Kong Design Centre. He is a General Committee member of The Chamber of Hong Kong Listed Companies, a member of the International Advisory Council of Columbia University in the City of New York, a member of the Tenth Sichuan Committee of Chinese People’s Political Consultative Conference, a member of the Tenth and Eleventh Committees of the All-China Youth Federation, the Deputy Chairman of the Chongqing Youth Federation, a member of The Greater Pearl River Delta Business Council, a member of the Executive Council and trustee member of World Wide Fund for Nature Hong Kong, a member of Executive Committee of The Boys’ & Girls’ Clubs Association of Hong Kong, a Director of The Community Chest of Hong Kong and a Director of The Real Estate Developers Association of Hong Kong. He is the eldest son of the Chairman Mr. Robert Ng Chee Siong and the eldest grandson of the late substantial shareholder Mr. Ng Teng Fong.

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT *(Continued)*

(I) **EXECUTIVE DIRECTORS**
(Continued)

Mr. Nicholas Yim Kwok Ming, aged 59, an Executive Director of the Company since July 2008. He first joined the Company as General Manager of City Garden Hotel in 2001. He has been promoted to Group General Manager (Hotels) in August 2006 and has been an Associate Director of the Company since January 2008. Mr. Yim holds a Master Degree of Business Administration and has over 37 years of experience in hospitality industry in the United States, Taiwan, mainland China and Hong Kong. He is also a director of certain subsidiaries and associated companies of the Company.

(II) **NON-EXECUTIVE DIRECTORS**

The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP, aged 72, has been a Director of the Company since 1994 and was re-designated from an Independent Non-Executive Director to a Non-Executive Director in July 2005. The Honourable Ronald Arculli through Arculli and Associates (July – December 2005) and since 1st January, 2006 through Ronald Arculli and Associates provides consultancy services to the Company. He is also a Non-Executive Director of Sino Land and TST Properties. The Honourable Ronald Arculli is the Independent Non-Executive Chairman of Hong Kong Exchanges and Clearing Limited. He has a long and distinguished record of public service on numerous government committees and advisory bodies. He was the Chairman of The Hong Kong Jockey Club from 2002 to August 2006. He is a practising solicitor and has served on the Legislative Council from 1988 to 2000. He is currently a non-official member of the Executive Council of The Hong Kong Special Administrative Region Government, the Chairman of the Honorary Advisory Committee of SVHK Foundation Limited, a member of the board of West Kowloon Cultural District Authority (“WKCDA”) and a member of the Consultation Panel appointed under WKCDA. The Honourable Ronald Arculli is an Independent Non-Executive Director of Hang Lung Properties Limited and SCMP Group Limited, and a Non-Executive Director of Power Assets Holdings Limited, Hutchison Harbour Ring Limited and HKR International Limited, all companies listed on The Stock Exchange of Hong Kong Limited.

Mr. Gilbert Lui Wing Kwong, aged 73, an Independent Non-Executive Director of the Company since 1994 and was re-designated a Non-Executive Director in August 2004. Mr. Lui is a consultant to a local firm of certified public accountants after retiring from the position of senior partner of that firm in 1999.

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT *(Continued)*

(III) INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Peter Wong Man Kong, BBS, JP, aged 62, an Independent Non-Executive Director since September 2004, is the Chairman of the M. K. Corporation Ltd. and North West Development Ltd. and a Deputy of the 11th National People's Congress. He holds directorships in Hong Kong Ferry (Holdings) Company Limited, China Travel International Investment Hong Kong Limited, Glorious Sun Enterprises Limited, Sun Hung Kai & Co. Limited, Chinney Investments, Limited, Far East Consortium International Limited and New Times Energy Corporation Limited. Mr. Wong is also Vice Chairman of Hong Kong Pei Hua Education Association, Director of Fong Shu Fook Tong Foundation, Honorary Professor in the Central University for Nationalities and Lanzhou University and Director of Ji Nan University.

Mr. Adrian David Li Man-kiu, JP, aged 38, an Independent Non-Executive Director since April 2005, serves as the Deputy Chief Executive of The Bank of East Asia, Limited and is in charge of the overall management of the Bank's business activities in Hong Kong. He is also an Independent Non-Executive Director of Sino Land and TST Properties. Mr. Li is currently a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference ("CPPCC"), PRC and was formerly a member of the Ninth and Tenth Guangzhou Committees of the CPPCC. He is also a member of the All-China Youth Federation, the Deputy Chairman of the Beijing Youth Federation and a Counsellor of the Hong Kong United Youth Association. In addition, he is a Council Member of the Vocational Training Council and the Chairman of its Banking and Finance Industry Training Board, a Board Member of The Community Chest of Hong Kong, and a member of the Mandatory Provident Fund Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. He is currently an Independent Non-Executive Director of China State Construction International Holdings Limited and an Alternate Independent Non-Executive Director of San Miguel Brewery Hong Kong Limited. Further, he is an Alternate Director of AFFIN Holdings Berhad, a company which is listed on the main board of the Malaysia Stock Exchange. Mr. Li was formerly a Board Member of Ocean Park Corporation and an advisory board member of the Hong Kong Export Credit Insurance Corporation. Mr. Li holds a Master's Degree in Management from Kellogg School of Management, Northwestern University, Evanston, Illinois, US, and a Master of Arts degree and a Bachelor of Arts degree in Law from the University of Cambridge, UK. He is a member of The Law Society of England and Wales and The Law Society of Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT *(Continued)*

**(III) INDEPENDENT
NON-EXECUTIVE
DIRECTORS**
(Continued)

Mr. Steven Ong Kay Eng, aged 65, an Independent Non-Executive Director since July 2005. He is also an Independent Non-Executive Director of TST Properties. He is a Director of Altrade Investments Pte. Ltd. in Singapore and a substantial shareholder of Hwa Hong Corporation Limited, which is listed on the main board of the Singapore Stock Exchange. Mr. Ong has been a veteran banker with extensive experience in banking and finance over 43 years. He was the General Manager and Country Head for American Express Bank in Singapore for nearly 10 years and also the Chief Representative and Country Manager in China for Banca Monte dei Paschi di Siena S.p.A. for 16 years. Mr. Ong remained as the Bank's advisor and consultant for 2 years after he left China in 2006 having resided in the country for over 16 years. He was the Chairman of Foreign Bankers' Association in Beijing, People's Republic of China from 1999 to 2000.

Mr. Wong Cho Bau, JP, aged 53, an Independent Non-Executive Director since March 2011, currently serves as Chairman of East Pacific (Holdings) Ltd., Shenzhen East Pacific Group Ltd., Donghai Airlines Co., Ltd., Donghai Jet Co., Ltd. and Director of Friends of Hong Kong Association Ltd.. He is also an Independent Non-Executive Director of Sino Land. Mr. Wong, with 30 years of extended business experience, is one of the pioneers on the establishment of business in Shenzhen Special Economic Zone. His business interests have expanded from property development to industrial and aviation. Donghai Airlines Co., Ltd. is the first proprietary air cargo company in China and Donghai Jet Co., Ltd. actively develops chartered jets for business and private travels. Mr. Wong is a National Committee Member of the 10th and 11th Chinese People's Political Consultative Conference. He was formerly a Councilor of the 1st and 2nd Council of China Overseas Friendship Association and a Standing Committee Member of the 8th, 9th and 10th All-China Youth Federation. Mr. Wong is currently an Executive Councilor of the 3rd Council of China Overseas Friendship Association and a Committee Adviser of Hong Kong Association for The Promotion of Peaceful Reunification of China. He is also a member of China Trade Advisory Board of Hong Kong Trade Development Council and a member of the Customs and Excise Service Children's Education Trust Fund Investment Advisory Board.

**(IV) SENIOR
MANAGEMENT**

Various businesses and functions of the Company are respectively under the direct responsibilities of the Executive Directors who are regarded as senior management of the Company.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) is committed to providing effective management and sound control of the Company for maximizing the shareholders’ value. The corporate governance principles of the Company emphasize the attainment and maintenance of a high standard of corporate governance practices and procedures, a quality Board, sound internal controls and high transparency and accountability to the shareholders. The Company has adopted its own Code on Corporate Governance Practices and has complied with all code provisions as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (the “Code”) except that there was no separation of the roles of the chairman and the chief executive officer. The corporate governance practices of the Company in compliance with the Code during the financial year ended 30th June, 2011 with explanation of the abovementioned deviation are set out below in this report.

CORPORATE GOVERNANCE PRACTICES

DIRECTORS

Corporate Governance Principle

The Board is charged with providing overall leadership and control for the Group in an effective and responsible manner with a view to maximizing the financial performance of the Company and the shareholders’ value. The Board makes decisions on business strategies and corporate governance practices, sets the Group’s objectives, value and standards and oversees and monitors the management performance within the control and delegation framework of the Company. These include the Company’s financial statements, dividend policy, any significant changes in accounting policy, adoption of corporate governance practices and procedures and risk management strategies.

Board Composition

The current Board has 10 Directors which composes of four Executive Directors including the Chairman of the Board, two Non-Executive Directors and four Independent Non-Executive Directors. The Company has maintained on its website an updated list of its directors identifying their roles and functions and whether they are Independent Non-Executive Directors. Independent Non-Executive Directors are identified as such in all corporate communications that disclose the names of Directors of the Company.

The current Board has a balance of skill and experience appropriate for the business of the Company and the balance between Executive and Non-Executive Directors is effective in ensuring independent judgement can effectively be exercised.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Board Composition *(Continued)*

The current Board members are:

Executive Directors

Mr. Robert Ng Chee Siong (*Chairman*)

Mr. Thomas Tang Wing Yung

Mr. Daryl Ng Win Kong

Mr. Nicholas Yim Kwok Ming

Non-Executive Directors

The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP

Mr. Gilbert Lui Wing Kwong

Independent Non-Executive Directors

Mr. Peter Wong Man Kong, BBS, JP

Mr. Adrian David Li Man-kiu, JP

Mr. Steven Ong Kay Eng

Mr. Wong Cho Bau, JP

Biographical details of the Directors and their relationships, where applicable, are contained on pages 12 to 15 “Biographical Details of Directors & Senior Management”.

Division of Responsibilities

Every Director keeps abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. Every newly appointed director receives a comprehensive induction package covering the statutory and regulatory obligations of directors, organizational structure, policies and procedures of the Company, codes of the company, terms of reference of committees and charter of responsibilities of internal audit. The Company Secretary from time to time updates the Directors on the latest development of the Listing Rules and applicable regulatory requirements.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Division of Responsibilities *(Continued)*

The Chairman of the Board provides leadership to the Board and undertakes both the roles of chairman and chief executive officer. The Chairman ensures that the Board works effectively and discharges its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. The Chairman takes responsibility for ensuring that good corporate governance practices and procedures are established and encourages all directors to make a full and active contribution to the Board's affairs. The Executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control and delegation framework of the Company.

The Non-Executive Directors bring expertise and independent views on important issues relating to the Group's strategy, policy, financial performance and advise on matters where potential conflicts of interests arise.

All directors are required to give sufficient time and attention to the Group's affairs. Each director is required to disclose to the Company at the time of appointment his other directorships held in listed companies or offices held in public organizations and other significant commitment. The Directors are required to update the Company from time to time any changes of such information on a timely basis.

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 has worked effectively in enabling it to discharge its responsibilities satisfactorily. In addition, the four 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.

