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 33.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are either effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006, 1st March, 2006, 1st May, 2006 or 1st June, 2006. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following area that has an effect on how the results and financial position for the current or prior accounting periods are prepared and presented:

Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard ("HKAS") 39 and Hong Kong Financial Reporting Standard ("HKFRS") 4 (Amendments) *Financial guarantee contracts* which is effective for annual periods beginning on or after 1st January, 2006.

A financial guarantee contract is defined by HKAS 39 *Financial Instruments: Recognition and Measurement* as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Prior to 1st July, 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial guarantee contracts *(Continued)*

The fair value of the financial guarantee contract is accounted for by the borrower as transaction costs of the related borrowing and amortised over the guarantee period using the effective interest method.

In relation to a financial guarantee granted to a bank over the repayment of a loan by an associate, the Group has applied the transitional provisions in HKAS 39. The fair value of the financial guarantee contract at the date of grant of HK$603,000, representing a deemed capital contribution to the associate, has been adjusted to the carrying amount of interests in associates. As at 1st July, 2005, the unamortised amount of HK$219,425 has been recognised as a financial liability for the financial guarantee contract and adjusted to the carrying amount of interests in associates. Comparative figures have been restated (see below for the financial impact).

SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

The effect of the changes in accounting policies described above on the results for the current and prior years are as follows:

(a) On results and income statement items

	2007	2006
	HK$	*HK$*
Income from amortisation of financial guarantee contract included in finance income	**98,825**	120,600
Decrease in share of results of associates	**(98,825)**	(120,600)
Change in profit for the year	**–**	–

(b) The cumulative effect of the application of the new HKFRSs as at 30th June, 2006 is summarised below:

	As at 30th June, 2006 (as originally stated)	Effects of HKAS 39 and HKFRS 4 (Amendment)	As at 30th June, 2006 (as restated)
	HK$	*HK$*	*HK$*
Balance sheet items			
Interests in associates	1,318,234,659	98,825	1,318,333,484
Financial guarantee contract	–	(98,825)	(98,825)
Total effects on assets and liabilities		–	

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) The application of the new HKFRSs has no impact on the Group's equity as at 1st July, 2005.

The Group has not early applied the following new or revised standards, amendment and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new or revised standards, amendment and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions[4]
HK(IFRIC) - INT 12	Service Concession Arrangements[5]

[1] Effective for annual periods beginning on or after 1st January, 2007
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st November, 2006
[4] Effective for annual periods beginning on or after 1st March, 2007
[5] Effective for annual periods beginning on or after 1st January, 2008

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates

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, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity 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, 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 interest in the fair value of the identifiable assets and liabilities of the relevant associate at the date of acquisition.

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 consideration received or receivable for revenue earned in the normal course of business and includes the following items:

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

Income from operations of a club and management of a hotel are recognised when services are rendered.

Dividend income from investments 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.

Rental income under operating leases is recognised on a straight line basis over the period of the respective leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment 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 the consolidated income statement in the year in which the item is derecognised.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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.

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 the consolidated income statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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 income statement 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 balance sheet date.

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised 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 arising on 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the Group 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 market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including pledged fixed deposit, trade and other receivables, amounts due from associates and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group 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. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to an associate and 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 directly in equity 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

4. CRITICAL ACCOUNTING JUDGMENTS

In the process of applying the Group's accounting policies, management makes judgment based on past experience, expectations of the future and other information. The critical judgment that can significantly affect the amounts recognised in the consolidated financial statements is disclosed below.

Tax inquiries of an associate

As detailed in note 18, an associate of the Group is subject to tax inquiries for the years of assessment 1994/95 to 2002/03. The tax in dispute for the years under review amounts to approximately HK$133,062,000 and the effective share of the tax attributable to the Group as at the balance sheet date is estimated to be approximately HK$33,265,000. As the tax inquiries are still at the stage of collation of evidence and the associate has lodged objections with the Inland Revenue Department (the "IRD"), the management of the associate cannot presently determine the ultimate outcome of the tax inquiries with an acceptable degree of reliability. Accordingly, no provision for any liabilities has been made in the financial statements of the associate.

