

ANNUAL REPORT 2010

Yue Restaurant, City Garden Hotel



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

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

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

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

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CORPORATE INFORMATION

Board of Directors

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

([#] Non-Executive Directors)

(* Independent Non-Executive Directors)

Audit Committee

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

Remuneration Committee

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

Authorized Representatives

Robert Ng Chee Siong
Eric Ip Sai Kwong

Secretary

Eric Ip Sai Kwong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

Solicitors

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

Shareholders' Calendar

Closure of Register of Members 25th October, 2010 to
28th October, 2010
(both dates inclusive)

Annual General Meeting 28th October, 2010

Interim Dividend HK2.6 cents per share
Paid 27th April, 2010

Final Dividend HK3.4 cents per share
Payable 30th November, 2010

Last Date for lodging scrip dividend election forms 18th November, 2010
4:30 p.m.

Principal Bankers

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

Investor Relations Contact

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 Thursday, the 28th day of October, 2010 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, 2010.
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, 2011.
4. To re-appoint Deloitte Touche Tohmatsu as Auditor for the ensuing year and authorise the Board to fix their remuneration.
5. As special business to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

Ordinary Resolutions

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

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

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

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

(ii) **“THAT:**

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

(b) for the purposes of this resolution:

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

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

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

By Order of the Board
Eric IP Sai Kwong
Secretary

Hong Kong, 27th September, 2010

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

Notes:

- (a) At the Annual General Meeting, the Chairman of the Meeting will put each of the above resolutions to the vote by way of a poll. On a poll, every shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder.
- (b) Any member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
- (c) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be lodged at the principal office of the Company at 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong not less than 24 hours before the time appointed for holding the meeting.
- (d) The Register of Members of the Company will be closed from Monday, 25th October, 2010 to Thursday, 28th October, 2010, both dates inclusive, during which period no share transfers will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Principal Registrars, Tricor Friendly Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 22nd October, 2010.

CHAIRMAN'S STATEMENT

I am pleased to present the 2009/2010 Annual Report to shareholders.

FINAL RESULTS

The Group achieved net profit attributable to shareholders of HK\$131.2 million for the financial year ended 30th June, 2010, representing an increase of 69.5% from HK\$77.4 million in the previous financial year. Earnings per share for the financial year 2009/2010 were 15.08 cents, an increase of 67.9% when compared with the previous financial year (2009: 8.98 cents).

The turnover of the Group for the financial year ended 30th June, 2010 was HK\$214.2 million (2009: HK\$217.8 million).

DIVIDENDS

The Directors recommend a final dividend in respect of the year ended 30th June 2010 of 3.4 cents per share to shareholders whose names appear on the Register of Members of the Company on 28th October, 2010. Together with the interim dividend of 2.6 cents per share, the total dividend for the full financial year is 6.0 cents per share.

The Directors propose that shareholders be given the option of electing to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the Annual General Meeting to be held on 28th October, 2010; 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 3rd November, 2010. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 30th November, 2010.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS

The world economy has showed signs of recovery since the second half of 2009. Despite the sovereign debt crisis in Eurozone, the trend has sustained throughout 2010 benefiting the world tourism and hospitality industry. According to UNWTO, international tourism demand has been on an upward trend. Hong Kong's tourism and hospitality industry is well positioned to gain, capitalising on the improvement in the world economies, Mainland China's growing influence in the world markets, as well as its comparative advantages in terms of its history, diverse culture, rich heritage sites and as global business and financial centre.

Business Activities

City Garden Hotel

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

The average room occupancy rate of City Garden Hotel for the year ended 30th June, 2010 was 86.4% compared with 83.8% in the previous financial year. The average room rate decreased slightly by 4.2%. Room sales for the financial year 2009/2010 were HK\$133.1 million (2009: HK\$134.8 million). Food and beverage sales for the year were HK\$55.8 million (2009: HK\$60.1 million).

Conrad Hong Kong

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

The average room occupancy of Conrad Hong Kong for the financial year 2009/2010 was 74.4% compared with 69.4% in the previous financial year. The average room rate for the same financial year decreased by 1.8%. Room sales were HK\$325.2 million which was 5.2% higher than HK\$309.0 million of the previous financial year, while income from food and beverage sales for the year was HK\$282.9 million, representing an increase of 3.0% from HK\$274.5 million in the previous financial year.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Business Activities *(Continued)*

Royal Pacific Hotel & Towers

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

The average occupancy rate of Royal Pacific Hotel & Towers for the financial year 2009/2010 increased to 94.5% from 88.0% in the previous financial year with average room rate decreasing slightly by 0.8%. Room sales for the financial year totalled HK\$216.6 million, representing an increase of 6.6% when compared with HK\$203.2 million for the previous financial year. Revenue from food and beverage sales was HK\$80.3 million, an increase of 3.0% from HK\$77.9 million for the previous financial year.

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

Finance

As at 30th June, 2010, the Group's gearing ratio, expressed as a percentage of bank and other borrowings net of cash and bank balances over shareholders' equity, was at approximately 8.5%. Of the total borrowings, 18.6% 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\$187.6 million, comprising cash on hand of approximately HK\$167.6 million together with committed undrawn facilities of approximately HK\$20.0 million. Our cash on hand is deposited in reputable banks with high credit ratings.

There was no material change in the capital structure of the Group for the financial year ended 30th June, 2010. 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, 2010, 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, 2009.

CHAIRMAN'S STATEMENT *(Continued)*

EMPLOYEE PROGRAMMES

To cultivate service excellence, the Group is dedicated to providing the entire workforce with quality-oriented training programmes throughout the year. Team members of all levels are constantly encouraged to take part in a diverse range of service training programmes. Popular programmes include customer service training, language training and communications workshops. Team members are also positively motivated to interact with guests in a natural and engaging manner. The Group ultimately benefits from developing a quality-conscious service team and building a growing group of appreciative and loyal patrons.

Service efficiency and effectiveness are important criteria to measure customer satisfaction. The Group is committed to monitoring and improving this with feedback from Mystery Calls Surveys and Mystery Shoppers Surveys continuously conducted under the Sino Excellence Programme.

To recognise and encourage outstanding performances among team members, the Group will reward "The Best Performer", "Employee of the Year" and "Manager of the Year" while honouring long serving employees with the "Long Service Award".

The Group places great importance on building effective internal communications, and regularly organises staff meetings and experience sharing sessions. The Group is highly active in participating in territory-wide community and volunteer programmes that build stronger external relationships.

In short, believing strongly in the benefits of nurturing, developing and retaining a skilled and professional workforce, the Group focuses on providing team members with ongoing career development and succession opportunities.

CORPORATE SOCIAL RESPONSIBILITY

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

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS

The global tourism industry started to recover since the second half of 2009. This trend has continued in 2010, with a 7% increase in international tourist arrivals for the first four months based on a year-on-year comparison. In the June issue of its World Tourism Barometer, UNWTO reaffirmed the recovery of the industry, and indicated a positive outlook, forecasting global tourist arrivals to increase 3% to 4% for the full year of 2010. The Tourism Confidence Index for the world tourism industry compiled by UNWTO for the first four months of 2010 also shows much improved figures. The Panel of Tourism Experts' expectations for the recovery of the sector for the May through August period are also positive, underpinning a growth trend.

Much of the growth was from the Asia and the Pacific region, which has benefited from the improving economic environment and the stability of Mainland China and Hong Kong. Business and leisure travel by Mainland Chinese is also on the rise, due to China's growing worldwide economic and political influence, the rise of China's affluent class, the expansion of Chinese businesses, increasing trade flows and an increasing interest in leisure travel.

China is an exciting visitor destination renowned for its ancient civilisation, history, rich culture and traditions, abundant natural attractions and variety of cuisines. It is also increasingly attractive to businesspeople and visiting academics. In 2009, UNWTO ranked China fourth in terms of worldwide tourism arrivals. As an international financial centre and a city with easy ground and air connections to other major Chinese cities, Hong Kong is poised to benefit further from China's growing economy.

The HKSAR Government has taken further advantage of these factors by positioning the city as an essential component in regional multi-destination tours. Hong Kong's tourism authorities are strengthening Hong Kong's tourism, hospitality, transportation and retail industries in collaboration with the tourism administrations of selected cities in Mainland China. The development of the global cruise ship business in recent years further complements Hong Kong tourism and adds exciting possibilities to the itinerary of multi-destination travellers. Initiatives are also being introduced to develop Hong Kong as a Meeting and Incentives, Conventions and Exhibitions (MICE) hub, and to attract more trade events, international conferences and bilateral promotions. It is encouraging to hear from the Hong Kong Tourism Board (HKTB) that Hong Kong has been voted the "Favourite City in the World" and "Best Business City in the World" in a number of polls organised by Asia's MICE trade media, demonstrating that Hong Kong is truly Asia's World City and the Events Capital of Asia.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS *(Continued)*

Further initiatives supporting the multi-destination travelling concept include the 'Hong Kong Plus: Two Wonders. One Trip', which encourages travellers to discover more wonders in China, and the '144-hour Convenient Visa', which allows foreigners to visit Guangdong Province for up to 144 hours (six days) via entry ports in nine cities within the Pearl River Delta Area, including Guangzhou, Shenzhen, Zhuhai and Zhongshan. The continuous efforts by HKTB to develop travel campaigns to attract a spectrum of travellers with different interests have also helped Hong Kong appeal more to travellers. This year's Festive Hong Kong 2010 is highlighting Hong Kong's cultural heritage by showcasing local traditional festivals that promote the culture and heritage of Hong Kong. Following the 2009 East Asian Games held in Hong Kong in December 2009, the upcoming sixteenth Asian Games to be hosted in Guangzhou in November 2010 will be another good opportunity for Hong Kong to benefit from multi-destination travellers.

It is also encouraging that visitor arrivals in Hong Kong is estimated to grow for the full calendar year of 2010, with the number exceeding 31 million, representing an increase of 5.2% over 2009. The total inbound tourism revenue is estimated to reach approximately HK\$174 billion, a 6.9% growth over last year.

