

# ANNUAL REPORT 2012



Sino Hotels (Holdings) Limited

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 at 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](http://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 have difficulty in receiving or gaining access to the Annual Report posted on the Company’s website will 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 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](mailto:sinohotels1221-ecom@hk.tricorglobal.com).

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## CORPORATE INFORMATION

### **Board of Directors**

Robert Ng Chee Siong, Chairman  
Ronald Joseph Arculli<sup>#</sup>  
Gilbert Lui Wing Kwong<sup>#</sup>  
Peter Wong Man Kong\*  
Adrian David Li Man-kiu\*  
Steven Ong Kay Eng\*  
Wong Cho Bau\*  
Daryl Ng Win Kong  
Nicholas Yim Kwok Ming

(<sup>#</sup> Non-Executive Directors)

(\* Independent Non-Executive Directors)

### **Audit Committee**

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

### **Nomination Committee**

Robert Ng Chee Siong, Chairman *(appointed on 1st March, 2012)*  
Peter Wong Man Kong *(appointed on 1st March, 2012)*  
Adrian David Li Man-kiu *(appointed on 1st March, 2012)*

### **Remuneration Committee**

Steven Ong Kay Eng, Chairman *(appointed on 1st March, 2012)*  
Peter Wong Man Kong  
Adrian David Li Man-kiu  
Daryl Ng Win Kong

### **Authorized Representatives**

Robert Ng Chee Siong  
Velencia Lee *(appointed on 26th March, 2012)*

### **Secretary**

Velencia Lee *(appointed on 1st January, 2012)*

### **Auditor**

Deloitte Touche Tohmatsu  
Certified Public Accountants, Hong Kong

### **Solicitors**

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

### **Shareholders' Calendar**

<b>Closure of Register of Members for entitlement to attend and vote at Annual General Meeting</b>	29th to 31st October, 2012 (both dates inclusive)
<b>Annual General Meeting</b>	31st October, 2012
<b>Closure of Register of Members for dividend entitlement</b>	6th to 7th November, 2012 (both dates inclusive)
<b>Record Date for dividend entitlement</b>	7th November, 2012
<b>Last Date for lodging scrip dividend election form</b>	28th November, 2012 4:30 p.m.
<b>Interim Dividend</b> Paid	HK4 cents per share 24th April, 2012
<b>Final Dividend</b> Payable	HK4 cents per share 11th December, 2012

### **Principal Bankers**

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited

### **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 Wednesday, the 31st day of October, 2012 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, 2012.
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, 2013.
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 ("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.”

6. As special business to consider and, if thought fit, pass with or without amendments, the following resolutions as Special Resolutions:

### **Special Resolutions**

(i) **“THAT** the existing Memorandum of Association be and are hereby amended as follows:

(a) all references to Companies Law (2009 Revision) be amended by deleting the words “Companies Law (2009 Revision)” and substituting therefor the words “Companies Law (2011 Revision)”; and

## NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

- (b) reference to “Section 173 of the Companies Law (2009 Revision)” in Clause 7 be amended by deleting the words “Section 173 of the Companies Law (2009 Revision)” and by substituting therefor the words “Section 174 of the Companies Law (2011 Revision).”
- (ii) **“THAT** the existing Articles of Association be and are hereby amended as follows:
  - (a) all references to Companies Law (2009 Revision) be amended by deleting the words “Companies Law (2009 Revision)” and substituting therefor the words “Companies Law (2011 Revision).”
  - (b) Article 79  
  
by deleting the existing Article 79 in its entirety and substituting therefor the following Article:  
  
79. At any general meeting a resolution put to the vote of the meeting shall be decided by poll, save that and without prejudice to other provisions of these Articles, the Chairman of the meeting may in good faith, decide to allow a resolution which relates purely to a procedural or administrative matter to be voted on at any general meeting by a show of hands.
  - (c) Article 80
    - (1) by renumbering the existing Article 80 as Article 80. (a); and
    - (2) by adding the following new Article 80. (b) after Article 80. (a):  
  
80. (b) Where a resolution is voted on by a show of hands, a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded in favour or against such resolution.
  - (d) Article 84  
  
by adding the words “, and on a show of hands every member present in person shall have one vote” at the end of the first sentence of Article 84.
  - (e) Article 106
    - (1) by deleting Article 106. (c)(iii) in its entirety and renumbering the existing Articles 106. (c)(iv) and 106. (c)(v) as Articles 106. (c)(iii) and 106. (c)(iv) respectively; and
    - (2) by deleting the existing Articles 106. (f) and 106. (g) in their entireties.”

## NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

- (iii) “**THAT** the Amended and Restated Memorandum and Articles of Association, consolidating all of the proposed amendments referred to in Resolutions 6(i) and 6(ii), produced to this meeting and for the purpose of identification signed by the Chairman be and are hereby approved and adopted as the Amended and Restated Memorandum and Articles of Association of the Company in substitution for and to the exclusion of all existing Memorandum and Articles of Association of the Company.”

By Order of the Board  
**Velencia LEE**  
*Company Secretary*

Hong Kong, 26th September, 2012

### 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) The Directors wish to state that the main purpose of the above proposed Special Resolutions for amendments to the Memorandum and Articles of Association and adoption of Amended and Restated Memorandum and Articles of Association is to reflect certain amendments to the Listing Rules effective in 2012 and update references to the Companies Law of the Cayman Islands, including:
- (i) removing the 5% exemption for voting by a director on a board resolution in which he/she has an interest;
  - (ii) allowing the chairman at a general meeting to exempt purely procedural and administrative matters from a vote by poll and arrange a vote by a show of hands instead (e.g. matters that are not on the agenda of the general meeting and which relate to the chairman’s duties to maintain the orderly conduct of the meeting); and
  - (iii) amending references to “Companies Law (2009 Revision)” of the Cayman Islands to “Companies Law (2011 Revision)”.
- (e) For determining the entitlement to attend and vote at the Annual General Meeting to be held on Wednesday, 31st October, 2012, the register of members of the Company will be closed from Monday, 29th October, 2012 to Wednesday, 31st October, 2012, 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 Friday, 26th October, 2012.
- (f) 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 Wednesday, 7th November, 2012. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 6th November, 2012 to Wednesday, 7th November, 2012, 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 Monday, 5th November, 2012.



## CHAIRMAN'S STATEMENT

I am pleased to present the 2011/2012 Annual Report to shareholders.

### FINAL RESULTS

The Group achieved net profit attributable to shareholders of HK\$235.0 million for the year ended 30th June, 2012, representing an increase of 28.2% from HK\$183.3 million in the last financial year. Earnings per share for the financial year 2011/2012 was 25.71 cents, an increase of 24.7% when compared with 20.61 cents in the last financial year.

The turnover of the Group for the year ended 30th June, 2012 was HK\$339.4 million, representing an increase of 19.4% compared with HK\$284.3 million in the last financial year.

### DIVIDENDS

The Directors have resolved to recommend a final dividend of 4 cents per share in respect of the year ended 30th June, 2012 to shareholders whose names appear on the Register of Members of the Company on 7th November, 2012. Together with the interim dividend of 4 cents per share, the total dividend for financial year 2011/2012 is 8 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 31st October, 2012; 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 13th November, 2012. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 11th December, 2012.

## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS

Visitor arrivals in Hong Kong reached 41.9 million in 2011, representing a 16.4% increase from 36.0 million in 2010. Of the total visitor arrivals, visitors from China continued to be the major contributor along with growth in other markets, namely the United States, South Korea, Singapore and Russia. Both short-haul and long-haul markets performed favourably and the number of overnight arrivals also increased. Similar to other advanced countries and regions, tourism in Hong Kong has shown resilience despite difficult economic conditions mainly due to financial issues in the Euro zone and the uncertain global economy. Benefiting from the continuous growth of tourism in Hong Kong, the Group's three hotels had favourable financial results for the financial year 2011/2012.

#### **Business Activities**

##### *City Garden Hotel*

City Garden Hotel is a wholly-owned subsidiary of the Group.

The average room occupancy rate of City Garden Hotel for the financial year ended 30th June, 2012 was 96.3% compared with 95.3% for the last financial year and the average room rate also increased 19.2%. Room sales for the financial year increased 20.7% to HK\$235.4 million from HK\$195.0 million for the last financial year. Food and beverage sales for the financial year were up 19.6% to HK\$72.0 million from HK\$60.2 million for the last financial year.

##### *Conrad Hong Kong*

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

The average room occupancy of Conrad Hong Kong for the financial year 2011/2012 was 76.5% compared with 76.2% for the last financial year and the average room rate also increased 5.0%. Room sales were HK\$413.9 million which was 6.0% higher than HK\$390.5 million for the last financial year, while income from food and beverage sales for the financial year was HK\$318.4 million, representing an increase of 5.0% from HK\$303.3 million for the last financial year.

## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS *(Continued)*

#### **Business Activities** *(Continued)*

##### *The Royal Pacific Hotel & Towers*

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

The average occupancy rate of The Royal Pacific Hotel & Towers for the financial year 2011/2012 was 92.0% (2010/2011: 92.4%) and the average room rate increased 17.6%. Room sales totalled HK\$327.4 million, representing an increase of 17.4% when compared with HK\$278.9 million for the last financial year. Revenue from food and beverage sales for the financial year was HK\$94.9 million, an increase of 2.0% from HK\$93.0 million for the last 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, 2011.

#### **Finance**

As at 30th June, 2012, the Group's gearing was 0.5%, expressed as a percentage of bank and other borrowings net of cash and bank balances over shareholders' equity. Of the total borrowings, 98.1% 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\$178.0 million, comprising cash on hand of approximately HK\$169.0 million together with committed undrawn facilities of approximately HK\$9.0 million.

There was no material change in the capital structure of the Group for the financial year ended 30th June, 2012. 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, 2012, 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, 2011.

## CHAIRMAN'S STATEMENT *(Continued)*

### EMPLOYEE PROGRAMMES

The Group places great emphasis on customer service. To accomplish the objective of providing good and caring customer service to our discerning hotel guests, the quality of staff is of paramount importance. To build a team of high quality staff, the recruitment process has been continuously improved so that the right candidates can be selected. The Group's Management Trainee Programme provides a platform where trainees under the programme can be taught specific skill sets and they will also be groomed to be future leaders. The Group also actively monitors and reviews the employment packages in order to be the preferred employer brand of choice. The Group places emphasis on building a dedicated and motivated workforce to ensure that the workforce provides high quality of service to adequately handle the challenges ahead.

### CORPORATE SOCIAL RESPONSIBILITY

As a committed corporate citizen, the Group has been participating in a wide range of community programmes, voluntary services, charitable fund-raising activities and green initiatives to promote environmental protection. During the year under review, a series of events were organised. These events included the 'Hearty Soup Delivery Service' in which soup was made and delivered to elderly people and low-income groups and 'Food Donation Programme' where cooked food were given to the families in need. The Group encourages its staff at all levels to participate in this voluntary service. During the year under review, the Group's staff have devoted over 5,100 hours of volunteer service to our community.

The Group reaffirms its commitment to uphold high standards of environmental protection. Various initiatives such as use of eco-friendly equipment to reduce carbon emission and better utilisation of resources have been employed; energy conservation measures to promote green living have been implemented; and environmental audits to ensure good checks and balances have been carried out. Further, a Green Education Programme has been set up where its community partners can use the organic farm managed by the Group for education purposes. In view of the global concerns in protecting ocean biodiversity, the Group has removed all food with shark fin from the restaurants' menus as well as for banqueting services. The Group will continue to roll out initiatives and activities in relation to the above-mentioned areas to promote healthy living and caring society.

This year witnessed the opening of the Tai O Heritage Hotel in Hong Kong, a nine colonial-style room boutique hotel that was converted from the Old Tai O Police Station which has over 100 years of history. This revitalization project was undertaken by a non-profit organisation named Hong Kong Heritage Conservation Foundation ("HCF") established by the Ng family, the ultimate major shareholder of the Group, in March 2008. The hotel is managed by HCF and running as a non-profit social enterprise, Tai O Heritage Hotel commits to engage the public in bolstering Tai O's economy, to achieve synergy with other local facilities and to promote heritage conservation, tourism and green living.

## CHAIRMAN'S STATEMENT *(Continued)*

### INDUSTRY OUTLOOK AND PROSPECTS

Projected visitor arrivals in Hong Kong for calendar year 2012 are estimated to be 44.2 million, a growth of 5.5% from the level in 2011. Despite the softening of the global economic environment in 2011 and throughout the first half of calendar year 2012, the growth trend in tourism is expected to continue.

Tourism industry can increase employment and impel economic growth but it needs to be supported by government policies and improved infrastructure developments such as investments in facilities for business conventions; conservation of heritage buildings and sites; development of offerings including attractions and theme parks; and establishing regulatory framework to uphold professionalism and best practices in business operations. Promotion of thematic travel itineraries and regular worldwide marketing conducted by HKSAR Government organisations are also conducive to bringing more visitors to Hong Kong and thereby increase the demand for hotel accommodation.

On the infrastructure side, the cruise terminal at Kai Tak, which is expected to be in operation in 2013, will further expand Hong Kong's positioning in the cruise business as well as facilitate multi-destination travels. The expansion of Ocean Park and Hong Kong Disneyland will significantly enhance the attractiveness of the two theme parks. The future Guangzhou-Shenzhen section of the Express Rail Link will make travelling from China to Hong Kong or vice versa even more convenient. This will help to reinforce Hong Kong's status as an international transport hub.