If the objections made to the IRD were unsuccessful, there would be a decrease in interest in the associate as a result of the Group's share of the tax liability.

5. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's major financial instruments include pledged fixed deposit, trade and other receivables, amounts due from associates, bank balances, trade and other payables, amount due to an associate and bank loans and other borrowings. 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.

Credit risk

As at 30th June, 2007, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to perform to discharge an obligation by the counterparties arose from the carrying amounts of the respective recognised financial assets as stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to the amounts due from associates. In order to minimise the credit risk, the Group reviews the recoverable amount of amounts due from associates at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

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

Interest rate risk

The Group's cash flow interest rate risk relates to variable-rate bank borrowings (note 24). The Group's fair value interest rate risk relates primarily to fixed-rate short-term bank deposits. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(b) Fair values

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; and

- 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 using prices from observable current market transactions.

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

6. TURNOVER

	2007 HK$	2006 HK$
Hotel operations	**188,710,742**	163,252,664
Club operations	**7,808,584**	7,534,458
Dividend income from available-for-sale financial assets	**8,277,561**	7,132,996
Hotel management service fees	**1,930,000**	1,930,000
	206,726,887	179,850,118

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into four segments – hotel operations, club operations, investment holding and hotel management services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operations	–	own and operate a hotel
Club operations	–	operate a club
Investment holding	–	investments in available-for-sale financial assets
Hotel management services	–	provide hotel management services

Segment information about these businesses is presented below.

CONSOLIDATED INCOME STATEMENT
For the year ended 30th June, 2007

	Hotel operations HK$	Club operations HK$	Investment holding HK$	Hotel management services HK$	Consolidated HK$
TURNOVER	**188,710,742**	**7,808,584**	**8,277,561**	**1,930,000**	**206,726,887**
RESULT					
Segment result	**59,342,992**	**1,433,033**	**8,272,626**	**1,930,000**	**70,978,651**
Unallocated corporate expenses					**(4,690,301)**
Finance income					**5,375,128**
Finance costs					**(42,309,786)**
Share of results of associates					**64,546,085**
Profit before taxation					**93,899,777**
Income tax expense					**(8,213,373)**
Profit for the year					**85,686,404**

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

CONSOLIDATED BALANCE SHEET
At 30th June, 2007

	Hotel operations *HK$*	Club operations *HK$*	Investment holding *HK$*	Consolidated *HK$*
ASSETS				
Segment assets	**1,625,596,476**	**809,326**	**722,333,008**	**2,348,738,810**
Interests in associates				**1,089,785,119**
Unallocated corporate assets				**265,234,862**
Consolidated total assets				**3,703,758,791**
LIABILITIES				
Segment liabilities	**15,288,074**	**1,217,918**	**6,000**	**16,511,992**
Unallocated corporate liabilities				**849,042,531**
Consolidated total liabilities				**865,554,523**

OTHER INFORMATION
For the year ended 30th June, 2007

	Hotel operations *HK$*	Club operations *HK$*	Consolidated *HK$*
Capital additions	**1,914,252**	**5,000**	**1,919,252**
Depreciation of property, plant and equipment	**11,579,570**	**23,726**	**11,603,296**
Release of prepaid lease payments	**22,217,964**	**–**	**22,217,964**

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

CONSOLIDATED INCOME STATEMENT
For the year ended 30th June, 2006 – as restated

	Hotel operations *HK$*	Club operations *HK$*	Investment holding *HK$*	Hotel management services *HK$*	Consolidated *HK$*
TURNOVER	163,252,664	7,534,458	7,132,996	1,930,000	179,850,118
RESULT					
Segment result	35,730,604	1,588,819	7,127,782	1,930,000	46,377,205
Unallocated corporate expenses					(3,998,631)
Finance income					3,709,567
Finance costs					(45,796,298)
Share of results of associates					66,260,350
Profit before taxation					66,552,193
Income tax expense					(3,707,936)
Profit for the year					62,844,257