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Group.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Board Meetings and Supply of and Access to Information

The Board holds at least four regular meetings a year which are normally scheduled in the fourth quarter of the preceding year and will meet more frequently as and when required. During the financial year ended 30th June, 2011, the Board had held four meetings and the attendance records of the Directors are set out below:

Directors	Meetings attended/Total
<i>Executive Directors</i>	
Mr. Robert Ng Chee Siong	4/4
Mr. Thomas Tang Wing Yung	4/4
Mr. Daryl Ng Win Kong	4/4
Mr. Nicholas Yim Kwok Ming	4/4
<i>Non-Executive Directors</i>	
The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP	2/4
Mr. Gilbert Lui Wing Kwong	4/4
<i>Independent Non-Executive Directors</i>	
Mr. Peter Wong Man Kong, BBS, JP	3/4
Mr. Adrian David Li Man-kiu, JP	4/4
Mr. Steven Ong Kay Eng	4/4
Mr. Wong Cho Bau, JP (appointed on 1st March, 2011)	0/1

Notice incorporating agenda of each regular Board or Committee meeting is given to all Directors or board committee members at least 14 days in advance, and all Directors or board committee members are given the opportunity to include matters for discussion in the agendas. Meeting papers are normally sent to all Directors or board committee members at least five days in advance of every regular Board meeting or board committee meeting.

The Company Secretary assists the Chairman of the Board and the Chairmen of the Board Committees in preparing the meeting agendas and ensures that the Code of the Company as well as all applicable laws and regulations are duly complied. Minutes of board and board committee meetings are recorded in sufficient details of the matters considered and decisions reached at the meetings. Draft and final versions of the minutes are sent to all Directors or Committee members for comment and records respectively within a reasonable time after the meetings. All minutes are properly kept by the Company Secretary and are available for the Directors' or board committee members' inspection.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Board Meetings and Supply of and Access to Information *(Continued)*

All the Directors are entitled to have access to timely information in relation to the Company's business and make further enquiries where necessary, and have unrestricted access to the advice and services of the Company Secretary who is responsible to the Board for ensuring the board procedures and all applicable rules and regulations are followed.

Directors' Appointment, Re-election and Removal

All Non-Executive Directors have entered into letters of appointment with the Company for a specific term of three years. All Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Company's articles of association.

The rotating Directors who are subject to retirement and re-election at the 2011 annual general meeting are set out on page 28.

The Company has not established a nomination committee. The Board is collectively responsible for appointing new Directors either to fill causal vacancies or as additional Board members. The Board is empowered under the Company's articles of association to appoint any person as a Director either to fill a causal vacancy or as an additional Board member. Only the most suitable candidates who are experienced and competent and able to fulfil the fiduciary duties and duties of skill, care and diligence would be selected for directorship. During the year, the Board has approved and appointed Mr. Wong Cho Bau, JP as new Independent Non-Executive Director.

In accordance with the Company's articles of association, new appointments to the Board are subject to re-election by shareholders of the Company at the next following annual general meeting.

The structure, size and composition of the Board will be reviewed from time to time to ensure that the Board has a balanced skill and expertise for providing effective leadership to the Company.

Confirmation of Independence

The independence of the Independent Non-Executive Directors were assessed in accordance with the applicable Listing Rules. Each of the Independent Non-Executive Directors has provided an annual written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the Independent Non-Executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are independent.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Emolument Policy

The Company's emolument policy is to ensure that the remuneration offered to employees including Executive Directors and senior management is based on the skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of Executive Directors are also determined by reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each Director. The emolument policy for Non-Executive Directors is to ensure that the Non-Executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in the Board Committees. Individual Director and senior management would not be involved in deciding their own remuneration.

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 the two other members are 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 is provided with sufficient resources enabling it to discharge its duties. 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Remuneration Committee *(Continued)*

During the year, the Remuneration Committee has held one meeting, reviewed and endorsed the Company's existing emolument policy and reviewed the remuneration of Directors. No Director was involved in deciding his own remuneration at the meeting of the Committee. The attendance records of individual Committee members are set out below:

Committee members	Meetings attended/Total
Mr. Daryl Ng Win Kong	1/1
Mr. Peter Wong Man Kong, BBS, JP	1/1
Mr. Adrian David Li Man-kiu, JP	1/1

The written terms of reference of the Remuneration Committee are available at the Company's website www.sino.com.

Details of the Directors' emoluments for the year are set out in Note 10 to the consolidated financial statements.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Board is responsible for the preparation of the financial statements which should give a true and fair view of the state of affairs of the Group and of the results and cash flows for such reporting period. In preparing the financial statements, the Board has adopted generally accepted accounting standards in Hong Kong and suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Board is responsible for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for auditing and reporting his opinion on the financial statements of the Group and the independent auditor's report for the financial year ended 30th June, 2011 is set out on pages 46 to 47.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Internal Controls and Risk Management

The Board has the responsibility to ensure that the Company maintains sound and effective internal controls to safeguard the interest of the Company and its shareholders.

Based on a guidance (namely, Internal Control and Risk Management – A Basic Framework) issued by the Hong Kong Institute of Certified Public Accountants in June 2005, the Company has enhanced its internal control function by integrating thereto a comprehensive risk management framework which aims to provide reasonable assurance against material errors, losses or fraud. The concepts and practical procedures of the framework are spelled out in the Company's Guideline on Risk Management for the reference of all major business operations and departments to encourage a risk aware and control conscious environment throughout the Group.

Under the Group's internal control and risk management framework, twice a year each major operation unit or department identifies major risks, assesses and evaluates the risks according to its likely impact and the likelihood of occurrence and develops effective control activities to mitigate the risks. The results of such risk assessment, evaluation and mitigation of each operation unit or department are summarized in a standard and consistent manner for the Internal Audit Department's review. Depending on the nature and exposure of the risks of individual operation units or departments, the Internal Audit Department performs further operational and financial reviews, makes recurring and impromptu site investigations on selected risk areas to ensure the effectiveness of the control activities developed by the relevant operation units or departments. The findings by the Internal Audit Department on the weaknesses of control activities are communicated with the operation units or departments concerned. Relevant control activities are enhanced and post-audit reviews are conducted, where appropriate. The Internal Audit Department's review has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. In addition, the external auditor Deloitte Touche Tohmatsu has also carried out certain procedures in relation to the qualifications of the staff of the Company's accounting and financial reporting function. The Internal Audit Department summarizes the results and reports to the Audit Committee, which reports to the Board.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Internal Controls and Risk Management *(Continued)*

During the year, the Board through the Audit Committee reviewed the appraisal performed by the Internal Audit Department on the Company's systems of internal controls and risk management, including the adequacy of resources, qualifications and experiences of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board was satisfied that the systems are effective and adequate for their purposes.

Audit Committee

The Company set up its Audit Committee on 23rd 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 three Independent Non-Executive Directors, namely Mr. Adrian David Li Man-kiu, JP (Committee Chairman), Mr. Peter Wong Man Kong, BBS, JP and Mr. Steven Ong Kay Eng, and Mr. Gilbert Lui Wing Kwong, a Non-Executive Director.

The Committee discusses with the management the systems of internal control and risk management and also compliance issues to ensure that the management has discharged its duty to have an effective internal control and risk management system and considers any findings of major investigations of internal control matters. Apart from that, the Committee acts as the key representative body for overseeing the Company's relation with the external auditor including ensuring their independence and objectivity and the effectiveness of the audit process in accordance with applicable standard and reviewing their management letter, and any material queries raised by them to management and management's response.

During the year, the Committee had held four meetings to review the 2010 annual report and accounts, the 2010/2011 interim report and accounts, the internal audit reports on the internal controls and risk management matters and the Compliance Committee reports on the Listing Rules compliance matters of the Company and reported on all such relevant matters to the Board.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Audit Committee *(Continued)*

The Audit Committee has reviewed the accounting policies and practices adopted by the Company and the annual report for the financial year ended 30th June, 2011. The attendance records of individual Committee member are set out below:

Committee members	Meetings attended/Total
Mr. Adrian David Li Man-kiu, JP	4/4
Mr. Peter Wong Man Kong, BBS, JP	2/4
Mr. Steven Ong Kay Eng	4/4
Mr. Gilbert Lui Wing Kwong	4/4

The written terms of reference of the Audit Committee are available at the Company's website www.sino.com.

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.

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 for Securities Transactions by Directors of Listed Issuers (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 year ended 30th June, 2011.

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.

Auditors' Remuneration

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the auditors for the year ended 30th June, 2011 amounted to HK\$703,892 and HK\$364,026 respectively. The non-audit services mainly consist of taxation, review and other reporting services.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

COMMUNICATION WITH SHAREHOLDERS

Annual General Meeting

The Board strives to maintain an on-going dialogue with the shareholders of the Company and use annual general meeting as one of the principal channels for communicating with the shareholders. At the annual general meeting, each substantially separate issue will be considered by a separate resolution, including the election of individual directors. The Chairman of the Board and Chairmen of the respective Board Committees usually attend annual general meetings to inter-face with and answer questions from the shareholders.

The Company's notice to shareholders for the 2010 annual general meeting of the Company was sent to shareholders more than 20 clear business days prior to the meeting. The Chairman of the meeting exercised his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. Since 2003, the Company has adopted poll voting for all resolutions put to vote at the annual general meetings.

The procedures for voting by poll at the annual general meeting are contained in the circular to the shareholders which was dispatched together with the annual report and were further explained at the annual general meeting prior to the polls being taken. Simultaneous translation from English to Cantonese was available at the annual general meeting. Representatives of the Share Registrars of the Company were appointed as scrutineers to monitor and count the poll votes cast at the annual general meeting. The poll results were posted on the website of The Hong Kong Exchanges and Clearing Limited and the corporate website of the Company on the date of the annual general meeting.

Timely Performance Information

The Board is committed to providing clear performance information of the Company to the investors through timely publication of interim and annual results and reports, circulars to shareholders and announcements in accordance with the Listing Rules requirements.

Copies of the annual reports and interim reports of the Company are distributed to its shareholders in accordance with statutory and regulatory requirements and also to interested parties recorded in the Company's mailing lists. The publications of the Company, including financial reports, circulars and announcements, are also available for download from the Company's corporate website.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30th June, 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 29 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at 30th June, 2011 are set out in notes 29 and 15 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 48.

An interim dividend of HK3.0 cents per share amounting to HK\$26,783,425 was paid to shareholders during the year. The Directors now recommend a final dividend of HK4.0 cents per share amounting to HK\$36,132,285 payable to shareholders whose names appear on the Register of Members of the Company on 4th November, 2011.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The reserves available for distribution to the shareholders by the Company at 30th June, 2011 consisted of share premium, distributable reserve and retained profits totaling HK\$2,157,515,592.

Under the Companies Law (2010 Revision) of the Cayman Islands and the provisions of the Company's Articles of Association, the share premium of the Company is available for distribution or paying dividends to the shareholders provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

TREASURY, GROUP BORROWINGS AND INTEREST CAPITALISED

The Group maintains a conservative approach in its treasury management with foreign exchange exposure being kept at a minimal level and interest rates on floating rate bases. As at 30th June, 2011, the Group's bank loans accounted for 4.6% of the Group's total assets. Details of bank loans and other borrowings of the Group are set out in note 21 to the consolidated financial statements. No interest was capitalised by the Group during the year.

DIRECTORS' REPORT *(Continued)*

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Robert Ng Chee Siong
Mr. Thomas Tang Wing Yung
Mr. Daryl Ng Win Kong
Mr. Nicholas Yim Kwok Ming

Non-Executive Directors

The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP
Mr. Gilbert Lui Wing Kwong

Independent Non-Executive Directors

Mr. Peter Wong Man Kong, BBS, JP
Mr. Adrian David Li Man-kiu, JP
Mr. Steven Ong Kay Eng
Mr. Wong Cho Bau, JP (appointed on 1st March, 2011)

In accordance with the provisions of the Company's Articles of Association and pursuant to Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Adrian David Li Man-kiu, JP, Mr. Steven Ong Kay Eng, Mr. Wong Cho Bau, JP and Mr. Nicholas Yim Kwok Ming will retire at the forthcoming Annual General Meeting and, who being eligible, will offer themselves for re-election.