To maintain Hong Kong's status as Events Capital of Asia, a number of interesting events have recently been organised by various organisations. In July this year, the Hong Kong Dragon Boat Carnival staged at Victoria Harbour along the Tsim Sha Tsui East Promenade was a success. HKSAR Government's exertion in introducing cultural and recreational events during Chinese festive celebrations such as Tuen Ng and Chinese New Year for promoting tourism has enhanced the attractiveness of the city.

In respect of the effort to improve service quality, a new independent statutory body tentatively named Travel Industry Authority will be established. This organisation's objectives are to review and improve the regulatory framework, oversee the service quality and raise the standards of practices of market practitioners in the tourism industry. It will shape a better business operating environment in the industry and improve the image of Hong Kong as a world-class city. The growing number of tourist attractions and offerings as well as the expansion of MICE in Hong Kong will continue to make Hong Kong a popular destination among visitors.

## CHAIRMAN'S STATEMENT *(Continued)*

### INDUSTRY OUTLOOK AND PROSPECTS

*(Continued)*

Market positioning and branding are important to the Group. To accomplish these objectives, regular upgrade of hotel facilities and renovation is carried out where necessary. During the financial year 2011/2012, all three hotels carried out renovations and/or upgrade of their facilities. The Group will continuously review and improve the quality of our service to meet the needs of customers to ensure our discerning guests have enjoyable stays in our hotels.

### STAFF AND MANAGEMENT

Mr. Thomas Tang Wing Yung, who served the Board since 30th August, 2004, resigned effective 26th March, 2012. His contribution during his directorship with the Company is appreciated.

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, 29th August, 2012



## BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

### (I) EXECUTIVE DIRECTORS

**Mr. Robert Ng Chee Siong<sup>N+</sup>**, aged 60, 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 and Sino Land Company Limited. In addition, he is 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. He was formerly an Independent Non-Executive Director of The Hongkong and Shanghai Hotels, Limited. Mr. Ng is the father of Mr. Daryl Ng Win Kong, an Executive Director of the Company, a 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. Daryl Ng Win Kong<sup>R</sup>**, aged 34, an Executive Director 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 an Executive Director of Sino Land Company Limited and Tsim Sha Tsui Properties Limited. 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 of the Group Mr. Robert Ng Chee Siong and the eldest grandson of the late substantial shareholder Mr. Ng Teng Fong.

**Mr. Nicholas Yim Kwok Ming**, aged 60, an Executive Director since July 2008. He first joined the Company as General Manager of City Garden Hotel in 2001. He was promoted to Group General Manager (Hotels) in August 2006 and had been an Associate Director of the Company since January 2008. Mr. Yim holds a Master Degree of Business Administration and has over 38 years of experience in hospitality industry in the United States, Taiwan, mainland China and Hong Kong. He is also a director of a number of subsidiaries and associated companies of the Company.

N+: Nomination Committee Chairman R: Remuneration Committee member

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

### (II) NON-EXECUTIVE DIRECTORS

**The Honourable Ronald Joseph Arculli**, GBM, CVO, GBS, OBE, JP, aged 73, 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 Ronald Arculli and Associates provides consultancy services to the Company. He is also a Non-Executive Director of Sino Land Company Limited and Tsim Sha Tsui Properties Limited. The Honourable Ronald Arculli is an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited, for which he was also a former Independent Non-Executive Chairman from 2006 to April 2012. 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 was a Non-Official Member of the Executive Council of the HKSAR Government from November 2005 to June 2012, for which he also acted as Convenor of the Non-Official Members since December 2011. He is the Chairman of World Federation of Exchanges, the Chairman of Common Purpose Charitable Foundation Limited, the Chairman of the Honorary Advisory Committee of SVHK Foundation Limited, a Non-Executive Director of Asia Art Archive Limited, a member of executive committee of Hong Kong Arts Festival Society 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 these companies, including Hong Kong Exchanges and Clearing Limited, are listed on The Stock Exchange of Hong Kong Limited.

**Mr. Gilbert Lui Wing Kwong<sup>A</sup>**, aged 74, an Independent Non-Executive Director 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.

### (III) INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Peter Wong Man Kong<sup>A N R</sup>**, BBS, JP, aged 63, an Independent Non-Executive Director since September 2004, is the Chairman of the M. K. Corporation Ltd. and North West Development Limited and a Deputy of the 11th National People’s Congress of the PRC. He is an Independent Non-Executive Director of China Travel International Investment Hong Kong Limited, Glorious Sun Enterprises Limited, Sun Hung Kai & Co. Limited, Chinney Investments, Limited and Far East Consortium International Limited, and a Non-Executive Director of Hong Kong Ferry (Holdings) Company Limited and New Times Energy Corporation Limited, all companies listed on The Stock Exchange of Hong Kong Limited. Mr. Wong is also Executive 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 a Director of Ji Nan University.

A: Audit Committee member N: Nomination Committee member R: Remuneration Committee member

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

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

**Mr. Adrian David Li Man-kiu<sup>A+ N R</sup>**, JP, aged 39, 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 Company Limited and Tsim Sha Tsui Properties Limited. Mr. Li is currently a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference ("CPPCC"), and was formerly a member of the Ninth and Tenth Guangzhou Committees of the CPPCC. He is a member of the All-China Youth Federation, Deputy Chairman of the Beijing Youth Federation and a Counsellor of the Hong Kong United Youth Association. Mr. Li is a board member of The Community Chest of Hong Kong, Chairman of the Vocational Training Council's Banking and Finance Industry Training Board, and a member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. He is an Advisory Committee member of the Hong Kong Baptist University's School of Business and a Vice President of the Council of The Hong Kong Institute of Bankers. Furthermore, he is a member of the Election Committee responsible for electing the Chief Executive of the Hong Kong Special Administrative Region. Mr. Li is currently an Independent Non-Executive Director of China State Construction International Holdings Limited and COSCO Pacific Limited, and an Alternate Independent Non-Executive Director of San Miguel Brewery Hong Kong Limited. He is also an Alternate Director of AFFIN Holdings Berhad, a company listed in Malaysia. Mr. Li was formerly a council member of the Vocational Training Council and a board member of Ocean Park Corporation. Mr. Li holds a Master of Management degree from the Kellogg School of Management, Northwestern University in the United States, and a Master of Arts degree and a Bachelor of Arts degree in Law from the University of Cambridge in Britain. 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<sup>A R+</sup>**, aged 66, an Independent Non-Executive Director since July 2005. He is also an Independent Non-Executive Director of Sino Land Company Limited and Tsim Sha Tsui Properties Limited. 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, PRC from 1999 to 2000.

**Mr. Wong Cho Bau**, JP, aged 54, Honorary Fellow of City University of Hong Kong, 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 Company Limited. Mr. Wong, with more than 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 HKTDC Mainland Business Advisory Committee 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.

A: Audit Committee member R+: Remuneration Committee Chairman

## CORPORATE GOVERNANCE REPORT

The Board of Directors (“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 Corporate Governance Code 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 (“Listing Rules”) (“Code”) (and the new code provisions since 1st April, 2012 when the amendments to the Code became effective), except for the deviation as disclosed in this report. The corporate governance practices of the Company in compliance with the Code during the financial year ended 30th June, 2012 with explanation of the deviation are set out in this report.

### CORPORATE GOVERNANCE PRACTICES

#### DIRECTORS

##### **Corporate Governance Principle**

The Board provides overall leadership and control for the Company 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, determines the Company’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 9 Directors composing of three Executive Directors including the Chairman of the Board, two Non-Executive Directors and four Independent Non-Executive Directors. Biographical details of the Directors and their relationships, where applicable, are contained under the section entitled “Biographical Details of Directors & Senior Management” of this Annual Report. The Company has maintained on its corporate website and on the website of The Stock Exchange of Hong Kong Limited (“Exchange”) 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. The balance between Executive and Non-Executive Directors is effective in ensuring independent judgment being exercised effectively.

## **CORPORATE GOVERNANCE REPORT** *(Continued)*

### **CORPORATE GOVERNANCE PRACTICES** *(Continued)*

#### **DIRECTORS** *(Continued)*

##### **Division of Responsibilities**

The Board, led by the Chairman, is responsible for the Company's future development directions, overall strategies and policies, evaluation of the financial performance of the Company and approval of matters that are of a material or substantial nature, whilst the management under respective overseeing Executive Directors is responsible for the day-to-day operations of the Company.

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. He 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. Directors with different views are encouraged to voice their concerns. They are allowed sufficient time for discussion of issues so as to ensure that board decisions fairly reflect board consensus. A culture of openness and debate is promoted to facilitate the effective contribution of Non-Executive Directors and ensure constructive relations between Executive and Non-Executive Directors.

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, including Independent Non-Executive Directors, participate in board meetings to bring expertise and independent views on important issues relating to the Company's strategy, policy, financial performance, and take the lead on matters where potential conflicts of interests arise. They also serve on board committees of the Company, including Audit Committee, Nomination Committee and Remuneration Committee. The Non-Executive Directors and Independent Non-Executive Directors give the Board and board committees of which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They also attend annual general meeting of the Company to understand the view of shareholders. They make a positive contribution to the development of the Company's strategy and policy through independent, constructive and informed comments.



## CORPORATE GOVERNANCE REPORT *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### DIRECTORS *(Continued)*

##### Division of Responsibilities *(Continued)*

There is no separation of the roles of the chairman and the chief executive officer in the Company. The Chairman of the Board provides leadership to the Board and undertakes both the roles of chairman and chief executive officer. 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 has 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 that it continues to meet these objectives and is in line with the industry practices.

##### Directors' and Officers' Liabilities Insurance

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

##### 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, 2012, the Board held four meetings in September and December 2011, and, February and June 2012. The attendance records of the Directors to these board meetings are set out below:

Directors	Meeting(s) Attended/Held
<i>Executive Directors</i>	
Mr. Robert Ng Chee Siong ( <i>Chairman</i> )	3/4
Mr. Daryl Ng Win Kong	4/4
Mr. Nicholas Yim Kwok Ming	4/4
Mr. Thomas Tang Wing Yung ( <i>resigned on 26th March, 2012</i> )	3/3
<i>Non-Executive Directors</i>	
The Honourable Ronald Joseph Arculli	4/4
Mr. Gilbert Lui Wing Kwong	4/4
<i>Independent Non-Executive Directors</i>	
Mr. Peter Wong Man Kong	3/4
Mr. Adrian David Li Man-kiu	4/4
Mr. Steven Ong Kay Eng	4/4
Mr. Wong Cho Bau	0/4

## CORPORATE GOVERNANCE REPORT *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### DIRECTORS *(Continued)*

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

Notice incorporating agenda of each regular board meeting or board 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 agenda. All Directors/board committee members are entitled to have access to board papers/board committee papers and related materials in sufficient detail to enable them to make informed decisions on matters to be placed before the board meetings/board committee meetings. 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 board committees in preparing meeting agendas and ensures that the Code as well as all applicable laws and regulations are duly complied with. Minutes of board meetings and board committee meetings are recorded in sufficient details of the matters considered and decisions reached at the relevant meetings. Draft and final versions of the minutes in respect of board meeting and board committee meeting are sent to all Directors or board committee members respectively for comment and records within a reasonable time after the meeting. All minutes are properly kept by the Company Secretary and are available for the Directors' or board committee members' inspection.

All Directors are entitled to have access to timely information in relation to the Company's business and make further enquiries where necessary. The Management provides all relevant explanation and information to the Board, giving the Board the relevant information it needs to discharge its responsibilities. During the year, the Management has provided all members of the Board with monthly updates of major business operations giving a balanced and understandable assessment of the Company's performance, position and prospects.

All Directors are given unrestricted access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that the board procedures and all applicable rules and regulations are followed. The selection, appointment or dismissal of the Company Secretary is subject to approval by the Directors at board meeting.

## CORPORATE GOVERNANCE REPORT *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### DIRECTORS *(Continued)*

##### **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. The Company's Articles of Association provides that each Director is subject to retirement from office by rotation and re-election once every three years and that one-third (or the number nearest to but not exceeding one-third) of the Directors shall retire from office every year at the annual general meeting. New appointment to the Board is subject to re-election at the next following annual general meeting. There is no Independent Non-Executive Director has served the Company for more than nine years, who should be subject to retirement and re-election by a separate resolution to be approved by the shareholders.

The Directors who are subject to retirement and re-election at the 2012 Annual General Meeting are set out on page 36 of this Annual Report.

The Board was 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 candidate who is experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be selected as Director.

On 1st March, 2012, the Board established the Nomination Committee to assist the Board in reviewing the structure, size and composition of the Board from time to time and to ensure that the Board has a balanced skill and expertise for providing effective leadership to the Company. The composition of the Committee and its responsibilities will be further discussed in the following section entitled "Nomination Committee".

##### **Confirmation of Independence**

The independence of the Independent Non-Executive Directors has been assessed in accordance with the applicable Listing Rules. Each of the Independent Non-Executive Directors has provided an annual written confirmation of 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)*

#### DIRECTORS *(Continued)*

##### Directors' Training and Professional Development

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, procedures and codes of responsibilities of internal audit. The Company Secretary from time to time updates and provides written training materials to the Directors, and organizes seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities.