Hotel positioning and branding are important to the Group. Management has dedicated significant efforts and resources to ensuring that our discerning guests enjoy pleasant stays. To accomplish this objective, good quality hardware, including décor and guestroom ambience, facilities and restaurants must be complemented by good, caring services. The Group continues to review and plan renovation works where necessary to enhance hardware value for the benefit of the hotel guests and customers.

All three hotels under the Group will continue their respective asset enhancement works in 2010. The renovations of the Garden Café, health club and the Cake Shop in Conrad Hong Kong have commenced and they are expected to be re-opened in September 2010. As for City Garden Hotel, further upgrade of facilities is expected to be carried out in the next financial year 2010/2011. Renovation of guest rooms in the Royal Pacific Hotel & Towers commenced during the financial year 2009/2010 and modernisation of guest elevators will commence in September 2010. The Group will continue its efforts in asset enhancement and branding so that the Group can serve the customers better.

The prospects of tourism and hospitality industries remain positive as global economic conditions follow an improving trend. Management will continue to plan and exercise asset enhancement initiatives as well as review and upgrade service quality, which will ultimately enable the Group to serve its customers better. The Directors are confident in the medium to long term prospects of the Group.

CHAIRMAN'S STATEMENT *(Continued)*

STAFF AND MANAGEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to all staff for their commitment, dedication and continuing support. I would also like to express my gratitude to my fellow Directors for their guidance and wise counsel.

Robert NG Chee Siong
Chairman

Hong Kong, 2nd September, 2010

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

(I) EXECUTIVE DIRECTORS

Mr. Robert Ng Chee Siong, aged 58, Chairman of the Group since 1994, was called to the Bar in 1975. Mr. Ng is also the director of a number of subsidiaries and associated companies of the Company, and is the Chairman of Tsim Sha Tsui Properties Limited (“TST Properties”) and Sino Land Company Limited (“Sino Land”). In addition, he is an Independent Non-Executive Director of The Hongkong and Shanghai Hotels, Limited, a Director of The Real Estate Developers Association of Hong Kong and a Member of the 11th National Committee of the Chinese People’s Political Consultative Conference. Mr. Ng is the father of Mr. Daryl Ng Win Kong, an Executive Director of the Company and the son of the substantial shareholder Mr. Ng Teng Fong (deceased).

Mr. Thomas Tang Wing Yung, aged 55, is an Executive Director of the Company since August 2004. He first joined the Company, TST Properties and Sino Land as Chief Financial Officer in November 2003. Mr. Tang obtained his Bachelor of Science Degree in Modern Mathematics from Surrey University, United Kingdom. He has been an Associate Member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a Fellow Member of The Hong Kong Institute of Certified Public Accountants (Practising) and has over 33 years of experience in accounting and finance.

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

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

Mr. Daryl Ng Win Kong, aged 32, an Executive Director of the Company since April 2005, holds a Bachelor of Arts Degree in Economics and a Master Degree of Science in Real Estate Development from Columbia University in New York. Mr. Ng first joined the Company as Executive (Development) in 2003. He is a director of a number of subsidiaries and associated companies of the Company and is an Executive Director of Sino Land and TST Properties. He is also an Independent Non-Executive Director of Blue Cross (Asia-Pacific) Insurance Limited and BEA Life Limited and a Director of Hong Kong Design Centre. He is a member of the Infrastructure Development Advisory Committee of the Hong Kong Trade Development Council, 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 Committee member of the Tenth and Eleventh All-China Youth Federation, a member of The Greater Pearl River Delta Business Council, a Trustee member of World Wide Fund for Nature Hong Kong, a Director of The Community Chest of Hong Kong and a Director of The Real Estate Developers Association of Hong Kong. He is the eldest son of the Chairman Mr. Robert Ng Chee Siong and the eldest grandson of the substantial shareholder Mr. Ng Teng Fong (deceased).

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

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

Mr. Nicholas Yim Kwok Ming, aged 58, an Executive Director of the Company since July 2008. He first joined the Company as General Manager of City Garden Hotel in 2001. He has been promoted to Group General Manager (Hotels) in August 2006 and has been an Associate Director of the Company since January 2008. Mr. Yim holds a Master Degree of Business Administration and has over 36 years of experience in hospitality industry in the United States, Taiwan, mainland China and Hong Kong. He is also a director of certain subsidiaries and associated companies of the Company.

(II) **NON-EXECUTIVE DIRECTORS**

The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP, aged 71, has been a Director of the Company since 1994 and was re-designated from an Independent Non-Executive Director to a Non-Executive Director in July 2005. The Honourable Ronald Arculli through Arculli and Associates (July – December 2005) and since 1st January, 2006 through Ronald Arculli and Associates provides consultancy services to the Company. He is also a Non-Executive Director of Sino Land and TST Properties. The Honourable Ronald Arculli is the Independent Non-Executive Chairman of Hong Kong Exchanges and Clearing Limited. He has a long and distinguished record of public service on numerous government committees and advisory bodies. He was the Chairman of The Hong Kong Jockey Club from 2002 to August 2006. He is a practising solicitor and has served on the Legislative Council from 1988 to 2000. He is currently a non-official member of the Executive Council of The Hong Kong Special Administrative Region Government, the Chairman of the Honorary Advisory Committee of SVHK Foundation Limited, a member of the board of West Kowloon Cultural District Authority (“WKCD”) and a member of the Consultation Panel appointed under WKCD. 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 Hongkong Electric Holdings Ltd., Hutchison Harbour Ring Limited and HKR International Limited, all companies listed on The Stock Exchange of Hong Kong Limited. He was an Independent Non-Executive Director of Shanghai Century Acquisition Corporation, a company listed on the American Stock Exchange, from October 2005 to May 2008.

Mr. Gilbert Lui Wing Kwong, aged 72, an Independent Non-Executive Director of the Company since 1994 and was re-designated a Non-Executive Director in August 2004. Mr. Lui is a consultant to a local firm of certified public accountants after retiring from the position of senior partner of that firm in 1999.

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

(III) INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Peter Wong Man Kong, BBS, JP, aged 61, an Independent Non-Executive Director since September 2004, is the Chairman of the M. K. Corporation Ltd. and North West Development Ltd. and a Deputy of the 11th National People's Congress. He holds directorships in Hong Kong Ferry (Holdings) Company Limited, China Travel International Investment Hong Kong Limited, Glorious Sun Enterprises Limited, Sun Hung Kai & Co. Limited, Chinney Investments, Limited, Far East Consortium International Limited and New Times Group Holdings Limited. Mr. Wong is also Vice Chairman of Hong Kong Pei Hua Education Association, Director of Fong Shu Fook Tong Foundation, Honorary Professor in the Central University for Nationalities and Lanzhou University and Director of Ji Nan University.

Mr. Adrian David Li Man-kiu, JP, aged 37, 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 in Hong Kong. He is also an Independent Non-Executive Director of Sino Land and TST Properties. Mr. Li is a member of the Ninth and Tenth Guangdong Provincial Committees of the Chinese People's Political Consultative Conference ("CPPCC"), PRC and was formerly a member of the Ninth and Tenth Guangzhou Committees of the CPPCC. He is also a member of the Ninth, Tenth and Eleventh Committees of the All-China Youth Federation, the Deputy Chairman of the Ninth Committee of the Beijing Youth Federation and a Counsellor of the Hong Kong United Youth Association. In addition, he is a Council Member of the Vocational Training Council and the Chairman of its Banking and Finance Industry Training Board, a Board Member of The Community Chest of Hong Kong, and a member of the Mandatory Provident Fund Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. He is currently an Independent Non-Executive Director of China State Construction International Holdings Limited and an Alternate Independent Non-Executive Director of San Miguel Brewery Hong Kong Limited. Further, he is an Alternate Non-Independent Non-Executive Director of AFFIN Holdings Berhad, a company which is listed on the main board of the Malaysia Stock Exchange. Mr. Li was formerly a Board Member of Ocean Park Corporation and an advisory board member of the Hong Kong Export Credit Insurance Corporation. Mr. Li holds a Master's Degree in Management from Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois, US, and a Master of Arts Degree and a Bachelor of Arts Degree in Law from the University of Cambridge, UK. He is a member of The Law Society of England and Wales and The Law Society of Hong Kong.

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

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

Mr. Steven Ong Kay Eng, aged 64, an Independent Non-Executive Director since July 2005. He is also an Independent Non-Executive Director of TST Properties. He is a Director of Altrade Investments Pte. Ltd. in Singapore and a substantial shareholder of Hwa Hong Corporation Limited, which is listed on the main board of the Singapore Stock Exchange. Mr. Ong has been a veteran banker with extensive experience in banking and finance over 43 years. He was the General Manager and Country Head for American Express Bank in Singapore for nearly 10 years and also the Chief Representative and Country Manager in China for Banca Monte dei Paschi di Siena S.p.A. for 16 years. Mr. Ong remained as the Bank's advisor and consultant for 2 years after he left China in 2006 having resided in the country for over 16 years. He was the Chairman of Foreign Bankers' Association in Beijing, People's Republic of China from 1999 to 2000.

**(IV) SENIOR
MANAGEMENT**

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

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) is committed to providing effective management and sound control of the Company for maximizing the shareholders’ value. The corporate governance principles of the Company emphasize the attainment and maintenance of a high standard of corporate governance practices and procedures, a quality Board, sound internal controls and high transparency and accountability to the shareholders. The Company has adopted its own Code on Corporate Governance Practices and has complied with all code provisions as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (the “Code”) except that there was no separation of the roles of the chairman and the chief executive officer. The corporate governance practices of the Company in compliance with the Code during the financial year ended 30th June, 2010 with explanation of the abovementioned deviation are set out below in this report.

CORPORATE GOVERNANCE PRACTICES

DIRECTORS

Corporate Governance Principle

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

Board Composition

The current Board composes of four Executive Directors including the Chairman of the Board, two Non-Executive Directors and three Independent Non-Executive Directors.