DIRECTORS' REPORT *(Continued)*

DIRECTORS' INTERESTS

As at 30th June, 2011, 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in 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	427,312,436 <i>(Note)</i>	Beneficial owner of 247,147 shares, spouse interest in 733,382 shares and trustee interest in 426,331,907 shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	47.30%
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. Wong Cho Bau, JP	–	–	–
Mr. Thomas Tang Wing Yung	–	–	–
Mr. Daryl Ng Win Kong	–	–	–
Mr. Nicholas Yim Kwok Ming	–	–	–

DIRECTORS' REPORT *(Continued)*

DIRECTORS' INTERESTS *(Continued)*

(a) Long Positions in Shares of the Company *(Continued)*

Note:

As regards trustee interest in 426,331,907 shares:

- (a) 387,411,256 shares were held through companies which were 100% controlled by the executors of the estate of the late Mr. Ng Teng Fong – 37,577,000 shares by Fanlight Investment Limited, 53,438 shares by Garford Nominees Limited, 16,076,085 shares by Karaganda Investments Inc., 50,582,020 shares by Nippomo Limited, 1,449,384 shares by Orient Creation Limited, 102,242,336 shares by Strathallan Investment Limited, 4,396,921 shares by Strong Investments Limited, 151,827,230 shares by Tamworth Investment Limited and 23,206,842 shares by Transpire Investment Limited;*
- (b) 1,740,294 shares were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which the executors of the estate of the late Mr. Ng Teng Fong had a 71.95% control; and*
- (c) 37,180,357 shares were held by the executors of the estate of the late Mr. Ng Teng Fong.*

(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 <i>(Note)</i>	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 30th June, 2011, 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 pursuant to the Model Code.

SHARE OPTION SCHEMES

The Company and its subsidiaries have no share option schemes.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT *(Continued)*

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10(2) of the Listing Rules, the Company discloses that during the year, the following current Directors held share interests and/or directorships in companies engaged in businesses which compete or likely to compete, either directly or indirectly, with the businesses of the Group:

Mr. Robert Ng Chee Siong held share interests and directorships and Mr. Daryl Ng Win Kong and Mr. Thomas Tang Wing Yung held directorships in companies of the Ng Family (including Mr. Robert Ng Chee Siong, Mr. Philip Ng Chee Tat, and as co-executors of the estate of the late Mr. Ng Teng Fong and/or their respective associates) which engage in business of hotel operation.

The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP, is an Independent Non-Executive Director of Hang Lung Properties Limited and Non-Executive Director of HKR International Limited, which engage in business of hotel operation.

As the Board of Directors of the Company is independent of the boards of the aforesaid companies and maintains four Independent Non-Executive Directors, the Group operates its businesses independently of, and at arm's length from, the businesses of the aforesaid companies.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of Directors' interests in contracts of significance are set out in note 28 to the consolidated financial statements.

Other than as disclosed in note 28 to the consolidated financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SERVICE CONTRACTS

None of the Directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

**CONNECTED
TRANSACTIONS**

(A) Existing Continuing Connected Transactions up to 30th June, 2011

(a) Security Guard Services

The Company announced on 24th June, 2010 that it had entered into an agreement on 24th June, 2010 ("Agreement") relating to the following non-exempt continuing connected transactions between the Company and/or its subsidiaries and Sino Land Company Limited or its subsidiaries ("Sino Land Group") (being an associate of the Ng Family (including Mr. Robert Ng Chee Siong, Mr. Philip Ng Chee Tat, and as co-executors of the estate of the late Mr. Ng Teng Fong and/or their respective associates)) for the three financial years commencing from 1st July, 2010 and ending on 30th June, 2013 with an annual cap fixed for each of the years. Particulars of the Agreement together with the total consideration for the year ended 30th June, 2011 are disclosed herein as required under the Listing Rules:

Party A:	Sino Security Services Limited, a wholly-owned subsidiary of Sino Land Company Limited
Party B:	The Group
Nature of transactions:	Provision of security guard services by the Sino Land Group to hotels owned or managed, or to be owned or managed by the Group
Terms:	A lump sum fee to be agreed between the parties which shall be determined by reference to cost plus a profit margin. The profit margin applicable varies on a case-by-case basis depending on factors such as size and nature of the hotel, location of the hotel, complexity of the work, image, degree of competition and length of the contract. In general, for indicative purposes, the current profit margin for the services provided ranges from 1% to 25% for particular hotels based on the abovementioned factors.
Annual cap:	HK\$2.7 million
Total consideration for the year:	HK\$1.47 million
Basis of the Annual Cap:	By reference to the nature and value of these transactions for the three years ended 30th June, 2010, the existing scale and operations of the business, the anticipated development and growth of such businesses and changes of general economic conditions for the next three years, which management deemed reasonable.

Sino Land Group is a connected person of the Company by virtue of it being an associate of the Ng Family, a substantial shareholder of the Company. Therefore the above transaction constituted continuing connected transactions of the Company pursuant to the Listing Rules.

**CONNECTED
TRANSACTIONS**
(Continued)

(A) Existing Continuing Connected Transactions up to 30th June, 2011
(Continued)

(b) Provision of Clubhouse Management Services

On 30th April, 2009, the Company announced that Bright Tower (HK) Limited ("Bright Tower"), a wholly-owned subsidiary of the Company, was awarded a clubhouse management contract by tender, pursuant to which Bright Tower agreed to manage the clubhouse of Pacific Palisades for the period from 1st May, 2009 to 30th April, 2011.

Particulars of such contract together with the total consideration for the year ended 30th June, 2011 are disclosed herein as required under the Listing Rules:

Party A:	Bright Tower
Party B:	Sino Estates Management Limited ("SEM"), a wholly-owned subsidiary of Sino Land Company Limited, as the building manager and an agent for the unincorporated body of owners of Pacific Palisades
Nature of transactions:	Provision of management service by Bright Tower to the clubhouse of the Pacific Palisades
Service fee:	HK\$227,850 per month and payable on a monthly basis
Annual cap (and basis thereof):	HK\$2,278,500 for the period from 1st July, 2010 to 30th April, 2011 (i.e. HK\$227,850 x 10 months)
Total consideration for the period:	HK\$2,278,500

The monthly service fee payable by SEM to Bright Tower under the aforesaid clubhouse management contract is based on the tender price submitted by Bright Tower and is arrived at on an arm's length basis after considering the estimated cost and profit margin for providing the clubhouse management services.

Boatswain Enterprises Limited and Beverhill Limited, being companies controlled by the Ng Family, are two of the owners of Pacific Palisades who together are interested in approximately 60% of the undivided shares of Pacific Palisades. The Ng Family is a connected person of the Company by virtue of it being a substantial shareholder of the Company. Boatswain Enterprises Limited and Beverhill Limited, being associates of the Ng Family, are also connected persons of the Company. On such basis, the provision of clubhouse management services during the year by the Company to Pacific Palisades under the aforesaid clubhouse management contract constituted continuing connected transaction of the Company under the Listing Rules.

DIRECTORS' REPORT *(Continued)*

CONNECTED TRANSACTIONS *(Continued)*

(A) Existing Continuing Connected Transactions up to 30th June, 2011 *(Continued)*

The Company is one of Hong Kong's leading service providers in hotel management and club management services. The Board of Directors considered that the above continuing connected transactions were consistent with the business and commercial objectives of the Company and further strengthened the Company's position as a service provider of hotel management and club management services in Hong Kong.

During the year, the above continuing connected transactions were carried out within their respective annual caps. The Independent Non-Executive Directors have reviewed and confirmed that during the year, the above continuing connected transactions were conducted and entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms (on arm's length basis or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties);
- (iii) in accordance with the relevant agreements governing such transactions; and
- (iv) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.38 of the Main Board Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

**CONNECTED
TRANSACTIONS**
(Continued)

(B) Provision of Clubhouse Management Services

Reference is made to the continuing connected transactions mentioned in section (A)(b) above.

The original contract dated 30th April, 2009 regarding the provision of management services to the clubhouse of Pacific Palisades which expired on 1st May, 2011 was subsequently extended for a 3-month period up to 31st July, 2011 on the same terms and conditions pending the completion of the tendering procedure and award of the new contract to the successful tenderer.

On 1st August, 2011, the Company announced that Bright Tower was awarded a new clubhouse management contract by tender, pursuant to which Bright Tower agreed to manage the clubhouse of Pacific Palisades for the period from 1st August, 2011 to 31st July, 2013.

Particulars of such contract are disclosed herein as required under the Listing Rules:

Party A:	Bright Tower
Party B:	SEM as the building manager and an agent for the unincorporated body of owners of Pacific Palisades
Nature of transactions:	Provision of management service by Bright Tower to the clubhouse of the Pacific Palisades
Service fee:	HK\$246,078 per month and payable on a monthly basis
Annual cap (and basis thereof):	HK\$2,706,858 for the period from 1st August, 2011 to 30th June, 2012 (i.e. HK\$246,078 x 11 months) HK\$2,952,936 for the period from 1st July, 2012 to 30th June, 2013 (i.e. HK\$246,078 x 12 months) HK\$246,078 for the period from 1st July, 2013 to 31st July, 2013 (i.e. HK\$246,078 x 1 month)

DIRECTORS' REPORT *(Continued)*

CONNECTED TRANSACTIONS *(Continued)*

(B) Provision of Clubhouse Management Services *(Continued)*

The monthly service fee payable by SEM to Bright Tower under the aforesaid clubhouse management contract is based on the tender price submitted by Bright Tower and is arrived at on an arm's length basis after considering the estimated cost and profit margin for providing the clubhouse management services.

Boatswain Enterprises Limited and Beverhill Limited, being companies controlled by the Ng Family, are two of the owners of Pacific Palisades who together are interested in approximately 60% of the undivided shares of Pacific Palisades. The Ng Family is a connected person of the Company by virtue of it being a substantial shareholder of the Company. Boatswain Enterprises Limited and Beverhill Limited, being associates of the Ng Family, are also connected persons of the Company. On such basis, the provision of clubhouse management services during the year by the Company to Pacific Palisades under the aforesaid clubhouse management contract constituted continuing connected transaction of the Company under the Listing Rules.

Full details of the above continuing connected transactions are set out in the respective announcements and available in the Company's corporate website, www.sino.com.

Details of other related party transactions are set out in Note 28 to the consolidated financial statements.