CONSOLIDATED BALANCE SHEET
At 30th June, 2006 – as restated

	Hotel operations *HK$*	Club operations *HK$*	Investment holding *HK$*	Consolidated *HK$*
ASSETS				
Segment assets	1,656,315,710	1,081,646	443,413,953	2,100,811,309
Interests in associates				1,318,333,484
Unallocated corporate assets				323,036,757
Consolidated total assets				3,742,181,550
LIABILITIES				
Segment liabilities	13,859,504	838,171	6,000	14,703,675
Unallocated corporate liabilities				1,244,015,970
Consolidated total liabilities				1,258,719,645

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

OTHER INFORMATION
For the year ended 30th June, 2006

	Hotel operations *HK$*	Club operations *HK$*	Consolidated *HK$*
Capital additions	25,761,676	–	25,761,676
Depreciation of property, plant and equipment	11,084,429	25,029	11,109,458
Release of prepaid lease payments	22,217,964	–	22,217,964
Loss on disposal of property, plant and equipment	11,530,117	–	11,530,117

(b) Geographical segments

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

8. FINANCE INCOME

	2007 ***HK$***	2006 *HK$* (as restated)
Income from amortisation of financial guarantee contract	**98,825**	120,600
Interest income on:		
Advance to an associate	**4,204,597**	2,935,300
Bank deposits	**1,071,706**	653,667
	5,375,128	3,709,567

9. FINANCE COSTS

	2007 ***HK$***	2006 *HK$*
Interests and other finance costs on:		
Bank loans wholly repayable within five years	**27,904,278**	38,603,250
Advance from an associate	**14,090,620**	6,765,529
Other unsecured loans	**314,888**	427,519
	42,309,786	45,796,298

10. PROFIT BEFORE TAXATION

	2007	2006
	HK$	*HK$*
Profit before taxation has been arrived at after charging:		
Directors' emoluments *(note 12)*	**604,000**	604,000
Other staff costs	**52,125,059**	46,423,905
Contributions to retirement benefit scheme	**2,640,464**	1,999,454
Total staff costs	**55,369,523**	49,027,359
Auditor's remuneration		
Audit services		
Current year	**578,000**	569,500
Underprovision in prior years	**8,500**	79,000
	586,500	648,500
Non-audit services	**293,000**	224,000
	879,500	872,500
Cost of hotel inventories recognised as an expense	**11,381,699**	8,933,889
Depreciation of property, plant and equipment	**11,603,296**	11,109,458
Loss on disposal of property, plant and equipment	**–**	11,530,117
Net foreign exchange losses	**354,902**	–
Repairs and maintenance in respect of hotel properties	**3,283,003**	2,863,399
Release of prepaid lease payments	**22,217,964**	22,217,964
Share of Hong Kong Profits Tax of associates (included in share of results of associates)	**14,945,468**	14,798,165
and after crediting:		
Net foreign exchange gain	**–**	488,750
Rental income in respect of premises, net of negligible outgoings *(2006: net of negligible outgoings)*	**2,836,323**	2,654,305

11. INCOME TAX EXPENSE

	2007	2006
	HK$	*HK$*
		(as restated)
The charge comprises:		
Hong Kong Profits Tax calculated at 17.5% *(2006: 17.5%)* on estimated assessable profit		
Current year	**7,257,568**	1,769,597
Overprovision in prior years	**(4)**	(32,269)
	7,257,564	1,737,328
Deferred tax *(note 27)*	**955,809**	1,970,608
Taxation attributable to the Company and its subsidiaries	**8,213,373**	3,707,936

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

	2007	2006
	HK$	*HK$*
		(as restated)
Profit before taxation	**93,899,777**	66,552,193
Tax at Hong Kong Profits Tax rate of 17.5%	**16,432,461**	11,646,633
Tax effect of results attributable to associates	**(11,295,565)**	(11,595,561)
Tax effect of expenses not deductible for tax purpose	**4,876,293**	5,051,020
Tax effect of income not taxable for tax purpose	**(1,684,211)**	(1,379,914)
Tax effect of tax losses not recognised	**–**	18,027
Tax effect of utilisation of tax losses previously not recognised	**(115,601)**	–
Overprovision in prior years	**(4)**	(32,269)
Income tax expense for the year	**8,213,373**	3,707,936