The Board members are:

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

Mr. Peter Wong Man Kong, BBS, JP
Mr. Adrian David Li Man-kiu, JP
Mr. Steven Ong Kay Eng

Biographical details of the Directors and their relationships, where applicable, are contained on pages 13 to 16 “Biographical Details of Directors & Senior Management”.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Division of Responsibilities

The Chairman of the Board provides leadership to the Board and undertakes both the roles of chairman and chief executive officer. 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 Board is of the view that the current management structure has been effective in facilitating the Company's operation and business development and that necessary checks and balances consistent with sound corporate governance practices are in place. The implementation of strategies and policies of the Board and the operations of each business unit are overseen and monitored by designated responsible Executive Directors. The Board found that the current arrangement had worked effectively in enabling it to discharge its responsibilities satisfactorily. In addition, the three Independent Non-Executive Directors have contributed valuable views and proposals for the Board's deliberation and decisions. The Board will review the management structure regularly to ensure it continues to meet these objectives and is in line with the industry practices.

Board Meetings

The Board holds at least four regular meetings a year which are scheduled at the beginning of the year and will meet more frequently as and when required. During the financial year ended 30th June, 2010, the Board had held four meetings and the attendance records of the Directors are set out on page 24.

Directors' Appointment, Re-election and Removal

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

The rotating Directors who are subject to retirement and re-election at the 2010 annual general meeting are set out on page 26.

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

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

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

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Confirmation of Independence

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Emolument Policy

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

Remuneration Committee

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

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

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Remuneration Committee *(Continued)*

During the year, the Remuneration Committee has held one meeting, reviewed and endorsed the Company's existing emolument policy and reviewed the remuneration of Directors. No Director was involved in deciding his own remuneration at the meeting of the Committee. The attendance records of individual Committee members are set out on page 24.

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

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

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

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

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

The auditor is responsible for auditing and reporting his opinion on the financial statements of the Group and the independent auditor's report for the financial year ended 30th June, 2010 is set out on pages 42 to 43.

Internal Controls and Risk Management

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

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

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Internal Controls and Risk Management *(Continued)*

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

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 16th September, 1998 with written terms of reference. The Committee reports to the Board and has held regular meetings since its establishment to review and make recommendations to improve the Group's financial reporting process and to ensure that management has discharged its duty to have effective financial controls, internal controls and risk management systems. The Committee comprises Mr. Adrian David Li Man-kiu, JP (Committee Chairman), Mr. Peter Wong Man Kong, BBS, JP and Mr. Steven Ong Kay Eng, all of whom are Independent Non-Executive Directors, and Mr. Gilbert Lui Wing Kwong, a Non-Executive Director. During the year, the Committee had held four meetings to review the 2009 annual report and accounts, the 2009/2010 interim report and accounts, the internal audit reports on the internal controls and risk management matters and the Compliance Committee reports on the Listing Rules compliance matters of the Company and reported all such relevant matters to the Board.

The Audit Committee has reviewed the accounting policies and practices adopted by the Company and the annual report for the financial year ended 30th June, 2010. The attendance records of individual Committee member are set out on page 24.

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

Compliance Committee

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

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Codes for Dealing in the Company's Securities

The Company has adopted its code for dealing in the Company's securities by Directors (the "Company Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. The Company has made specific enquiries of all Directors who confirmed compliance with the required standard set out in the Company Code during the year ended 30th June, 2010.

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

Auditors' Remuneration

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the auditors for the year ended 30th June, 2010 amounted to HK\$697,250 and HK\$373,880 respectively. The non-audit services mainly consist of review and other reporting services.

COMMUNICATION WITH SHAREHOLDERS

Timely Performance Information

The Board is committed to providing clear performance information of the Company to the investors through timely publication of interim and annual results and reports. Copies of the annual reports and interim reports of the Company are distributed to its shareholders in accordance with statutory and regulatory requirements and also to interested parties recorded in the Company's mailing lists. The publications of the Company, including financial reports, circulars and announcements, are also available for download from the Company's corporate website. The corporate website is another channel through which the Company provides up-to-date key information of the Group to its shareholders.

Annual General Meeting

The Board strives to maintain an on-going dialogue with the shareholders of the Company and use annual general meeting as one of the principal channels for communicating with the shareholders. At the annual general meeting, each substantially separate issue will be considered by a separate resolution, including the election of individual directors. The Chairmen of the Board and the respective Board Committees usually attend annual general meetings to inter-face with and answer questions from the shareholders. The procedures for voting by poll at the annual general meeting are contained in the circular to the shareholders which is dispatched together with the annual report.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Directors' Attendance Records for meetings held during the financial year ended 30th June, 2010

Name of Directors	Number of meetings attended/held		
	Board	Audit Committee	Remuneration Committee
Mr. Robert Ng Chee Siong	4/4	–	–
The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP	4/4	–	–
Mr. Gilbert Lui Wing Kong	4/4	4/4	–
Mr. Peter Wong Man Kong, BBS, JP	2/4	2/4	1/1
Mr. Adrian David Li Man-kiu, JP	4/4	4/4	1/1
Mr. Steven Ong Kay Eng	4/4	4/4	–
Mr. Thomas Tang Wing Yung	4/4	–	–
Mr. Daryl Ng Win Kong	4/4	–	1/1
Mr. Nicholas Yim Kwok Ming	4/4	–	–

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30th June, 2010.

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, 2010 are set out in notes 29 and 16 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 44.

An interim dividend of HK2.6 cents per share amounting to HK\$22,654,139 was paid to shareholders during the year. The Directors now recommend a final dividend of HK3.4 cents per share amounting to HK\$29,937,221 payable to shareholders whose names appear on the Register of Members of the Company on 28th October, 2010.

PROPERTY, PLANT AND EQUIPMENT, AND PREPAID LEASE PAYMENTS

Details of movements during the year in the property, plant and equipment, and prepaid lease payments of the Group are set out in notes 14 and 15, respectively, 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 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The reserves available for distribution to the shareholders by the Company at 30th June, 2010 consisted of share premium, distributable reserve and retained profits totaling HK\$2,103,629,738 (2009: HK\$2,123,530,104).

Under the Companies Law (2007 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, 2010, the Group's bank loans accounted for 7.8% of the Group's total assets. Details of bank loans and other borrowings of the Group are set out in note 22 to the consolidated financial statements. No interest was capitalised by the Group during the year.

DIRECTORS' REPORT *(Continued)*

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

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

DIRECTORS

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

Mr. Peter Wong Man Kong, BBS, JP
Mr. Adrian David Li Man-kiu, JP
Mr. Steven Ong Kay Eng

In accordance with the provisions of the Company's Articles of Association and pursuant to Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP, Mr. Peter Wong Man Kong, BBS, JP and Mr. Daryl Ng Win Kong 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, 2010, the interests and short positions held by the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

(a) Long Positions in Shares of the Company

Name of Directors	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Mr. Robert Ng Chee Siong	955,025	Beneficial owner of 240,719 shares and spouse interest in 714,306 shares	0.10%
The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP	282,167	Beneficial owner	0.03%
Mr. Gilbert Lui Wing Kwong	-	-	-
Mr. Peter Wong Man Kong, BBS, JP	-	-	-
Mr. Adrian David Li Man-kiu, JP	-	-	-
Mr. Steven Ong Kay Eng	-	-	-
Mr. Thomas Tang Wing Yung	-	-	-
Mr. Daryl Ng Win Kong	-	-	-
Mr. Nicholas Yim Kwok Ming	-	-	-

(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, 2010, none of the Directors had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT *(Continued)*

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' INTERESTS IN COMPETING BUSINESSES	<p>Pursuant to Rule 8.10 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:</p> <p>Mr. Robert Ng Chee Siong held share interests and directorships and Mr. Daryl Ng Win Kong and Mr. Thomas Tang Wing Yung held directorships in companies of the Ng Family (including the late Mr. Ng Teng Fong and his estate, Mr. Robert Ng Chee Siong and their respective associates) which engage in business of hotel operation.</p> <p>The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP, is an Independent Non-Executive Director of Hang Lung Properties Limited and Non-Executive Director of HKR International Limited, which engage in business of hotel operation.</p> <p>As the Board of Directors of the Company is independent of the boards of the aforesaid companies and maintains three Independent Non-Executive Directors, the Group operates its businesses independently of, and at arm's length from, the businesses of the aforesaid companies.</p>
DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE	<p>Details of Directors' interests in contracts of significance are set out in note 28 to the consolidated financial statements.</p> <p>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.</p>
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**

Continuing Connected Transactions up to 30th June, 2010

(A) Security Guard Services

The Company announced on 29th June, 2007 that it had entered into an agreement on 28th June, 2007 ("Agreement") relating to the following non-exempt continuing connected transactions between the Company and/or its subsidiaries and Sino Land Company Limited or its subsidiaries ("Sino Land Group") (being an associate of the Ng Family (including the late Mr. Ng Teng Fong and his estate, Mr. Robert Ng Chee Siong, and/or their respective associates)) for the three financial years commencing from 1st July, 2007 and ended on 30th June, 2010 with an annual cap fixed for each of the years. Particulars of the Agreement together with the total consideration for the year ended 30th June, 2010 are disclosed herein as required under the Listing Rules:

Party A:	Sino Security Services Limited, a wholly-owned subsidiary of Sino Land Company Limited
Party B:	The Group
Nature of transactions:	Provision of security guard services by the Sino Land Group to the hotels owned or managed, or to be owned or managed by the Group
Terms:	A lump sum fee to be agreed between the parties which shall be determined by reference to cost plus a profit margin. The profit margin applicable varies on a case-by-case basis depending on factors such as size and nature of the hotel, location of the hotel, complexity of the work, image, degree of competition and length of the contract. In general, for indicative purposes, the current profit margin for the services provided ranges from 1% to 25% for particular hotels based on the abovementioned factors.
Annual cap:	HK\$2.5 million
Total consideration for the year:	HK\$1.41 million
Basis of the Annual Cap:	By reference to the nature and value of these transactions for the three years ended 30th June, 2007, the existing scale and operations of the business, the anticipated development and growth of such businesses and changes of general economic conditions for the next three years, which management deemed reasonable.