DIRECTORS' REPORT *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30th June, 2011, 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. Philip Ng Chee Tat	429,013,553 <i>(Notes 1, 2, 3 and 4)</i>	Interest of controlled corporations in 2,681,646 shares and trustee interest in 426,331,907 shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	47.49%
Mr. Robert Ng Chee Siong	427,312,436 <i>(Notes 2, 3 and 4)</i>	Beneficial owner of 247,147 shares, spouse interest in 733,382 shares and trustee interest in 426,331,907 shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	47.30%
Tamworth Investment Limited	151,827,230 <i>(Note 3)</i>	Beneficial owner	16.80%
Strathallan Investment Limited	102,242,336 <i>(Note 3)</i>	Beneficial owner	11.31%
Name of Other Shareholder	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Nippomo Limited	50,582,020 <i>(Note 3)</i>	Beneficial owner	5.59%

DIRECTORS' REPORT *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS *(Continued)*

Long Positions in Shares of the Company *(Continued)*

Notes:

1. *2,681,646 shares were held by Bestdeal Contractors Pte Ltd which was 100% controlled by Mr. Philip Ng Chee Tat.*
2. *As regards trustee interest in 426,331,907 shares:*
 - (a) *387,411,256 shares were held through companies which were 100% controlled by the executors of the estate of the late Mr. Ng Teng Fong – 37,577,000 shares by Fanlight Investment Limited, 53,438 shares by Garford Nominees Limited, 16,076,085 shares by Karaganda Investments Inc., 50,582,020 shares by Nippomo Limited, 1,449,384 shares by Orient Creation Limited, 102,242,336 shares by Strathallan Investment Limited, 4,396,921 shares by Strong Investments Limited, 151,827,230 shares by Tamworth Investment Limited and 23,206,842 shares by Transpire Investment Limited;*
 - (b) *1,740,294 shares were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which the executors of the estate of the late Mr. Ng Teng Fong had a 71.95% control; and*
 - (c) *37,180,357 shares were held by the executors of the estate of the late Mr. Ng Teng Fong.*
3. *The interests of Tamworth Investment Limited, Strathallan Investment Limited and Nippomo Limited were duplicated in the interests of the executors of the estate of the late Mr. Ng Teng Fong.*
4. *The interests of Mr. Philip Ng Chee Tat and Mr. Robert Ng Chee Siong as the co-executors of the estate of the late Mr. Ng Teng Fong were duplicated.*

Save as disclosed above and so far as the Directors of the Company are aware, as at 30th June, 2011, 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.

DIRECTORS' REPORT *(Continued)*

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate turnover or purchases attributable to the Group's five largest customers or suppliers was less than 30% of the Group's total turnover or purchases for the year under review.

RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in fund under the control of trustee. As at 30th June, 2011, the Group employed approximately 370 employees.

The retirement benefit cost charged to consolidated income statement represents contribution payable to the scheme by the Group at rates specified in the rules of the scheme.

PRE-EMPTIVE RIGHTS

No provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders exist in the Cayman Islands, being the jurisdiction in which the Company was incorporated.

CORPORATE GOVERNANCE

The corporate governance report is set out on pages 16 to 26.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Robert NG Chee Siong
Chairman

Hong Kong, 1st September, 2011

CONRAD HONG KONG

Conrad Hong Kong is part of the prestigious Pacific Place development located in the heart of the Central Business District. The hotel is across from the lush Hong Kong Park, directly connected to the MTR Admiralty station, and a few minutes from the Star Ferry and Hong Kong Convention and Exhibition Centre.





Towering from 40th to 61st floor, Conrad Hong Kong features 513 rooms which include 45 suites and 5 dedicated executive floors complete with an exclusive lounge. All rooms offer unparalleled views of Hong Kong harbour and picturesque Victoria Peak. The hotel has an extensive range of function rooms including one of the city's largest column-free ballrooms.



THE ROYAL PACIFIC HOTEL & TOWERS

Known for its postcard harbour and park views, The Royal Pacific Hotel & Towers' stylish, contemporary guestrooms and Executive Club Lounge offer personal and attentive services to discerning business and leisure travellers.



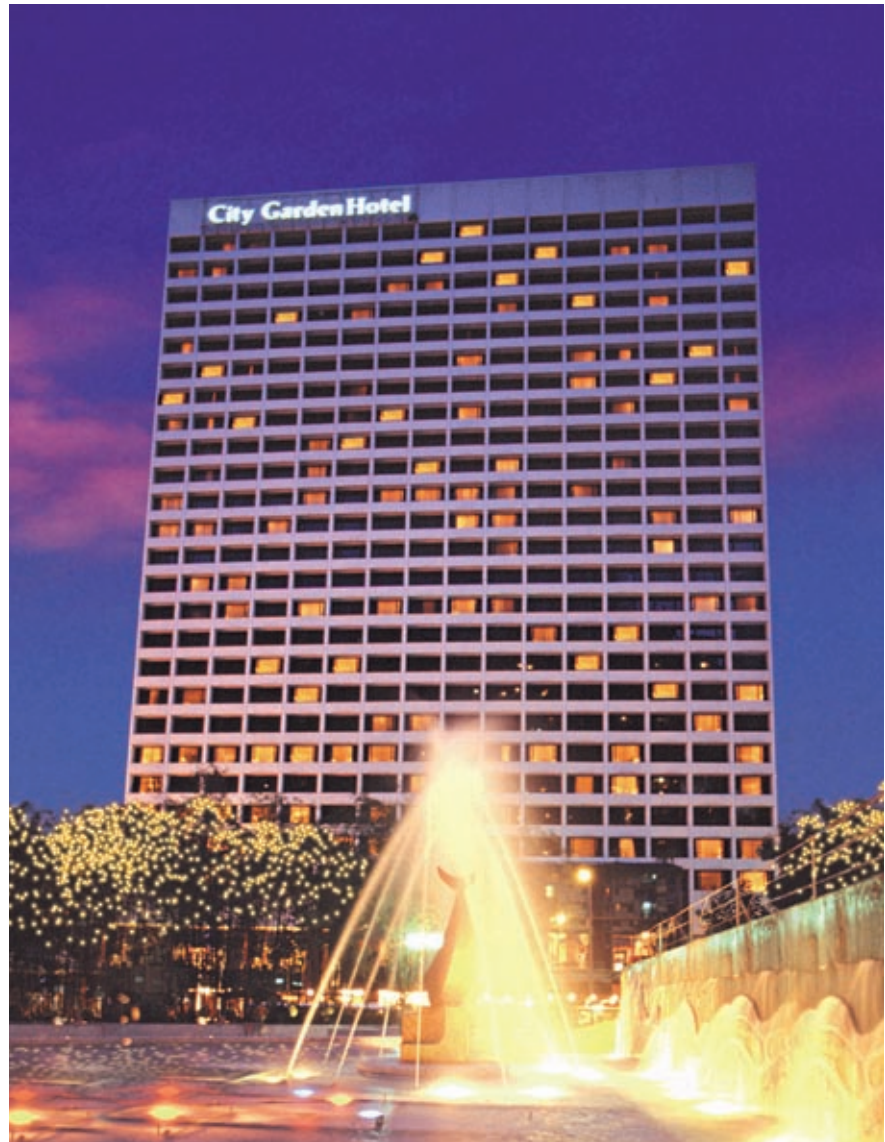


The hotel has over the years gained a reputation as a favourite venue for business and private events. The Imperial and Pacific Rooms can accommodate up to 420 guests for lavish meetings and functions, and provide state-of-the-art meeting facilities, including access to internet, video conferencing and advanced audio-visual equipment. Dining options at the hotel include Café on the Park for all day dining, Pierside with international cuisines and Satay Inn for authentic Singaporean and Malaysian delicacies in a relaxing alfresco setting.



CITY GARDEN HOTEL

Adjacent to the bustling Causeway Bay shopping and entertainment district, the 613-room City Garden Hotel is located on Island East and within five minutes' walk from the MTR Fortress Hill station.





Guests staying at City Garden Hotel will find many pleasurable dining and leisure facilities. The hotel boasts four restaurants and a bar, including the Garden Café, the award-winning Cantonese restaurant YUE, the locally-acclaimed Satay Inn, serving authentic Singaporean and Malaysian cuisine, and an American style pub-cum-restaurant, A BAR. Whether for business or leisure, the hotel offers a comprehensive range of facilities including an outdoor swimming pool, Jacuzzi, a gym, a business centre and meeting space. Also, the hotel provides complimentary shuttle bus services to Time Square and nearby major business hubs.



INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF SINO HOTELS (HOLDINGS) LIMITED
信和酒店(集團)有限公司
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino Hotels (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 89, which comprise the consolidated statement of financial position as at 30th June, 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**DIRECTORS'
RESPONSIBILITY FOR
THE CONSOLIDATED
FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S
RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30th June, 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
1st September, 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2011

	<i>NOTES</i>	2011 HK\$	2010 <i>HK\$</i>
Revenue	4	284,365,633	214,289,735
Cost of sales		(86,255,975)	(72,434,063)
Gross profit		198,109,658	141,855,672
Marketing costs		(12,100,125)	(9,199,678)
Administrative expenses		(21,151,792)	(20,229,878)
Other expenses		(83,435,120)	(70,373,329)
Finance income	6	1,332,771	2,200,581
Finance costs	7	(5,594,570)	(6,547,293)
Finance costs net of finance income		(4,261,799)	(4,346,712)
Share of results of associates		122,679,146	103,755,411
Profit before taxation	8	199,839,968	141,461,486
Income tax expense	9	(16,528,973)	(10,191,637)
Profit for the year attributable to owners of the Company		183,310,995	131,269,849
Earnings per share – basic	13	20.61 cents	15.08 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th June, 2011

	2011 HK\$	2010 <i>HK\$</i>
Profit for the year	<u>183,310,995</u>	<u>131,269,849</u>
Other comprehensive income		
Gain on fair value changes on available-for-sale financial assets	<u>3,072,184</u>	<u>278,071,913</u>
Other comprehensive income for the year	<u>3,072,184</u>	<u>278,071,913</u>
Total comprehensive income for the year attributable to owners of the Company	<u>186,383,179</u>	<u>409,341,762</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2011

	NOTES	30.6.2011 HK\$	30.6.2010 HK\$ (Restated)	1.7.2009 HK\$ (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	1,502,897,491	1,536,756,181	1,568,812,147
Interests in associates	15	1,481,691,205	1,359,012,059	1,255,256,648
Available-for-sale financial assets	16	710,769,436	701,182,148	418,262,369
Pledged fixed deposit	17	1,559,678	1,557,934	1,557,504
		3,696,917,810	3,598,508,322	3,243,888,668
CURRENT ASSETS				
Hotel inventories		788,905	666,443	598,955
Trade and other receivables	18	8,021,037	9,000,492	5,865,692
Amounts due from associates	19	240,322,746	239,325,277	233,441,953
Bank balances and cash	17	27,001,555	36,653,452	31,042,249
		276,134,243	285,645,664	270,948,849
CURRENT LIABILITIES				
Trade and other payables	20	25,437,841	11,535,485	9,748,170
Amount due to an associate	19	–	–	64,359
Tax payable		16,945,436	10,363,916	8,863,807
Bank loans and other borrowings	21	42,713,423	56,713,221	96,968,204
		85,096,700	78,612,622	115,644,540
NET CURRENT ASSETS		191,037,543	207,033,042	155,304,309
TOTAL ASSETS LESS CURRENT LIABILITIES		3,887,955,353	3,805,541,364	3,399,192,977
CAPITAL AND RESERVES				
Share capital	22	903,307,135	880,506,492	865,288,863
Reserves		2,397,263,969	2,235,615,167	1,849,699,717
Equity attributable to owners of the Company		3,300,571,104	3,116,121,659	2,714,988,580
NON-CURRENT LIABILITIES				
Bank loans and other borrowings	21	143,143,322	247,724,227	244,743,463
Amount due to an associate	23	437,460,962	435,526,705	434,062,067
Deferred taxation	24	6,779,965	6,168,773	5,398,867
		587,384,249	689,419,705	684,204,397
		3,887,955,353	3,805,541,364	3,399,192,977

The consolidated financial statements on pages 48 to 89 were approved and authorised for issue by the Board of Directors on 1st September, 2011 and are signed on its behalf by:

Robert NG Chee Siong
Chairman

Thomas TANG Wing Yung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June, 2011