12. DIRECTORS' EMOLUMENTS

	2007 Fees HK$	2007 Other emoluments HK$	2007 Total HK$	2006 Fees HK$	2006 Other emoluments HK$	2006 Total HK$
Executive Directors:						
Mr. Robert Ng Chee Siong	**28,000**	**–**	**28,000**	28,000	–	28,000
Mr. Thomas Tang Wing Yung	**18,000**	**–**	**18,000**	18,000	–	18,000
Mr. Daryl Ng Win Kong	**26,000**	**–**	**26,000**	26,000	–	26,000
	72,000	**–**	**72,000**	72,000	–	72,000
Non-executive Directors:						
Mr. Gilbert Lui Wing Kwong	**120,000**	**–**	**120,000**	120,000	–	120,000
The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP *(Note)*	**36,000**	**–**	**36,000**	36,000	–	36,000
	156,000	**–**	**156,000**	156,000	–	156,000
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	**128,000**	**–**	**128,000**	128,000	–	128,000
Mr. Steven Ong Kay Eng	**120,000**	**–**	**120,000**	120,000	–	120,000
	376,000	**–**	**376,000**	376,000	–	376,000
	604,000	**–**	**604,000**	604,000	–	604,000

No Directors waived any emoluments in the year ended 30th June, 2007 *(2006: Nil)*.

Note: During the year, a consultancy fee of HK$416,666 *(2006: HK$416,666)* was paid to Ronald Arculli and Associates, of which the Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP is the sole proprietor.

13. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals were as follows:

	2007 HK$	2006 HK$
Salaries and other emoluments	**3,439,118**	2,744,780
Contributions to retirement benefit scheme	**96,000**	84,353
Discretionary bonus *(Note)*	**632,239**	466,457
	4,167,357	3,295,590

Note: The discretionary bonus for both years were determined by performance of the Group.

13. EMPLOYEES' EMOLUMENTS *(Continued)*

The emoluments were within the following bands:

	Number of individuals	
	2007	2006
Less than HK$1,000,000	**4**	5
HK$1,000,001 – HK$1,500,000	**1**	–

None of the five highest paid individuals waived any emoluments in both years.

During the year, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

	2007	2006
	HK$	*HK$*
Final dividend for the year ended 30th June, 2006 HK2.6 cents *(2005: HK3.5 cents)* per share	**21,888,152**	29,158,506
Interim dividend for the year ended 30th June, 2007 HK2.4 cents *(2006: HK2.2 cents)* per share	**20,305,711**	18,444,337
	42,193,863	47,602,843

A final dividend of HK2.8 cents for the year ended 30th June, 2007 *(2006: HK2.6 cents)* per share 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. These scrip alternative was accepted by the majority of shareholders, as follows:

	2007	2006
	HK$	*HK$*
Final dividend for the year ended 30th June, 2006/2005		
– Cash	**724,032**	2,869,816
– Scrip	**21,164,120**	26,288,690
	21,888,152	29,158,506
Interim dividend for the year ended 30th June, 2007/2006		
– Cash	**595,322**	662,738
– Scrip	**19,710,389**	17,781,599
	20,305,711	18,444,337
	42,193,863	47,602,843

15. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit for the year of HK$85,686,404 *(2006: HK$62,844,257)* and on the weighted average number of 844,583,800 *(2006: 836,367,979)* shares in issue during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties in Hong Kong held under long lease	Furniture, fixtures and hotel operating equipment	Total
	HK$	*HK$*	*HK$*
COST			
At 1st July, 2005	404,110,500	27,146,274	431,256,774
Additions	–	25,761,676	25,761,676
Disposals	(13,477,963)	(2,867,480)	(16,345,443)
At 30th June, 2006	390,632,537	50,040,470	440,673,007
Additions	–	1,919,252	1,919,252
Disposals	–	(449,352)	(449,352)
At 30th June, 2007	**390,632,537**	**51,510,370**	**442,142,907**
DEPRECIATION			
At 1st July, 2005	60,976,533	15,801,447	76,777,980
Provided for the year	5,691,800	5,417,658	11,109,458
Eliminated on disposals	(2,111,669)	(2,703,657)	(4,815,326)
At 30th June, 2006	64,556,664	18,515,448	83,072,112
Provided for the year	5,613,932	5,989,364	11,603,296
Eliminated on disposals	–	(449,352)	(449,352)
At 30th June, 2007	**70,170,596**	**24,055,460**	**94,226,056**
CARRYING AMOUNTS			
At 30th June, 2007	**320,461,941**	**27,454,910**	**347,916,851**
At 30th June, 2006	326,075,873	31,525,022	357,600,895