**CONNECTED
TRANSACTIONS**
(Continued)

Continuing Connected Transactions up to 30th June, 2010 *(Continued)*

(A) Security Guard Services *(Continued)*

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

(B) Renewal of Continuing Connected Transactions

Reference is made to the continuing connected transactions mentioned in section (A) above. The Agreement expired on 30th June, 2010 and the continuing connected transactions were carried out upon the terms set out therein. A new agreement ("New Agreement") was entered into on 24th June, 2010 to continue such continuing connected transactions for a term of three years from 1st July, 2010 to 30th June, 2013 with annual cap fixed for each of these years. Particulars of the New Agreement are disclosed herein:

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

**CONNECTED
TRANSACTIONS**
(Continued)

Continuing Connected Transactions up to 30th June, 2010 *(Continued)*

(C) Provision of Clubhouse Management Services

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

Particulars of such contract together with the total consideration for the year ended 30th June, 2010 are disclosed herein as required under the Listing Rules:

Party A:	Bright Tower
Party B:	Sino Estates Management Limited ("SEM"), a wholly-owned subsidiary of Sino Land Company Limited, as the building manager and agent for the unincorporated body of owners of Pacific Palisades
Nature of transactions:	Provision of management services by Bright Tower to the clubhouse of the Pacific Palisades
Service fee:	HK\$227,850 per month and payable on a monthly basis
Annual cap (and basis thereof):	HK\$2.73 million for the period from 1st July, 2009 to 30th June, 2010 (i.e. HK\$227,850 x 12 months) HK\$2.28 million for the period from 1st July, 2010 to 30th April, 2011 (i.e. HK\$227,850 x 10 months)
Total consideration for the year:	HK\$2.73 million

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

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

DIRECTORS' REPORT *(Continued)*

CONNECTED TRANSACTIONS *(Continued)*

Continuing Connected Transactions up to 30th June, 2010 *(Continued)*

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

During the year, the above continuing connected transactions were carried out within their respective annual caps. Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors of the Company engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor of the Company has reported the factual findings on these procedures to the Board of Directors and has provided two letters to the Board of Directors of the Company reporting that the above continuing connected transactions:

- (i) have received the approval of the Board of Directors of the Company;
- (ii) have been entered into in accordance with the pricing policies of the Group, where applicable;
- (iii) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and
- (iv) have not exceeded the respective annual caps as disclosed in the relevant announcements.

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.

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

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

DIRECTORS' REPORT *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30th June, 2010, the interests and short positions of the substantial shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register kept under Section 336 of Part XV of the SFO were as follows:

Long Positions in Shares of the Company

Name of Substantial Shareholders	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Mr. Ng Teng Fong*	416,257,396 <i>(Note 1)</i>	Beneficial owner of 36,213,186 shares, spouse interest in 1,015,656 shares and interest of controlled corporations in 379,028,554 shares	47.27%
Tamworth Investment Limited	147,877,747 <i>(Note 2)</i>	Beneficial owner	16.79%
Strathallan Investment Limited	99,582,705 <i>(Note 2)</i>	Beneficial owner	11.30%
Name of Other Shareholder	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Nippomo Limited	49,266,230 <i>(Note 2)</i>	Beneficial owner	5.59%

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

DIRECTORS' REPORT *(Continued)*

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

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

Notes:

1. *As regards 379,028,554 shares held by controlled corporations:*
 - (a) *377,333,528 shares were held through companies which were 100% controlled by Mr. Ng Teng Fong – 36,599,509 shares by Fanlight Investment Limited, 52,049 shares by Garford Nominees Limited, 15,657,899 shares by Karaganda Investments Inc., 49,266,230 shares by Nippomo Limited, 1,411,682 shares by Orient Creation Limited, 99,582,705 shares by Strathallan Investment Limited, 4,282,544 shares by Strong Investments Limited, 147,877,747 shares by Tamworth Investment Limited and 22,603,163 shares by Transpire Investment Limited; and*
 - (b) *1,695,026 shares were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which Mr. Ng Teng Fong had a 71.95% control.*
2. *The interests of Tamworth Investment Limited, Strathallan Investment Limited and Nippomo Limited were duplicated in the interests of Mr. Ng Teng Fong.*

Save as disclosed above and so far as the Directors of the Company are aware, as at 30th June, 2010, no other person had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder of the Company.

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 ("MPF Scheme") for all qualifying employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates 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.

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 24.

DIRECTORS' REPORT *(Continued)*

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
Robert NG Chee Siong
Chairman

Hong Kong, 2nd September, 2010

CONRAD

HONG KONG

Sino Hotels (Holdings) Limited
Annual Report 2010





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

Towering from 40th to 61st floor, Conrad Hong Kong features 513 rooms which include 46 suites and 5 dedicated executive floors complete with an exclusive lounge. All rooms offer unparalleled views of Hong Kong harbour and picturesque Victoria Peak. The hotel has an extensive range of function rooms including one of the city's largest column-free ballrooms.



THE ROYAL PACIFIC HOTEL & TOWERS

Sino Hotels (Holdings) Limited
Annual Report 2010





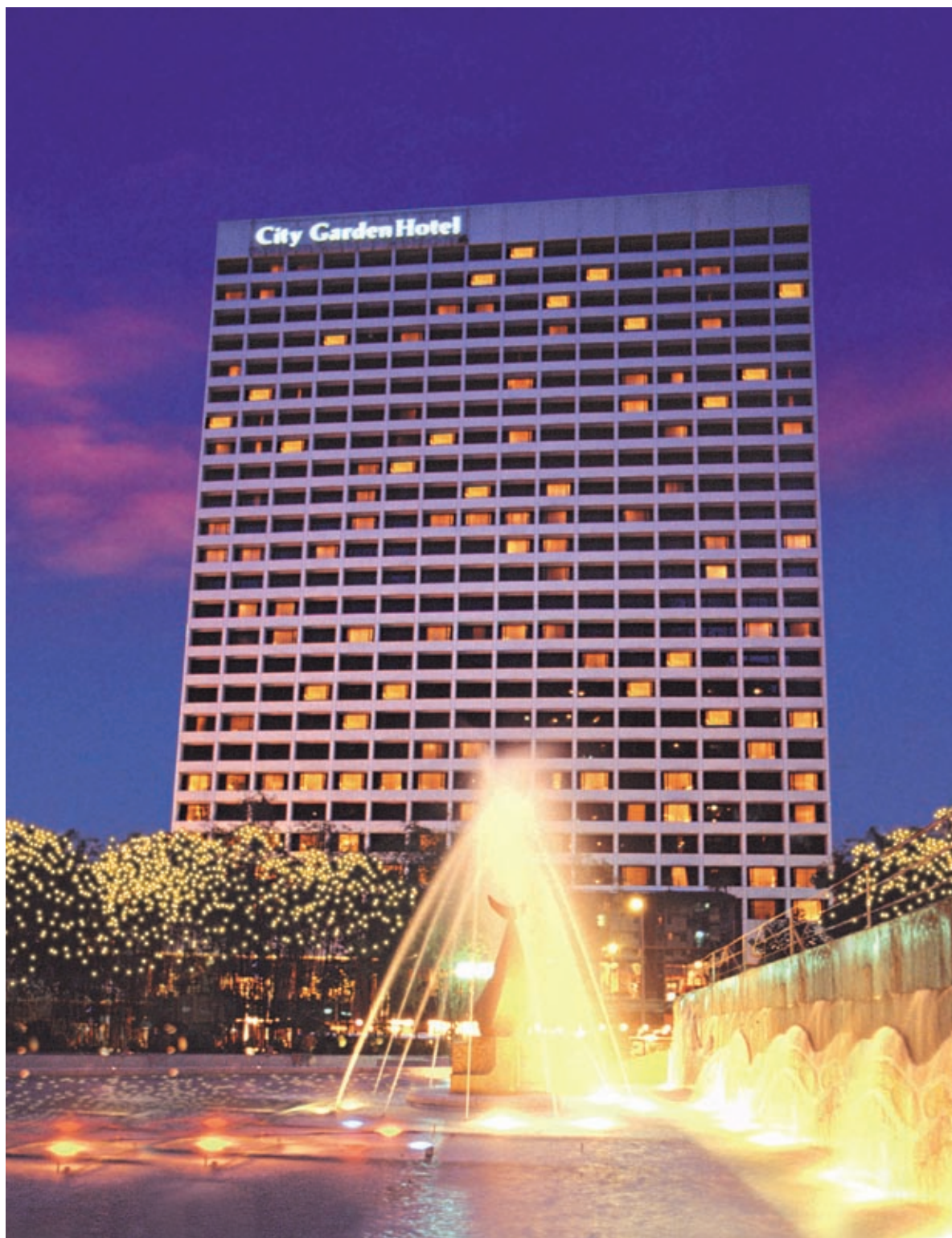
At the centre of the commercial, entertainment and shopping district on Canton Road, Tsim Sha Tsui offers 673 exquisite rooms at The Royal Pacific Hotel & Towers.

Known for its postcard harbour and park views, The Royal Pacific Hotel & Towers' stylish, contemporary guestrooms and Executive Club Lounge offer personal and attentive services to discerning business and leisure travellers. The hotel has over the years gained a reputation as a favourite venue for business and private events. The Imperial and Pacific Rooms can accommodate up to 420 guests for lavish meetings and functions, and provide state-of-the-art meeting facilities, including access to internet, video conferencing and advanced audio-visual equipment. Dining options at the hotel include Café on the Park for all day dining, Pierside with international cuisines and Satay Inn for authentic Singaporean and Malaysian delicacies in a relaxing alfresco setting.



CITY GARDEN HOTEL

Sino Hotels (Holdings) Limited
Annual Report 2010





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

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



INDEPENDENT AUDITOR'S REPORT



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

We have audited the consolidated financial statements of Sino Hotels (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 85, which comprise the consolidated statement of financial position as at 30th June, 2010, 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 notes.