During the year, the Company organized an in-house seminar conducted by Messrs. Clifford Chance on the following topics for the Directors and the management of the Company to attend:

1. key features of the statutory price-sensitive information disclosure regime;
2. key features of the competition law in Hong Kong; and
3. brief updates on the connected transaction rules.

The Company Secretary maintains records of training attended by the Directors. The training attended by the current Directors during the year are as follows:

Directors	Training Matters <i>(Note)</i>
<i>Executive Directors</i>	
Mr. Robert Ng Chee Siong	a, b
Mr. Daryl Ng Win Kong	a, b
Mr. Nicholas Yim Kwok Ming	a, b, d, e
<i>Non-Executive Directors</i>	
The Honourable Ronald Joseph Arculli	a, b, c
Mr. Gilbert Lui Wing Kwong	a, b
<i>Independent Non-Executive Directors</i>	
Mr. Peter Wong Man Kong	a, b
Mr. Adrian David Li Man-kiu	a, b, c, d
Mr. Steven Ong Kay Eng	a, b
Mr. Wong Cho Bau	a, b

*Note:*

- a. corporate governance
- b. regulatory
- c. finance
- d. managerial
- e. industry-specific

## 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 Directors and senior management have not been involved in deciding their own remuneration.

##### **Remuneration Committee**

The Company established its Remuneration Committee on 23rd June, 2005 with written terms of reference. The written terms of reference of the Remuneration Committee, the revised form of which was approved by the Board on 20th February, 2012, are available at the Company's website [www.sino.com](http://www.sino.com) and the Exchange's website.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. In arriving at its recommendations, the Committee consults the Chairman of the Board and takes into consideration factors including salaries paid by comparable companies, employment conditions elsewhere in the Company and its subsidiaries, and desirability of performance-based remuneration. The Committee either determines or makes recommendations to the Board on the remuneration package of individual Executive Director and senior management, and it also makes recommendations to the Board on the remuneration of Non-executive Directors. The Committee is provided with sufficient resources enabling it to discharge its duties. The Committee meets at least annually to make recommendations to the Board on the Company's emolument policy including the remuneration of Directors and senior management.

The Committee currently comprises four members with the Independent Non-Executive Directors constituting the majority of the Committee and an Independent Non-Executive Director acting as its chairman.

## CORPORATE GOVERNANCE REPORT *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

**Remuneration Committee** *(Continued)* During the year, the Remuneration Committee held one meeting on 28th February, 2012 (which was held prior to the amendments to the Code became effective) to review and endorse the Company's existing emolument policy and the remuneration packages of Executive Directors and make recommendations on the Directors' fees. No Director was involved in deciding his own remuneration at the meeting of the Committee. The attendance records of the committee members to this committee meeting are set out below:

<b>Committee members</b>	<b>Meeting(s) Attended/Held</b>
Mr. Steven Ong Kay Eng* <i>(Committee Chairman)</i> <i>(appointed on 1st March, 2012)</i>	N/A
Mr. Peter Wong Man Kong*	1/1
Mr. Adrian David Li Man-kiu*	1/1
Mr. Daryl Ng Win Kong <i>(as Committee Chairman up to</i> <i>29th February, 2012)</i>	1/1

\* *Independent Non-Executive Director*

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

#### NOMINATION OF DIRECTORS AND SENIOR MANAGEMENT

##### **Nomination Committee**

The Company established its Nomination Committee with written terms of reference effective on 1st March, 2012. The written terms of reference of the Nomination Committee are available at the Company's website [www.sino.com](http://www.sino.com) and the Exchange's website.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board regularly and making recommendation on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include making recommendation to the Board on the selection of individuals nominated for directorships, the appointment or re-appointment of Directors and succession planning for Directors, and regularly reviewing the time required from a Director to perform his responsibilities. The Committee is also responsible for assessing the independence of Independent Non-Executive Directors and reviewing their annual confirmations on their independence. The Nomination Committee is provided with sufficient resources to perform its duties.



## CORPORATE GOVERNANCE REPORT *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### NOMINATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

**Nomination Committee** *(Continued)* The Committee comprises three members with the Independent Non-Executive Directors constituting the majority of the Committee. Its current members are:

Mr. Robert Ng Chee Siong *(Committee Chairman)*

Mr. Peter Wong Man Kong\*

Mr. Adrian David Li Man-kiu\*

\* *Independent Non-Executive Director*

During the period under review, no meeting of the Committee was held.

#### ACCOUNTABILITY AND AUDIT

##### **Directors' Responsibilities for 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 Company 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 judgments 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 Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company'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 its opinion on the financial statements of the Company and the independent auditor's report for the financial year ended 30th June, 2012 is set out in the section entitled "Independent Auditor's Report" of this Annual Report.

## 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 the guidance entitled “Internal Control and Risk Management – A Basic Framework” issued by the Hong Kong Institute of Certified Public Accountants, the Company’s integrated internal control and risk management framework embodies 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 reference of all major business operations and departments so as to encourage a risk aware and control conscious environment throughout the Company.

Under the Company’s internal control and risk management framework, twice a year each major operation unit or department identifies major risks, assesses and evaluates the risk 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 in turn reports to the Board.

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.

## CORPORATE GOVERNANCE REPORT *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### ACCOUNTABILITY AND AUDIT *(Continued)*

##### **Audit Committee**

The Company set up its Audit Committee on 23rd September, 1998 with written terms of reference. The written terms of reference of the Audit Committee are available at the Company's website [www.sino.com](http://www.sino.com) and the Exchange's website.

The Committee reports to the Board and holds regular meetings to assist the Board in discharging its responsibilities for effective financial reporting controls, internal controls and risk management. The Committee monitors the integrity of the Company's financial statements, annual report and accounts and half-year report and reviews significant financial reporting judgments contained in them. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, systems of internal control and risk management and compliance issues. The Committee also oversees the Company's relationship with the external auditor, reviews auditor's letter of engagement and makes recommendations to the Board on the appointment and re-appointment of external auditor. It is empowered to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. It reviews external auditor's management letter and any material queries raised by the auditor to the management and the management's response. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

During the year, the Committee held four meetings in August and December 2011, and, February and June 2012. All the meetings were attended by the external auditor of the Company. The Committee currently comprises four members, all of them being Independent Non-Executive Directors. The attendance records of the committee members to these committee meetings are set out below:

<b>Committee members</b>	<b>Meeting(s) Attended/Held</b>
Mr. Adrian David Li Man-kiu <i>(Committee Chairman)</i>	4/4
Mr. Gilbert Lui Wing Kwong	4/4
Mr. Peter Wong Man Kong	3/4
Mr. Steven Ong Kay Eng	4/4

## CORPORATE GOVERNANCE REPORT *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### ACCOUNTABILITY AND AUDIT *(Continued)*

##### **Audit Committee** *(Continued)*

During the year, the Committee reviewed the following matters:

- Accounting policies and practices adopted by the Company and the 2011 annual report and accounts;
- Accounting policies and practices adopted by the Company and the 2011/2012 interim report and accounts;
- Internal audit reports on the internal controls and risk management systems, including the effectiveness of the internal control systems of the Company and its subsidiaries, the adequacy of resources, qualifications and experiences of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- Usage of annual caps on continuing connected transactions of the Group; and
- Compliance Committee report on the Listing Rules compliance and corporate governance matters.

##### **Codes for Dealing in the Company's Securities**

The Company has adopted its own code for dealing in the Company's securities by Directors ("Directors Dealing Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code"). The Company has made specific enquiries of all Directors who held such offices during the period under review. All of them confirmed compliance with the required standard set out in the Directors Dealing Code during the year ended 30th June, 2012. 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 external auditor of the Company for the year ended 30th June, 2012 amounted to HK\$716,580 and HK\$500,940 respectively. The non-audit services mainly consist of review, consultancy and taxation services.

## **CORPORATE GOVERNANCE REPORT** *(Continued)*

### **CORPORATE GOVERNANCE PRACTICES** *(Continued)*

#### **CORPORATE GOVERNANCE FUNCTIONS**

The Board is responsible for performing the following corporate governance duties as required under the Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year, the Board considered the following corporate governance matters:

- adoption of corporate governance duties under the Code;
- establishment of the Nomination Committee;
- adoption of new Corporate Governance Code of the Company modeled on the Code under the Listing Rules;
- review the usage of annual caps on continuing connected transactions of the Group;
- review the compliance with the Code through the Compliance Committee; and
- review of the effectiveness of the internal controls and risk management systems of the Company through the Internal Audit Department and the Audit Committee.

## **CORPORATE GOVERNANCE REPORT** *(Continued)*

### **CORPORATE GOVERNANCE PRACTICES** *(Continued)*

#### **CORPORATE GOVERNANCE FUNCTIONS** *(Continued)*

##### **Compliance Committee**

The Company set up its Compliance Committee on 30th August, 2004 with written terms of reference, the revised form of which was approved by the Board on 20th February, 2012, to enhance the corporate governance standard of the Company. 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 Committee currently comprises the Executive Director Mr. Daryl Ng Win Kong (Committee Chairman), the other Executive Directors of the Company, the Heads of Legal and Company Secretarial Departments, the Head of Internal Audit Department, department heads and the Compliance Officer. The Committee holds regular meetings on a bi-monthly basis to review and make recommendations to the Board and the Audit Committee on the Company's corporate governance issues and Listing Rules compliance matters.

#### **COMMUNICATION WITH SHAREHOLDERS**

The Company affirms its commitment to maintaining a high degree of corporate transparency, communicating regularly with its shareholders and ensuring, in appropriate circumstances, the investment community at large being provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the shareholders to exercise their rights in an informed manner.

##### **Communication Strategies**

###### *Principles*

The Board is dedicated to maintain an on-going dialogue with the shareholders of the Company and the investment community. Information is communicated to the shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and regular meetings with research analysts and fund managers, as well as by making available all the disclosures submitted to the Exchange and its corporate communications and other corporate publications on the Company's website. Investor/analysts briefings and one-on-one meetings, roadshows (both domestic and international), investor conferences, site visits, results briefings are conducted on a regular basis in order to facilitate communication between the Company, shareholders and the investment community. The Board strives to ensure effective and timely dissemination of information to shareholders and the investment community at all times and will review regularly the above arrangements to ensure its effectiveness.

## CORPORATE GOVERNANCE REPORT *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### COMMUNICATION WITH SHAREHOLDERS *(Continued)*

##### Communication Strategies *(Continued)*

###### *Shareholders' Meetings*

The Board strives to maintain an on-going dialogue with the shareholders of the Company. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The process of the Company's general meeting are monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that shareholders' needs are best served.

The Company uses annual general meeting as one of the principal channels for communicating with the shareholders. The Company ensures that shareholders' views are communicated to the Board. At the annual general meeting, each substantially separate issue has been considered by a separate resolution, including the election of individual Directors. The Chairman of the Board, chairmen of the respective board committees and the external auditor usually attend annual general meetings to inter-face with and answer questions from the shareholders.

The last annual general meeting of the Company is the 2011 annual general meeting ("2011 AGM") which was held on 28th October, 2011 at The Pacific Rooms, 9th Floor, Towers Wing, The Royal Pacific Hotel & Towers, 33 Canton Road, Tsim Sha Tsui, Kowloon. The Directors, including the Chairman of the Board, the Chairman of the Audit Committee, and the then Chairman of the Remuneration Committee, and the external auditor of the Company, Deloitte Touche Tohmatsu, attended the 2011 AGM. The attendance records of the Directors to the 2011 AGM are set out below:

<b>Directors</b>	<b>Meeting(s) Attended/Held</b>
<i>Executive Directors</i>	
Mr. Robert Ng Chee Siong	1/1
Mr. Daryl Ng Win Kong	1/1
Mr. Nicholas Yim Kwok Ming	1/1
Mr. Thomas Tang Wing Yung <i>(resigned on 26th March, 2012)</i>	1/1
<i>Non-Executive Directors</i>	
The Honourable Ronald Joseph Arculli	0/1
Mr. Gilbert Lui Wing Kwong	1/1
<i>Independent Non-Executive Directors</i>	
Mr. Peter Wong Man Kong	0/1
Mr. Adrian David Li Man-kiu	1/1
Mr. Steven Ong Kay Eng	1/1
Mr. Wong Cho Bau	1/1



## CORPORATE GOVERNANCE REPORT *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### COMMUNICATION WITH SHAREHOLDERS *(Continued)*

##### Communication Strategies *(Continued)*

##### *Shareholders' Meetings (Continued)*

The Company's notice to shareholders for the 2011 AGM was sent to shareholders more than 20 clear business days prior to the meeting. The chairman of the meeting exercised his power under the Company's Articles of Association to put each proposed resolution to vote by way of a poll. The Company adopted poll voting for all resolutions put to vote at the meeting. The procedures for voting by poll at the 2011 AGM were contained in the circular of the Company to the shareholders, which was dispatched together with the 2011 annual report, and were further explained at the 2011 AGM prior to the polls being taken. Simultaneous translation from English to Cantonese was available at the 2011 AGM.