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 where the buildings are located, or 70 years
Furniture and fixtures	10% – 20%
Hotel operating equipment	20%

17. PREPAID LEASE PAYMENTS

	2007	2006
	HK$	*HK$*
The Group's prepaid lease payments comprises:		
Leasehold land in Hong Kong under long lease	**1,268,275,449**	1,290,493,413
Analysed for reporting purposes as:		
Current assets	**22,217,964**	22,217,964
Non-current assets	**1,246,057,485**	1,268,275,449
	1,268,275,449	1,290,493,413

18. INTERESTS IN ASSOCIATES

	2007	2006
	HK$	*HK$*
		(as restated)
Cost of unlisted investments in associates	**1,062,961,933**	1,062,961,933
Deemed capital contribution to an associate	**603,000**	603,000
Share of post-acquisition profits, net of dividends received	**26,220,186**	254,768,551
	1,089,785,119	1,318,333,484

Details of the associates at 30th June, 2007 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	Incorporated	Hong Kong	Ordinary	–	25%	Hotel owner and operation
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.

Included in the cost of investment in associates is goodwill of HK$186,513,404 *(2006: HK$186,513,404)* arising on acquisitions of associates in prior years.

18. INTERESTS IN ASSOCIATES *(Continued)*

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

	2007 HK$	2006 HK$ (as restated)
Total assets	**5,934,742,735**	6,263,629,715
Total liabilities	**(4,146,132,284)**	(4,039,335,951)
Net assets	**1,788,610,451**	2,224,293,764
The Group's share of net assets of associates	**903,271,714**	1,131,721,255
Turnover	**936,965,603**	853,343,651
Profit for the year	**150,110,387**	149,860,405
The Group's share of results of associates for the year	**64,546,085**	66,260,350

The IRD initiated tax inquiries for the years of assessment 1994/95 to 2002/03 on a wholly-owned subsidiary, Bestown Property Limited ("Bestown"), of the Group's associate, Asian Glory Limited ("AGL"). Notices of assessments for additional tax in an aggregate amount of approximately HK$133,062,000 were issued to Bestown for the years under review and objections were properly lodged with the IRD by Bestown. The effective share of the additional tax attributable to the Group as at 30th June, 2007 is estimated to be approximately HK$33,265,000. In the opinion of the management of Bestown, as the tax inquiries are still at the stage of collation of evidence, the ultimate outcome of the tax inquiries, cannot presently be determined by the management of Bestown with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of Bestown.

The Directors of the Company have taken note of the above matters and have made due inquiries. Nothing has come to the attention of the Board of Directors of the Company which indicates that there has been material subsequent development or change in status in respect of the above matters.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007 HK$	2006 HK$
Equity securities listed in Hong Kong, at fair value	**722,333,008**	443,413,953
Market value of listed securities	**722,333,008**	443,413,953
Analysed for reporting purposes as:		
Non-current assets	**722,333,008**	443,413,953

During the year, scrip dividend with fair value of HK$8,277,561 *(2006: HK$7,132,996)* was received by the Group and such amount was included in available-for-sale financial assets.

20. PLEDGED FIXED DEPOSIT/BANK BALANCES

Pledged fixed deposit of HK$1,493,370 *(2006: HK$1,433,979)* represents deposit pledged to a bank to secure a letter of guarantee issuance facility granted to the Group and is therefore classified as non-current asset.

The pledged fixed deposit carries interest ranged from 3.48% to 4.38% *(2006: 3.10% to 4.40%)* per annum.