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

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**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 as to 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 and true and fair presentation of the consolidated financial statements 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 of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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, 2010 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
2nd September, 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2010

	NOTES	2010 HK\$	2009 HK\$
Revenue	4	214,289,735	217,833,350
Cost of sales		<u>(72,434,063)</u>	<u>(61,651,380)</u>
Gross profit		141,855,672	156,181,970
Marketing costs		(9,199,678)	(6,652,267)
Administrative expenses		(20,229,878)	(17,967,789)
Impairment loss on available-for-sale financial assets		–	(41,100,000)
Other expenses		(70,373,329)	(79,915,190)
Finance income	6	2,200,581	3,868,653
Finance costs	7	<u>(6,547,293)</u>	<u>(17,174,245)</u>
Finance costs net of finance income		(4,346,712)	(13,305,592)
Share of results of associates		<u>103,755,411</u>	<u>89,589,260</u>
Profit before taxation	8	141,461,486	86,830,392
Income tax expense	9	<u>(10,191,637)</u>	<u>(9,401,762)</u>
Profit for the year attributable to owners of the Company		<u>131,269,849</u>	<u>77,428,630</u>
Earnings per share – basic	13	<u>15.08 cents</u>	<u>8.98 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th June, 2010

	2010 HK\$	2009 HK\$
Profit for the year	<u>131,269,849</u>	<u>77,428,630</u>
Other comprehensive income (expense)		
Gain (loss) on fair value changes on available-for-sale financial assets	278,071,913	(212,155,072)
Reclassification adjustment for investment revaluation reserve upon impairment on available-for-sale financial assets	<u>–</u>	<u>41,100,000</u>
Other comprehensive income (expense) for the year	<u>278,071,913</u>	<u>(171,055,072)</u>
Total comprehensive income (expense) for the year attributable to owners of the Company	<u>409,341,762</u>	<u>(93,626,442)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2010

	NOTES	2010 HK\$	2009 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	14	335,134,624	344,972,626
Prepaid lease payments – non-current	15	1,179,403,593	1,201,621,557
Interests in associates	16	1,359,012,059	1,255,256,648
Available-for-sale financial assets	17	701,182,148	418,262,369
Pledged fixed deposit	18	1,557,934	1,557,504
		3,576,290,358	3,221,670,704
CURRENT ASSETS			
Hotel inventories		666,443	598,955
Trade and other receivables	19	9,000,492	5,865,692
Prepaid lease payments – current	15	22,217,964	22,217,964
Amounts due from associates	20	239,325,277	233,441,953
Bank balances and cash	18	36,653,452	31,042,249
		307,863,628	293,166,813
CURRENT LIABILITIES			
Trade and other payables	21	11,535,485	9,748,170
Amount due to an associate	20	–	64,359
Tax payable		10,363,916	8,863,807
Bank loans and other borrowings	22	56,713,221	96,968,204
		78,612,622	115,644,540
NET CURRENT ASSETS		229,251,006	177,522,273
TOTAL ASSETS LESS CURRENT LIABILITIES		3,805,541,364	3,399,192,977
CAPITAL AND RESERVES			
Share capital	23	880,506,492	865,288,863
Reserves		2,235,615,167	1,849,699,717
Equity attributable to owners of the Company		3,116,121,659	2,714,988,580
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	22	247,724,227	244,743,463
Amount due to an associate	24	435,526,705	434,062,067
Deferred taxation	25	6,168,773	5,398,867
		689,419,705	684,204,397
		3,805,541,364	3,399,192,977

The consolidated financial statements on pages 44 to 85 were approved and authorised for issue by the Board of Directors on 2nd September, 2010 and are signed on its behalf by:

Robert NG Chee Siong
Chairman

Thomas TANG Wing Yung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June, 2010

	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, 2008	859,795,843	203,145,386	215,978,981	1,426,142,678	128,725,712	2,833,788,600
Profit for the year	-	-	-	-	77,428,630	77,428,630
Loss on fair value changes on available-for-sale financial assets	-	-	(212,155,072)	-	-	(212,155,072)
Reclassification adjustment for investment revaluation reserve upon impairment on available-for-sale financial assets	-	-	41,100,000	-	-	41,100,000
Other comprehensive expense for the year	-	-	(171,055,072)	-	-	(171,055,072)
Total comprehensive (expense) income for the year	-	-	(171,055,072)	-	77,428,630	(93,626,442)
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2008	5,102,856	10,348,593	-	-	-	15,451,449
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2009	390,164	567,610	-	-	-	957,774
Share issue expenses	-	(220,749)	-	-	-	(220,749)
Dividends	-	-	-	(41,362,052)	-	(41,362,052)
At 30th June, 2009	865,288,863	213,840,840	44,923,909	1,384,780,626	206,154,342	2,714,988,580
Profit for the year	-	-	-	-	131,269,849	131,269,849
Gain on fair value changes on available-for-sale financial assets	-	-	278,071,913	-	-	278,071,913
Other comprehensive income for the year	-	-	278,071,913	-	-	278,071,913
Total comprehensive income for the year	-	-	278,071,913	-	131,269,849	409,341,762
Shares issued pursuant to scrip dividend scheme for final dividend in respect of the year ended 30th June, 2009	6,024,200	8,308,578	-	-	-	14,332,778
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2010	9,193,429	11,929,394	-	-	-	21,122,823
Share issue expenses	-	(243,212)	-	-	-	(243,212)
Dividends	-	-	-	(43,421,072)	-	(43,421,072)
At 30th June, 2010	880,506,492	233,835,600	322,995,822	1,341,359,554	337,424,191	3,116,121,659

Notes:

- (a) The investment revaluation reserve movement results from changes in fair values of available-for-sale financial assets.
- (b) Under the Companies Law (2007 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 pursuant to a group reorganisation in 1995. Under the Companies Law (2007 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, 2010

	2010 HK\$	2009 HK\$
OPERATING ACTIVITIES		
Profit before taxation	141,461,486	86,830,392
Adjustments for:		
Share of results of associates	(103,755,411)	(89,589,260)
Dividend income	(4,847,866)	(9,002,181)
Depreciation of property, plant and equipment	17,402,745	15,671,254
Release of prepaid lease payments	22,217,964	22,217,964
Impairment loss on available-for-sale financial assets	–	41,100,000
Finance income	(2,200,581)	(3,868,653)
Finance costs	6,547,293	17,174,245
Loss on write-off of property, plant and equipment	–	14,087,970
	<hr/>	<hr/>
Operating cash flows before movements in working capital	76,825,630	94,621,731
Increase in hotel inventories	(67,488)	(94,823)
(Increase) decrease in trade and other receivables	(3,134,800)	3,610,341
Increase (decrease) in trade and other payables	1,835,068	(18,635,742)
Decrease in amount due to an associate	(64,359)	(5,820)
	<hr/>	<hr/>
Cash generated from operations	75,394,051	79,495,687
Hong Kong Profits Tax paid	(7,921,622)	(13,411,440)
Hong Kong Profits Tax refunded	–	38,659
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	67,472,429	66,122,906
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,564,743)	(23,017,956)
Advances to associates	(342,625,363)	(8,268,163)
Increase in pledged fixed deposit	(430)	(15,860)
Interest received	2,200,581	3,868,653
Dividends received from available-for-sale financial assets	–	3,442,011
Repayment from an associate	336,742,039	–
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(11,247,916)	(23,991,315)
	<hr/>	<hr/>
FINANCING ACTIVITIES		
Repayment of bank loans and other borrowings	(335,000,529)	(52,373,397)
Dividends paid	(7,965,472)	(24,952,829)
Interest and other finance costs paid	(4,968,735)	(18,268,491)
Loan arrangement fee paid	(900,000)	(1,662,000)
Share issue expenses paid	(243,212)	(220,749)
Advance from an associate	1,464,638	7,651,183
New bank loan raised	297,000,000	41,000,000
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(50,613,310)	(48,826,283)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,611,203	(6,694,692)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	31,042,249	37,736,941
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	36,653,452	31,042,249
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June, 2010

1. GENERAL

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2010

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

The Group applies HKFRS 3 (Revised 2008) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1st July, 2009. The requirements in HKAS 27 (Revised 2008) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st July, 2009.

As there was no transaction during the current year in which HKFRS 3 (Revised 2008) and HKAS 27 (Revised 2008) are applicable, the application of HKFRS 3 (Revised 2008), HKAS 27 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008), HKAS 27 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

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

New and revised HKFRSs affecting presentation and disclosure only

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

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 *Operating Segments*

HKFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group’s reportable segments (see note 5) and changes in the basis of measurement of segment profit or loss and segment assets.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 *Financial Instruments: Disclosures*)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. Comparative information for the expanded disclosures has not been provided by the Group in accordance with the transitional provision set out in the amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2009 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁵
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁷
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
HKFRS 9	Financial Instruments ⁶
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁷

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

² Effective for annual periods beginning on or after 1st July, 2010 and 1st January 2011, as appropriate

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

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

⁵ Effective for annual periods beginning on or after 1st January, 2010

⁶ Effective for annual periods beginning on or after 1st January, 2013

⁷ Effective for annual periods beginning on or after 1st July, 2010

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

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

The Directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations 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, 2010

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

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

Goodwill

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates *(Continued)*

Goodwill *(Continued)*

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

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

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

Revenue recognition

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

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

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

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

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

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

Property, plant and equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets

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

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

Hotel inventories

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

Borrowing costs

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 in profit or loss in the period in which they are incurred.

Leasing

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

The Group as lessor

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

Prepaid lease payments

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and amortised over the lease term on a straight-line basis.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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.

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2010

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 one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Loans and receivables

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

Available-for-sale financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

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

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

Financial liabilities and equity

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

4. REVENUE

	2010 HK\$	2009 HK\$
Hotel operation	192,313,679	198,659,445
Club operation and hotel management	17,128,190	10,171,724
Dividend income from available-for-sale financial assets	4,847,866	9,002,181
	214,289,735	217,833,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

5. SEGMENT INFORMATION

The Group had adopted HKFRS 8 *Operating Segments* with effect from 1st July, 2009. HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was by business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The adoption of HKFRS 8 has changed the basis of measurement of segment profit (loss) and segment assets. For segment profit (loss), the basis of measurement has been changed by including share of results of associates – hotel operation and certain expenses. In addition, the basis of measurement of segment assets has been changed by including interest in associates – hotel operation.