Separate resolutions were proposed at the 2011 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 28th October, 2011 are set out below:

<b>Resolutions proposed at the 2011 AGM</b>		<b>Percentage of Votes</b>
1	Adoption of the audited Financial Statements and the Directors' and Independent Auditor's Reports for the year ended 30th June, 2011	100%
2	Declaration of a final dividend of HK\$0.04 per ordinary share with an option for scrip dividend	100%
3(i)	Re-election of Mr. Adrian David Li Man-kiu as Director	100%
3(ii)	Re-election of Mr. Steven Ong Kay Eng as Director	100%
3(iii)	Re-election of Mr. Wong Cho Bau as Director	99.9999%
3(iv)	Re-election of Mr. Nicholas Yim Kwok Ming as Director	99.9985%
3(v)	Authorization of the Board to fix the Directors' remuneration for the financial year ending 30th June, 2012	100%
4	Re-appointment of Deloitte Touche Tohmatsu as Auditor for the ensuing year and to authorize the Board to fix their remuneration	100%
5(i)	Share repurchase mandate up to 10% of the Company's issued share capital	100%
5(ii)	Share issue mandate up to 20% of the Company's issued share capital	99.9948%
5(iii)	Extension of share issue mandate to the shares repurchased under the share repurchase mandate	99.9948%

## CORPORATE GOVERNANCE REPORT *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### COMMUNICATION WITH SHAREHOLDERS *(Continued)*

##### Communication Strategies *(Continued)*

*Shareholders' Meetings (Continued)* All resolutions put to shareholders at the 2011 AGM were passed. The Company's Principal Registrars were appointed as scrutineers to monitor and count the poll votes cast at that meeting. The results of the voting by poll were published on the websites of the Company and the Exchange.

*Enquiries* Shareholders can direct their questions about their shareholdings to the Company's Principal Registrars. To the extent the requisite information of the Company is publicly available, shareholders and the investment community may at any time make a request for such information. Designated contacts, email addresses and enquiry lines of the Company have been provided in the "Corporate Information" section of this Annual Report to enable the shareholders and the investment community to make any enquiry in respect of the Company.

*Shareholders' Privacy* The Company recognizes the importance of shareholders' privacy and will not disclose shareholders' information without their consent, unless required by law to do so.

*Corporate Communications* Corporate communications issued by the Company have been provided to the shareholders in both English and Chinese versions to facilitate their understanding. Shareholders have the right to choose the language (either English or Chinese, or both) or means of receipt of the corporate communications (in hard copy or through electronic means). They are encouraged to provide, amongst other things, their email addresses to the Company in order to facilitate timely, effective and environmental friendly communication.

*Corporate Website* A section entitled "Investor Relations" is available on the Company's website [www.sino.com](http://www.sino.com). Information on the Company's website is updated on a regular basis. Information released by the Company to the Exchange is also posted on the Company's website immediately thereafter in accordance with the Listing Rules. Such information includes financial statements, announcements, circulars to shareholders and notices of general meetings, etc..

## CORPORATE GOVERNANCE REPORT *(Continued)*

### CORPORATE GOVERNANCE PRACTICES *(Continued)*

#### COMMUNICATION WITH SHAREHOLDERS *(Continued)*

##### Shareholders' Rights

Shareholder(s) holding not less than 5% of the paid-up capital of the Company has/have statutory rights pursuant to Section 113 of the Companies Ordinance of Hong Kong to convene an extraordinary general meeting by requisition stating the objects of the meeting, and deposit the signed requisition at the Company's registered office at 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Hong Kong for the attention of the Company Secretary.

Shareholders representing not less than 2.5% of the total voting rights of all the shareholders or of at least 50 in number holding shares in the Company on which there has been paid up to an average sum of not less than HK\$2,000 per shareholder may by requisition, at their own expense unless the Company otherwise resolves, propose any resolution to be moved at any general meeting of the Company pursuant to Section 115A of the Companies Ordinance of Hong Kong. A written notice to that effect signed by such shareholders together with a sum reasonably sufficient to meet the expenses in giving effect thereto must be deposited at the registered office of the Company not less than six weeks before the meeting. The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such proposal and any material interest(s) of the proposing shareholder(s) in such proposal.

Shareholder(s) who wish(es) to propose a person (other than a retiring Director) for election as director ("Candidate") at a general meeting of the Company, should (a) deposit a written notice of such proposal at the registered office of the Company for the attention of the Company Secretary, signed by the shareholder(s) who should be qualified to attend and vote at the general meeting; (b) provide biographical details of the Candidate as set out in Rule 13.51(2)(a) to (x) of the Listing Rules; and (c) provide a written consent signed by the Candidate indicating his/her willingness to be elected. The period for lodgment of such a written notice shall be at least seven days commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such meeting appointed for such election and ending not later than seven days prior to the meeting.

The Company has been practicing the above shareholders' communication arrangements to handle enquires put to the Board and will review them on a regular basis to ensure its effectiveness. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our registered address or by email to our Company.

## DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30th June, 2012.

### 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, 2012 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 54.

An interim dividend of HK4.0 cents per share amounting to HK\$36,713,983, including HK\$1,068,698 by way of cash dividends and HK\$35,645,285 by way of scrip alternatives, was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK4.0 cents per share amounting to HK\$37,253,654 payable to shareholders whose names appear on the Register of Members of the Company on 7th November, 2012.

### 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, 2012 consisted of share premium, distributable reserve and retained profits totaling HK\$2,152,173,081.

Under the Companies Law (2011 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, 2012, the Group's bank loans accounted for 1.17% 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 (Chairman)  
Mr. Daryl Ng Win Kong  
Mr. Nicholas Yim Kwok Ming  
Mr. Thomas Tang Wing Yung (resigned on 26th March, 2012)

#### *Non-Executive Directors*

The Honourable Ronald Joseph Arculli  
Mr. Gilbert Lui Wing Kwong

#### *Independent Non-Executive Directors*

Mr. Peter Wong Man Kong  
Mr. Adrian David Li Man-kiu  
Mr. Steven Ong Kay Eng  
Mr. Wong Cho Bau

In accordance with 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 ("Listing Rules"), Mr. Robert Ng Chee Siong, The Honourable Ronald Joseph Arculli and Mr. Gilbert Lui Wing Kwong 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, 2012, 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 ("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 ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, were as follows:

#### (a) Long Positions in Shares of the Company

Name of Director	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Mr. Robert Ng Chee Siong	440,981,648 <i>(Note)</i>	Beneficial owner of 255,052 shares, spouse interest in 756,841 shares and trustee interest in 439,969,755 shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	47.34%
The Honourable Ronald Joseph Arculli	286,123	Beneficial owner	0.03%
Mr. Gilbert Lui Wing Kwong	–	–	–
Mr. Peter Wong Man Kong	–	–	–
Mr. Adrian David Li Man-kiu	–	–	–
Mr. Steven Ong Kay Eng	–	–	–
Mr. Wong Cho Bau	–	–	–
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 439,969,755 shares:*

- (a) 399,804,081 shares were held through companies which were 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong – 38,779,044 shares by Fanlight Investment Limited, 55,146 shares by Garford Nominees Limited, 16,590,338 shares by Karaganda Investments Inc., 52,200,079 shares by Nippomo Limited, 1,495,747 shares by Orient Creation Limited, 105,512,949 shares by Strathallan Investment Limited, 4,537,572 shares by Strong Investments Limited, 156,684,005 shares by Tamworth Investment Limited and 23,949,201 shares by Transpire Investment Limited;*
- (b) 1,795,961 shares were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which the co-executors of the estate of the late Mr. Ng Teng Fong had a 71.95% control; and*
- (c) 38,369,713 shares were held by the co-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, 2012, 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 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 is a Non-Executive Director of HKR International Limited, which engages 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**

**Existing Non-exempted Continuing Connected Transactions up to 30th June, 2012**

**(A) Provision of 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-exempted continuing connected transactions between the Company and/or its subsidiaries ("Group") and subsidiaries of Sino Land Company Limited ("Sino Land") ("Sino Land Group") (being associates 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. Applicable particulars of the Agreement together with the total amount received/paid in respect of the transactions for the year ended 30th June, 2012 are disclosed herein as required under the Listing Rules:

Nature of Services provided under the Agreement	Parties to the Transactions		Nature of Transactions	Basis of Consideration	Applicable Annual Cap(s) under the Agreement	Total Amount received/ paid for the Year ended 30th June, 2012
	Service Provider	Service Recipient				
Security Guard Services	Sino Security Services Limited, a wholly-owned subsidiary of Sino Land	Group	Provision of security guard services by Sino Land Group to hotels owned/ managed or to be owned/managed by the Group	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	HK\$2.7 million	HK\$2.58 million

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

**CONNECTED  
TRANSACTIONS**  
*(Continued)*

**Existing Non-exempted Continuing Connected Transactions up to 30th June, 2012** *(Continued)*

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

The Company announced on 1st August, 2011 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 provide management services to the clubhouse of Pacific Palisades for a 24-month period from 1st August, 2011 to 31st July, 2013.

Applicable particulars of such contract together with the total amount received/paid in respect of the transactions for the year ended 30th June, 2012 are disclosed herein as required under the Listing Rules:

Parties to the Transactions		Nature of Transactions	Basis of Consideration	Applicable Annual Cap(s) under the Agreement	Total Amount received/paid for the Year ended 30th June, 2012
Service Provider	Service Recipient				
Bright Tower	Sino Estates Management Limited, a wholly-owned subsidiary of Sino Land, as the building manager and an agent for the unincorporated body of owners of Pacific Palisades	Provision of management services by Bright Tower to the clubhouse of Pacific Palisades	HK\$246,078 per month and payable on a monthly basis	(i) For the period from 1st August, 2011 to 30th June, 2012, HK\$2.71 million (i.e. HK\$246,078 x 11 months)  (ii) For the period from 1st July, 2012 to 30th June, 2013, HK\$2.95 million (i.e. HK\$246,078 x 12 months)  (iii) For the period from 1st July, 2013 to 31st July, 2013, HK\$0.25 million (i.e. HK\$246,078 x 1 month)	HK\$2.71 million

Boatswain Enterprises Limited and its wholly-owned subsidiary, Beverhill Limited, being associates of the Ng Family, are two of the owners of Pacific Palisades which 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 the substantial shareholder of the Company. On such basis, the provision of clubhouse management services during the year by Bright Tower to Pacific Palisades under the aforesaid clubhouse management contract constituted continuing connected transactions of the Company under the Listing Rules.

## DIRECTORS' REPORT *(Continued)*

### CONNECTED TRANSACTIONS *(Continued)*

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 Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Full details of the above continuing connected transactions are set out in the respective announcements and available in the website of Hong Kong Exchange and Clearing Limited and the Company's website [www.sino.com](http://www.sino.com).

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

## DIRECTORS' REPORT *(Continued)*

### SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30th June, 2012, 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 Shareholder	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Mr. Philip Ng Chee Tat	442,737,183 <i>(Notes 1, 2, 3 and 4)</i>	Interest of controlled corporations in 2,767,428 shares and trustee interest in 439,969,755 shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	47.53%
Mr. Robert Ng Chee Siong	440,981,648 <i>(Notes 2, 3 and 4)</i>	Beneficial owner of 255,052 shares, spouse interest in 756,841 shares and trustee interest in 439,969,755 shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong	47.34%
Tamworth Investment Limited	156,684,005 <i>(Note 3)</i>	Beneficial owner	16.82%
Strathallan Investment Limited	105,512,949 <i>(Note 3)</i>	Beneficial owner	11.32%
Name of Other Shareholder	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Nippomo Limited	52,200,079 <i>(Note 3)</i>	Beneficial owner	5.60%

## DIRECTORS' REPORT *(Continued)*

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

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

Notes:

1. 2,767,428 shares were held by Bestdeal Contractors Pte Ltd which was 100% controlled by Mr. Philip Ng Chee Tat.
2. As regards trustee interest in 439,969,755 shares:
  - (a) 399,804,081 shares were held through companies which were 100% controlled by the co-executors of the estate of the late Mr. Ng Teng Fong – 38,779,044 shares by Fanlight Investment Limited, 55,146 shares by Garford Nominees Limited, 16,590,338 shares by Karaganda Investments Inc., 52,200,079 shares by Nippomo Limited, 1,495,747 shares by Orient Creation Limited, 105,512,949 shares by Strathallan Investment Limited, 4,537,572 shares by Strong Investments Limited, 156,684,005 shares by Tamworth Investment Limited and 23,949,201 shares by Transpire Investment Limited;
  - (b) 1,795,961 shares were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which the co-executors of the estate of the late Mr. Ng Teng Fong had a 71.95% control; and
  - (c) 38,369,713 shares were held by the co-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 co-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, 2012, 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, 2012, the Group employed approximately 400 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 17 to 34.