	Share capital HK\$	Share premium HK\$ (Note (b))	Investment revaluation reserve HK\$ (Note (a))	Distributable reserve HK\$ (Note (b))	Retained profits HK\$	Total HK\$
At 1st July, 2009	865,288,863	213,840,840	44,923,909	1,384,780,626	206,154,342	2,714,988,580
Profit for the year	-	-	-	-	131,269,849	131,269,849
Gain on fair value changes on available-for-sale financial assets	-	-	278,071,913	-	-	278,071,913
Other comprehensive income for the year	-	-	278,071,913	-	-	278,071,913
Total comprehensive income for the year	-	-	278,071,913	-	131,269,849	409,341,762
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
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	-	(243,212)	-	-	-	(243,212)
Dividends	-	-	-	(43,421,072)	-	(43,421,072)
At 30th June, 2010	880,506,492	233,835,600	322,995,822	1,341,359,554	337,424,191	3,116,121,659
Profit for the year	-	-	-	-	183,310,995	183,310,995
Gain on fair value changes on available-for-sale financial assets	-	-	3,072,184	-	-	3,072,184
Other comprehensive income for the year	-	-	3,072,184	-	-	3,072,184
Total comprehensive income for the year	-	-	3,072,184	-	183,310,995	186,383,179
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
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2011	10,526,293	15,473,651	-	-	-	25,999,944
Share issue expenses	-	(219,778)	-	-	-	(219,778)
Dividends	-	-	-	(56,720,646)	-	(56,720,646)
At 30th June, 2011	903,307,135	265,821,869	326,068,006	1,284,638,908	520,735,186	3,300,571,104

Notes:

- (a) The investment revaluation reserve movement results from changes in fair values of available-for-sale financial assets.
- (b) Under the Companies Law (2010 Revision) of the Cayman Islands and the provisions of the Company's Articles of Association, the share premium of the Company is available for distribution or paying dividends to the shareholders provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

The distributable reserve of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company, which was transferred from the share premium account pursuant to a group reorganisation in 1995. Under the Companies Law (2010 Revision) of the Cayman Islands, the distributable reserve is available for distribution to shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30th June, 2011

	2011 HK\$	2010 HK\$ (Restated)
OPERATING ACTIVITIES		
Profit before taxation	199,839,968	141,461,486
Adjustments for:		
Share of results of associates	(122,679,146)	(103,755,411)
Dividend income	(6,515,104)	(4,847,866)
Depreciation and amortisation of property, plant and equipment	41,029,421	39,620,709
Finance income	(1,332,771)	(2,200,581)
Finance costs	5,594,570	6,547,293
Gain on disposal of property, plant and equipment	(1,536)	–
Operating cash flows before movements in working capital	115,935,402	76,825,630
Increase in hotel inventories	(122,462)	(67,488)
Decrease (increase) in trade and other receivables	979,455	(3,134,800)
Increase in trade and other payables	13,598,602	1,835,068
Decrease in amount due to an associate	–	(64,359)
Cash generated from operations	130,390,997	75,394,051
Hong Kong Profits Tax paid	(9,336,261)	(7,921,622)
NET CASH FROM OPERATING ACTIVITIES	121,054,736	67,472,429
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,186,607)	(7,564,743)
Advances to associates	(997,469)	(342,625,363)
Placement of a pledged fixed deposit	(1,744)	(430)
Interest received	1,332,771	2,200,581
Proceeds on disposal of property, plant and equipment	17,412	–
Repayment from an associate	–	336,742,039
NET CASH USED IN INVESTING ACTIVITIES	(6,835,637)	(11,247,916)
FINANCING ACTIVITIES		
Repayment of bank loans and other borrowings	(129,867,482)	(335,000,529)
Interest and other finance costs paid	(5,004,037)	(4,968,735)
Dividends paid	(1,713,956)	(7,965,472)
Share issue expenses	(219,778)	(243,212)
New bank loan raised	11,000,000	297,000,000
Advance from an associate	1,934,257	1,464,638
Loan arrangement fee paid	–	(900,000)
NET CASH USED IN FINANCING ACTIVITIES	(123,870,996)	(50,613,310)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,651,897)	5,611,203
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	36,653,452	31,042,249
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	27,001,555	36,653,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June, 2011

1. GENERAL

The Company is a public limited liability company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company is disclosed in the section headed "Corporate information" in the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 29.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (the "Group") have applied the following new and revised Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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), HKAS 1, HKAS 27 and HKAS 28
HKAS 32 (Amendments)	Classification of Rights Issues
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Shared-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 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Improvements to HKFRSs 2009 (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 previous carrying amounts of HK\$1,223,839,521 and HK\$1,201,621,557 as at 1st July, 2009 and 30th June, 2010 respectively to property, plant and equipment that are measured under the cost model.

As at 30th June, 2011, leasehold land that qualifies for finance lease classification with carrying amount of HK\$1,179,403,593 has been included in property, plant and equipment. The application of the amendment to HKAS 17 has had no impact on the reported profit or loss for the current or prior years.

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	<u>1,201,621,557</u>	<u>(1,201,621,557)</u>	<u>–</u>
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) 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	<u>1,223,839,521</u>	<u>(1,223,839,521)</u>	<u>–</u>
Total effects on net assets	<u>1,568,812,147</u>	<u>–</u>	<u>1,568,812,147</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Improvements to HKFRSs 2009 (Continued)

The effect of the change in accounting policy described above on the results of the Group for the year ended 30th June, 2010 is as follows:

	For the year ended 30th June, 2010 (originally stated) HK\$	Adjustments HK\$	For the year ended 30th June, 2010 (restated) HK\$
Depreciation of property, plant and equipment	17,402,745	22,217,964	39,620,709
Amortisation of prepaid lease payments	22,217,964	(22,217,964)	–
Total effects on profit for the year	<u>39,620,709</u>	<u>–</u>	<u>39,620,709</u>

The change in accounting policy described above has had no effect on the Group’s basic earnings per share for the current and prior periods.

The Group has not early applied the following new and 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), HKAS 1, HKAS 27 and HKAS 28 ¹
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ²
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
HKAS 19 (as revised in 2011)	Employee Benefits ⁴
HKAS 24 (Revised)	Related Party Disclosures ¹
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ⁵
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ⁵
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁵
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ¹

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

² Effective for annual periods beginning on or after 1st July, 2012

³ Effective for annual periods beginning on or after 1st January, 2012

⁴ Effective for annual periods beginning on or after 1st January, 2013

⁵ Effective for annual periods beginning on or after 1st July, 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The significant accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Goodwill

Goodwill arising on an acquisition of an associate for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition. From 1st January, 2005 onwards, the Group has discontinued amortisation of goodwill, and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate and assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes and includes the following items:

Revenue from room rental, food and beverage sales and other ancillary services in the hotel are recognised when the relevant services have been rendered.

Income from operation of clubs and management of hotels are recognised when services are rendered.

Dividend income from investment is recognised when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including land and building held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses, if any.

Depreciation and amortisation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Hotel inventories

Hotel inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments for land" in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including pledged fixed deposit, trade and other receivables, amounts due from associates and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to an associate, bank loans and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. REVENUE

	2011 HK\$	2010 HK\$
Hotel operation	258,734,193	192,313,679
Club operation and hotel management	19,116,336	17,128,190
Dividend income from available-for-sale financial assets	6,515,104	4,847,866
	284,365,633	214,289,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

5. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable and 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

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the years:

	Segment revenue		Segment profit	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Hotel operation				
– City Garden Hotel	258,734,193	192,313,679	75,771,270	40,724,153
Investment holding	6,515,104	4,847,866	6,515,064	4,844,081
Hotel operation				
– share of results of associates	–	–	148,800,375	126,317,271
Others – club operation and hotel management	19,116,336	17,128,190	2,541,325	1,904,625
	284,365,633	214,289,735	233,628,034	173,790,130
Share of results of associates – others			(7,576)	(36,728)
Share of income tax expenses of associates			(26,113,653)	(22,525,132)
Corporate expenses			(3,405,038)	(5,420,072)
Finance income			1,332,771	2,200,581
Finance costs			(5,594,570)	(6,547,293)
Profit before taxation			199,839,968	141,461,486

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of corporate expenses, finance income, finance costs and share of results of associates – others and share of income tax expenses of associates. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment.

All of the segment revenue reported above are from external customers. There was no inter-segment revenue for the year (2010: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Segment assets		
Hotel operation – City Garden Hotel	1,508,809,348	1,543,440,783
Investment holding	710,769,436	701,182,148
Hotel operation – interests in associates	1,481,691,205	1,359,012,059
Others – club operation and hotel management	4,455,715	4,536,144
	<hr/>	<hr/>
Total segment assets	3,705,725,704	3,608,171,134
Amounts due from associates	240,322,746	239,325,277
Unallocated assets	27,003,603	36,657,575
	<hr/>	<hr/>
Consolidated assets	3,973,052,053	3,884,153,986
	<hr/>	<hr/>
Segment liabilities		
Hotel operation – City Garden Hotel	22,461,092	8,624,494
Investment holding	6,000	6,000
Others – club operation and hotel management	972,542	1,033,008
	<hr/>	<hr/>
Total segment liabilities	23,439,634	9,663,502
Amount due to an associate	437,460,962	435,526,705
Unallocated liabilities	211,580,353	322,842,120
	<hr/>	<hr/>
Consolidated liabilities	672,480,949	768,032,327
	<hr/>	<hr/>

For the purposes of assessing segment performance and allocating resources between segments, all assets are allocated to reportable segments other than the Group's corporate assets, amounts due from associates, and bank balances and cash and all liabilities are allocated to reportable segments other than the Group's corporate liabilities, amount due to an associate, tax payable, bank loans and other borrowings and deferred taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

5. SEGMENT INFORMATION (Continued)

Other segment information

	Depreciation and amortisation of property, plant and equipment		Addition to non-current assets (Note)		Gain on disposal of property, plant and equipment	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Amounts included in the measure of segment profit or loss or segment assets:						
Hotel operation – City Garden Hotel	40,534,934	38,942,257	6,925,237	3,724,673	1,536	–
Others – club operation and hotel management	494,487	678,452	261,370	3,840,070	–	–
	41,029,421	39,620,709	7,186,607	7,564,743	1,536	–

Note: Non-current assets excluded financial instruments (including available-for-sale financial assets and pledged fixed deposit).

Geographical information

All of the activities of the Group are based in Hong Kong and all of the Group's revenue and contribution to profit for the year are derived from Hong Kong. All the assets of the Group are located in Hong Kong.