Bank balances comprises short-term bank deposits with maturity of three months or less and carry fixed interest ranged from 3.45% to 4.65% *(2006: 3.53% to 3.85%)* per annum.

21. TRADE AND OTHER RECEIVABLES

The Group maintains a defined credit policy. An aged analysis of trade receivables is as follows:

	2007 HK$	2006 HK$
Trade receivables		
0-30 days	**5,285,912**	4,130,140
31-60 days	**1,330,676**	1,225,360
61-90 days	**508,360**	297,779
	7,124,948	5,653,279
Other receivables	**1,355,475**	1,836,599
	8,480,423	7,489,878

22. CURRENT BALANCES WITH ASSOCIATES

The amounts are unsecured and repayable on demand.

At 30th June, 2007, the amounts due from associates include an amount of HK$220,812,891 *(2006: HK$296,461,759)* which is interest-bearing at nominal rates and the remaining balances are interest-free. The amount due to an associate is interest-free.

23. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	2007 *HK$*	2006 *HK$*
Trade payables		
0-30 days	**4,252,227**	2,844,636
31-60 days	**246,331**	214,163
61-90 days	**63,208**	19,064
	4,561,766	3,077,863
Other payables	**11,905,869**	16,431,358
	16,467,635	19,509,221

24. BANK LOANS AND OTHER BORROWINGS

	2007 *HK$*	2006 *HK$*
Bank loans	**424,909,668**	813,372,793
Other interest-bearing unsecured loans	**5,137,065**	27,147,007
	430,046,733	840,519,800
Represented by:		
Secured	**424,909,668**	706,569,668
Unsecured	**5,137,065**	133,950,132
	430,046,733	840,519,800
The repayment schedule of carrying amount is analysed as follows:		
On demand or within one year	**56,169,668**	94,088,418
More than one year, but not exceeding two years	**36,297,065**	145,691,382
More than two years, but not exceeding three years	**337,580,000**	31,160,000
More than three years, but not exceeding four years	**–**	569,580,000
	430,046,733	840,519,800
Less: Amount due within one year shown under current liabilities	**(56,169,668)**	(94,088,418)
Amount due after one year	**373,877,065**	746,431,382

24. BANK LOANS AND OTHER BORROWINGS *(Continued)*

The exposure of the Group's fixed-rate borrowing and the contractual maturing dates are as follows:

	2007	2006
	HK$	*HK$*
Fixed-rate borrowing:		
More than one year, but not exceeding two years	**5,137,065**	27,147,007

Bank loans and other borrowings carry effective interest rates (which are also the contracted interest rates) at Hong Kong Interbank Offer Rate ("HIBOR")/Singapore Interbank Offer Rate plus a margin.

The Group's borrowing that was denominated in United States dollars of the relevant group entities was re-translated in Hong Kong dollars and stated for reporting purposes as:

	HK$
As at 30th June, 2007	–
As at 30th June, 2006	106,803,125

25. SHARE CAPITAL

	Number of ordinary shares of HK$1 each		**Nominal value**	
	2007	2006	**2007**	2006
			HK$	*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	**841,852,008**	833,100,184	**841,852,008**	833,100,184
Shares issued pursuant to scrip dividend schemes for final dividend in respect of the year ended 30th June, 2006/2005	**4,219,322**	5,278,856	**4,219,322**	5,278,856
Shares issued pursuant to scrip dividend schemes for interim dividend in respect of the year ended 30th June, 2007/2006	**3,592,852**	3,472,968	**3,592,852**	3,472,968
At the end of the year	**849,664,182**	841,852,008	**849,664,182**	841,852,008

25. SHARE CAPITAL *(Continued)*

On 15th December, 2006 and 17th May, 2007, pursuant to scrip dividend schemes, the Company issued and allotted a total of 4,219,322 shares and 3,592,852 shares of HK$1 each at an issue price of HK$5.016 and HK$5.486 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2006 final and 2007 interim dividends in respect of each of year ended 30th June, 2006 and 2007, respectively. These shares rank pari passu in all respects with the then existing shares.