### **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.

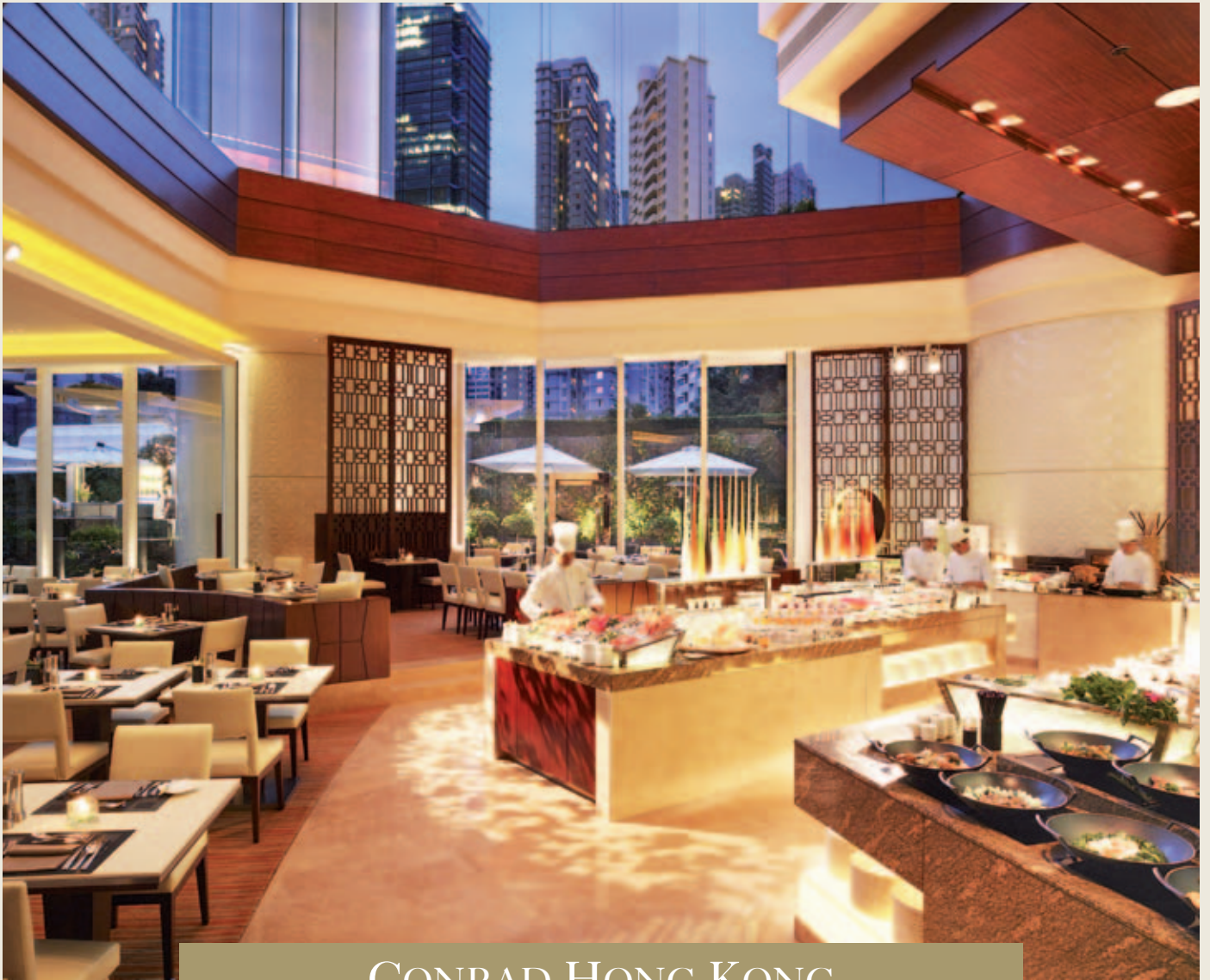
### **AUDITOR**

A resolution will be submitted to the forthcoming 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, 29th August, 2012





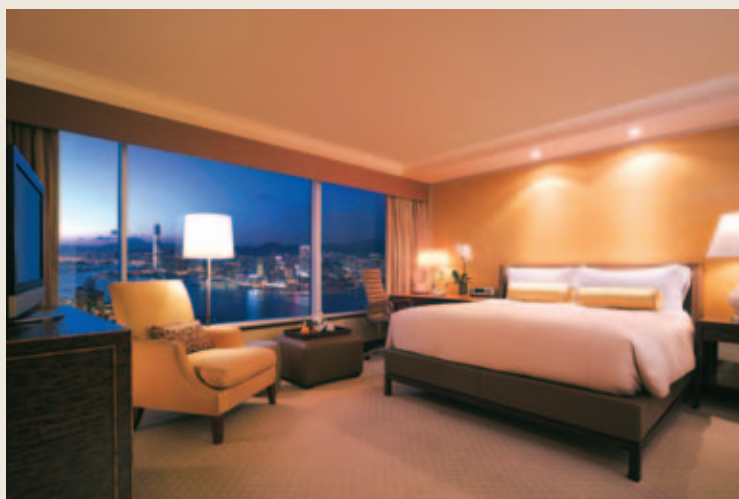
## CONRAD HONG KONG

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 Admiralty Station, and a few minutes from the Star Ferry and Hong Kong Convention and Exhibition Centre.

Towering from the 40<sup>th</sup> to the 61<sup>st</sup> floor, Conrad Hong Kong features 514 rooms which include 45 suites and 5 dedicated executive floors complete with an exclusive lounge. All rooms offer unparalleled views of Victoria Harbour and picturesque Victoria Peak. The hotel has an extensive range of function rooms including one of the city's largest column-free ballrooms.

## CONRAD<sup>®</sup>

HONG KONG







## THE ROYAL PACIFIC HOTEL & TOWERS

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

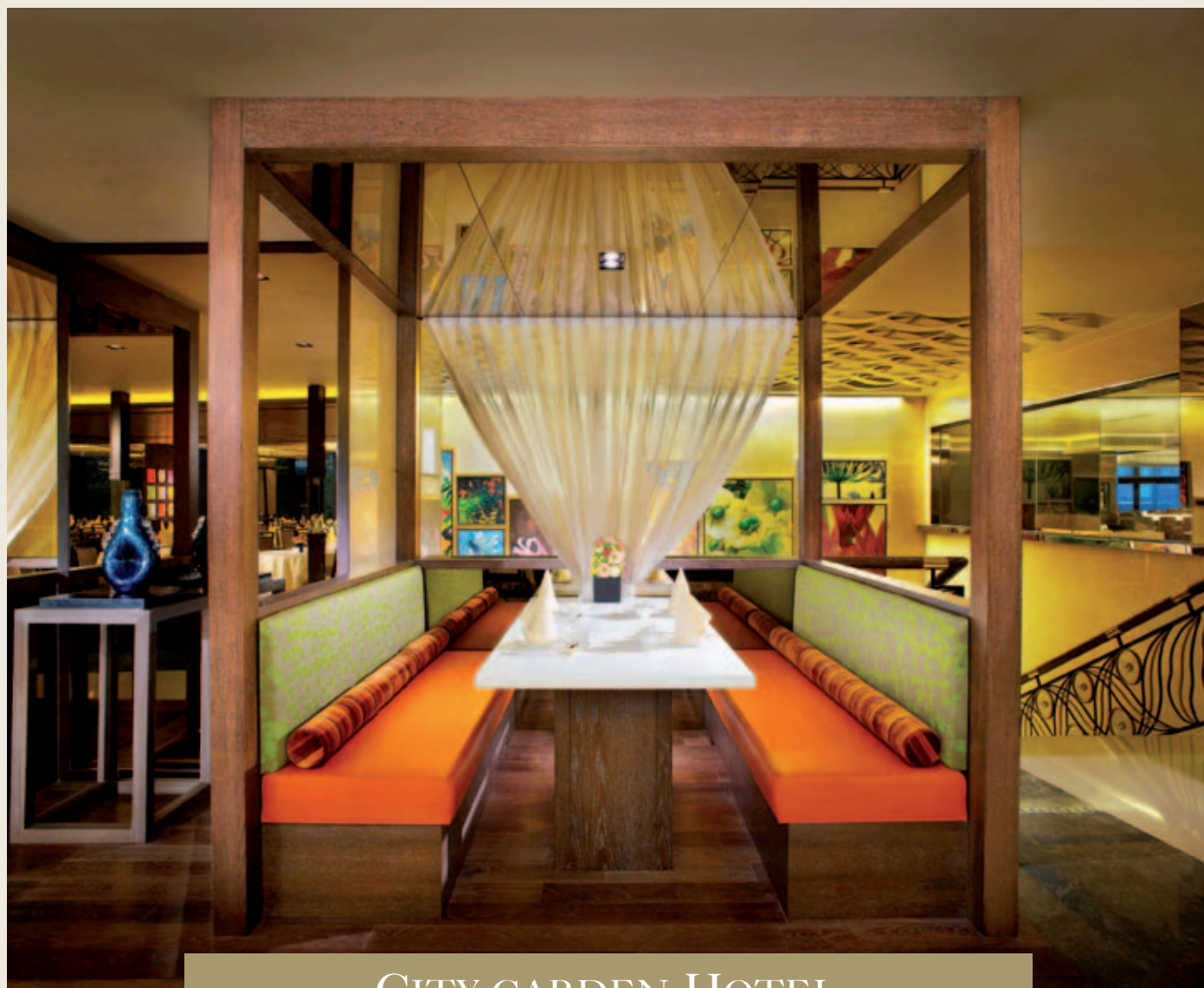
The hotel has over the years gained a reputation as a favourite venue for business and private events. The Imperial and Pacific Rooms can accommodate up to 420 guests for lavish meetings and functions, and provide state-of-the-art meeting facilities, including access to internet, video conferencing and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



**The Royal Pacific**  
Hotel and Towers  
HONG KONG







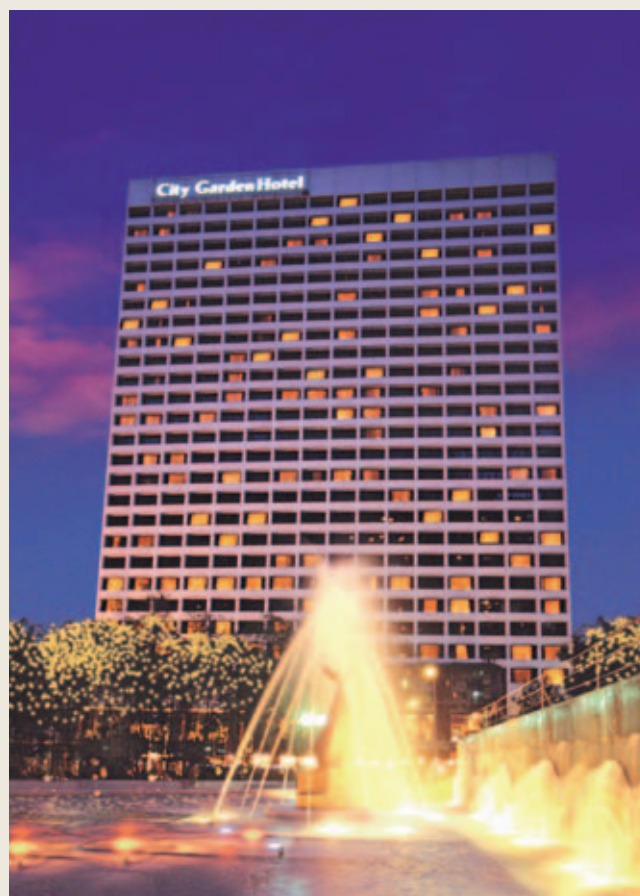
## CITY GARDEN HOTEL

Adjacent to the bustling Causeway Bay shopping and entertainment district, the 613-room City Garden Hotel is located at Island East and within five minutes' walk from 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 nearby major business hubs.



**City Garden Hotel**  
HONG KONG



## 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 54 to 99, which comprise the consolidated statement of financial position as at 30th June, 2012, 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, 2012, 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  
29th August, 2012

## CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2012

	NOTES	2012 HK\$	2011 HK\$
Revenue	4	<b>339,408,816</b>	284,365,633
Cost of sales		<b>(97,361,151)</b>	(86,255,975)
Gross profit		<b>242,047,665</b>	198,109,658
Other operating expenses		<b>(85,759,412)</b>	(83,435,120)
Marketing costs		<b>(13,572,301)</b>	(12,100,125)
Administrative expenses		<b>(25,530,018)</b>	(21,151,792)
Finance income	6	<b>1,170,391</b>	1,332,771
Finance costs	7	<b>(2,300,480)</b>	(5,594,570)
Finance costs net of finance income		<b>(1,130,089)</b>	(4,261,799)
Share of results of associates		<b>141,632,652</b>	122,679,146
Profit before taxation	8	<b>257,688,497</b>	199,839,968
Income tax expense	9	<b>(22,675,844)</b>	(16,528,973)
Profit for the year attributable to the Company's shareholders		<b>235,012,653</b>	183,310,995
Earnings per share – basic	13	<b>25.71 cents</b>	20.61 cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th June, 2012

	<b>2012</b> <i>HK\$</i>	2011 <i>HK\$</i>
Profit for the year	<u>235,012,653</u>	<u>183,310,995</u>
<b>Other comprehensive (expense) income</b>		
(Loss) gain on fair value changes on available-for-sale financial assets	<u>(147,306,995)</u>	<u>3,072,184</u>
Other comprehensive (expense) income for the year	<u>(147,306,995)</u>	<u>3,072,184</u>
Total comprehensive income for the year attributable to the Company's shareholders	<u><b>87,705,658</b></u>	<u>186,383,179</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	NOTES	2012 HK\$	2011 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	1,469,099,427	1,502,897,491
Interests in associates	15	1,191,634,357	1,481,691,205
Available-for-sale financial assets	16	568,929,883	710,769,436
Advance to an associate	17	104,133,110	–
Pledged fixed deposit	18	–	1,559,678
		<b>3,333,796,777</b>	<b>3,696,917,810</b>
<b>CURRENT ASSETS</b>			
Hotel inventories		756,365	788,905
Trade and other receivables	19	13,211,569	8,021,037
Amounts due from associates	17	113,148,176	240,322,746
Tax recoverable		69,937	–
Bank balances and cash	18	24,553,220	27,001,555
		<b>151,739,267</b>	<b>276,134,243</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	19,416,453	25,437,841
Amount due to an associate	23	2,688,893	–
Tax payable		28,852,718	16,945,436
Bank loans and other borrowings	21	40,737,486	42,713,423
		<b>91,695,550</b>	<b>85,096,700</b>
<b>NET CURRENT ASSETS</b>		<b>60,043,717</b>	<b>191,037,543</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,393,840,494</b>	<b>3,887,955,353</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	22	931,341,355	903,307,135
Reserves		2,454,628,708	2,397,263,969
Equity attributable to the Company's shareholders		<b>3,385,970,063</b>	<b>3,300,571,104</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans and other borrowings	21	779,653	143,143,322
Amount due to an associate	23	–	437,460,962
Deferred taxation	24	7,090,778	6,779,965
		<b>7,870,431</b>	<b>587,384,249</b>
		<b>3,393,840,494</b>	<b>3,887,955,353</b>