6. FINANCE INCOME

	2011 HK\$	2010 HK\$
Interest income on:		
Advance to an associate	1,322,950	2,196,838
Bank deposits	9,821	3,743
	1,332,771	2,200,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

7. FINANCE COSTS

	2011 HK\$	2010 HK\$
Interest and other finance costs on:		
Bank loans wholly repayable within five years	3,637,311	5,069,746
Advance from an associate	1,934,257	1,464,638
Other unsecured loans	23,002	12,909
	<u>5,594,570</u>	<u>6,547,293</u>

8. PROFIT BEFORE TAXATION

	2011 HK\$	2010 HK\$ (Restated)
Profit before taxation has been arrived at after charging:		
Directors' emoluments (note 10)	3,311,297	2,971,342
Other staff costs	77,059,288	61,907,233
Contributions to retirement benefit scheme (other than directors) (note 32)	2,849,305	2,556,315
Total staff costs	<u>83,219,890</u>	<u>67,434,890</u>
Auditor's remuneration		
Audit services		
Current year	703,070	675,900
Underprovision in prior years	822	21,350
Non-audit services	703,892	697,250
	<u>364,026</u>	<u>373,880</u>
	<u>1,067,918</u>	<u>1,071,130</u>
Cost of hotel inventories consumed	20,240,492	18,307,798
Depreciation and amortisation of property, plant and equipment	41,029,421	39,620,709
Repairs and maintenance in respect of hotel properties	6,657,277	2,255,776
Share of income tax expenses of associates (included in share of results of associates)	26,113,653	22,525,132
Minimum lease payments under operating leases	389,429	319,898
and after crediting:		
Rental income in respect of premises, net of negligible outgoings	743,700	677,500
Gain on disposal of property, plant and equipment	1,536	-
	<u>1,536</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

9. INCOME TAX EXPENSE

	2011 HK\$	2010 HK\$
Income tax expense comprises:		
Hong Kong Profits Tax calculated at 16.5% (2010: 16.5%) on estimated assessable profit		
Current year	15,920,459	9,421,731
Overprovision in prior years	(2,678)	–
	<u>15,917,781</u>	<u>9,421,731</u>
Deferred tax (note 24)		
Current year	611,192	769,906
	<u>16,528,973</u>	<u>10,191,637</u>

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2011 HK\$	2010 HK\$
Profit before taxation	<u>199,839,968</u>	<u>141,461,486</u>
Tax at Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	32,973,595	23,341,145
Tax effect of results attributable to associates	(20,242,059)	(17,119,643)
Tax effect of expenses not deductible for tax purpose	4,859,649	4,577,869
Tax effect of income not taxable for tax purpose	(1,080,464)	(804,362)
Utilisation of deductible temporary differences previously not recognised	(74,910)	(144,320)
Utilisation of tax losses previously not recognised	(3,124)	–
Tax effect of tax losses not recognised	855,184	335,972
Tax effect of taxable temporary differences not recognised	–	4,976
Overprovision in prior years	(2,678)	–
Others	(756,220)	–
Income tax expense for the year	<u>16,528,973</u>	<u>10,191,637</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

10. DIRECTORS' EMOLUMENTS

	2011					2010				
	Fee	Other emoluments			Total	Fee	Other emoluments			Total
		Contributions					Contributions			
		Salaries	to	Discretionary		Salaries	to	Discretionary		
		and	retirement	bonus		and	retirement	bonus		
		other	benefit	(Note i)		other	benefit	(Note i)		
		benefits	scheme			benefits	scheme			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Executive Directors:										
Mr. Robert Ng Chee Siong	28,000	-	-	-	28,000	28,000	-	-	-	28,000
Mr. Thomas Tang Wing Yung	28,000	-	-	-	28,000	28,000	-	-	-	28,000
Mr. Daryl Ng Win Kong	36,000	-	-	-	36,000	36,000	-	-	-	36,000
Mr. Nicholas Yim Kwok Ming	18,000	2,121,797	18,000	517,500	2,675,297	18,000	1,936,342	18,000	375,000	2,347,342
	<u>110,000</u>	<u>2,121,797</u>	<u>18,000</u>	<u>517,500</u>	<u>2,767,297</u>	<u>110,000</u>	<u>1,936,342</u>	<u>18,000</u>	<u>375,000</u>	<u>2,439,342</u>
Non-executive Directors:										
Mr. Gilbert Lui Wing Kwong	120,000	-	-	-	120,000	120,000	-	-	-	120,000
The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP (Note ii)	36,000	-	-	-	36,000	36,000	-	-	-	36,000
	<u>156,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,000</u>	<u>156,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,000</u>
Independent Non-executive Directors:										
Mr. Peter Wong Man Kong, BBS, JP	128,000	-	-	-	128,000	128,000	-	-	-	128,000
Mr. Adrian David Li Man-kiu, JP	128,000	-	-	-	128,000	128,000	-	-	-	128,000
Mr. Steven Ong Kay Eng	120,000	-	-	-	120,000	120,000	-	-	-	120,000
Mr. Wong Cho Bau, JP	12,000	-	-	-	12,000	-	-	-	-	-
	<u>388,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,000</u>	<u>376,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,000</u>
	<u>654,000</u>	<u>2,121,797</u>	<u>18,000</u>	<u>517,500</u>	<u>3,311,297</u>	<u>642,000</u>	<u>1,936,342</u>	<u>18,000</u>	<u>375,000</u>	<u>2,971,342</u>

No Directors waived any emoluments for the year ended 30th June, 2011 (2010: Nil).

Notes:

- (i) The discretionary bonus for both years was determined by reference to the performance of the director and the profitability of the Group.
- (ii) During the year, a consultancy fee of HK\$416,666 (2010: HK\$416,666) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP is the sole proprietor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

11. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals of the Group, one (2010: one) is the Director of the Company whose emolument is disclosed in note 10 above. The emoluments of the remaining four (2010: four) individuals are employees of the Group, details of whose remuneration are as follows:

	2011 HK\$	2010 <i>HK\$</i>
Salaries and other emoluments	3,513,660	2,729,408
Contributions to retirement benefit scheme	60,000	54,500
Discretionary bonus (Note)	870,435	223,600
	4,444,095	3,007,508

Note: The discretionary bonuses for both years were determined by reference to the performance of the Group.

The emoluments were within the following bands:

	Number of individuals	
	2011	2010
Less than HK\$1,000,000	1	3
HK\$1,000,000 – HK\$1,500,000	3	1

None of the four (2010: four) highest paid individuals waived any emoluments in both years.

During the year, no emoluments were paid by the Group to the four (2010: four) highest paid individuals and Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

12. DIVIDENDS

	2011 HK\$	2010 HK\$
Final dividend for the year ended 30th June, 2010 HK3.4 cents (2010: final dividend for 2009 of HK2.4 cents) per share	29,937,221	20,766,933
Interim dividend for the year ended 30th June, 2011 HK3.0 cents (2010: interim dividend for 2010 of HK2.6 cents) per share	<u>26,783,425</u>	<u>22,654,139</u>
	<u>56,720,646</u>	<u>43,421,072</u>

A final dividend of HK4.0 cents for the year ended 30th June, 2011 (2010: a final dividend of HK3.4 cents for the year ended 30th June, 2010) per share amounting to HK\$36,132,285 (2010: HK\$29,937,221) in total has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting.

During the year, scrip alternative was offered in respect of the dividends. This scrip alternative was accepted by certain shareholders, as follows:

	2011 HK\$	2010 HK\$
Final dividend for the year ended 30th June, 2010/2009		
– Cash	930,475	6,434,155
– Scrip	<u>29,006,746</u>	<u>14,332,778</u>
	<u>29,937,221</u>	<u>20,766,933</u>
Interim dividend for the year ended 30th June, 2011/2010		
– Cash	783,481	1,531,317
– Scrip	<u>25,999,944</u>	<u>21,122,822</u>
	<u>26,783,425</u>	<u>22,654,139</u>
	<u>56,720,646</u>	<u>43,421,072</u>

13. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit for the year of HK\$183,310,995 (2010: HK\$131,269,849) and on the weighted average number of 889,486,199 (2010: 870,375,522) shares in issue during the year.

No diluted earnings per share has been presented as there were no potential ordinary shares in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK\$ (Restated)	Hotel buildings in Hong Kong held under long lease HK\$	Furniture, fixtures and hotel operating equipment HK\$	Total HK\$
COST				
At 1st July, 2009	1,546,000,000	358,161,023	102,086,595	2,006,247,618
Additions	–	–	7,564,743	7,564,743
At 30th June, 2010	1,546,000,000	358,161,023	109,651,338	2,013,812,361
Additions	–	–	7,186,607	7,186,607
Disposals	–	(541,140)	(128,368)	(669,508)
At 30th June, 2011	1,546,000,000	357,619,883	116,709,577	2,020,329,460
DEPRECIATION AND AMORTISATION				
At 1st July, 2009	322,160,479	74,631,943	40,643,049	437,435,471
Provided for the year	22,217,964	5,567,874	11,834,871	39,620,709
At 30th June, 2010	344,378,443	80,199,817	52,477,920	477,056,180
Provided for the year	22,217,964	7,377,413	11,434,044	41,029,421
Eliminated on disposals	–	(541,140)	(112,492)	(653,632)
At 30th June, 2011	366,596,407	87,036,090	63,799,472	517,431,969
CARRYING AMOUNTS				
At 30th June, 2011	1,179,403,593	270,583,793	52,910,105	1,502,897,491
At 30th June, 2010	1,201,621,557	277,961,206	57,173,418	1,536,756,181
At 1st July, 2009	1,223,839,521	283,529,080	61,443,546	1,568,812,147
The above items of property, plant and equipment are depreciated or amortised on a straight-line method at the following rates per annum:				
Leasehold land	Over the shorter of the term of the lease of the land upon which the buildings are situated, or 70 years			
Hotel buildings	Over the shorter of the term of the lease of the land upon which the buildings are situated, or 70 years			
Furniture and fixtures	10% – 20%			
Hotel operating equipment	20%			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

15. INTERESTS IN ASSOCIATES

	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>	1.7.2009 <i>HK\$</i>
Cost of unlisted investments in associates	1,062,961,934	1,062,961,934	1,062,961,934
Deemed capital contribution to an associate (Note)	603,000	603,000	603,000
Share of post-acquisition profits, net of dividends received	418,126,271	295,447,125	191,691,714
	1,481,691,205	1,359,012,059	1,255,256,648

Note: The balance represented the deemed capital contribution to an associate, representing the fair value of certain financial guarantee contracts provided to a bank for bank loans of the Group's associate. The financial guarantee contract expired during the year ended 30th June, 2007.

Details of the associates at 30th June, 2011 and 30th June, 2010 are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued share capital held by the Company		Principal activities
				Directly	Indirectly	
Asian Glory Limited	Incorporated	British Virgin Islands	Ordinary	–	25%	Investment holding
Bestown Property Limited (note (b))	Incorporated	Hong Kong	Ordinary	–	25%	Hotel owner and operation of Royal Pacific Hotel & Towers
FHR International Limited (note (c))	Incorporated	Hong Kong	Ordinary	–	33.33%	Inactive
Greenroll Limited	Incorporated	Hong Kong	Ordinary	–	50%	Hotel owner and operation of Conrad Hong Kong
Regent Step Investment Limited	Incorporated	Hong Kong	Ordinary	25%	–	Provision of financial services

Notes:

- (a) All associates are unlisted.
- (b) Bestown Property Limited is a wholly-owned subsidiary of Asian Glory Limited.
- (c) The interests in FHR International Limited was acquired by the Group in November 2008 for a consideration of HK\$1.

Included in the cost of unlisted investments in associates is goodwill of HK\$186,513,404 (2010: HK\$186,513,404) arising on acquisitions of associates in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

15. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>	1.7.2009 <i>HK\$</i>
Total assets	6,125,526,412	6,189,683,278	5,760,324,271
Total liabilities	(3,496,787,947)	<u>(3,854,823,961)</u>	<u>(3,671,034,114)</u>
Net assets	<u>2,628,738,465</u>	<u>2,334,859,317</u>	<u>2,089,290,157</u>
The Group's share of net assets of associates	<u>1,295,177,801</u>	<u>1,172,498,655</u>	<u>1,068,743,244</u>
Revenue	<u>1,099,328,129</u>	<u>942,714,514</u>	<u>906,842,291</u>
Profit for the year	<u>293,879,148</u>	<u>245,569,160</u>	<u>217,999,776</u>
The Group's share of results of associates for the year	<u>122,679,146</u>	<u>103,755,411</u>	<u>89,589,260</u>

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>	1.7.2009 <i>HK\$</i>
Equity securities listed in Hong Kong, at fair value	<u>710,769,436</u>	<u>701,182,148</u>	<u>418,262,369</u>
Market value of listed securities	<u>710,769,436</u>	<u>701,182,148</u>	<u>418,262,369</u>
Analysed for reporting purposes as:			
Non-current assets	<u>710,769,436</u>	<u>701,182,148</u>	<u>418,262,369</u>

The Group's available-for-sale financial assets represents investment in 3.68% (2010: 3.67%) of equity securities of a company listed on the Main Board of The Stock Exchange of Hong Kong Limited which is principally engaged in the ownership and management of hotel, retail, commercial and residential properties in Asia and the United States of America, and held by the Group for strategic investment purpose.