In prior years, segment information reported externally was analysed on the basis of the operation of the Group's businesses, including hotel operation and management, club operation and investment holding provided by the Group's operating divisions. However, information reported to the chief operating decision makers, for the purposes of resources allocation and performance assessment specifically focuses on four main segments including hotel operation – City Garden Hotel, investment holding – holding strategic available-for-sale investments, hotel operation – operated through investments in associates of the Group, including Conrad Hong Kong and Royal Pacific Hotel and others – club operation and hotel management. The identification of the Group's reportable segments under HKFRS 8 is consistent with the prior year's presentation of business segments under HKAS 14 except that the club operation and hotel management are considered as a single operating segment and hotel operation – operated through investments in associates of the Group, including Conrad Hong Kong and Royal Pacific Hotel is being identified as an operating segment in the current year. In the prior year's presentation of business segments under HKAS 14, hotel operation and management were considered as a single reportable business segment and hotel operation (including Conrad Hong Kong and Royal Pacific Hotel), operated by associates of the Group, was not considered as a reportable business segment of the Group. The segment financial information for the year ended 30th June, 2009 has been restated to conform to the requirements of HKFRS 8. The Group's operating and reportable segments under HKFRS 8 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

5. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

	Segment revenue		Segment profit (loss)	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Hotel operation				
– City Garden Hotel	192,313,679	198,659,445	40,724,153	42,123,963
Investment holding	4,847,866	9,002,181	4,844,081	(32,103,530)
Hotel operation				
– share of results of associates	–	–	126,317,271	107,608,455
Others – club operation and hotel management	17,128,190	10,171,724	1,904,625	3,658,076
	214,289,735	217,833,350	173,790,130	121,286,964
Share of results of associates – others			(36,728)	(132,434)
Share of income tax expenses of associates			(22,525,132)	(17,886,761)
Corporate expenses			(5,420,072)	(3,131,785)
Finance income			2,200,581	3,868,653
Finance costs			(6,547,293)	(17,174,245)
Profit before taxation			141,461,486	86,830,392

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

All of the segment revenue reported above are from external customers. There was no inter-segment revenue for the year (2009: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2010 HK\$	2009 HK\$
Segment assets		
Hotel operation – City Garden Hotel	1,543,440,783	1,575,840,658
Investment holding	701,182,148	418,262,369
Hotel operation – interests in associates	1,359,012,059	1,255,256,648
Others – club operation and hotel management	4,536,144	988,953
	<hr/>	<hr/>
Total segment assets	3,608,171,134	3,250,348,628
Amounts due from associates	239,325,277	233,441,953
Unallocated assets	36,657,575	31,046,936
	<hr/>	<hr/>
Consolidated assets	3,884,153,986	3,514,837,517
	<hr/>	<hr/>
Segment liabilities		
Hotel operation – City Garden Hotel	8,624,494	7,154,632
Investment holding	6,000	6,000
Others – club operation and hotel management	1,033,008	911,160
	<hr/>	<hr/>
Total segment liabilities	9,663,502	8,071,792
Amount due to an associate	435,526,705	434,062,067
Unallocated liabilities	322,842,120	357,715,078
	<hr/>	<hr/>
Consolidated liabilities	768,032,327	799,848,937
	<hr/>	<hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

5. SEGMENT INFORMATION (Continued)

Other segment information

	Depreciation of property, plant and equipment and release of prepaid lease payments for land		Addition to non-current assets (Note)		Loss on write-off of property, plant and equipment		Impairment loss on available-for-sale financial assets recognised in profit or loss	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Amounts included in the measure of segment profit or loss or segment assets:								
Hotel operation								
– City Garden Hotel	38,942,257	37,863,248	3,724,673	23,009,676	–	14,087,970	–	–
Investment holding	–	–	–	–	–	–	–	41,100,000
Others – club operation and hotel management	678,452	25,970	3,840,070	8,280	–	–	–	–
	39,620,709	37,889,218	7,564,743	23,017,956	–	14,087,970	–	41,100,000

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

Geographical information

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

6. FINANCE INCOME

	2010 HK\$	2009 HK\$
Interest income on:		
Advance to an associate	2,196,838	3,746,714
Bank deposits	3,743	121,939
	2,200,581	3,868,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

7. FINANCE COSTS

	2010 HK\$	2009 HK\$
Interest and other finance costs on:		
Bank loans wholly repayable within five years	5,069,746	9,430,544
Advance from an associate	1,464,638	7,651,183
Other unsecured loans	12,909	92,518
	<u>6,547,293</u>	<u>17,174,245</u>

8. PROFIT BEFORE TAXATION

	2010 HK\$	2009 HK\$
Profit before taxation has been arrived at after charging:		
Directors' emoluments (note 10)	2,971,342	2,685,759
Other staff costs	61,907,233	50,456,506
Contributions to retirement benefit scheme (other than directors)	<u>2,556,315</u>	<u>2,410,858</u>
Total staff costs	<u>67,434,890</u>	<u>55,553,123</u>
Auditor's remuneration		
Audit services		
Current year	675,900	626,900
Under(over)provision in prior years	<u>21,350</u>	<u>(39,600)</u>
Non-audit services	<u>697,250</u>	<u>587,300</u>
	<u>373,880</u>	<u>338,370</u>
	<u>1,071,130</u>	<u>925,670</u>
Cost of hotel inventories consumed	18,307,798	17,254,338
Depreciation of property, plant and equipment	17,402,745	15,671,254
Loss on write-off of property, plant and equipment	–	14,087,970
Repairs and maintenance in respect of hotel properties	2,255,776	2,232,297
Release of prepaid lease payments	22,217,964	22,217,964
Share of income tax expenses of associates (included in share of results of associates)	22,525,132	17,886,761
Minimum lease payments under operating leases	319,898	–
and after crediting:		
Rental income in respect of premises, net of negligible outgoings	<u>677,500</u>	<u>681,717</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

9. INCOME TAX EXPENSE

	2010 HK\$	2009 HK\$
Income tax expense comprises:		
Hong Kong Profits Tax calculated at 16.5% (2009: 16.5%) on estimated assessable profit		
Current year	9,421,731	8,458,296
Overprovision in prior years	–	(276)
	<u>9,421,731</u>	<u>8,458,020</u>
Deferred tax (note 25)		
Current year	769,906	943,742
	<u>10,191,637</u>	<u>9,401,762</u>

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

	2010 HK\$	2009 HK\$
Profit before taxation	<u>141,461,486</u>	<u>86,830,392</u>
Tax at Hong Kong Profits Tax rate of 16.5% (2009: 16.5%)	23,341,145	14,327,015
Tax effect of results attributable to associates	(17,119,643)	(14,782,228)
Tax effect of expenses not deductible for tax purpose	4,577,869	11,636,976
Tax effect of income not taxable for tax purpose	(804,362)	(1,489,725)
Tax effect of utilisation of deductible temporary differences previously not recognised	(144,320)	–
Utilisation of tax losses previously not recognised	–	(289,919)
Tax effect of tax losses not recognised	335,972	–
Tax effect of deductible temporary differences not recognised	4,976	–
Others	–	(81)
Overprovision in prior years	–	(276)
Income tax expense for the year	<u>10,191,637</u>	<u>9,401,762</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

10. DIRECTORS' EMOLUMENTS

	2010					2009				
	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	28,000	-	-	-	28,000	28,000	-	-	-	28,000
Mr. Thomas Tang Wing Yung	28,000	-	-	-	28,000	28,000	-	-	-	28,000
Mr. Daryl Ng Win Kong	36,000	-	-	-	36,000	36,000	-	-	-	36,000
Mr. Nicholas Yim Kwok Ming	18,000	1,936,342	18,000	375,000	2,347,342	18,000	1,800,759	18,000	225,000	2,061,759
	<u>110,000</u>	<u>1,936,342</u>	<u>18,000</u>	<u>375,000</u>	<u>2,439,342</u>	<u>110,000</u>	<u>1,800,759</u>	<u>18,000</u>	<u>225,000</u>	<u>2,153,759</u>
Non-executive Directors:										
Mr. Gilbert Lui Wing Kwong	120,000	-	-	-	120,000	120,000	-	-	-	120,000
The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP (Note ii)	36,000	-	-	-	36,000	36,000	-	-	-	36,000
	<u>156,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,000</u>	<u>156,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,000</u>
Independent Non-executive Directors:										
Mr. Peter Wong Man Kong, BBS, JP	128,000	-	-	-	128,000	128,000	-	-	-	128,000
Mr. Adrian David Li Man-kiu, JP	128,000	-	-	-	128,000	128,000	-	-	-	128,000
Mr. Steven Ong Kay Eng	120,000	-	-	-	120,000	120,000	-	-	-	120,000
	<u>376,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,000</u>	<u>376,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,000</u>
	<u>642,000</u>	<u>1,936,342</u>	<u>18,000</u>	<u>375,000</u>	<u>2,971,342</u>	<u>642,000</u>	<u>1,800,759</u>	<u>18,000</u>	<u>225,000</u>	<u>2,685,759</u>

No Directors waived any emoluments for the year ended 30th June, 2010 (2009: 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 (2009: HK\$416,666) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP is the sole proprietor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

11. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals of the Group, one (2009: one) is the Director of the Company whose emolument is disclosed in note 10 above. The emoluments of the remaining four (2009: four) individuals are employees of the Group, details of whose remuneration are as follows:

	2010 HK\$	2009 <i>HK\$</i>
Salaries and other emoluments	2,729,408	2,778,258
Contributions to retirement benefit scheme	54,500	60,500
Discretionary bonus (Note)	223,600	129,151
	3,007,508	2,967,909

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

The emoluments were within the following bands:

	Number of individuals	
	2010	2009
Less than HK\$1,000,000	3	2
HK\$1,000,001 – HK\$1,500,000	1	2

None of the four (2009: four) highest paid individuals waived any emoluments in both years.