The consolidated financial statements on pages 54 to 99 were approved and authorised for issue by the Board of Directors on 29th August, 2012 and are signed on its behalf by:

**Robert NG Chee Siong**  
Chairman

**Daryl NG Win Kong**  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June, 2012

	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, 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
Profit for the year	-	-	-	-	235,012,653	235,012,653
Loss on fair value changes on available-for-sale financial assets	-	-	(147,306,995)	-	-	(147,306,995)
Other comprehensive expense for the year	-	-	(147,306,995)	-	-	(147,306,995)
Total comprehensive (expense) income for the year	-	-	(147,306,995)	-	235,012,653	87,705,658
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2011	14,542,439	20,504,838	-	-	-	35,047,277
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2012	13,491,781	22,153,504	-	-	-	35,645,285
Share issue expenses	-	(152,993)	-	-	-	(152,993)
Dividends	-	-	-	(72,846,268)	-	(72,846,268)
At 30th June, 2012	931,341,355	308,327,218	178,761,011	1,211,792,640	755,747,839	3,385,970,063

### Notes:

- (a) The investment revaluation reserve movement results from changes in fair values of available-for-sale financial assets.
- (b) Under the Companies Law (2011 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 (2011 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, 2012

	2012 HK\$	2011 HK\$
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	257,688,497	199,839,968
Adjustments for:		
Share of results of associates	(141,632,652)	(122,679,146)
Dividend income	(7,654,440)	(6,515,104)
Depreciation and amortisation of property, plant and equipment	40,741,334	41,029,421
Finance income	(1,170,391)	(1,332,771)
Finance costs	2,300,480	5,594,570
Loss (gain) on disposal of property, plant and equipment	5,257	(1,536)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	150,278,085	115,935,402
Decrease (increase) in hotel inventories	32,540	(122,462)
(Increase) decrease in trade and other receivables	(5,190,532)	979,455
(Decrease) increase in trade and other payables	(5,695,827)	13,598,602
	<hr/>	<hr/>
Cash generated from operations	139,424,266	130,390,997
Hong Kong Profits Tax paid	(10,527,686)	(9,336,261)
Dividends received from available-for-sale financial assets	2,186,998	–
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>131,083,578</b>	<b>121,054,736</b>
<b>INVESTING ACTIVITIES</b>		
Repayments from associates	39,097,320	634,065
Withdrawal of a pledged fixed deposit	1,559,678	–
Interest received	1,170,391	1,332,771
Proceeds on disposal of property, plant and equipment	12,031	17,412
Advances to associates	(16,055,860)	(1,631,534)
Purchase of property, plant and equipment	(6,960,558)	(7,186,607)
Placement of a pledged fixed deposit	–	(1,744)
	<hr/>	<hr/>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>18,823,002</b>	<b>(6,835,637)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of bank loans and other borrowings	(144,626,183)	(129,867,482)
Repayment to an associate	(5,771,462)	–
Interest paid	(2,339,465)	(5,004,037)
Dividends paid	(2,153,705)	(1,713,956)
Share issue expenses paid	(152,993)	(219,778)
Advance from an associate	2,688,893	1,934,257
New bank loan raised	–	11,000,000
	<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(152,354,915)</b>	<b>(123,870,996)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,448,335)</b>	<b>(9,651,897)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>27,001,555</b>	<b>36,653,452</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,</b> represented by bank balances and cash	<b>24,553,220</b>	<b>27,001,555</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June, 2012

## 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 of the Company and its subsidiaries (collectively referred to as “Group”) 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 Group has applied the following revised Standard and Amendments (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs Amendments to HKFRS 1	Improvements to HKFRSs issued in 2010 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendment to HKFRS 7 HKAS 24 (as revised in 2009)	Disclosures – Transfers of Financial Assets Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement

The application of these new and revised HKFRSs has had no material impact on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs Amendments to HKFRS 1 Amendments to HKFRS 7	Annual Improvements to HKFRSs 2009 – 2011 Cycle <sup>3</sup> Government Loans <sup>3</sup> Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>5</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 11	Joint Arrangements <sup>3</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>3</sup>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

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

HKFRS 13	Fair Value Measurement <sup>3</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>1</sup>
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets <sup>2</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>3</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>3</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>3</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2012

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2012

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2013

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2014

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2015

#### New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors of the Company anticipate that these five standards will be adopted in the Group’s consolidated financial statements for the annual period beginning 1st July, 2013. The Directors anticipate that the application of the above new and revised standards may result in more extensive disclosures in the consolidated financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2012

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

#### **HKFRS 13 *Fair Value Measurement***

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The Directors of the Company anticipate that HKFRS 13 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1st July, 2013 and that the application of the new standard will have no material impact on the results and the financial position of the Group but may result in more disclosures in the consolidated financial statements.

#### **Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that 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 significant accounting policies are set out below.

#### **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.

#### **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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Interests in associates *(Continued)*

##### Goodwill

Goodwill arising on an acquisition of an associate for which the agreement date is before 1st July, 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 July, 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 and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### 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 clubhouse 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, 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Property, plant and equipment**

Property, plant and equipment including leasehold land (classified as finance leases) and building held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation and amortisation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2012

### 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.

#### *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. 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. 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, 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Retirement benefit costs**

Payments to the Mandatory Provident Fund Scheme are recognised 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 subsidiaries and interests 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 and interests 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. Current and deferred tax are 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2012

### 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) 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, advance to an associate, 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, 2012

### 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 considered to be 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
- 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, in addition, 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, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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 through 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, 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial instruments** *(Continued)*

##### Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### *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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

##### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, 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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 4. REVENUE

	2012 HK\$	2011 HK\$
Hotel operation	311,041,923	258,734,193
Club operation and hotel management	20,712,453	19,116,336
Dividend income from available-for-sale financial assets	7,654,440	6,515,104
	<b>339,408,816</b>	<b>284,365,633</b>

Note: Included in dividend income from available-for-sale financial assets is dividend income of HK\$5,467,442 (2011: HK\$6,515,104) in scrip form.

### 5. SEGMENT INFORMATION

Information reported to the Executive 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 5. SEGMENT INFORMATION (Continued)

#### Segment revenue and results

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

	Segment revenue		Segment results	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
Hotel operation				
– City Garden Hotel	<b>311,041,923</b>	258,734,193	<b>155,789,618</b>	122,265,790
Investment holding	<b>7,654,440</b>	6,515,104	<b>7,654,440</b>	6,515,064
Hotel operation				
– share of results of associates	–	–	<b>274,582,836</b>	253,673,521
Others – club operation and hotel management	<b>20,712,453</b>	19,116,336	<b>2,835,392</b>	3,449,649
	<b>339,408,816</b>	284,365,633		
Total segment results			<b>440,862,286</b>	385,904,024
Administrative and other operating expenses			<b>(49,093,516)</b>	(50,807,882)
Finance costs net of finance income			<b>(1,130,089)</b>	(4,261,799)
Share of results of associates				
– administrative and other operating expenses			<b>(102,909,084)</b>	(103,953,712)
– finance costs net of finance income			<b>(1,091,452)</b>	(927,010)
– income tax expense			<b>(28,949,648)</b>	(26,113,653)
			<b>(132,950,184)</b>	(130,994,375)
Profit before taxation			<b>257,688,497</b>	199,839,968

All of the segment revenue reported above are from external customers. There was no inter-segment revenue for the year (2011: nil).

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of certain administrative and other operating expenses and finance costs net of finance income. The segment results of hotel operation operated through investments in associates includes revenue and direct expenses without allocation of associates' administrative and other operating expenses, finance costs net of finance income and income tax expense of the associates. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment. Information regarding segment results in prior year has been restated to conform with the change in the presentation of segment information for the current year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 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:

	2012 HK\$	2011 HK\$
<b>Segment assets</b>		
Hotel operation – City Garden Hotel	1,478,673,460	1,508,809,348
Investment holding	568,929,883	710,769,436
Hotel operation – interests in associates	1,191,634,357	1,481,691,205
Others – club operation and hotel management	4,393,901	4,455,715
	<hr/>	<hr/>
Total segment assets	3,243,631,601	3,705,725,704
Advance to an associate	104,133,110	–
Amounts due from associates	113,148,176	240,322,746
Unallocated assets	24,623,157	27,003,603
	<hr/>	<hr/>
Consolidated assets	3,485,536,044	3,973,052,053
	<hr/>	<hr/>
	2012 HK\$	2011 HK\$
<b>Segment liabilities</b>		
Hotel operation – City Garden Hotel	16,747,250	22,461,092
Investment holding	6,000	6,000
Others – club operation and hotel management	1,076,658	972,542
	<hr/>	<hr/>
Total segment liabilities	17,829,908	23,439,634
Amount due to an associate	2,688,893	437,460,962
Unallocated liabilities	79,047,180	211,580,353
	<hr/>	<hr/>
Consolidated liabilities	99,565,981	672,480,949
	<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, advance to an associate, 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, 2012

### 5. SEGMENT INFORMATION (Continued)

#### Other segment information

	Addition to non-current assets (Note)	
	2012 HK\$	2011 HK\$
Amounts included in the measure of segment assets:		
Hotel operation – City Garden Hotel	6,626,818	6,925,237
Others – club operation and hotel management	333,740	261,370
	<b>6,960,558</b>	<b>7,186,607</b>

	Depreciation and amortisation of property, plant and equipment		(Loss) gain on disposal of property, plant and equipment	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss:				
Hotel operation – City Garden Hotel	40,102,638	40,534,934	(5,257)	1,536
Others – club operation and hotel management	638,696	494,487	–	–
	<b>40,741,334</b>	<b>41,029,421</b>	<b>(5,257)</b>	<b>1,536</b>

Note: Non-current assets included property, plant and equipment.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 6. FINANCE INCOME

	2012 HK\$	2011 HK\$
Interest income on:		
Advance to an associate	1,148,719	1,322,950
Bank deposits	21,672	9,821
	<u>1,170,391</u>	<u>1,332,771</u>

### 7. FINANCE COSTS

	2012 HK\$	2011 HK\$
Interest and other finance costs on:		
Bank loans wholly repayable within five years	1,789,327	3,637,311
Advance from an associate	466,547	1,934,257
Other unsecured loans	44,606	23,002
	<u>2,300,480</u>	<u>5,594,570</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 8. PROFIT BEFORE TAXATION

	2012 HK\$	2011 HK\$
Profit before taxation has been arrived at after charging:		
Directors' emoluments (note 10)	3,556,469	3,311,297
Other staff costs	85,884,451	77,059,288
Contributions to retirement benefit scheme (other than directors) (note 32)	<u>3,209,037</u>	<u>2,849,305</u>
Total staff costs	<u>92,649,957</u>	<u>83,219,890</u>
Auditor's remuneration		
Audit services		
Current year	722,000	703,070
(Over)underprovision in prior years	<u>(5,420)</u>	<u>822</u>
Non-audit services	<u>716,580</u>	<u>703,892</u>
	<u>500,940</u>	<u>364,026</u>
	<u>1,217,520</u>	<u>1,067,918</u>
Cost of hotel inventories consumed (included in cost of sales)	24,725,441	20,240,492
Depreciation and amortisation of property, plant and equipment (included in other operating expenses)	40,741,334	41,029,421
Repairs and maintenance in respect of hotel properties (included in other operating expenses)	5,042,519	6,657,277
Share of income tax expense of associates (included in share of results of associates)	28,949,648	26,113,653
Minimum lease payments under operating leases	631,113	389,429
and after crediting:		
Rental income in respect of premises, net of negligible outgoings	748,900	743,700
(Loss) gain on disposal of property, plant and equipment	<u>(5,257)</u>	<u>1,536</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 9. INCOME TAX EXPENSE

	2012 HK\$	2011 HK\$
Income tax expense comprises:		
Hong Kong Profits Tax calculated at 16.5% (2011: 16.5%) on the estimated assessable profit		
Current year	22,365,031	15,920,459
Overprovision in prior years	–	(2,678)
	<u>22,365,031</u>	<u>15,917,781</u>
Deferred tax (note 24)		
Current year	310,813	611,192
	<u>22,675,844</u>	<u>16,528,973</u>