During the year, scrip dividend with fair value of HK\$6,515,104 (2010: HK\$4,847,866) was received by the Group and such amount was included in available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

17. PLEDGED FIXED DEPOSIT/BANK BALANCES

A pledged fixed deposit of HK\$1,559,678 (2010: HK\$1,557,934) represents a deposit pledged to a bank to secure a letter of guarantee issuance facility granted to the Group which will expire in July 2012 and is therefore classified as a non-current asset.

The pledged fixed deposit carries fixed interest rate of 0.10% (2010: 0.35%) per annum.

Bank balances mainly comprises short-term bank deposits with original maturity of three months or less and carry interest rate at market rates with average interest rate of 0.01% (2010: 0.08%) per annum.

18. TRADE AND OTHER RECEIVABLES

At 30th June, 2011, included in trade and other receivables of the Group are trade receivables of HK\$5,704,390 (2010: HK\$6,678,059). The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these trade receivables. The general credit term is from 30 days to 45 days.

The following is an aged analysis of trade receivables based on the invoice dates at the end of the reporting period:

	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>	1.7.2009 <i>HK\$</i>
Trade receivables			
0-30 days	4,901,605	5,109,160	2,872,896
31-60 days	659,398	1,448,359	733,235
61-90 days	143,387	120,540	682,095
>90 days	–	–	33,077
	5,704,390	6,678,059	4,321,303
Other receivables	2,316,647	2,322,433	1,544,389
	8,021,037	9,000,492	5,865,692

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributable to customers are reviewed periodically. 97.6% (2010: 98.7%) of the trade receivables that are neither past due nor impaired have good settlement repayment history. The Group has assessed the creditworthiness and historical default rates of these customers.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors of the Company believe that there is no provision required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

18. TRADE AND OTHER RECEIVABLES (Continued)

Included in the Group's trade debtors are debtors with a carrying amount of HK\$136,237 at 30th June, 2011 (2010: HK\$85,310) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>	1.7.2009 <i>HK\$</i>
Overdue within 30 days	136,237	85,310	238,650
Overdue 31 – 60 days	–	–	2,040
	136,237	85,310	240,690

19. CURRENT BALANCES WITH ASSOCIATES

The amounts are unsecured and repayable on demand.

At 30th June, 2011, the amounts due from associates include an amount of HK\$140,643,930 (2010: HK\$139,143,780) which is interest-bearing at nominal rate and the remaining balances are interest-free. The amount due to an associate was interest-free.

20. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables based on the invoice dates at the end of the reporting period:

	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>	1.7.2009 <i>HK\$</i>
Trade payables			
0-30 days	11,077,509	5,688,155	3,962,919
31-60 days	433,418	84,545	192,641
61-90 days	370,435	–	–
> 90 days	710,979	–	–
	12,592,341	5,772,700	4,155,560
Renovation cost payable	270,414	212,677	2,148,365
Other payables	12,575,086	5,550,108	3,444,245
	25,437,841	11,535,485	9,748,170

The average credit period on purchases of goods is 45 days. The Group has financial risk management policies in place to ensure that all payables are repaid within the credit timeframe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

21. BANK LOANS AND OTHER BORROWINGS

	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>	1.7.2009 <i>HK\$</i>
Bank loans, secured	182,450,909	304,164,130	341,447,488
Other interest-bearing unsecured loans	3,405,836	273,318	264,179
	185,856,745	304,437,448	341,711,667
	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>	1.7.2009 <i>HK\$</i>
The repayment schedule of carrying amount is analysed as follows:			
Within one year	42,713,423	56,713,221	96,968,204
More than one year, but not exceeding two years	143,143,322	31,986,741	244,743,463
More than two years, but not exceeding three years	–	215,737,486	–
	185,856,745	304,437,448	341,711,667
Less: Amount due within one year shown under current liabilities	(42,713,423)	(56,713,221)	(96,968,204)
Amount due after one year	143,143,322	247,724,227	244,743,463
	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>	1.7.2009 <i>HK\$</i>
Fixed-rate borrowing:			
More than one year, but not exceeding two years	3,405,836	273,318	264,179
Bank loans, which are denominated in Hong Kong dollar, carry effective interest rates (which are also the contracted interest rates) at Hong Kong Interbank Offer Rate (“HIBOR”) plus a margin per annum.			
Other interest-bearing unsecured loans, which are denominated in Hong Kong dollar, carry fixed interest rate at 1.26% (2010: 0.9%) per annum.			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

22. SHARE CAPITAL

	Number of ordinary shares of HK\$1.00 each		Nominal value	
	2011	2010	2011 HK\$	2010 HK\$
Authorised:				
At the beginning and the end of the year	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Issued and fully paid:				
At the beginning of the year	880,506,492	865,288,863	880,506,492	865,288,863
Shares issued pursuant to scrip dividend schemes for final dividend in respect of the year ended 30th June, 2010/2009	12,274,350	6,024,200	12,274,350	6,024,200
Shares issued pursuant to scrip dividend schemes for interim dividend in respect of the year ended 30th June, 2011/2010	10,526,293	9,193,429	10,526,293	9,193,429
At the end of the year	903,307,135	880,506,492	903,307,135	880,506,492

On 30th November, 2010 and 29th April, 2011, pursuant to scrip dividend schemes, the Company issued and allotted 12,274,350 shares and 10,526,293 shares of HK\$1.00 each at an issue price of HK\$2.3632 and HK\$2.47 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2010 final and 2011 interim dividends in respect of each of year ended 30th June, 2010 and 2011, respectively. These shares rank pari passu in all respects with the then existing shares.

On 4th December, 2009 and 27th April, 2010, pursuant to scrip dividend schemes, the Company issued and allotted 6,024,200 shares and 9,193,429 shares of HK\$1.00 each at an issue price of HK\$2.3792 and HK\$2.2976 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2009 final and 2010 interim dividends in respect of each of the year ended 30th June, 2009 and 2010, respectively. These shares rank pari passu in all respects with the then existing shares.

23. AMOUNT DUE TO AN ASSOCIATE – NON-CURRENT

The amount due to an associate is unsecured, compound interest-bearing at HIBOR plus a margin (2010: HIBOR plus a margin) per annum and is not repayable within the next twelve months from the end of the reporting period and accordingly, the amount is classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

24. DEFERRED TAXATION

The following is the major deferred tax liability recognised and movements thereon during the current and prior reporting year:

	Accelerated tax depreciation <i>HK\$</i>
At 1st July, 2009	5,398,867
Charged to profit or loss during the year	<u>769,906</u>
At 30th June, 2010	6,168,773
Charged to profit or loss during the year	<u>611,192</u>
At 30th June, 2011	<u>6,779,965</u>

At 30th June, 2011, the Group had unused tax losses of approximately HK\$8,746,000 (2010: HK\$3,582,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

At 30th June, 2011, the Group has deductible temporary differences of HK\$390,000 (2010: HK\$844,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that sufficient taxable profits will be available against which such deductible temporary differences can be utilised.

25. PLEDGE OF ASSETS

- (a) The Group has pledged its leasehold land and hotel buildings having the aggregate carrying amount of HK\$1,449,987,386 (2010: HK\$1,479,582,763) and pledged by way of floating charges over other assets, including bank balances of HK\$23,598,876 (2010: HK\$18,378,588), hotel inventories of HK\$722,641 (2010: HK\$600,820), furniture, fixtures and hotel operating equipment of HK\$49,931,260 (2010: HK\$53,961,456) and trade and other receivables of HK\$6,608,383 (2010: HK\$7,737,810) to banks to secure 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 year.

- (b) The Group has pledged its time deposit of HK\$1,559,678 (2010: HK\$1,557,934) to secure a letter of guarantee issuance facility (note 17).
- (c) The investments in certain subsidiaries of the Company have been pledged to banks to secure the loan facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

26. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Rental income earned during the year was HK\$743,700 (2010: HK\$677,500).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>
Within one year	691,100	514,000
In the second to fifth year inclusive	181,000	513,000
	872,100	1,027,000

The Group as lessee

Minimum lease payments paid under operating leases during the year was HK\$389,429 (2010: HK\$319,898).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>
Within one year	433,741	397,320
In the second to fifth year inclusive	1,112,496	1,546,237
	1,546,237	1,943,557

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of five years.

27. COMMITMENTS

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Expenditures contracted for but not provided in the consolidated financial statements in respect of:		
Purchase of furniture, fixtures and hotel operating equipment	772,800	588,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

28. RELATED PARTY DISCLOSURES

(a) During the year, the Group entered into the following transactions with related parties:

	<i>Notes</i>	2011 HK\$	2010 <i>HK\$</i>
Clubhouse management service income from a related company, being the building manager and agent for the unincorporated body of owners of Pacific Palisades	<i>(i) & (ii)</i>	2,734,200	2,734,200
Interest expenses charged by an associate		1,934,257	1,464,638
Security guard services fee charged by a related company	<i>(i)</i>	1,472,430	1,411,813
Hotel management fee income from an associate		980,000	980,000
Hotel management fee income from a related company	<i>(iii)</i>	950,000	950,000
Interest income from an associate		1,322,950	2,196,838

Notes:

- (i) The related companies are wholly-owned subsidiaries of Sino Land Company Limited, of which, Mr. Robert Ng Chee Siong, the controlling shareholder of the Company has controlling interests.
- (ii) The controlling shareholder of the Company is interested in approximately 60% of the undivided shares of Pacific Palisades.
- (iii) Mr. Robert Ng Chee Siong was interested in this transaction as he has controlling interests in the related company.

(b) At the end of the reporting period, the Group had the outstanding balances with related parties. Details of the amounts due from (to) associates are set out in notes 19 and 23. Included in bank loans and other borrowings (note 21) is an interest-bearing unsecured loan, amounting to HK\$3,405,836, which represents balance with a related company, in which Mr. Philip Ng Chee Tat, a brother of Mr. Robert Ng Chee Siong, the controlling shareholder of the Company, has controlling interests.

(c) The remuneration of Directors and other members of key management during the year was as follows:

	2011 HK\$	2010 <i>HK\$</i>
Short-term benefits	3,293,297	2,953,342
Retirement benefit scheme contributions	18,000	18,000
	3,311,297	2,971,342

The remuneration of Directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

28. RELATED PARTY DISCLOSURES (Continued)

- (d) During the year, a consultancy fee of HK\$416,666 (2010: HK\$416,666) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP is the sole proprietor.

Certain of the above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed on pages 32 to 36 of the Directors' Report.