During the year, no emoluments were paid by the Group to the four (2009: 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, 2010

12. DIVIDENDS

	2010 HK\$	2009 HK\$
Final dividend for the year ended 30th June, 2009 HK2.4 cents (2009: final dividend for 2008 of HK3.0 cents) per share	20,766,933	25,793,875
Interim dividend for the year ended 30th June, 2010 HK2.6 cents (2009: interim dividend for 2009 of HK1.8 cents) per share	22,654,139	15,568,177
	43,421,072	41,362,052

A final dividend of HK3.4 cents for the year ended 30th June, 2010 (2009: a final dividend of HK2.4 cents for the year ended 30th June, 2009) per share amounting to 29,937,221 in total has been proposed by the Directors and is subject to approval by the shareholders in 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:

	2010 HK\$	2009 HK\$
Final dividend for the year ended 30th June, 2009/2008		
– Cash	6,434,155	10,342,426
– Scrip	14,332,778	15,451,449
	20,766,933	25,793,875
Interim dividend for the year ended 30th June, 2010/2009		
– Cash	1,531,317	14,610,403
– Scrip	21,122,822	957,774
	22,654,139	15,568,177
	43,421,072	41,362,052

13. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit for the year of HK\$131,269,849 (2009: HK\$77,428,630) and on the weighted average number of 870,375,522 (2009: 862,628,188) shares in issue during the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties in Hong Kong held under long lease <i>HK\$</i>	Furniture, fixtures and hotel operating equipment <i>HK\$</i>	Total <i>HK\$</i>
COST			
At 1st July, 2008	375,762,202	79,068,639	454,830,841
Additions	–	23,017,956	23,017,956
Write-off	(17,601,179)	–	(17,601,179)
	<u>358,161,023</u>	<u>102,086,595</u>	<u>460,247,618</u>
At 30th June, 2009	358,161,023	102,086,595	460,247,618
Additions	–	7,564,743	7,564,743
	<u>358,161,023</u>	<u>109,651,338</u>	<u>467,812,361</u>
DEPRECIATION			
At 1st July, 2008	72,899,507	30,217,440	103,116,947
Provided for the year	5,245,645	10,425,609	15,671,254
Eliminated on write-off	(3,513,209)	–	(3,513,209)
	<u>74,631,943</u>	<u>40,643,049</u>	<u>115,274,992</u>
At 30th June, 2009	74,631,943	40,643,049	115,274,992
Provided for the year	5,567,874	11,834,871	17,402,745
	<u>80,199,817</u>	<u>52,477,920</u>	<u>132,677,737</u>
CARRYING AMOUNTS			
At 30th June, 2010	<u>277,961,206</u>	<u>57,173,418</u>	<u>335,134,624</u>
At 30th June, 2009	<u>283,529,080</u>	<u>61,443,546</u>	<u>344,972,626</u>

The above items of property, plant and equipment are depreciated on a straight-line method at the following rates per annum:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

15. PREPAID LEASE PAYMENTS

	2010 HK\$	2009 HK\$
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under long lease	<u>1,201,621,557</u>	<u>1,223,839,521</u>
Analysed for reporting purposes as:		
Current assets	22,217,964	22,217,964
Non-current assets	<u>1,179,403,593</u>	<u>1,201,621,557</u>
	<u>1,201,621,557</u>	<u>1,223,839,521</u>

16. INTERESTS IN ASSOCIATES

	2010 HK\$	2009 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	<u>295,447,125</u>	<u>191,691,714</u>
	<u>1,359,012,059</u>	<u>1,255,256,648</u>

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 associate. The financial guarantee contract expired during the year ended 30th June, 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

16. INTERESTS IN ASSOCIATES (Continued)

Details of the associates at 30th June, 2010 and 30th June, 2009 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
FHR International Limited (note (c))	Incorporated	Hong Kong	Ordinary	–	33.33%	Inactive
Greenroll Limited	Incorporated	Hong Kong	Ordinary	–	50%	Hotel owner and operation
Regent Step Investment Limited	Incorporated	Hong Kong	Ordinary	25%	–	Provision of financial services

Notes:

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

Included in the cost of investment in associates is goodwill of HK\$186,513,404 (2009: 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, 2010

16. INTERESTS IN ASSOCIATES (Continued)

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

	2010 HK\$	2009 HK\$
Total assets	6,189,683,278	5,760,324,271
Total liabilities	(3,854,823,961)	(3,671,034,114)
Net assets	2,334,859,317	2,089,290,157
The Group's share of net assets of associates	1,172,498,655	1,068,743,244
Revenue	942,714,514	906,842,291
Profit for the year	245,569,160	217,999,776
The Group's share of results of associates for the year	103,755,411	89,589,260

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 HK\$	2009 HK\$
Equity securities listed in Hong Kong, at fair value	701,182,148	418,262,369
Market value of listed securities	701,182,148	418,262,369
Analysed for reporting purposes as:		
Non-current assets	701,182,148	418,262,369

The Group's available-for-sale financial assets represents investment in 3.67% (2009: 3.66%) 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\$4,847,866 (2009: HK\$5,560,170) 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, 2010

18. PLEDGED FIXED DEPOSIT/BANK BALANCES

Pledged fixed deposit of HK\$1,557,934 (2009: HK\$1,557,504) represents deposit pledged to a bank to secure a letter of guarantee issuance facility granted to the Group which will expire in July 2011 and is therefore classified as a non-current asset.

The pledged fixed deposit carries fixed interest rate of 0.35% (2009: 0.06%) per annum.

Bank balances mainly comprises short-term bank deposits with original maturity of three months or less and carry interest rate at market rates with average interest rate of 0.08% (2009: 1.35%) per annum.

19. TRADE AND OTHER RECEIVABLES

At 30th June, 2010, included in trade and other receivables of the Group are trade receivables of HK\$6,678,059 (2009: HK\$4,321,303). 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:

	2010 HK\$	2009 HK\$
Trade receivables		
0-30 days	5,109,160	2,872,896
31-60 days	1,448,359	733,235
61-90 days	120,540	682,095
>90 days	–	33,077
	<hr/>	<hr/>
	6,678,059	4,321,303
Other receivables	2,322,433	1,544,389
	<hr/>	<hr/>
	9,000,492	5,865,692

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributable to customers are reviewed periodically. 98.7% (2009: 94.4%) of the trade receivables that are neither past due nor impaired have good settlement repayment history. The Group has assessed the creditworthiness and historical default rates of these customers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

19. TRADE AND OTHER RECEIVABLES (Continued)

Included in the Group's trade debtors are debtors with a carrying amount of HK\$85,310 at 30th June, 2010 (2009: HK\$240,690) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2010 HK\$	2009 <i>HK\$</i>
Overdue within 30 days	85,310	238,650
Overdue 31 – 60 days	–	2,040
	85,310	240,690

20. CURRENT BALANCES WITH ASSOCIATES

The amounts are unsecured and repayable on demand.

At 30th June, 2010, the amounts due from associates include an amount of HK\$139,143,780 (2009: HK\$232,988,996) which is interest-bearing at nominal rate and the remaining balances are interest-free. The amount due to an associate is interest-free.

21. 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:

	2010 HK\$	2009 <i>HK\$</i>
Trade payables		
0-30 days	5,688,155	3,962,919
31-60 days	84,545	192,641
	5,772,700	4,155,560
Renovation cost payable	212,677	2,148,365
Other payables	5,550,108	3,444,245
	11,535,485	9,748,170

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

22. BANK LOANS AND OTHER BORROWINGS

	2010 HK\$	2009 HK\$
Bank loans, secured	304,164,130	341,447,488
Other interest-bearing unsecured loans	273,318	264,179
	304,437,448	341,711,667
	2010 HK\$	2009 HK\$
The repayment schedule of carrying amount is analysed as follows:		
Within one year	56,713,221	96,968,204
More than one year, but not exceeding two years	31,986,741	244,743,463
More than two years, but not exceeding three years	215,737,486	–
	304,437,448	341,711,667
Less: Amount due within one year shown under current liabilities	(56,713,221)	(96,968,204)
Amount due after one year	247,724,227	244,743,463
The exposure of the Group's fixed-rate borrowing and the contractual maturing dates are as follows:		
	2010 HK\$	2009 HK\$
Fixed-rate borrowing:		
More than one year, but not exceeding two years	273,318	264,179
Bank loans, which are denominated in Hong Kong dollar, carry effective interest rates (which are also the contracted interest rates) at Hong Kong Interbank Offer Rate ("HIBOR") plus a margin.		
Other interest-bearing unsecured loans, which are denominated in Hong Kong dollar, carry fixed interest rates at 0.9% (2009: 3.13%) per annum.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

23. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each		Nominal value	
	2010	2009	2010 HK\$	2009 HK\$
Authorised:				
At the beginning and the end of the year	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Issued and fully paid:				
At the beginning of the year	865,288,863	859,795,843	865,288,863	859,795,843
Shares issued pursuant to scrip dividend schemes for final dividend in respect of the year ended 30th June, 2009/2008	6,024,200	5,102,856	6,024,200	5,102,856
Shares issued pursuant to scrip dividend schemes for interim dividend in respect of the year ended 30th June, 2010/2009	9,193,429	390,164	9,193,429	390,164
At the end of the year	880,506,492	865,288,863	880,506,492	865,288,863

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

On 12th December, 2008 and 15th May, 2009, pursuant to scrip dividend schemes, the Company issued and allotted 5,102,856 shares and 390,164 shares of HK\$1.00 each at an issue price of HK\$3.028 and HK\$2.4548 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2008 final and 2009 interim dividends in respect of each of year ended 30th June, 2008 and 2009, respectively. These shares rank pari passu in all respects with the then existing shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

24. AMOUNT DUE TO AN ASSOCIATE – NON-CURRENT

The amount due to an associate is unsecured, compound interest-bearing at HIBOR plus a margin (2009: HIBOR plus a margin) per annum and is not repayable within the next twelve months from the end of the reporting period and accordingly, the amount is classified as non-current.

25. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$
At 1st July, 2008	4,455,125
Charged to profit or loss during the year	<u>943,742</u>
At 30th June, 2009	5,398,867
Charged to profit or loss during the year	<u>769,906</u>
At 30th June, 2010	<u>6,168,773</u>

At 30th June, 2010, the Group had unused tax losses of approximately HK\$3,582,000 (2009: HK\$1,546,000) 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 the end of the reporting period, the Group has deductible temporary differences of HK\$844,000 (2009: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

26. PLEDGE OF ASSETS

- (a) The Group has pledged its hotel properties and prepaid lease payments having carrying amounts of HK\$277,961,206 (2009: HK\$283,529,080) and HK\$1,201,621,557 (2009: HK\$1,223,839,521), and available-for-sale financial assets at fair value of HK\$102,687,906 (2009: HK\$299,841,052) and pledged by way of floating charges over other assets, including bank balances of HK\$18,378,588 (2009: HK\$23,785,584), hotel inventories of HK\$600,820 (2009: HK\$565,874), furniture, fixtures and hotel operating equipment of HK\$53,961,456 (2009: HK\$61,393,202) and trade and other receivables of HK\$7,737,810 (2009: HK\$4,955,477) to banks to secure long-term loan facilities granted to the Group;
- (b) The Group has pledged its time deposit of HK\$1,557,934 (2009: HK\$1,557,504) to secure a letter of guarantee issuance facility; and
- (c) The investments in certain subsidiaries of the Company have been pledged to banks or financial institutions to secure the loan facilities granted to the Group.

27. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Rental income earned during the year was HK\$677,500 (2009: HK\$681,717).

The Group as lessee

Minimum lease payments paid under operating leases during the year was HK\$319,898 (2009: Nil).

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:

	2010 HK\$	2009 HK\$
Within one year	397,320	–
In second to fifth years inclusive	1,546,237	–
	<u>1,943,557</u>	<u>–</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

28. RELATED PARTY DISCLOSURES

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

	<i>NOTES</i>	2010 <i>HK\$</i>	2009 <i>HK\$</i>
Clubhouse management service income from a related company, being the building manager and agent for the unincorporated body of owners of Pacific Palisades	<i>(i) & (ii)</i>	2,734,200	3,105,700
Interest expenses charged by an associate		1,464,638	7,651,183
Hotel management fee income from an associate		980,000	980,000
Hotel management fee income from a related company	<i>(iii)</i>	950,000	950,000
Interest income from an associate		2,196,838	3,746,714
Security guard services fee charged by a related company	<i>(i)</i>	1,411,813	1,423,676

Notes:

- (i) The related companies are wholly-owned subsidiaries of Sino Land Company Limited, of which the controlling shareholder of the Company has beneficial interests.
 - (ii) The controlling shareholder of the Company is interested in approximately 60% of the undivided shares of Pacific Palisades.
 - (iii) Mr. Robert Ng Chee Siong was interested in this transaction as he has beneficial interests in the related company.
- (b) At the end of the reporting period, the Group had the outstanding balances with related parties. Details of the amounts due from (to) associates are set out in notes 20 and 24.
- (c) The remuneration of Directors and other members of key management during the year was as follows:

	2010 <i>HK\$</i>	2009 <i>HK\$</i>
Short-term benefits	2,953,342	2,667,759
Retirement benefit scheme contributions	18,000	18,000
	2,971,342	2,685,759

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, 2010

28. RELATED PARTY DISCLOSURES (Continued)

- (d) During the year, a consultancy fee of HK\$416,666 (2009: HK\$416,666) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP is the sole proprietor.

Certain of the above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed on pages 29 to 32 of the Directors' Report.

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company at 30th June, 2010 and 30th June, 2009 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
Direct subsidiary				
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, 2010

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

30. CAPITAL RISK MANAGEMENT

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

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

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

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

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2010 HK\$	2009 HK\$
<i>Financial assets</i>		
Available-for-sale financial assets	701,182,148	418,262,369
Loans and receivables (including cash and cash equivalents)	284,811,703	271,514,579
<i>Financial liabilities</i>		
Amortised cost	747,838,977	782,461,410

Financial risk management objectives and policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2010

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

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

Currency risk

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

Interest rate risk

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

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

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\$3,091,000 (2009: HK\$3,244,000).

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, 2010

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 arise.

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.

	2010 HK\$	2009 HK\$
Available-for-sale financial assets		
Increase (decrease) in other component of equity		
– as a result of increase in equity price	35,059,107	20,913,118
– as a result of decrease in equity price	(35,059,107)	(20,913,118)

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 84% (2009: 86%) of the Group's receivables are receivables from a number of associates with good credit quality. In order to minimise the credit risk and the concentration of credit risk, the Group reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

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

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

Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2010

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\$
2009						
Trade and other payables	N/A	5,573,996	1,049,321	–	6,623,317	6,623,317
Amount due to an associate						
– current	N/A	64,359	–	–	64,359	64,359
Amount due to an associate						
– non-current	0.34	371,275	1,113,825	435,918,442	437,403,542	434,062,067
Bank loans and other borrowings						
– fixed rate	3.13	–	–	272,435	272,435	264,179
– variable rate	0.68	8,573,454	91,514,118	245,579,227	345,666,799	341,447,488
		<u>14,583,084</u>	<u>93,677,264</u>	<u>681,770,104</u>	<u>790,030,452</u>	<u>782,461,410</u>

Fair value of financial instruments

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

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

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their corresponding 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\$701,182,148 are grouped under Level 1 fair value measurements. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

FINANCIAL SUMMARY

	2010 HK\$	Year ended 30th June,			
		2009 HK\$	2008 HK\$	2007 HK\$	2006 HK\$
Results					
Revenue	214,289,735	217,833,350	227,164,184	206,726,887	179,850,118
Cost of sales	<u>(72,434,063)</u>	<u>(61,651,380)</u>	<u>(61,521,903)</u>	<u>(54,953,795)</u>	<u>(47,507,923)</u>
Gross profit	141,855,672	156,181,970	165,642,281	151,773,092	132,342,195
Marketing costs	(9,199,678)	(6,652,267)	(8,491,449)	(7,896,097)	(6,815,680)
Administrative expenses	(20,229,878)	(17,967,789)	(18,908,076)	(18,648,177)	(15,737,781)
Impairment loss on available- for-sale financial assets	–	(41,100,000)	–	–	–
Other expenses	(70,373,329)	(79,915,190)	(72,805,759)	(58,940,468)	(67,410,160)
Finance costs net of finance income	(4,346,712)	(13,305,592)	(28,333,823)	(36,934,658)	(42,086,731)
Share of results of associates	<u>103,755,411</u>	<u>89,589,260</u>	<u>75,882,268</u>	<u>64,546,085</u>	<u>66,260,350</u>
Profit before taxation	141,461,486	86,830,392	112,985,442	93,899,777	66,552,193
Income tax expense	<u>(10,191,637)</u>	<u>(9,401,762)</u>	<u>(8,967,648)</u>	<u>(8,213,373)</u>	<u>(3,707,936)</u>
Profit for the year	<u>131,269,849</u>	<u>77,428,630</u>	<u>104,017,794</u>	<u>85,686,404</u>	<u>62,844,257</u>
			At 30th June,		
	2010 HK\$	2009 HK\$	2008 HK\$	2007 HK\$	2006 HK\$
Assets and liabilities					
Total assets	3,884,153,986	3,514,837,517	3,662,728,577	3,703,758,791	3,742,181,550
Total liabilities	<u>(768,032,327)</u>	<u>(799,848,937)</u>	<u>(828,939,977)</u>	<u>(865,554,523)</u>	<u>(1,258,719,645)</u>
	<u>3,116,121,659</u>	<u>2,714,988,580</u>	<u>2,833,788,600</u>	<u>2,838,204,268</u>	<u>2,483,461,905</u>

Sino Hotels (Holdings) Limited

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

I/We ^(Note 1) _____
of _____
being the registered holder(s) of ^(Note 2) _____
ordinary shares of HK\$1.00 each in the capital of the above-named Company, **HEREBY APPOINT** the Chairman of the Meeting or ^(Note 3) _____
of _____
as my/our proxy to act for me/us at the Annual General Meeting (or at any adjournment thereof) of the Company to be held at The Pacific Rooms, 9th Floor, Towers Wing, The Royal Pacific Hotel & Towers, 33 Canton Road, Tsim Sha Tsui, Kowloon on Thursday, the 28th day of October, 2010 at 10:30 a.m. or as soon as the annual general meeting of Tsim Sha Tsui Properties Limited closes, whichever is the later, and at such Meeting (or at any adjournment thereof) and in the event of a poll to vote for me/us and in my/our name(s) as indicated below or if no such indication is given, as my/our proxy thinks fit.

	For ^(Note 4)	Against ^(Note 4)
1. To receive and consider the audited Financial Statements and the Directors' and Independent Auditor's Reports for the year ended 30th June, 2010.		
2. To declare a final dividend of HK\$0.034 per ordinary share with an option for scrip dividend.		
3. (i) To re-elect The Honourable Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP as Director.		
(ii) To re-elect Mr. Peter Wong Man Kong, BBS, JP as Director.		
(iii) To re-elect Mr. Daryl Ng Win Kong as Director.		
(iv) To authorise the Board to fix the Directors' remuneration for the financial year ending 30th June, 2011.		
4. To re-appoint Deloitte Touche Tohmatsu as Auditor for the ensuing year and to authorise the Board to fix their remuneration.		
5. (i) To approve share repurchase mandate (Ordinary Resolution on item 5(i) of the Notice of Annual General Meeting).		
(ii) To approve share issue mandate (Ordinary Resolution on item 5(ii) of the Notice of Annual General Meeting).		
(iii) To approve extension of share issue mandate (Ordinary Resolution on item 5(iii) of the Notice of Annual General Meeting).		

Dated _____ Signature ^(Note 5) _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of ordinary shares of HK\$1.00 each registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the ordinary shares of the Company registered in your name(s).
3. If any proxy other than the Chairman of the Meeting is preferred, strike out the words "the Chairman of the Meeting or" herein inserted and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK IN THE RELEVANT BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK IN THE RELEVANT BOX MARKED "AGAINST".** Failure to complete the boxes will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting other than those referred to in the Notice convening the Meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
6. In order to be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notorially 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.