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

	2012 HK\$	2011 HK\$
Profit before taxation	<u>257,688,497</u>	<u>199,839,968</u>
Tax at Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	42,518,602	32,973,595
Tax effect of results attributable to associates	(23,369,388)	(20,242,059)
Tax effect of expenses not deductible for tax purpose	4,690,225	4,859,649
Tax effect of income not taxable for tax purpose	(1,290,766)	(1,080,464)
Utilisation of deductible temporary differences previously not recognised	(61,656)	(74,910)
Utilisation of tax losses previously not recognised	–	(3,124)
Tax effect of tax losses not recognised	188,827	855,184
Overprovision in prior years	–	(2,678)
Others	–	(756,220)
Income tax expense for the year	<u>22,675,844</u>	<u>16,528,973</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 10. DIRECTORS' EMOLUMENTS

	2012					2011				
	Fee	Other emoluments			Total	Fee	Other emoluments			Total
		Contributions					Contributions			
		Salaries and other benefits	to retirement benefit scheme	Discretionary bonus (Note i)			Salaries and other benefits	to retirement benefit scheme	Discretionary bonus (Note i)	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Executive Directors:										
Mr. Robert Ng Chee Siong	30,670	-	-	-	30,670	28,000	-	-	-	28,000
Mr. Thomas Tang Wing Yung	21,000	-	-	-	21,000	28,000	-	-	-	28,000
Mr. Daryl Ng Win Kong	36,000	-	-	-	36,000	36,000	-	-	-	36,000
Mr. Nicholas Yim Kwok Ming	18,000	2,222,601	18,250	633,938	2,892,789	18,000	2,121,797	18,000	517,500	2,675,297
	<u>105,670</u>	<u>2,222,601</u>	<u>18,250</u>	<u>633,938</u>	<u>2,980,459</u>	<u>110,000</u>	<u>2,121,797</u>	<u>18,000</u>	<u>517,500</u>	<u>2,767,297</u>
Non-executive Directors:										
Mr. Gilbert Lui Wing Kwong	120,000	-	-	-	120,000	120,000	-	-	-	120,000
The Honourable Ronald Joseph Arculli (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	130,670	-	-	-	130,670	128,000	-	-	-	128,000
Mr. Adrian David Li Man-kiu	130,670	-	-	-	130,670	128,000	-	-	-	128,000
Mr. Steven Ong Kay Eng	122,670	-	-	-	122,670	120,000	-	-	-	120,000
Mr. Wong Cho Bau	36,000	-	-	-	36,000	12,000	-	-	-	12,000
	<u>420,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,010</u>	<u>388,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,000</u>
	<u>681,680</u>	<u>2,222,601</u>	<u>18,250</u>	<u>633,938</u>	<u>3,556,469</u>	<u>654,000</u>	<u>2,121,797</u>	<u>18,000</u>	<u>517,500</u>	<u>3,311,297</u>

No Directors waived any emoluments for the year ended 30th June, 2012 (2011: 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 (2011: HK\$416,666) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli is the sole proprietor.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 11. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals of the Group, one (2011: one) is the Director of the Company whose emolument is disclosed in note 10 above. The emoluments of the remaining four (2011: four) individuals are employees of the Group, details of whose remuneration are as follows:

	<b>2012</b> <b>HK\$</b>	2011 <i>HK\$</i>
Salaries and other emoluments	<b>3,243,761</b>	3,513,660
Contributions to retirement benefit scheme	<b>75,000</b>	60,000
Discretionary bonus (Note)	<b>921,131</b>	870,435
	<b>4,239,892</b>	4,444,095

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

The emoluments were within the following bands:

	<b>Number of individuals</b>	
	<b>2012</b>	2011
Nil – HK\$1,000,000	<b>2</b>	1
HK\$1,000,001 – HK\$1,500,000	<b>2</b>	3

None of the four (2011: four) highest paid individuals waived any emoluments in both years.

During the year, no emoluments were paid by the Group to the four (2011: 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, 2012

### 12. DIVIDENDS

	2012 HK\$	2011 HK\$
Final dividend for the year ended 30th June, 2011 of HK4.0 cents (2011: final dividend for 2010 of HK3.4 cents) per share	36,132,285	29,937,221
Interim dividend for the year ended 30th June, 2012 of HK4.0 cents (2011: interim dividend for 2011 of HK3.0 cents) per share	<u>36,713,983</u>	<u>26,783,425</u>
	<b><u>72,846,268</u></b>	<b><u>56,720,646</u></b>

A final dividend of HK4.0 cents for the year ended 30th June, 2012 (2011: a final dividend of HK4.0 cents for the year ended 30th June, 2011) per share amounting to HK\$37,253,654 (2011: HK\$36,132,285) 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:

	2012 HK\$	2011 HK\$
Final dividend for the year ended 30th June, 2011/2010		
– Cash	1,085,007	930,475
– Scrip	<u>35,047,278</u>	<u>29,006,746</u>
	<b><u>36,132,285</u></b>	<b><u>29,937,221</u></b>
Interim dividend for the year ended 30th June, 2012/2011		
– Cash	1,068,698	783,481
– Scrip	<u>35,645,285</u>	<u>25,999,944</u>
	<b><u>36,713,983</u></b>	<b><u>26,783,425</u></b>
	<b><u>72,846,268</u></b>	<b><u>56,720,646</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 13. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit for the year of HK\$235,012,653 (2011: HK\$183,310,995) and on the weighted average number of 913,959,160 (2011: 889,486,199) shares in issue during the year.

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

### 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land <i>HK\$</i>	Hotel buildings <i>HK\$</i>	Furniture, fixtures, leasehold improvement and hotel operating equipment <i>HK\$</i>	Total <i>HK\$</i>
<b>COST</b>				
At 1st July, 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)
	<u>1,546,000,000</u>	<u>357,619,883</u>	<u>116,709,577</u>	<u>2,020,329,460</u>
At 30th June, 2011	1,546,000,000	357,619,883	116,709,577	2,020,329,460
Additions	–	–	6,960,558	6,960,558
Disposals	–	–	(2,070,221)	(2,070,221)
	<u>1,546,000,000</u>	<u>357,619,883</u>	<u>121,599,914</u>	<u>2,025,219,797</u>
<b>At 30th June, 2012</b>	<b>1,546,000,000</b>	<b>357,619,883</b>	<b>121,599,914</b>	<b>2,025,219,797</b>
<b>DEPRECIATION AND AMORTISATION</b>				
At 1st July, 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)
	<u>366,596,407</u>	<u>87,036,090</u>	<u>63,799,472</u>	<u>517,431,969</u>
At 30th June, 2011	366,596,407	87,036,090	63,799,472	517,431,969
Provided for the year	22,217,964	5,780,436	12,742,934	40,741,334
Eliminated on disposals	–	–	(2,052,933)	(2,052,933)
	<u>388,814,371</u>	<u>92,816,526</u>	<u>74,489,473</u>	<u>556,120,370</u>
<b>At 30th June, 2012</b>	<b>388,814,371</b>	<b>92,816,526</b>	<b>74,489,473</b>	<b>556,120,370</b>
<b>CARRYING AMOUNTS</b>				
<b>At 30th June, 2012</b>	<b>1,157,185,629</b>	<b>264,803,357</b>	<b>47,110,441</b>	<b>1,469,099,427</b>
At 30th June, 2011	1,179,403,593	270,583,793	52,910,105	1,502,897,491

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2012

### 14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 term of the lease of the land
Hotel buildings	Over the shorter of the term of the lease of the land upon which the buildings are situated, or 70 years
Furniture, fixtures and leasehold improvement	10% – 20%
Hotel operating equipment	20%

The leasehold land and hotel buildings are situated in Hong Kong held under long lease.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 15. INTERESTS IN ASSOCIATES

	2012 HK\$	2011 HK\$
Cost of unlisted investments in associates	1,062,961,934	1,062,961,934
Deemed capital contribution to an associate (Note)	603,000	603,000
Share of post-acquisition profits, net of dividends received	128,069,423	418,126,271
	<b>1,191,634,357</b>	<b>1,481,691,205</b>

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, 2012 and 30th June, 2011 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 were 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 (2011: 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, 2012

### 15. INTERESTS IN ASSOCIATES (Continued)

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

	2012 HK\$	2011 HK\$
Total assets	<b>6,060,260,958</b>	6,125,526,412
Total liabilities	<b>(3,939,143,972)</b>	(3,496,787,947)
Net assets	<b>2,121,116,986</b>	2,628,738,465
The Group's share of net assets of associates	<b>1,005,120,953</b>	1,295,177,801
Revenue	<b>1,186,506,507</b>	1,099,328,129
Profit for the year	<b>355,757,521</b>	293,879,148
The Group's share of results of associates for the year	<b>141,632,652</b>	122,679,146

### 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK\$	2011 HK\$
Equity securities listed in Hong Kong, at fair value	<b>568,929,883</b>	710,769,436
Market value of listed securities	<b>568,929,883</b>	710,769,436
Analysed for reporting purposes as:		
Non-current assets	<b>568,929,883</b>	710,769,436

The Group's available-for-sale financial assets represent investment in 3.68% (2011: 3.68%) 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\$5,467,442 (2011: HK\$6,515,104) 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, 2012

### 17. ADVANCE TO/AMOUNTS DUE FROM ASSOCIATES

At 30th June, 2012, the advance to an associate of HK\$104,133,110 is unsecured and interest-bearing at effective rate determined based on the cost-of-funds plus a margin per annum. The amount is considered to be repayable after one year from the end of the reporting period and is therefore classified as non-current asset. Amounts due from associates of HK\$113,148,176 (2011: HK\$99,678,816) are unsecured, interest-free and repayable on demand.

At 30th June, 2011, the amounts due from associates included an amount of HK\$140,643,930 which was interest-bearing at nominal rate. All amounts were unsecured and repayable on demand.

### 18. PLEDGED FIXED DEPOSIT/BANK BALANCES AND CASH

Bank balances mainly comprise short-term bank deposits with original maturity of three months or less and carry interest rate at market rates with average interest rate of 0.1% (2011: 0.01%) per annum.

As at 30th June, 2011, a pledged fixed deposit of HK\$1,559,678 represented a deposit pledged to a bank to secure a letter of guarantee issuance facility granted to the Group, classified as non-current asset, was expired in June 2012.

As at 30th June, 2011, the pledged fixed deposit carried fixed interest rate of 0.10% per annum.

### 19. TRADE AND OTHER RECEIVABLES

At 30th June, 2012, included in trade and other receivables of the Group are trade receivables of HK\$8,002,253 (2011: HK\$5,704,390). 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:

	2012 HK\$	2011 HK\$
Trade receivables		
0-30 days	7,056,979	4,901,605
31-60 days	921,132	659,398
61-90 days	24,142	143,387
	<hr/>	<hr/>
	8,002,253	5,704,390
Other receivables	5,209,316	2,316,647
	<hr/>	<hr/>
	<b>13,211,569</b>	<b>8,021,037</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 19. TRADE AND OTHER RECEIVABLES (Continued)

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. 98.4% (2011: 97.6%) 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.

Included in the Group's trade receivables are debtors with a carrying amount of HK\$125,194 at 30th June, 2012 (2011: HK\$136,237) 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 with subsequent settlement. 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

	2012 HK\$	2011 HK\$
Overdue within 30 days	<u>125,194</u>	<u>136,237</u>

### 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:

	2012 HK\$	2011 HK\$
Trade payables		
0 – 30 days	7,434,956	11,077,509
31 – 60 days	218,207	433,418
61 – 90 days	60,590	370,435
> 90 days	<u>12,142</u>	<u>710,979</u>
Renovation cost payable	7,725,895	12,592,341
Other payables	<u>149,023</u>	270,414
	<u>11,541,535</u>	<u>12,575,086</u>
	<u>19,416,453</u>	<u>25,437,841</u>

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, 2012

### 21. BANK LOANS AND OTHER BORROWINGS

	2012 HK\$	2011 HK\$
Bank loans, secured	40,737,486	182,450,909
Other interest-bearing unsecured loans (note 28 (b))	779,653	3,405,836
	<b>41,517,139</b>	<b>185,856,745</b>
The repayment schedule of carrying amount is analysed as follows:		
Within one year	40,737,486	42,713,423
More than one year, but not exceeding two years	779,653	143,143,322
	<b>41,517,139</b>	<b>185,856,745</b>
Less: Amount due within one year shown under current liabilities	<b>(40,737,486)</b>	<b>(42,713,423)</b>
Amount due after one year	<b>779,653</b>	<b>143,143,322</b>
The exposure of the Group's fixed-rate borrowing and the contractual maturing dates are as follows:		
	2012 HK\$	2011 HK\$
Fixed-rate borrowing:		
More than one year, but not exceeding two years	<b>779,653</b>	<b>3,405,836</b>
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 (2011: HIBOR plus a margin) per annum.		
Other interest-bearing unsecured loans, which are denominated in Hong Kong dollar, carry fixed interest rate at 1.18% (2011: 1.26%) per annum.		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 22. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each		Nominal value	
	2012	2011	2012 HK\$	2011 HK\$
Authorised:				
At the beginning and the end of the year	<b>3,000,000,000</b>	3,000,000,000	<b>3,000,000,000</b>	3,000,000,000
Issued and fully paid:				
At the beginning of the year	<b>903,307,135</b>	880,506,492	<b>903,307,135</b>	880,506,492
Shares issued pursuant to scrip dividend schemes for final dividend in respect of the year ended 30th June, 2011/2010	<b>14,542,439</b>	12,274,350	<b>14,542,439</b>	12,274,350
Shares issued pursuant to scrip dividend schemes for interim dividend in respect of the year ended 30th June, 2012/2011	<b>13,491,781</b>	10,526,293	<b>13,491,781</b>	10,526,293
At the end of the year	<b>931,341,355</b>	903,307,135	<b>931,341,355</b>	903,307,135

On 9th December, 2011 and 24th April, 2012, pursuant to scrip dividend schemes, the Company issued and allotted 14,542,439 shares and 13,491,781 shares of HK\$1.00 each at an issue price of HK\$2.41 and HK\$2.642 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2011 final and 2012 interim dividends in respect of each of year ended 30th June, 2011 and 2012 respectively. These shares rank pari passu in all respects with the then existing shares.