On 16th December, 2005 and 18th May, 2006, pursuant to scrip dividend schemes, the Company issued and allotted a total of 5,278,856 shares and 3,472,968 shares of HK$1 each at an issue price of HK$4.98 and HK$5.12 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2005 final and 2006 interim dividends in respect of each of the year ended 30th June, 2005 and 2006, respectively. These shares rank pari passu in all respects with the then existing shares.

26. AMOUNT DUE TO AN ASSOCIATE – NON-CURRENT

The amount due to an associate of the Group is unsecured, compound interest-bearing at HIBOR plus a margin *(2006: HIBOR plus a margin)* per annum and is not repayable within twelve months from the balance sheet date and accordingly, the amount is classified as non-current.

27. DEFERRED TAXATION

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

	Accelerated tax depreciation *HK$*
At 1st July, 2005	2,441
Charge to consolidated income statement during the year	1,970,608
At 30th June, 2006	1,973,049
Charge to consolidated income statement during the year	955,809
At 30th June, 2007	**2,928,858**

At 30th June, 2007, the Group had unused tax losses of approximately HK$4,450,000 *(2006: HK$5,110,000)* 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.

28. PLEDGE OF ASSETS

(a) The Group has pledged its hotel properties and prepaid lease payments having carrying amounts of HK$320,461,941 *(2006: HK$326,075,873)* and HK$1,268,275,449 *(2006: HK$1,290,493,413)*, and available-for-sale financial assets at fair value of HK$423,376,474 *(2006: HK$434,837,784)* and pledged by way of floating charges in other assets of HK$74,725,998 *(2006: HK$62,229,848)* to banks to secure long-term loan facilities granted to the Group;

(b) The Group has pledged its time deposit of HK$1,493,370 *(2006: HK$1,433,979)* 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.

29. MAJOR NON-CASH TRANSACTION

During the year, an associate declared dividend with an aggregate amount of HK$293,094,450. The amount was settled by reducing the Group's amount due to the associate.

30. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK$2,836,323 *(2006: HK$2,654,305)*. The properties held have committed tenants with rental fixed for an average term of three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007	2006
	HK$	*HK$*
Within one year	**1,548,960**	2,655,360
In the second to fifth year inclusive	**–**	770,911
	1,548,960	3,426,271

31. CONTINGENT LIABILITIES

Other than as disclosed in note 18, at the balance sheet date, the Group had contingent liabilities as follows:

	2007	2006
	HK$	*HK$*
Guarantees given to banks, in respect of loan facilities utilised by an associate	**–**	204,750,000

Out of the guarantee amount at 30th June, 2006, HK$98,825 was recognised in the consolidated financial statements as financial guarantee contract.

32. RELATED PARTY DISCLOSURES

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

	Notes	**2007** **HK$**	2006 *HK$*
Club house management service income from a related company	*(i)*	**3,180,000**	3,118,000
Interest expenses paid to an associate		**14,090,620**	6,765,529
Hotel management fee received from an associate		**980,000**	980,000
Hotel management fee received from a related company	*(ii)*	**950,000**	950,000
Interest income received from an associate		**4,204,597**	2,935,300
Security guard services fee paid to a related company	*(i)*	**1,465,677**	1,354,799

Notes:

(i) The related company is a wholly-owned subsidiary of Sino Land Company Limited.

(ii) Mr. Robert Ng Chee Siong was interested in this transaction as a Director of the related company.

(b) At 30th June, 2007, the Group had the outstanding balances with related parties. Details of the amounts with associates are set out in notes 22 and 26.

(c) As at 30th June, 2006, the Group had contingent liabilities in respect of guaranteed loan facilities utilised by an associate amounting to HK$204,750,000. The guarantee to that associate was released during the year.

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

	2007 **HK$**	2006 *HK$*
Short-term benefits	**604,000**	604,000

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.

(e) During the year, a consultancy fee of HK$416,666 *(2006: HK$416,666)* was paid to Ronald Arculli and Associates, of which the Honourable Ronald Joseph Arculli, GBS, CVO, 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 page 28 of the Directors' Report.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company at 30th June, 2007 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
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
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

33. 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
Indirect subsidiary				
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
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.