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company at 30th June, 2011 and 30th June, 2010 which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name of company	Place of incorporation/ operation	Class of shares held/ issued capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
<i>Direct subsidiary</i>				
Active Finance Limited	Hong Kong	Ordinary HK\$2	100%	Provision of financial services among the Group
Aldrich Worldwide Holdings Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Allied Joy Limited	Hong Kong	Ordinary HK\$2	100%	Provision of nominee services
Asian Statesman Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Golden Profits Limited	Hong Kong	Ordinary HK\$2	100%	Café operation
Halliwell Ltd.	Cayman Islands	Ordinary US\$1	100%	Investment holding
Island Pacific Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Sheridan Holdings Ltd.	Cayman Islands	Ordinary US\$1	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ operation	Class of shares held/ issued capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
<i>Direct subsidiary (Continued)</i>				
Sino Fortune Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Sino March Assets Ltd.	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Toby Investments Limited	Cayman Islands	Ordinary US\$1	100%	Investment holding
<i>Indirect subsidiary</i>				
Bosco Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Bright Tower (HK) Limited	Hong Kong	Ordinary HK\$2	100%	Club and café operations
China Asia Property Limited	Hong Kong	Ordinary HK\$2	100%	Hotel owner and operation
City Garden Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Park Lane Towers Limited	Hong Kong	Ordinary HK\$2	100%	Restaurant operation
R.P. Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Speed Advance Limited	Republic of Liberia/ Hong Kong	Registered/ Bearer shares US\$1	100%	Share investment
Wellrich International Ltd.	Republic of Liberia/ Hong Kong	Registered/ Bearer shares US\$1	100%	Share investment
None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, which include bank loans and other borrowings, amount due to an associate and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new shares issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

There are no changes on the Group's approach to capital risk management for both years.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	30.6.2011 HK\$	30.6.2010 HK\$	1.7.2009 HK\$
<i>Financial assets</i>			
Available-for-sale financial assets	710,769,436	701,182,148	418,262,369
Loans and receivables (including cash and cash equivalents)	<u>275,052,844</u>	<u>284,811,703</u>	<u>271,514,579</u>
<i>Financial liabilities</i>			
Amortised cost	<u>638,042,037</u>	<u>747,838,977</u>	<u>782,461,410</u>

Financial risk management objectives and policies

The Group's major financial instruments includes trade and other receivables, available-for-sale financial assets, amounts due from associates, pledged fixed deposit and bank balances and cash, trade and other payables, bank loans and other borrowings and amount due to an associate. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2011

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

The Group's activities expose primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other equity price. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks. Details of each type of market risks are described as follows:

Currency risk

The Group's transactions and balances are primarily denominated in Hong Kong dollars, functional currency of the Group. Accordingly, the Group has no significant exposure to currency risk.

Interest rate risk

The Group's income and cash flows are subject to changes in market interest rates as the Group has interest-bearing bank balances, amounts due from/to associates and bank loans and other borrowings.

Bank balances, bank loans and amount due to an associate at variable rates expose the Group to cash flow interest rate risk. Other borrowings and amount due from an associate at fixed rates expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate amount due to an associate and bank loans. The analysis is prepared assuming that the change in interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial liabilities in existence at that date. The 50 basis points represent the best estimation of the possible change in the interest rates over the period until the end of the next reporting period.

At the end of the reporting period, if interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK\$2,590,000 (2010: HK\$3,091,000).

Interest rate risk for the Group's bank balances at variable rate is not significant for both years and no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Price risk

The Group is exposed to equity price risk through its available-for-sale financial assets (investments in listed equity securities). The Group's equity price risk is mainly concentrated on equity instruments of one listed company operating in hotel industry sector listed on The Stock Exchange of Hong Kong Limited. In addition, the management monitors the price risk and will consider hedging the risk exposure should the need arises.

Price risk sensitivity analysis

The following tables show the sensitivity to equity price risk on the available-for-sale financial assets at the end of the reporting period while all other variables were held constant. Sensitivity rate of 5% represents management's assessment of the reasonably possible change in equity price.

	2011 HK\$	2010 HK\$
Available-for-sale financial assets		
Increase (decrease) in other comprehensive income		
– as a result of increase in equity price	35,538,472	35,059,107
– as a result of decrease in equity price	<u>(35,538,472)</u>	<u>(35,059,107)</u>

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk of trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Also, the Group is subject to concentration of credit risks as over 87% (2010: 84%) of the Group's receivables are receivables from a number of associates with good credit quality. In order to minimise the credit risk and the concentration of credit risk, the Group reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit risk on liquid fund is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on amounts due from associates, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 3months HK\$	3 months to 1 year HK\$	1 – 2 years HK\$	2 – 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
2011							
Trade and other payables	N/A	14,028,444	695,886	-	-	14,724,330	14,724,330
Amount due to an associate							
– non-current	0.44	485,162	1,442,317	437,460,962	-	439,388,441	437,460,962
Bank loans and other borrowings							
– fixed rate	1.26	-	-	3,448,827	-	3,448,827	3,405,836
– variable rate	1.15	19,836,325	25,348,577	141,467,145	-	186,652,047	182,450,909
		<u>34,349,931</u>	<u>27,486,780</u>	<u>582,376,934</u>	<u>-</u>	<u>644,213,645</u>	<u>638,042,037</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 3months HK\$	3 months to 1 year HK\$	1 – 2 years HK\$	2 – 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
2010							
Trade and other payables	N/A	6,577,043	1,297,781	–	–	7,874,824	7,874,824
Amount due to an associate							
– non-current	0.47	515,950	1,531,026	435,526,705	–	437,573,681	435,526,705
Bank loans and other borrowings							
– fixed rate	0.90	–	–	275,778	–	275,778	273,318
– variable rate	1.50	9,179,929	52,105,652	35,604,849	219,084,093	315,974,523	304,164,130
		<u>16,272,922</u>	<u>54,934,459</u>	<u>471,407,332</u>	<u>219,084,093</u>	<u>761,698,806</u>	<u>747,838,977</u>

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate to their fair values.

Fair value measurements recognised in the consolidated statement of financial position

All of the Group's financial instruments that are measured subsequent to initial recognition at fair value, including listed equity securities which are classified as available-for-sale financial assets, amounting to HK\$710,769,436 (2010: HK\$701,182,148) are grouped under Level 1 fair value measurements. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2011

32. RETIREMENT BENEFIT SCHEME

The Group participates in the Mandatory Provident Fund Scheme (“MPF Scheme”) for all qualifying employees which is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	30.6.2011 <i>HK\$</i>	30.6.2010 <i>HK\$</i>
Current assets	100,307,403	100,251,803
Non-current assets	2,962,084,675	2,944,753,551
	3,062,392,078	3,045,005,354
Current liabilities	(1,569,351)	(1,480,770)
Non-current liabilities	–	–
	(1,569,351)	(1,480,770)
Net assets	3,060,822,727	3,043,524,584
Representing:		
Share capital	903,307,135	880,506,492
Reserves	2,157,515,592	2,163,018,092
Total equity	3,060,822,727	3,043,524,584

FINANCIAL SUMMARY

	2011 HK\$	Year ended 30th June,			
		2010 HK\$	2009 HK\$	2008 HK\$	2007 HK\$
Results					
Revenue	284,365,633	214,289,735	217,833,350	227,164,184	206,726,887
Cost of sales	(86,255,975)	(72,434,063)	(61,651,380)	(61,521,903)	(54,953,795)
Gross profit	198,109,658	141,855,672	156,181,970	165,642,281	151,773,092
Marketing costs	(12,100,125)	(9,199,678)	(6,652,267)	(8,491,449)	(7,896,097)
Administrative expenses	(21,151,792)	(20,229,878)	(17,967,789)	(18,908,076)	(18,648,177)
Impairment loss on available- for-sale financial assets	–	–	(41,100,000)	–	–
Other expenses	(83,435,120)	(70,373,329)	(79,915,190)	(72,805,759)	(58,940,468)
Finance costs net of finance income	(4,261,799)	(4,346,712)	(13,305,592)	(28,333,823)	(36,934,658)
Share of results of associates	122,679,146	103,755,411	89,589,260	75,882,268	64,546,085
Profit before taxation	199,839,968	141,461,486	86,830,392	112,985,442	93,899,777
Income tax expense	(16,528,973)	(10,191,637)	(9,401,762)	(8,967,648)	(8,213,373)
Profit for the year	183,310,995	131,269,849	77,428,630	104,017,794	85,686,404
			At 30th June,		
	2011 HK\$	2010 HK\$	2009 HK\$	2008 HK\$	2007 HK\$
Assets and liabilities					
Total assets	3,973,052,053	3,884,153,986	3,514,837,517	3,662,728,577	3,703,758,791
Total liabilities	(672,480,949)	(768,032,327)	(799,848,937)	(828,939,977)	(865,554,523)
Shareholders' Equity	3,300,571,104	3,116,121,659	2,714,988,580	2,833,788,600	2,838,204,268

Sino Hotels (Holdings) Limited

Proxy Form for use at the Annual General Meeting

(or at any adjournment thereof)

I/We ^(Note 1) _____

of _____

being the registered holder(s) of ^(Note 2) _____

ordinary shares of HK\$1.00 each in the capital of the above-named Company, **HEREBY APPOINT** the Chairman of the Meeting or ^(Note 3) _____

of _____

as my/our proxy to act for me/us at the Annual General Meeting (or at any adjournment thereof) of the Company to be held at The Pacific Rooms, 9th Floor, Towers Wing, The Royal Pacific Hotel & Towers, 33 Canton Road, Tsim Sha Tsui, Kowloon on Friday, the 28th day of October, 2011 at 10:30 a.m. or as soon as the annual general meeting of Tsim Sha Tsui Properties Limited closes, whichever is the later, and at such Meeting (or at any adjournment thereof) and in the event of a poll to vote for me/us and in my/our name(s) as indicated below or if no such indication is given, as my/our proxy thinks fit.

	For ^(Note 4)	Against ^(Note 4)
1. To receive and consider the audited Financial Statements and the Directors' and Independent Auditor's Reports for the year ended 30th June, 2011.		
2. To declare a final dividend of HK\$0.04 per ordinary share with an option for scrip dividend.		
3. (i) To re-elect Mr. Adrian David Li Man-kiu, JP as Director.		
(ii) To re-elect Mr. Steven Ong Kay Eng as Director.		
(iii) To re-elect Mr. Wong Cho Bau, JP as Director.		
(iv) To re-elect Mr. Nicholas Yim Kwok Ming as Director.		
(v) To authorise the Board to fix the Directors' remuneration for the financial year ending 30th June, 2012.		
4. To re-appoint Deloitte Touche Tohmatsu as Auditor for the ensuing year and to authorise the Board to fix their remuneration.		
5. (i) To approve share repurchase mandate (Ordinary Resolution on item 5(i) of the Notice of Annual General Meeting).		
(ii) To approve share issue mandate (Ordinary Resolution on item 5(ii) of the Notice of Annual General Meeting).		
(iii) To approve extension of share issue mandate (Ordinary Resolution on item 5(iii) of the Notice of Annual General Meeting).		

Dated _____ Signature ^(Note 5) _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of ordinary shares of HK\$1.00 each registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the ordinary shares of the Company registered in your name(s).
3. If any proxy other than the Chairman of the Meeting is preferred, strike out the words "the Chairman of the Meeting or" herein inserted and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK IN THE RELEVANT BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK IN THE RELEVANT BOX MARKED "AGAINST".** Failure to complete the boxes will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting other than those referred to in the Notice convening the Meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
6. In order to be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the principal office of the Company, 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong not less than 24 hours before the time appointed for holding the Meeting or adjourned Meeting (as the case may be).
7. In the case of joint holders, any one of such joint holders may vote at the Meeting, either personally or by proxy, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons whose name stands first on the register of members in respect of the relevant shares shall alone be entitled to vote in respect thereof.
8. Any member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and on a poll vote instead of him. The proxy need not be a member of the Company but must attend the Meeting in person to represent you.
9. Completion and deposit of the form of proxy will not preclude you from attending and voting at the Meeting if you so wish.
10. At the Annual General Meeting, the Chairman of the Meeting will put each of the above resolutions to the vote by way of a poll. On a poll, every shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder.