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.

### 23. AMOUNT DUE TO AN ASSOCIATE

At 30th June, 2012, the amount due to an associate is unsecured, interest-free and repayable on demand and accordingly, the amount is classified as current.

At 30th June, 2011, the amount due to an associate was unsecured, compound interest-bearing at HIBOR plus a margin per annum and was not repayable within the next twelve months from the end of the reporting period and accordingly, the amount was classified as non-current.

During the year, dividends declared by an associate of HK\$431,689,500 (2011: nil) were settled by offsetting against the amount due to that associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 24. DEFERRED TAXATION

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

	<b>Accelerated tax depreciation</b> HK\$
At 1st July, 2010	6,168,773
Charged to profit or loss during the year	<u>611,192</u>
At 30th June, 2011	6,779,965
Charged to profit or loss during the year	<u>310,813</u>
<b>At 30th June, 2012</b>	<b><u>7,090,778</u></b>

At 30th June, 2012, the Group had unused tax losses of approximately HK\$9,891,000 (2011: HK\$8,746,000) 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, 2012, the Group had deductible temporary differences of approximately HK\$16,000 (2011: HK\$390,000). 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 with the aggregate carrying amount of HK\$1,421,988,986 (2011: HK\$1,449,987,386) and pledged by way of floating charges over other assets, including bank balances of HK\$18,904,989 (2011: HK\$23,598,876), hotel inventories of HK\$639,293 (2011: HK\$722,641), furniture, fixtures, leasehold improvement and hotel operating equipment of HK\$44,190,270 (2011: HK\$49,931,260) and trade and other receivables of HK\$11,608,630 (2011: HK\$6,608,383) to banks to secure loan facilities granted to the Group.
- (b) At 30th June, 2011, the Group pledged its time deposit of HK\$1,559,678 to secure a letter of guarantee issuance facility (note 18) and the pledge was released during the year.
- (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, 2012

### 26. OPERATING LEASE ARRANGEMENTS

#### The Group as lessor

Rental income earned during the year was HK\$748,900 (2011: HK\$743,700).

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

	2012 HK\$	2011 HK\$
Within one year	307,300	691,100
In the second to fifth year inclusive	68,500	181,000
	<u>375,800</u>	<u>872,100</u>

#### The Group as lessee

Minimum lease payments paid under operating leases during the year was HK\$631,113 (2011: HK\$389,429).

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:

	2012 HK\$	2011 HK\$
Within one year	708,301	433,741
In the second to fifth year inclusive	636,919	1,112,496
	<u>1,345,220</u>	<u>1,546,237</u>

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

	2012 HK\$	2011 HK\$
Expenditures contracted for but not provided in the consolidated financial statements in respect of:		
Purchase of furniture, fixtures and hotel operating equipment	<u>1,096,343</u>	<u>772,800</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 28. RELATED PARTY DISCLOSURES

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

	Notes	2012 HK\$	2011 HK\$
Clubhouse management service income from a related company, being the building manager and agent for the unincorporated body of owners of Pacific Palisades	(i), (ii) & (iii)	2,934,708	2,734,200
Interest expenses charged by an associate		466,547	1,934,257
Security guard services fee charged by a related company	(i)	2,580,549	1,472,430
Hotel management fee income from an associate		980,000	980,000
Hotel management fee income from a related company	(iv)	950,000	950,000
Interest income from an associate		1,148,719	1,322,950

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) The amount of HK\$2,934,708 has included service fee of (1) HK\$2,706,858 for the period from 1st August, 2011 to 30th June, 2012 pursuant to the clubhouse management contract dated 1st August, 2011 and (2) HK\$227,850 for the period from 1st July, 2011 to 31st July, 2011 pursuant to the clubhouse management contract dated 30th April, 2009 which expired on 1st May, 2011 and was subsequently extended for a 3-month period up to 31st July, 2011.
- (iv) 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 advance to an associate and amounts due from (to) associates are set out in notes 17 and 23. Included in bank loans and other borrowings (note 21) is an interest-bearing unsecured loan, amounting to HK\$779,653 (2011: 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:

	2012 HK\$	2011 HK\$
Short-term benefits	3,538,219	3,293,297
Retirement benefit scheme contributions	18,250	18,000
	<b>3,556,469</b>	<b>3,311,297</b>

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, 2012

### 28. RELATED PARTY DISCLOSURES (Continued)

- (d) During the year, a consultancy fee of HK\$416,666 (2011: HK\$416,666) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli 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 40 to 42 of the Directors' Report.

### 29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company at 30th June, 2012 and 30th June, 2011 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, 2012

### 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
Wealth World Limited	Hong Kong	Ordinary HK\$1	100%	Café operation
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, 2012

### 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 balances.

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 as disclosed in the consolidated statement of changes in equity.

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 during the year.

### 31. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	2012 HK\$	2011 HK\$
<i>Financial assets</i>		
Available-for-sale financial assets	568,929,883	710,769,436
Loans and receivables (including cash and cash equivalents)	<u>250,798,992</u>	<u>275,052,844</u>
<i>Financial liabilities</i>		
Amortised cost	<u>52,850,197</u>	<u>638,042,037</u>

#### Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, available-for-sale financial assets, advance to an associate, amounts due from associates, pledged fixed deposit, 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, 2012

### 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, advance to an associate, 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 advance to 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\$171,000 (2011: HK\$2,590,000).

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, 2012

### 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.

	2012 HK\$	2011 HK\$
Available-for-sale financial assets		
Increase (decrease) in other comprehensive income		
– as a result of increase in equity price	28,446,494	35,538,472
– as a result of decrease in equity price	<u>(28,446,494)</u>	<u>(35,538,472)</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% (2011: 87%) 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 31. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management objectives and policies (Continued)

##### Credit risk (Continued)

Other than concentration of credit risk on advance to an associate and amounts due from associates, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of the associates which are mainly engaged in hotel operation in Hong Kong and it is profitable. In addition, the Group reviews the recoverable amounts of the individual debts to ensure that adequate impairment losses are made for the irrecoverable amounts. In this regard, the Directors consider that the related credit risk is mitigated. Trade receivables consist of a large number of customers.

##### 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 takes into account interest expense based on the interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$	3 months to 1 year HK\$	1 – 2 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<b>2012</b>						
Trade and other payables	N/A	7,951,155	693,010	–	8,644,165	8,644,165
Amount due to an associate						
– current	N/A	2,688,893	–	–	2,688,893	2,688,893
Bank loans and other borrowings						
– fixed rate	1.18	–	–	788,860	788,860	779,653
– variable rate	1.20	25,092,246	16,070,107	–	41,162,353	40,737,486
		<u>35,732,294</u>	<u>16,763,117</u>	<u>788,860</u>	<u>53,284,271</u>	<u>52,850,197</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 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 3 months HK\$	3 months to 1 year HK\$	1 – 2 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>644,213,645</u>	<u>638,042,037</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 cost in the consolidated 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\$568,929,883 (2011: HK\$710,769,436) 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, 2012

### 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 Schemes Authority under the Mandatory Provident Fund Schemes 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. FINANCIAL INFORMATION OF THE COMPANY

Note	2012 HK\$	2011 HK\$
Non-current assets		
Interests in subsidiaries	121,486,358	97,436,162
Investments in associates	25	25
Amounts due from subsidiaries	<u>2,850,562,630</u>	<u>2,864,883,858</u>
	<u>2,972,049,013</u>	<u>2,962,320,045</u>
Current assets		
Other receivables and prepayments	–	2,050
Amounts due from associates	113,148,176	100,196,833
Bank balances and cash	<u>124,985</u>	<u>108,520</u>
	<u>113,273,161</u>	<u>100,307,403</u>
Current liabilities		
Other payables and accruals	1,478,273	1,565,377
Tax payable	<u>3,974</u>	<u>3,974</u>
	<u>1,482,247</u>	<u>1,569,351</u>
Net current assets	<u>111,790,914</u>	<u>98,738,052</u>
Total assets less current liabilities	<u>3,083,839,927</u>	<u>3,061,058,097</u>
Capital and reserves		
Share capital	931,341,355	903,307,135
Reserves	<u>2,152,173,081</u>	<u>2,157,515,592</u>
	<u>3,083,514,436</u>	<u>3,060,822,727</u>
Non-current liability		
Amounts due to subsidiaries	<u>325,491</u>	<u>235,370</u>
	<u>3,083,839,927</u>	<u>3,061,058,097</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2012

### 33. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Note:

(a) Reserves of the Company

	Share premium <i>HK\$</i>	Distributable reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1st July, 2010	233,835,600	1,632,449,354	296,733,138	2,163,018,092
Profit for the year	–	–	19,231,877	19,231,877
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2010	16,732,396	–	–	16,732,396
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2011	15,473,651	–	–	15,473,651
Share issue expenses	(219,778)	–	–	(219,778)
Dividends	–	(56,720,646)	–	(56,720,646)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2011	265,821,869	1,575,728,708	315,965,015	2,157,515,592
Profit for the year	–	–	24,998,408	24,998,408
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2011	20,504,838	–	–	20,504,838
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2012	22,153,504	–	–	22,153,504
Share issue expenses	(152,993)	–	–	(152,993)
Dividends	–	(72,846,268)	–	(72,846,268)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30th June, 2012</b>	<b>308,327,218</b>	<b>1,502,882,440</b>	<b>340,963,423</b>	<b>2,152,173,081</b>

## FINANCIAL SUMMARY

	Year ended 30th June,				
	2012 HK\$	2011 HK\$	2010 HK\$	2009 HK\$	2008 HK\$
<b>Results</b>					
Revenue	<b>339,408,816</b>	284,365,633	214,289,735	217,833,350	227,164,184
Cost of sales	<b>(97,361,151)</b>	(86,255,975)	(72,434,063)	(61,651,380)	(61,521,903)
Gross profit	<b>242,047,665</b>	198,109,658	141,855,672	156,181,970	165,642,281
Other operating expenses	<b>(85,759,412)</b>	(83,435,120)	(70,373,329)	(79,915,190)	(72,805,759)
Marketing costs	<b>(13,572,301)</b>	(12,100,125)	(9,199,678)	(6,652,267)	(8,491,449)
Administrative expenses	<b>(25,530,018)</b>	(21,151,792)	(20,229,878)	(17,967,789)	(18,908,076)
Impairment loss on available-for-sale financial assets	–	–	–	(41,100,000)	–
Finance costs net of finance income	<b>(1,130,089)</b>	(4,261,799)	(4,346,712)	(13,305,592)	(28,333,823)
Share of results of associates	<b>141,632,652</b>	122,679,146	103,755,411	89,589,260	75,882,268
Profit before taxation	<b>257,688,497</b>	199,839,968	141,461,486	86,830,392	112,985,442
Income tax expense	<b>(22,675,844)</b>	(16,528,973)	(10,191,637)	(9,401,762)	(8,967,648)
Profit for the year	<b>235,012,653</b>	183,310,995	131,269,849	77,428,630	104,017,794
<b>At 30th June,</b>					
	2012 HK\$	2011 HK\$	2010 HK\$	2009 HK\$	2008 HK\$
<b>Assets and liabilities</b>					
Total assets	<b>3,485,536,044</b>	3,973,052,053	3,884,153,986	3,514,837,517	3,662,728,577
Total liabilities	<b>(99,565,981)</b>	(672,480,949)	(768,032,327)	(799,848,937)	(828,939,977)
Shareholders' Equity	<b>3,385,970,063</b>	3,300,571,104	3,116,121,659	2,714,988,580	2,833,788,600

# Sino Hotels (Holdings) Limited

## Proxy Form for use at the Annual General Meeting (or at any adjournment thereof)

I/We <sup>(Note 1)</sup> \_\_\_\_\_  
of \_\_\_\_\_  
being the registered holder(s) of <sup>(Note 2)</sup> \_\_\_\_\_  
ordinary shares of HK\$1.00 each in the capital of the above-named Company, **HEREBY APPOINT** the Chairman of  
the Meeting or <sup>(Note 3)</sup> \_\_\_\_\_  
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 Wednesday, the 31st day of October, 2012 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 <sup>(Note 4)</sup>	Against <sup>(Note 4)</sup>
1. To receive and consider the audited Financial Statements and the Directors' and Independent Auditor's Reports for the year ended 30th June, 2012.		
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. Robert Ng Chee Siong as Director.		
(ii) To re-elect The Honourable Ronald Joseph Arculli as Director.		
(iii) To re-elect Mr. Gilbert Lui Wing Kwong as Director.		
(iv) To authorise the Board to fix the Directors' remuneration for the financial year ending 30th June, 2013.		
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).		
6. To approve the amendments to the Memorandum and Articles of Association and adopt the Amended and Restated Memorandum and Articles of Association (Special Resolutions on item 6 of the Notice of Annual General Meeting).		

Dated \_\_\_\_\_ Signature <sup>(Note 5)</sup> \_\_\_\_\_

### 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 INITIALED 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.



